

21st September 2009

Phorm, Inc. ('Phorm' or 'the Company')

Interim results for the six month period ended 30 June 2009

Phorm (AIM: PHRM and PHRX), the web personalisation technology company, today announces its unaudited financial statements for the six months ended 30 June 2009.

Highlights:

Year to date 2009

- Launch of Webwise Discover, the personalised content consumer and publisher proposition. Excellent response from consumers, publishers and ISPs.
- Nearing completion of a substantial market trial, launched in May, with KT, the largest ISP in South Korea.
- Discussions with ISPs in over 15 markets, including nine of the top ten globally. Significant progress in a number of major markets.
- Phorm remains active in its domestic market, and remains confident in the opportunity.
- Completion of restructuring, launched during 2008, with forecast monthly cash expenses now reduced to \$1.8 million (£1.1 million) per month, in line with expectations.
- As at 31 August 2009, cash of \$30.1 million (£18.5 million), reflecting equity fundraising and substantial reduction in monthly cash expenses.

Kent Ertugrul, Chief Executive of Phorm, commented: "With a strong balance sheet, a talented and committed management team and technology that has been extensively tested by a variety of partners in different markets, the Board believes that Phorm is making good progress towards the milestone of commercial deployment in a major market, with the generation of meaningful revenues. Consequently, we remain confident about the Company's future and our ability to deliver substantial shareholder value."

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Chairman and CEO's statement

Operating losses for the six month period ended 30 June 2009 were \$15.0 million (six month period ended 30 June 2008: \$25.6 million) reflecting continued investment in business infrastructure, technology and people as well as the further development of products such as Webwise Discover. The operating loss includes a non-cash share-based payment charge of \$2.7 million (2008: \$5.9 million). Losses after taxation were \$15.0 million (2008: \$24.7 million). Loss per share was \$1.06 (2008: \$1.88).

During the period we completed our operational restructuring, launched during 2008, and, as indicated at the full year results announcement, reduced our average monthly cash burn to approximately \$1.8 million (£1.1 million). In the six months to 30 June 2008, our average monthly cash burn was \$3.1 million (£1.6 million). In addition to reducing our monthly expenses, we believe that we have materially improved the effectiveness of our business.

Following the equity fundraising announced on 10 June 2009, which raised \$24.2 million before expenses, net assets at 30 June 2009 were \$35.5 million (2008: \$57.2 million). Meanwhile, at the period end our cash balance was \$34.4 (£20.8 million) with no borrowings. As at 31 August 2009, consistent with the monthly cash burn noted above, our cash balance was \$30.1 million (£18.5 million).

Strategy and business update:

As indicated in our full year results statement issued in June, Phorm continues to make substantial operational progress, and to engage with multiple ISPs across the globe.

In Korea, we are in the final stages of a large scale market trial in partnership with KT, the country's leading ISP, the results of which are now being evaluated. The trial involved the participation of leading local advertising agencies and publishers, with targeted advertising being served to participating Korean internet users. We look forward to updating the market in due course regarding the progress of our partnership with KT.

In the UK we announced on 6th July that BT had informed us that it had no immediate plans to deploy our service due to resource constraints. We continue to keep BT abreast of developments in our international markets as part of its evaluation of its plans with respect to interest-based advertising. Meanwhile, Carphone Warehouse, a partner with whom we had not conducted any trials, informed us of its decision to cancel its contract with Phorm. Virgin Media continues to examine behavioural advertising technologies, including Phorm. We remain in ongoing discussions with a number of UK ISPs and remain optimistic about our longer term potential in this market.

Outside Korea and the UK, we continue to make excellent progress in a number of other countries and we are particularly advanced in two markets. Our business development activities have stepped up a pace with the hiring of a small team of highly experienced salesmen, formerly at Microsoft, who have industrialised our sales process and the way in which we engage with our potential future partner ISPs. Currently we are in active discussions in over 15 markets globally, including nine of the top ten markets worldwide (as measured by 2008 online advertising spending). We are confident that our geographically diversified approach to business development means that not only do we substantially reduce the Group's reliance on any individual market, but we will also ensure that, once commercially operational, Phorm should have a solid new business pipeline going forward.

In terms of product development we have made considerable progress with respect to the Webwise Discover proposition where we have been working with a number of ISPs to develop and refine the consumer offering.

