

SILENCE THERAPEUTICS plc
("Silence Therapeutics", "Silence", "the Company" or "the Group")

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

London, 21 March 2012 – [Silence Therapeutics Plc](#) (AIM: SLN), a leading international [RNAi therapeutics company](#), today announces its unaudited preliminary results for the year ended 31 December 2011.

HIGHLIGHTS

- **Impressive interim data from Phase I trials of Atu027** (lead programme in metastatic cancer) presented at the American Society of Clinical Oncology conference in June 2011. The data showed disease stabilisation and other indications of potential efficacy. Atu027 remains one of the most advanced RNAi therapeutic candidates in cancer.
- **Silence's leadership position in RNAi delivery validated by three new partnerships including deals** with a top 10 Pharma company, InteRNA Technologies and miRNA Therapeutics. These agreements covered all three of Silence's proprietary delivery technologies and two were for the delivery of a new form of RNA therapeutic (microRNA), showing the versatility of our portfolio.
- **Positive clinical data from Silence's partners Quark Pharmaceuticals and Pfizer** - the Phase II trial of PF-04523655 in diabetic macular oedema showed it to be more effective than laser therapy. Quark has now initiated a phase IIb trial. This compound is based on Silence's AtuRNAi technology.
- **Silence streamlined and reorganised its operations** to increase efficiency and reduce cash spend. As part of this, the facility in Redwood City, California was closed; headcount in some non-critical roles was reduced in Berlin; and the non-executive Board membership was also reduced.
- **Enhanced commercial focus** and strengthened business development team with the appointment of Georg Buchner as VP Business Development, focused on partnering Silence's assets and accessing non-dilutive sources of finance.
- **Silence possesses one of the world's most comprehensive RNAi technology intellectual property portfolios** which was further strengthened in 2011 with the issuance of patents in Japan and the US.
- **In May 2011, Silence raised £5.51m net of expenses** to fund development of the pipeline and investment in the RNAi technology platform. Combined with the impact of the restructuring, the cash runway extends to the end of Q3 2012.

POST YEAR-END EVENTS

- **Dr Tony Sedgwick** was promoted to Chief Executive Officer in February 2012.
- **Deal announced with miRagen Therapeutics** in January 2012 for the delivery of microRNAs using the DBTC liver delivery system – Silence's second deal on DBTC and third for microRNAs.
- **Creation of a Scientific Advisory Board** with two Key Opinion Leaders in the area of liver disease – see separate [announcement issued today](#).

Tony Sedgwick, Chief Executive Officer of Silence Therapeutics, commented: *"In 2011 Silence Therapeutics has built a significantly stronger and more commercially-driven business. The quality of our RNAi therapeutic platform is high and our pipeline is strong. We expect clinical data from our lead programme, Atu027, in 2012 and look to generating income from our partnering activities. I am particularly excited by the Company's growth prospects from here and am focused on achieving shareholder value uplift in 2012 and beyond."*

Analyst briefing and conference call

There will be a meeting for analysts today at 09:30am at M:Communications (1 Ropemaker Street, 11th Floor CityPoint Building, London EC2). There will also be a live call for analysts at 09:30 GMT. The conference call can be accessed by dialling:

Dial-in: +44 (0) 1452 546 750
Participant PIN code: 64342375

A replay will be made available on Silence Therapeutics' website shortly after the call for a period of one month.

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Forward-Looking Statements

This press release includes forward-looking statements that are subject to risks, uncertainties and other factors. These risks and uncertainties could cause actual results to differ materially from those referred to in the forward-looking statements. All forward looking statements are based on information currently available to Silence Therapeutics and Silence Therapeutics assumes no obligation to update any such forward-looking statements.

CHAIRMAN'S STATEMENT

Silence Therapeutics is a leading RNAi therapeutics product and technology platform company with proprietary delivery systems. We have created two powerful platforms and a strong pipeline to exploit our impressive technological know how and IP.

Despite the difficult economic times, and capital market turmoil, with the support of our shareholders, in 2011 we were able to announce positive progress in our internal clinical programme, refinance and streamline the business, as well as sign further collaborative agreements covering our RNAi delivery technologies.

We believe that our achievements throughout the year validate the Board's decision to focus on building an independent and high value RNAi therapeutics company. Indeed, industry commentators believe that the field of oligonucleotide therapeutics, of which RNAi is a part, may be the third major drug development platform after small molecules and monoclonal antibodies.

