Quarterly report, Stockholm, April 28, 2010

September 1, 2009 - February 28, 2010

Second quarter report for Diamyd Medical AB (publ), fiscal year 2009/2010

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

Second quarter December 1, 2009 – February 28, 2010

- Group net sales for the second quarter was MSEK 0.2 (0.8)
- Loss before tax for the second quarter was MSEK -26.6 (-15.4)
- Earnings per share after dilution for the second quarter were SEK -0.2 (-0.7)

First half year September 1, 2009 – February 28, 2010

- Group net sales for the first half year was MSEK 1.4 (0.9)
- Loss before tax for the first half year was MSEK -44.4 (-25.8)
- The Group's liquid assets amounted to MSEK 200.1 (50.4) as of February 28, 2010
- Earnings per share after dilution for the first half year were SEK -1.7 (-1.2)

Significant events during the reporting period December 1, 2009 – February 28, 2010

- A 2:1 division of shares (a split) was executed.
- The Diamyd® vaccine was approved for studies in children down to three years of age in the US.
- The Annual Meeting of Shareholders was held on December 11, 2009.
- Diamyd announced that the Company's partnership negotiations are at an advanced stage.

Significant events after the reporting period

- Fund invested 35 MSEK in Diamyd.
- Diamyd granted Orphan Drug Designation in the US.
- Diamyd announced that the Company's US Phase III study has included 100 study participants at 33 diabetes centers.
- Liquidity provider agreement for the Diamyd share was terminated.

CEO COMMENTS

Hard work pays off

After a long and very busy winter it is time for the second quarterly report of the year. It is very gratifying to see the development in the company and how the important Phase III studies are approaching their final stage. In a year from now we'll get the results from the European study and thanks to our effort to add more American pediatric sites together with the approval to include younger children, we can now add about one new patient per day in the American study. We are also noticing a considerable interest from the US media, and almost every week there is an article or a TV spot about the study and the potential of the diabetes vaccine. In addition, we recently received a long awaited decision when the FDA granted Diamyd® Orphan Drug Designation.

Currently everyone is awaiting the results from the Phase III studies – we, the market, the doctors and, above all, the children and adolescents participating in the studies. If the Phase III results confirm the results from the Phase II study, i.e. that Diamyd® can stop or delay the disease process in type 1 diabetes, it heralds a significant medical breakthrough.

Our main priority is the Phase III studies with Diamyd®. At the same time we are working on the next step; to complete the product supply chain, in order to be ready for the anticipated market launch. This takes time and money which is why the process is initiated already now.

Our long-term strategy is to build a Nordic specialty pharmaceutical company. As we build up resources and knowledge, we will gradually expand our operations. We are following the development of new diabetes therapies with keen interest and have today the potential to license promising new projects that supplement our product portfolio. The direct placement in March, for a total of SEK 35 million, gives us the possibility to act fast if the right opportunity presents itself.

The partnership discussions regarding out-licensing of Diamyd® are continuing, and we are working diligently to complete the negotiations.

I am proud of how far we have already reached and I am looking forward to the next quarter and the exciting times ahead of us.

Stockholm, April 28, 2010

Elisabeth Lindner

SIGNIFICANT EVENTS DURING THE PERIOD DECEMBER 1, 2009 – FEBRUARY 28, 2010

A 2:1 division of shares (a split) was executed. As authorized by the Annual Meeting of Shareholders in December 2009, Diamyd resolved to execute a division of the Company's shares, meaning that each share was divided into two shares of the same class. The record date for the split was January 28, 2010. The last day of trading in the shares before the division was January 25, 2010 and the first day of trading in divided shares was January 26, 2010.

The Diamyd® vaccine was approved for studies in children down to three years of age in the US. The US FDA approved the experimental use of the Diamyd® vaccine in children as young as 3 years of age in the TrialNet GAD study, enrolling 126 new onset type 1 diabetes patients in North America. The study, which is being conducted by an international network of leading endocrinologists and immunologists, had previously received approval to recruit recent-onset type 1 diabetes patients between the ages of 16 and 45.

