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**3 December 2009**

**Phytopharm plc**

**(“Phytopharm” or “the Company”)**

**PLACING AND OPEN OFFER TO RAISE £25.2 MILLION,  
RELATED PARTY TRANSACTION AND RULE 9 WAIVER**

Phytopharm, the pharmaceutical development and functional food company, is pleased to announce that it proposes to raise gross proceeds of approximately £25.2 million (approximately £24.1 million net of expenses) through the issue of 252,129,042 million New Ordinary Shares by way of a Placing and Open Offer at a price of 10p per New Ordinary Share. Following the announcement on 14 October 2009 of the Company’s positive headline results for its Parkinson’s disease programme with Cogane™, the Placing and Open Offer is being carried out to provide capital primarily for the Company to conduct a Phase II proof of concept study in man. The Placing and Open Offer will also provide funds for the development of other compounds, and for general corporate purposes.

Shareholders should also note that Phytopharm today announced its final results for the twelve months ended 30 September 2009.

Phytopharm will shortly publish a Prospectus in connection with the Placing and Open Offer. KBC Peel Hunt is acting as Sponsor, Broker and Underwriter to Phytopharm in relation to the Placing and Open Offer.

**SUMMARY**

- Under the Placing and Open Offer, Phytopharm intends to issue 252,129,042 New Ordinary Shares (representing gross proceeds of approximately £25.2 million), to be made available to Qualifying Shareholders pursuant to the Open Offer, 172,090,285 of which have been conditionally placed with institutional and other investors by KBC Peel Hunt, subject to clawback. KBC Peel Hunt has received irrevocable commitments from certain Shareholders to take up a further 80,038,757 New Ordinary Shares in the Open Offer.
- The Placing and Open Offer has been fully underwritten by KBC Peel Hunt subject to and in accordance with the terms of the Placing Agreement.
- The Issue Price is 10p per Ordinary Share, representing a discount of 5p (33.3 per cent.) to the closing mid market price of 15p per Ordinary Share prevailing on the London Stock Exchange on 2 December 2009 (the last business day prior to the issue of this announcement).

- Under the Placing and Open Offer, Qualifying Shareholders have the right to subscribe for their pro rata entitlement of Open Offer Shares on the basis of 8 Open Offer Shares for every 3 Existing Ordinary Shares.
- An existing major shareholder, Invesco Asset Management Ltd (“IAML”), has committed to take up, in full, its Open Offer Entitlements in respect of 74,663,757 New Ordinary Shares. IAML has also agreed to subscribe for up to a further 125,336,243 New Ordinary Shares under the Placing, subject to clawback in the case of such shares all being New Ordinary Shares to satisfy valid applications under the Open Offer.
- The Directors have committed to subscribe for 375,000 shares under the Placing and Open Offer.
- The Placing and Open Offer is being carried out to provide capital primarily for the Company to conduct a Phase II proof of concept study and significant product development work for Cogane™ in patients with Parkinson’s disease.
- The Directors believe Cogane™ has blockbuster potential, as recent trial results have been compelling and Cogane™ potentially addresses a large and as of yet unmet medical need.
- The Company is also seeking to approve a waiver from the usual requirements of Rule 9 of the Takeover Code, and approval of IAML’s proposed participation in the Placing, which is a related party transaction and Class 1 transaction for the purposes of the Listing Rules. IAML’s proposed participation in the Placing is subject to shareholder approval and the waiver of the usual requirements of Rule 9 of the Takeover Code.
- It is expected that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 30 December 2009.

**Sandy Morrison, Acting CEO of Phytopharm, said:**

“Following the recent positive headline results from the Cogane™ studies, we are delighted to have raised the funds necessary to undertake Phase II proof of concept and dose range finding clinical study. Our investors remain supportive and we are committed to proving and commercialising Cogane™.”

**For further information contact:**

**Phytopharm plc**

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The summary above should be read in conjunction with the full text of the following announcement.

## **Notes:**

### **About Phytopharm**

Phytopharm is focused on the development of its pharmaceutical programmes and has a residual portfolio of functional foods. The Company's products are developed predominantly from medicinal plants, thereby reducing the development risk of a product. The Company has focused its research and development activities on areas of high unmet health needs to deliver cures and relieve suffering for longer healthier lives. As a virtual company, the Company's business model is centred on a lean cash burn with all laboratory, manufacturing and clinical work outsourced to specialists, while core competencies such as strategy and management are maintained in-house. Close collaboration with charitable organisations enhances the Company's interaction with scientists and clinicians, who lead and develop expert opinion. Cash grants from them accelerate the Company's development programmes, thereby increasing their value.