With a strong balance sheet, a talented and committed management team and technology that has been extensively tested by a variety of partners in different markets, the Board believes that Phorm is making good progress towards the milestone of commercial deployment in a major market, and the generation of meaningful revenues. Consequently, we remain confident about the Company's future and our ability to deliver substantial shareholder value.

Kent Ertugrul

Unaudited consolidated income statement For the six months ended 30 June 2009

	6 months ended 30 June 2009 Unaudited \$	6 months ended 30 June 2008 Unaudited \$	Year ended 31 December 2008 Audited \$
Interim Chairman and Chief Executive Officer			
Continuing operations			
Revenue	-	-	-
Cost of sales	(989,108)	(159,792)	(517,216)
Gross loss	<u>(989,108)</u>	<u>(159,792)</u>	<u>(517,216)</u>
Research and development *	(2,841,344)	(3,884,396)	(7,135,861)
Sales and administrative expenses **	(11,183,438)	(21,533,766)	(42,172,121)
Operating loss	<u>(15,013,890)</u>	<u>(25,577,954)</u>	<u>(49,825,198)</u>
Investment revenues	60,137	913,628	1,806,104
Finance costs	(2,133)	(939)	(3,749)
Loss before taxation	<u>(14,955,886)</u>	<u>(24,665,265)</u>	<u>(48,022,843)</u>
Tax on loss	-	-	-
Loss for the year attributable to equity shareholders	<u><u>(14,955,886)</u></u>	<u><u>(24,665,265)</u></u>	<u><u>(48,022,843)</u></u>
Basic and diluted loss per share	<u><u>(1.06)</u></u>	<u><u>(1.88)</u></u>	<u><u>(3.57)</u></u>

* Research and development includes a charge for share-based payment expense of \$0.4m (6 months ended 30 June 2008: \$0.8m, year ended 31 December 2008: \$1.1m)

** Sales and administrative expenses includes a charge for share-based payment expense of \$2.3m (6 months ended 30 June 2008: \$5.1m, year ended 31 December 2008: \$6.3m)

Unaudited consolidated statement of comprehensive income For the six months ended 30 June 2009

	6 months ended 30 June 2009 Unaudited \$	6 months ended 30 June 2008 Unaudited \$	Year ended 31 December 2008 Audited \$
Loss for the year attributable to equity shareholders	(14,955,886)	(24,665,265)	(48,022,843)
Exchange differences on translation of foreign operations	1,736,528	668,244	(13,332,359)
Total comprehensive income for the period	<u><u>(13,219,358)</u></u>	<u><u>(23,997,021)</u></u>	<u><u>(61,355,202)</u></u>

Unaudited consolidated statement of changes in equity

Six months ended 30 June 2009 (Unaudited)

	Share capital \$	Additional paid in capital \$	Warrants \$	Translation reserve \$	Accumulated deficit \$	Total \$
1 January 2009	13,815	115,442,602	-	(13,651,565)	(79,435,148)	22,369,704
Total comprehensive income for the period	-	-	-	1,736,528	(14,955,886)	(13,219,358)
Share-based payments charge	-	-	-	-	2,661,107	2,661,107
Issue of new stock	3,414	23,641,364	-	-	-	23,644,778
30 June 2009	<u>17,229</u>	<u>139,083,966</u>	<u>-</u>	<u>(11,915,037)</u>	<u>(91,729,927)</u>	<u>35,456,231</u>

Six months ended 30 June 2008 (Unaudited)

	Share capital \$	Additional paid in capital \$	Warrants \$	Translation reserve \$	Accumulated deficit \$	Total \$
1 January 2008	12,136	54,220,477	-	(329,206)	(38,797,641)	15,105,766
Total comprehensive income for the period	-	-	-	668,244	(24,665,265)	(23,997,021)
Share-based payments charge	-	-	-	-	5,919,165	5,919,165
Issue of new stock	1,679	60,147,586	-	-	-	60,149,265
30 June 2008	<u>13,815</u>	<u>114,368,063</u>	<u>-</u>	<u>339,038</u>	<u>(57,543,741)</u>	<u>57,177,175</u>

Year ended 31 December 2008 (Audited)

	Share capital \$	Additional paid in capital \$	Warrants \$	Translation reserve \$	Accumulated deficit \$	Total \$
1 January 2008	12,136	54,220,477	-	(329,206)	(38,797,641)	15,105,766
Total comprehensive income for the period	-	-	-	(13,322,359)	(48,022,843)	(61,345,202)
Share-based payments charge	-	-	-	-	7,385,336	7,385,336
Issue of new stock	1,679	61,222,125	-	-	-	61,223,804
31 December 2008	<u>13,815</u>	<u>115,442,602</u>	<u>-</u>	<u>(13,651,565)</u>	<u>(79,435,148)</u>	<u>22,369,704</u>