Annual Meeting of Shareholders, December 11, 2009. At the Annual Meeting of Shareholders, Diamyd Medical's President and CEO Elisabeth Lindner gave a retrospective view of and summarized the important events during and after the past fiscal year. The Company's income statement and balance sheet were adopted, and the board and CEO were discharged from liability for the 2008/2009 fiscal year. Anders Essen-Möller was reelected as Chairman of the Board, and Lars Jonsson, Sam Lindgren and Henrik Bonde were reelected to the Board. Maria-Teresa Essen-Möller and Göran Pettersson were elected as new Board members. The annual meeting approved the Board's proposed guidelines for compensation and terms of employment for the CEO and other key executives. The meeting approved the Board's proposal to amendments to the Articles of Incorporation concerning an execution of a 2:1 division of shares (i.e. a split), meaning that each share is divided into two shares, and that the summons to the shareholders' meeting is adjusted to the new regulations expected to come into force in 2010. In addition, the meeting approved the Board's proposal that the provisions concerning prior application to and right to attend shareholders' meeting are adjusted to the Companies Act. The meeting mandated the Board to decide on new share issues of a maximum total of 10 percent of the number of shares on one or more occasions before the next Annual General Meeting. In addition, the meeting approved the Board's proposal to institute an employee option program.

Diamyd announced that the Company's partnership negotiations are at an advanced stage. Diamyd Medical announced that its previously announced partnership negotiations on the out-licensing of marketing rights for the Diamyd® portfolio were at an advanced stage. Business negotiations of this type entail a large number of issues and complex relationships, so the Company cannot forecast when an agreement may be reached.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Fund invested 35 MSEK in Diamyd. Diamyd Medical accepted an offer from an investment fund managed from New York by a Swedish-American team to issue 291,667 new B shares in a direct placement at 120 SEK per share. The issue price corresponded to the average market price of the past 30 trading days. Total proceeds for Diamyd amounted to 35 MSEK. The new shares represent 1.0 % of the capital and 0.7 % of the votes. The Board of Diamyd decided on the new issue based on the authorization given by the Annual General Meeting on December 11, 2009.

Diamyd granted Orphan Drug Designation in the US. The FDA has granted Orphan Drug Designation of Diamyd Medical's lead drug candidate Diamyd® in the USA. The Orphan Drug Designation is granted for rhGAD65, the active ingredient of Diamyd®, for the treatment of type 1 diabetes with residual beta cell function. Orphan drugs qualify for seven years of market exclusivity from the date of US marketing approval, tax credits for clinical research and a waiver for FDA user fees.

Diamyd announced that the Company's US Phase III study is well under way. Diamyd Medical's ongoing US Phase III study was announced to have included one hundred study participants at 33 diabetes centers in the USA and more sites will be added. The global Phase III program with the Company's lead drug candidate Diamyd® has thereby enrolled more than 430 children newly diagnosed with type 1 diabetes in Europe and the USA.

Liquidity provider agreement for the Diamyd share was terminated. Due to increased turnover in Diamyd Medical's B share, the Company's liquidity provider agreement with Mangold Fondkommission AB expired on March 5, 2010. A new liquidity provider has not been appointed.

BUSINESS OVERVIEW

Diamyd Medical is a Swedish company focusing on the development of pharmaceuticals for the treatment of autoimmune diabetes and its complications. Diamyd's business concept is to license diabetes-related candidate drugs and refine them through development. The products are to be subsequently commercialized, either independently or with a partner, or out-licensed. Diamyd's objective is to create a "Small Pharma Company" in the diabetes field. Its vision is to be able to prevent and cure the autoimmune form of diabetes in the future. Today our top priorities are the completion of the global Phase III program using the Diamyd diabetes vaccine currently in progress, and preparations to apply for market approval.

Business Model

Diamyd Medical is managed using an outsourcing model with low costs and efficient organization, where some of its operations have been outsourced to qualified partners with expert qualifications. A limited number of permanent employees manage, lead and implement projects in areas such as clinical and pre-clinical research, regulatory issues and production. This model leads to lower operating expenses than building up the operation in-house, and enables the Company to develop in a cost-efficient and flexible manner while ensuring high quality and an emphasis on results as the Company's projects move forward.

Development platforms

Diamyd develops products from two independent technological platforms in the areas of diabetes and diabetes-related complications. One of the platforms originates from the GAD65 molecule and is the basis for the Diamyd® diabetes vaccines. The second platform, called NTDDS (Nerve Targeting Drug Delivery System), utilizes gene therapy to deliver medication directly to nerve cells.

