

## Interim Statement 29<sup>th</sup> September 2015

### Silence Therapeutics plc

#### Interim results for the six months ended 30 June 2015

#### *Significant fundraising, encouraging clinical data and R&D progress*

London, 29 September 2015 - Silence Therapeutics plc, AIM:SLN (“Silence” or the “the Company”) a leader in the development and delivery of novel RNA therapeutics announces its unaudited interim results for the six months ended 30 June 2015.

#### Highlights

- Atu027 showed encouraging signs of a dose response effect on progression free survival in pancreatic cancer patients with metastatic disease.
- Completed a placing raising net proceeds of £38.9 million, including new investors Invesco Ltd and Woodford Investment Management LLP.
- The Board of Appeal at the European Patent Office upheld Silence’s patent on RNA modification against an appeal by four parties including the industry leader.

#### FINANCIAL HIGHLIGHTS

- Loss after tax for the period of £4.1 million (2014: £5.6 million).
- Net cash of £55.8 million at 30 June 2015 (2014: £21.3 million).

#### Post period end

- Ali Mortazavi took compassionate leave due to a serious family illness and returned on 21 September 2015, as planned.
- Chairman Alastair Riddell retired from the board on Ali Mortazavi’s return and Stephen Parker became Non-Executive Chairman.
- Progress continues in our siRNA-based preclinical programmes. Encouraging early results were obtained in pulmonary arterial hypertension.
- Successful and therapeutic protein production driven by messenger RNA (mRNA) delivery now in several species and a range of tissues.
- New R&D team dedicated to CRISPR/Cas9 gene editing technology.
- R&D expansion into non liposomal conjugation delivery systems.

#### Ali Mortazavi Chief Executive of Silence Therapeutics commented

“The first half of 2015 has been transformational for Silence Therapeutics. Not only have we made progress with our platform technology but have also made meaningful strides in the clinic. Separately, the quantum and profile of new and existing shareholders have enabled our company to begin to truly compete on a global stage. We are now perfectly positioned to tackle the most serious diseases using our genetic medicine toolkit.”

## **Stephen Parker Non-Executive Chairman said**

"I am pleased that Silence has continued to progress in the period, with a good clinical result and a highly successful fund raising through which we attracted the support of several major investors. I am confident that, with Ali Mortazavi returned to the Company, we will continue to further our ambition to create a world-class genetic medicine company."

### **Enquiries:**

#### **Silence Therapeutics plc**

Ali Mortazavi, Chief Executive Officer  
Timothy Freeborn, Chief Financial Officer

Tel: +44 (0)20 3457 6900

#### **Canaccord Genuity Limited (Nominated Adviser and Joint Broker)**

Dr Julian Feneley/Henry Fitzgerald-O'Connor/Emma Gabriel

Tel: +44 (0)20 7523 8350

#### **Peel Hunt LLP (Joint Broker)**

James Steel/Dr Tom Burt/Oliver Jackson

Tel: +44 (0)20 7418 8900

#### **Media Enquiries:**

FTI Consulting  
Simon Conway/Brett Pollard/Stephanie Cuthbert

Tel: +44 (0) 20 3727 1000

## **Notes to Editors**

### **About Silence Therapeutics plc**

Our technology harnesses the body's natural mechanisms to create therapeutic effects within its own cells. This technology can selectively silence or replace any gene in the genome, modulating gene expression up as well as down in a variety of organs and cell types, *in vivo*.

We have developed proprietary modifications to improve the robustness of RNA sequences, together with advanced liposomal chemistries to enhance the delivery of therapeutics. This allows the development of therapeutics for diseases with high unmet medical need. In 2015 Silence announced interim results from a Phase 2a pancreatic cancer trial using its compound, Atu027, in combination with gemcitabine.

