Final results for the year ended 31 December 2019

April 14, 2020

LONDON, Silence Therapeutics, PLC (LON: SLN) ("Silence" or "the Company") a leader in the discovery, development and delivery of novel RNA therapeutics for the treatment of serious diseases, announces its audited final results for the year ended 31 December 2019.

Operational Highlights

- Continued advancement of two late stage preclinical programmes (SLN360 and SLN124), with SLN360 now positioned as Silence's highest priority development programme
- Research and collaboration agreement with Mallinckrodt Pharmaceuticals with an exclusive worldwide licence for SLN500 (targeting C3 in the complement pathway) and an option for up to two additional assets with different complement targets. As part of this collaboration Silence received a $20m upfront payment, $5m equity investment and a further $2m on successful completion of the first milestone
- Recognised first revenue under Settlement and Licence Agreement with Alnylam Pharmaceuticals for tiered royalty on net sales of ONPATTRO™ in the EU
- New leadership team in place with a number of high-profile appointments made during the year: Dr Giles Campion, Head of R&D and Chief Medical Officer; Dr Rob Quinn, Chief Financial Officer; Dr Barbara Ruskin, General Counsel and Chief Patent Officer; Dr John Strafford, Head of Business Development; Jorgen Wittendorff, Head of Manufacturing; and Linnea Elrington, Head of HR

Financial Highlights

- 2019 net cash inflow of £1.7m (2018: £16.8m outflow) was driven primarily by receipts from Mallinckrodt totalling $22m ($20m upfront and $2m milestone payment) offset by increased outflows corresponding to increased activity on SLN360 and SLN124
- 2019 loss of £19.6m (2018: £18.4m) was higher than 2018, primarily due to increased research and development spend in relation to SLN360 and SLN124, offset by a decrease in general and admin expenses

Post Year-end

- On 25 March 2020 Silence announced a collaboration with AstraZeneca to discover and develop siRNA therapeutics for cardiovascular, renal, metabolic and respiratory Diseases. AstraZeneca made an equity investment of $20 million in Silence with a further upfront cash amount of $60 million. Following investment, the Group cash, cash equivalents and term-deposits position at the end of March 2020 was £41m which, in addition to the unconditional $60m upfront payment, totals available resources of £90m
- On 7 January 2020, Silence announced a Technology Evaluation Agreement with Takeda to explore the potential of utilising Silence's platform to generate siRNA molecules against a novel, undisclosed target discovered by Takeda
- During January 2020, Silence Therapeutics Plc established a US subsidiary, Silence Therapeutics Inc, to support the Group's increased focus on the US
- On 17 February 2020 Silence announced the formation of a Scientific Advisory Board (SAB) comprising world-leading experts in drug discovery and clinical development with particular expertise in the rare disease space. The SAB will help steer Silence's research programmes

Iain Ross, Executive Chairman of Silence Therapeutics, commented:
"During the recent period the Company has clearly come of age: our proprietary RNAi technology platform has been refined, strengthened and further protected, and the Board and management team reinvigorated with exceptional expertise. We have progressed the development of our in-house programmes and formed meaningful partnerships with Mallinckrodt, Takeda and AstraZeneca, which will accelerate the development of potentially life-changing RNAi therapeutics, whilst significantly strengthening our balance sheet."

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About Silence Therapeutics plc
Silence Therapeutics is developing a new generation of medicines by harnessing the body's natural mechanism of RNA interference, or RNAi, within its cells. Its proprietary technology can selectively inhibit any gene in the genome, specifically silencing the production of disease-causing proteins. Using its enabling delivery systems, it has achieved an additional level of specificity by delivering its therapeutic RNA molecules exclusively to target cells. Silence's proprietary RNA chemistries and delivery systems are designed to improve the stability of our molecules and enhance effective delivery to target cells, providing a powerful modular technology well suited to tackle life-threatening diseases. Silence Therapeutics remains focused and is determined to be responsive to creating shareholder value as well as the appropriate growth and development of its business. Silence Therapeutics continues to assess a number of options in addition to its organic plan which it believes would be additive to the Company's future growth prospects and shareholder value, which may include equity fundraisings as well as other strategic licensing and collaboration opportunities. For more information, please visit: https://www.silence-therapeutics.com/

Analyst call

Iain Ross, Executive Chairman and Dr Rob Quinn, Chief Financial Officer will host a conference call for analysts and investors today at 13:00 BST (8:00 ET).

