Quarterly report Stockholm January 30, 2009

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

September 1, 2008 – November 30, 2008

- The results from a Phase II study of Diamyd® were published in the prestigious medical journal, the New England Journal of Medicine
- Diamyd's Phase III studies have been approved in six European countries as well as the US, as of November 6, 2008
- 10 percent of the patients in Diamyd's European Phase III trial have been screened, as of October 1, 2008
- Preclinical studies with the NP2 gene therapy product demonstrate efficacy for diabetes pain
- A European patent was granted for the treatment of erectile dysfunction (impotence), a complication of diabetes, using the company's gene therapy technology
- Diamyd receives great exposure at the EASD conference in Rome
- Applications were filed to initiate two prevention studies with the Diamyd® diabetes vaccine (after reporting period)
- The Annual General Meeting was held on December 11, 2008 (after reporting period)

- Net sales for the first quarter were kSEK 88 (149)
- The net loss for the first quarter was MSEK 10.4 (17.1)
- Group liquid assets were MSEK 70.4 (49.8) as of November 30, 2008
- Earnings per share after dilution were SEK -1.0 compared to SEK -1.7 for the same period last year

CEO OVERVIEW

Late autumn at Diamyd has seen many activities, with a focus on the company's visibility on the world stage. I myself have visit Beijing, London, Helsinki and New York among other places, and spoken before audiences from the worlds of science and finance. We've been positively received, and it is reassuring to see that Diamyd is gaining a hearing worldwide.

Awareness of Diamyd has reached a new level in the scientific world, thanks to the publication in the New England Journal of Medicine at the beginning of October. In the future this will be considered to be one of the company's milestones. Having our successful results of the Phase II study, where type 1 diabetes patients were treated with Diamyd®, published in the most prestigious medical journal in the world means a tremendously valuable validation of our research. An example of an immediate reaction is that two research groups that cooperate with Diamyd have applied for permission to initiate prevention studies, independent of one another. It seems important to initiate treatment as early as possible in the disease process while there are still enough insulin producing cells remaining and it is still possible to prevent the serious illness of type 1 diabetes. The first study is being led by a team of Scandinavian researchers, and concerns Scandinavian patients. The second study is being led by Dr. Helena Elding Larsson in Malmö-Lund, and involves Swedish children. More information about these two studies will be published when the studies are ready to commence.

Thus these two studies place no financial burden on Diamyd, but are of tremendous value to the company. Diamyd is cooperating in the same way with the American organization TrialNet for some time. This is a very cost-effective model for a small company. By cooperating with leading research institutions on studies of research character, we can explore several paths in parallel with our ongoing projects, in a way that is cost effective. Moreover the researchers' good reputations lend extra weight to the studies among opinion makers in the field, and Diamyd has the rights to the study results.

In my conversations and meetings with representatives from the financial industry throughout the world, I'm being shown respect that Diamyd has come so far into Phase III of its development of a potentially pioneering diabetes vaccine, at such low costs. I feel confident about the future, and the success that the Diamyd® vaccine may achieve, based on the results that have already been demonstrated at this point.

For Diamyd as a company, the next priority is to ensure continued financing in order to complete our Phase III studies. Along with financing strategies, we are also currently working on positioning Diamyd as a market-oriented diabetes company. This includes numerous different scenarios, where in addition to actively pursue outlicensing of our products, we are also evaluating other partnership opportunities with companies that work in the area of autoimmune diabetes.

We live in exciting times, where new possibilities are opening up all the time. I look forward to the coming year.

Elisabeth Lindner, President and CEO, Diamyd Medical AB

SIGNIFICANT EVENTS DURING THE PERIOD

The New England Journal of Medicine publishes the 30-month results of the company's Phase II study. The results demonstrate that the therapeutic diabetes vaccine Diamyd® for type 1 diabetes preserves the body's capacity to produce its own insulin. The results indicate that Diamyd does not cause any side effects associated with the product.