## **Overview**

Silence has continued to make progress over the period, both in its pre-clinical and clinical programmes. In April 2015 the Company raised £38.9 million net through a share issue that brought in major new investors, which will support our expanding R&D activities and enable us to capitalise on strategic in-licensing and acquisition opportunities. Furthermore, the Company will continue to invest in recruitment at senior and middle management levels to expand the Company's expertise and accelerate these strategic ambitions.

## **Licensing**

We continue to work on broadening our IP estate in the US and to monitor the progress of the company that approached Silence regarding a potential AtuRNAi<sup>®</sup> licence, which is encouraging. We also await news of the licensing developments at Quark Pharmaceuticals, following the favourable Phase 2b results obtained for delayed kidney graft function.

## **Business review**

The Company's lead product is Atu027. This uses the Company's proprietary AtuPLEX<sup>®</sup> and AtuRNAi<sup>®</sup> technologies to deliver siRNA to the endothelial cells of the vascular system, targeting the expression of the protein PKN3, a key factor in cancer progression and metastasis. The clinical trial results of Atu027 used in combination with gemcitabine, reported in the period, demonstrated the continuing safety profile of our delivery systems. Importantly, there was an encouraging indication of a dose response effect on progression free survival times in patients with advanced pancreatic cancer, with the effect being more marked in those with metastatic disease.

We are now looking to optimise the dosing schedule in combination with the newer chemotherapy regimes of gemcitabine and nab-paclitaxel in pre-clinical models ahead of further clinical development. In addition we are making improvements to our manufacturing processes and scaling up supplies to support our clinical trials.

The positive indications from the pancreatic study have led the Company to focus its clinical efforts on this indication and the proposed head and neck cancer study has been put on hold pending the completion of the dosing and manufacturing projects mentioned above.

We continue to develop our multiple pre-clinical siRNA programmes. In particular, animal studies in pulmonary arterial hypertension have been encouraging. In mRNA, we have now observed therapeutic protein production in non-human primates as well as in rodents.

In February, the Board of Appeal of the European Patent Office, upheld the key RNA interference (RNAi) trigger modification patent of the Company against challenges by four parties including Alnylam Pharmaceuticals Inc, its subsidiary Sirna Therapeutics Inc, Alcon Laboratories Inc, and an independent attorney. At the hearing, the Board of

Appeal validated the Company's patent covering an alternating pattern of modified and unmodified nucleotides.

Post the capital raise which was consummated on 1 May 2015, we undertook a thorough review of our R&D operations and team structures. A new research and development plan proposed by Lars Karlsson, our Head of Research and Development, was approved by the Board in July. As previously stated, a cornerstone of this plan is a major expansion into conjugated delivery systems to complement our current liposomal systems.

## **Outlook**

Over the last six months, the Company has made a number of significant changes to facilitate our ambition of becoming a leader in the genetic medicines space. The strength of our balance sheet gives us the confidence to continue to expand the business whilst simultaneously investing in our R&D activities and evaluating complimentary M&A, in-licensing and partnering opportunities.

We expect to announce further senior management hires that will support the Company's strategic corporate development plans. These will include investments in our in-house IP protection and litigation capability, M&A expertise as well as additions to the Company Board.

Progress will continue on selecting development targets from the Company's pre-clinical research engine. Alongside our liposomal delivery, the siRNA programme will focus on tissue-specific delivery using targeting ligands.

We have produced encouraging results in generating protein expression via mRNA, and have demonstrated the utility of this technology across several species. We are also exploring the use of mRNA in gene editing (CRIPSR/Cas9), where we expect to begin filing our own IP shortly. In the coming year, we expect to further improve protein expression and profile therapeutic applications.

We believe that Silence now has the balance sheet and shareholder base to become a world leading genetic medicines company.

## **Financial review**

During H1 2015 research and development costs were £3.2m, down from £3.9m in H1 2014 and £4.9m in H2 2014. This fall largely reflected the winding down of the Phase 2a clinical study and a planned reorientation of programmes under our new Head of Research & Development. The weakening of the euro to sterling also contributed, reflecting the Berlin location of most of our laboratories. At €1.36, the average rate was 10% lower during the half year compared to H1 2014.

