

Press Release, October 9, 2008

Diamyd[®] study published in prestigious New England Journal of Medicine

Diamyd Medical reports that the world's most influential medical journal, the **New England Journal of Medicine**, has published an article with results from the company's study of the Diamyd[®] diabetes vaccine for type 1 diabetes.

The article is now available on the journal's web site (www.nejm.org) and will be in print on October 30. It presents the results of the concluded Phase II study of the Diamyd[®] diabetes vaccine. The article provides detailed information about the study, which showed that Diamyd[®] helped children and adolescents with type 1 diabetes, who participated in the study, retain the ability to produce their own insulin without causing any serious side effects.

"The results show that treatment with Diamyd[®] clearly has a positive effect on the course of type 1 diabetes, the most common serious, chronic disease among children", says Professor **Johnny Ludvigsson** at Linköping University Hospital, who is first author of the article and responsible for the study.

The *New England Journal of Medicine* is the world's oldest and most influential medical journal, recognized for the high scientific standards of its content. Every year they receive more than 5,000 scientific articles from around the world, but only a fraction of them are selected for publication. Articles published in the journal are often noted over the entire world and reach many researchers, doctors and other interested parties.

"This is the ultimate scientific validation of the study results", says **Peter Zerhouni**, Director of Business Development at Diamyd and co-author of the article. "The material was reviewed and scrutinized several times by experts from different areas before publication."

"That our results are considered to be of such quality and clinical value strengthens our position in the medical and industrial worlds", says **Elisabeth Lindner**, president and CEO of Diamyd. "We are now moving forward preparing the market introduction of Diamyd[®]."

About the article:

"GAD Treatment and Insulin Secretion in Recent-Onset Type 1 Diabetes" J Ludvigsson et al., N Engl J Med 2008;359 (Epub ahead of print 10.1056/NEJMoa0804328)

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About Diamyd[®] Type 1:

Diamyd[®] Type 1 is the treatment of recently diagnosed patients with the Diamyd[®] diabetes vaccine. Diamyd[®] Type 1 is a simple treatment without any serious side effects. This treatment is now being tested in Phase III studies in Europe and the US. The company plans to complete the application for market approval in late 2010. The annual market for Diamyd[®] Type 1 is estimated at about one billion dollars.

About the mechanism of action:

Type 1 diabetes is an autoimmune disease in which the body's own immune system attacks the cells in the body that produce insulin. The active ingredient in Diamyd[®] is glutamic acid decarboxylase (GAD), which is a dominant antigen in type 1 diabetes. By treating with GAD formulated as a vaccine, the patient's immune system is affected in such a way that it down regulates the attack on the insulin-producing cells. Stopping this autoimmune process is the cornerstone in curing type 1 diabetes.

Immunological analyses from the Phase II study as presented in the *New England Journal of Medicine* help to form an understanding of the Diamyd[®] vaccine's mechanism of action. A significant increase in regulatory T-cell activity was seen, which is considered decisive in counteracting the course of autoimmune diseases.

About the Phase II study:

The Phase II study now being presented comprised 70 patients aged 10-18 with type 1 diabetes. The patients, who received two injections of Diamyd[®], retained their own ability to produce insulin significantly better than the patients, who received placebo. The best effect was seen in patients, for whom treatment was begun shortly after diagnosis, since those patients still retained a significant amount of the cells that produce insulin. The results indicate that the Diamyd[®] vaccine may also be effective in preventing type 1 diabetes.

About ongoing Phase III studies with Diamyd[®] Type 1:

There are currently two Phase III studies in progress: one in Europe and one in the US. The studies apply to children and adolescents diagnosed with type 1 diabetes within the last three months.

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This information is disclosed in accordance with the Securities Markets Act, the Financial Instruments Trading Act or demands made in the exchange rules.

Diamyd Medical is a Swedish biopharmaceutical company focusing on development of pharmaceuticals for treatment of autoimmune diabetes and its complications. The company's most advanced project is the GAD-based drug Diamyd[®] for type 1 diabetes and for which Phase III trials are ongoing in both the US and Europe. Furthermore, the company has initiated clinical studies within 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.

Diamyd Medical has offices in Sweden and in the US. The share is quoted on the OMX Stockholm Nordic Exchange (ticker: DIAM B) and on OTCQX in the US (ticker: DMYDY) administered by the Pink Sheets and the Bank of New York (PAL). Further information is available on the company's web site: www.diamyd.com

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