22 August 2014

Phorm Corporation Limited

("Phorm" or the "Company")

Interim Results for the six months ended 30 June 2014

Phorm (AIM: PHRM), a leading internet personalisation technology company, today announces its unaudited interim results for the six months ended 30 June 2014.

Highlights:

- Gross revenue $0.5m (2013: $0.03m)
- Operating Losses $22.8m (2013: $24.3m)
- Losses after taxation $23.0m (2013: $24.8m)
- Loss per share was $0.04 (2013: $0.18)
- During the first 6 months of the year, average monthly cash burn excluding financing activity was $3.6m (2013: $2.6m)

For further information please contact:

Phorm Corporation Limited
Andy Croxson (analysts and investors) **+44 (0) 203 397 6001**

UK Investors
Mirabaud Securities LLP (Broker) **+44 20 7321 2508**
Jason Woollard
Peter Krens

Strand Hanson Limited (Nominated Adviser) **+44 20 7409 3494**
James Harris
Matthew Chandler
James Dance

US Investors
Lippert/Heilshorn and Associates (Investor Relations)+1 212 838 3777
John Heilshorn

Chairman and Chief Executive Officer's Statement

I am pleased to present the group's unaudited interim results for the six month period to 30 June 2014. The unaudited consolidated results show that the group's financial loss narrowed in the six months ended 30 June 2014 compared to the equivalent period in 2013. This reflects the fact that Phorm is now entering the revenue growth phase of its business.

Phorm is now in the fortunate position of having set the foundations for achieving substantial growth. As set out in the Company's previous financial statements, revenue growth is a function of the interaction between deployed internet service provider ("ISP") users, partnerships which bring us inventory in the form of advertising requests, and advertising campaigns sold and successfully delivered. Accordingly, users, advertising requests and advertising campaigns are the fundamental drivers of revenue.

Users

The Company's technology is currently deployed with 10 ISPs worldwide, compared to only 1 ISP a year ago. We therefore have a substantially greater number of users than this point last year. In late June 2014, we announced that peak daily unique users had grown from approximately 0.8m to 37.8m and this figure is currently in excess of 40m.

Advertising requests

The access to inventory, which we currently enjoy, grew from 22.3bn requests in H2 2013 to 67.3bn by the end of H1 2014 and this growth trend is continuing as more publishers join Phorm's network.

Advertising campaigns

The number of advertising impressions served has similarly increased, from approximately 0.8bn impressions in H2 2013 to 2.6bn by the end of H1 2014. Our advertising campaign pipeline is continuing to strengthen and the total value of the opportunity pipeline (defined as specific campaign opportunities that are currently being discussed with advertising and agency partners) has grown to over $2m, which demonstrates advertiser confidence in our proposition and the performance of our system.

As we continue to bring these campaigns online, the imperative is to ensure that the performance, that we are able to secure for advertisers, matches or exceeds the groundbreaking performance levels which we achieved in Turkey as announced to the market in late September 2013. Achieving sufficient user numbers, to run multiple, large-scale commercial campaigns, remains an important goal in Turkey and it is expected that this situation will improve over time.

Our system is extremely powerful, yet complicated. In order to operate it successfully in China, which is substantially larger in scale than Turkey, we need to deliver rapidly on a number of fronts including: recruitment, sales management, advertising operations, performance management and data science.

In terms of recruitment, a key challenge in China is recruiting and training world class staff who can acquire the operational experience necessary in a very short period of time. This includes staff in advertising sales, advertising operations, technical ISP sales, network deployment and senior local management.

Sales staff need to be trained up to explain the benefits of a product which we believe is truly different from anything which the industry has so far encountered. They then need to go through the process of meeting with and educating clients on our proposition and taking them through to the order stage. We are seeing encouraging responses so far as manifested by the significant sales pipeline, which has developed in a short space of time.

