Quarterly report, Stockholm, July 1, 2009

Third quarter report for Diamyd Medical AB (publ), fiscal year 2008/2009
(www.omxgroup.com ticker: DIAM B; www.otcqx.com ticker: DMYDY)

March 1, 2009 – May 31, 2009

- The Swedish Medical Products Agency approved a study with the Diamyd® vaccine for prevention of type 1 diabetes from manifesting in children at high risk of developing the disease
- Study on Diamyd® published in Diabetologia, Europe's leading scientific diabetes journal
- Half of the patients included in European Phase III study of the Diamyd® diabetes vaccine
- Diamyd Medical licensed the rights for therapeutic use of endomorphine, a substance that can be used to relieve pain, for instance diabetes pain
- Subscription of shares from the exercise of subscription warrants DIAM TO 2B from March 16 to April 17, 2009, gave MSEK 28 in capital
- The FDA approved the inclusion of children from age 10 in an American Phase III study with the Diamyd® diabetes vaccine (after reporting period)
- The first children were vaccinated in a prevention study of Diamyd® for the prevention of type 1 diabetes (after reporting period)

- Group net sales for the third quarter were kSEK 211 (128)
- The net loss for the third quarter was kSEK -26,226 (-9,953)
- Group liquid assets amounted to kSEK 54,430 (96,099)
- Earnings per share after dilution for the third quarter were SEK -2.4 (-1.0)

September 1, 2008 – May 31, 2009

- Group net sales for the period amounted to kSEK 1,077 (959)
- The net loss for the period was kSEK -52,031 (-43,617)
- Earnings per share after dilution were SEK -4.8 (-4.3) for the period

CEO COMMENTS

Diamyd® in groundbreaking diabetes prevention study

I hope no one has missed that the first children have now been vaccinated with Diamyd® or placebo in a prevention study approved in March by the Swedish Medical Products Agency. The study is led by Helena Elding Larsson, a pediatrician at the UMAS university hospital in Malmö. The study's objective is to evaluate whether vaccination with Diamyd® can prevent or delay the development of type 1 diabetes in children at high risk. It is gratifying to state that if the Diamyd® vaccine is able to prevent or delay this extremely serious disease, which primarily strikes children and adolescents, we may be on the threshold of a medical breakthrough.

Intensive work continues to recruit patients to our two Phase III studies in Europe and the US. The studies each contain 320 children and adolescents with recent-onset type 1 diabetes. On June 8 we announced FDA approval to lower the age to include children from age 10 in the US study as well. This allows us to accelerate patient recruitment in the US, and we're working intensively to contract more US pediatric clinics to the study.

Diabetologia, Europe's leading scientific diabetes journal published an article on April 30 that contains study results demonstrating that the Diamyd® vaccine reduces the risk that patients with LADA (Latent Autoimmune Diabetes in Adults) will require treatment with insulin even after five years.

During the period Diamyd Medical acquired an exclusive license for a new endomorphine technology that is indicated for treatment of neuropathic pain that occurs in diabetes, among others. The acquisition is a strategically important contribution to our pain portfolio, and it increases our potential for successful product development in the area. Financing is high on the agenda and we're currently working with several projects to ensure business financing. The strategy includes several alternatives, including out-licensing, structure deals and capital market transactions. The projects are dependent of each other and we will decide on and implement the projects that will best benefit Diamyd's continued development as a diabetes company.

There is a lot of enthusiasm about the Diamyd® vaccine. This was confirmed at the American Diabetes Association's annual conference in New Orleans, where our participation was met with exceptional interest from doctors and scientists from around the world. Diamyd's research was also mentioned by several independent leading diabetes researchers in conference lectures.

I'm very satisfied with what our employees have achieved during this period, and I am confidently looking forward to fulfilling the recruitment of our registration studies in the US and Europe.

Elisabeth Lindner, President and CEO, Diamyd Medical AB

SIGNIFICANT EVENTS DURING THE PERIOD

The Swedish Medical Products Agency approved a study with the Diamyd® vaccine to prevent type 1 diabetes. The study includes 50 children age four and up with a confirmed high risk of developing type 1 diabetes. The purpose of the study is to evaluate whether the Diamyd® vaccine can interrupt the course of the disease and prevent it from manifesting. The study is led by Helena Elding Larsson, a pediatrician at the UMAS university hospital in Malmö, Sweden.