When we reported to shareholders in our 2010 Annual Report, we predicted that '2011 would be a year rich in data from RNAi clinical trials', both from Silence Therapeutics and other companies in this therapeutic area. This has proved to be the case, with encouraging interim Phase I data from our lead product, Atu027 for metastatic cancer, which we were pleased to be able to present at the prestigious annual American Society of Clinical Oncology ('ASCO') meeting in June 2011 and we also plan to present further data for Atu027 at the upcoming ASCO meeting in June 2012. We believe it to be one of the most interesting and potentially promising RNAi therapeutics in clinical development. During the year, our partner Quark Pharmaceuticals also presented positive Phase II data with PF-04523655, which incorporates our AtuRNAi technology, in the area of diabetic macular oedema.

Silence Therapeutics' RNAi therapeutic platform, comprising our delivery technologies, siRNA sequences and structural features, has been validated by nine partnerships (some of these via our licensee Quark Pharmaceuticals). In 2011 alone, we were pleased to add three new deals including delivery deals with InteRNA Technologies, miRNA Therapeutics and a top 10 Pharmaceutical company. As a result, we now have links to four of the world's leading pharmaceutical firms.

Assuming these collaborations continue to proceed successfully, we believe that associated milestone payments represent a significant potential revenue stream to Silence Therapeutics in the coming years.

Other achievements for Silence Therapeutics in 2011 included a fundraising, which has extended existing funding until the end of the third quarter of 2012 and we are thankful to our shareholders for their valuable support towards this transaction. During 2011, Silence also focused on the streamlining of the business and the significant strengthening of the business development and management team. The latter two, we believe, represent an appropriate response to our developing pipeline, expanding portfolio of high-quality delivery technologies, and re-focused business approach. Assuming that our pipeline continues to progress, Silence will be seeking deals with partners to further its development. In addition, we believe that our strong portfolio of intellectual property and delivery technologies makes us a partner of choice for companies active in RNA therapeutics, and we will continue to build this important non-dilutive source of income. As with many other approaches in the medical field, delivery of the active RNAi therapeutic is the rate-limiting step and so we consider our suite of delivery technologies an important asset for us and our partners.

The evolution of the Company since the beginning of 2011 has resulted in some personnel changes, with Dr Tony Sedgwick recently appointed Chief Executive Officer, and Dr Georg Buchner joining as Vice-President of Business Development. On behalf of the Board, I would like to thank Dr Phil Haworth, Dr David U'Prichard and Dr James Topper, all of whom stood down during or at the end of 2011, for their

contributions to the Company as Chief Executive Officer and Non-Executive Directors respectively. David U'Prichard, in particular, has been with the business for almost eight years, and has been instrumental in the development of our assets. Our thanks are also due to Thomas Christély who initially replaced Dr Phil Haworth and has recently left the Company, to be succeeded by our new and commercially driven Chief Executive Officer, Dr Tony Sedgwick. Tony comes with a strong background in the commercial biotech environment, and has been successfully involved in developing biotech businesses and delivering value to shareholders.

Clinical data emphasises potential of RNAi therapeutics

With five of the estimated 13 clinical programmes ongoing worldwide using Silence Therapeutics' AtuRNAi technology, and having treated in excess of 300 patients, we believe we have the industry's broadest siRNA clinical pipeline. Looking elsewhere in the RNAi sector in 2011, we were pleased to observe encouraging clinical data from other players, which underlines the potential of the approach. Many of those working in this field share our view that the range of clinical results announced in 2011 represent a significant derisking of RNAi technology, and we look forward to further clinical advances in 2012.

The significant progress that Silence Therapeutics made in 2011 was achieved against a backdrop of a restructuring and consolidating pharmaceutical sector, restricted access to capital for small and innovative companies, and turbulent-risk averse financial markets. That we were able to raise £5.51m (net of costs) under these conditions is a testament to the potential of the Company and the confidence placed in us by our shareholders, and many thanks are due to shareholders for this. I am as disappointed as our shareholders are that our increasing maturity is not yet reflected in Silence Therapeutics' share price, and believe that our new focused approach, coupled with the newsflow and advances we expect to announce in 2012, will go a considerable way to building shareholder value and enhancing our share price.

Silence Therapeutics is proud of its RNAi therapeutic platform, comprising proprietary delivery technologies, potent siRNA sequences, and innovative RNAi structural features. We believe that our progress in 2011 shows the synergistic value of these assets, and we look forward to updating shareholders on further advances in the clinic and other areas delivered via our new and focused management team throughout 2012.

We would like to thank all our shareholders for their continued support of Silence Therapeutics.

Jerry Randall ACA
Chairman

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

Since joining Silence Therapeutics in September 2011, I have been excited by the Company and the opportunities that lie ahead. As a consequence, I was pleased to take over as Chief Executive Officer in February 2012, as I believe we have a unique proprietary position in RNAi therapeutics and their delivery. Over the next few years, I intend to increase the commercial focus of the Company, harness the RNAi therapeutics opportunity and, as a result, create substantial shareholder value.