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

The GAD platform

The Company's platform for research on autoimmune diabetes originates from the GAD65 molecule and is the basis for the Diamyd® diabetes vaccine. The active substance in Diamyd® is GAD65 (the 65 kDa isoform of glutamic acid decarboxylase), a human enzyme and an important autoantigen in autoimmune diabetes. Treatment with the Diamyd® vaccine is thought to induce tolerance against GAD65, thereby intervening in the autoimmune attack and preserving the capacity to control the blood sugar in patients with autoimmune diabetes, i.e. type 1 diabetes and LADA. The vaccine works by immunomodulation and is antigen-specific, which increases the likelihood not only that Diamyd® treatment will be effective, but that it will have limited side effects. The safety profile is extremely important in the treatment of diabetes,

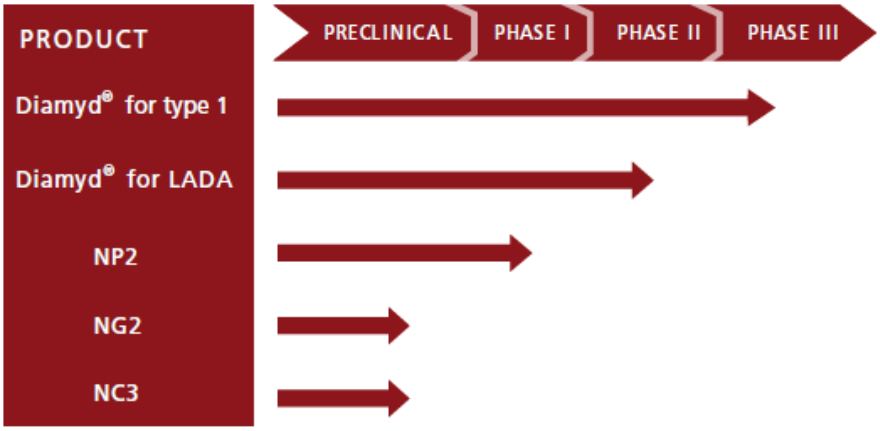
since a large proportion of type 1 diabetes patients are children and adolescents. Diamyd has secured exclusive patent licenses for the manufacturing and therapeutic use of GAD65, and for the treatment of diabetes with GAD65. In addition the Company has also licensed non-exclusive rights for GAD-based diagnostic applications.

The NTDDS platform

The Company's patent-protected Nerve Targeting Drug Delivery System (NTDDS) is a gene therapy delivery system for the specific delivery of protein to nerve cells. NTDDS has several advantages over other gene therapy strategies, as it is nerve specific and acts locally (the treatment does not enter the bloodstream), thus causing fewer side effects. NTDDS does not integrate into the host cells' chromosomes, which additionally reduces the risk of side effects. The Company's subsidiary Diamyd Inc. in Pittsburgh, USA, conducts research and development on the NTDDS platform, with an emphasis on the development of products and therapies to relieve pain, such as diabetes pain.

Project portfolio

Diamyd has a portfolio of three drug candidates in clinical development: Diamyd® for type 1 diabetes (Phase III), Diamyd® for LADA (Phase II) and NP2 for chronic pain (Phase I). In addition to these, the NTDDS products NG2 and NC3 are in preclinical development.



Diamyd® for type 1 diabetes

The GAD-based vaccine Diamyd® for type 1 diabetes has come the farthest in its development among all of the Company's research projects. The vaccine is intended to halt, prevent or delay the autoimmune attack on insulin-producing cells in type 1 diabetes, thereby preserving the body's own ability to control blood sugar, which is extremely important since there is no such treatment on the market today.

Two parallel Phase III studies of the Diamyd® diabetes vaccine for type 1 diabetes are being conducted in Europe and the US. Both studies are randomized, double-blind and placebo controlled. Approximately 320 young patients with newly-diagnosed type 1 diabetes are

included in each study. Each study includes three treatment arms in which one third of the patients is treated with two injections of Diamyd® 20µg (days 1 and 30); one third is treated with four injections of Diamyd® 20µg (days 1, 30, 90 and 270); and one third receives placebo. The results from each study will be analyzed 15 months after all patients have received their first injection. The European study is fully recruited, and the Company anticipates being able to begin reporting the results in the spring of 2011. If the results are positive, the Company plans to apply to the relevant regulatory agencies for market approval in 2011, making it possible to launch the product in the market earliest in 2012.

The Company reported positive results from a similar 30-month randomized double-blind placebo controlled Phase II study of 70 children and adolescents with type 1 diabetes. Significant long-term efficacy in preserving beta cell function, i.e. endogenous insulin producing capacity, was demonstrated. The treatment was well received by patients, doctors and parents. In addition, the results strongly support the safety of the drug. No serious side effects related to the Diamyd® treatment were reported in the study. The study was published in the fall of 2008 in the prestigious journal *The New England Journal of Medicine*. The study has now been extended in order to follow the study participants for three more years, in order to confirm the long-term efficacy of the Diamyd® vaccine. An initial analysis of the new data shows that those patients who had received the Diamyd® vaccine, and who had recently developed the disease when the study began, still have a better diabetes status than corresponding patients who received a placebo, even four years after treatment. The safety data also continues to look promising, with no serious side effects associated with the treatment.

