Year End Report, Stockholm, October 13, 2011

September 1, 2010 – August 31, 2011

Fourth quarter report for Diamyd Medical AB (publ.), fiscal year 2010/2011

(www.omxgroup.com ticker: DIAM B; www.otcqx.com ticker: DMYDY)

Fourth quarter, June 1, 2011 – August 31, 2011

- Group net sales for the fourth quarter were MSEK 2.2 (110.2)
- Loss before tax for the fourth quarter was MSEK -26.5 (75.0)
- Earnings per share after dilution for the fourth quarter were SEK -0.9 (2.6)
- The Group's liquid assets and short term investments amounted to MSEK 435.6 (501.3) as of August 31, 2011

Full year, September 1, 2010 – August 31, 2011

- Group net sales for the year were MSEK 280.8 (113.0)
- Profit before tax for the year was MSEK 101.8 (-0.3)
- Earnings per share after dilution for the year were SEK 3.5 (-0.0)

Significant events during the reporting period June 1, 2011 – August 31, 2011

- Diamyd Medical regained all rights and thereby the control of the diabetes therapy Diamyd® after Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI) terminated collaboration agreement
- Diamyd Medical closed European Phase III study and initiated closure of US Phase III study with Diamyd®
- TrialNet presented results from a study with Diamyd®, which did not show a statistically significant effect of the study drug
- Diamyd Medical presented detailed results of European Phase III study with Diamyd®
- Diamyd Medical increased shareholding in Protein Sciences Corporation
- Diamyd Medical appointed Peter Zerhouni as President
- Diamyd Medical put focus on pain projects and reduced costs

Significant events after the reporting period

- Diamyd Medical was awarded three million dollar grant and expanded the NTDDS portfolio

CEO COMMENTS

After the setback this spring, in which the results of the Company's European Phase III study with the diabetes vaccine did not meet expectations, we have shifted the focus of the Company and reduced costs. The cash of more than SEK 400 million is carefully managed while the work of shaping future strategies and business plans is underway. Our resources are now mainly directed towards the development projects based on the Company's patented NTDDS platform. NTDDS (Nerve Targeting Drug Delivery System) is an innovative technology for delivering drugs directly to the nervous system, providing a local effect in the cells targeted by the treatment, without affecting the rest of the body. The technology has potential to be used for the treatment of chronic pain as well as many other indications in the nervous system.

The top priority right now is the Company's ongoing US Phase II study with the NTDDS-based drug candidate NP2 Enkephalin for the treatment of pain caused by cancer. Intensive recruitment efforts are underway to enroll the remaining third of the participants to the study; several new clinics have been contracted and additional resources have been allocated to the recruitment campaign. Recruitment rates have varied considerably over time, making it difficult to provide a forecast of when the recruitment of the study will be completed. Results from the study are estimated to be reported sometime between January and June 2012. The Company plans to begin clinical studies with the next NTDDS-based drug candidate for the treatment of pain, NG2 GAD, after evaluation of the study results with NP2 Enkephalin.

Recently Diamyd Medical was, together with the University of Michigan, awarded a three million dollar grant from the US National Institutes of Health (NIH) to develop another drug candidate from the NTDDS platform, NN1 Neurotrophin. This drug candidate is being developed for prevention of nerve damage caused by chemotherapy, i.e. chemotherapy induced peripheral neuropathy, which many cancer patients are afflicted by. It is positive that a highly respected institution such as the NIH has decided to contribute to the development of this drug candidate.

The negotiations are advancing with the University of Florida, which filed a lawsuit against the Company for a part of the upfront payment received under the license agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc., regarding the diabetes vaccine. With regard to the claims the Company has chosen to reserve the equivalent of two million dollars in the financial accounts as per August 31, 2011.

Several researcher-initiated studies with the diabetes vaccine are still ongoing. The Swedish study, aiming to prevent type 1 diabetes in children at high risk of developing the disease, is particularly exciting to follow.

In September Diamyd Medical participated in an international seminar in Lisbon, Portugal, where the question of how to successfully counteract type 1 diabetes was in focus. The meeting gathered many of the foremost researchers and companies within the field. There was a great interest in the Company's research and how the active substance in the diabetes vaccine, GAD65, may contribute to an efficient therapy for type 1 diabetes. We continue to work with our worldwide network within diabetes to be able to identify new possibilities for the diabetes vaccine, which has shown a good safety profile in extensive clinical studies.

Stockholm, October 13, 2011

Peter Zerhouni

President and CEO Diamyd Medical AB

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD JUNE 1, 2011 – AUGUST 31, 2011

Diamyd Medical regained all rights and thereby the control of the diabetes therapy Diamyd® after Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI) terminated collaboration agreement. Ortho-McNeil-Janssen Pharmaceuticals, Inc. elected to terminate the agreement that was signed in June 2010 to develop and commercialize Diamyd®, and Diamyd Medical regained all rights to the diabetes therapy. The termination of the agreement followed the evaluation of the results of the European Phase III study, reported on May 9, 2011.

Diamyd Medical closed European Phase III study and initiated closure of US Phase III study with Diamyd®. The company decided not to complete the follow-up period of the European Phase III study of the antigen-based diabetes therapy Diamyd®, which did not meet the primary efficacy endpoint. Following consultation with the US Food and Drug Administration (FDA), Diamyd Medical also decided to suspend dosing in the Company's parallel US Phase III study and to initiate closure of the study.