5-year results from the Diamyd Phase II study with LADA patients are presented at the EASD conference (European Association For The Study Of Diabetes, 44th Annual Meeting) in Rome, Italy. The results demonstrate that vaccination with Diamyd® significantly reduces the risk that LADA (Latent Autoimmune Diabetes in Adults) patients will need insulin treatment, even after five years. No serious treatment-related side effects were observed in the study, which strengthens Diamyd®'s safety profile further.

Phase III studies in Europe and the US. At the beginning of this reporting period, it was reported that 10 percent of the diabetes patients in the European study had been screened. The first patients in the US study had been injected. In October the Company also reported that six European countries - the Netherlands, the UK, Finland, Slovenia, Spain and Sweden - had approved the Phase III study of the Diamyd® diabetes vaccine for type 1 diabetes.

The NTDDS product NP2 is effective against diabetes pain. Diamyd's preclinical research on the topic is published in an article in the scientific journal Journal of Neuroscience.

Erectile dysfunction, or impotence, is a common complication of diabetes, which may be treated in the future using the company's NTDDS technology. The method of delivering nerve growth factors directly to damaged nerves has been shown to be effective in animal models. A new European patent was granted for the method.

OTHER SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The annual meeting of shareholders authorized the board to decide on a new share issue on one or more occasions until the next annual meeting. The total number of shares issued may not exceed 10 percent of the total number of shares. The meeting approved the Board's proposal that it be authorized to repurchase up to 10 percent of the Company's shares on one or more occasions until the next annual meeting. The annual meeting approved the Board's proposed guidelines for compensation and terms of employment for the CEO and other key executives. In addition, the meeting approved the Board's proposal to institute an employee option program. Anders Essen-Möller was reelected as Chairman of the Board, and Lars Jonsson and Sam Lindgren were reelected to the Board while Henrik Bonde was elected as a new Board member.

Prevention studies with the Diamyd® vaccine. A team of Scandinavian researchers has applied for permission to begin a study using Diamyd® to vaccinate people at high risk of developing type 1 diabetes. In Sweden Dr. Helena Elding Larsson, a pediatrician and researcher at Lund University, has also applied to the Swedish Medical Products Agency for approval of a study intended to prevent type 1 diabetes in Swedish children.

BUSINESS OVERVIEW

Diamyd Medical is a biopharmaceutical 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 GAD molecule and is the basis for the therapeutic diabetes vaccine Diamyd®. The second platform, called NTDDS, utilizes gene therapy to deliver medication directly to nerve cells.