In addition several externally financed studies of the Diamyd® diabetes vaccine are in progress in both Europe and the US, initiated by investigators. One of the studies is a Swedish prevention study with 50 children at high risk of developing type 1 diabetes, with the aim of trying to prevent the disease from developing.

Diamyd® for LADA

The purpose of the GAD-based vaccine Diamyd® for LADA is to halt, prevent or delay the autoimmune attack on the beta cells, which control blood sugar, in LADA (Latent Autoimmune Diabetes in Adults), a slower form of autoimmune diabetes that afflicts adults.

The LADA product has progressed to Phase II clinical trials, and in April 2009 the respected scientific journal *Diabetologia* published clinical results demonstrating that the Diamyd® vaccine significantly reduces the risk that LADA patients will need insulin treatment, even after five years. Only 14 percent of the patients in the group that received 20 µg of Diamyd® needed insulin after five years, vs. 64 percent in the placebo group. No serious side effects related to Diamyd® treatment have been reported in any study, which additionally strengthens the safety profile of the Diamyd® diabetes vaccine.

NP2

The NTDDS product NP2 is a method of treating chronic pain with enkephalin, a morphine-like substance. Preclinical studies show that a single dose of NP2 provides effective pain relief for several weeks. The treatment works locally and can be repeated several times without causing habituation or tolerance to enkephalin. The treatment has also been shown to be safe and to be free of serious side effects, in contrast to conventional treatment, e.g. morphine. The results of preclinical studies published in the scientific journal *The Journal of Neuroscience* in the fall of

2008 suggest that treatment with NP2 not only provides effective pain relief but could also potentially cure the part of the pain which results from inflammation caused by the pain itself. This means that in the future it may also be possible to administer local pain prevention.

During 2008 Diamyd initiated a Phase I trial of NP2 in the US. The aim is to establish the safety of the treatment in humans. The study encompasses 12 patients with intractable cancer pain. The trial represents a safety study for the whole NTDDS platform and will form the basis for future studies of other substances and diseases.

NG2

The NTDDS product NG2 delivers GAD locally to nerve cells. In disease models it has been shown to be effective in the treatment of chronic neuropathic pain resulting from nerve damage as in e.g. diabetes and spinal cord injury. Preclinical studies with NG2 are in progress, and clinical trials are being planned.

NC3

The NTDDS product NC3 is for the treatment of glioma, a type of malignant brain tumor produced by cancerous glial cells from brain connective tissue. Malignant glioma is one of the most aggressive types of brain tumor and has low survival rates. NC3 can induce high levels of therapeutic cell-killing substances for up to a week. The NC3 vector and the cell-killing substances work together to eliminate cancer cells locally without damaging healthy cells nearby. Preclinical toxicological studies have been carried out with NC3, financed by grants from the US National Institutes of Health (NIH).

RISK FACTORS

Pharmaceutical development is associated with a high level of uncertainty, since it entails new, unpredictable, complex parameters and biological and medical processes. Thus an investment in Diamyd Medical entails high financial uncertainty and risk. Every investor should independently identify and judge various potential risk factors and their potential effect on the Company's future development. The following are examples (in no particular order) of risk factors that may be important when assessing an investment in Diamyd Medical:

Uncertainty regarding the commercial success of the Company's products

There is no guarantee that Diamyd Medical's research and development will result in commercial success. There is no guarantee that the clinical trials conducted by Diamyd Medical will result in marketable products.

Risks regarding intellectual property portfolio

There are no guarantees that the Company will develop products that can be patented, nor that granted or 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.

Financial risks

Diamyd Medical is currently not profitable. The Company continually depends on receiving outside capital to be able to meet its stated goals and generate a profit in the future. There is a risk that the Company will not succeed in securing the financial resources necessary to fully develop its products. Nor can the Company guarantee that there will not be any need in the future to turn to the capital market for financing in order to secure its business development, as well as research and development projects undertaken.

FINANCIAL PERFORMANCE

Net sales – The Group's net sales for the second quarter were MSEK 0.2 (0.8). The net sales for the first half of the year were MSEK1.4 (0.9). Sales fluctuate from quarter to quarter and consist of Diamyd®-related products such as GAD-protein sold to researchers.

Costs – Costs were MSEK 27.8 (20.6) in the second quarter. The Group's costs for the first half of the year were MSEK 58.6 (36.0). The increase in costs this period, compared to the same periods last year, is mainly attributable to increased research and development costs with the inclusion of more patients in the Company's Phase III trials.

Result – Loss before tax for the second quarter was MSEK -26.6 (-15.4). The Group's Loss before tax for the first half of the year was MSEK -44.4 (-25.8). The result includes a payment of MSEK 11 from Apoteket AB after a settlement agreement was reached.