Similarly, the range of options available for utilising the power of the system to reach the client's desired audience to an unprecedented degree also means that the appropriate level of staff in advertising operations needs to be recruited and trained accordingly. In addition, we have been focusing on developing a management model, which allows us to supervise operations from our operations centre and thereby upscale significantly, efficiently and effectively.

The scale at which we are now operating in China makes it critical that we measure performance in real time and optimise our performance across numerous campaigns, time zones and language barriers. We are now running both test campaigns with new customers and full commercial campaigns with advertisers,

who have rebooked following positive results. As the test campaigns with new customers come to their conclusion, the extent to which we have managed their performance will dictate the propensity of advertisers to renew their custom and increase scale, making this function critical. Performance management is now a dominant focus within the group.

Looking ahead, we are developing a number of statistical techniques and software technologies, which will allow us to automate much of the performance management process. We expect some of these efforts to bear fruit within the coming months. We currently anticipate this to replace manual performance management as the most critical resource allocation within the business.

In summary, growth rates achieved so far have been very significant and we expect them to accelerate. Comparing H1 2013 to H1 2014, we have seen a 44 fold increase in peak daily unique users, a 42 fold increase in advertising requests and a 18 fold increase in revenues. Simply extrapolating those growth rates moving forward would lead us to highly respectable large scale revenues. However, we believe that, based upon what we currently have in hand and in our pipeline, rates of growth should in fact accelerate further, particularly as current test campaigns convert into full-scale commercial campaigns.

We have made good progress in the first half of 2014 and the group is now well positioned for the remainder of the year as we seek to build on our achievements to date.

Kent Ertugrul

Chairman & Chief Executive Officer

22 August 2014

Unaudited consolidated income statement
For the six months ended 30 June 2014

	6 months ended 30 June 2014 Unaudited $	6 months ended 30 June 2013 Unaudited $	Year ended 31 December 2013 Audited $
Continuing operations			
Revenue	528,750	28,545	279,750
Cost of sales	(3,955,967)	(541,464)	(4,066,477)
Gross loss	(3,427,217)	(512,919)	(3,786,727)
Research and development *	(3,585,842)	(4,120,384)	(8,415,244)
Sales and administrative expenses **	(15,780,920)	(19,662,461)	(33,659,482)
Operating loss	(22,793,979)	(24,295,764)	(45,861,453)
Investment revenues	5,356	4,190	5,795
Finance costs	(162,964)	(538,814)	(748,008)
Loss before taxation	(22,951,587)	(24,830,388)	(46,603,666)
Tax on loss on ordinary activities	-	-	-
Loss for the year attributable to equity shareholders	(22,951,587)	(24,830,388)	(46,603,666)
Basic and diluted loss per share	(0.04)	(0.18)	(0.16)

* Research and development includes a charge for share-based payment expense of $0.3m (6 months ended 30 June 2013: $0.9m, year ended 31 December 2013: $1.5m)

** Sales and administrative expenses includes a charge for share-based payment expense of $2.2m (6 months ended 30 June 2013: $6.5m, year ended 31 December 2013: $9.2m)

Unaudited consolidated statement of comprehensive income
For the six months ended 30 June 2014

	6 months ended 30 June 2014 Unaudited $	6 months ended 30 June 2013 Unaudited $	Year ended 31 December 2013 Audited $
Loss for the year attributable to equity shareholders	(22,951,587)	(24,830,388)	(46,603,666)
Exchange loss on translation of foreign operations	(26,114)	(309,168)	(317,902)
Total comprehensive loss for the period	(22,977,701)	(25,139,556)	(46,921,568)
Attributable to equity holders of the parent	(22,977,701)	(25,139,556)	(46,921,568)

Unaudited consolidated statement of changes in equity

Six months ended 30 June 2014 (Unaudited)

	Share capital $	Warrants	Translation reserve $	Accumulated deficit $	Total $
1 January 2014	277,744,986	869,430	(13,507,218)	(256,663,090)	8,444,108
Total comprehensive loss for the period	-	-	(26,114)	(22,951,587)	(22,977,701)
Share-based payments charge	-	-	-	2,587,124	2,587,124
Issue of warrants	-	25,268	-	-	25,268
Issue of new stock	15,793,683	-	-	-	15,793,683
Exercise of warrants	271,208	(271,208)	-	-	-
30 June 2014	293,809,877	623,490	(13,533,332)	(277,027,553)	3,872,482

