



QUARTERLY REPORT

September 2012 – February 2013

Quarterly Report 2, Diamyd Medical AB (publ), fiscal year 2012/2013
(www.omxgroup.com ticker: DIAM B; www.otcqx.com ticker: DMYDY)

Reporting period December 1, 2012 – February 28, 2013

Group, including discontinuing operations

- Group net sales amounted to MSEK 0 (0.6)
- Loss before tax amounted to MSEK -6.2 (-4.2)
- Liquid assets and short term investments amounted to MSEK 367 (408) as of Feb 28, 2013

First half year, September 1, 2012 – February 28, 2013

Group, including discontinuing operations

- Group net sales amounted to MSEK 0.1 (0.6)
- Loss before tax amounted to MSEK -8.0 (-7.7)

Significant events during the reporting period

- New Board members of Diamyd Medical AB
- Recombinant influenza vaccine from Protein Sciences received FDA approval
- Diamyd Medical announced plans for a new clinical study with the diabetes vaccine Diamyd®
- At an Extraordinary General Meeting neither the Board's proposal regarding redemption of shares and stock dividend, nor an alternative shareholder proposal, reached the required majority
- Diamyd Medical's major shareholders reached agreement and the requested Extraordinary General Meeting, which was intended to address a proposal that Diamyd Medical should enter into immediate liquidation, was cancelled

Significant events after the reporting period

- Diamyd Medical summoned to an Extraordinary General Meeting to, among other things, resolve on the restructuring of the Diamyd Group, the distribution of subsidiary and the reduction of share capital for repayment to shareholders
- Diamyd Medical was given observation status

CEO COMMENTS

The last few months have been very eventful for Diamyd Medical and its owners. The previously submitted request for an Extraordinary General Meeting to consider a proposed liquidation of Diamyd Medical AB was withdrawn following an agreement between the major shareholders that take account of the request that the lion share of the liquidity shall be distributed to the shareholders while enabling the continued development of the diabetes vaccine Diamyd®. As a consequence of the agreement the Board last week summoned to another Extraordinary General Meeting of Diamyd Medical to resolve on several key issues concerning the future of the company as well as the operations within diabetes.

The wholly owned subsidiary Diamyd Therapeutics AB will be distributed to the shareholders and assume the mother company's name, Diamyd Medical AB. This company will retain a cash position of approximately SEK 50 million and own the existing diabetes operations, including all rights to the diabetes vaccine Diamyd®, as well as the holdings in the US gene therapy company Periphagen. The shares in this new company will be listed and the company will have Series A shares and Series B shares in the same manner that Diamyd Medical AB has today.

Following the distribution of the subsidiary to the shareholders it is proposed that the remaining company, i.e. the current mother company Diamyd Medical AB, is renamed Mertiva AB. Mertiva's assets will comprise liquid assets and short term investments amounting to more than SEK 300 million, and the holdings in the US vaccine company Protein Sciences Corporation and the Swedish diagnostics company Mercodia AB. All Series A shares in the company will be converted to Series B shares and the major part of the liquid assets will be distributed to the shareholders as soon as possible. As a first step almost SEK 120 million will be distributed to the shareholders through a share redemption procedure where every fifth share is redeemed for SEK 20.

The split-up of the companies provides a more distinct investment profile. Mertiva AB, following the distribution of the liquid assets, will have as its key asset a holding of about 8 percent in the privately held Protein Sciences. The Mertiva share will be one of few listed securities in the world that offers exposure to Protein Sciences. The company is in an exciting phase. At the beginning of the year, they received FDA approval for the recombinant seasonal influenza vaccine Flublok. So far, only a limited market launch has occurred, but a full launch is planned in time for the 2013/14 influenza season.

The "new" Diamyd Medical AB will be a pure diabetes company and will initially be focused on the continued development of the diabetes vaccine Diamyd®. However, we will be open for new business opportunities in the area of diabetes. The company has solid experience of drug development and access to international medical expertise in the field of diabetes. Furthermore, in 2010 we entered into one of Sweden's largest-ever collaboration agreements in drug development with the leading global pharmaceutical company Johnson & Johnson. Together with the entrepreneurial spirit that has always characterized the company, we have the potential to fulfill our vision – to be able to treat or prevent autoimmune diabetes through vaccination with Diamyd® and the active substance GAD.