Financial position and liquidity – The Group's liquid assets were MSEK 200.1 (50.4) as of February 28, 2010. In November 2009, liquidity was strengthened through a preferential rights issue which brought in MSEK 219 before issue expenses.

Investments – Investments in tangible assets for the second quarter were MSEK 0.2 (0.0). Investments in tangible assets for the first half of the year were MSEK 0.2 (0.1).

Change in equity – As of February 28, 2010, the Company's equity amounted to MSEK 229.0 (96.1), resulting in a solidity of 91 (93) percent.

Personnel – The Group had 17 (13) employees as of February 28, 2010, of whom 7 (4) were men and 10 (9) were women.

Parent Company – The Parent Company does not report any sales as all sales take place in its subsidiaries. Investments for the period were MSEK 0 (0). The Parent Company's net loss for the second quarter amounted to MSEK -26.2 (-29.9). Net loss for the first half of the year amounted to MSEK -44.6 (-27.1).

The Parent Company's income statement for the first half of the year has been charged with MSEK 37.2 (28.1) in shareholders' contributions that the Parent Company provided to its subsidiaries during the period to finance research and development.

Shares – The total number of shares in the Company as of February 28, 2010 was 28,660,988. In January, 2010, an executed division of shares (a split), meaning that each share has been divided into two shares of the same class, has been done. Key figures and result per share have been adjusted to the split in this report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Note	3 months Dec-Feb 2009/2010	3 months Dec-Feb 2008/2009	6 months Sep-Feb 2009/2010	6 months Sep-Feb 2008/2009	12 months Sep-Aug 2008/2009
OPERATING INCOME						
Net sales	1	164	778	1,449	866	1,105
Other operating income		785	1,106	12,731	1,300	4,295
Total operating income		**949**	**1,884**	**14,180**	**2,166**	**5,400**
OPERATING EXPENSES						
Raw materials and consumables		-	-7	-	-7	-17
External research and development costs		-17,982	-10,113	-33,102	-18,131	-47,218
External patent and license expenses		-344	-1,238	-722	-1,739	-3,836
Personnel		-5,610	-5,535	-13,522	-10,067	-21,059
Other external expenses	2	-3,371	-3,643	-10,435	-5,979	-17,515
Other operating expenses		-490	-	-746	-	-
Depreciation, equipment		-	-50	-38	-94	-128
Total operating expenses		**-27,797**	**-20,586**	**-58,565**	**-36,017**	**-89,773**
OPERATING LOSS		**-26,848**	**-18,702**	**-44,385**	**-33,851**	**-84,373**
FINANCIAL INCOME AND EXPENSES						
Dividend from other bonds		-	-	-	-	385
Financial income		286	3,287	40	8,296	2,435
Financial expenses		-	16	-9	-250	-250
Total financial income and expenses		**286**	**3,303**	**31**	**8,046**	**2,570**
Loss before taxes		**-26,562**	**-15,399**	**-44,354**	**-25,805**	**-81,803**
Taxes		-9	-17	-9	-65	-142
NET LOSS FOR THE PERIOD		**-26,571**	**-15,416**	**-44,363**	**-25,870**	**-81,945**
Other comprehensive income for the period						
Translation gains/losses		-10	-95	-2	-221	-111
Other comprehensive income for the period, net of tax		-10	**-95**	**-2**	**-221**	**-111**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-26,581**	**-15,511**	**-44,365**	**-25,649**	**-82,056**
Earnings per share before and after dilution, SEK		-0.2	-0.7	-1.7	-1.2	-3.7
Number of shares		28,660,988	21,803,140	28,660,988	21,803,140	22,364,944
Average number of shares before dilution		28,654,968	21,803,140	26,181,196	21,803,140	22,001,696
Average number of shares after dilution		28,654,968	21,803,140	26,181,196	21,803,140	22,001,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	Feb 28 2010	Feb 28 2009	Aug 31 2009
ASSETS				
Non current assets				
Intangible assets		16,627	16,627	16,627
Tangible assets		569	502	365
Financial assets		21,418	21,418	21,418
Total non-current assets		**38,614**	**38,547**	**38,410**
Current assets				
Inventory		24	12	25
Trade receivables		1,281	168	4
Other receivables		1,233	2,393	1,603
Prepaid tax		611	699	822
Prepaid expenses and accrued income		2,272	1,723	3,018
Financial assets that can be sold		7,178	9,053	7,841
Liquid assets		200,134	50,375	37,287
Total current assets		**212,733**	**64,423**	**50,600**
TOTAL ASSETS		**251,347**	**102,970**	**89,010**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		14,330	10,902	11,183
Other capital contributions		649,558	424,115	451,924
Other reserves		158	50	160
Accumulated losses including results for the period		-435,086	-338,942	-392,550
Total shareholders' equity		**228,960**	**96,125**	**70,717**
Current liabilities				
Trade payables		9,485	3,744	11,651
Other payables		647	738	969
Prepaid income and accrued expenses		12,255	2,363	5,673
Total current liabilities		**22,387**	**6,845**	**18,293**
TOTAL EQUITY AND LIABILITIES	**3**	**251,347**	**102,970**	**89,010**

