Quarterly report, Stockholm, July 1, 2010

September 1, 2009 – May 31, 2010

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

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

Third quarter March 1, 2010 – May 31, 2010

- Group net sales for the third quarter was MSEK 1.3 (0.2)
- Loss before tax for the third quarter was MSEK -30.9 (-26.2)
- Earnings per share after dilution for the third quarter were SEK -1.1 (-1.2)

Period September 1, 2009 – May 31, 2010

- Group net sales for the period was MSEK 2.8 (1.1)
- Loss before tax for the period was MSEK -75.3 (-52.1)
- The Group's liquid assets amounted to MSEK 205.0 (54.4) as of May 31, 2010
- Earnings per share after dilution for the period were SEK -2.8 (-2.4)

Significant events during the reporting period March 1, 2010 – May 31, 2010

- 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.

Significant events after the reporting period

- Diamyd signed an agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc., a Johnson & Johnson company, to develop and commercialize the Diamyd® diabetes therapy.

CEO COMMENTS

A new chapter has begun

On June 22 we announced that Diamyd Medical has signed an agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc., a Johnson & Johnson company, to develop and commercialize the Diamyd® diabetes therapy. The agreement is probably one of the largest ever signed by a Swedish biotechnology company!

The agreement concludes the first stage of the journey that started in 1994. Our founder and Chairman Anders Essen-Möller's daughter developed type 1 diabetes that year. Anders read in an article in Washington Post that scientists had succeeded to prevent diabetes in mice by administering the protein GAD65. As a true entrepreneur, Anders went to the USA, licensed the rights and started the development of the Diamyd® diabetes therapy. There are of course many more people that have contributed to bringing it this far, but at this historical occasion I must commend Anders, with his great personal and financial commitment, who never gave up despite many challenges along the way.

Johnson & Johnson, with access to leading expertise in diabetes, pharmaceutical development and product commercialization, has chosen to invest heavily in Diamyd® after having spent more than a year scrutinizing the project. The due diligence has covered everything from preclinical and clinical data to audits of clinical sites and production facilities. Our collaboration opens many doors and raises Diamyd's profile. Returning from the world's largest diabetes conference, American Diabetes Association (ADA), I can testify to the great enthusiasm this agreement has created in the field of diabetes.

The Diamyd spirit that permeates our company keeps us working hard, efficiently, and goal oriented and it makes us dare to find our own ways forward. It is an incredible positive force and I am myself amazed at what we have accomplished with scarce resources in just the last two years. The Diamyd spirit in combination with the larger resources the agreement with Johnson & Johnson brings can only mean success.

We will realize the plan to bring Diamyd® to the market in the Nordic countries ourselves and have negotiated exclusivity for this region. The Nordic market is a prestige market for type 1 diabetes in that the Nordic countries have the highest incidence of the disease in the world.

We are on the threshold of a completely new era for Diamyd Medical. A new chapter has begun!

Stockholm, July 1, 2010

Elisabeth Lindner

SIGNIFICANT EVENTS DURING THE PERIOD MARCH 1, 2010 – MAY 31, 2010

Fund invested MSEK 35 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 SEK 120 per share. The issue price corresponded to the average market price of the past 30 trading days. Total proceeds for Diamyd amounted to MSEK 35. 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Diamyd signed an agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI), a Johnson & Johnson company, to develop and commercialize the Diamyd® diabetes therapy. The agreement was announced on June 22, 2010, and relates to the development and world-wide commercialization of the GAD65 antigen-based therapy (Diamyd®) for the treatment and prevention of type 1 diabetes and associated conditions. OMJPI will make an upfront payment of USD 45 million, and under the terms of the agreement, Diamyd has the potential to receive additional development and sales milestone payments of up to USD 580 million, as well as tiered royalties on future sales. The parties will equally share costs for the development program until results from the ongoing EU Phase III study, expected in the first half of 2011. OMJPI has the right to fully assume responsibility for the development program upon reviewing the results. Following its strategy, Diamyd has secured exclusive rights for commercialization in the Nordic countries. Diamyd also retains the rights to the therapeutic use of the GAD65 gene

and derivatives, fragments and variants of the GAD65 protein. The transaction is expected to close in the third quarter of 2010, contingent upon clearance under the Hart-Scott-Rodino Anti-Trust Improvements Act.