Dial-in details are:

Participant UK dial-in:	+44 (0) 203 0095709
Participant US Dial-in:	1 866 280 1157
Conference ID:	7103559

A presentation to accompany the call will be made available to download from; https://www.silence-therapeutics.com/investors/results-reports-presentations

Executive Chairman's Report

I was delighted to return to the Silence Board as Chairman in April 2019. The Company has clearly come of age: our proprietary RNAi technology platform has been refined, strengthened and further protected, and the Board and management team reinvigorated with exceptional expertise. They say timing is everything and I could not have returned at a more exciting time, as I believe Silence is now well positioned to realise its full potential.

Operational review

Silence is in a unique position with the product and technology assets, skills and competencies required to build and grow an exciting and sustainable biotech business. We can create increasing and sustainable value through the development of our in- house product portfolio comprising SLN124 for iron overload disorders and SLN360 for cardiovascular disease associated with raised Lp(a), a condition for which there are no specific treatments. We are committed to building the infrastructure and resources required to execute our ambitious operational plans. Alongside this, we continue to form productive industry partnerships around our proprietary RNAi platform, as evidenced by the announcement mid-year of our collaboration on SLN500 with Mallinckrodt and the post-period announcement of our new collaboration with Takeda and the multi-target collaboration announced with AstraZeneca in March 2020. We intend to explore further non-dilutive transactions over the next 12 months and plan to build stronger relationships with the US investor community where our story and science is beginning to resonate.

In 2019 whilst we not only continued to progress our RNAi programmes closer towards clinical development, with both SLN124 and SLN360 scheduled for first patient dosing in 2020, we also, through judicious financial management and the consummation of collaboration deals that provide non-dilutive funding, significantly strengthened our financial position, ending the year with approximately £33.5 million of cash, cash equivalents and term deposits.

Corporate update

During 2019 the Company made several high- profile appointments including:

- Dr Rob Quinn, Chief Financial Officer;
- Dr Giles Campion, Head of Research & Development and Chief Medical Officer;
- Dr Barbara Ruskin, General Counsel and Chief Patent Officer;
- Dr John Strafford, Head of Business Development;
- Jorgen Wittendorff, Head of Manufacturing; and
- Linnea Elrington, Head of HR.

Currently, the Board is firmly focused on appointing a new CEO to lead this world-class management team and we intend to make an announcement in the near term. Since I re-joined the Board in April 2019 it has been further strengthened with the appointment of James Ede-Golightly and Steve Romano as non-executive directors. We will look to augment this team over the next 12 months.

We recognise that there were a number of changes at the Board and management level over the past 18 months and, whilst that is not unusual for a company in a growth phase, we are now optimally placed. I would like to thank Andy Richards and Stephen Parker for their contribution to the business. On behalf of the Board, I would also like to express my gratitude to David Horn Solomon, who resigned as CEO in December and who played a key role in the development of Silence during his time at the Company.

COVID-19

We remain cognisant of the potential impact of coronavirus (COVID-19) on our operations and have taken

the steps necessary to maintain the integrity of the Company's assets and the health and wellbeing of our employees. The Company is well financed, resilient and well positioned to weather any financial downturn occurring as a result of the outbreak. We are also aware of the responsibility we have as a member of the global healthcare community and, in partnership with TIB Molbiol GmbH, we have initiated the repurposing of equipment at our Berlin site to produce critical reagents for Coronavirus PCR diagnostic test kits.

Summary and Outlook

In the next 12 to 18 months the Company expects to see further validation of the pre- eminence of its RNAi platform capability and the progression of its in-house programmes. The strategy will be to continue to focus on creating potentially 'best-in-class' drugs for Silence and its partners, the intention being to ensure that our programmes will be highly valued by the market and pharmaceutical industry alike.

The Board and management team will aim to create value through organic growth, but will also remain alert to external opportunities to accelerate the development of the business, including forming validating partnerships with third parties. In addition to securing value-generating partnerships and collaborations, the Company will look to broaden its share register and seek a wider following from North American healthcare institutions.

Prudent financial management will continue to be a key driver and accordingly, realism and professionalism will be key to determining the way in which the business is managed going forward. Results should be transparent, measurable and time-related and, as a consequence, the Board has established clear timelines for achieving partnering and pipeline objectives in order to achieve a sustainable increase in market value.

On behalf of the Board, I would like to thank the management team and all the Silence employees for their tireless efforts during the past year, my colleagues on the Board, our shareholders for their support and all stakeholders with an interest in making Silence Therapeutics a success.

Iain Ross
Executive Chairman
14 April 2020

R&D Scientific review

These are unprecedented times for biotech, gene silencing and science at Silence. External deals have validated our technology, new tools are in the process of transforming our approach to disease and we are about to initiate clinical trials to address the most important untreated risk to cardiovascular health.