CONSOLIDATED STATEMENT OF CASHFLOWS

KSEK	3 months Dec-Feb 2009/2010	3 months Dec-Feb 2008/2009	6 months Sep-Feb 2009/2010	6 months Sep-Feb 2008/2009	12 months Sep-Aug 2008/2009
Cash flow from operations before changes in working capital					
Operating loss	-26,848	-18,702	-44,386	-33,851	-84,373
Interest received	183	2,177	195	2,462	2,204
Interest paid	42	0	-1	-266	-266
Dividend received	-	-	-	-	385
Non-cash flow items					
Depreciation	-4	50	38	94	128
Other non-cash flow items	361	-251	1,397	576	976
Income tax paid	-	-	-	-	-
Net cash flow from operating activities before changes in working capital	**-26,268**	**-16,726**	**-42,757**	**-30,985**	**-80,946**
Increase (-) decrease (+) inventory	2	4	2	4	-13
Increase (-) decrease (+) receivables	2,010	-1,364	599	-2,124	-2,621
Increase (+) decrease (-) liabilities	-149	-3,335	4,468	-2,348	8,931
Net cash flow from operating activities	**-24,404**	**-21,421**	**-37,688**	**-35,453**	**-74,649**
Cash flow from investing activities					
Purchase of intangible assets	-	-	-	-	-
Purchase of tangible assets	-151	-17	-239	-96	-138
Purchase of financial assets	-	-	-	-	-
Net cash flow from investing activities	**-151**	**-17**	**-239**	**-96**	**-138**
Cash flow from financing activities					
Option premiums	-	-	-	-	-
New share issue after issue expenses	1,007	-	200,781	-	28,090
Cash flow from financing activities	**1,007**	**-**	**200,781**	**-**	**28,090**
Total cash flow for the period	-23,548	-21,438	162,854	-35,549	-46,697
Cash and cash equivalents at beginning of period	223,628	70,443	37,287	81,890	81,890
Net foreign exchange difference	55	1,370	-6	4,034	2,094
Cash and cash equivalents at end of period	**200,135**	**50,375**	**200,135**	**50,375**	**37,287**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share Capital	Other capital contributions	Reserves	Accumulated losses	Total
Opening balance, September 1, 2008	**10,902**	**424,115**	**271**	**-314,512**	**120,776**
Comprehensive income					
Net loss for the year	-	-	-	-81,945	-81,945
Other comprehensive income	**-**	**-**	**-**	**-81,945**	**-81,945**
Translation gains/losses	-	-	-111	-	-111
Total comprehensive income	**-**	**-**	**-111**	**-81,945**	**-82,056**
Transactions with owners					
New share issue, after expenses	281	27,809	-	-	28,090
Employee options	-	-	-	3,907	3,907
Total transactions with owners	**281**	**27,809**	**-**	**3,907**	**31,997**
Closing balance, August 31, 2009	**11,183**	**451,924**	**160**	**-392,550**	**70,717**
Opening balance, September 1, 2009	**11,183**	**451,924**	**160**	**-392,550**	**70,717**
Comprehensive income					
Net loss for the period	**-**	**-**	**-**	-44,363	-44,363
Other comprehensive income	**-**	**-**	**-**	**-44,363**	**-44,363**
Translation gains/losses	**-**	**-**	-2	**-**	-2
Total comprehensive income	**-**	**-**	**-2**	**-44,363**	**-44,365**
Transactions with owners					
New share issue, after issue expenses	3,147	197,634	-	-	200,781
Employee options	-	-	-	1,827	1,827
Total transactions with owners	**3,147**	**196,643**	**-**	**1,827**	**202,608**
Closing balance, February 28, 2010	**14,330**	**649,558**	**158**	**-435,086**	**228,960**
Opening balance, September 1, 2008	**10,902**	**424,115**	**271**	**-314,512**	**120,776**
Comprehensive income					
Net loss for the period	-	-	-	-25,870	-25,870
Other comprehensive income	**-**	**-**	**-**	**-25,870**	**-25,870**
Translation gains/losses	-	-	-221	-	-221
Total comprehensive income	**-**	**-**	**-221**	**-25,870**	**-26,091**
Transactions with owners					
Employee options	-	-	-	1,440	1,440
Total transactions with owners	**-**	**-**	**-**	**1,440**	**1,440**
Closing balance, February 28, 2009	**10,902**	**424,115**	**50**	**-338,942**	**96,125**