Administrative expenses, which are mainly incurred in the UK, fell by £0.8m to £1.0m. This was due to a £0.5m reduction in share-based payment amortisation and associated provisions. Underlying administrative expenses rose 5%.

## **Headcount**

Our average R&D headcount increased versus H1 2014, rising from 32 to 44 in full time equivalents. Hiring in Berlin focused on chemistry as we expanded our work with mRNA payloads and deliveries. The non-R&D headcount averaged 14, up from 13.

## **Cashflow**

We have not received or recognised R&D tax credits in the period. At this point we are adopting a conservative accounting recognition until we have established a clear track record of recovery of claims submitted. The tax environment remains attractive in the UK, and we continue to adapt ourselves financially to take advantage of this. There was a net cash inflow of £39.3m, reflecting the £39.1m net proceeds from the placing and from an exercise of share options. The £4.8m operating outflow was balanced by the return of the £5m previously on long-term deposit.

## **Foreign exchange**

Sterling continued to strengthen during H1 2015 and the Group increased its holdings of euros. Euros were bought at an average rate of €1.36 in the half year, compared to a closing rate of €1.42. This increase led to an adverse foreign exchange movement on cash holdings of £0.4m. In H1 the Berlin-based operations consumed €5.2m. At 30 June 2015 the Group held €16m within its total cash balance of £55.8m.

## **Principal risks and uncertainties**

The principal risks and uncertainties facing the Group are set out in the 2014 Annual Report which is available on our website, [silence-therapeutics.com](http://silence-therapeutics.com). The Board does not believe that the risks and uncertainties set out in that Annual Report have changed.

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June 2015 (un-audited) £000s	Six months ended 30 June 2014 (un-audited) £000s	Year ended 31 Dec 2014 (audited) £000s
Revenue	-	7	15
Research and development costs	(3,237)	(3,921)	(8,884)
Gross Loss	(3,237)	(3,914)	(8,869)
Administrative expenses	(962)	(1,797)	(3,258)
Operating loss	(4,199)	(5,711)	(12,127)
Finance and other income	58	87	147
Loss for the period before taxation	(4,141)	(5,624)	(11,980)
Taxation	-	-	892
Retained loss for the period after taxation	(4,141)	(5,624)	(11,088)
Loss per ordinary share (basic and diluted)	(7.1p)	(11.5p)	(22.0p)

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June 2015 (un- audited) £000s	Six months ended 30 June 2014 (un-audited) £000s	Year ended 31 Dec 2014 (audited) £000s
Loss for the period after taxation	(4,141)	(5,624)	(11,088)
Other comprehensive income:			
Exchange differences arising on consolidation of foreign operations	1,091	432	701
Total comprehensive income for the period	(3,050)	(5,192)	(10,387)

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2015**

	Six months ended 30 June 2015 (un- audited) £000s	Six months ended 30 June 2014 (un- audited) £000s	Year ended 31 Dec 2014 (audited) £000s
<b>Non-current assets</b>			
Property, plant and equipment	462	238	458
Goodwill	6,383	7,245	7,077
Other intangible assets	3	164	2
	<hr/> 6,848	<hr/> 7,647	<hr/> 7,537
<b>Current assets</b>			
Trade and other receivables	373	705	375
Investments held for sale	2	2	2
Other financial assets	-	5,000	5,000
Cash and cash equivalents	55,768	21,302	16,857
	<hr/> 56,143	<hr/> 27,009	<hr/> 22,234
<b>Current liabilities</b>			
Trade and other payables	(926)	(1,527)	(2,013)
<b>Net assets</b>	<hr/> 62,065	<hr/> 33,129	<hr/> 27,758
<b>Capital and reserves attributable to the company's equity holders</b>			
Share capital	3,490	2,600	2,605
Capital reserves	164,851	125,840	126,197
Translation reserve	823	2,183	1,914
Retained loss	(107,099)	(97,494)	(102,958)
<b>Total equity</b>	<hr/> 62,065	<hr/> 33,129	<hr/> 27,758