2011 has been an exciting year for Silence Therapeutics, with progress across all areas of the business. We started this year looking forward to clinical data to validate both the therapeutic benefit to be obtained by RNA interference ('RNAi' or 'siRNA'), as well as our proprietary delivery technologies. I am pleased to report that the Company has delivered on this expectation, in both our proprietary and partnered programmes.

We have also worked hard on building the financial future of the business, improving its efficiency and strengthening its commercial activities, all of which is discussed below. Silence Therapeutics is proud of its RNAi therapeutic platform, comprising proprietary delivery technologies, potent siRNA sequences, and innovative RNAi structural features. We believe that our progress in 2011 shows the synergistic value of these propositions.

Encouraging clinical data

Silence Therapeutics is prominent in an exciting new sector in the drug development arena, the translation of RNA blocking (RNAi) technology into therapies. Since we, and others active in this area, believe that the technology has potential in a broad range of clinical indications – including oncology, vascular, metabolic and ophthalmic diseases – it brings the potential for better patient outcomes in these major therapeutics areas. One of the first steps in demonstrating this potential is the generation of data from clinical studies conducted with RNAi therapeutics.

In June 2011, Silence presented encouraging interim data from its ongoing Phase I trial of proprietary product Atu027 in patients with solid tumours at the prestigious annual meeting of the American Society of Clinical Oncology ('ASCO'). We believe that these important findings serve as valuable validation for Silence's RNAi technology platform, as well as its AtuPLEX™ delivery technology. This should stand the Company, with its increased business development focus, in good stead as we work on partnering our programmes and exploiting our valuable RNAi delivery intellectual property estate.

To summarise, Silence Therapeutics made progress in several key areas in 2011, which we discuss in more detail below. These include:

- Clinical trial progress for both our proprietary and partnered programmes;
- Three new delivery deals, with further progress in established programmes;
- Sharpening of our business development focus with important new top-level hires;
- Refinancing and restructuring of the organisation; and
- Further development and recognition of Silence's intellectual property portfolio, particularly in the area of RNAi delivery

OPERATIONAL

Clinical trial progress for both our proprietary and partnered programmes

Clinical trial data is key to establishing the potential of RNAi therapeutics, and we are pleased that it generated significant excitement this year both for Silence and its partners.

Proprietary programmes

Atu027, Silence Therapeutics' lead programme for cancer

In 2011 we were able to report impressive interim results from the Phase I ascending dose clinical trial of our lead programme, cancer treatment Atu027 for solid tumours. Atu027 incorporates our AtuPLEX™ delivery system with AtuRNAi, our proprietary RNAi chemistry and specifically targets PKN3, a protein implicated in cancer growth and metastases.

These results were presented at ASCO, and showed stabilisation of the disease in 38% of the cases (9 of 24 patients), as well as other indications of potential efficacy. Importantly on the safety side, the trial data obtained so far have indicated that AtuPLEX™ is safe in humans at dose levels above those which have shown effectiveness in preclinical studies. Among the patients who achieved stable disease, one individual with neuroendocrine cancer achieved disease stabilisation for nine months with a second neuroendocrine cancer patient showing partial regression of pulmonary metastases. An additional patient with breast cancer experienced some regression in liver metastases.

32 patients have been treated so far, and enrolment of all 33-36 patients is expected to be completed in the first half of 2012 with results announced in the middle of the year.

The Company believes that the encouraging data received to date represents an important step along the path towards realising value for shareholders. Assuming successful completion of the Phase I study, we expect to initiate a Phase Ib/IIa clinical study of Atu027 in the second half of 2012. The Company will also continue licensing discussions regarding Atu027 with potential pharmaceutical partners.

Atu111, our most advanced product outside oncology

Atu111, for the treatment of acute lung injury, is our most advanced drug development candidate outside oncology. It combines our DACC drug delivery system with AtuRNAi, and its target is undisclosed. We have recently completed proof of concept studies in a preclinical model of acute lung injury demonstrating very impressive results using Atu111. Further studies are ongoing in a variety of other preclinical models of the disease.

Earlier preclinical work using Atu111 have shown sustained gene knockdown of up to three weeks in the lung endothelium suggesting the drug could be used with a single dose.

Atu134

Following the encouraging data generated from the ongoing Phase I trial of Atu027 and additional data from preclinical models of Atu134, Silence has concluded that the potential clinical profiles of these two products are too similar to warrant further development of both programmes. We therefore decided in November to divert the resources for Atu134 to other areas, specifically potential targets in the liver that could be inhibited by using Silence's novel liver-focused DBTC delivery system.