Partnership deals and scientific collaborations
We have been very pleased to announce platform-based deals with Mallinckrodt in the complement area, Takeda and very recently a technology deal with AstraZeneca (total potential deal value over $4 billion). Not only do these deals demonstrate external confidence in our technology platform but also provide a valuable non-dilutive form of funding for our pipeline – allowing us to continue to progress our wholly-owned clinical candidates.

The increasing availability of large clinical datasets offers unprecedented opportunity to discover and validate new disease targets. Last year we announced a collaboration with Genomics England. This organisation has sequenced over 100,000 genomes with linked clinical data, with the ambition to expand this to 5 million genomes by 2025.

Our collaboration allows us to screen the database for causal associations between genes expressed in the hepatocyte (there are over 7,000 of them) and disease manifestations in humans. This is the first step in our growing exploitation of human genomics for identifying the most important and safest targets for our drugs.

Clinical pipeline
We have two late-stage preclinical programmes (SLN124 and SLN360), both scheduled for first dosing this year.

SLN360 is a GalNAc-conjugated siRNA designed to knock down LPA mRNA and its product, Lp(a) lipoprotein. This protein has recently been recognised as the most potent modifiable, independent genetic risk factor for cardiovascular disease for which no specific treatment is available. It is estimated that 20% of people globally have inherited high Lp(a), which cannot be influenced by lifestyle choices. This is a therapeutic area with huge unmet need. The results of our preclinical data were recently given as an oral presentation at the American Heart Association annual conference. Data show an extremely competitive profile with potent, long-lasting knockdown of Lp(a) protein together with excellent safety. Proof of concept has been shown in a recent NEJM publication of a Phase II trial with a single stranded oligonucleotide against this target.

SLN124 is a GalNAc-conjugated siRNA targeting TMPRSS6, a negative regulator of hepcidin. Hepcidin is the master controller of iron flux in the body and reduced levels are associated with iron loading anaemias, such as β-Thalassaemia and Myelodysplastic Syndrome. We will examine the ability of SLN124 to improve blood count and reduce iron overload – an important cause of liver and heart complications. We anticipate initial clinical results for SLN124 in H1 2021. In March 2020 the FDA granted SLN124 Rare Paediatric Disease designation for β-Thalassaemia, and in April 2020 the FDA granted SLN124 Orphan Drug designation for Myelodysplastic Syndrome.

SLN500 is an early preclinical candidate being developed in collaboration with Mallinckrodt for complement-mediated disorders. The commercial potential of this area has been demonstrated by eculizumab, with revenues of almost $4 billion per year for rare disease indications.

A transformational year

We anticipate this year will be transformational for Silence Therapeutics with advances in the clinic and early pipeline underpinned by deals that validate and further exploit our technology platform.

Dr. Giles Campion
Head of R&D and Chief Medical Officer
14 April 2020

Financial Review

Revenue

Revenue recognised for 2019 was £0.2 million (2018: nil), driven by partial recognition of upfront and milestone payments relating to the collaboration with Mallinckrodt Pharmaceuticals, and also by royalty income from Alnylam Pharmaceuticals. We expect to recognise the balance of the $20 million upfront and $2 million milestone, already received from Mallinckrodt Pharmaceuticals, in line with the time period over which services are envisaged to be provided.

Research and development expenditure

Research and development spend increased by £3.6 million to £13.3 million (2018: £9.7 million), reflecting the advancement of both SLN124 and SLN360. SLN124 progressed towards a First-in-Human Phase Ib clinical trial for β -Thalassaemia and Myelodysplastic Syndrome, and SLN360 (for cardiovascular disease with high Lp(a)) was moved forward into IND-Enabling studies, in preparation for the expected start of clinical activity in 2020. The largest contributor to the increase in R&D spend is R&D people costs (payroll, consultants, travel, recruitment fees) which increased from £3.4 million in 2018 to £4.8 million in 2019, largely driven by consultant spend, relating to SLN124 and SLN360.

Administrative expenses

General and administration expenses decreased by £1.2 million to £9.6 million for 2019 (2018: £10.8 million). The key driver for the decrease is that 2018 included nonrecurring costs incurred in relation to legal proceedings with Alnylam Pharmaceuticals, which are now settled.

Finance and other expenses

The Company recognised a loss of £0.1 million for 2019 (2018: £nil) due to foreign exchange movements on Euro cash balances.

Taxation

During the year, the Company received a research and development tax credit of £2.1 million in the UK in respect of R&D expenditure in 2018. The Company accrued £3.1 million, recognising a current tax asset in respect of 2019 research and development tax credits.

