

10 April 2008

Phorm, Inc. (“Phorm” or the “Company”)

Preliminary Results

Phorm (AIM: PHRM and PHRX), the advertising technology company, today announces its preliminary results for the year ended 31 December 2007.

Operational Highlights:

Year to 31 December 2007

- Reorganisation of the Company from 121Media, Inc. to Phorm, Inc completed
- Focus on preparation of OIX and Webwise technology and development of relationships with ISPs, publishers and advertisers
- Successful \$30 million equity fundraising completed
- Several senior appointments made

Q1 2008

- OIX and Webwise successfully launched in February 2008
- Exclusive agreements announced with ISPs BT, Talk Talk and Virgin Media, representing nearly 70% of the UK broadband user base
- Consumer trials are expected to begin in the near term, followed by roll-out across these networks
- Significant progress made with the advertising and publishing community
- Advanced talks with other ISPs both in the UK and internationally
- Independent report by Ernst & Young published, supporting Phorm’s commitment to privacy protection
- Positive initial feedback received from a number of regulatory bodies
- Successful \$65 million equity fundraising completed

Executive Chairman’s statement

Introduction:

During the year under review, Phorm made significant progress, both in terms of its corporate development and in executing the Company’s Internet Service Provider (ISP) relationship strategy, providing a solid foundation on which to take the business forward to the next stage of its development. As a result of our hard work, I am extremely happy to report that on 14 February 2008, we announced exclusive agreements with BT, Talk Talk and Virgin Media, further details of which I have provided below.

Results and financial position:

In line with our previous decision to focus the Company’s efforts entirely on implementing our strategy of developing our proprietary technology platform and building ISP relationships, advertising revenue ceased in 2006. Operating losses for the year were \$32.8 million (2006: \$11.6 million) reflecting continued investment in business infrastructure, technology, people and systems. The operating loss includes a non-cash

share based payment charge of \$8.9 million (2006:\$1.5 million). Losses after taxation were \$32.2 million (2006: \$11.5 million). Loss per share was \$2.74 (2006: \$1.13).

During the course of 2007, the Company benefited from continuing support from its investors. In February 2007, Morgan Stanley Principal Investments invested \$5 million in the Company and in June 2007, we carried out an institutional placing which raised \$30 million before expenses. This considerable support underpinned the rapid progress of the Company.

I am also pleased to report that on 19 March 2008 we announced the completion of a further institutional equity fundraising which raised an additional \$65 million for the Company before expenses. In these current times of uncertainty in the financial markets, the fact that we were able to raise significant funds is testament to the strength and potential of our business model.

Our balance sheet at 31 December 2007 showed net assets of \$15.1 million (2006: \$3.2 million) with cash and cash equivalents of \$16.6 million (2006: \$3.8 million) and virtually no debt. Together with these existing cash resources, the additional funds raised will enable the Group to embark on its next phase of development.

Net cash used in operating activities was \$22.4 million (2006: \$8.3 million), principally due to the operating costs incurred (less non-cash share-based payment charges). This cash usage was principally funded by the equity fundraising in the year (net of issue costs) of \$35.2 million (2006: \$11.7 million).

People:

Over the course of 2007, a number of high profile executives joined Phorm. On 21 May 2007, we announced three senior board appointments; Firstly, David Dorman joined us as a Non Executive Director having been an advisor to the Company since July 2006. He is currently senior advisor and partner at global private equity firm Warburg Pincus and was previously Chairman and Chief Executive Officer of AT&T Corp. Before that, he was Chief Executive Officer of Concert, the global venture created by AT&T and British Telecommunications. David serves as Non Executive Chairman on the Board of Motorola Inc, and serves on the Boards of CVS Corporation, LLC, and YUM! Brands, Inc.

Christopher Lawrence also joined us as a Non Executive Director. Christopher is currently Co-Head of Investment Banking, Rothschild Inc. (North America), and was previously Chief Strategic Officer of Credit Suisse Group as well as a Vice Chairman of Credit Suisse First Boston.

We also announced that Virasb Vahidi had joined the Board as Chief Operating Officer. Virasb is an international business executive with a distinguished career encompassing senior finance, strategy and planning roles in global companies including AT&T Corp. and American Airlines, Inc.

On 1 October 2007, we announced another senior appointment to our Board. Stephen J Heyer joined the Board as a Non Executive Director. A seasoned and innovative leader, operator, marketer, brand builder and strategist, Steve is currently the Co-Chairman and CEO of Fathom Studios and Vice Chairman of Mistral Acquisition Company. Steve was CEO of Starwood Hotels & Resorts Worldwide, and joined Starwood from The Coca-

Cola Company, where he served as President and COO. Prior to joining Coca-Cola, Steve was President and COO of Turner Broadcasting System, Inc., and a member of AOL Time Warner Inc.'s Operating Committee. Previously, Steve was President and COO of Young and Rubicam, Inc. Steve is a member of the Board of Directors of Lazard Ltd and Lazard Group, Mistral Acquisition Company, the National Collegiate Athletic Association and the Special Olympics.