Partnered programmes

Silence Therapeutics has two licence agreements with partner Quark Pharmaceuticals, for products PF-04523655 and QPI-1002, both of which are in development in two different therapeutic indications. Quark has licensed these to Pfizer and Novartis respectively. The positive data received from the programmes in 2011 further highlights both the potential of RNAi therapeutics and of Silence's AtuRNAi technology which is incorporated into these products.

Quark/Pfizer programmes

In March 2011, Quark announced the completion of the DEGAS study, a Phase II clinical trial of PF-04523655 for the treatment of the ophthalmic indication of diabetic macular oedema. The product, which incorporates Silence's AtuRNAi technology, was shown to be more effective than laser therapy. Quark has now initiated a Phase IIb study comparing PF-04523655 to Lucentis (Roche/Novartis), the new standard of care in the treatment of diabetic macular oedema.

In addition, PF-04523655 recently completed a Phase II trial in the second ophthalmic indication of age-related macular degeneration. The trial demonstrated a dose-dependent increase in benefit of PF-04523655. Quark is now awaiting results from the Phase IIb trial in diabetic macular oedema before deciding on plans for the drug in age-related macular degeneration.

Quark/Novartis programmes

In August 2010, Quark signed an option and license agreement with Novartis for QPI-1002 as mentioned previously. In September of that year, Quark initiated a Phase II study in prevention of delayed graft function in patients undergoing kidney transplantation. Recruitment into this trial has progressed well and we expect the trial to be completed in the middle of 2012. A Phase I study has been successfully completed in the second indication of acute kidney injury. Quark plans to initiate a Phase II trial depending on the results of the ongoing trial in the prevention of delayed graft function.

Progress in research collaborations

Silence is pleased to have been working with AstraZeneca in the area of RNAi since 2007, in the form of two collaborations, both of which were extended in 2010. AstraZeneca has now completed the research phase of the first of these collaborations, a research and development collaboration focused on five respiratory and oncology targets, and nominated three of the five targets as 'Accepted Programmes'.

The second collaboration, for the development of novel approaches for the delivery of siRNA molecules, was entered into in March 2008. The research phase of this collaboration has also been completed and AstraZeneca retains the right to use the DACC delivery system developed for their 'Accepted Programmes'.

Valuable portfolio of delivery technologies

Efficient and safe delivery of RNAi therapeutics is key to the success of the field and Silence Therapeutics' programmes, as well as those of other companies active in this area. The Company possesses three proprietary siRNA delivery technology platforms, AtuPLEX™, DACC (lung) and DBTC (liver), two of which are already being used in the programmes of partners. This comprehensive delivery platform allows our RNAi therapeutics to reach many different organs, with the liver and lungs increasingly becoming targets of interest in the RNAi field and the pharmaceutical industry generally.

Because of the importance of appropriate delivery in this therapeutic area, we believe our delivery platform will deliver significant value to the Company via non-exclusive partnership deals.

- AtuPLEX enables the delivery of siRNA molecules to targeted diseased tissues and cells in the vascular endothelium (blood vessels), while increasing their bioavailability and intracellular uptake. It incorporates Silence's proprietary lipid AtuFect and is used to embed siRNAs into a multiple lipid bi-layer structure. It is incorporated in Atu027.
- The DACC novel lipid delivery system enables functional, highly specific and efficient delivery of siRNA molecules selectively to the lung endothelium with a long duration of action (over three weeks). Like AtuPLEX, it also incorporates Silence's proprietary lipid AtuFect and is used to embed siRNAs into a multiple lipid bi-layer structure. The DACC delivery system is incorporated in Atu111, Silence's preclinical development candidate for the treatment of acute lung injury.

- The DBTC delivery system is lipid-based and targets the liver. Studies have shown it to be well tolerated and have a significant duration of action. It therefore has therapeutic potential in areas such as hepatocellular carcinoma, liver fibrosis and acute liver failure.

Three new delivery deals

The value of this portfolio of delivery technologies was underlined in 2011 with the signature of three agreements with new partners, InteRNA Technologies B.V, miRNA Therapeutics Inc. and a top 10 Pharmaceutical company. Interestingly, two of these three agreements were for a different form of RNA therapeutic to the siRNA approach being used by Silence Therapeutics, i.e. microRNA. This emphasises the value of our delivery platform.

In September, we established an agreement with InteRNA Technologies B.V., which is developing microRNA ('miRNA')-based therapeutics for cancer. MicroRNA intervention is an exciting new therapeutic area for which the Silence technology platform is well suited, and the deal was our first in this area. We are looking forward to the results from this collaboration, which we believe will demonstrate the potential of AtuPLEX™ for the delivery of RNA-based therapeutics outside of the RNAi arena.

