30th September 2011

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

Interim results for the six month period ended 30 June 2011

Phorm (AIM: PHRM and PHRX), the web personalisation technology company, today announces its unaudited financial statements for the six months ended 30 June 2011.

Chairman and CEO's statement

Operating losses for the six-month period ended 30 June 2011 were $13.0m (six month period ended 30 June 2010: $15.7m). Losses after taxation were $19.6m (2010: $15.7m). Loss per share was $1.06 (2009: $0.91).

During the first six months of the year, our monthly cash burn was approximately $2.1m (2010 $2.3m). At 30 June 2011 our cash balance was $8.1m (31 December 2010: $5.7m). Following the issuance of further secured convertible loan notes in March 2011, our balance sheet reflects short-term debt, including accrued interest of $31.3m at 30 June 2011 (31 December 2010: $9.5m).

Strategy and business update:

To date in 2011 we have seen continued advances in our Brazilian business, a launch in Romania and continued progress in business development worldwide.

In Brazil, after a considerably longer period of time than we had anticipated, we have finally seen the user base grow to a point where we could run commercial advertising campaigns, generate revenues and prove the fundamental Key Performance Indicators of our model namely user adoption, advertising pricing and publisher costs.

The revenues in the first half of the year were modest, reflecting the nature of the test campaigns that we undertook for a range of advertisers. All of these advertisers have subsequently re-booked and the revenues are rising in line with increasing user numbers.

Our opt-in response rate validated the point that state of the art privacy and commercial viability are not mutually contradictory. Our ISP partners sent invitations for our Navegador personalized content proposition to their consumers on the basis that only those who affirmatively accepted the invitation by clicking on a clear transparent proposition would be enabled.

The participation of websites in the Open Internet Exchange advertising exchange and the prices at which they have participated have exceeded our expectations and our forecasting assumptions.

Advertisers have seen sufficient value in our proposition to offer pricing which to date has significantly exceeded our forecasts. We are grateful that they have been renewing campaigns in response to the demonstrated effectiveness of our advertising system.

On the business development front, we expect to make a series of announcements between now and the end of the first quarter of next year as a direct result of our efforts over the past months and years, the first of which is detailed below:

- This week, we announced the launch of the Open Internet Exchange (OIX) in Romania, in partnership with Romtelecom. MyClickNet, the Romanian brand name for the Discover proposition, has been launched on an opt in basis. Whilst at a very early stage, the opt in rate so far

has closely followed the high opt in rate in Brazil, suggesting that the results on that metric from Brazil have a high predictive value elsewhere.

- We have also found that the initial feedback to our proposition from websites and advertisers has closely mirrored that of partners in Brazil. We are therefore optimistic that the combination of anticipated revenues, the fact that the entire user base of Romtelecom will be invited to participate over the next several weeks and the low cost base of local operation will result in the near term profitability of Phorm Romania.

As our software continues to evolve, we will be bringing a number of new developments to the market, particularly in the mobile space, which represents an important and highly complementary opportunity worldwide.

In March 2011, the Group raised £10.0 million, before expenses, through the issuance of a further £10.0 million in secured convertible loan notes. This takes the total face value of the Loan Notes in issue to £16.1m. The notes are otherwise repayable on 31 October 2013 and carry an annualised coupon of 15% compound, payable on redemption.

The Company needs to raise additional funds in the current year to continue to trade and discussions with respect to further funding are in progress. We will keep the market informed on this matter.

Kent Ertugrul

Interim Chairman and Chief Executive Officer

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Unaudited consolidated income statement
For the six months ended 30 June 2011

	Note	6 months ended 30 June 2011 Unaudited $	6 months ended 30 June 2010 Unaudited $	Year ended 31 December 2010 Audited $
Continuing operations				
Revenue		17,336	-	-
Cost of sales		(334,487)	(250,072)	(484,086)
Gross loss		(317,151)	(250,072)	(484,086)
Research and development *		(3,476,995)	(3,509,271)	(6,709,281)
Sales and administrative expenses **		(9,230,275)	(11,933,734)	(20,712,130)
Operating loss *		(13,024,421)	(15,693,077)	(27,905,497)
Investment revenues		4,085	10,002	18,198
Finance costs	5	(6,590,887)	(607)	(786,039)
Loss before taxation		(19,611,223)	(15,683,682)	(28,673,338)
Tax on loss on ordinary activities		-	-	-
Loss for the year attributable to equity shareholders		(19,611,223)	(15,683,682)	(28,673,338)
Basic and diluted loss per share		(1.06)	(0.91)	(1.61)