Stockholm, March 27, 2013

Peter Zerhouni
President and CEO Diamyd Medical AB

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD SEPTEMBER 1, 2012 – FEBRUARY 28, 2013

New Board members of Diamyd Medical AB. At the Annual General Meeting of Diamyd Medical AB on December 6, 2012, Erik Nerpin and Jonas Jendi were elected as new Board members. Anders Essen-Möller was re-elected as Chairman of the Board and Maria-Teresa Essen-Möller was re-elected to the Board. The former Board members Lars Jonsson, Joseph Janes and Christer Lindberg declined re-election.

Recombinant vaccine from Protein Sciences received FDA approval. The US Food and Drug Administration approved Protein Sciences Corporation's vaccine Flublok for the prevention of seasonal influenza in adults 18 to 49 years of age. Diamyd Medical holds about 8 percent of the shares in Protein Sciences Corporation.

Diamyd Medical announced plans for a new clinical study with the diabetes vaccine Diamyd®. In the study Diamyd® will be tested in a unique combination with other drugs, aiming to potentiate the effect of the diabetes vaccine. Diamyd Medical has entered into an agreement with Linköping University to conduct the researcher-initiated study and the study has been approved by the Swedish Medical Products Agency.

At an Extraordinary General Meeting neither the Board's proposal regarding redemption of shares and stock dividend nor an alternative shareholder proposal, reached the required majority. The Extraordinary General Meeting on January 31, 2013 considered the Board's complete proposal regarding redemption of shares and stock dividend, including the Board's and the auditors' opinions and statements under the Companies Act, and the alternative proposal for the structure of the redemption procedure by the shareholder Bertil Lindkvist. None of the proposals regarding reduction of the share capital for repayment to shareholders reached the required majority pursuant to the Companies Act. As a consequence, the proposal regarding stock dividend lapsed.

Diamyd Medical's major shareholders reached agreement and the requested Extraordinary General Meeting, which was intended to address a proposal that Diamyd Medical should enter into immediate liquidation, was cancelled. On February 8, 2013, a group of shareholders, who claimed to represent 8,883,351 Series B shares in Diamyd Medical, submitted a request for an Extraordinary General Meeting to among other things consider a proposal that Diamyd Medical AB should enter into immediate liquidation. On February 18, 2013, it was announced in a press release that a group of shareholders of Diamyd Medical AB, representing a majority of the votes in the company, has reached an agreement to distribute the parent company's excess cash to the shareholders and to convert all shares to series B shares with equal voting power. They have further agreed that the shares in the subsidiary Diamyd Therapeutics AB shall be distributed to the shareholders and that the subsidiary shall be capitalized with approximately SEK 50 million. The company will have series A and series B shares in the same manner as Diamyd Medical AB has today. The planned Extraordinary General Meeting of Diamyd Medical AB was cancelled as a consequence of the agreement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Diamyd Medical summoned to an Extraordinary General Meeting to, among other things, resolve on the restructuring of the Diamyd Group, the distribution of subsidiary and the reduction of share capital for repayment to shareholders. The proposed resolutions to be considered at the Extraordinary General Meeting are based on the agreement reached by a group of major shareholders in Diamyd Medical AB, which was announced in a press release on February 18, 2013.

Diamyd Medical was given observation status. On March 21, 2013, Diamyd Medical AB published a notice to attend Extraordinary General Meeting with information regarding proposal to restructure Diamyd Medical and distribution of subsidiary. The current rules of NASDAQ OMX Stockholm AB state that a listed company will be given an observation if the company plans to make extensive change in its business or organization so that the company upon an overall assessment appears to be an entirely new company. NASDAQ OMX Stockholm AB therefore decided to give observation status to the shares in Diamyd Medical AB.

BUSINESS OVERVIEW

Diamyd Medical is a Swedish listed company active in the area of pharmaceutical development. Since Diamyd Medical was founded in 1996, the Company has, at a relatively low cost level compared with industry averages, pursued development projects from preclinical development phase through global Phase III studies and has concluded a favorable collaboration agreement with a leading global pharmaceutical company.

