



Press Release, June 22, 2010

Diamyd Medical Signs Agreement for Diabetes Therapy

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

The agreement 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.

"OMJPI is an ideal partner for Diamyd with their significant global resources and strong commitment to diabetes," says Elisabeth Lindner, CEO and President of Diamyd Medical. "This agreement will allow Diamyd to expand and become a significant player as a specialty pharma company in the Nordic region, but most importantly it should make this transformational beta cell preserving therapy available to patients around the world."

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

Destum Partners Inc, North Carolina, United States, supported Diamyd Medical in the partner search and acted as advisor through the due diligence process.

Diamyd is hosting a press conference today, June 22, at 14:00 in Stockholm. For more information visit www.diamyd.com.

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About Diamyd®

The purpose of the GAD65-based diabetes therapy Diamyd® is to prevent, delay, or stop the autoimmune attack on beta cells in type 1 diabetes and other forms of autoimmune diabetes, thereby preserving the body's capacity to regulate blood sugar. This reduces the risk for both acute and long term diabetes complications significantly.

A Phase II study of 70 children and adolescents with type 1 diabetes published in The New England Journal of Medicine in 2008 showed that Diamyd® significantly slowed the progression of the disease in subjects with newly-diagnosed type 1 diabetes. Phase II data also show reduction of insulin dependence after five years in treated patients with Latent Autoimmune Diabetes in Adults (LADA)– a less aggressive form of autoimmune diabetes that affects adults.

Diamyd® is a convenient treatment and has not been associated with any serious side effects. Diamyd® is currently being evaluated in two parallel Phase III studies in Europe and USA. The European study is fully enrolled and results are expected in the spring of 2011. The US study, DiaPrevent, is enrolling patients recently diagnosed with type 1 diabetes. Several externally funded and researcher-initiated studies of the Diamyd® diabetes antigen based therapy are also in progress, including a Phase II study aiming to prevent type 1 diabetes from developing in high risk subjects.

About Diamyd Medical

Diamyd Medical is a Swedish public company focusing on the development of pharmaceuticals for the treatment of autoimmune diabetes and its complications. The Company has clinical-phase products from two proprietary technological platforms in its pipeline; the diabetes antigen based therapy, Diamyd® in Phase III and NP2 for chronic pain in Phase I. The Company has out-licensed the use of the GAD65 gene for treatment of Parkinson's Disease to Neurologix Inc., New Jersey, United States. Diamyd Medical's objective is to build a Nordic specialty pharma company in the diabetes field. The Company's vision is to one day be able to prevent and cure the autoimmune forms of diabetes.

Diamyd is headquartered in Stockholm, Sweden, with a subsidiary in Pittsburgh, Pennsylvania, USA. Diamyd is listed on the Nasdaq OMX Nordic Market Small Cap list (ticker: DIAM B), as well as the OTCQX in the US (ticker: DMYDY).

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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