* Research and development includes a charge for share-based payment expense of $0.3m (6 months ended 30 June 2010: $0.3m, year ended 31 December 2010: $0.5m)

** Sales and administrative expenses includes a charge for share-based payment expense of $0.8m (6 months ended 30 June 2010: $1.0m, year ended 31 December 2010: $1.4m)

Unaudited consolidated statement of comprehensive income
For the six months ended 30 June 2011

	6 months ended 30 June 2011 Unaudited $	6 months ended 30 June 2010 Unaudited $	Year ended 31 December 2010 Audited $
Loss for the year attributable to equity shareholders	(19,611,223)	(15,683,682)	(28,673,338)
Exchange gain / (loss) on translation of foreign operations	777,359	(965,854)	(704,866)
Total comprehensive loss for the period	(18,833,864)	(16,649,536)	(29,378,204)
Attributable to equity holders of the parent	(18,833,864)	(16,649,536)	(29,378,204)

Unaudited consolidated statement of changes in equity

Six months ended 30 June 2011 (Unaudited)

	Share capital $	Additional paid in capital $	Warrants $	Own shares $	Translation reserve $	Accumulated deficit $	Total $
1 January 2011	18,480	141,984,668	49,840	(341,837)	(13,587,905)	(132,435,425)	(4,312,179)
Total comprehensive loss for the period	-	-	-	-	777,359	(19,611,223)	(18,833,864)
Share-based payments charge	-	-	-	-	-	1,108,965	1,108,965
Issue of warrants	-	-	37,484	-	-	-	37,484
30 June 2011	18,480	141,984,668	87,324	(341,837)	(12,810,546)	(150,937,683)	(21,999,594)

Six months ended 30 June 2010 (Unaudited)

	Share capital $	Additional paid in capital $	Warrants $	Own shares $	Translation reserve $	Accumulated deficit $	Total $
1 January 2010	17,294	139,091,603	-	(341,837)	(12,883,039)	(105,624,915)	20,259,106
Total comprehensive loss for the period	-	-	-	-	(965,854)	(15,683,682)	(16,649,536)
Share-based payments charge	-	-	-	-	-	1,332,527	1,332,527
Issue of new stock	10	12,475	-	-	-	-	12,485
30 June 2010	17,304	139,104,078	-	(341,837)	(13,848,893)	(119,676,070)	4,954,582

Year ended 31 December 2010 (Audited)

	Share capital $	Additional paid in capital $	Warrants $	Own shares $	Translation reserve $	Accumulated deficit $	Total $
1 January 2010	17,294	139,091,603	-	(341,837)	(12,883,039)	(105,624,915)	20,259,106
Total comprehensive loss for the period	-	-	-	-	(704,866)	(28,673,338)	(29,378,204)
Share-based payments charge	-	-	-	-	-	1,862,828	1,862,828
Issue of new stock	1,186	2,893,065	49,840	-	-	-	2,944,091
31 December 2010	18,480	141,984,668	49,840	(341,837)	(13,587,905)	(132,435,425)	(4,312,179)

Unaudited consolidated balance sheet as at 30 June 2011

	Note	30 June 2011 Unaudited $	30 June 2010 Unaudited $	31 December 2010 Audited $
Non-current assets				
Property, plant and equipment		343,345	505,491	332,835
Total non-current assets		343,345	505,491	332,835
Current assets				
Other receivables		2,716,800	1,501,914	1,428,474
Cash and cash equivalents		8,077,473	5,701,149	5,691,895
Total current assets		10,794,273	7,203,063	7,120,369
Total assets		11,137,618	7,708,554	7,453,204
Current liabilities				
Trade payables		(1,026,734)	(797,713)	(1,076,264)
Other payables		(841,528)	(1,935,121)	(1,147,856)
Obligations under finance leases		-	(9,767)	(4,004)
Provisions		-	(11,371)	(1,218)
Secured convertible loan notes	5	(31,268,950)	-	-
Total current liabilities		(33,137,212)	(2,753,972)	(2,229,342)
Non-current liabilities				
Obligations under finance leases		-	-	-
Secured convertible loan notes		-	-	(9,536,041)
Total non-current liabilities		-	-	(9,536,041)
Total liabilities		(33,137,212)	(2,753,972)	(11,765,383)
Net (liabilities)/assets		(21,999,594)	4,954,582	(4,312,179)
Equity				
Share capital		18,480	17,304	18,840
Additional paid in capital		141,984,668	139,104,078	141,984,668
Own shares		(341,837)	(341,837)	(341,837)
Warrants		87,324	-	49,840
Translation reserve		(12,810,546)	(13,848,893)	(13,587,905)
Accumulated deficit		(150,937,683)	(119,676,070)	(132,435,425)
Stockholders' (deficit)/equity		(21,999,594)	4,954,582	(4,312,179)