Unaudited consolidated balance sheet as at 30 June 2009

	30 June 2009 Unaudited \$	30 June 2008 Unaudited \$	31 December 2008 Audited \$
Non-current assets			
Property, plant and equipment	1,157,463	912,181	713,874
Total non-current assets	<u>1,157,463</u>	<u>912,181</u>	<u>713,874</u>
Current assets			
Other receivables	1,372,808	1,497,662	1,823,700
Cash and cash equivalents	34,415,206	59,687,015	23,246,726
Total current assets	<u>35,788,014</u>	<u>61,184,677</u>	<u>25,070,426</u>
Total assets	<u><u>36,945,477</u></u>	<u><u>62,096,858</u></u>	<u><u>25,784,300</u></u>
Current liabilities			
Trade payables	(387,280)	(1,037,757)	(734,693)
Other payables	(921,755)	(3,419,668)	(2,631,405)
Obligations under finance leases	(10,651)	(4,019)	(10,068)
Provisions	(159,793)	(325,770)	(23,192)
Total current liabilities	<u>(1,479,479)</u>	<u>(4,787,214)</u>	<u>(3,399,358)</u>
Non-current liabilities			
Obligations under finance leases	(9,767)	(3,421)	(15,238)
Provisions	-	(129,048)	-
Total non-current liabilities	<u>(9,767)</u>	<u>(132,469)</u>	<u>(15,238)</u>
Total liabilities	<u><u>(1,489,246)</u></u>	<u><u>(4,919,683)</u></u>	<u><u>(3,414,596)</u></u>
Net assets	<u><u>35,456,231</u></u>	<u><u>57,177,175</u></u>	<u><u>22,369,704</u></u>
Equity			
Share capital	17,229	13,815	13,815
Additional paid in capital	139,083,966	114,368,063	115,442,602
Translation reserve	(11,915,037)	339,038	(13,651,565)
Accumulated deficit	(91,729,927)	(57,543,741)	(79,435,148)
Stockholders' equity	<u><u>35,456,231</u></u>	<u><u>57,177,175</u></u>	<u><u>22,369,704</u></u>

Unaudited consolidated cash flow statement for the six months ended 30 June 2009

		6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
	Note	Unaudited \$	Unaudited \$	Audited \$
Net cash used in operating activities				
Net cash used in operations	3	(13,289,920)	(18,047,709)	(42,354,599)
Income tax paid		-	-	-
		<u>(13,289,920)</u>	<u>(18,047,709)</u>	<u>(42,354,599)</u>
Net cash used in operating activities				
Cash flows from / (used in) investing activities				
Interest received		60,137	913,628	1,806,104
Purchase of property, plant and equipment		(976,022)	(540,005)	(784,709)
		<u>(915,885)</u>	<u>373,623</u>	<u>1,021,395</u>
Net cash from / (used) in investing activities				
Cash flows from financing activities				
Interest paid		(2,133)	(939)	(3,749)
Proceeds from issue of shares, net of expenses		23,644,778	60,149,265	61,223,804
Repayment of obligations under finance leases		(4,888)	(13,150)	(26,618)
		<u>23,637,757</u>	<u>60,135,176</u>	<u>61,193,437</u>
Net cash from financing activities				
Net increase in cash and cash equivalents				
		<u>9,431,952</u>	<u>42,461,090</u>	<u>19,860,233</u>
Cash and cash equivalents brought forward		23,246,726	16,557,681	16,557,681
Effect of foreign exchange rates		1,736,528	668,244	(13,171,188)
		<u>34,415,206</u>	<u>59,687,015</u>	<u>23,246,726</u>
Cash and cash equivalents carried forward				
Represented by:				
Positive cash balances		<u>34,415,206</u>	<u>59,687,015</u>	<u>23,246,726</u>

Notes to the interim financial statements (unaudited) for the six months ended 30 June 2009

1. Basis of preparation

The annual consolidated financial statements of the Company are prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

These interim financial statements include the results of operations, the financial position, the cash flow statement, the statement of comprehensive income and the statement of changes in equity of Phorm, Inc. (the “Company”) and its subsidiaries (together, “the Group”) as at and for the six months ended 30 June 2009. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as applied in the Group’s latest annual audited financial statements. For the six months ended 30 June 2009, the Group has adopted IAS 1 “Presentation of Financial Statements” and accordingly has presented a statement of comprehensive income.

