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Phytopharm plc
Interim Management Statement for 3 months ended 31 December 2007

Phytopharm plc (PYM: London Stock Exchange) (“Phytopharm” or the “Company”) is today issuing its Interim Management Statement (“IMS”) which relates to the three month period from 1 October 2007 to 31 December 2007 and contains information up to the date of publication of this IMS.

Portfolio Highlights***Hoodia extract***

- Our weight management product partnered with Unilever, continues to make good progress through the final development stage prior to registration and commercial launch

Phytopica®

- Preparation continues for launching into additional territories

Cogane™

- Successful grant of funding of \$1.16 million from The Michael J. Fox Foundation in January 2008 for Parkinson’s Research (MJFF) to support the development of Cogane™ as a treatment for Parkinson’s disease

Myogane™

- EU orphan medicinal product submission for ALS to EMEA; response anticipated H1 2008

The Hoodia programme is fully funded by Unilever, Phytopica® is revenue generating and discussions are ongoing for further financial support from charitable organisations to develop Cogane™ as a treatment for Parkinson’s disease and Myogane™ as a treatment for motor neurone disease. There have been no other significant changes in the financial position or performance of the Company since the publication of the last audited Report and Accounts in respect of the period ended 30 September 2007. Cash and cash equivalents as at 30 September 2007 was £2.24 million.

Dr Daryl Rees, Chief Executive, commented: “*Hoodia* extract, our weight management product partnered with Unilever, has continued to make good progress through the final stage of development prior to registration and commercial launch. Our canine skin health product, Phytopica®, partnered with Schering-Plough is progressing towards launch in additional territories. Our pharmaceutical products Cogane™ and Myogane™ continue to make good progress and we are now beginning to benefit from the strategic financial support of charitable organisations for the further development of these products. This non-dilutive funding will reduce our net development costs and cash burn while increasing long term shareholder value. We look forward with confidence to building on our achievements and reporting on our progress.”

Notes to Editors**Phytopharm plc**

Phytopharm is a pharmaceutical development and functional food company. Our products are developed from medicinal plants, thereby reducing the development risk, cost and time to market. As a virtual company, Phytopharm’s model is centred on a lean cash burn with all laboratory, manufacturing and clinical work out-sourced to specialists, while core competencies such as strategy and management are maintained in-house. Close collaboration with charitable organisations enhances our interaction with worldwide specialists and accelerates our development programmes increasing their value.

Pharmaceutical products

Cogane™ is in clinical development as a treatment for **Parkinson's disease**. In pre-clinical models, Cogane™ reverses the changes in the area of the brain involved in Parkinson's disease by inducing the body's own production of proteins known as neurotrophic factors. In particular, one of these factors known as "GDNF" has been shown to be particularly effective in re-growing damaged nerves. Since GDNF is a protein it cannot be given orally (in tablet or liquid form) because it is degraded in the stomach and intestine, and also does not readily cross the blood-brain barrier. GDNF can work only when injected into or when produced inside the brain. Direct injection of GDNF into the area of the brain involved in Parkinson's disease has shown substantial beneficial effects in small-scale clinical studies but requires highly complex and difficult surgical procedures. Cogane™, which can be taken orally, readily crosses the blood-brain barrier and in pre-clinical models has been shown to stimulate the release of GDNF in the brain and therefore has the potential to overcome many of the difficulties associated with GDNF administration.

The MJFF funding will support preclinical studies to determine the optimal dosing requirements for Cogane™ and will be carried out by Dr Jonathan Brotchie, a Senior Scientist at the Toronto Western Hospital and part of the University Health Network (UHN) in Toronto, Canada. Dr Brotchie is a recognised expert in the field of Parkinson's disease and, at UHN, runs one of the world's premier research laboratories for the identification of novel treatments, diagnostics and cures for Parkinson's disease and related disorders.

The neuroprotective, neurorestorative and neurotrophic actions of Cogane™ suggest potential beneficial effects in other neurodegenerative diseases including Alzheimer's disease. Dysregulation of neurotrophic factors has been implicated in a number of neuropsychiatric disorders suggesting that Cogane™ may have utility in schizophrenia, depression and anxiety, which together with Alzheimer's disease have an estimated aggregate market size of \$50bn.

