

22nd September 2008

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

Statement by Department for Business, Enterprise and Regulatory Reform

The Department for Business, Enterprise and Regulatory Reform issued a statement (16.09.08) clarifying their response to a letter from the European Commission regarding Phorm's systems and technology. In Phorm's opinion, this statement clarifies the UK Government position on Phorm's technology. The full text of the statement was:

"The UK is committed to providing a high level of consumer protection. We take our community obligations very seriously especially in the area of data protection and e-privacy. The possible future use of Phorm technology has raised material concerns in this area and the UK authorities are working to ensure that if it is introduced into the market for internet based advertising services, this is done in a lawful, appropriate and transparent fashion.

After conducting its enquiries with Phorm the UK authorities consider that Phorm's products are capable of being operated in this fashion on the following basis:

- the user profiling occurs with the knowledge and agreement of the customer
- the profile is based on a unique ID allocated at random which means that there is no need to know the identity of the individual users
- Phorm does not keep a record of the actual sites visited
- search terms used by the user and the advertising categories exclude certain sensitive terms and have been widely drawn so as not to reveal the identity of the user
- Phorm does not have nor want information which would enable it to link a user ID and profile to a living individual
- users will be presented with an unavoidable statement about the product and asked to exercise a choice about whether to be involved
- users will be able to easily access information on how to change their mind at any point and are free to opt in or out of the scheme.

Future developments involving Phorm will be closely scrutinised and monitored by the enforcement authorities. "

For Phorm Enquiries:

Lynne Millar (Chief Financial Officer)

+44 20 7638 9571

Citigate Dewe Rogerson

+44 20 7638 9571

Simon Rigby
Justin Griffiths

Canaccord Adams Limited

+44 20 7050 6500

(Nominated Advisor)
Mark Williams
Andrew Chubb

About Phorm:

Phorm is an innovative technology company specialising in delivering behaviorally and contextually targeted advertising while preserving users' personal privacy and security.

Phorm's partners include leading Internet Service Providers (ISPs), Publishers, Ad Networks and Advertisers.

Phorm is a Delaware corporation, with offices in New York, London and Moscow. The Company was admitted to the AIM market of the London Stock Exchange in 2004 and has over 100 employees.

For more information, please visit: www.phorm.com.