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**SIX MONTHS ENDED 30 JUNE 2015**

(Un-audited)

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Retained Loss £000s	Total £000s
At 1 January 2015	2,605	126,197	1,914	(102,958)	27,758
Recognition of share-based payments	—	385	—	—	385
Shares issued in period, net of expenses	885	38,269	—	—	39,154
Transactions with owners	885	38,654	—	—	39,539
Loss for six months to 30 June 2015	—	—	—	(4,141)	(4,141)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	(1,091)	—	(1,091)
At 30 June 2015	3,490	164,851	823	(107,099)	62,065

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**SIX MONTHS ENDED 30 JUNE 2014**

(Un-audited)

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Retained Loss £000s	Total £000s
At 1 January 2014	2,353	114,478	2,615	(91,870)	27,576
Recognition of share-based payments	—	771	—	—	771
Shares issued in period, net of expenses	247	10,591	—	—	10,838
Transactions with owners	247	11,362	—	—	11,609
Loss for six months to 30 June 2014	—	—	—	(5,624)	(5,624)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	(432)	—	(432)
At 30 June 2014	2,600	125,840	2,183	(97,494)	33,129

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2014**

(Audited)

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Retained Loss £000s	Total £000s
At 1 January 2014	2,353	114,478	2,615	(91,870)	27,576
Recognition of share-based payments	—	1,045	—	—	1,045
Shares issued in period, net of expenses	252	10,674	—	—	10,926
Transactions with owners	252	11,719			11,971
Loss for year to 31 Dec 2014	—	—	—	(11,088)	(11,088)
<b>Other comprehensive income</b>					
Exchange differences arising on consolidation of foreign operations	—	—	(701)	—	(701)
<b>At 31 December 2014</b>	<b>2,605</b>	<b>126,197</b>	<b>1,914</b>	<b>(102,958)</b>	<b>27,758</b>

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June 2015 (un- audited) £000s	Six months ended 30 June 2014 (un- audited) £000s	Year ended 31 Dec 2014 (audited) £000s
<b>Cash flow from operating activities</b>			
Loss before tax	(4,141)	(5,624)	(11,980)
Depreciation charges	70	31	90
Amortisation charges	-	80	242
Charge for the period in respect of share-based payments	385	771	1,127
Finance income	(61)	(25)	(139)
Corporation tax receipts	--	--	892
Non-cash and other movements	(629)	387	260
	(4,376)	(4,380)	(9,508)
Increase in trade and other receivables	(13)	(496)	(15)
(Decrease)/increase in trade and other payables	(412)	(356)	67
<b>Net cash outflow from operating activities</b>	(4,801)	(5,232)	(9,456)
<b>Cash flow from investing activities</b>			
Decrease in other financial assets	5,000	--	--
Interest received	61	19	137
Addition to property, plant and equipment	(114)	(59)	(337)
Addition to intangible assets	(2)	(1)	(1)
<b>Net cash (used in)/generated from investing activities</b>	4,945	(41)	(201)
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital	39,154	10,838	10,844
<b>Increase in cash and cash equivalents</b>	<b>39,298</b>	<b>5,565</b>	<b>1,187</b>
Cash and cash equivalent at start of period	16,857	15,890	15,890
Net increase in the period	39,298	5,565	1,187
Effect of exchange rate fluctuations on cash held	(387)	(153)	(220)
<b>Cash and cash equivalent at end of period</b>	<b>55,768</b>	<b>21,302</b>	16,857

**SILENCE THERAPEUTICS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED 30 JUNE 2015**

**1. Basis of Preparation and Accounting Policies**

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with IAS 34 – ‘Interim Financial Reporting’ as adopted by the European Union.