TrialNet presented results from a study with Diamyd® which did not show a statistically significant effect of the study drug. The results of a study with Diamyd Medical's antigen-based diabetes therapy Diamyd®, conducted by the research consortium Type 1 Diabetes TrialNet, did not show a statistically significant effect of the study drug.

Diamyd Medical presented detailed results of European Phase III study with Diamyd®. The Company reported detailed results from the European Phase III study of the antigen-based diabetes therapy Diamyd®, which did not meet the primary efficacy endpoint. Patients treated with Diamyd® had on average 16.4 percent more remaining C-peptide at 15 months compared to those who received placebo. The p-value of the primary endpoint was 0.10.

Diamyd Medical increased shareholding in Protein Sciences Corporation. Diamyd Medical's convertible promissory note in the US vaccine company Protein Sciences Corporation was converted into shares. The promissory note was accounted for as an investment of SEK 6.4 million as of November 30, 2007. After conversion, the Company holds about 8 percent of the Protein Sciences Corporation shares.

Diamyd Medical appointed Peter Zerhouni as President. The Board of the Company appointed the former Acting President of Diamyd Medical AB, Peter Zerhouni, as President of the Company. Peter Zerhouni has been involved in all aspects of the Company since 2006. He assumed his position as President and CEO on July 4, 2011.

Diamyd Medical put focus on pain projects and reduced costs. Diamyd Medical announced that the Company has chosen to concentrate its resources on the Company's drug candidates for the treatment of pain and diseases of the nervous system. The termination of the Phase III program with the diabetes therapy Diamyd® means significantly lower costs for the Company which creates strategic leeway.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Diamyd was awarded three million dollar grant and expanded the NTDDS portfolio. Diamyd Medical with collaborators received a three million dollar grant from the US National Institutes of Health to develop the Company's patented Nerve Targeting Drug Delivery System (NTDDS) for prevention of Chemotherapy Induced Peripheral Neuropathy. The grant allows Diamyd Medical to expand the NTDDS technology to also target neuropathy, in addition to the Company's development portfolio for the treatment of pain.

BUSINESS OVERVIEW

Diamyd Medical is a Swedish pharmaceutical company focusing on the development of pharmaceuticals for the treatment of pain, neuropathy and autoimmune diabetes. The Group consists of the Parent Company Diamyd Medical AB (publ.) and three wholly-owned subsidiaries: Diamyd Therapeutics AB, Diamyd Diagnostics AB and Diamyd, Inc. The Company's headquarters is in Stockholm, Sweden, and it has operations, including laboratories, in Pittsburgh, Pennsylvania, USA. Shares are listed on the NASDAQ OMX Mid Cap list in Stockholm (ticker: DIAM B) and on OTCQX in the US (ticker: DMYDY).

Business concept and strategy

Diamyd Medical's business concept is to refine candidate products licensed in the preclinical and clinical phases through development. The products are then to be commercialized, either independently or with a partner.

Outsourcing model

Diamyd Medical is managed according to an outsourcing model, where some of its operations have been outsourced to qualified partners with expert knowledge. A small group of employees manage, lead and implement projects in areas such as clinical and preclinical development, regulatory affairs and production. This enables the Company to develop in a flexible manner while maintaining its focus on results and quality. The model generates lower operating expenses, and the Company has proven to be able to develop a project from preclinical through Phase III-studies at a low cost compared to industry standards.

Partnerships

Partnerships with other pharmaceutical companies are part of the Company's strategy, both to partner proprietary projects and to identify new development projects. In 2010, Diamyd Medical signed an agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc., to develop and commercialize the antigen-based candidate therapy Diamyd®. Ortho-McNeil-Janssen Pharmaceuticals, Inc. elected to terminate the agreement in June 2011 after the results from Diamyd Medical's Phase III study with the drug candidate did not meet expectations. The rights to the application of the GAD65 gene in the treatment of Parkinson's disease have been out-licensed on a non-exclusive basis to the US company Neurologix, Inc.

PROJECT PORTFOLIO

Diamyd Medical's project portfolio consists of development projects based on two independent platforms; NTDDS (Nerve Targeting Drug Delivery System) for the treatment of diseases and disorders of the nervous system and GAD for the treatment of autoimmune diabetes. The NTDDS platform comprises three drug candidates for the treatment of various forms of chronic pain; NP2 Enkephalin, NG2 GAD, NE2 Endomorphin and the drug candidate NN1 Neurotrophin for prevention of chemotherapy induced peripheral neuropathy.

The GAD platform comprises the antigen-based diabetes therapy Diamyd® for prevention and treatment of autoimmune diabetes. The Company's research in autoimmune diabetes originates from the protein GAD65 (glutamic acid decarboxylase, isoform 65kDa). Diamyd® has been evaluated in a Phase III study with newly diagnosed type 1 diabetes patients. The study did not meet the primary efficacy endpoint of preserving beta cell function, as measured by meal-stimulated C-peptide. A Phase II study is ongoing to evaluate whether Diamyd® can prevent type 1 diabetes in children at high risk of developing the disease.

		Drug candidate	Indication	Development Phase
PLATFORM	NTDDS	NP2 Enkephalin	Cancer pain	Phase II
		NG2 GAD	Diabetes pain	Preclinic
		NE2 Endomorphin	Chronic pain	Preclinic
		NN1 Neurotrophin	Chemoterapy induced peripheral neuropathy	Preclinic
	GAD	Diamyd®	Autoimmune diabetes	Phase II

The NTDDS platform

Nerve Targeting Drug Delivery System, NTDDS, is an innovative technology making it possible to transfer drugs directly to the nervous system. The technology has a broad potential and may be used for treatment of several diseases and symptoms of the peripheral and central nervous system such as pain, neuropathy, neurodegenerative diseases and cancer. The Company's project portfolio from the NTDDS platform consists of candidate drugs in clinical and preclinical phases under development for the treatment of chronic pain, prevention of neuropathy and more. Research and development based on the NTDDS platform is primarily performed by the Company's subsidiary Diamyd, Inc. in Pittsburgh in the US.