At the same time, we announced the hiring of Stratis Scleparis as Group Chief Technology Officer (CTO). Stratis has over 20 year's experience in communications, IT and emerging technology and joined us from BT Retail, part of BT Group plc, where he was CTO.

Furthermore, on 15 January 2008, we appointed Greg Meyer as Senior Vice President, Global Product Development, who joined from Atlas, a division of aQuantive, where he was SVP Product and Technology.

The expertise and experience that these people have brought to Phorm is proving invaluable as our business gains further traction throughout the markets in which we operate and underlines our commitment to employing the best possible people to deliver upon our strategy.

Strategy and business update:

2007 can be characterised as a year of building the foundations for our future success. In May, we completed the reorganisation of the Company from 121Media, Inc. to Phorm, Inc. We also invested considerable time and funding in our technology and key infrastructure as well as internal processes that will enable us to deliver a first class and highly scalable platform, in addition to significantly strengthening our team.

I am delighted that the hard work and dedication of the team was rewarded soon after the year end, when on 14 February 2008, we announced exclusive agreements with three major UK ISPs – BT, Talk Talk and Virgin Media, which represent nearly 70% of the UK internet market, to adopt our online advertising platform, the Open Internet Exchange (OIX), and a consumer internet feature, Webwise. Implementation is on track and consumer trials are expected to begin in the near term, followed by roll-out across these networks.

Furthermore, we continue to be in advanced discussions with a number of other ISPs, both in the UK and internationally, and following extensive due diligence we have moved into the trial phase with a number of them. It is worth noting that we believe we are selected as the preferred partner by leading ISPs over our competitors based on the capabilities of our technology, our team and our approach to privacy. We will provide an update on these discussions in due course, when appropriate.

In addition, since announcing the launch of OIX and Webwise on 14 February 2008, Phorm has continued to make significant progress with the publishing and advertising community and is delighted with the enthusiastic response it has received to date.

A key differentiator of Phorm's technology is our ability to dispel the myth that in order to provide relevant advertising on the internet you need to store data. The fundamental principles behind our platform support the highest standards in user privacy and anonymity:

- Phorm will not and cannot ever store any personal information which can identify a user
- Users will have a clear choice whether to turn Webwise on or off
- Our technology complies with all relevant data protection and privacy laws including RIPA (Regulation of Investigatory Powers Act) and the Data Protection Act

It is very pleasing to see that our commitment to these principles, and to open and transparent disclosure, has been recognised by leading privacy advocate Simon Davies, Managing Director of privacy consultancy 80/20 Thinking and director of Privacy International. Mr Davies and 80/20 Thinking recently conducted an interim Privacy Impact Assessment of our technology.

Also, as part of our commitment to the privacy of internet users, we commissioned Ernst & Young to conduct an independent examination of our systems and assertions. The following components of our privacy programme were examined:

- Phorm's privacy policy, controls and procedures
- Phorm's compliance with its stated privacy policy
- Phorm employees' privacy policy training and compliance
- Data retention, integrity and security policies and procedures.

The resulting attestation report we received from Ernst & Young confirmed that our systems have been designed specifically to protect the identity and other sensitive information of consumers – a great validation of our offering.

Furthermore, we have initiated a dialogue with the Information Commissioner's Office who are pleased with the way that we have engaged with technical experts and concerned individuals following the announcement of the service. We have also met with many other leading stakeholders in the area of online privacy, to share details of our technology and the response to date has been very encouraging.

Finally, during the course of 2007, we appointed leading global professional services firm Deloitte & Touche LLP as auditor to Phorm.

Outlook:

We have made an exceptionally positive start to 2008 with the announcement of agreements with three key UK ISPs, but there is still a lot of work that needs to be done before we reach critical mass in the UK market. We will work closely with our ISP partners to ensure a smooth and timely roll out of our platform whilst continuing discussions with other potential partners at the ISP, advertiser and publisher level as well as developing our international programme. We have built an excellent team and a market leading technology platform and, as a result, we look forward with great optimism to the opportunity that lies ahead for our company.