Liquidity, cash and cash equivalents

The Group's cash and cash equivalents and term deposit at year end totalled £33.5 million (2018: £26.5 million). The cash flow from operating activities was £1.7 million inflow (2018: £16.7 million outflow) against an operating loss of £22.7 million (2018: £20.6 million). 2019 included receipts of $22m from Mallinckrodt Pharmaceuticals ($20 million upfront and a further $2 million research milestone announced in September 2019). The Directors have reviewed the working capital requirements of the Group and Company for the twelve months from signing the financial statements and are confident that these can be met from existing funds.

Other balance sheet items

Current trade and other payables increased by £3.2 million to £6.9 million at the end of 2019 (2018: £3.8 million). This was driven by increased payables and accruals associated with contract research organisation (CRO) costs, the growth of which was particularly pronounced in Q4 2019, as we ramped up activity on SLN124 and SLN360.

Consolidated income statement

year ended 31 December 2019

	year ended 31 December 2019 (audited) £000s	year ended 31 December 2018 (audited) £000s
Revenue	244	-
Research and development costs	(13,336)	(9,743)
Administrative expenses	(9,642)	(10,828)
Operating loss	(22,734)	(20,571)
Finance and other expenses	(163)	-
Finance and other income	27	45
Loss for the year before taxation	(22,870)	(20,526)
Taxation	3,288	2,115
Loss for the year after taxation	(19,582)	(18,411)
Loss per ordinary share (basic and diluted)	(26.1p)	(26.2p)

Consolidated statement of comprehensive income

year ended 31 December 2019

	year ended 31 December 2019 (audited) £000s	year ended 31 December 2018 (audited) £000s
Loss for the year after taxation	(19,582)	(18,411)
Other comprehensive income:		
Foreign exchange differences arising on consolidation of foreign operations	(411)	94
Total comprehensive expense for the year	(19,993)	(18,317)

Consolidated balance sheet

at 31 December 2019

	year ended 31 December 2019 (audited) £000s	year ended 31 December 2018 (audited) £000s
Non-current assets		
Property, plant and equipment	611	921
Goodwill	7,692	8,127
Other intangible assets	34	64
Financial assets at amortised cost	275	275
	8,612	9,387
Current assets		
Cash and cash equivalents	13,515	21,494
Financial assets at amortised cost – term deposit	20,000	5,000
Financial asset at amortised cost – other	1	43
R&D tax credit receivable	3,060	2,080
Other current assets	885	881
Trade and other receivables	4	-
	37,465	29,498
Non-current liabilities		
Contract liabilities	(15,515)	-
	(15,515)	-
Current liabilities		
Contract liabilities	(2,478)	-
Trade and other payables	(6,888)	(3,830)
Lease liability	(287)	-
	(9,653)	(3,830)
Net assets	20,909	35,055
Capital and reserves attributable to the company's equity holders		
Share capital	3,919	3,554
Capital reserves	167,243	163,121
Translation reserve	1,746	2,157
Accumulated losses	(151,999)	(133,777)
Total equity	20,909	35,055

Consolidated statement of changes in equity

year ended 31 December 2019

(Audited)	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Accumulated Losses £000s	Total £000s
At 31 December 2018 as previously stated	3,554	163,121	2,157	(133,777)	35,055
Adoption of IFRS16	-	-	-	(10)	(10)
At 1 January 2019 adjusted	3,554	163,121	2,157	(133,787)	35,045
Recognition of share-based payments	-	584	-	-	584
Lapse of vested options in the year	-	-	-	-	-
Options exercised in the year	-	(1,370)	-	1,370	-
Proceeds from shares issued	365	4,908	-	-	5,273
Transactions with owners recognised directly in equity	365	4,122	-	1,370	5,857
Loss for year	-	-	-	(19,582)	(19,582)
Other comprehensive (expense)/income					
Foreign exchange differences arising on consolidation of foreign operations	-	-	(411)	-	(411)
Total comprehensive expense for the year	-	-	(411)	(19,582)	(19,993)
At 31 December 2019	3,919	167,243	1,746	(151,999)	20,909

year ended 31 December 2018

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Accumulated Losses £000s	Total £000s
At 1 January 2018	3,500	163,215	2,063	(116,428)	52,350
Recognition of share-based payments	-	681	-	-	681
Lapse of vested options in the year	-	(297)	-	297	-
Options exercised in the year	-	(765)	-	765	-
Proceeds from shares issued	54	287	-	-	341
Transactions with owners recognised directly in equity	54	(94)	-	1,062	1,022
Loss for year	-	-	-	(18,411)	(18,411)
Other comprehensive income					
Foreign exchange differences arising on consolidation of foreign operations	-	-	94	-	94
Total comprehensive expense for the year	-	-	94	(18,411)	(18,317)
At 31 December 2018	3,554	163,121	2,157	(133,777)	35,055