The AIM rules do not require the interim financial statements to be prepared in compliance with IAS 34 “Interim Financial Reporting” and these interim financial statements have not been prepared under that standard.

These interim financial statements have not been audited or reviewed.

The information for the year ended 31 December 2008 does not constitute a complete set of financial statements. A copy of the financial statements for that year are available on the Phorm web-site, www.phorm.com. The auditors’ report on those statements was not qualified.

The financial statements have been prepared in US dollars.

The Company was incorporated on 18 April 2007 and on 3 May 2007, acquired the entire share capital of 121Media, Inc. (now known as Phorm UK, Inc.) Each outstanding share of capital stock of 121Media, Inc. was automatically converted into a share of the Company and the common stock of the Company was admitted to trading on the AIM market of the London Stock Exchange on 4 May 2007.

The reorganisation was accomplished by a merger of a wholly-owned subsidiary of the Company with and into 121Media, Inc. pursuant to Section 251(g) of the Delaware General Corporation Law.

The Directors have prepared cash flow forecasts which indicate that the Group has adequate resources to continue in operational existence for the foreseeable future. In preparing these forecasts the directors have taken into account the following key factors:

- a. the timing of commercial deployment of the Group’s services;
- b. take-up rates by consumers, publishers and advertisers;
- c. the estimated net revenue per advert that will flow to the Group;
- d. the level of committed and variable costs; and
- e. macro-economic factors

The Directors have concluded, based on the cash flow forecasts, that it is appropriate to prepare the accounts on a going concern basis.

2. Loss per share

The calculation of the basic earnings per share and diluted earnings per share is based on the loss attributable to equity shareholders of \$ 14,955,886 (31 December 2008: \$ 48,022,843; 30 June 2008: \$ 24,665,265) divided by the weighted average number of shares in issue during the period.

The weighted average number of shares used in the calculations is set out below:

6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Number of shares	Number of shares	Number of shares
14,156,765	13,124,627	13,446,940
<u>14,156,765</u>	<u>13,124,627</u>	<u>13,446,940</u>

3. Reconciliation of operating loss to net cash used in operating activities

6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
\$	\$	\$

Operating loss	(15,013,890)	(25,577,954)	(49,825,198)
Depreciation and amortization	532,432	287,111	612,170
Share-based payment expense	2,661,107	5,919,165	7,385,336
Decrease/(increase) in other receivables	450,891	(147,427)	(473,465)
(Decrease)/increase in trade payables, other payables and provisions	(1,920,460)	1,471,396	(53,442)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(13,289,920)</u>	<u>(18,047,709)</u>	<u>(42,354,599)</u>

4. Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants.

The cost of share-based compensation awards is recognised as an expense. Equity-settled share-based payments are measured at fair value, excluding the impact of non-market vesting conditions at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

For equity-settled share-based payments with market-based vesting conditions, the fair value is determined at the date of grant, having regard to the expected achievement of such performance conditions. Once determined, the expected achievement is not adjusted, even where the market-based vesting conditions are not subsequently met.

The charges arising under IFRS 2 included in the income statement are:

	6 months ended 30 June 2009 \$	6 months ended 30 June 2008 \$	Year ended 31 December 2008 \$
Share-based payment expense	<u>(2,661,107)</u>	<u>(5,919,165)</u>	<u>(7,385,336)</u>

Employer's taxes on share options, principally comprising employers' National Insurance contributions in the UK, are calculated using the market value of the company's shares at the reporting date, and pro-rated over the vesting period of the options.

The credit / (charge) arising in respect of UK Employers National Insurance and US social security included in the income statement are:

	6 months ended 30 June 2009 \$	6 months ended 30 June 2008 \$	Year ended 31 December 2008 \$
Employer's National Insurance contributions and US social security tax credit/(charge)	<u>(136,601)</u>	<u>562,274</u>	<u>992,894</u>

5. Approval by the Board of Directors

The unaudited interim financial statements were approved by the Board and authorised for issue on 18th September 2009.

- Copies of this statement will be posted on the Phorm website www.phorm.com and will be available from the Company's UK principal office at Liberty House, 222 Regent Street, London, W1B 5TR.