### **About Cogane™**

Cogane™ is a novel small molecule, orally bioavailable neurotrophic factor inducer that readily crosses the blood brain barrier. In preclinical studies, Cogane™ stimulates the release of neurotrophic factors and increases neurite outgrowth. Importantly, Cogane™ also reverses the decrease of neurotrophic factors and reverses dopaminergic neuronal degeneration observed in vitro. When administered orally in several different preclinical models of Parkinson's disease, Cogane™ reverses the loss of dopaminergic neurones and elevates GDNF. Cogane™ restores the learning and memory ability in Alzheimer's disease preclinical models and thereby offers the potential to arrest or reverse the progression of Alzheimer's disease. The Company intends to conduct further analysis of the results of the three month clinical study conducted in Alzheimer's disease in 2005.

### **About Parkinson's disease**

Parkinson's disease is a movement disorder characterised by muscle rigidity, tremor, a slowing of physical movement (bradykinesia) and, in extreme cases, a loss of physical movement (akinesia). The primary symptoms are the result of altered signalling in an area of the brain, the striatum, which is responsible for the control of movement. This is caused by degeneration of dopaminergic neurones between the striatum and the substantia nigra part of the brain, leading to insufficient formation and action of dopamine. Parkinson's disease is therefore termed a neurodegenerative disease. The disease is slow in onset and the appearance of symptoms reflects the gradual loss of dopaminergic neurones. The prevalence of Parkinson's disease globally is expected to increase to approximately 9 million people by 2030 (Source: Neurology). In the US alone, there are estimated to be 1.5 million patients diagnosed with Parkinson's disease (Source: American Parkinson's Disease Association), with associated healthcare costs of \$25 billion (Source: Northwest Parkinson's Foundation submission to US Congress). Parkinson's disease can affect people of any age, though the incidence is higher in older people. The cause of Parkinson's disease in the majority of cases is unknown. Possible mechanisms include oxidative damage of nerve cells coupled with loss of neurotrophic factors such as GDNF.

Phytopharm is listed on the Official List of the London Stock Exchange. Further information on Phytopharm is available from the Company's website [www.phytopharm.co.uk](http://www.phytopharm.co.uk).

KBC Peel Hunt Ltd, which is regulated by the FSA, is acting as Sponsor, Broker and Underwriter for the Company and is not acting for any other person and will not be responsible to any other person

for providing the protections afforded to clients of KBC Peel Hunt or for providing advice in relation to the Placing and Open Offer, Admission or any other arrangements referred to herein.

This announcement has been issued by, and is the sole responsibility of, Phytopharm. Apart from the responsibilities and liabilities, if any, which may be imposed by FSMA, KBC Peel Hunt nor any of its affiliates, parent undertakings, subsidiary undertakings or subsidiaries of its parent undertakings or any of its respective directors, officers, employees or advisers or any other person accepts any responsibility whatsoever and makes no representation or warranty, express or implied, for or in respect of the contents of this announcement or as to the accuracy or completeness or fairness of the information or opinions contained in this announcement and, without prejudice to the generality of the foregoing, no responsibility or liability is accepted by any of them for any such information or opinions or for any errors or omissions.

**Important notice:**

This announcement does not constitute an offer to sell or an invitation or solicitation to purchase or subscribe for any securities. The Placing and Open Offer will be made solely by the Prospectus which will contain the full terms and conditions of the Placing and Open Offer, including details of how the Placing and Open Offer may be accepted. Any acceptance or other response in relation to the Placing and Open Offer should be made only on the basis of the information contained in the Prospectus.

The making of the Placing and Open Offer in jurisdictions outside the United Kingdom or to Overseas Shareholders or to nominees of or trustees for Overseas Shareholders may be prohibited or affected by the laws or regulatory requirements of the relevant overseas jurisdictions. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. Any such Overseas Shareholder will be responsible for payment of any such issue, transfer or other taxes, duties or other requisite payments due in such jurisdiction by whomsoever payable.