Diabetologia, Europe's leading scientific diabetes journal, published study with Diamyd®. The article describes the company's Phase II study of 47 LADA patients and demonstrates that the Diamyd® vaccine reduces the risk that patients will become insulin dependent, even after five years.

More than half of patients included in European Phase III study of the Diamyd® diabetes vaccine. In mid-May, the company announced that 166 of a total of 320 patients in Europe have been treated with the Diamyd® diabetes vaccine or a placebo. Discussions are ongoing with the relevant regulatory agencies regarding how the brisk pace of recruitment in Europe can be utilized to promote recruitment to Diamyd's global Phase III program.

Diamyd Medical licensed the rights for therapeutic use of endomorphine, a substance that can be used to relieve pain, for instance diabetes pain. The company acquired an exclusive license for a new endomorphine technology, therefore completing its pain portfolio with products that include all three primary pain receptors.

Shares from exercise of subscription warrants DIAM TO 2B from March 16 to April 17, 2009 were subscribed for. The warrants that accompanied each newly issued share from the directed placement of spring 2008 were listed for trading with the First North marketplace as of June 10, 2008, and were traded through April 8, 2009. The subscription period was from March 16 until April 17, 2009. A total of 280,902 new shares were subscribed for, resulting in MSEK 28.1 in additional capital.

Diamyd Medical employees granted options in a new employee option program. The new option program adopted by the annual meeting of shareholders on December 11, 2008 means that employees in the Diamyd group were granted new employee options as of April 1, 2009. A total of 158,400 options were granted to employees. Each option grants the holder the right to subscribe for one class-B share at a specified point of time. The subscription price is SEK 66, and the estimated cost for the entire warrant program, periodized over a three-year period, is SEK 4.8 million. The expense is charged to the income statement. Social security contributions are additional and are recalculated on each balance sheet date and periodized correspondingly over a three-year period. Further information about the terms and financial effects are described in note 4.

OTHER SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The FDA approved inclusion of children from age 10 in an American Phase III study of the Diamyd® diabetes vaccine. The approval means patient recruitment in the US can be accelerated. Diamyd Medical will now increase the number of American pediatric clinics in the study as the ethics committees give their approvals in the US.

The first children were vaccinated in a type 1 diabetes prevention study with Diamyd®. The study's objective is to evaluate whether vaccination with Diamyd® can prevent or delay the development of type 1 diabetes in children at high risk. This is the first test ever of preventive vaccination with Diamyd® for this chronic disease. So far three children have been treated with two injections of Diamyd® or placebo (non-active medication). The study is led by Helena Elding Larsson, a pediatrician at the UMAS university hospital in Malmö, Sweden.

BUSINESS OVERVIEW

Diamyd Medical is a diabetes company that currently develops therapies from two independent technical platforms in the areas of diabetes and diabetes-related complications. One of the platforms originates from the GAD65 molecule and is the basis for the Diamyd® diabetes vaccine, while the other platform, NTDDS (Nerve Targeting Drug Delivery System), utilizes gene therapy to deliver medication directly to nerve cells.