The Group consists of the Parent Company Diamyd Medical AB (publ) and the wholly-owned subsidiaries Diamyd Therapeutics AB and Diamyd Diagnostics AB. Diamyd Medical also has holdings in the gene therapy company Periphagen, Holdings Inc. (USA), the vaccine company Protein Sciences Corporation (USA) and the diagnostics company Mercodia AB (Sweden). The Group is headquartered in Stockholm, Sweden. Shares are listed on the Nasdaq OMX (segment Small Cap) in Stockholm (ticker: DIAM B) and on OTCQX in the US (ticker: DMYDY).

Drug development

Diamyd Medical's operations consist primarily of development of the GAD based diabetes vaccine Diamyd[®] for prevention and treatment of the autoimmune forms of diabetes. GAD, or GAD65 (glutamic acid decarboxylase isoform 65kDa), is a human enzyme and plays an important role in the disease process in the autoimmune forms of diabetes, type 1 diabetes and LADA. GAD is also the active substance in Diamyd[®].

A Swedish researcher initiated Phase II study, DiAPREV-IT, is ongoing to evaluate whether Diamyd[®] can prevent or delay type 1 diabetes in children who are at high risk of developing the disease. The results of the study are expected to be presented in 2015.

Another Swedish researcher initiated Phase II study, DIABGAD-1, with Diamyd[®] is in progress. In the study Diamyd[®] is tested in a unique combination with other drugs, aiming to potentiate the effect of the diabetes vaccine. The study will include 60 children and adolescents newly diagnosed with type 1 diabetes and comprise a total of 30 months, with a first analysis focusing on immunological markers already after 6 months.

Since Diamyd Medical obtained the rights to GAD in the mid-1990s, the Company has conducted several preclinical and clinical trials with the Diamyd[®] diabetes vaccine, including a global Phase III program in which more than 660 children and adolescents with newly diagnosed type 1 diabetes participated. In addition to the Company's own clinical trials, a number of external trials, known as researcher initiated studies, have been performed with Diamyd[®] by independent scientists and research organizations.

FINANCIAL INFORMATION

Group, including discontinuing operations

Net sales – The Group's net sales for the second quarter were MSEK 0 (0.6). The Group's net sales for the first half year were MSEK 0.1 (0.6).

Costs – The Group's costs were MSEK -7.3 (-6.2) in the second quarter. The costs for the first half year were MSEK -11.1 (-17.6). The costs for the second quarter and half year figures include adjustments for divested operations of MSEK -3.1.

Result – The Group's loss before tax for the second quarter was MSEK -6.2 (-4.2). Loss before tax for the first half year was MSEK -8.0 (-7.7). The loss before tax for the second quarter and half year figures includes adjustments for divested operations of MSEK -3.1.

Financial position and liquidity – The Group's liquid assets and short term investments were MSEK 367 (408) as of February 28, 2013.

Investments – Investments in tangible assets for the second quarter were MSEK 0 (0). Investments in tangible assets for the first half year were MSEK 0 (0).

Equity – As of February 28, 2013, the Group's equity amounted to MSEK 395 (439), resulting in a solidity of 98 (94) percent.

Organization – The average number of employees during the first half year was 7 (12). At the end of the period the number of employees was 7 (8). The number of employees in comparable periods excludes divested operations.

Parent Company – Investments for the first half year were MSEK 0 (0). The Parent Company's net loss for the second quarter amounted to MSEK -1.0 (-9.9). The Parent Company's net loss for the first half year amounted to MSEK -0.9 (-8.9).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Note	3 months Dec-Feb 2012/2013	3 months Dec-Feb 2011/2012	6 months Sep-Feb 2012/2013	6 months Sep-Feb 2011/2012	12 months Sep-Aug 2011/2012
OPERATING INCOME						
Net sales		56	43	117	43	253
Other operating income		-	76	3	1,157	1,228
Total operating income		56	119	120	1,200	1,481
OPERATING EXPENSES						
External research and development costs		-	-	-	-	-
External patent and license expenses		-	-466	-452	64	-1,154
Other external expenses	1	-2,030	-2,146	-3,611	-4,086	-6,739
Other operating expenses		-27	-914	-75	-1,491	-1,430
Depreciation and impairment, tangible and intangible assets		-	-	-	-	-16,627
Total operating expenses		-2,057	-3,526	-4,138	-5,513	-25,950
OPERATING LOSS		-2,001	-3,407	-4,018	-4,313	-24,469
Net Financial Income/Expense	2	1,107	1,388	2,860	6,926	11,411
Loss before taxes		-894	-2,019	-1,158	2,613	-13,058
Taxes		-	-	-	-	-
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS *		-894	-2,019	-1,158	2,613	-13,058
Divested operations/ Discontinuing operations						
Net loss for the period from divested operations	3	-	-9,429	-4,000	-13,647	-24,484
Net loss for the period from discontinuing operations	4	-5,264	-2,184	-6,800	-10,290	-14,133
NET LOSS FOR THE PERIOD		-6,158	-13,632	-11,958	-21,324	-51,675
Other comprehensive income for the period						
Translation gains/losses		-	151	-181	-50	-85
Other comprehensive income for the period, net of tax		-	151	-181	-50	-85
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-6,158	-13,481	-12,139	-21,374	-51,760