Mechanism of action

NTDDS represents a new type of treatment that delivers genes coding for biological therapeutic substances directly to nerve cells, thereby providing a local effect in the cells targeted by the treatment.

For the treatment of pain, a NTDDS-based drug containing the gene for a natural painkilling substance, such as enkephalin, is injected at the site of pain. The drug containing the gene is then transported along the local peripheral nerves to the spinal cord, where the drug uses the nerve cell's own processes to continuously produce the painkilling substance locally on site at the spinal cord. This way the NTDDS-based drug can stop the transmission of pain signals from the peripheral nerves to the nerves of the spinal cord.

Treatment with NTDDS is considered to have several advantages over other pain therapies. As NTDDS is gene based, one dose can provide a long-term effect. The treatment does not enter the bloodstream but acts locally, thus reducing the risk of side effects. Treatment with NTDDS has been shown to not cause addiction or habituation in preclinical studies. Also, NTDDS-based drugs are not integrated into the chromosomes of the host cell and do not induce an immune reaction, which occurs in other gene therapies.

For the prevention of neuropathy, the NTDDS based drug contains a gene coding for a human neurotrophic factor, which promotes the survival, growth, connectivity and proper function of nerve cells. A treatment that delivers neurotrophic factors to nerve cells could prove valuable by protecting nerve cells from being damaged, for example in patients treated with cytotoxins, thus preventing chemotherapy induced peripheral neuropathy.

The drug candidates

Diamyd Medical is currently developing three products for the treatment of chronic pain, *NP2 Enkephalin, NG2 GAD* and *NE2 Endomorphin*. Jointly, these drug candidates target the body's three major pain pathways, creating good prospects for the further development of a competitive product portfolio in the area of pain. Chronic pain affects every aspect of life and has a very negative effect on the quality of life. If effective treatments could be developed for at least a part of the about 200 million people suffering from chronic pain worldwide, that would be a big advancement.

For the prevention of chemotherapy induced peripheral neuropathy Diamyd Medical is developing the drug candidate *NN1 Neurotrophin*. It uses NTDDS to deliver a neurotrophic factor to nerve cells in cancer patients prior to initiating chemotherapy, aiming to prevent damage of the nerve cells.

NP2 Enkephalin

NP2 Enkephalin initiates the production of the opioid enkephalin locally for the treatment of pain and is the furthest developed drug candidate from the NTDDS platform.

Diamyd Medical has evaluated NP2 in a clinical Phase I study for the treatment for chronic cancer pain. The study was designed as an open-label, dose-escalation study in patients with intractable pain from malignant cancer and constitutes a safety study for the entire NTDDS platform. Although the trial was not primarily designed to study efficacy, substantial and sustained reduction in pain scores was observed. None of the study participants has reported any serious side effects associated with the treatment. The Phase I study has formed the basis for future studies of other drug candidates using the NTDDS platform to target other diseases and conditions.

Based on the Phase I observations, in January 2011 the Company started a Phase II trial of NP2 Enkephalin in the US. The trial will recruit approximately 32 subjects with severe cancer pain and follow their pain scores and concomitant pain medication usage. It is a multi-center, placebo-controlled study designed to provide a statistical evaluation of pain relief. The trial has a four-week double-blind main study period after which all patients will be offered up to two additional doses of

active NP2 Enkephalin in an open-label study extension. Results from the Phase II study are expected in the first half of 2012.

NG2 GAD

The NG2 GAD drug candidate, delivers the gene for the human protein GAD locally to nerve cells. GAD catalyzes the body's production of GABA (gamma-aminobutyric acid), which blocks pain signals. In disease models, it has been shown to be effective in the treatment of chronic neuropathic pain resulting from nerve damage due, for example, to diabetes and spinal cord injury. NTDDS with the substance GAD also has potential to be used for treatment of several other diseases. Preclinical studies of NG2 GAD are in progress, financed by a grant from the United States Department of Veterans Affairs. All preclinical activities necessary to start Phase I/II clinical studies are expected to be completed during 2011. The Company plans to enter clinical studies with NG2 GAD after evaluation of results from the Phase II study with the drug candidate NP2 Enkephalin.

NE2 Endomorphin

The drug candidate NE2 Endomorphin is developed for the treatment of chronic pain, conveying endomorphin locally to the area of pain using NTDDS. The opioid endomorphin has a morphine-like effect. Morphine has been used to treat pain for centuries and it is still an important tool of modern clinical pain relief; however due to development of tolerance it often does not have the intended effect in severe chronic pain. While morphine also has several troubling side effects, the locally acting endomorphin is not expected to have morphine's systemic side effects. NE2 Endomorphin is in the preclinical phase.

NN1 Neurotrophin

The NTDDS-based drug candidate NN1 Neurotrophin is developed for the treatment of chemotherapy induced peripheral neuropathy, a common side effect of chemotherapy (cytotoxins). NN1 Neurotrophin uses NTDDS to deliver neurotrophic factors to nerve cells, which promote the survival, growth, connectivity and proper function of nerve cells. In September 2011 Diamyd Medical received, together with the University of Michigan, a three million dollar grant from the US National Institutes of Health to develop the drug candidate. The grant covers the costs for advancement of the new drug candidate through preclinical efficacy, toxicology and biodistribution studies, manufacturing and filing of an Investigational New Drug application with the US Food and Drug Administration (FDA).