Unaudited consolidated cash flow statement
for the six months ended 30 June 2011

	Note	6 months ended 30 June 2011 Unaudited $	6 months ended 30 June 2010 Unaudited $	Year ended 31 December 2010 Audited $
Net cash used in operating activities				
Net cash used in operations	3	(13,300,210)	(13,004,301)	(24,815,332)
Income tax paid		-	-	-
Net cash used in operating activities		(13,300,210)	(13,004,301)	(24,815,332)
Cash flows from / (used in) investing activities				
Interest received		4,085	10,002	18,198
Proceeds on disposal of property, plant and equipment		-	-	-
Purchase of property, plant and equipment		(199,509)	(90,953)	(219,740)
Net cash used in investing activities		(195,424)	(80,951)	(201,542)
Cash flows from financing activities				
Interest paid		(692,984)	(607)	(923)
Repayment of obligations under finance leases		(4,004)	-	(11,234)
Purchase of own shares		-	-	-
Proceeds from issue of common shares		-	12,484	2,894,251
Proceeds from issue of secured convertible loan notes		15,835,634	(5,471)	9,060,635
Net cash from financing activities		15,138,646	6,406	11,942,729
Net increase/(decrease) in cash and cash equivalents		1,643,012	(13,078,846)	(13,074,145)
Cash and cash equivalents brought forward		5,691,895	19,713,788	19,713,788
Effect of foreign exchange rates		742,566	(933,793)	(947,748)
Cash and cash equivalents carried forward		8,077,473	5,701,149	5,691,895
Represented by:				
Positive cash balances		8,077,473	5,701,149	5,691,895

Notes to the interim financial statements (unaudited) for the six months ended 30 June 2011

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 income statement, statement of comprehensive income, the balance sheet, the cash flow statement 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 2011. 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.

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 2010 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 auditor's report on those statements was not qualified, but did include reference to uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, to which the auditors drew attention by way of an emphasis of matter without qualifying their opinion.

The financial statements have been prepared in US dollars.

Going concern

In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis, which has been used in the preparation of these financial statements.

During 2011 and up to the date of approval of these financial statements, the Group has made significant progress in the development and deployment of its technology and services, including the commencement of revenues in Brazil and the launch of the Company's second market, Romania. The Directors expect that cash flows from Brazil and Romania, if realised as forecast will enable the Group to grow in a controlled and sustainable manner.

Notes to the interim financial statements (unaudited) for the six months ended 30 June 2011

1. Summary of significant accounting policies (continued)

Going concern (continued)

For the six months ended 30 June 2011, the Group has reported operating cash outflows of $13.3 million, and financing cash inflows of $15.1 million, with a closing cash position at 30 June 20110 of $8.1 million. To date, the Group has incurred cumulative losses of $150.9 million. The Group has funded these losses and its operations through equity provided by its shareholders and the issue of secured convertible loan notes.

The Directors have approved a business plan which forecasts continuing cash outflows in the near term and therefore there is a near-term requirement for additional funding. The Group, however, is forecasting significant revenues for FY12 sufficient to cover the operating costs in Brazil and Romania and to provide significant cash flows for the Group to fund other costs incurred as it seeks to achieve further deployments internationally. These forecasts include a number of key assumptions which have been validated, albeit on a small scale through our market trials and commercial deployments in Brazil and Romania.

The principal risk of the roll-out in Brazil has been significantly mitigated through the ramp-up experienced in Brazil, whilst the launch in Romania has provided our second market of commercial deployment. Where the service has been deployed the business continues to out-perform its original forecasts particularly with respect to opt-in rates and pricing.