KSEK	Note	3 months Dec-Feb 2012/2013	3 months Dec-Feb 2011/2012	6 months Sep-Feb 2012/2013	6 months Sep-Feb 2011/2012	12 months Sep-Aug 2011/2012
Earnings per share before dilution, SEK		-0.2	-0.5	-0.4	-0.7	-1.7
Earnings per share after dilution, SEK		-0.2	-0.5	-0.4	-0.7	-1.7
Number of shares per closing day		29,579,133	29,579,133	29,579,133	29,579,133	29,579,133
Average number of shares before dilution		29,579,133	29,579,133	29,579,133	29,579,133	29,579,133
Average number of shares after dilution		29,579,133	29,579,133	29,579,133	29,579,133	29,579,133

*The sale of the US subsidiary, Diamyd, Inc., has been reported as divested operations. Recalculations have been made for the comparative periods' figures. For further information, see Note 3. The discontinuing of the subsidiary, Diamyd Therapeutics AB, has been reported as discontinuing operations. Recalculations have been made for the comparative periods' figures. For further information, see Note 4.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	Feb 28 2013	Feb 29 2012	Aug 31 2012
ASSETS				
Non-current assets				
Intangible assets		-	16,627	-
Tangible assets		-	2,011	1,816
Financial assets		29,241	29,835	29,871
Total non-current assets		29,241	48,473	31,687
Current assets				
Inventory		-	5	5
Trade receivables		1,700	37	3,175
Other receivables		925	3,860	2,042
Prepaid expenses and accrued income		1,204	5,450	4,634
Short term investments		85,721	231,941	215,851
Liquid assets		266,447	176,529	164,342
Total current assets		355,997	417,822	390,049
Assets, discontinuing operations		18,086	-	-
TOTAL ASSETS		403,324	466,295	421,736
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		14,790	14,790	14,790
Other capital contributions		725,025	724,737	725,025
Other reserves		-	216	181
Accumulated losses including results for the period		-344,374	-300,504	-330,420
Total shareholders' equity		395,441	439,239	409,576
Non-current liabilities				
Other liabilities		-	738	783
Total non-current liabilities		-	738	783
Current liabilities				
Trade payables		872	8,353	5,396
Other payables		-	1,322	1,196
Prepaid income and accrued expenses		227	16,643	4,785
Total current liabilities		1,099	26,318	11,377
Liabilities, discounting operations		6,784	-	-
TOTAL EQUITY AND LIABILITIES	5	403,324	466,295	421,736

CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	3 months Dec-Feb 2012/2013	3 months Dec-Feb 2011/2012	6 months Sep-Feb 2012/2013	6 months Sep-Feb 2011/2012	12 months Sep-Aug 2011/2012
Cash flow from operations before changes in working capital						
Operating profit/loss		-7,285	-15,190	-14,933	-28,449	-63,424
Interest received		1,819	3,257	4,488	7,810	12,684
Interest paid		-127	-28	-130	-42	-31
<i>Non-cash flow items</i>						
Depreciation and impairment		39	127	78	261	17,141
Other non-cash flow items		93	191	4,317	-299	-192
Net cash flow from operating activities before changes in working capital						
		-5,461	-11,643	-6,180	-20,719	-33,822
Increase (-) decrease (+) receivables		-986	11,412	-2,709	25,614	25,219
Increase (+) decrease (-) liabilities		814	-3,284	-2,557	-32,701	-47,384
Net cash flow from operating activities						
		-5,633	-3,515	-11,446	-27,806	-55,987
Cash flow from investing activities						
Increase (-) decrease (+) short term investments		190,417	25,935	130,130	45,918	61,972
Purchase of tangible assets		-	-41	-	-42	-93
Sale of equipment		-	16	-	16	17
Sale of subsidiaries, net liquidity impact		-	-	-1,515	-	-
Net cash flow from investing activities						
		190,417	25,910	128,615	45,892	61,896
Cash flow from financing activities						
New share issue after issue expenses		-	-	-	-	288
Cash flow from financing activities						
		-	-	-	-	288
Total cash flow for the period*						
	3, 4	184,783	22,395	117,169	18,086	6,197
Cash and cash equivalents at beginning of period		96,869	155,872	164,342	157,782	157,782
Net foreign exchange difference		-256	-1,738	-115	661	363
Cash and cash equivalents at end of period						
		281,396	176,529	281,396	176,529	164,342