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, developed in cooperation with Ortho-McNeil-Janssen Pharmaceuticals, Inc., a Johnson & Johnson company. The active substance in Diamyd® is GAD65 (the 65 kDa isoform of glutamic acid decarboxylase), a human

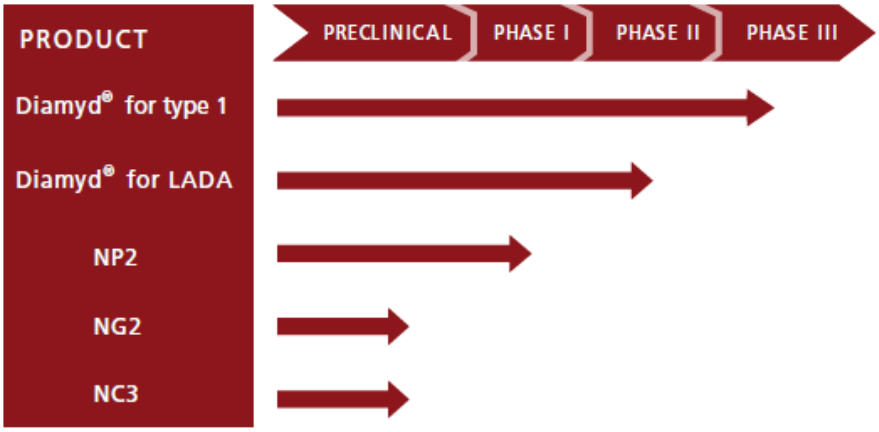
enzyme and an important autoantigen in autoimmune diabetes. Treatment with the Diamyd® vaccine is thought to induce tolerance against GAD65, thereby intervening in the autoimmune attack and preserving the capacity to control the blood sugar in patients with autoimmune diabetes, i.e. type 1 diabetes and 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.

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. Analysis of 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. The Company can not 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 third quarter were MSEK 1.3 (0.2). The net sales for the period were MSEK 2.8 (1.1). Sales fluctuate from quarter to quarter and consist of Diamyd®-related products such as GAD-protein sold to researchers.

Costs – Costs were MSEK 35.9 (24.6) in the third quarter. The Group's costs for the period were MSEK 94.5 (60.6). 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 third quarter was MSEK -30.9 (-26.2). The Group's Loss before tax for the period was MSEK -75.3 (-52.2). 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 205.0 (54.4) as of May 31, 2010. In November 2009, liquidity was strengthened through a preferential rights issue which brought in MSEK 219 before issue expenses. In March 2010, liquidity was strengthened through a direct placement with MSEK 35.

Investments – Investments in tangible assets for the third quarter were MSEK 0.4 (0). Investments in tangible assets for the period were MSEK 0.7 (0.1).

Change in equity – As of May 31, 2010, the Company's equity amounted to MSEK 235.9 (99.2), resulting in a solidity of 92 (91) percent.

Personnel – The Group had 23 (14) employees as of May 31, 2010, of whom 11 (6) were men and 12 (8) 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 third quarter amounted to MSEK -30.9 (-25.4). Net loss for the period amounted to MSEK -75.5 (-52.5).