Pain

Pain is one of the most common reasons for seeking medical care. The pain may be caused by nerves sending signals to the brain due to injury or threat of injury to the tissue they innervate, so-called nociceptive pain, or due to the nerves themselves being damaged, so-called neuropathic pain.

Neuropathy

Neuropathy is a general term for damage to nerve cells, caused by trauma, drugs or disease. Neuropathy has different consequences depending on the type of nerve cell damaged. Damage to the nerve cells that activate muscles in the body can cause some loss of muscle function, while damage to nerve cells that send pain signals to the brain can lead to neuropathic pain.

Neuropathic pain is generally difficult to treat, especially since it is often chronic. Conventional treatments for this type of pain do not always achieve the desired effect because of habituation and cause a number of troublesome side effects. There are no treatments for severe, chronic pain that can be administered to patients for a long period of time while maintaining efficacy and without the risk of severe side effects.

Peripheral neuropathy, i.e. neuropathy in the peripheral nervous system, is a common complication of chemotherapy, cancer and diabetes. Typical symptoms of peripheral neuropathy are numbness, pain, tingling or burning sensations in hands and feet. It may also result in erectile dysfunction (impotence). There is currently no effective treatment for peripheral neuropathy.

The GAD platform

The Company's research in the area of diabetes originates from the protein GAD65 (the 65 kDa isoform of glutamic acid decarboxylase) which is the active substance in the Company's diabetes therapy for the treatment and prevention of autoimmune diabetes.

Mechanism of action

Treatment with GAD65 is intended to prevent, delay or halt the autoimmune attack on beta cells in the case of type 1 diabetes and other forms of autoimmune diabetes, preserving the body's own ability to control blood sugar levels; this has been demonstrated to significantly reduce the risk of both acute and long-term diabetes complications. The protein GAD65 is a human enzyme and an important autoantigen in autoimmune diabetes. Treatment with GAD65 is thought to induce tolerance to the protein, thus intervening in the autoimmune attack and preserving the ability to control blood sugar in patients with autoimmune diabetes. This type of treatment is important, since there is currently no treatment on the market against the autoimmune process that causes type 1 diabetes and LADA (Latent Autoimmune Diabetes in Adults).

Diamyd® - Type 1 diabetes

In 2008, Diamyd Medical launched two parallel Phase III studies of the GAD65-based candidate drug Diamyd®, one in the US and the other in Europe. Approximately 320 young type 1 diabetes patients who had been diagnosed less than three months previously were recruited to each study. In May 2011, 15 months after all of the patients had received the first injection of the drug candidate, the results of the European Phase III study were analyzed. The results showed that Diamyd® had not met the primary efficacy endpoint of preserving beta cell function, as measured by meal-stimulated C-peptide, although a small positive effect was seen. Furthermore, Diamyd® was well tolerated, as demonstrated by a similar number of adverse events in the Diamyd® treated groups as well as in the placebo treated group. In June, the Company decided not to complete the follow-up period of the European Phase III study of Diamyd® and to also initiate the closure of the parallel US Phase III study. The decision followed a blinded review of the efficacy data collected to date in the US study as well as the reported outcome of the European Phase III study. Furthermore, a similar study in US and Canada, conducted by the American research consortium TrialNet, did not meet the primary efficacy endpoint either.

The Phase III studies were launched after the Company reported positive results from a 30-month Phase II study of 70 children and adolescents with type 1 diabetes. The study demonstrated significant long-term efficacy in preserving beta cell function, i.e. the body's own capacity to control blood glucose, compared to placebo. No serious side effects related to the treatment were reported in the study. The results were published in the fall of 2008 in the prestigious journal *The New England Journal of Medicine*.

It is still hoped that Diamyd® and the active substance GAD65 may show efficacy in newly diagnosed type 1 diabetes in certain subgroups, in combination with other drugs or in a different treatment regimen than that tested in the Phase III studies.

Diamyd® - LADA

Diamyd® for the treatment of LADA has reached Phase II in clinical trials. In April 2009, the respected scientific journal *Diabetologia* published the clinical results from the Company's Phase II study in 47 LADA patients, which showed that treatment with Diamyd® significantly reduced the risk that LADA patients would need insulin treatment, still after 5 years, when compared to treatment with placebo. 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. No serious side effects related to the treatment were reported in the study.

Diamyd® - Prevention

Treatment with Diamyd® may prevent autoimmune diabetes, if given at an early stage to patients, i.e. before the destruction of blood sugar-regulating beta cells has led to the appearance of symptoms. The Phase II study with Diamyd® in patients with type 1 diabetes showed that the treatment was most effective when administered early in the course of the disease in patients with newly diagnosed type 1 diabetes.

A Swedish prevention study of Diamyd®, encompassing 50 children from the age of 4 at high risk of developing type 1 diabetes, has been in progress since 2009. The purpose of the study is to evaluate whether treatment with Diamyd®, compared to placebo, as a preventive measure could delay or halt disease progression, thus preventing the children from developing clinical symptoms of type 1 diabetes. The study is being conducted by a research group at Lund University and is led by Helena Elding Larsson, pediatrician in Malmö and researcher at Lund University. Diamyd Medical has participated in the design of the study and has rights to the study results. This study is not affected by the results of the studies in new onset type 1 diabetes patients.