Myogane™ is in clinical development as a treatment for **ALS** (also known as Lou Gehrig's disease). ALS is the most prevalent motor neurone disease and results from progressive degeneration of motor neurones. This condition has a high unmet medical need. In pre-clinical studies, Myogane™ protects against neuronal damage and when administered orally to pre-clinical models of ALS, delays the loss of muscle strength and extends survival time. Myogane™ has successfully completed a Phase Ia clinical study that evaluated the safety, tolerability and pharmacokinetic profile of Myogane™. This residential clinical study was conducted under an investigational new drug (IND) filed with the United States Food and Drug Administration (FDA). The FDA has also granted Orphan Drug and Fast Track designation to Myogane™ for the treatment of ALS. The new liquid formulation of Myogane™, suitable for ALS patients, has also successfully progressed through a Phase Ib healthy volunteer clinical trial conducted under a clinical trial authorisation (CTA) filed with the Medicines and Healthcare products Regulatory Agency (MHRA). An application has been submitted for EU orphan medicinal product status for ALS to the EMEA and a response is anticipated in H1 2008.

The neuroprotective, neurorestorative and neurotrophic actions of Myogane™ suggest potential beneficial effects in other orphan neurodegenerative diseases including Huntington's disease, Friedrich's ataxia, progressive supranuclear palsy and multiple system atrophy. The aggregate market size for these orphan diseases, including ALS, is estimated at in excess of \$1bn.

Functional Foods

Hoodia extract is in development as a **weight management** functional food product based on an extract of the succulent plant, *Hoodia*, which contains a novel satiety stimulator that reduces calorie intake in overweight subjects, as demonstrated in a double-blind, placebo-controlled clinical study. Extracts of *Hoodia* and the active molecules therein are the subject of a global patenting programme, with major patents granted in the US, UK, Europe and Japan and pending in all other major territories.

The programme has successfully progressed into the final development stage of the Unilever Joint Development Agreement. This stage includes supply chain expansion and consumer studies that will evaluate reductions in calorie intake as part of a weight management programme in the general

population, and is the final stage prior to submission for regulatory approval. As part of the agreement, Unilever is committed to fully funding the development programme. In addition, Phytopharm will receive an undisclosed royalty on sales of all products containing the extract. Separately, Unilever is also managing the agronomy programme, including scale up for launch, undertaking manufacturing and market research activities, and supporting the international patent programme for the products.

Phytopharm and Unilever have become aware of many companies that are selling products over the Internet and in some stores claiming to contain *Hoodia* and causing weight loss. Analysis of these products has demonstrated that the great majority of them contain little or no *Hoodia*. Phytopharm and Unilever have made contact with the relevant authorities concerning this development and are satisfied with the progress being made to limit these activities.

Phytopica[®] is a natural, three plant product for **canine skin health** that provides a novel 3 in 1 approach to help maintain a normal healthy immune system, support normal white cell function and provide anti-oxidant benefits. The beneficial effects and excellent safety profile of Phytopica[®] have been proven extensively in clinical trials and the product has been found to be suitable for all dogs whatever size or breed. Canine dermatological disorders are well recognised by veterinarians to be a major problem, with an estimated 15% of the UK dog population (around 900,000 dogs) affected by skin conditions. Maintenance of a healthy skin and coat and alleviation of itching are of major importance to canine general health and quality of life.

In January 2006, Phytopharm entered into an exclusive global agreement with Schering-Plough Animal Health (“Schering-Plough”) for Phytopica[®]. Under the terms of the agreement, Phytopharm is responsible for manufacturing Phytopica[®] whilst Schering-Plough is responsible for the global sales, marketing and distribution. Schering-Plough launched Phytopica[®] in the UK in April 2006 and in Italy and France in March and April 2007, respectively. The product has enjoyed firm support from veterinary dermatologists, with sales exceeding expectations. Preparation continues with Schering-Plough for launching into additional territories worldwide.

Forward-looking statements

Certain information included in these statements is forward-looking and involves risk and uncertainties that could cause results to differ materially from those expressed or implied by the forward looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions, market estimates, the Company’s plans and objectives for future operations, including future revenues, financial plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this IMS. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company’s forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of the Company.

For further information about Phytopharm please see our website at <http://www.phytopharm.com>