Any New Ordinary Shares issued or to be issued pursuant to the Prospectus have not been and will not be registered under the US Securities Act, or any relevant securities laws of any state of the United States. Subject to certain exceptions, such New Ordinary Shares may not be offered, sold or delivered in the United States or to or for the account or benefit of U.S. persons, as such terms are defined in Regulation S under the US Securities Act.

**Forward-looking statements:**

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "projects", "assumes", "expects", "intends", "may", "will", "would" or "should", or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and speak only as at the date of this announcement.

They appear in a number of places throughout this announcement and include statements regarding the Directors', the Company's and the Group's intentions, beliefs or current expectations concerning, among other things, the Group's result of operations, financial condition, liquidity, prospects, growth strategies and the industry in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and

circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, market position of the Group, earnings, financial position, cash flows, return on capital, cash on equity returns, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement.

Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. However, these forward-looking statements and other statements contained in this announcement regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved.

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**PLACING AND OPEN OFFER TO RAISE £25.2 MILLION,  
RELATED PARTY TRANSACTION AND RULE 9 WAIVER**

**INTRODUCTION**

The Company is pleased to announce that it proposes to raise approximately £25.2 million (approximately £24.1 million net of expenses) by way of a Placing and Open Offer at a price of 10p per New Ordinary Share. Following the announcement on 14 October 2009 of the Company's successful trial results for its Parkinson's disease drug Cogane™, the Placing and Open Offer is being carried out to provide capital primarily for the Company to conduct a Phase II proof of concept study in man. The Placing and Open Offer will also provide funds for the development of other compounds, and for general corporate purposes.

The Placing and Open Offer will involve the issue of 252,129,042 New Ordinary Shares at the Issue Price of 10p per New Ordinary Share representing a discount of 5p (33.3 per cent.) to the closing mid market price of 15p per Ordinary Share prevailing on the London Stock Exchange on 2 December 2009 (the last business day prior to the issue of this announcement). Qualifying Shareholders have the right to subscribe for their pro rata entitlement of Open Offer Shares in accordance with the terms of the Placing and Open Offer on the basis of:

**8 New Ordinary Shares for every 3 Existing Ordinary Shares**

KBC Peel Hunt, as agent for the Company, has made arrangements to place 172,090,285 of the New Ordinary Shares conditionally with institutional and other investors at the Issue Price. KBC Peel Hunt has also received irrevocable commitments from certain Shareholders to take up a further 80,038,757 New Ordinary Shares in the Open Offer.

**BACKGROUND TO AND RATIONALE FOR THE PLACING AND OPEN OFFER**

Earlier in 2009, Phytopharm implemented a major restructuring programme, significantly reducing its planned research and development expenditure and its cost base. Phytopharm intends to focus on the development of its pharmaceutical programmes, in particular its lead programme Cogane™, whilst maintaining support from leading disease specific charities.

This new strategic focus resulted in the Company announcing positive headline results in two Parkinson's disease studies. In an efficacy study, oral administration of Cogane™ over eighteen weeks significantly reduced parkinsonian disability by 43 per cent. in non-human primates – a macaque model of Parkinson's disease (the gold standard for Parkinson's disease research), which will be clinically highly relevant if repeated in Parkinson's disease patients. Encouragingly, a statistically significant reduction in parkinsonian symptoms was reached after nine weeks of administration with Cogane™. The magnitude of the effect increased over the subsequent nine weeks of administration and was still increasing at the end of the study in week eighteen. This data strongly supports the continued development of Cogane™ as an exciting, new and potentially disease-modifying therapy for Parkinson's disease.

Phytopharm has also recently completed a Phase Ib safety, tolerability and pharmacokinetic clinical study with Cogane™ which was shown to be safe and generally well tolerated in both healthy volunteers and Parkinson's disease patients over the twenty-eight day study period. Importantly, at day twenty-eight, plasma levels in Parkinson's disease patients taking Cogane™ at a dose of 150 mg/day reached levels associated with efficacy in the non-human primate study and other nonclinical disease models of Parkinson's disease.

The positive results from these two studies strongly support the company's position that Cogane™ is a highly encouraging novel potential treatment for Parkinson's disease. These results justify Phytopharm's stated strategy to move forward rapidly to a Phase II, proof of concept and dose finding clinical study for Cogane™ in patients with Parkinson's disease. The study is planned to commence in 2010 and report in 2012.

