Press Release, October 19, 2010

Diamyd Trial in Chronic Pain shows Pain Relief

Substantial and sustained reduction in pain scores were reported in the middle and high dose cohorts of Diamyd Medical's Phase I, open-label, dose escalation trial investigating NP2 Enkephalin as a potential therapy for chronic pain. No treatment related Serious Adverse Events have been observed in the study to date.

The clinical trial report includes data from the four week observation period following one single administration of NP2, delivering Enkephalin, an opioid peptide, specifically to nerves experiencing pain from cancer. The clinical trial enrolled patients that were in chronic pain despite taking maximum tolerated doses of standard pain medications. NP2 Enkephalin is the first drug candidate from the company's proprietary NTDDS (Nerve Targeting Drug Delivery System) platform focally delivering therapeutic compounds directly to the nervous system.

"We are excited to report prolonged pain relief in this patient population with serious unmet medical need. It is gratifying for our entire team to have taken NP2 Enkephalin and the NTDDS platform from the bench to the bedside and report these encouraging results", states Darren Wolfe, CEO of Diamyd Inc., the US subsidiary of Diamyd Medical responsible for the development of the NTDDS platform.

"This is laying the ground work for our pipeline of products for treatment of chronic pain. We will continue to develop NP2 Enkephalin and explore additional pain treatment applications for the NTDDS platform", says Elisabeth Lindner, CEO and President of Diamyd Medical.

The Phase I study is intended to test the safety of NP2 Enkephalin and the NTDDS platform. In addition to safety, measurements of pain relief and concomitant pain medications were collected. The clinical trial was designed as an open label, dose escalation study in patients with intractable pain due to cancer. Three dose levels were investigated and eight patients were evaluable at the four week time point. The patients will be followed for an additional three months after which a final report will be prepared. To verify the positive outcome of the Phase I study, the company is planning a multi-center placebo controlled Phase II proof-of-concept study with NP2 Enkephalin in the United States.

In addition to NP2 Enkephalin, Diamyd is developing two other NTDDS projects, NG2 GAD and NE2 Endomorphin, which are both promising for the treatment of pain. All three drug candidates demonstrate significant pain relief in preclinical models as published in peer reviewed scientific publications. The candidate drugs encompass treatment therapies that naturally target the body's three major pain pathways, creating good prospects for the further development of a competitive product portfolio in the area of pain.

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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 2010 the company signed an agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc., a Johnson & Johnson company, to develop and commercialize the Diamyd® diabetes therapy. 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.

Diamyd Medical has offices in Sweden and in the US. Shares are listed on Nasdaq OMX in Stockholm (ticker: DIAM B) and on OTCQX in the US (ticker: DMYDY) administered by the Pink OTC Markets and the Bank of New York Mellon (PAL). Further information is available on the company's website: 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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