



Not for release, publication or distribution, directly or indirectly, in the United States, Canada, Australia, Hong Kong, Japan, New Zealand, Singapore, Switzerland, Singapore or South Africa.

Press release, January 27, 2016

Diamyd Medical implements aggressive rights issue

Diamyd Medical (NASDAQ Stockholm First North, DMYD B), world leader in the development of Antigen Based Therapy for type 1 diabetes, announced today that its Board of Directors, with authorization from the Annual General Meeting held on November 26, 2015, decided to offer shareholders to subscribe for new shares at a substantial discount compared to yesterday's market price. The offer means that three existing shares shall entitle to subscription for one new share at SEK 3. The subscription period is planned to commence on February 8, 2016 and extend until February 22, 2016.

Background and reasoning

Diamyd Medical's cash at hand is currently approximately SEK 21 million, which with the approved budget is estimated to last until November 2016. Since the Company is subject to a sharply increasing interest, particularly because of its world-leading position in the Antigen Based Therapy including in combination with GABA treatment, the Company's Board of Directors have decided to secure funds to accelerate development, which is expected to further strengthen the interest of major pharmaceutical companies to enter into a license agreement with the Company. In addition to six ongoing clinical studies with the diabetes vaccine Diamyd®, where combinations with other substances are evaluated with the aim of increasing the effect of the diabetes vaccine, the Company plans among other things for a new GABA / GAD study in Sweden; preclinical studies with different antigens and GABA in Prague; and an expansion of the ongoing DIAGNODE study. Furthermore, a dialysis step may be added into the manufacturing process to improve the efficacy of the diabetes vaccine in combination with GABA's tolerogenic nature. The Company also keeps abreast of further investments in the stem cell company Cellaviva to promote research, including differentiating stem cells into insulin-producing beta cells.

"We estimate that the announced offer will become beneficial for our shareholders", says Anders Essen-Möller, President and CEO of Diamyd Medical. "No guarantee – this is biotech – but there are several interesting things going on and we are delighted to offer and recommend our shareholders to participate in this, what we consider aggressive rights issue."

Issue terms and conditions

Holders of existing shares have preferential rights to subscribe for new shares at a ratio determined by the number of shares owned on the record date of February 3, 2016. Holding of Series A shares entitles to subscribe for Series A shares and holding of Series B shares entitles to subscribe for Series B shares. One existing share in Diamyd Medical entitles the holder to one (1) subscription right. 3 subscription rights carries entitlement to subscription for one (1) new share. The issue price has been set at SEK 3.00 per share. The total issue comprises a maximum of 7 373 141 new shares, of which 319 528 Series A shares and 7 053 613 Series B shares. The total issue proceeds at full subscription will amount to approximately MSEK 22.1 before issue expenses. The subscription period will extend from February 8, 2016 until February 22, 2016.

As the total issue amount is less than MEUR 2.5, no prospectus will be prepared or registered with the Swedish Financial Supervisory Authority (Finansinspektionen).

Shares not taken up under preferential quota (with subscription rights) will first be offered to shareholders who have registered for subscription of shares without preferential rights, with the shares being distributed pro rata in relation to how many shares for which the respective shareholders have subscribed with the support of preferential rights; further to this, the public shall be offered to subscribe for shares without preferential rights.

Schedule for rights issue

Final day for trading in the B share with entitlement to participate in the rights issue: February 1, 2016

First day for trading in the B share without entitlement to participate in the rights issue: February 2, 2016

Record date for participation in the rights issue: February 3, 2016

Trading in subscription rights (for subscription of B shares): February 8 to February 18, 2016

Trading in BTAs (interim B shares): February 8, 2016 until the issue has been registered with the Swedish Companies Registration Office (Bolagsverket)

Subscription period for new share issue: February 8 to February 22, 2016

Important notice

In certain jurisdictions, the publication or distribution of this press release may be subject to legal restrictions and persons in those jurisdictions where this press release has been published or distributed should inform themselves about and abide by such legal restrictions.

This press release may not be announced, published or distributed, directly or indirectly, in the United States, Canada, Australia, Hong Kong, Japan, New Zealand, Singapore, Switzerland or South Africa or any other country where such action is wholly or partially subject to legal restrictions. Nor may the information in this press release be forwarded, reproduced or disclosed in such a manner that contravenes such restrictions. Failure to comply with this instruction may result in a violation of the United States Securities Act of 1933 ("Securities Act") or laws applicable in other jurisdictions.

The subscription rights, the BTAs (interim shares) and the new shares will not be registered in accordance with the Securities Act or any provincial act in Canada and may not be transferred or offered for sale in the United States or Canada or to persons resident there, or on account of such persons other than in such exceptional cases that do not require registration in accordance with the Securities Act or any provincial act in Canada.

About Diamyd Medical

Diamyd Medical is dedicated to finding a cure for autoimmune diabetes through pharmaceutical development and investments in stem cell and medical technology.

Diamyd Medical develops the diabetes vaccine Diamyd[®], an Antigen Based Therapy (ABT) based on the exclusively licensed GAD-molecule. The Company's licensed technologies for GABA and Gliadin have also potential to become key pieces of the puzzle of a future solution to prevent, treat or cure autoimmune diabetes, and also certain inflammatory diseases. At this time six clinical studies are ongoing with Diamyd[®]. Diamyd Medical is with its holdings of 39% one of the major shareholders in the stem cell company Cellaviva AB. 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. Diamyd Medical also has holdings in the medtech company Companion Medical, Inc., San Diego, USA and in the gene therapy company Periphagen, Inc., Pittsburgh, USA.

Diamyd Medical's B-share is traded on Nasdaq Stockholm First North under the ticker DMYD B. Remium Nordic AB is the Company's Certified Adviser.

For further information, please contact:

Anders Essen-Möller, President and CEO

Phone: +46 70 55 10 679. E-mail: anders.essen-moller@diamyd.com

Diamyd Medical AB (publ)

Kungsgatan 29, SE-111 56 Stockholm, Sweden. Phone: +46 8 661 00 26, Fax: +46 8 661 63 68

E-mail: info@diamyd.com. Reg. no.: 556242-3797. Website: www.diamyd.com.