Press release, August 31, 2015

Diamyd Medical licenses candidate drug for diabetes and gluten intolerance

Diamyd Medical (Nasdaq Stockholm First North, Ticker: DMYD B) announces today that it has entered into an exclusive license agreement for using the gluten protein gliadin for the treatment and prevention of type 1 diabetes. Diamyd Medical aims at evaluating combination regimens of gliadin with compounds and antigens, such as for example GABA and GAD, for shutting off the inflammatory component in type 1 diabetes, gluten intolerance and other inflammatory diseases, for which preliminary patent applications have been filed. The world market for a successful new drug for treatment and prevention of autoimmune diabetes and gluten intolerance (celiac disease) is considered to be several billion US dollars.

The new exclusive license covers a drug candidate based on the environmental antigen gliadin that has been shown to play a role in the onset of type 1 diabetes in animal models. By developing tolerance towards gliadin, the insulin producing beta cell's functionality and survival rate may be improved. Pre-clinical proof of concept (Funda, PLOS ONE 2014, *Prevention and Early Cure of Type 1 Diabetes by Intranasal Administration of Gliadin in NOD Mice*) for the drug candidate has been obtained where nasal administration of gliadin significantly reduced incidence of the disease and delayed onset.

The license deal was made directly between Diamyd Medical and the inventors. Economic terms are mainly based on royalties and not expected to significantly affect the Company's financial position. Diamyd Medical has filed its own preliminary patent applications seeking to protect methods and formulations for using gliadin in combination with other compounds for treatment and prevention of inflammatory and autoimmune disorders beyond diabetes.

The onset of type 1 diabetes is, in addition to autoimmune attack, often considered to be in association with an inflammation in the pancreas. The exact cause of the inflammation is currently unknown, but environmental factors are assumed to be involved.

"This represents the first successful use of this type of an exogenous environmental antigen in type 1 diabetes disease treatment and prevention," says Professor Karsten Buschard, MD, Charlottenlund, Denmark, one of the inventors of the licensed technology. "Gluten free diet is another approach being investigated for preventing type 1 diabetes, but it may not be adequate for treatment of disease once presented. Gluten free diet is also very cumbersome to adhere to. Inducing tolerance to the antigen may be a better way forward."

"Gliadin is a major antigen in celiac disease and gut disorders, and celiac disease and type 1 diabetes often go together," says Anders Essen-Möller, President and CEO of Diamyd Medical. "The Celiac Disease Foundation estimates the prevalence of celiac disease in patients with type 1 diabetes to be approximately eight percent, but only one percent in the general population. We believe that gliadin treatment has a place in combatting these and other diseases and that gliadin and our other proprietary technologies under development, such as GABA and the diabetes vaccine Diamyd®, may work synergistically in several aspects."

About Diamyd Medical
Diamyd Medical is dedicated to working toward a cure for type 1 diabetes and LADA. The Company's projects include development of combination regimens with the GAD-based diabetes vaccine Diamyd® for arresting the destruction of insulin-producing beta cells. Diamyd® is considered to be the world's furthest developed Antigen Based Therapy (ABT) for treating the disease. At this time six clinical studies are ongoing. The Company exclusively licenses UCLA-rights to GAD65, the active ingredient in the vaccine, for which the last patent expires in 2032. Additionally, the Company exclusively licenses UCLA patents for using GABA for the treatment of diabetes and other inflammation-related conditions.

Diamyd Medical is one of the major shareholders in the stem cell company Cellaviva AB, which offers private family saving of stem cells in umbilical cord blood. Stem cells can be expected to be used in Personalized

Regenerative Medicine (PRM), for example, for restoration of beta cell mass in diabetes patients where the autoimmune component of the disease has been arrested by ABT.

Remium Nordic AB is the Company's Certified Adviser.

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