## **USE OF PROCEEDS**

The specific areas to which funds from the Placing and Open Offer will be applied include those listed below, however, these plans may change over time as a result of regular portfolio reviews undertaken by the Company. The additional financial strength resulting from the Placing and Open Offer may also enhance the Company's ability to negotiate more favourable terms when out-licensing.

### *Clinical development of Cogane™ through Phase II in man (approximately £10.4 million)*

- A Phase II proof of concept and dose range finding clinical study to demonstrate efficacy and determine the optimal dose in Parkinson's disease patients.
- Significant product development work to ensure a commercially viable formulation is available to ensure rapid progression into pivotal clinical trials.

### *Preclinical Development of Sapogenin compounds (including Myogane™); PYM60001; and PYM60086 (approximately £0.7 million)*

- The Company intends to conduct further preclinical development of one or more of these compounds including efficacy in preclinical models. The compounds chosen will depend upon the assessment of preclinical studies and an evaluation of commercial opportunities.

### *Develop and maintain Intellectual Property portfolio (approximately £2.2 million)*

- The Company intends to continue to maintain its substantial patent portfolio and to initiate work to strengthen this portfolio.

### *Other research and development activities (including residual functional food programmes) (approximately £0.2 million)*

- The Company does not intend to apply significant funding to its residual functional food programmes.

### *Research and Development team (approximately £5.8 million)*

- Phytopharm employs a small team of experts responsible for the management of the Company's activities. Phytopharm intends to add a few key scientific staff.

### *General corporate purposes (approximately £4.8 million)*

## **PRINCIPAL DETAILS OF THE PLACING AND OPEN OFFER**

### **(i) Placing and Open Offer**

The Company is proposing to issue 252,129,042 New Ordinary Shares to raise approximately £25.2 million (approximately £24.1 million net of expenses) through the Placing and the Open Offer. Qualifying Shareholders are being offered the opportunity to acquire 252,129,042 New Ordinary Shares at 10p per share. The Placing and Open Offer has been fully underwritten by KBC Peel Hunt on the terms and subject to the conditions set out in the Placing Agreement.

Qualifying Shareholders are being given the opportunity to subscribe for New Ordinary Shares at the Issue Price payable in full on application and free of all expenses, pro rata to their existing holdings of Existing Ordinary Shares, on the following basis:

#### **8 New Ordinary Shares for every 3 Existing Ordinary Shares**

held by them and registered in their names on the Record Date and so in proportion for any other number of Ordinary Shares then registered.

Fractions of New Ordinary Shares will not be allocated to Qualifying Shareholders in the Open Offer and entitlements to apply for New Ordinary Shares will be rounded down to the nearest whole number of New Ordinary Shares. New Ordinary Shares representing the aggregate of fractional entitlements will be taken up under the Placing for the benefit of the Company.

No application in excess of a Qualifying Shareholder's maximum entitlement will be accepted under the Open Offer and any Qualifying Shareholder so applying will be deemed to have applied only for his or her maximum entitlement provided that the application is complete in all other respects.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any New Ordinary Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders but will be issued under the Placing, with the proceeds retained for the benefit of the Company.

### **(ii) General**

The Open Offer is conditional upon the Placing Agreement becoming unconditional by 8.00 a.m. on 30 December 2009. The Placing Agreement is conditional inter alia upon (a) the passing of Resolutions 1 to 5; and (b) Admission becoming effective by not later than 8.00 a.m. on 30 December 2009 (or such later time and/or date as KBC Peel Hunt and the Company may agree, being not later than 5 p.m. on 31 January 2010).

### **(iii) Irrevocable undertakings and Directors take-up**

IAML has entered into an irrevocable undertaking with the Company dated 1 December 2009, pursuant to which IAML has agreed, inter alia, to take up its Open Offer Entitlements in full,

subscribe for up to a further 125,336,243 Ordinary Shares under the Placing (assuming no clawback) and vote in favour of the resolutions, to the extent it is permitted by law to do so.

Klaus Hebben has entered into an irrevocable undertaking with the Company dated 1 December 2009, pursuant to which he has agreed to take up 5,000,000 Ordinary Shares of his Open Offer Entitlement and to vote in favour of the Resolutions being proposed at the General Meeting in respect of the 9,852,454 Existing Ordinary Shares (representing 10.42 per cent. of the issued share capital of the Company) directly or indirectly controlled by him.