PARENT COMPANY INCOME STATEMENT

KSEK	3 months Dec-Feb 2009/2010	3 months Dec-Feb 2008/2009	6 months Sep-Feb 2009/2010	6 months Sep-Feb 2008/2009	12 months Sep-Aug 2008/2009
OPERATING INCOME					
Other operating income	202	568	792	1,129	4,048
Total operating income	**202**	**568**	**792**	**1,129**	**4,048**
Operating expenses					
Personnel	-292	-132	-292	-133	-274
Other external expenses	-4,541	-5,451	-7,650	-7,879	-16,896
Other operating expenses	-89	-	-225	-	-
Total operating expenses	**-4,917**	**-5,583**	**-8,167**	**-8,012**	**-17,170**
OPERATING LOSS	**-4,727**	**-5,015**	**-7,375**	**-6,883**	**-13,122**
Financial income and expenses					
Result from group participation	-21,759	-28,054	-37,209	-28,054	-71,828
Dividend from other bonds	-	-	-	-	385
Interest income and similar items	238	3,170	23	8,065	2,554
Interest expense and similar items	-	-	-8	-244	-245
Total financial income and expenses	**-21,521**	**-24,884**	**-37,194**	**-20,233**	**-69,134**
Loss before tax	**-26,238**	**-29,899**	**-44,569**	**-27,116**	**-82,256**
Taxes	-	-	-	-	-
NET LOSS FOR THE PERIOD	**-26,238**	**-29,899**	**-44,569**	**-27,116**	**-82,256**

PARENT COMPANY'S BALANCE SHEET

KSEK	Feb 28 2010	Feb 28 2009	Aug 31 2009
ASSETS			
Non-current assets			
Intangible assets			
Acquired research and development	16,627	16,627	16,627
Financial assets			
Shares in Group companies	1,200	2,640	1,200
Receivables at Group companies	4,948	10,299	3,970
Other long-term bond holdings	21,418	21,418	21,418
Total non-current assets	**44,193**	**50,984**	**43,215**
Current assets			
Other receivables	1,022	101	200
Prepaid expenses and accrued income	1,043	1,153	1,117
Financial assets that can be sold	7,178	9,053	7,841
Total trade and other receivables	**9,243**	**10,307**	**9,158**
Short-term investments	-	-	-
Liquid assets	179,573	35,189	26,138
Total current assets	**188,816**	**45,496**	**35,296**
TOTAL ASSETS	**233,009**	**96,480**	**78,511**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Issued capital	14,330	10,902	11,183
Statutory reserve	96,609	96,609	96,609
Non-restricted equity			
Share premium reserve non-restricted	299,561	74,120	101,928
Profit or loss brought forward	-137,005	-59,045	-56,576
Net loss for the period	-44,569	-27,116	-82,256
Total shareholders' equity	**228,926**	**95,470**	**70,888**
Long-term liabilities to subsidiary	-	-	5,625
Current liabilities			
Trade payables	742	597	977
Other payables	116	-	-
Prepaid income and accrued expenses	3,225	413	1,021
Total current liabilities	**4,083**	**1,010**	**1,998**
TOTAL EQUITY AND LIABILITIES	**233,009**	**96,480**	**78,511**
Assets pledged	-	157	157

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. The interim report has been adjusted to the revised standard IAS 1, *Presentation of Financial Statements*, which has meant new titles for the financial statements, as well as some changes to how they are arranged. As of September 1, 2009, the Group applies IFRS 8, *Operating Segments*. The effects are described in more detail under Note 1 – Segment results.

Note 1 – Segment results

As of September 1, 2009, the Group is applying IFRS 8, Operating Segments, which has meant a change to how the Group reports its segmentation. This standard requires that disclosures are made from management's perspective, which means that the reporting shall correspond to how it is presented internally. CEO has been identified as the CODM (Chief Operating Decision Maker). The Group is organised in and is managed from geographical regions that correspond to the operating segments for which information is given and is followed up internally at the operational level. The Group has identified which segments are followed up through the Company's internal reporting; as a result, the Company is presenting its segments divided by country. Since this constitutes an altered accounting principle, the comparative figures in the segment reporting have been recalculated. The outcome measurement being followed up is the operating results, i.e. the profit/loss before financial income and expenses.