Autoimmune diabetes

The autoimmune forms of diabetes, type 1 diabetes and LADA (Latent Autoimmune Diabetes in Adults), are caused by the immune system's attack on the body's own beta cells in the pancreas, which control blood sugar. The beta cells are gradually destroyed during a period that is believed to vary from months to several years. Children and adolescents with type 1 diabetes usually come into contact with the healthcare system only when their condition has become acute, when only 10-20 percent of beta cell function remains. This is not sufficient for continued control of blood sugar levels. At this stage, patients must quickly receive insulin injections to survive. After diagnosis, the autoimmune attack on the remaining beta cells continues and the beta cell function ceases entirely, and the entire insulin requirement must be provided by externally introduced insulin. Diabetes is a chronic disease, often resulting in serious complications and secondary diseases with tremendous personal suffering and enormous costs to society for care, medication and absence from work.

LADA, also known as type 1.5 diabetes, usually strikes in adulthood. The disease is similar to type 1 diabetes in many respects, and gradually leads to an absolute need for insulin treatment. However, the progress of the disease is slower than in type 1 diabetes.

RISK FACTORS

Development of a medicinal drug often takes a considerable time, is capital intensive and associated with great levels of uncertainty due to its dependence on unpredictable and complex parameters regarding the course of biological and medicinal processes.

The following risks comprise internal and external factors that can affect Diamyd Medical's development and growth. Uncertainty regarding whether and to what extent these factors could affect Diamyd Medical's operations or financial position constitutes a risk. The following are examples (in no particular order) of risk factors that may be important when assessing an investment in Diamyd Medical:

Commercial and development risk

No guarantee can be given that Diamyd Medical's research and development projects will lead to marketable drugs. No guarantee exists either that the Company's clinical trials will result in products that can be launched in the market or that they will achieve commercial success.

Risks regarding intellectual property rights

There are no guarantees that the Company will develop products that can be patented, or that licensed patents can be retained, renewed, or provide sufficient protection for current or future discoveries. There is no guarantee that disputes concerning contracts and patents will not arise, or that disputes that do arise can be resolved to the Company's advantage.

Financing risk

At present, Diamyd Medical has no products in the market and the business is therefore not profitable. The Company may therefore need to return to the capital markets in the future to raise funds to ensure the future of the business and of research and development projects. No guarantees are available regarding the requisite financing being in place on a timescale and cost that is acceptable to Diamyd Medical.

FINANCIAL PERFORMANCE

Net sales – The Group's net sales for the fourth quarter were MSEK 2.2 (110.2). Last fiscal year Diamyd Medical received an upfront payment of MSEK 327.3 in connection to the signing of the agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI), for the development and commercialization of the GAD65 antigen-based therapy Diamyd®. The amount was accrued until February 2011 according to the Company's interpretation of IAS 18. The Group's operating income for the full year was MSEK 280.8 (113.0). The Group's operating income for the full year also contains remuneration for research services of MSEK 50.3 from OMJPI.

Costs – Costs were MSEK 36.4 (41.2) in the fourth quarter. The costs for the full year were MSEK 176.9 (134.3). The decrease in costs for the fourth quarter, compared to the same period last year, is mainly attributable to the closure of the European Phase III study with the GAD65-based candidate drug Diamyd®.

Result – Loss before tax for the fourth quarter was MSEK -26.5 (75.0). Profit before tax for the full year was MSEK 101.8 (-0.3).

Financial position and liquidity – The Group's liquid assets and short term investments were MSEK 435.6 (501.3) as of August 31, 2011. The liquid assets consist of bank account balances and interest bearing investments with less than three months term to maturity. Short term investments consist of interest bearing investments with three to six months term to maturity.

Investments – Investments in tangible assets for the fourth quarter were MSEK 0.2 (0.0). Investments in tangible assets for the full year were MSEK 1.9 (0.7).

Change in equity – As of August 31, 2011, the Company's equity amounted to MSEK 461.0 (314.8), resulting in a solidity of 89 (55) percent.

Personnel – The Group had 28 (24) employees as of August 31, 2011, of whom 10 (8) were men and 18 (16) were women.

Parent Company – Investments for the period were MSEK 0 (0). The Parent Company's net loss for the fourth quarter amounted to MSEK -55.3 (80.7). The net profit for the full year amounted to MSEK 75.6 (5.2).

The Parent Company has provided a group contribution to its subsidiary Diamyd Therapeutics AB of MSEK 203.6 (7.4). The positive tax-effect of this deductible group contribution is MSEK 53.5 (2.0) and is accounted for in equity. This effect corresponds to the tax-cost in the income statement. The deficit deduction in the subsidiary is then used to reduce the Group's current tax with above amount. The Parent Company's income statement for the period has been charged with MSEK 74.2 (81.3) as an effect of shareholders' contributions provided by the Parent Company to its subsidiary during the period to finance research and development.