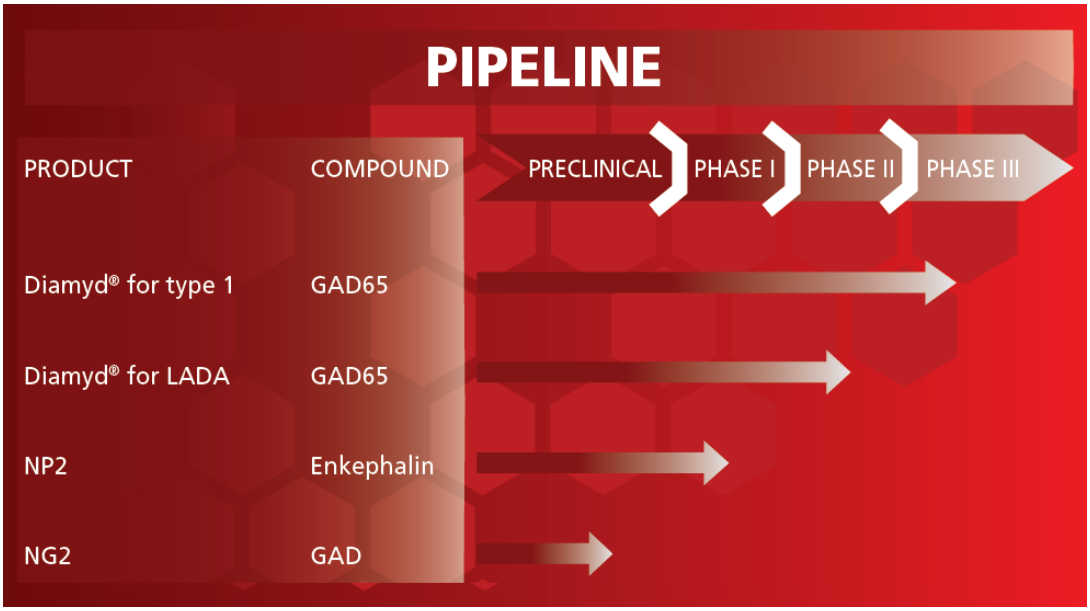
Platforms

DIAMYD MEDICAL PRODUCTS	
DIABETES	**DIABETESRELATED PRODUCTS**
DIAMYD® TYPE 1	NTDDS - NP2
DIAMYD® LADA	NTDDS - NG2

Business Model

Diamyd Medical has a slimmed organization in which a limited number of employees direct, lead and carry out projects in areas such as clinical trials, regulatory and production. This means that parts of operations are outsourced to qualified partners with expert qualifications. This model lowers operating costs compared with building our own operation and efficiently manages costs through resource flexibility, while ensuring high quality and a focus on results as the company's projects move forward.

Pipeline



Diamyd® Clinical Trials: Type 1 Diabetes

Two parallel Phase III studies with the diabetes vaccine Diamyd® are underway in Europe and the US. Both studies are randomized, double-blind and placebo controlled. Approximately 320 young recent-onset type 1 diabetes patients will be included in each study. Each study includes three treatment arms in which a third of the patients are treated with two injections of Diamyd® 20µg (days 1 and 30) and two injections of a placebo, one third are treated with four injections of Diamyd® 20µg (days 1, 30, 90 and 270), and one third receive four injections of a placebo. The results from each study will be analyzed 15 months after all

patients received their first injection. If the studies show a positive result, they will be used for market registration.

The company reported positive results from a similar completed 30-month randomized double-blind placebo controlled Phase II study of 70 children and adolescents with type 1 diabetes. Significant long-term efficacy was demonstrated in preserving beta cell function, i.e. endogenous insulin producing capacity. The treatment was well received by patients, their doctors and parents. In addition, the results strongly support the safety of the drug. No serious side effects related to the Diamyd® treatment were reported in the study. The study was published in the prestigious journal The New England Journal of Medicine in fall 2008. The study has now been extended in order to follow the study participants for three more years, in order to confirm the long-term efficacy of the Diamyd® vaccine.

Diamyd® Clinical Trials: LADA

The results from a five-year follow up of a Phase II study of 47 LADA patients demonstrated that Diamyd® reduces the risk that LADA patients will need insulin treatment. Only 14 percent of the patients in the group that received 20 µg of Diamyd® needed insulin after five years, compared with 64 percent in the placebo group. The results were presented at the European EASD diabetes conference in September 2008 and published in Diabetologia, Europe's leading scientific diabetes journal, in April 2009.

No serious side effects related to Diamyd® treatment have been reported in any study, which strengthens the safety profile of the therapeutic diabetes vaccine Diamyd®.

NTDDS

Diamyd Medical's patented Nerve Targeting Drug Delivery System (NTDDS) is a platform for specific delivery of protein to nerve cells. NTDDS has several advantages over other gene therapy strategies, as it is nerve specific and acts locally (the treatment does not enter the bloodstream), thus resulting in fewer side effects. NTDDS does not integrate into the host cells' chromosomes, which additionally reduces the risk of side effects. The NTDDS lead projects are drugs for the treatment of pain using enkephalin (NP2) and GAD (DG2).

Diamyd has started a clinical Phase I study in the US to test the safety of the NP2 product in patients with acute chronic cancer pain. The study is designed as a dose-escalating study in which various doses will be tried with the intention of testing the safety of NP2 in cancer patients with chronic pain.

GAD and other neurological diseases

Apart from being a major antigen in autoimmune diabetes, GAD is also an enzyme that converts the excitatory neurotransmitter glutamate into the inhibitory neurotransmitter GABA. Several neurological and movement-related disorders may be connected with disturbances in the glutamate-GABA balance, and GAD may come to play an important role in the treatment of such diseases.