Under the agreement, we will combine Silence's proprietary AtuPLEX™ delivery system with InteRNA's novel microRNAs to develop multiple novel candidate drugs. The two companies will then undertake *in vitro* and *in vivo* studies of the candidate drugs and select lead candidates for further evaluation. Silence is eligible to receive upfront fees as well as staged research payments if the collaboration progresses.

The potential of Silence Therapeutics' delivery technologies in this new area was further underlined in October 2011 with our second miRNA deal. The collaboration, with miRNA Therapeutics, is to investigate the potential of both AtuPLEX and our DBTC delivery system with our partner's novel microRNAs for the treatment of cancer. We are pleased that our first deal on DBTC is in this exciting new therapeutic area. Silence Therapeutics will formulate selected miRNA sequences into AtuPLEX and DBTC in order to generate candidate drugs, which will then undergo *in vitro* and *in vivo* testing at miRNA in order to select those to take forward for further evaluation.

In October 2011 we also signed an siRNA delivery collaboration for DACC with top 10 Pharmaceutical company - our first deal covering this technology for delivery to the lung. Under the terms of the agreement, our partner will provide us with specific siRNAs, which we will formulate into the DACC delivery system. Silence and its partner will undertake *in vitro* and *in vivo* studies of the DACC-formulated siRNAs developed under the agreement and select lead candidates for further evaluation.

Ongoing delivery collaborations progress

In addition to these exciting new deals, we have an ongoing siRNA delivery collaboration with Dainippon Sumitomo signed in 2008. Under this collaboration, we are jointly leveraging Silence's proprietary siRNA molecules and delivery technologies to demonstrate delivery of RNAi therapeutics to specific disease targets. This agreement, which originally included two drug targets, was expanded in 2010 to include two more.

Securing our financial position

Silence Therapeutics ended 2010 with cash reserves of £3.57m and we indicated in the first quarter of 2011 that we would be seeking additional funding to drive continued development of the Company. Accordingly, in May 2011, Silence successfully raised £5.51m net of expenses through a placing and open offer.

Given the substantial financial and economic volatility experienced globally over the last few years, particularly in the biotechnology sector, we were extremely pleased with this result, which gave us a substantially improved financial footing, and extended the cash runway to the end of the third quarter of

2012 from existing cash resources alone. The fundraising was supported by both existing and new shareholders, whom we thank for their support, and welcome to Silence Therapeutics.

Part of the proceeds are to be used to, among other things, complete the ongoing Phase I trial and initiate a Phase Ib trial of Atu027, and advance preclinical development of the Atu111 programme for lung disease. As shareholders can see, we have made progress in these areas and expect to continue to do so.

A streamlined business focused on business development

Increased financial efficiency

As 2011 progressed it became clear to Silence Therapeutics that, in order to create a more streamlined and efficient business, some streamlining and consolidation of operating sites was needed. Following the 2010 acquisition of Intradigm Inc., managing and working across our three sites in the UK, Germany and the US had generated considerable operational difficulties as well as increased costs.

In April 2011, we announced plans to close our Redwood City office in California. This was completed in August. As a consequence of this, our US-based CEO, Dr Phil Haworth, stepped down. I joined the business in September initially as Chief Business Officer, but was delighted to be able to accept the appointment as Chief Executive Officer in February 2012 following the departure of Thomas Christely, who took on the role of CEO briefly after the departure of Dr Haworth.

With the US-based business development and legal functions absorbed elsewhere in the Group, its operations are now based in Berlin, where our R&D facilities have always been located. In addition there is a small management presence in London.

In addition to the closure of the US facility, we were able to further streamline the business by reducing headcount in Berlin from 32 to 27, via the loss of some non-critical roles, and reducing the size of our Board. The latter had become too large following the acquisition of Intradigm Corporation, and as a consequence, Dr James Topper and Dr David U'Prichard resigned from the Board of Directors effective 29 July 2011 and 31 December 2011, respectively. We thank both Dr Topper and Dr U'Prichard for their valuable contribution to Silence Therapeutics.

These measures helped us to increase our cash runway and, combined with our fundraising, mean that we have sufficient funding to last us until the end of the third quarter of 2012.

Significantly strengthened business development focus

With encouraging data so far from the Phase I trial of Atu027, and the level of interest in Silence Therapeutics' RNAi delivery technologies, in 2011, it was clearly time to invest more significantly in our business development activities. An important part of this will be the partnering of and generation of value from these assets. In addition, with the availability of finance significantly reduced in the current economic crisis, the global biotechnology sector has increasingly accessed non-dilutive financing from sources such as public sector organisations (for example, research councils and leading charities). We consider this to be a major objective in our enhanced business development activity.