Six months ended 30 June 2013 (Unaudited)

	Share capital $	Warrants	Translation reserve $	Accumulated deficit $	Total $
1 January 2013	239,507,089	659,766	(13,189,316)	(220,607,981)	6,369,558
Total comprehensive loss for the period	-	-	(309,168)	(24,830,388)	(25,139,556)
Share-based payments charge	-	-	-	7,383,193	7,383,193
Issue of warrants	-	87,313	-	-	87,313
Issue of new stock	7,650,824	-	-	-	7,650,824
30 June 2013	247,157,913	747,079	(13,498,484)	(238,055,176)	(3,648,668)

Unaudited consolidated statement of changes in equity

Year ended 31 December 2013 (Audited)

	Share capital $	Warrants $	Translation reserve $	Accumulated deficit $	Total $
1 January 2013	239,507,089	659,766	(13,189,316)	(220,607,981)	6,369,558
Total comprehensive loss for the year	-	-	(317,902)	(46,603,666)	(46,921,568)
Share-based payments charge	-	-	-	10,713,421	10,713,421
Issue of new stock	38,237,897	122,351	-	-	38,360,248
Charge for Warrants	-	87,313	-	-	87,313
Provision for unsettled equity	-	-	-	(164,864)	(164,864)
31 December 2013	277,744,986	869,430	(13,507,218)	(256,663,090)	8,444,108

Unaudited consolidated statement of financial position
as at 30 June 2014

	30 June 2014 Unaudited $	30 June 2013 Unaudited $	31 December 2013 Audited $
Non-current assets			
Property, plant and equipment	1,248,769	484,537	1,211,291
Total non-current assets	1,248,769	484,537	1,211,291
Current assets			
Other receivables	4,791,392	2,693,416	6,181,141
Cash and cash equivalents	5,858,814	419,782	9,662,828
Total current assets	10,650,206	3,113,198	15,843,969
Total assets	11,898,975	3,597,735	17,055,260
Current liabilities			
Trade payables	(2,555,224)	(2,010,340)	(2,916,160)
Other payables	(1,770,437)	(2,101,993)	(2,269,319)
Secured convertible loan notes	(3,700,832)	(3,134,070)	-
Total current liabilities	(8,026,493)	(7,246,403)	(5,185,479)
Non-current liabilities			
Secured convertible loan notes	-	-	(3,425,673)
Total liabilities	(8,026,493)	(7,246,403)	(8,611,152)
Net assets/(liabilities)	3,872,482	(3,648,668)	8,444,108
Equity			
Share capital	293,809,877	247,157,913	277,744,986
Own shares	-	-	-
Warrants	623,490	747,079	869,430
Translation reserve	(13,533,332)	(13,498,484)	(13,507,218)
Accumulated deficit	(277,027,553)	(238,055,176)	(256,663,090)
Stockholders' equity/(deficit)	3,872,482	(3,648,668)	8,444,108

Unaudited consolidated statement of cash flows
for the six months ended 30 June 2014