The Parent Company's income statement for the period has been charged with MSEK 67.6 (18.6) 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 May 31, 2010 was 29,000,105. In January, 2010, a division of shares (a split) was executed, meaning that each share has been divided into two shares of the same class. Key figures and result per share have been adjusted for the split in this report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Note	3 months Mar-May 2009/2010	3 months Mar-may 2008/2009	9 months Sep-May 2009/2010	9 months Sep-May 2008/2009	12 months Sep-Aug 2008/2009
OPERATING INCOME						
Net sales	1	1,337	211	2,786	1,077	1,105
Other operating income		3,436	886	16,167	2,186	4,295
Total operating income		**4,773**	**1,097**	**18,953**	**3,263**	**5,400**
OPERATING EXPENSES						
Raw materials and consumables		-4	-8	-4	-15	-17
External research and development costs		-23,483	-11,797	-56,584	-29,927	-47,218
External patent and license expenses		-1,564	-1,276	-2,286	-3,015	-3,836
Personnel	4	-7,961	-5,322	-21,483	-15,389	-21,059
Other external expenses	2	-2,136	-6,101	-12,575	-12,081	-17,515
Other operating expenses		-621	-	-1,366	-	-
Depreciation, equipment		-121	-51	-158	-145	-128
Total operating expenses		**-35,890**	**-24,555**	**-94,456**	**-60,572**	**-89,773**
OPERATING LOSS		**-31,117**	**-23,458**	**-75,503**	**-57,309**	**-84,373**
FINANCIAL INCOME AND EXPENSES						
Dividend from other bonds		-	385	-	385	385
Financial income		174	74	214	5,143	2,435
Financial expenses		-	-3,227	-9	-250	-250
Total financial income and expenses		**174**	**-2,768**	**205**	**5,278**	**2,570**
Loss before taxes		**-30,943**	**-26,226**	**-75,298**	**-52,031**	**-81,803**
Taxes		-10	-57	-19	-122	-142
NET LOSS FOR THE PERIOD		**-30,953**	**-26,283**	**-75,317**	**-52,153**	**-81,945**
Other comprehensive income for the period						
Translation gains/losses		-22	86	-25	-135	-111
Other comprehensive income for the period, net of tax		-22	**86**	-25	**-135**	**-111**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-30,975**	**-26,197**	**-75,342**	**-52,288**	**-82,056**
Earnings per share before and after dilution, SEK		-1.1	-1.2	-2.8	-2.4	-3.7
Number of shares		29,000,105	22,364,944	29,000,105	22,364,944	22,364,944
Average number of shares before dilution		28,697,670	22,029,082	26,926,539	21,879,282	22,001,696
Average number of shares after dilution		28,697,670	22,029,082	26,926,539	21,879,282	22,001,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	May 31 2010	May 31 2009	Aug 31 2009
ASSETS				
Non current assets				
Intangible assets	6	16,627	16,627	16,627
Tangible assets		927	412	365
Financial assets		21,418	21,418	21,418
Total non-current assets		**38,972**	**38,457**	**38,410**
Current assets				
Inventory		24	25	25
Trade receivables		1,321	151	4
Other receivables		1,126	3,090	1,603
Prepaid tax		690	672	822
Prepaid expenses and accrued income		1,673	4,063	3,018
Financial assets that can be sold		8,538	7,660	7,841
Liquid assets		205,035	54,430	37,287
Total current assets		**218,407**	**70,091**	**50,600**
TOTAL ASSETS		**257,379**	**108,548**	**89,010**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		14,500	11,182	11,183
Other capital contributions		685,701	451,925	451,924
Other reserves		135	136	160
Accumulated losses including results for the period		-464,378	-364,064	-392,550
Total shareholders' equity		**235,958**	**99,179**	**70,717**
Current liabilities				
Trade payables		7,364	4,097	11,651
Other payables		1,108	846	969
Prepaid income and accrued expenses		12,949	4,426	5,673
Total current liabilities		**21,421**	**9,369**	**18,293**
TOTAL EQUITY AND LIABILITIES	3	**257,379**	**108,548**	**89,010**