Each of the Directors has entered into a letter of undertaking dated 3 December 2009 pursuant to which each Director has agreed, inter alia, to take up part of their Open Offer Entitlements and to vote in favour of the Resolutions being proposed at the General Meeting in respect of the Existing Ordinary Shares held by them.

#### **RELATED PARTY TRANSACTION AND APPROVAL OF WAIVER OF THE OBLIGATIONS UNDER RULE 9 OF THE CODE**

IAML, which holds 27,998,909 Existing Ordinary Shares (representing approximately 29.61 per cent. of the existing ordinary share capital of the Company), has committed to take up, in full, its Open Offer Entitlements in respect of 74,663,757 New Ordinary Shares. IAML has also agreed to subscribe for up to a further 125,336,243 New Ordinary Shares under the Placing, subject to clawback in the case of such shares all being New Ordinary Shares to satisfy valid applications under the Open Offer (representing, assuming no clawback, in aggregate, not more than 65.8 per cent. of the Enlarged Share Capital). IAML will therefore have a shareholding of between 29.6 per cent. and 65.8 per cent. of the Company's ordinary share capital upon Admission.

If IAML's interest in the Company increases above 30 per cent. following the Placing and Open Offer, IAML would normally be obliged to make a general offer to all other Shareholders pursuant to Rule 9 of the Takeover Code. The Takeover Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of IAML subscribing for the New Ordinary Shares, subject to the approval of the Independent Shareholders on a poll at the General Meeting. If IAML holds more than 50 per cent. of the Company's voting share capital following completion of the Open Offer, IAML would then be able to acquire interests in further shares without incurring any obligation to make a mandatory offer in accordance with Rule 9 of the Takeover Code.

As a consequence of IAML's current interest in the Company, its proposed participation in the Placing is a related party transaction for the purposes of the Listing Rules which requires the prior approval of Independent Shareholders. IAML will abstain from voting on the relevant resolution at the General Meeting. Given the size of IAML's proposed participation in the Placing relative to the size of the Company, IAML's participation in the Placing is considered to constitute a Class 1 transaction for the purposes of the Listing Rules and accordingly requires the approval of Shareholders.

## **PLACING AND OPEN OFFER STATISTICS**

Issue Price	10 pence
Existing Ordinary Shares in issue as at the date of this document	94,548,381
Enlarged Share Capital	346,677,433
New Ordinary Shares as a percentage of the Company's existing issued share capital	266.7 per cent.
Gross proceeds of the Placing and Open Offer	£25.2 million
Estimated net proceeds of the Placing and Open Offer receivable by the Company	£24.1 million

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates set out below and mentioned in this announcement and the Prospectus may be adjusted by the Company, in which event details of the new times and dates will be notified to the FSA, the London Stock Exchange and, where appropriate, Qualifying Shareholders. References to a time of day are to London time.

Record date for entitlements under the Open Offer	30 November 2009
Ex-entitlement date	7.00a.m. on 3 December 2009
Despatch of Prospectus, Application Forms and Forms of Proxy	3 December 2009
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	4 December 2009
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30p.m. on 15 December 2009
Latest time for depositing Open Offer Entitlements into CREST	3.00p.m. on 16 December 2009
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00p.m. on 17 December 2009
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction	11 a.m. on 21 December 2009
Latest time and date for receipt of Form of Proxy for GM	11 a.m. on 27 December 2009
General Meeting	11 a.m. on 29 December 2009
Admission and commencement of dealings in the New Ordinary Shares	8 a.m. on 30 December 2009
Crediting of CREST accounts	30 December 2009
Expected date of despatch of share certificates for New Ordinary Shares	7 January 2010

If you have any queries on the procedure for application and payment under the Open Offer, you should contact Equiniti at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. If you have any questions relating to the procedure for acceptance, please telephone Equiniti between 8.30 a.m. and 5.30 p.m. UK time Monday to Friday (except UK public holidays) on 0871 384 2919 from within the UK or +44 121 415 0263 if calling outside the UK. Calls to the 0871 384 2919 number cost 8 pence (including value added tax) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates.

Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Placing and Open Offer nor give any financial, legal or tax advice.