*Includes Cash flow from discontinuing operations by KSEK -6,973 for the period September-February, 2012/2013. For further information see note 4.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share Capital	Other capital contri- butions	Reserves	Accu- mulated losses	Total
Sep 1, 2011 – Aug 31, 2012					
Opening balance, September 1, 2011	14,790	724,737	266	-278,819	460,974
Comprehensive income					
Net loss for the period	-	-	-	-51,675	-51,675
Translation gains/losses	-	-	-85	-	-85
Total comprehensive income	-	-	-85	-51,675	-51,760
Transactions with owners					
Employee options	-	288	-	74	362
Total transactions with owners	-	288	-	74	362
Closing balance, August 31, 2012	14,790	725,025	181	-330,420	409,576
Sep 1, 2011 – Feb 28, 2012					
Opening balance, September 1, 2011	14,790	724,737	266	-278,819	460,974
Comprehensive income					
Net loss for the period	-	-	-	-21,324	-21,324
Translation gains/losses	-	-	-50	-	-50
Total comprehensive income	-	-	-50	-21,324	-21,374
Transactions with owners					
Employee options	-	-	-	-361	-361
Total transactions with owners	-	-	-	-361	-361
Closing balance, February 29, 2012	14,790	724,737	216	-300,504	439,239
Sep 1, 2012 – Feb 28, 2013					
Opening balance, September 1, 2012	14,790	725,025	181	-330,420	409,576
Comprehensive income					
Net loss for the period	-	-	-	-11,958	-11,958
Translation gains/losses	-	-	-181	-	181
Total comprehensive income	-	-	-181	-11,958	-12,139
Transactions with owners					
Employee options	-	-	-	-1,996	-1,996
Total transactions with owners	-	-	-	-1,996	-1,996
Closing balance, February 28, 2013	14,790	725,025	-	-344,374	395,441

PARENT COMPANY INCOME STATEMENT

KSEK	Note	3 months Dec-Feb 2012/2013	3 months Dec-Feb 2011/2012	6 months Sep-Feb 2012/2013	6 months Sep-Feb 2011/2012	12 months Sep-Aug 2011/2012
OPERATING INCOME						
Other operating income		-	42	1	1,156	1,227
Total operating income		-	42	1	1,156	1,227
Operating expenses						
Other external expenses		-2,025	-12,030	-3,392	-16,251	-30,280
Other operating expenses		-26	-744	-73	-1,319	-1,480
Depreciation and impairment, tangible and intangible fixed assets		-	-	-	-	-16,627
Total operating expenses		-2,051	-12,774	-3,465	-17,570	-48,387
OPERATING LOSS		-2,051	-12,731	-3,464	-16,414	-47,160
Financial income and expenses						
Result from group participation		-76	1,227	-303	361	-74
Impairment of receivables subsidiaries		-	-	-	-	-9,456
Interest income and similar items		1,171	1,539	2,918	7,201	11,952
Interest expense and similar items		-55	-15	-58	-15	-15
Total financial income and expenses		1,040	2,802	2,557	7,547	2,407
Profit/Loss before tax		-1,011	-9,929	-907	-8,867	-44,753
Taxes		-	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD		-1,011	-9,929	-907	-8,867	-44,753