Diamyd Medical has out-licensed rights to the GAD65 gene to Neurologix, Inc. for the development of a GAD-based therapy to treat Parkinson's disease. Neurologix Inc. has initiated a Phase II study in Parkinson's disease.

RISK FACTORS

There are no guarantees that Diamyd Medical's research or clinical studies will result in required approvals from regulatory agencies, development of drugs, or commercial success.

There are no guarantees that the company will develop products that can be patented, nor that licensed patents can be retained, renewed, granted or will provide sufficient protection for current or future discoveries. There is no guarantee that disputes will not arise regarding contracts and patents, nor that disputes can be resolved in an advantageous manner for the company.

The company cannot guarantee that there will not be a need in the future to approach the capital market for financing to ensure business development and R&D.

Generally, a biopharmaceutical company such as Diamyd Medical is associated with high risk. There is a risk that forward-looking information and information about the company's current situation can have been misjudged. There is also a risk that deviations from reported information can have a negative or positive effect.

FINANCIAL PERFORMANCE

Net sales—The Group's net sales for Q1-Q3 amounted to kSEK 1,077 (959). During third quarter, net sales totaled kSEK 211 (128). Sales fluctuate from quarter to quarter and consist primarily of Diamyd®-related products such as GAD protein sold to academic researchers.

Costs—Group costs for the first three quarters were MSEK 60.6 (46.3). Costs totaled MSEK 24.6 (10.7) for the third quarter. Costs include production costs of USD 600,000 for the GAD protein that is stored for use in the Group's clinical trials. This cost has not been activated as an asset since these expenses are mainly judged to be attributable to the Group's R&D operation. It is however an additional cost that the Group will be able to include for a 1-2 year period.

Result—Result after net financial items for Q1-Q3 stood at MSEK -52.0 (-43.6). The result for the third quarter was MSEK -26.2 (-10.0). Exchange rate effects have continued to significantly impact the result. Primarily purchases in USD and EUR have affected the cost volume, and thus impacted the result through more expensive purchases and reported exchange rate effects on monetary balance-sheet items. In the operating results, the Group reported positive exchange rate effects of MSEK 0.7 for Q1–Q3 and isolated MSEK 0.5 for Q3.

Through Q2 the exchange rate effect reported in the net financial result was positive, but it has turned downward during Q3 to result in a negative effect for Q3 of MSEK -3.2. The exchange rate effect on financial items is positive for all three quarters and amounts to MSEK 4.2.

Financial position and liquidity—Group cash and cash equivalents were MSEK 54.4 (96.1) as of May 31, 2009. Liquidity in Q3 was strengthened through the exercise of subscription options that injected SEK 28.1 million in capital through the new issue of 280,902 shares in April. Financing the forthcoming 12 month period will require an additional 17 MSEK at current level of operations. The company is working in parallel with several solutions to ensure liquidity for the coming periods. The estimate is that the financial issue will be solved before the year-end results are reported.

Investments—Investments in tangible assets for the third quarter were kSEK 15 (-64). Total investments in tangible assets for the nine-month period were kSEK 111 (4).

Change in equity—As of May 31, 2009, Group equity amounted to SEK 99.2 million (138.3), resulting in an equity/assets ratio of 91.4% (95.6).

Personnel—The Group had 14 (11) employees as of May 31, 2009, of whom 6 were men and 8 were women.

Parent company—The parent company's net sales amounted to SEK 0 (0) since all sales occur in subsidiaries. Investments for the period were MSEK 0 (0). The net profit for the parent company for the first three quarters amounted to MSEK -52.5 (-8.1). The net loss for the parent company's third quarter amounted to MSEK -25.4 (-1.3).

In the third quarter, the parent company's income statement has been charged with MSEK 18.6 in write-downs of shares of subsidiaries, which is attributable to the shareholders' contributions that the parent company provided to the subsidiary in the third quarter for financing its R&D costs. In total, write-down for the first three quarters was MSEK 46.6.

Shares—The total number of shares in Diamyd Medical as of May 31, 2009, was 11,182,472.