Shares – The total number of shares in Diamyd Medical as of August 31, 2011 was 29,579,133.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Note	3 months Jun-Aug 2010/2011	3 months Jun-Aug 2009/2010	12 months Sep-Aug 2010/2011	12 months Sep-Aug 2009/2010
OPERATING INCOME					
Net sales	1, 2	2,243	110,242	280,752	113,028
Other operating income		3,191	3,530	7,511	18,330
Total operating income		**5,434**	**113,772**	**288,263**	**131,358**
OPERATING EXPENSES					
Raw materials and consumables		-	-22	-7	-26
External research and development costs		-11,355	-24,261	-95,976	-80,845
External patent and license expenses	3	-14,237	-630	-15,957	-2,916
Personnel	4, 5	-8,753	-9,732	-48,794	-31,215
Other external expenses	4	-1,857	-6,520	-15,762	-19,095
Other operating expenses		-	-	-	-
Depreciation, equipment		-151	-66	-428	-224
Total operating expenses		**-36,353**	**-41,231**	**-176,924**	**-134,321**
OPERATING PROFIT/LOSS		**-30,919**	**72,541**	**111,339**	**-2,963**
Net Financial Income/Expense	6	4,389	2,482	-9,496	2,687
Profit/Loss before taxes		**-26,530**	**75,023**	**101,843**	**-276**
Taxes		-77	-37	727	-56
NET PROFIT/LOSS FOR THE PERIOD		**-26,607**	**74,986**	**102,570**	**-332**
Other comprehensive income for the period					
Translation gains/losses		-88	11	120	-14
Other comprehensive income for the period, net of tax		**-88**	**11**	**120**	**-14**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-26,695**	**74,997**	**102,690**	**-346**
Earnings per share before dilution, SEK		**-0.9**	**2.6**	**3.5**	**0.0**
Earnings per share after dilution, SEK		**-0.9**	**2.6**	**3.5**	**0.0**
Number of shares per closing day		**29,579,133**	**29,060,277**	**29,579,133**	**29,060,277**
Average number of shares before dilution		**29,579,133**	**29,043,587**	**29,449,348**	**27,595,347**
Average number of shares after dilution		**29,579,133**	**29,453,480**	**29,462,951**	**27,595,347**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	Aug 31 2011	Aug 31 2010
ASSETS			
Non-current assets			
Intangible assets		16,627	16,627
Tangible assets		2,224	855
Financial assets		29,241	30,678
Total non-current assets		**48,092**	**48,160**
Current assets			
Inventory		5	17
Trade receivables		15,179	1,721
Other receivables		15,240	1,768
Prepaid expenses and accrued income		5,445	16,195
Short term investments		277,859	-
Liquid assets		157,782	501,332
Total current assets		**471,510**	**521,033**
TOTAL ASSETS		**519,602**	**569,193**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		14,790	14,530
Other capital contributions		724,737	687,438
Other reserves		266	146
Accumulated losses including results for the period		-278,819	-387,331
Total shareholders' equity		**460,974**	**314,783**
Current liabilities			
Trade payables		9,182	7,083
Other payables		15,323	1,434
Prepaid income and accrued expenses	7	34,123	245,893
Total current liabilities		**58,628**	**254,410**
TOTAL EQUITY AND LIABILITIES	8	**519,602**	**569,193**

CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	3 months Jun-Aug 2010/2011	3 months Jun-Aug 2009/2010	12 months Sep-Aug 2010/2011	12 months Sep-Aug 2009/2010
Cash flow from operations before changes in working capital					
Operating profit/loss		-30,919	72,541	111,339	-2,962
Interest received		1,803	1,032	4,568	1,402
Interest paid		-2,146	-	-8,329	-1
Dividend received		410	410	410	410
Non-cash flow items					
Depreciation		151	66	428	224
Other non-cash flow items	9	14,110	-502	-210,015	-929
Net cash flow from operating activities before changes in working capital		**-16,591**	**73,547**	**-101,599**	**-1,856**
Increase (-) decrease (+) inventory		-	6	10	9
Increase (-) decrease (+) receivables		753	-15,321	-13,689	-14,749
Increase (+) decrease (-) liabilities		6,455	236,443	21,251	242,370
Net cash flow from operating activities		**-9,383**	**294,675**	**-94,027**	**225,774**
Cash flow from investing activities					
Increase (-) decrease (+) short term investments		91,922	-	-277,859	-
Purchase of tangible assets		-208	-22	-1,928	-700
Net cash flow from investing activities		**91,714**	**-22**	**-279,786**	**-700**
Cash flow from financing activities					
New share issue after issue expenses		-	1,768	37,559	238,861
Cash flow from financing activities		**-**	**1,768**	**37,559**	**238,861**
Total cash flow for the period		**82,331**	**296,421**	**-336,254**	**463,935**
Cash and cash equivalents at beginning of period		71,768	205,035	501,332	37,287
Net foreign exchange difference		3,683	-124	-7,296	110
Cash and cash equivalents at end of period		**157,782**	**501,332**	**157,782**	**501,332**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share Capital	Other capital contributions	Reserves	Accumulated losses	Total
Opening balance, September 1, 2009	**11,183**	**451,924**	**160**	**-392,550**	**70,717**
Comprehensive income					
Net loss for the year	-	-	-	-332	-332
Translation gains/losses	-	-	-14	-	-14
Total comprehensive income	**-**	**-**	**-14**	**-332**	**-346**
Transactions with owners					
New share issue, before expenses	3,347	255,184	-	-	258,531
New share issue expenses	-	-19,670	-	-	-19,670
Employee options	-	-	-	5,551	5,551
Total transactions with owners	**3,347**	**235,514**	**-**	**5,551**	**244,412**
Closing balance, August 31, 2010	**14,530**	**687,438**	**146**	**-387,331**	**314,783**
Opening balance, September 1, 2010	**14,530**	**687,438**	**146**	**-387,331**	**314,783**
Comprehensive income					
Net loss for the period	-	-	-	102,570	102,570
Translation gains/losses	-	-	120	-	120
Total comprehensive income	**-**	**-**	**120**	**102,570**	**102,690**
Transactions with owners					
New share issue	260	37,299	-	-	37,559
New share issue expenses	-	-	-	-	-
Employee options	-	-	-	5,942	5,942
Total transactions with owners	**260**	**37,299**	**-**	**5,942**	**43,501**
Closing balance, August 31, 2011	**14,790**	**724,737**	**266**	**-278,819**	**460,974**