CONSOLIDATED STATEMENT OF CASHFLOWS

KSEK	3 months Mar-May 2009/2010	3 months Mar-may 2008/2009	9 months Sep-May 2009/2010	9 months Sep-May 2008/2009	12 months Sep-Aug 2008/2009
Cash flow from operations before changes in working capital					
Operating loss	-31,117	-23,672	-75,503	-57,523	-84,373
Interest received	174	0	369	2,462	2,204
Interest paid	0	0	-1	-266	-266
Dividend received	-	385	-	385	385
Non-cash flow items					
Depreciation	120	51	158	145	128
Other non-cash flow items	-1,824	1,324	-427	1,900	976
Income tax paid	-	0	-	0	-
Net cash flow from operating activities before changes in working capital	**-32,647**	**-21,912**	**-74,404**	**-52,897**	**-80,946**
Increase (-) decrease (+) inventory	1	-15	3	-11	-13
Increase (-) decrease (+) receivables	-29	-3,090	571	-5,214	-2,621
Increase (+) decrease (-) liabilities	1,461	2,537	5,928	189	8,931
Net cash flow from operating activities	**-31,214**	**-22,480**	**-68,902**	**-57,933**	**-74,649**
Cash flow from investing activities					
Purchase of intangible assets	-	-	-	-	-
Purchase of tangible assets	-439	-15	-678	-111	-138
Purchase of financial assets	-	-	-	-	-
Net cash flow from investing activities	**-439**	**-15**	**-678**	**-111**	**-138**
Cash flow from financing activities					
Option premiums	-	-	-	-	-
New share issue after issue expenses	36,313	28,090	237,094	28,090	28,090
Cash flow from financing activities	**36,313**	**28,090**	**237,094**	**28,090**	**28,090**
Total cash flow for the period	**4,660**	**5,595**	**167,514**	**-29,954**	**-46,697**
Cash and cash equivalents at beginning of period	200,135	50,375	37,287	81,890	81,890
Net foreign exchange difference	240	-1,540	234	2,494	2,094
Cash and cash equivalents at end of period	**205,035**	**54,430**	**205,035**	**54,430**	**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**	**-**
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	**-**	**-**	**-**	-75,317	-75,317
Other comprehensive income	**-**	**-**	**-**	**-75,317**	**-**
Translation gains/losses	**-**	**-**	-25	**-**	-25
Total comprehensive income	**-**	**-**	**-25**	**-75,317**	**-75,342**
Transactions with owners					
New share issue, after issue expenses	3,317	233,777	-	-	237,094
Employee options	-	-	-	3,489	3,489
Total transactions with owners	**3,317**	**233,777**	**-**	**3,489**	**240,583**
Closing balance, May 31, 2010	**14,500**	**685,701**	**135**	**-464,378**	**235,958**
Opening balance, September 1, 2008	**10,902**	**424,115**	**271**	**-314,512**	**120,776**
Comprehensive income					
Net loss for the period	**-**	**-**	**-**	-52,153	-52,153
Other comprehensive income	**-**	**-**	**-**	**-52,153**	**-**
Translation gains/losses	**-**	**-**	-135	**-**	-135
Total comprehensive income	**-**	**-**	**-135**	**-52,153**	**-52,288**
Transactions with owners					
New share issue, after expenses	280	27,810	-	-	28,090
Employee options	-	-	-	2,601	28,090
Total transactions with owners	280	27,810	-	2,601	2,601
Closing balance, May 31, 2009	**11,182**	**451,925**	**136**	**-364,064**	**99,179**