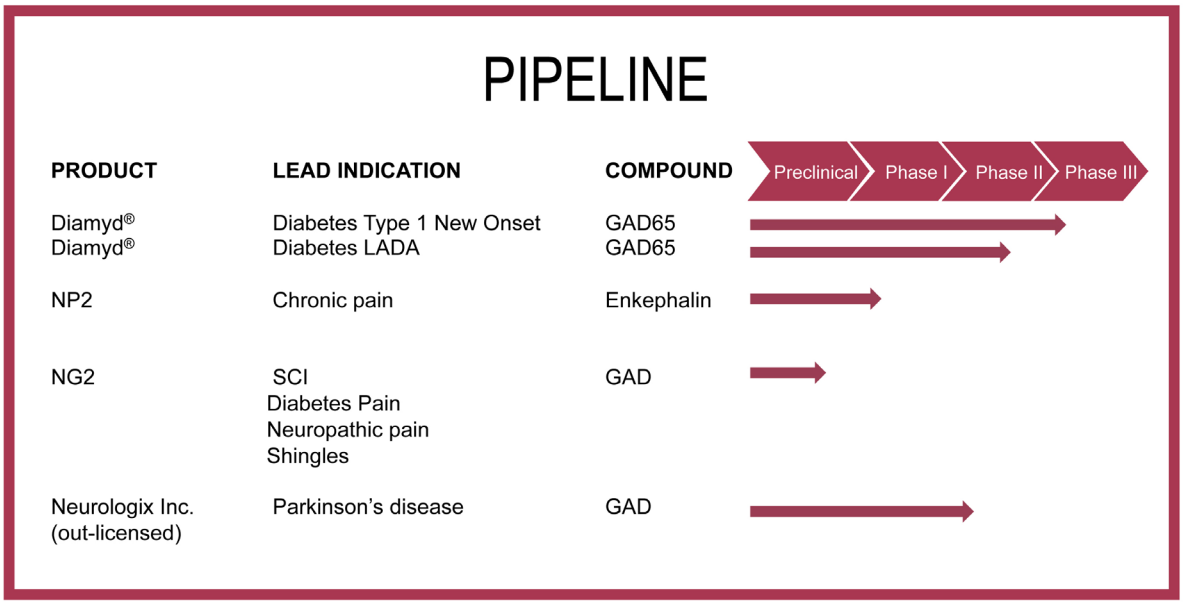
Platforms

DIAMYD PRODUCTS	
DIABETES	**DIABETES RELATED COMPLICATIONS**
DIAMYD® TYPE 1	NTDDS - NP2
DIAMYD® LADA	NTDDS - NG2

Business Model

Diamyd Medical is by and large a virtual company with a focused in-house team that outsources operations to qualified partners with expert qualifications. This model enables the Company to develop its products cost-effectively while maintaining flexibility and ensuring delivery of quality results as its projects move forward.

Pipeline



Concerning the Diamyd® diabetes vaccine, the Company will out-license the rights to the LADA market on a global or regional basis, while the strategy is to keep the rights for type 1 diabetes for certain markets. Concerning NTDDS, Diamyd intends to develop diabetes-related products at least through the proof-of-concept stage and then out-license the marketing rights on either a global or regional basis depending on the product and partner. Non diabetes-related products are being patented and "packaged" for early sales or out-licensing.

Diamyd® for Type 1 Diabetes; Clinical Trials

Two parallel Phase III studies with the therapeutic vaccine Diamyd® have started in Europe and the US. Patients have been screened and received injections on both continents. Both studies are randomized, double-blind and placebo controlled. Approximately 320 newly diagnosed young type 1 diabetes patients will be included in each study. Each study will include three treatment arms in which a third of the patients will be treated with two injections of Diamyd® 20µg (days 1 and 30), one third will be treated with four injections of Diamyd® 20µg (days 1, 30, 90 and 270), and one third will receive a placebo. The two Diamyd® arms are independent of each other, and each can be evaluated against the placebo. The results from each study will be analyzed 15 months after all patients received their first injection. If the studies have 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, family members and doctors. 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 recently published in the prestigious journal The New England Journal of Medicine.

Diamyd® for LADA; Clinical Trials

The results after five-years of follow up of a Phase II study of 47 LADA patients demonstrated that treatment with Diamyd® significantly 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 5 years, vs. 64 percent in the placebo group. The results were presented at the European EASD diabetes conference in September 2008.

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

NTDDS

Diamyd Medical's patented Nerve Targeting Drug Delivery System (NTDDS) is a gene therapy technology for the specific delivery of protein to nerve cells. This system has several advantages over other gene delivery strategies, as the NTDDS is nerve specific and acts locally (the treatment does not enter the bloodstream), which reduces the risk of side effects. NTDDS does not integrate the introduced genes 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 (NG2).

Diamyd is conducting a clinical Phase I study in the US to test the safety of NP2 in patients with acute chronic cancer pain. The study is designed as a dose-escalating study in which various doses will be tested. It is being conducted at the University of Michigan.

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 sublicensed rights to the GAD65 gene to Neurologix Inc. in the US 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 is no guarantee that pharmaceutical research or clinical studies will result in either the necessary approvals from regulatory authorities, the development of pharmaceutical products, or commercial success.

There can be no guarantee that the company will develop products that can be patented, or that granted or licensed patents can be retained or be sufficient to permit marketing, or provide sufficient protection for current or future discoveries.

Neither can the company guarantee that there will not in the future be any need to turn to the capital market for financing in order to secure business development, as well as research and development projects undertaken.

Generally a biopharmaceutical company such as Diamyd Medical is associated with high risk.