Strong business development team

Our business development activity was further enhanced in November 2011 with the appointment of Dr Georg Buchner, formerly Vice-President of Corporate and Business Development at Novacta Biosystems Ltd ('Novacta'), as Vice-President Business Development. Prior to joining Novacta, Georg was Business Development Director at Haptogen Ltd where he was instrumental in the sale of the business to Wyeth (now part of Pfizer) in 2007. He has a PhD in Molecular Genetics from King's College London and an MBA

from The University of Cambridge's Judge Institute of Management, and will be working with Tony to continue broaden our collaborations with global pharmaceutical and biotechnology companies.

Strength through Intellectual Property

Our broad and diverse intellectual property portfolio continues to provide us with a competitive advantage and a strong proprietary position in the RNAi therapeutics space. We believe that we have been successful in aggressively building one of the world's most comprehensive RNAi patent estates and expect that this asset will continue to offer significant support for our ongoing partnering activities.

Our patent estate covers the areas which we believe to be pivotal to the successful development of RNAi therapeutics, from the structure of the molecules themselves to how they are delivered. In addition, we have achieved significant successes in establishing key levels of patent protection for our technologies in Europe, the USA and Japan, offering opportunities in these important healthcare markets. Silence remains committed to the expansion and strengthening of its intellectual property portfolio in target markets around the globe. In 2011 we made progress in both the US and Japan, covering RNAi structures and delivery, as well as receiving further confirmation of the strength of the Zamore Design Rules patents, as discussed below.

Patent issuance and success versus challenges

In the US, a new patent that broadens Silence Therapeutics' existing protection of optimised RNAi molecules, including our proprietary AtuRNAi platform, was issued. Also in that territory, we received a notice of allowance of a new patent that provides protection for a core component of our proprietary AtuPLEX™ delivery platform.

Protection in Japan was enhanced by issuance of a patent covering novel AtuRNAi molecules, which will support our efforts to establish partnerships with leaders in the pharmaceutical industry there. In addition, we received news of issuance of a Japanese patent covering methods for screening a therapeutic agent for the treatment and/or prevention of any disease that involves elevated activity within the PI3-kinase pathway. This new intellectual property includes coverage for the use of the gene target protein kinase N beta (PKN3) for screening of therapeutic agents, and is important to us as PKN3 is the target of our leading therapeutic programme Atu027.

Our patents in this area were further supported in December 2011 with a positive outcome from an oral hearing at the European Patent Office ('EPO') over opposition to Silence's granted European Patent EP 1 536 827 "*Further use of protein kinase N beta*". The Opposition division of the EPO decided to uphold the patent in amended form, now restricted to metastatic cancers. This is the focus of Silence's ongoing Atu027 Phase I study, and we are pleased that the product continues to be protected by this intellectual property and other patents, for example, those around AtuPLEX and the AtuRNAi sequence used in the product.

Silence has exclusive licenses covering three patent families from the University of Massachusetts Medical School collectively known as the 'Zamore Design Rules'. In 2011, following an anonymous request, four of the US patents covering the Zamore Design Rules successfully completed re-examination by the US Patent and Trademark Office ('USPTO') and in December 2011, we were able to report that the USPTO had issued 'Notices of Intent to Issue Re-examination Certificates'. In Europe, the patent is currently being opposed by Alnylam and other parties.

Investors Relations ('IR') Strategy

Silence Therapeutics maintains active communications and an investor relations' strategy to provide transparency and maximise dialogue with its stakeholders.

As part of its 2011 IR strategy, Silence has held investor meetings across Europe and attends investor conferences internationally throughout the year, full details of which can be found on the Company website (<http://silence-therapeutics.com>).

In line with the London Stock Exchange's Alternative Investment Market ('AIM') requirements, Silence discloses its investor news on a frequent basis via its Regulatory Information Service provider and the Company holds a number of conference calls and meetings throughout the year in order to reach investors effectively. In addition, the Company's website serves as an effective tool for investor communications.

Silence also participates in the evolving social media scene and communicated digitally online with frequency using a number of resources including Facebook, LinkedIn and YouTube. In February 2012, Silence launched its new website, designed with a range of interactive features and online social media tools, to reflect the new direction and more commercial focus of the Company. These included twitter feeds, company news flashes and regular industry updates from its real-time RNAi Hub.

SUMMARY AND OUTLOOK

During 2011, Silence Therapeutics has built a significantly stronger business, more able to deal with the rigours of today's financial climate and better placed to exploit our wealth of assets. By restructuring the business, strengthening the management team, and raising a significant amount of financing in challenging economic conditions we believe we have more than justified the decision made at the beginning of the year to remain an independent business.