Group's Consolidated Income Statement

kSEK	Note	3 months Mar-May 2008/2009	3 months Mar-May 2007/2008	9 months Sep-May 2008/2009	9 months Sep-May 2007/2008	12 months Sep-Aug 2007/2008
OPERATING INCOME						
Net sales		211	128	1,077	959	1,092
Other operating income		886	191	2,186	386	891
Total operating income	1	1,097	319	3,263	1,345	1,983
OPERATING EXPENSES						
Raw materials and consumables		-8	-9	-15	-23	-31
External research and development costs		-11,797	-4,266	-29,927	-28,319	-41,706
Patent and license expenses		-1,276	-444	-3,015	-971	-1,342
Personnel	4	-5,322	-3,790	-15,389	-10,721	-17,179
Other external expenses	5	-6,101	-2,007	-12,081	-5,483	-8,315
Other operating expenses		-	-76	-	-510	-
Depreciation, patents		-	-70	-	-211	-258
Depreciation, equipment		-51	-34	-145	-85	-104
Total operating expenses	1	-24,555	-10,696	-60,572	-46,323	-68,935
OPERATING LOSS		-23,458	-10,377	-57,309	-44,978	-66,952
Financial income and expenses						
Dividend from holdings		385	-	385	296	380
Financial income	3	74	496	5,143	1,473	2,636
Financial expenses		-3,227	-72	-250	-408	-9
Total financial income and expenses		-2,768	424	5,278	1,361	3,007
Loss before tax		-26,226	-9,953	-52,031	-43,617	-63,945
Income tax expense		-57	-36	-122	-113	-22
NET LOSS FOR THE PERIOD		-26,283	-9,989	-52,153	-43,730	-63,967
Earnings per share before and after dilution, SEK		-2.4	-1.0	-4.8	-4.3	-6.3
Number of shares		11,182,472	10,901,570	11,182,472	10,901,570	10,901,570
Number of shares, average		11,014,541	10,179,518	10,939,641	10,179,518	10,209,192
Number of shares after dilution		11,182,472	10,901,570	11,182,472	10,901,570	10,901,570

Group's Consolidated Balance Sheet

kSEK	Note	May 31 2009	May 31 2008	Aug 31 2008
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	6	16,627	16,674	16,627
Tangible assets		412	365	390
Financial assets		21,418	21,418	21,418
Total non-current assets		38,457	38,457	38,435
CURRENT ASSETS				
Inventory		25	3	12
Trade receivables		151	137	123
Other receivables		3,090	1,359	750
Prepaid tax		672	741	911
Prepaid expenses and accrued income		4,063	1,859	2,214
Financial assets available for sale		7,660	6,030	6,402
Liquid assets		54,430	96,099	81,890
Total current assets		70,091	106,228	92,302
TOTAL ASSETS		108,548	144,685	130,737
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Issued capital		11,182	10,902	10,902
Other capital contributions		451,925	424,115	424,115
Other reserves		136	291	271
Accumulated losses including loss for the period		-364,064	-296,982	-314,512
Total shareholder's equity		99,179	138,326	120,776
CURRENT LIABILITIES				
Trade payables		4,097	1,914	6,101
Other payables		846	351	839
Prepaid income and accrued expenses		4,426	4,094	3,021
Total current liabilities		9,369	6,359	9,961
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2	108,548	144,685	130,737

Cash Flow Statement

kSEK	3 months Mar-May 2008/2009	3 months Mar-May 2007/2008	9 months Sep-May 2008/2009	9 months Sep-May 2007/2008	12 months Sep-Aug 2007/2008
Cash flow from operations before changes in working capital					
Operating loss	-23,672	-10,377	-57,523	-44,978	-66,952
Interest received	0	495	2,462	1,472	2,515
Interest paid	0	-72	-266	-408	-9
Dividend received	385	–	385	–	380
Non-cash flow items					
Depreciation	51	104	145	296	362
Other non-cash flow items	1,324	-490	1,900	1,003	3,899
Income tax paid	0	117	0	-65	–
Net cash flow from operating activities before changes in working capital	-21,912	-10,223	-52,897	-42,680	-59,805
Increase (-) decrease (+) inventory	-15	8	-11	9	–
Increase (-) decrease (+) receivables	-3,090	-682	-5,214	-3,448	2,855
Increase (+) decrease (-) liabilities	2,537	-1,618	189	-2,770	846
Net cash flow from operating activities	-22,480	-12,515	-57,933	-48,889	-56,104
Cash flow from investing activities					
Purchase of intangible assets	–	–	–	–	–
Purchase of tangible assets	-15	64	-111	-4	-63
Purchase of financial assets	–	–	–	–	-6,445
Net cash flow from investing activities	-15	64	-111	-4	-6,508
Cash flow from financing activities					
Option premiums	–	–	–	6,878	6,767
New share issue	28,090	68,372	28,090	68,372	68,483
Cash flow from financing activities	28,090	68,372	28,090	75,250	75,250
Total cash flow for the period	**5,595**	**55,921**	**-29,954**	**26,357**	**12,638**
Cash and cash equivalents at beginning of period	50,375	39,253	81,890	68,803	68,803
Net foreign exchange difference	-1,540	925	2,494	938	449
Cash and cash equivalents at end of period	54,430	96,099	54,430	96,098	81,890