Financial Performance

Net sales for the first quarter were kSEK 88 (149). Sales fluctuate from quarter to quarter and consist primarily of Diamyd®-related products such as GAD protein sold to academic researchers.

Costs - Group costs were MSEK 15.4 (17.8) in the first quarter.

Result - The net loss for the first quarter was MSEK 10.4 (17.1). The result includes MSEK 4.5 in exchange rate effects, which had a positive impact on the result.

Financial position and liquidity – The Group's liquid assets were MSEK 70.4 (49.8) as of November 30, 2008.

Change in equity - As of November 30, 2008, the Company's equity amounted to MSEK 111.0 (93.9), resulting in a solvency ratio of 91.0 (93.2) percent.

Personnel - The Group had 14 (11) employees as of November 30, 2008, 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. The net profit for the Parent Company for the first quarter amounted to MSEK 2.8 (-3.7). The positive earnings can be attributed to MSEK 4.5 in positive exchange rate effects.

Shares – The total number of shares in the Company as of November 30, 2008 was 10,901,570.

Investments – Investments in tangible assets for the quarter were kSEK 79 (92).

This interim report has not been subject to review by theauditors.

Group's Consolidated Income Statement

kSEK	Note	3 months Sep-Nov 2008/2009	3 months Sep-Nov 2007/2008	12 months Sep-Aug 2007/2008
OPERATING INCOME				
Net sales		88	149	1 092
Other operating income		194	204	891
Total operating income	1	282	353	1 983
OPERATING EXPENSES				
Raw materials and consumables		0	-6	-31
External research and development costs		-8,018	-12,663	-41,706
Patent and license expenses		-501	-34	-1,342
Personnel		-4,533	-3,877	-17,179
Other external expenses	4	-2,335	-1,157	-8,315
Depreciation, patents		-	-70	-258
Depreciation, equipment		-44	-26	-104
Total operating expenses		-15,431	-17,833	-68,935
OPERATING LOSS		**-15,149**	**-17,480**	**-66,952**
Financial income and expenses				
Dividends from other bonds		-	-	380
Financial income	3	5,009	547	2,636
Financial expenses		-266	-190	-9
Total financial income and expenses		4,743	357	3,007
Loss before taxes		-10,406	-17,123	-63,945
Income taxes		-48	-	-22
NET LOSS FOR THE PERIOD		**-10,454**	**-17,123**	**-63,967**
Earnings per share before and after dilution, SEK		-1,0	-1,7	-6,3
Number of shares		10,901,570	9,867,478	10,901,570
Average number of shares		10,901,570	9,829,468	10,209,192
Number of shares after dilution		10,901,570	9,848,907	10,901,570

Group's Consolidated Balance Sheet

kSEK	Note	Nov 30 2008	Nov 30 2007	Aug 31 2008
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		16,627	16,814	16,627
Tangible assets		493	458	390
Financial assets		21,418	21,418	21,418
Total non-current assets		38,538	38,690	38,435
CURRENT ASSETS				
Inventory		14	6	12
Trade receivables		131	47	123
Other receivables		1,538	2,192	750
Prepaid tax		570	1,339	911
Prepaid expenses and accrued income		2,833	2,311	2,214
Financial assets available for sale		7,970	6,370	6,402
Liquid assets		70,443	49,829	81,890
Total current assets		83,499	62,094	92,302
TOTAL ASSETS		**122,037**	**100,784**	**130,737**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Issued capital		10,902	9,867	10,902
Other capital contributions		424,115	354,650	424,115
Other reserves		145	571	271
Accumulated losses		-324,159	-271,181	-314,512
Total shareholders' equity		111,003	93,906	120,776
Current liabilities				
Trade payables		8,843	2,125	6,101
Other payables		518	883	839
Prepaid income and accrued expenses		1,673	3,869	3,021
Total current liabilities		11,034	6,877	9,961
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**122,037**	**100,784**	**130,737**