PARENT COMPANY INCOME STATEMENT

KSEK	Note	3 months Jun-Aug 2010/2011	3 months Jun-Aug 2009/2010	12 months Sep-Aug 2010/2011	12 months Sep-Aug 2009/2010
OPERATING INCOME					
Net sales	2	2,176	112,039	280,110	112,039
Other operating income		243	1,403	-	3,267
Total operating income		**2,419**	**113,442**	**280,110**	**115,306**
Operating expenses					
Personnel		-	-297	-785	-589
Other external expenses		-6,701	-19,385	-68,913	-29,207
Other operating expenses		-	-	-220	-
Total operating expenses		**-6,701**	**-19,682**	**-69,918**	**-29,796**
OPERATING PROFIT/LOSS		**-4,282**	**93,760**	**210,192**	**85,510**
Financial income and expenses					
Result from group participation		-1,732	-13,709	-74,234	-81,308
Dividend from holdings		410	410	410	410
Interest income and similar items		3,830	2,152	6,678	2,499
Interest expense and similar items		-3	-	-13,900	-
Total financial income and expenses		**2,205**	**-11,147**	**-81,046**	**-78,399**
Profit/Loss before tax		**-1,777**	**82,613**	**129,146**	**7,111**
Taxes		-53,547	-1,957	-53,547	-1,957
NET PROFIT/LOSS FOR THE PERIOD		**-55,324**	**80,656**	**75,599**	**5,154**

PARENT COMPANY'S BALANCE SHEET

KSEK	Note	Aug 31 2011	Aug 31 2010
ASSETS			
Non-current assets			
Intangible assets			
Acquired research and development		16,627	16,627
Financial assets			
Shares in Group companies		1,200	1,200
Receivables at Group companies		8,687	20,612
Other long-term bond holdings		29,241	21,418
Financial instruments available for sale		-	9,260
Total non-current assets		**55,755**	**69,117**
Current assets			
Trade receivables		15,107	-
Other receivables		13,562	152
Prepaid expenses and accrued income		4,919	15,591
Total trade and other receivables		**33,588**	**15,743**
Short term investments		277,859	-
Liquid assets		143,228	478,882
Total current assets		**454,675**	**494,625**
TOTAL ASSETS		**510,430**	**563,742**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Issued capital		14,790	14,530
Statutory reserve		96,609	96,609
Non-restricted equity			
Share premium reserve non-restricted		374,741	337,442
Profit or loss brought forward		-277,726	-138,767
Net profit/loss for the period		75,599	5,154
Total shareholders' equity		**284,013**	**314,968**
Liabilities to subsidiary	10	224,934	17,515
Current liabilities			
Trade payables		1,091	298
Other payables		392	-
Prepaid income and accrued expenses		-	-230,961
Total current liabilities		**1,483**	**231,259**
TOTAL EQUITY AND LIABILITIES		**510,430**	**563,742**
Assets pledged		-	-
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, reference is made to the most recent annual report.

Note 1 – Segment results

The operating segments derive their income primarily from research collaboration agreements and research services. The performance measurement that is followed up is the operating result.

Segment results 3 months	**2011-06-01 – 2011-08-31**			**2010-06-01 – 2010-08-31**		
KSEK	**Sweden**	**USA**	**Group**	**Sweden**	**USA**	**Group**
Total net sales for segments	4,330	3,396	7,726	126,611	1,210	127,820
Inter-segment sales	-2,128	-3,355	-5,483	-14,545	-3,034	-17,579
Total net sales	2,202	41	2,243	112,066	-1,824	110,242
Operating result	-31,351	432	-30,919	72,508	33	72,541

Segment results 12 months	**2010-09-01 – 2011-08-31**			**2009-09-01 – 2010-08-31**		
KSEK	**Sweden**	**USA**	**Group**	**Sweden**	**USA**	**Group**
Total net sales for segments	330,905	17,039	347,944	127,306	7,914	135,220
Inter-segment sales	-50,255	-16,937	-67,192	-14,585	-7,608	-22,193
Total net sales	280,650	102	280,752	112,722	306	113,028
Operating result	113,149	-1,810	111,339	-3,250	287	-2,963

Note 2 – Distribution of net sales

Distribution of net sales 3 months	**Group**		**Parent Company**	
	Jun-Aug 2010/2011	**Jun-Aug 2009/2010**	**Jun-Aug 2010/2011**	**Jun-Aug 2009/2010**
Revenues from research collaboration agreement	-	111,536	-	97,494
Research services	2,176	502	2,176	14,545
Other services	68	-1,796	-	-
Total	**2,244**	**110,242**	**2,176**	**112,039**

Distribution of net sales 12 months	**Group**		**Patent Company**	
	Sep-Aug 2010/2011	**Sep-Aug 2009/2010**	**Sep-Aug 2010/2011**	**Sep-Aug 2009/2010**
Revenues from research collaboration agreement	229,806	97,494	229,806	97,494
Research services	50,304	14,545	50,304	14,545
Other services	642	990	-	-
Total	**280,752**	**113,028**	**280,110**	**112,039**

Diamyd Medical AB signed in June, 2010 an agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. to develop and commercialize Diamyd®. Diamyd Medical received an upfront payment of MSEK 327.3 at the closing of the agreement.