Change in Shareholder's Equity (Group)

kSEK	Issued capital	Other capital contributions	Reserves	Accumulated losses	TOTAL
September 1, 2007—August 31, 2008					
Opening balance, September 1, 2007	9,772	349,995	311	-254,944	105,134
Translation gain			-40		-40
Total revenues and costs posted directly to shareholders' equity			-40		-40
Net loss for the period				-63,967	-63,967
Total revenues and costs			-40	-63,967	-64,007
New share issue	991	67,353			68,344
Option premiums	139	6,767			6,906
Employee options				4,399	4,399
Closing balance, August 31, 2008	10,902	424,115	271	-314,512	120,776
September 1, 2007—May 31, 2008					
Opening balance, September 1, 2007	9,772	349,995	311	-254,944	105,134
Translation gain			-20		-20
Total revenues and costs posted directly to shareholders' equity			-20		-20
Net loss for the period				-43,730	-43,730
Total revenues and costs			-20	-43,730	-43,750
New share issue	991	67,353			68,344
Option premiums	139	6,767			6,906
Employee options				1,692	1,692
Closing balance, May 31, 2008	10,902	424,115	291	-296,982	138,326
September 1, 2008—May 31, 2009					
Opening balance, September 1, 2008	10,902	424,115	271	-314,512	120,776
Translation gain			-135		-135
Total revenues and costs posted directly to shareholders' equity			-135		-135
Net loss for the period				-52,153	-52,153
Total revenues and costs			-135	-52,153	-52,288
New share issue*	280	27,810			28,090
Employee options				2,601	2,601
Closing balance, May 31, 2009	11,182	451,925	136	-364,064	99,179

* Refers to new share issue in conjunction with exercise of subscription options.

Parent Company Income Statement

kSEK	Note	3 months Mar-May 2008/2009	3 months Mar-May 2007/2008	9 months Sep-May 2008/2009	9 months Sep-May 2007/2008	12 months Sep-Aug 2007/2008
OPERATING INCOME						
Other operating income		669	–	1,798	–	–
Total income		669	–	1,798	–	–
OPERATING EXPENSES						
Personnel		–	–	-132	–	-233
Other external expenses		-4,701	-1,420	-12,579	-8,513	-12,543
Other operating expenses		–	-260	–	-541	-12
Total operating expenses		-4,701	-1,680	-12,711	-9,054	-12,788
OPERATING LOSS		-,4,032	-1,680	-10,913	-9,054	-12,788
FINANCIAL INCOME AND EXPENSES						
Results from group participation		-18,590	–	-46,644	172	-55,334
Dividend from holdings		385	–	385	–	380
Interest income and similar items	3	113	417	4,951	1,247	2,795
Interest expense and similar items		-3,227	-20	-245	-415	–
Total financial income and expenses		-21,319	397	-41,553	1,004	-52,159
Loss before tax		-25,351	-1,283	-52,466	-8,050	-64,947
Income tax expense		–	–	–	–	18
NET LOSS FOR THE PERIOD		-25,351	-1,283	-52,466	-8,050	-64,929

Parent Company's Balance Sheet

kSEK	Note	May,31 2009	May,31 2008	Aug,31 2008
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Acquired research and development	6	16,627	16,627	16,627
Financial assets				
Shares in group companies		1,200	3,385	1,200
Receivables at group companies		9,236	47,809	12,267
Other long-term bond holdings		21,418	21,417	21,418
Total non-current assets		48,481	89,238	51,512
CURRENT ASSETS				
Other receivables		284	1,178	148
Prepaid expenses and accrued income		1,549	966	1,524
Financial instruments available for sale		7,660	6,030	6,403
TOTAL TRADE AND OTHER RECEIVABLES		9,493	8,174	8,075
Short-term investments		–	–	20,247
Liquid assets		42,062	78,291	47,731
TOTAL CURRENT ASSETS		51,555	86,465	76,053
TOTAL ASSETS		100,036	175,703	127,565