PARENT COMPANY INCOME STATEMENT

KSEK	3 months Mar-May 2009/2010	3 months Mar-may 2008/2009	9 months Sep-May 2009/2010	9 months Sep-May 2008/2009	12 months Sep-Aug 2008/2009
OPERATING INCOME					
Other operating income	1,325	669	2,117	1,798	4,048
Total operating income	**1,325**	**669**	**2,117**	**1,798**	**4,048**
Operating expenses					
Personnel	-	-	-292	-132	-274
Other external expenses	-2,172	-4,701	-9,822	-12,579	-16,896
Other operating expenses	-28	-	-253	-	-
Total operating expenses	**-2,200**	**-4,701**	**-10,367**	**-12,711**	**-17,170**
OPERATING LOSS	**-875**	**-4,032**	**-8,250**	**-10,913**	**-13,122**
Financial income and expenses					
Result from group participation	-30,390	-18,590	-67,599	-46,644	-71,828
Dividend from other bonds	-	385	-	385	385
Interest income and similar items	332	113	355	4,951	2,554
Interest expense and similar items	-	-3,227	-8	-245	-245
Total financial income and expenses	**-30,058**	**-21,319**	**-67,252**	**-41,553**	**-69,134**
Loss before tax	**-30,933**	**-25,351**	**-75,502**	**-52,466**	**-82,256**
Taxes	-	-	-	-	-
NET LOSS FOR THE PERIOD	**-30,933**	**-25,351**	**-75,502**	**-52,466**	**-82,256**

PARENT COMPANY'S BALANCE SHEET

KSEK	Note	May 31 2010	May 31 2009	Aug 31 2009
ASSETS				
Non-current assets				
Intangible assets				
Acquired research and development	5	16,627	16,627	16,627
Financial assets				
Shares in Group companies		1,200	1,200	1,200
Receivables at Group companies		23,005	9,236	3,970
Other long-term bond holdings		21,419	21,418	21,418
Total non-current assets		**62,251**	**48,481**	**43,215**
Current assets				
Other receivables		155	284	200
Prepaid expenses and accrued income		838	1,549	1,117
Financial assets that can be sold		8,538	7,660	7,841
Total trade and other receivables		**9,531**	**9,493**	**9,158**
		165,949	42,062	26,138
Liquid assets		165,949	42,062	26,138
Total current assets		**175,480**	**51,555**	**35,296**
TOTAL ASSETS		**237,731**	**100,036**	**78,511**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity				
Issued capital		14,500	11,182	11,183
Statutory reserve		96,609	96,609	96,609
Non-restricted equity				
Share premium reserve non-restricted		335,706	101,928	101,928
Profit or loss brought forward		-135,344	-57,882	-56,576
Net loss for the period		-75,502	-52,466	-82,256
Total shareholders' equity		**235,969**	**99,371**	**70,888**
Long-term liabilities to subsidiary		-	-	5,625
Current liabilities				
Trade payables		262	298	977
Other payables		-	-	-
Prepaid income and accrued expenses		1,500	367	1,021
Total current liabilities		**1,762**	**665**	**1,998**
TOTAL EQUITY AND LIABILITIES		**237,731**	**100,036**	**78,511**
Assets pledged		-	157	157
Contingent liabilities		-	-	-

Notes

Accounting principles

This interim report was prepared as per IAS 34, Interim Financial Reporting. For a more detailed description of the accounting principles used by the Group, 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 organized 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	**2010-03-01 - 2010-05-31**			**2009-03-01 - 2009-05-31**		
KSEK	**Sweden**	**USA**	**Group**	**Sweden**	**USA**	**Group**
Total segment income	-	1,337	1,337	97	114	211
Other income	3,436	-	3,436	788	98	886
Total income	3,436	1,337	4,773	885	212	1,097
Segment result	-31,278	157	-31,117	-23,374	-84	-23,458
Financial income			174			74
Financial expenses			-			-3,227
Total financial income and expenses			174			-3,153
Dividends			-			385
Loss before tax			-30,943			-26,226
Income tax			-10			-57
Net loss for the period			-30,953			-26,283