Note 3 – External patent and license expenses

The University of Florida Research Foundation, Inc. (UFRF) filed in February 2011 a lawsuit against Diamyd Medical in the United States Federal District Court in Florida. According to an agreement, ten percent of licensing fees, excluding royalties, less the cost of future development of the UFRF technology, were to accrue to UFRF. In June 2010, Diamyd received from Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI) MUSD 45 in licensing fees, from which, according to the agreement, costs for continued development should be deducted prior to the ten percent being applied. Development costs from June 2010 and future development costs pertaining to the UFRF technology are being assessed, as are such matters as the importance of the fact that the UFRF's rights comprise only a portion of the rights licensed out to OMJPI.

Negotiations are ongoing. The Company's management has arrived at the assessment that the claim for compensation from UFRF leads to a provision of correspondingly 2.0 MUSD in the financial accounts as per August 31, 2011.

Note 4 – Related-party transactions

During the full year companies represented by immediate family members of the Chairman of the Board were contracted as consultants. Total compensation during the full year amounted to KSEK 1,422 (650) excluding VAT and was attributable to IT-services. Pricing has been set by the arm's length principle. Total compensation to immediate family members of the Chairman amounted to a total of KSEK 1,011 (1,376) during the period. No other members of the Board of Directors, key executives, or their immediate family members have been directly or indirectly involved in any business transaction with the Company that is or was unusual in its character or terms and conditions and took place during the full year. Neither has the Company given any loans, provided any guarantees or surety to or for the benefit of any member of the Board of Directors, key executives or auditors in the Company.

KSEK	**Sep-Aug 2010/2011**	**Sep-Aug 2009/2010**
Purchase of intercompany services *	67,192	22,192
Salaries	1,011	1,376
Share-based payments	599	726
Consultant fees	1,422	650

* Transactions between subsidiaries

Note 5 – Personnel

The amount includes a provision amounting to MSEK 3.5 with regards to charges for twelve months of remuneration to the former President and CEO who left her position in April 2011.

Note 6 – Net Financial Income/Expense

Net Financial Income/Expense amounts to MSEK -9.5 and consists of interest income of 6.3 MSEK on liquid assets and short term investments, dividend from holdings of 0.4 MSEK and exchange rate differences of -16.2 MSEK. Diamyd Medical's policy is to keep some liquidity in foreign currency for payments, in particular USD and EUR. The stronger Swedish Krona has reduced the value of these investments, but this is balanced by the corresponding lower expenses for payments in these currencies.

Note 7– Prepaid income and accrued expenses

Last year's amount of 245.9 MSEK includes upfront payment of 229.8.

Note 8 – Equity and liabilities

All Group debts are non-interest-bearing.

Note 9 Other non-cash flow items

The amount includes upfront payment of 229.8 MSEK.

Note 10 Liabilities to subsidiary

The amount includes group contribution to Diamyd Therapeutics AB of 203.6 MSEK.

Key figures	**3 months Jun-Aug 2010/2011**	**3 months Jun-Aug 2009/2010**	**12 months Sep-Aug 2010/2011**	**12 months Sep-Aug 2009/2010**
Earnings per share before dilution, SEK	-0.9	2.6	3.5	-0.0
Earnings per share after dilution, SEK	-0.9	2.6	3.5	-0.0
Shareholders' equity per share, SEK	15.6	10.8	15.7	10.8
Cash flow per share, SEK	2.8	10.2	-11.4	-16.8
Dividend, SEK	-	-	-	-
Share price, SEK	9.0	119.5	9.0	119.5
Closing share price/shareholders' equity per share, SEK	0.6	11.2	0.6	10.5
P/E ratio, times	Neg	46.3	2.6	Neg
Return on equity, %	-5.4	27.2	26.4	-0.2
Solidity, %	89	55	89	55
Average number of employees	30	24	29	19
Research and Development Costs, MSEK	-11.4	-24.3	-96.0	-80.8
Investment in fixed assets, KSEK	0.2	-	1.9	0.7
Number of shares per closing	29,579,133	29,060,277	29,579,133	29,060,277
Average number of shares before dilution	29,579,133	29,043,587	29,449,348	27,595,347
Average number of shares after dilution	29,579,133	29,453,480	29,462,951	27,595,347

This interim report has not been reviewed by the Company's auditors.

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 Parent Company and the Group, and describes the principal risks and uncertainties that face the Parent Company and the companies in the Group.

Stockholm, October 13, 2011

Anders Essen-Möller, Chairman of the Board

Henrik Bonde, Board Member

Maria-Teresa Essen-Möller, Board Member

Joseph Janes, Board Member

Lars Jonsson, Board Member

Sam Lindgren, Board Member

Göran Pettersson, Board Member

Peter Zerhouni, President and CEO

Dividend

The Board proposes that no dividend should be paid for the fiscal year 2010/2011.

Annual Report

The Annual Report is scheduled to be available from Diamyd Medical's website from November 16, 2011.

Annual General Meeting

The Annual General Meeting will take place on December 7, 2011, at 15:00, Stora Hörsalen, Garnisonen, Karlavägen 100 in Stockholm.

About Diamyd Medical

Diamyd Medical is a Swedish pharmaceutical company focusing on the development of pharmaceuticals for the treatment of pain, neuropathy and autoimmune diabetes. The portfolio of development projects for treatment of chronic pain and neuropathy uses the Company's patented NTDDS (Nerve Targeting Drug Delivery System) platform to administer drugs directly to the nervous system. Development projects within the area of diabetes originates from the protein GAD65 for the treatment and prevention of autoimmune diabetes.

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 more information, please contact:
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