Kent Ertugrul
Chairman & Chief Executive
10 April 2008

Phorm, Inc
Consolidated income statement
Year ended 31 December 2007

	Year ended 31 December 2007			Year ended 31 December 2006		
	Before share based payment expense	Share based payment expense	After share based payment expense	Before share based payment expense	Share based payment expense	After share based payment expense
	\$	\$	\$	\$	\$	\$
Continuing operations						
Revenue	-	-	-	1,272,254		1,272,254
Cost of sales	(294,098)	-	(294,098)	(403,306)	-	(403,306)
	<u>(294,098)</u>	<u>-</u>	<u>(294,098)</u>	<u>868,948</u>	<u>-</u>	<u>868,948</u>
Gross (loss)/profit						
Research and development	(3,082,736)	(716,301)	(3,799,037)	(476,658)	(161,978)	(638,636)
Sales and administrative expenses	(20,584,528)	(8,151,646)	(28,736,174)	(10,460,630)	(1,371,156)	(11,831,786)
	<u>(23,961,362)</u>	<u>(8,867,947)</u>	<u>(32,829,309)</u>	<u>(10,068,340)</u>	<u>(1,533,134)</u>	<u>(11,601,474)</u>
Operating loss						
Investment income			688,843			82,312
Financing expense			(8,816)			(16,186)
			<u>(32,149,282)</u>			<u>(11,535,348)</u>
Loss before tax						
Tax on loss on ordinary activities			(3,941)			(12,705)
			<u>(32,153,223)</u>			<u>(11,548,053)</u>
Net loss for the year						
Attributable to equity holders of the parent			(32,153,223)			(11,548,053)
Basic and diluted loss per share (\$)			(2.74)			(1.13)

Phorm, Inc
Consolidated balance sheet
31 December 2007

				2007	2006
				\$	\$
Assets					
Non-current assets					
Property, plant and equipment				661,172	128,614
				<u>661,172</u>	<u>128,614</u>
Total non-current assets				661,172	128,614
Current assets					
Other receivables				1,350,235	594,063
Cash and cash equivalents				16,557,681	3,804,771
				<u>17,907,916</u>	<u>4,398,834</u>
Total assets				<u>18,569,088</u>	<u>4,527,448</u>
Current liabilities					
Trade payables				(529,370)	(156,736)
Other payables				(1,896,270)	(578,856)
Obligations under finance leases				(15,104)	(39,077)
Provisions				(621,114)	(492,742)
				<u>(3,061,858)</u>	<u>(1,267,411)</u>
Total current liabilities				(3,061,858)	(1,267,411)
Non-current liabilities					
Obligations under finance leases				(5,486)	(11,303)
Provisions				(395,978)	(24,245)
				<u>(401,464)</u>	<u>(35,548)</u>
Total-non current liabilities				(401,464)	(35,548)
Total liabilities				<u>(3,463,322)</u>	<u>(1,302,959)</u>
Net assets				<u>15,105,766</u>	<u>3,224,489</u>
Equity					
Common shares				12,136	11,217
Additional paid in capital				54,220,477	18,706,233
Warrants				-	300,300
Translation reserve				(329,206)	(280,896)
Accumulated deficit				(38,797,641)	(15,512,365)
				<u>15,105,766</u>	<u>3,224,489</u>
Stockholders' equity				<u>15,105,766</u>	<u>3,224,489</u>

Phorm, Inc
Consolidated cash flow statement
Year ended 31 December 2007

			Year ended 31 December 2007 \$	Year ended 31 December 2006 \$
Net cash used in operating activities				
Net cash used in operating activities			(22,374,122)	(8,290,238)
Income tax paid			(3,941)	(12,705)
			<u> </u>	<u> </u>
Net cash used in operating activities			<u>(22,378,063)</u>	<u>(8,302,943)</u>
Cash flows used in investing activities				
Interest received			688,843	82,312
Purchase of property, plant and equipment			(722,308)	(174,572)
			<u> </u>	<u> </u>
Net cash used in investing activities			<u>(33,465)</u>	<u>(92,260)</u>
Cash flows from financing activities				
Finance lease interest paid			(8,816)	(16,186)
Repayment of obligations under finance leases			(41,609)	(44,760)
Proceeds from issue of shares, net of \$1,399,799 expenses			35,214,863	11,690,387
			<u> </u>	<u> </u>
Net cash flows from financing activities			<u>35,164,438</u>	<u>11,629,441</u>
Net increase in cash and cash equivalents				
Cash and cash equivalents brought forward			12,752,910	3,234,238
			<u>3,804,771</u>	<u>570,533</u>
Cash and cash equivalents carried forward			<u>16,557,681</u>	<u>3,804,771</u>

Phorm, Inc – Notes to the Preliminary Announcement of Results

1. Basis of preparation

The preliminary results for the year ended 31 December 2007 are an abridged statement of the full Annual Report, which was approved by the Board of Directors on 10 April 2008. The financial statements contained in the Annual Report have, for the first time, been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the EU IAS Regulations, and on a historical basis, except for certain financial instruments that have been measured at fair value in accordance with applicable IFRS. The accounting policies applied by the Group in the preparation of the financial statements for the year ended 31 December 2007 are consistent with those published by the Group in its interim results for the six months ended 30 June 2007 which are available on the Company's website, www.phorm.com. The Auditors' Report on the financial statements for the year ended 31 December 2007 was unqualified. The Annual Report for the year ended 31 December 2007 will be made available on the Company's website, www.phorm.com.

The financial information included in this preliminary announcement does not itself contain sufficient information to comply with IFRS.

The preparation of the preliminary results requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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About Phorm:

Phorm is an innovative technology company specialising in delivering behaviourally 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, US incorporated company, with offices in New York and London. 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 <<http://www.phorm.com>>