Parent Company's Balance Sheet, continued

kSEK	Note	May,31 2009	May,31 2008	Aug,31 2008
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Restricted equity				
Issued capital		11,182	10,902	10,902
Statutory reserve		96,609	215,793	96,609
Non-restricted equity				
Share premium reserve non-restricted		101,928	78,184	74,120
Loss brought forward		-57,882	-121,556	4,445
Net loss for the period		-52,466	-8,050	-64,929
Total shareholder's equity	2	99,371	175,273	121,147
Long-term liabilities to subsidiary		–	–	5,606
CURRENT LIABILITIES				
Trade payables		298	429	362
Other payables		–	–	9
Prepaid income and accrued expenses		367	–	441
Total current liabilities		665	429	812
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		100,036	175,702	127,565
Assets pledged		157	157	157
Contingent liabilities		–	–	–

Notes

Accounting principles

This interim report was prepared as per IAS 34, Interim Financial Reporting. For a more detailed description of the accounting principles used by the Group, see the most recent annual report.

Note 1 - Segment results

Segment results for the period Mar 1, 2009–May 31, 2009

	GAD	NTDDS	Group
Total segment income	211	0	211
Other income	788	98	886
Total income	999	98	1,097
Segment results	-20,589	-2,869	-23,458
Financial income			385
Financial expenses			-3,153
Total financial income and expenses			-2,768
Dividends from holdings			-
Loss before income tax			-26,226
Income tax			-57
Net loss for the period			-26,283

Segment results for the period Mar 1, 2008–May 31, 2008

	GAD	NTDDS	Group
Total segment income	128	-	128
Other income	-	191	191
Total income	128	191	319
Segment results	-8,094	-2,283	-10,377
Financial income			495
Financial expenses			-71
Total financial income and expenses			424
Dividends from holdings			0
Loss before income tax			-9,953
Income tax			-36
Net loss for the period			-9,989

Segment results for the period Sep 1, 2008–May 31, 2009

	GAD	NTDDS	Group
Total segment income	996	81	1,077
Other income	1,854	332	2,186
Total income	2,850	413	3,263
Segment results	-46,993	-10,316	-57,309
Financial income			5,528
Financial expenses			-250
Total financial income and expenses			5,278
Dividends from holdings			-
Loss before income tax			-52,031
Income tax			-122
Net loss for the period			-52,153

Segment results for the period Sep 1, 2007–May 31, 2008

	GAD	NTDDS	Group
Total segment income	959	-	959
Other income	-	386	386
Total income	959	386	1,345
Segment results	-35,083	-9,895	-44,978
Financial income			1,769
Financial expenses			-408
Total financial income and expenses			1,361
Dividends from holdings			0
Loss before income tax			-43,617
Income tax			-113
Net loss for the period			-43,730

Note 2 – Equity and liabilities

All Group debts are non-interest-bearing.

Note 3 – Financial income

Group and parent company financial income includes foreign exchange gains on financial items of MSEK 4.2 (0.0). For the third quarter, an exchange loss of MSEK 3.2 (0.0) is reported under financial costs. The exchange loss reported among financial costs in Q3 was recognized net under financial income for the nine-month period.

Note 4 – Employee option program 2008/2011

On April 1, 2009, the employees and management of the subsidiary Diamyd Therapeutics AB and the subsidiary Diamyd Inc. were granted 158,400 options, which can result in subscription for a maximum of 158,400 new Class-B shares. One-third of the program can be used no earlier than November 15, 2009, another one-third on November 15, 2010, and the last third on November 15, 2011. In addition to the 158,400 operations granted to employees and management, the Group subsidiaries have subscribed for 61,600 options that are designated for use to cover social security costs that can arise when the options are exercised.

The program has been valued as per Black & Scholes, and the most important parameters have been:

Volatility: 49%

Subscription price: SEK 66 per share

Interest rates corresponding to a 1-year treasury bill and 2-year and 3-year government securities have been used when calculating the costs.

The total calculated cost to be periodized over a brief three-year period amounts to SEK 4.8 million excluding social security costs that will be valued at each balance-sheet date and periodized over the vesting period. The cost is less if employees quit before the vesting period and therefore lose the option right.