Consolidated cash flow statement

Year ended 31 December 2019

	year ended 31 December 2019 (audited) £000s	year ended 31 December 2018 (audited) £000s
Cash flow from operating activities		
Loss before tax	(22,870)	(20,526)
Depreciation charges	452	379
Amortisation charges	30	20
Charge for the year in respect of share-based payments	584	681
Finance and other expense/(income)	136	(45)
Loss on disposal of PP&E	2	6
Increase/(decrease) in in trade and other receivables	(4)	691
Increase in other current assets	(4)	(881)
Decrease/(increase) in current financial assets at amortised cost – other	42	(43)
Increase in contract liabilities	17,993	-
Increase in trade and other payables	3,058	1,146
Cash spent on operations	(581)	(18,572)
Corporation tax credits received	2,308	1,812
Net cash inflow/(outflow) from operating activities	1,727	(16,760)
Cash flow from investing activities		
Disposal of financial assets available for sale	-	319
Purchase of financial asset at amortised cost - term deposit	(15,000)	(5,000)
Interest received / (paid)	(6)	39
Purchase of property, plant and equipment	(9)	(130)
Purchase of intangible assets	-	(58)
Net cash outflow from investing activities	(15,015)	(4,830)
Cash flow from financing activities		
Proceeds from issue of share capital	5,273	341
Net cash inflow from financing activities	5,273	341
Decrease in cash and cash equivalents	(8,015)	(21,249)
Cash and cash equivalent at start of year	21,494	42,745
Net decrease in the year	(8,015)	(21,249)
Effect of exchange rate fluctuations on cash held	36	(2)
Cash and cash equivalent at end of year	13,515	21,494

Notes to the financial information
year ended 31 December 2019

1. Basis of Preparation and Accounting Policies

Silence Therapeutics plc and its subsidiaries (together the 'Group') are primarily involved in the discovery, delivery and development of RNA therapeutics. Silence Therapeutics plc, a Public Limited Company incorporated and domiciled in the United Kingdom, is the Group's ultimate parent Company. The address of Silence Therapeutics plc's registered office is 27 Eastcastle Street, London W1W 8DH and the principal place of business is 72 Hammersmith Road, London W14 8TH.

The audited financial information set out in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 31 December 2018, as defined in section 434 of the Companies Act 2006.

Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered in due course. The Company's auditors PricewaterhouseCoopers LLP, have reported on the 2019 accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

The principal accounting policies used in preparing this preliminary results announcement are those that the Company applies in its statutory accounts for the year ended 31 December 2019 and are unchanged from those disclosed in the Company's Annual Report and Accounts for the year ended 31 December 2018 except for the adoption of new standards effective 1 January 2019 relating to IFRS 16 Leases. The adoption of IFRS 16 did not have a material impact on the financial statements.

Full financial statements for the year ended 31 December 2019 will be posted to shareholders in due course.

2. Going concern

The financial information has been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

After review of the future operating costs of the business in conjunction with the cash held at 31 December 2019 management is confident about the Group's ability to continue as a going concern.

3. Segment reporting

In 2019, the Group operated in the specific technology field of RNA therapeutics.

Business segments

The Group has identified the Executive Chairman as the CODM (previously the Chief Executive Officer). For the 12 months ended 31 December 2018 and 2019, the respective CODM determined the Group had one business segment, the development of RNAi based medicines. This is in line with reporting to senior management. The information used internally by the CODM is the same as that disclosed in the Financial Statements.

An analysis of the group's assets and revenues by location is shown below:

Non-current assets	UK £000s	Germany £000s	Total £000s
As at 31 December 2019	557	8,055	8,612
As at 31 December 2018	651	8,736	9,387

Revenue Analysis	UK £000s	Germany £000s
Research collaboration	145	26
Royalties	–	73
Total revenue from contract with customers	145	99

The revenue in 2019 was £244k billed and received in US dollars. In 2018, it was £nil.

4. Loss per share

Loss per share for 2019 was 26.1p (2018: 26.2p). The calculation of the loss per share is based on the loss for the financial year after taxation of £19.58 million (2018: loss of £18.41 million) and on the weighted average of 75,126,869 (2018: 70,312,880) ordinary shares in issue during the year.

The options outstanding at 31 December 2019 and 31 December 2018 are considered to be anti-dilutive as the Group is loss-making.

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.