This condensed consolidated interim financial information has been neither reviewed nor audited. The interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the six months ended 30 June 2014 are not the Company's statutory accounts for that financial year. The 2014 full year accounts have been reported on by the Company's auditors and delivered to the Registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

**2. Going concern**

The financial statements have been prepared on a going concern basis that assumes that the Company will continue in operational existence for the foreseeable future.

During the period the Company met its day-to-day working capital requirements through existing cash resources. The Company had a net cash inflow in the six months ended 30 June 2015 of £39.3m and at 30 June 2015 had cash balances of £55.8m. The Directors have reviewed the working capital requirements of the Company for the next 12 months from the date of the approval of these interim financial statements and are confident that these can be met.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**SIX MONTHS ENDED 30 JUNE 2015**

**3. Segment Reporting**

**Six months ended 30 June 2015**

Business segments	RNA therapeutics £000s	Group unallocated £000s	Consolidated £000s
Operating loss	(3,237)	(962)	(4,199)
Finance and other income (net)	58	-	58
Segment loss for the period	(3,179)	(962)	(4,141)
Segment assets	6,831	56,160	62,991
Segment liabilities	(218)	(708)	(926)
Costs to acquire property, plant and equipment	112	2	114
Costs to acquire intangible assets	2	-	2
Depreciation and amortisation	67	3	70
Charge for non-cash expenses: share-based payments charge	-	385	385

**Six months ended 30 June 2014**

Business segments	RNA therapeutics £000s	Group unallocated £000s	Consolidated £000s
Revenue from external customers	7	-	7
Operating loss	(3,914)	(1,797)	(5,711)
Finance and other income (net)	87	-	87
Segment loss for the period	(3,827)	(1,797)	(5,624)
Segment assets	7,628	27,028	34,656
Segment liabilities	(781)	(746)	(1,343)
Costs to acquire property, plant and equipment	43	16	59
Costs to acquire intangible assets	1	-	1
Depreciation and amortisation	108	3	111
Charge for non-cash expenses: share-based payments charge	-	771	771

In accordance with IFRS 8 'Operating Segments', the identification of the Company's operating segments is based on internal management reporting as reviewed by the senior management team in order to assess performance and allocate resources.

The Company is managed on a business segment basis – RNA therapeutics and unallocated corporate items. Transfer prices between segments are set on an arm's length basis. Segment revenue and profit include transfers between segments, which are eliminated on consolidation. The operations, segment assets and liabilities of the RNA therapeutics segment are located in Germany. The remaining operations segment assets and liabilities are located in the United Kingdom.

In accordance with IAS 36 Impairment of Assets, the carrying value of goodwill is assessed comparing its carrying value to its recoverable amount. The recoverable amount is calculated by the Directors as being the value in use. For the purpose of impairment testing of goodwill, the Directors perform risk adjusted discounted cash flow analysis of the RNAi therapeutics business segment. The goodwill in the RNAi therapeutics segment, which totals £6.38 million, is supported by the value in use of the on-going business.

#### **4. Loss per share**

The loss per share is based on the loss for the period after taxation attributable to equity holders of £4.14m (year ended 31 December 2014 – loss £11.98m; six months ended 30 June 2014 – loss £5.62m) and on the weighted average of 58,150,414 ordinary shares in issue during the period (year ended 31 December 2014 – 50,424,784; six months ended 30 June 2014 – 48,762,613).

The options outstanding at 30 June 2015, 31 December 2014 and 30 June 2014 are considered to be non-dilutive in that their conversion into ordinary shares would decrease the net loss per share. Consequently, there is no diluted loss per share to report for the periods reported.

#### **5. Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Pharmalogos Limited, a company controlled by Dr Stella Khan, wife of Dr Michael Khan, supplies research services to Silence Therapeutics plc at an agreed price of £100,000 per annum. Under the specified terms of the contract, Silence gave Pharmalogos six month notice for termination of the agreement in August 2014, and the last invoice was received in February 2015.