Segment results	**2009-12-01 - 2010-02-28**			**2008-12-01 - 2009-02-28**		
KSEK	**Sweden**	**USA**	**Group**	**Sweden**	**USA**	**Group**
Total segment income	99	65	164	697	81	778
Other income	785	-	785	1,066	40	1,106
Total income	884	65	949	1,763	121	1,884
Segment result	-26,936	88	-26,848	-18,758	56	-18,702
Financial income			286			3,287
Financial expenses						16
Total financial income and expenses			-286			-3,303
Dividends			-			-
Loss before tax			-26,562			-15,399
Income tax			-9			-17
Net loss for the period			-26,571			-15,416

Segment results	2009-09-01 - 2010-02-28			2008-09-01- 2009-02-28		
KSEK	Sweden	USA	Group	Sweden	USA	Group
Total segment income	99	1,350	1,449	784	82	866
Other income	12,731	-	12,731	1,066	234	1,300
Total income	12,830	1,350	14,180	1,850	316	2,166
Segment result	-44,482	97	-44,385	-33,916	64	-33,851
Financial income			40			8,296
Financial expenses			-9			-250
Total financial income and expenses			31			8,046
Dividends			-			-
Loss before tax			-44,354			-25,805
Income tax			-9			-65
Net loss for the period			-44,363			-25,870

Segment results	2008-09-01 - 2009-08-31		
KSEK	Sweden	USA	Group
Total segment income	880	225	1,105
Other income	3,969	326	4,295
Total income	4,849	551	5,400
Segment result	-85,013	640	-84,373
Financial income			2,435
Financial expenses			-250
Total financial income and expenses			2,185
Dividends			385
Loss before tax			-81,803
Income tax			-142
Net loss for the period			-81,945

Note 2 – Related-party transactions

During the six-month period companies represented by immediate family members of the Chairman of the Board were retained as consultants. Total compensation for Web services during the quarter amounted to KSEK 264 (399) excluding VAT. 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 675 (450) during the six-month 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 quarter. 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	6 months Sep-Feb 2009/2010	6 months Sep-Feb 2008/2009	12 months Sep-Aug 2008/2009
Salaries	675	450	991
Consultant fees	264	399	760

Note 3 – Equity and liabilities

All Group debts are non-interest-bearing.

Key figures	3 months Dec-Feb 2009/2010	3 months Dec-Feb 2008/2009	6 months Sep-Feb 2009/2010	6 months Sep-Feb 2008/2009	12 months Sep-Aug 2008/2009
Earnings per share before and after dilution, SEK	-0.2	-0.7	-1.7	-1.2	-3.7
Shareholders' equity per share, before and after dilution, SEK	8.7	4.4	8.7	4.4	3.2
Cash flow per share, SEK	-11.5	-1.0	6.2	-1.6	-2.1
Dividend, SEK	-	-	-	-	-
Share price, SEK	113.0	42.9	113.0	42.9	44.3
Closing share price/shareholders' equity per share, SEK	12.9	9.7	12.9	9.7	13.8
P/E ratio, times	Neg	Neg	Neg	Neg	Neg
Return on equity, %	-18.6	-13.7	-29.6	-21.9	-85.7
Solidity, %	91	93	91	93	79
Average number of employees	15	13	15	13	14
Research and Development Costs, KSEK	-18.0	-10.1	-33.1	-18.1	-47.2
Investment in fixed assets, KSEK	-	-	-	-	-
Number of shares	28,660,988	21,803,140	28,660,988	21,803,140	22,364,944
Average number of shares	28,654,968	21,803,140	26,181,196	21,803,140	22,001,696

Above key figures have, with regards to historical share price, been adjusted to the split that was executed in January, 2010, meaning that each share has been divided into two shares. The Key figures that have been adjusted are Earnings per share, Shareholders' equity per share, Cash flow per share and Share price.

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 the Parent Company and the companies in the Group face.

Stockholm, April 28, 2010

The Board of Diamyd Medical AB (publ.)

Anders Essen-Möller, Chairman of the Board

Lars Jonsson, Board Member

Sam Lindgren, Board Member

Henrik Bonde, Board Member

Maria-Teresa Essen-Möller, Board Member

Göran Pettersson, Board Member

Elisabeth Lindner, President and CEO

Financial Calendar

Quarterly report 3, July 1, 2010

Year End Report, October 22, 2010

About Diamyd Medical

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

Diamyd Medical has offices in Sweden and the US. The stock is listed on the Nasdaq OMX Small Cap exchange in Stockholm (ticker DIAM B) and on the OTCQX in the US (ticker DMYDY), which is administered by Pink OTC Markets and Bank of New York Mellon (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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