



Press Release, November 10, 2009

Diamyd Technology Advances with US \$ 1.84 Million Grant

Diamyd Inc, Pittsburgh, PA, USA, a wholly-owned subsidiary of Diamyd Medical, Stockholm Sweden, announces today that the United States Department of Veterans Affairs (VA) has awarded a \$1.84 million grant to support the development of Diamyd's Nerve Targeting Drug Delivery System (NTDDS) for Diabetic Neuropathic Pain.

The two-year grant largely funds the advancement of NTDDS with Glutamic Acid Decarboxylase (GAD) through preclinical efficacy, toxicology and biodistribution studies, manufacturing and filing of an Investigational New Drug (IND) application with the Food and Drug Administration (FDA). The grant is awarded to David Fink, M.D., Professor and Chairman, Department of Neurology at the University of Michigan, a long-term collaborator doing research with Diamyd's NTDDS technology.

"Diabetic Neuropathic Pain is a widespread complication of both type 1 and type 2 diabetes and represents a significant unmet medical need. The market for Neuropathic Pain is expected to surpass five billion dollars in the coming decade, with diabetes being a major causative factor," says **Darren Wolfe**, President of Diamyd Inc.

"NTDDS GAD has proven particularly useful in the treatment of neuropathic pain. This grant will allow us to take next critical step in translating our preclinical findings into human therapy," says **Dr. Fink**.

"With the platform safety of NTDDS established in our Phase I trial with Enkephalin, we anticipate the path to clinical trials with GAD to be relatively smooth," Dr. Fink continues.

"With the NTDDS technology, pain killers are delivered to those neurons transmitting pain. This unique targeted delivery of drugs can be done with almost any product", says **Elisabeth Lindner**, CEO of Diamyd Medical. "This grant therefore represents an important further step in recognition of our pain platform," Elisabeth Lindner continues.

About Diamyd's NTDDS technology for treatment of pain

Diamyd Medical owns the exclusive worldwide license rights to a portfolio of patents for the Nerve Targeting Drug Delivery System (NTDDS). This system has a natural affinity for nerve cells and can - unlike conventional medications, which are taken up by the whole body - deliver drugs directly and specifically to the nerve cells. Diamyd combines the natural biology of NTDDS (local nerve targeting) with natural therapeutic agents such as GAD, Enkephalin or Endomorphin for treatment of pain.

Pain is transmitted through a series of neurons connecting to the brain. Pain transmission between neurons can be inhibited by delivery of drugs directly to the neurons. Enkephalin, GAD and Endomorphin, naturally inhibit pain and depending on location in the body and the type of pain, there are differences in their effectiveness. While GAD dampens Diabetic Neuropathic Pain very well, Enkephalin seems particularly well suited in treating cancer pain and Endomorphin in treatment of inflammatory pain. These three Products for pain relief represent the candidate drugs in the Diamyd pain platform.

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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 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 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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