## DEFINITIONS

The following definitions apply throughout this announcement, unless the context requires otherwise:

“Admission”	the admission of the New Ordinary Shares (i) to the Official List and (ii) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards
“Admission and Disclosure Standards”	the requirements contained in the publication dated 7 September 2009
“Application Form”	the personalised application form for Qualifying CREST Shareholders for use in completion with the Open Offer
“business day”	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal banking business
“certificated” or “in certificated form”	where a share or other security is not in uncertificated form
“Company” or “Phytopharm”	Phytopharm plc, registered in England and Wales under number 3131712
“CREST”	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is operator as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 1995 (SI 1995 No. 93/3272), as amended
“Directors”	the Directors of Phytopharm
“Enlarged Share Capital”	the issued ordinary share capital of the Company following the Placing and Open Offer
“Equiniti”	Equiniti Limited
“Euroclear”	Euroclear UK & Ireland Limited (formerly CrestCo limited), the operator of CREST
“Existing Ordinary Shares”	the 94,548,381 existing ordinary shares of 1 pence each in nominal value in the capital of the Company as at the date of this document
“Financial Services Authority” or “FSA”	the UK Financial Services Authority

“Form of Proxy”	the form of proxy for use in connection with the general meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended) and all regulations promulgated thereunder from time to time
“GDNF”	Glial Derived Neurotrophic Factor
“General Meeting” or “GM”	the General Meeting of the Company, convened for 11.00 a.m. on 29 December 2009 (or any adjournment of such General Meeting)
“Group”	Phytopharm and its subsidiaries at the date of this announcement
“IAML”	Invesco Asset Management Limited, a wholly owned subsidiary of Invesco Limited, acting as agent for and on behalf of its discretionary clients, and its connected persons
“Issue Price”	10p per New Ordinary Share
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“Listing Rules”	the listing rules made by the FSA in exercise of its function as competent authority pursuant to Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 252,129,042 new Ordinary Shares of 1p each in nominal value in the capital of the Company proposed to be issued under the Placing and Open Offer
“Official List”	the Official List of the FSA
“Open Offer”	the conditional invitation to Qualifying Shareholders to apply for up to 252,129,042 New Ordinary Shares at the Offer Price on a pre-emptive basis
“Open Offer Entitlement”	the <i>pro rata</i> entitlement to subscribe for New Ordinary Shares allocated to a Qualifying Shareholder pursuant to the Open Offer
“Ordinary Share”	ordinary shares in the capital of the Company from time to time
“Overseas Shareholders”	Qualifying Shareholders who have registered addresses outside the United Kingdom

“Phase II”	Phase IIa clinical trials comprise controlled studies conducted in a relatively small number of patients to evaluate the product’s effectiveness for treating a particular disease or condition and to determine the short term side effects and risks associated with the product. Phase IIb trials are an extension of Phase IIa trials using a larger number of subjects over a longer period
“Placing”	the conditional placing by KBC Peel Hunt of 172,090,285 New Ordinary Shares, subject to clawback pursuant to the Open Offer, on behalf of the Company on the terms and subject to the conditions contained in the Placing Agreement
“Placing Agreement”	the placing and open offer agreement dated 3 December 2009 between KBC Peel Hunt and the Company relating to the Placing and Open Offer
“proof of concept”	study designed to show that a compound has its intended clinical effect
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on or deemed to be on the register of members of the Company at the close of business on the Record Date are in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on or deemed to be on the register of members of the Company at the close of business on the Record Date are in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company on the Record Date (other than certain Overseas Shareholders)
“Record Date”	30 November 2009
“Resolutions”	the resolutions to be proposed at the General Meeting
“Rule 9”	Rule 9 of the Takeover Code
“Rule 9 Waiver”	the waiver agreed by the Takeover Panel and to be approved by the Shareholders of the obligations that would otherwise fall upon IAML pursuant to Rule 9 as a result of the issue to it of the maximum number of New Ordinary Shares issuable to it under the Placing and Open Offer
“Shareholder”	a holder of Existing Ordinary Shares(s)
“Sponsor”	KBC Peel Hunt

“Takeover Code”	the City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers
“uncertificated”	recorded on the relevant register as being held in in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST “in uncertificated form”
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Securities Act”	the United States Securities Act of 1933, as amended

All references to “pounds”, “pounds sterling”, “Sterling”, “£”, “pence”, “penny” and “p” are to the lawful currency of the United Kingdom.