Note 5 – Related-party transactions

During the period companies represented by immediate family members of the Chairman of the Board as well as immediate family members of a key executive were retained as consultants. Total compensation during the nine-month period amounted to kSEK 596 (526) excluding VAT. Compensation was for IT services, a new website, website maintenance and press release expenses. Pricing has been set by the arm's length principle.

	2008/2009	2007/2008	2007/2008
kSEK	Sep-May	Sep-May	Sep-Aug
Consultant fees	596	526	604

Note 6—Intangible assets, impairment testing

In Q3, impairment testing has been done for NDDS, our acquired R&D project, since this is required as per IFRS for intangible assets that do not depreciate regularly. The depreciation has not started since this intangible asset is not in use. Book value for the intangible asset on the balance-sheet day amounted to kSEK 16,627 (16,627).

The impairment test did not show any write-down requirement. The impairment test was performed similarly to the impairment test performed for the year-end report on August 31, 2008, in which estimated future cash flows from the investment were discounted. A 14% discount factor was used (in the financial statement on August 31, 2008: 14%). The cash flows used in the impairment test were adjusted for the estimated likelihood that the project which come to commercial fruition and thus generate cash flow. This percentage varies depending on the phase each project is in, and is based on statistical information obtained from external sources.

A sensitivity analysis was performed in which the discount factor was raised to 19%. Even with this higher discount factor, no write-down was needed.

Key ratios

	3 months Mar-May 2008/2009	3 months Mar-May 2007/2008	9 months Sep-May 2008/2009	9 months Sep-May 2007/2008	12 months Sep-Aug 2007/2008
Return on equity, %	-26.9	-9.2	-47.4	-35.9	-54.6
Return on capital employed, %	-23.6	-10.5	-47.1	-35.5	-54.5
Return on assets, %	-21.7	-9.8	-43.3	-33.4	-50.4
Shareholders' equity per share, SEK	8.9	12.7	8.9	12.7	11.1
Shareholders' equity per share after dilution, SEK	8.9	14.3	8.9	13.6	11.1
Cash flow per share, SEK	0.5	5.6	-2.7	2.6	1.2
Solidity, %	91.4	95.6	91.4	95.6	92.0
Number of shares	11,182,472	10,901,570	11,182,472	10,901,570	10,901,570
Number of shares, average	11,014,541	10,179,518	10,939,641	10,179,518	10,209,192
Number of shares after dilution, average	11,014,541	10,179,518	10,939,641	10,179,518	10,209,192

Board assurance

The Board of Directors and the CEO certify that the interim report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm July 1, 2009

The Board of Diamyd Medical AB

Anders Essen-Möller, Chairman

Lars Jonsson, Board Member

Sam Lindgren, Board Member

Henrik Bonde, Board Member

Elisabeth Lindner, CEO

Financial calendar

Quarterly and year-end report (September-August) October 23, 2009

Annual general meeting December 11, 2009

About Diamyd Medical

Diamyd Medical is a Swedish diabetes company focusing on the development of pharmaceuticals for the treatment of autoimmune diabetes and its complications. The company's most advanced project is the GAD-based drug Diamyd® for type 1 diabetes. Phase III trials for this drug are in progress in both the US and Europe. In addition, the company has initiated clinical studies in the US in the area of chronic pain, using its Nerve Targeting Drug Delivery System. The company has also out-licensed the use of GAD for the treatment of Parkinson's disease. The company currently has three clinical-phase products.

Diamyd Medical has offices in Sweden and the US. Its shares are listed on the Nasdaq OMX Small Cap list in Stockholm (ticker: DIAM B) and on OTCQX in the US (ticker: DMYDY) administered by the Pink OTC Markets and the Bank of New York Mellon (PAL). Further information is available on the company's website: www.diamyd.com.

This information is disclosed in accordance with the Swedish Securities Markets Act, the Swedish Financial Instruments Trading Act, or the requirements stated in the listing agreements.

For additional information, please contact:

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Öhrlings

PRICEWATERHOUSECOOPERS

Review report

We have reviewed the report for the period September 1, 2008 – May 31, 2009 for Diamyd AB (publ). The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act, regarding the Group, and with the Annual Accounts Act, regarding the Parent Company.

Stockholm July 1, 2009

Öhrlings PricewaterhouseCoopers AB

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Liselott Stenudd

Authorized Public Accountant