In the near term, the principal risk to the business is to ensure that the Group has sufficient funding to allow the business in Brazil and Romania to reach full commercial scale. At this scale, the Group's forecast shows that the business would be generating significant operating profits. However, the Group's revenue generating activities remain at an early stage and additional funding is required in the near-term.

At the date of approval of these financial statements, the Group has yet to secure additional funding. Nevertheless, the Group is in discussions with a number of parties regarding funding; its strategy is to pursue a number of financing alternatives in parallel to ensure that it has sufficient funds to sustain operations.

In preparing these financial statements, the Directors have assumed that sufficient further funding will be made available to the Group to enable it to execute its business plan and realise the forecast inflows.

The Directors consider the above circumstances represent material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the interim financial statements (unaudited)
for the six months ended 30 June 2011

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 $19,611,223 (31 December 2010: $28,673,338; 30 June 2010: $ 15,683,682) 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 2011 Number of shares	6 months ended 30 June 2010 Number of shares	Year ended 31 December 2010 Number of shares
	18,479,907	17,298,494	17,853,692

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

	6 months ended 30 June 2011 $	6 months ended 30 June 2010 $	Year ended 31 December 2010 $
Operating loss	(13,024,421)	(15,693,077)	(27,905,497)
Depreciation and amortization	260,648	344,996	659,999
Loss on disposal of property, plant and equipment	-	-	1,512
Share-based payment expense	1,108,965	1,332,527	1,862,828
(Increase)/decrease in other receivables	(1,288,326)	379,897	453,337
(Decrease)/increase in trade payables, other payables and provisions	(357,076)	631,356	112,489
Net cash used in operating activities	(13,300,210)	(13,004,301)	(24,815,332)

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 2011 $	6 months ended 30 June 2010 $	Year ended 31 December 2010 $
Share-based payment expense	(1,108,965)	(1,332,527)	(1,862,828)

5. Secured convertible loan notes

On 21 March 2011, the Group raised £10.0 million, before expenses, through the issuance of £10.0 million in secured convertible loan notes. As a consequence of these Loan Notes being issued, the existing £6.075 million of secured convertible loan notes (the "2010 Loan Notes") were exchanged for new Loan Notes issued on terms equivalent to the £10.0 million issue (together, the "2011 Loan Notes"), save that in addition to these terms, one of the holders, with £2.0 million of 2011 Loan Notes, has the option to convert the 2011 Loan Notes into common stock at a rate of £0.75 per share after 3 September 2012. If the Company has not redeemed the £2.0 million of 2011 Loan Notes by 3 June 2012, all of the 2011 Loan Note holders have the right to convert after 3 September 2012. As part of the exchange of the 2010 Loan Notes, the Company made cash payments totalling £426,265 in lieu of interest accrued on the 2010 Loan Notes.

The £16,075,000 of 2011 Loan Notes in issue are repayable on 31 October 2013 and carry an annualised coupon of 15% compound, payable on redemption.

The terms of the 2011 Loan Notes include a call option for early redemption by the Company, as well as the conversion option outlined above. Additionally, they attract a redemption premium, comprising a minimum number of shares in the Company for every £1 million redeemed (or pro-rata thereof) and a number of additional shares required to deliver to the note holder an overall rate of return equivalent to 310% in addition to the accrued coupon should the Loan Notes run to maturity; the number of additional shares that would be issued is subject to the share price of the Company at redemption and should the share price not increase sufficiently, redemption of the Loan Notes would result in very significant dilution of existing shareholders. Further details of the terms of the loan notes are disclosed in note 27 of the financial statements of the Company for the year ended 31 December 2010. The options included within the 2011 Loan Notes have been fair valued on initial recognition, with the movement in fair value through to 30 June 2011 recognised within finance charges. The fair value of these instruments is included as part of the carrying value of the secured convertible loan note, which at 30 June 2011 amounted to $31.3m.

Of the finance costs recognised in the income statement of $6.6m, $0.7m was paid in cash in the period; the remainder represents non-cash items.

6. Dividend

The Directors do not propose to pay an interim dividend.

Notes to the interim financial statements (unaudited) for the six months ended 30 June 2011

7. Other information

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 27 Mortimer Street, London, W1T 3BL.