Cash Flow Statement

kSEK	3 months Sep-Nov 2008/2009	3 months Sep-Nov 2007/2008	12 months Sep-Aug 2007/2008
Cash flow from operations before changes in working capital			
Operating loss	-15,149	-17,480	-66,952
Interest received	285	1,006	2,515
Interest paid	-266	-4	-9
Dividend received	–	–	380
Non-cash flow items			
Depreciation	44	96	362
Other non-cash flow items	827	-75	3,899
Income tax paid	–	–	–
Net cash flow from operating activities before changes in working capital	-14,259	-16,457	
-59,805			
Increase (-) decrease (+) inventory	–	4	0
Increase (-) decrease (+) receivables	-760	1,350	2,855
Increase (+) decrease (-) liabilities	987	-2,114	846
Net cash flow from operating activities	-14,032	-17,217	-56,104
Cash flow from investing activities			
Purchase of intangible assets	–	–	–
Purchase of tangible assets	-79	-92	-63
Purchase of financial assets	–	-6,370	-6,445
Net cash flow from investing activities	-79	-6,462	-6,508
Cash flow from financing activities			
Option premiums	–	–	6,767
New share issue	–	4,750	68,483
Net cash flow from financing activities	–	4,750	75,250
Total cash flow for the period	**-14,111**	**- 18,929**	**12,638**
Cash and cash equivalents at beginning of period	81,890	68,803	68,803
Net foreign exchange difference	2,664	-45	449
Cash and cash equivalents at end of period	70,443	49,829	81,890

Change in Shareholder's Equity (Group)

kSEK	Share capital	Other capital contributions	Reserves	Accumulated losses	Total
2007-09-01—2008-08-31					
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 year				-63,967	-63,967
Total revenues and costs			-40	-63,967	-64,007
New share issue	1,130	67,353			68,483
Option premiums		6,767			6,767
Employee options				4,399	4,399
Closing balance, August 31, 2008	10,902	424,115	271	-314,512	120,776
2007-09-01—2007-11-30					
Opening balance, September 1, 2007	9,772	349,995	311	-254,944	105,134
Translation gain			260		260
Total revenues and costs posted directly to shareholders' equity			260		260
Net loss for the period				-17,123	-17,123
Total revenues and costs			260	-17,123	-16,867
Option premiums	95	4,655			4,750
Employee options				886	886
Closing balance, November 30, 2007	9,867	354,650	571	-271,181	93,906
2008-09-01—2008-11-30					
Opening balance, September 1, 2008	10,902	424,115	271	-314,512	120,776
Translation gain			-126		-126
Total revenues and costs posted directly to shareholders' equity			-126		-126
Net loss for the period				-10,454	-10,454
Total revenues and costs			-126	-10,454	-10,580
Employee options				807	807
Closing balance, November 30, 2008	10,902	424,115	145	-324,159	111,003

Parent Company's Income Statement

kSEK	Note	3 months Sep-Nov 2008/2009	3 months Sep-Nov 2007/2008	12 months Sep-Aug 2007/2008
OPERATING INCOME				
Other operating income		561	–	–
Total income		561	–	–
OPERATING EXPENSES				
Personnel		–	–	-233
Other external expenses		-2,428	-3,952	-12,543
Other operating expenses		–	–	-12
Total operating expenses		-2,428	-3,952	-12,788
OPERATING LOSS		**-1,867**	**- 3,952**	**-12,788**
FINANCIAL INCOME AND EXPENSES				
Results from group participation		–	–	-55,334
Dividend from holdings		–	–	380
Interest income and similar items	3	4,895	461	2,795
Interest expense and similar items		-245	-185	–
Total financial income and expenses		4,650	277	-52,159
Earnings before taxes		2,783	-3,675	-64,947
Taxes		–	–	18
NET EARNINGS FOR THE PERIOD		**2,783**	**-3,675**	**- 64,929**