Exciting year ahead

2012 will be an important and exciting year for Silence Therapeutics with a new and commercially focused management team, the Company is set to achieve shareholder value uplift. Importantly, there will be clinical data from us, both for Atu027 and our partnered products, as well as other companies in the sector. 2012 clinical news flow expected from us and our partners includes the anticipated start of Phase Ib/IIa clinical trials with Atu027. This will be an important milestone for Silence Therapeutics.

As well as continuing to develop our pipeline, key priorities for Silence this year are to secure the Company's financial future and to continue to generate value through partnering. Our fundraising and moves to reduce cash burn this year have extended our cash runway to the end of the third quarter of 2012, not taking into account potential milestones from our collaboration partners.

With our enhanced business development function, we will be looking at building value and generating income through our partnering activities. One of our priorities in this area is the signature of out-licensing or co-development agreements for Atu027 or other internal candidates such as Atu111, assuming they continue to generate encouraging data. Silence also believes that the quality of its RNAi therapeutic platform - including AtuRNAi and our portfolio of delivery technologies - will continue to be recognised by partners in licensing deals and research collaborations. We are proud of our list of partners - which includes four of the top 10 global Pharmaceutical companies - and expect to add to it in 2012.

Silence plans to attend scientific and medical conferences throughout the year in order to undertake a structured outreach to our key audiences. We are pleased to confirm that during 2012, Dr Klaus Giese, Silence's Chief Scientific Officer, plans to present at a number of world-leading biopharmaceutical events.

Another area of focus for the business development team will be looking to access non-dilutive forms of financing, such as grants from the large research charities. In recent years this type of funding has grown in importance to the global biopharmaceutical sector, partly driven by financial and economic conditions. Silence Therapeutics considers it an important option for the company to develop our pipeline of therapeutics and build shareholder value.

Providing as it does the foundation of our business, we will continue to prosecute, defend and grow our intellectual property portfolio. Areas of focus for additional patent protection include all essential

components of RNAi therapeutic development, including multiple proprietary siRNA delivery technologies, potent siRNA sequences and key siRNA sequence and chemical modifications, as well as specific high-value disease targets.

2012 looks to be an exciting year for us. In concluding my comments, it is important for me to note that the achievements we made in 2011 were only possible through the hard work and dedication of our staff, and the support of our shareholders. My thanks are due to all of you, as we work together to bring much-needed RNAi therapeutics to patients.

Tony Sedgwick, Ph.D.
Chief Executive Officer

FINANCIAL REVIEW

Silence successfully strengthened its financial position in May 2011 through a placing and open offer that generated proceeds of £5.51 million (net of costs). This funding provided cash resources that will support the Company's operations to the end of the third quarter of 2012. This is without taking into account any milestone, additional equity fundraisings or other such receipts that the Company believes it could receive in 2012.

Revenue

Revenue generated in the year decreased to £0.69m in 2011 from £2.37m in 2010. Revenue recognised in the year related to income from Silence's collaborations with AstraZeneca and Dainippon Sumitomo. The decrease in revenue in 2011 primarily reflects lower income from Dainippon Sumitomo and the milestone from Quark earned in 2010.

Research and development expenses

Research and development expenses during the year decreased to £3.36m in 2011 from £5.82m in 2010. The decrease in research and development expense is primarily driven by the closure of Intradigm's Palo Alto, California research facility in April 2010 as well as a reduction in headcount at the Berlin R&D facility, announced in August 2011.

Administrative expenses

Administrative expenses during the year decreased to £3.12m (£2.65m before restructuring charges) in 2011 from £5.20m in 2010. The decrease in administrative expenses is again driven by the closure of the Intradigm's research facility in 2010 followed by the closure of the Redwood City facility in August 2011 as well as a reduction in expenditure in the London head office. The full benefit of these measures will be reflected in lower administrative costs from 2012 onwards.

Financial income

Financial income was £0.06m in 2011 compared to £0.10m in 2010. Interest income remained low on cash balances during 2011 reflecting the continued low interest rate environment.

Taxation

Corporation tax payable in 2011 and 2010 was £Nil.

Liquidity, cash, cash equivalents and money market investments

The Group's cash position at year-end was £3.69m. At the end of 2010, Silence had cash of £3.57m. A further £5.51m net of expenses was raised in May 2011 through a placing of 296,693,065 shares at 2p and open offer.

The net cash outflow from operating activities in 2011 was £5.11m (2010: £10.55m) against an operating loss of £5.79m (2010: £8.66m) primarily reflecting the impact of a reduction in other working capital of £0.68m and non-cash items such as depreciation, amortisation and share option charges of £0.78m (2010: £0.98m).