Segment results	**2009-09-01 - 2010-05-31**			**2008-09-01- 2009-05-31**		
KSEK	**Sweden**	**USA**	**Group**	**Sweden**	**USA**	**Group**
Total segment income	656	2,130	2,786	881	196	1,077
Other income	16,167	-	16,167	1,854	332	2,186
Total income	16,823	2,130	18,953	2,735	528	3,263
Segment result	-75,758	255	-75,503	-57,161	-148	-57,309
Financial income			214			5,143
Financial expenses			-9			-250
Total financial income and expenses			205			4,893
Dividends			-			385
Loss before tax			-75,298			-52,031
Income tax			-19			-122
Net loss for the period			-75,317			-52,153

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 nine-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 372 (596) 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 999 (692) during the nine-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	**9 months Sep-May 2009/2010**	**9 months Sep-May 2008/2009**	**12 months Sep-Aug 2008/2009**
Salaries	999	692	991
Consultant fees	372	596	760

Note 3 – Equity and liabilities

All Group debts are non-interest-bearing.

Note 4 – Employee option program 2009/2012

On April 1, 2010, the employees of the subsidiary Diamyd Therapeutics AB and the subsidiary Diamyd Inc. were granted 353,403 options, which can result in subscription for a maximum of 353,403 new Class-B shares. One-third of the program can be used no earlier than November 15, 2010, another one-third on November 15, 2011, and the last third on November 15, 2012. In addition to the 353,403 options granted to employees, the Group subsidiaries have subscribed for 146,000 options that are designated for use to cover social security costs that can arise when the options are exercised.

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

Volatility: 51%

Subscription price: SEK 124 per share

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

The total calculated cost to be periodized over a brief three-year period amount to MSEK 11.5 excluding social security costs that will be valued at each balance-sheet date and periodized over the vesting period. The cost is less if employees quit before the vesting period and therefore lose the option right.

Note 5 – Intangible assets, impairment testing

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

The impairment test did not show any write-down requirement. The impairment test was performed similarly to the impairment test performed for the year-end report on August 31, 2009, in which estimated future cash flows from the investment were discounted. A 14% discount factor was used (in the financial statement on August 31, 2009: 14%). The cash flows used in the impairment test were adjusted for the estimated likelihood that the project will come to commercial fruition and thus generate cash flow. This percentage varies depending on the phase each project is in, and is based on statistical information obtained from external sources.

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

Key figures	3 months Mar-May 2009/2010	3 months Mar-may 2008/2009	9 months Sep-May 2009/2010	9 months Sep-May 2008/2009	12 months Sep-Aug 2008/2009
Earnings per share before and after dilution, SEK	-1.1	-1.2	-2.8	-2.4	-3.7
Shareholders' equity per share, before and after dilution, SEK	8.2	4.5	8.8	4.5	3.2
Cash flow per share, SEK	0.2	-0.3	6.2	1.4	-2.1
Dividend, SEK	-	-	-	-	-
Share price, SEK	111.8	100.0	111.8	100.0	44.3
Closing share price/shareholders' equity per share, SEK	13.6	22.2	12.8	22.2	13.8
P/E ratio, times	Neg	Neg	Neg	Neg	Neg
Return on equity, %	-13.3	-26.9	-49.1	-47.4	-85.7
Solidity, %	92	91	92	91	79
Average number of employees	23	13	18	13	14
Research and Development Costs, KSEK	-23.5	-11.8	-56.6	-29.9	-47.2
Investment in fixed assets, KSEK	-	-	-	-	-
Number of shares	29,000,105	22,364,944	29,000,105	22,364,944	22,364,944
Average number of shares	28,697,670	22,029,082	26,926,539	21,879,282	22,001,696

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 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, July 1, 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
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.

For more information, please contact:
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Pittsburgh – Darren Wolfe, CEO Diamyd Inc, + 1 412 770 1310, darren.wolfe@diamyd.com

Review report

We have reviewed this report for the period 1 September 2009 to 31 May 2010 for Diamyd Medical AB. 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.

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 Standards on Auditing in Sweden, RS, 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.

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, 1 July 2010

Öhrlings PricewaterhouseCoopers AB

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Eva Blom

Authorised Public Accountant