Parent Company's Balance Sheet

kSEK	Note	Nov 30 2008	Nov 30 2007	Aug 31 2008
ASSETS				
Non-current assets				
Intangible assets				
Acquired research and development		16,627	16,627	16,627
Financial assets				
Shares in group companies		2,007	24,005	1,200
Receivables at group companies		23,926	16,824	12,267
Other long-term bond holdings		21,417	–	21,418
Total non-current assets		63,977	57,456	51,512
CURRENT ASSETS				
Other receivables		674	548	148
Prepaid expenses and accrued income		1,710	1,779	1,524
Financial instruments available for sale		7,970	6,370	6,403
TOTAL TRADE AND OTHER RECEIVABLES		**10,354**	**8,697**	**8,075**
Short-term investments		19,855	–	20,247
Liquid assets		31,563	43,117	47,731
TOTAL CURRENT ASSETS		**61,772**	**51,814**	**76,053**
TOTAL ASSETS		**125,749**	**109,270**	**127,565**
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Restricted equity				
Issued capital		10,902	9,867	10,902
Statutory reserve		96,609	96,609	96,609
Non-restricted equity				
Share premium reserve non-restricted		74,120	4,655	74,120
Loss brought forward		-59,678	886	4,445
Net earnings for the period		2,783	-3,675	-64,929
Total shareholders' equity	2	124,736	108,342	121,147
Long-term liabilities to subsidiary		–	181	5,606
CURRENT LIABILITIES				
Trade payables		685	489	362
Other payables		–	87	9
Prepaid income and accrued expenses		328	171	441
Total current liabilities		1,013	747	812

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**125,749**	**109,270**	**127,565**
Assets pledged	157	157	157
Contingent liabilities	–	–	–

Notes

Note 1. Segment results

Segment results for the first quarter

	2008/2009			2007/2008		
	GAD	NTDDS	Group	GAD	NTDDS	Group
Total segment income	88	-	88	149	-	149
Other income	-	194	194	-	204	204
Total income	88	194	282	149	204	353
Segment result	-11,816	-3,333	-15,149	-13,634	-3,846	-17,480
Financial income (note 3)			5,009			547
Financial expenses			-266			-190
Total financial income and expenses			4,743			357
Dividends from holdings			-			-
Loss before tax			-10,406			-17,123
Income tax			-48			-
Net loss for the period			-10,454			-17,123

Note 2 – Equity and liabilities

All company debts are non-interest-bearing.

Note 3 – Financial income

Group and Parent Company

The financial income of the Group and the Parent Company includes currency exchange rate effects of MSEK 4.5 (0.0) on financial items.

Note 4 – 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 period amounted to kSEK 190 (127) excluding VAT. Pricing has been set by the arm's length principle.

kSEK	2008/2009 Sep-Nov	2007/2008 Sep-Nov	2007/2008 12 months
Consultant fees	190	127	604

Key Ratios

	3 months Sep-Nov 2008/2009	3 months Sep-Nov 2007/2008	12 months Sep-Aug 2007/2008
Return on equity, %	-9.0	-17.1	-54.6
Return on capital employed, %	-8.7	-17.1	-54.5
Return on assets, %	-8.0	-15.8	-50.4
Shareholders' equity per share, SEK	10.2	9.5	11.1
Shareholders' equity per share after dilution, SEK	10.2	9.5	11.1
Cash flow per share, SEK	-1.3	-1.3	1.2
Solidity, %	91.0	93.2	92.0
Number of shares	10,901,570	9,867,478	10,901,570
Average number of shares	10,901,570	9,829,468	10,209,192
Number of shares after dilution	10,901,570	9,848,907	10,901,570

Stockholm, January 30, 2009

Financial Calendar

Quarterly report (December-February)	April 29, 2009
Quarterly report (March-May)	July 1, 2009
Quarterly and year-end report (September-August)	October 23, 2009

About Diamyd Medical

Diamyd Medical is a Swedish biopharmaceutical 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 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. Diamyd Medical has offices in Sweden and the US. Its shares are listed on the OMX Stockholm Nordic Exchange (ticker: DIAM B) and on OTCQX in the US (ticker: DMYDY) administered by the Pink Sheets and the Bank of New York (PAL). Further information is available on the Company's website at 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.

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The document contains certain statements about the Company's operating environment and future performance. These statements should only be seen as reflective of prevailing interpretations. No guarantees can be made that these statements are free from errors.