PARENT COMPANY'S BALANCE SHEET

KSEK	Feb 28 2013	Feb 29 2012	Aug 31 2012
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Acquired research and development	-	16,627	-
<i>Financial assets</i>			
Shares in Group companies	1,200	1,200	1,200
Receivables at Group companies	-	8,807	-
Other long-term bond holdings	29,241	29,241	29,241
Total non-current assets	30,441	55,875	30,441
Current assets			
Trade receivables	1,700	-	301
Other receivables	855	1,331	-
Prepaid expenses and accrued income	1,204	4,597	3,917
Total trade and other receivables	3,759	5,928	4,218
Short term investments	85,721	231,941	215,851
Liquid assets	265,863	152,695	141,683
Total short term investments and liquid assets	351,584	384,636	357,534
Total current assets	355,059	390,564	361,752
TOTAL ASSETS	385,784	446,439	392,193
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Issued capital	14,790	14,790	14,790
Statutory reserve	96,609	96,609	96,609
Non-restricted equity			
Share premium reserve non-restricted	375,029	374,741	375,029
Profit or loss brought forward	-246,503	-202,488	-202,053
Net profit/loss for the period	-907	-8,867	-44,753
Total shareholders' equity	239,018	274,785	239,622
Liabilities to Group companies	145,667	162,720	145,742
Current liabilities			
Trade payables	871	5,325	6,179
Other payables	-	3,271	-43
Prepaid income and accrued expenses	228	338	693
Total current liabilities	1,099	8,934	6,829
TOTAL EQUITY AND LIABILITIES	385,784	446,439	392,193
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 – Related-party transactions

During the first half year, companies represented by immediate family members of the Chairman of the Board were contracted as consultants. Total compensation during the period amounted to KSEK 426 (456) excluding VAT and was attributable to IT-services. Member of the Board of Directors Jonas Jendi have during the first half year invoiced the company KSEK 93 (0) for work regarding strategic development. Pricing has been set by the arm's length principle. 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 period. 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-Feb 2012/2013	Sep-Feb 2011/2012	Sep-Aug 2011/2012
Consultant fees to related parties	426	456	826
Consultant fees to Board of Directors	93	-	-

Note 2 – Net Financial Income/Expense

Net Financial Income/Expense for the first half year amounts to MSEK 2.9 and consists of interest income on liquid assets and short term investments.

Note 3 – Divested operations

In October 2012, Diamyd Medical announced that an agreement was entered into for the sale of the US subsidiary, Diamyd, Inc. and an Extraordinary General Meeting of Diamyd Medical AB held on October 30, 2012, approved the sale. Under the agreement, in addition to the shares in Diamyd, Inc., the buyer, Periphagen Holdings, Inc., assumed the intellectual property rights to the patented Nerve Targeting Drug Delivery system (NTDDS) technology, and all costs and revenues related to the business from September 1, 2012. The purchase price consisted of a 10 percent ownership in Periphagen Holdings, Inc. and a cash component of one (1) USD. In addition, Diamyd Medical may receive up to MUSD 10, primarily in milestone payments, as well as 10 percent of upfront payments and other payments that Periphagen Holdings, Inc. may receive from future partners, and royalties on future sales of NTDDS based drugs. Comparative figures related to results have been converted due to the divestment.

Net profit/loss for the period from divested operations	Sep-Feb
KSEK	2012/2013
Net sales	2,260
Operating income	2,260
Research and development costs	-323
Personnel	-1,054
Other external expenses	-393
Depreciation tangible assets	-53
Operating expenses	-1,824
Net Financial Income/Expense	-22
Profit before taxes	414
Net profit for the period divested operations	414
Loss on sale of assets	-4,414
Net loss for the period from divested operations	-4,000

Cash flow from divested operations	Sep-Feb
KSEK	2012/2013
Cash flow from operating activities before changes in working capital	1,882
Cash flow from operating activities	-646
Cash flow from financing activities	-
Cash flow from divested operations	1,236

Note 4 – Discontinuing operations

In February 2013, Diamyd Medical announced that shareholders in Diamyd Medical AB representing a majority of the votes in the Company have reached an agreement that includes that the shares in the subsidiary Diamyd Therapeutics AB shall be distributed to the shareholders and that the subsidiary shall be capitalized with SEK 50 million. The company will have series A and series B shares in the same manner as Diamyd Medical AB has today. Diamyd Therapeutics is in this report reported as discontinuing operations according to IFRS5.