	6 months ended 30 June 2014 Unaudited $	6 months ended 30 June 2013 Unaudited $	Year ended 31 December 2013 Audited $
Net cash used in operating activities			
Net cash used in operations	(21,573,240)	(15,599,211)	(33,111,197)
Income tax paid	-	-	-
Net cash used in operating activities	(21,573,240)	(15,599,211)	(33,111,197)
Cash flows from / (used in) investing activities			
Interest received	5,356	4,190	5,795
Repayment on settlement of warrants	-	-	-
Proceeds on disposal of property, plant and equipment	-	-	-
Purchase of property, plant and equipment	(438,582)	(90,504)	(1,598,054)
Net cash used in investing activities	(433,226)	(86,314)	(1,592,259)
Cash flows from financing activities			
Interest paid	-	-	-
Redemption of warrants	247	-	-
Proceeds from issue of ordinary shares	18,286,753	7,812,202	35,878,102
Proceeds from issue of secured convertible loan notes	-	5,265,105	5,263,605
Secured convertible loan note interest paid	-	(466,500)	-
Repayment of secured convertible loan	-	(2,332,500)	(2,799,000)
Net cash from financing activities	18,287,000	10,278,307	38,342,707
Net increase/(decrease) in cash and cash equivalents	(3,719,466)	(5,407,218)	3,639,251
Cash and cash equivalents brought forward	9,662,828	5,877,075	5,877,075
Effect of foreign exchange rates	(84,548)	(50,074)	146,502
Cash and cash equivalents carried forward	5,858,814	419,783	9,662,828
Represented by:			
Positive cash balances	5,858,814	419,783	9,662,828

Notes to the interim financial statements (unaudited)
for the six months ended 30 June 2014

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 statement of financial position, the statement of cash flows and the statement of changes in equity of Phorm Corporation Ltd (the "Company") and its subsidiaries (together, "the Group") as at and for the six months ended 30 June 2014. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as are applied in the Group's latest annual audited financial statements.

The AIM Rules for Companies 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 2013 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, http://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.

In March 2014, the Company announced that it had successfully completed a placing of £10.0m (gross) in shares. The placing included participation by several US investors, as previously announced and has allowed the business to make substantial progress towards the generation of large-scale revenue. However, the Company has experienced some delays that have necessitated raising further funds.

The Company has recently agreed the terms of a further share subscription, which is being announced separately today. It is also in advanced discussions with certain strategic investors for a further round of fund raising, which is expected to close in the next few months.

The business plan approved by the Directors forecasts the need for this further funding and access to sufficient working capital to allow the operating businesses to reach their full commercial scale. This is the principal risk to the business at the current time.

At the date of approval of these financial statements, the Group has secured some, but not all, of the additional funding requirements set out in the business plan and is, therefore, not fully-funded at the current time. However, given the success of the recent fund raising activities and the operational progress that has been achieved, the Directors are confident that this further funding will be achieved as required. As at 30 June 2014, the Group held cash and cash equivalents of $5.9m.

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 from operations globally.

In common with similar businesses at this stage of their development, and in light of the Group's dependence on further financing being made available to it from its shareholders or other providers of finance, the Directors consider the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern

and, therefore, that it may be unable to realise 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.

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 $22,951,587 (30 June 2013: $24,830,388; 31 December 2013: $46,603,666) 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 2014 Number of shares	6 months ended 30 June 2013 Number of shares	Year ended 31 December 2013 Number of shares
	568,151,060	139,166,908	288,113,854

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

	6 months ended 30 June 2014 $	6 months ended 30 June 2013 $	Year ended 31 December 2013 $
Operating loss	(22,793,979)	(24,295,764)	(45,861,453)
Depreciation and amortisation	602,566	337,982	1,157,272
(Profit)/Loss on disposal of property, plant and equipment	-	(1,498)	2,453
Impairment of plant and equipment	-	-	-
Share-based payment expense	2,587,124	7,383,193	10,713,421
(Increase)/decrease in other receivables	(1,078,052)	(481,337)	(1,483,015)
(Decrease)/increase in trade payables and other payables	(890,899)	1,458,213	2,360,125
Net cash used in operating activities	(21,573,240)	(15,599,211)	(33,111,197)

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 2014 $	6 months ended 30 June 2013 $	Year ended 31 December 2013 $
Share-based payment expense	(2,587,124)	(7,383,193)	(10,713,421)

5. Dividend

The Directors do not propose to pay an interim dividend.

6. Other information

Copies of this statement will be posted on Phorm's website **www.phorm.com** and will be available from the Company's UK principal office at 84-86 Great Portland Street, London, W1W 7JN.