Net loss for the period from discontinuing operations	Sep-Feb
KSEK	2012/2013
Net sales	9
Operating income	9
External research and development costs	-1,695
External patent and license expenses	-349
Personnel	-3,742
Other external expenses	-1,026
Other operating expenses	-33
Depreciation and impairment, tangible and intangible assets	-78
Operating expenses	-6,923
Financial income and expenses	114
Loss before tax	-6,800
Taxes	-
Net loss for the period from discontinuing operations	-6,800

Cash flow from discontinuing operations	Sep-Feb
KSEK	2012/2013
Cash flow from operating activities before changes in working capital	-6,973
Cash flow from operating activities	-
Cash flow from financing activities	-
Cash flow from discontinuing operations	-6,973

Note 5 – Equity and liabilities

All Group debts are non-interest-bearing.

Key figures	3 months	3 months	6 months	6 months	12 months
Group, including discontinuing operations	Dec-Feb	Dec-Feb	Sep-Feb	Sep-Feb	Sep-Aug
	2012/2013	2011/2012	2012/2013	2011/2012	2011/2012
Research and development costs, MSEK	-2.3	-0.2	-1.7	-4.5	-3.1
Return on equity, %	-1.5	-3.1	-3.0	-4.7	-11.9
Solidity, %	98	94	98	94	97
Earnings per share before dilution, SEK	-0.2	-0.5	-0.4	-0.7	-1.7
Earnings per share after dilution, SEK	-0.2	-0.5	-0.4	-0.7	-1.7
Liquid assets and short term investments per share, SEK	11.9	13.8	11.9	13.8	12.9
Shareholders' equity per share before dilution, SEK	13.4	14.8	13.4	14.8	13.8
Shareholders' equity per share after dilution, SEK	13.4	14.8	13.4	14.8	13.8
Cash flow per share, SEK	6.2	0.8	4.0	0.6	-0.8
Share price per closing, SEK	13.9	11.0	13.9	11.0	7.3
Share price/shareholders' equity per share, SEK	1.0	0.7	1.0	0.7	0.5
Number of shares per closing	29,579,133	29,579,133	29,579,133	29,579,133	29,579,133
Average number of shares before dilution	29,579,133	29,579,133	29,579,133	29,579,133	29,579,133
Average number of shares after dilution	29,579,133	29,579,133	29,579,133	29,579,133	29,579,133

Significant risks and uncertainties

Diamyd Medical's business is subject to certain risks and uncertainties. These include both internal and external factors that could materially affect the Company's development and growth and thus an investment in the Diamyd Medical share. Development of a medical drug often takes a considerable time, is capital intensive and associated with significant levels of uncertainty due to its dependence on unpredictable and complex parameters regarding the course of biological and medical processes. Diamyd Medical's development projects are in preclinical and clinical phases where a number of different parameters affect the probability of success. No guarantee can be given that the Company's development projects will lead to marketable drugs or that they will achieve commercial success.

The Company's operations are associated with risks related to, inter alia, drug development, commercialization, financing, intellectual property, collaborations with partners, authority decisions, certain assets and key personnel. For a more detailed description of the Company's risks and uncertainties, please see the Company's Annual Report for the fiscal year 2011/2012. No significant changes with respect to risks and uncertainties have occurred since the Annual Report was issued.

This interim report has been reviewed by the Company's auditors

The Board of Directors and the CEO certify that the interim report gives a fair overview 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, March 27, 2013

Anders Essen-Möller, Chairman of the Board

Jonas Jendi, Board Member

Maria-Teresa Essen-Möller, Board Member

Erik Nerpin, Board Member

Peter Zerhouni, President and CEO

For more information, please contact:

Peter Zerhouni, President and CEO Diamyd Medical AB. Phone: + 46 8 661 00 26

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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.

Note: This document has been prepared in both Swedish and English. The Swedish version shall govern in case of differences between the two documents. The document contains certain statements about the Company's operating environment and future performance. These statements should only be regarded as reflective of prevailing interpretations. No guarantees can be made that these statements are free from errors.



Report of Review of Interim Financial Information

Introduction

We have reviewed this report for the period 1st September 2012 to 28th of February 2013 for Diamyd Medical AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report 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 International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm, 27th of March 2013

PricewaterhouseCoopers

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Eva Blom

Authorised Public Accountant