Trade and other receivables at year-end were £0.17m (2010: £0.78m). The decrease reflects receipts of a milestone payment due from Quark, which was received in early January 2011. Trade and other payables were £1.26m at year-end (2010: £1.69m). Trade and other payables were lower at 31 December 2011 reflecting lower levels of expenditure.

Goodwill at year-end was £28.34m (2010: £28.35m). The small decrease reflects currency translation effects. Other intangible assets at 31 December 2011 were £0.97m (2010: £0.95m). The increase in other intangible assets primarily reflects the additional license fees paid relating to the Zamore Design Rules patents.

Max Herrmann
Chief Financial Officer

Consolidated income statement

year ended 31 December 2011

	2011		2011	2010
			unaudited	audited
	Ongoing	Restructuring		
	Operations			
	£	£	£	£
Revenue	693,555	-	693,555	2,365,877
Research and development costs	(3,360,442)	-	(3,360,442)	(5,821,212)
Gross loss	(2,666,887)		(2,666,887)	(3,455,335)
Administrative expenses	(2,647,189)	(471,825)	(3,119,014)	(5,202,938)
Operating loss	(5,314,076)	(471,825)	(5,785,901)	(8,658,273)
Finance income	56,646	-	56,646	95,343
Finance expense	(12,817)	-	(12,817)	(63,295)
Gain/(loss) on sale of assets	5,509	-	5,509	(169,049)
Loss before taxation	(5,264,738)	(471,825)	(5,736,563)	(8,795,274)
Taxation	-	-	—	—
Loss for the year attributable to owners of the Parent Company	(5,264,738)	(471,825)	(5,736,563)	(8,795,274)
Loss per share (basic and diluted)	(1.1p)	(0.1p)	(1.2)p	(3.16)p

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

year ended 31 December 2011

	2011	2010
	unaudited	audited
	£	£
Loss for the year after taxation	(5,736,563)	(8,795,274)
Other comprehensive income:		
Exchange differences arising on consolidation of foreign operations	4,472	151,696
Total comprehensive income for the year attributable to owners of the Parent Company	(5,732,091)	(8,643,578)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

at 31 December 2011

	2011 unaudited £	2010 audited £
Non-current assets		
Property, plant and equipment	224,980	287,613
Goodwill	28,342,109	28,346,276
Other intangible assets	971,154	945,391
	29,538,243	29,579,280
Current assets		
Inventory	-	27,438
Trade and other receivables	174,346	782,596
Investments held for sale	37,423	-
Cash and cash equivalents	3,687,860	3,566,877
	3,899,629	4,376,911
Current Liabilities		
Trade and other payables	1,259,984	1,686,516
	1,259,984	1,686,516
Total assets less current liabilities	32,177,888	32,269,675
Net assets	32,177,888	32,269,675
Equity		
Share capital	5,771,145	2,798,915
Capital reserves	81,141,424	80,269,278
Translation reserve	3,037,175	3,032,703
Retained loss	(57,771,856)	(53,831,221)
Total equity	32,177,888	32,269,675

Consolidated statement of changes in equity

year ended 31 December 2011

	Share capital £	Capital reserves £	Translation reserve £	Retained loss £	Total Equity £
At 1 January 2010	1,350,334	49,810,071	2,881,007	(45,150,257)	8,891,155
Recognition of share-based payments	-	760,053	-	-	760,053
Transfer upon:					
– exercise of options in year	-	-	-	-	-
– lapse of vested options in year	-	(2,477)	-	2,477	-
– lapse of vested warrants in year	-	(111,833)	-	111,833	-
Shares issued in the year	1,448,581	29,813,464	-	-	31,262,045
Transactions with owners	1,448,581	30,459,207	-	114,310	32,022,098
Loss for the period	-	-	-	(8,795,274)	(8,795,274)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	-	-	151,696	-	151,696
Total comprehensive income for the year attributable to owners of the parent Company	-	-	151,696	(8,795,274)	(8,643,578)
At 31 December 2010	2,798,915	80,269,278	3,032,703	(53,831,221)	32,269,675
Recognition of share-based payments	-	120,474	-	-	120,474
Transfer upon:					
– exercise of options in year	-	-	-	-	-
– lapse of vested options in year	-	(1,795,928)	-	1,795,928	-
– issued warrants in year	-	795	-	-	795
Shares issued in the year	2,972,230	2,546,805	-	-	5,519,035
Transactions with owners	2,972,230	872,146	-	1,795,928	5,640,304
Loss for the period	-	-	-	(5,736,563)	(5,736,563)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	-	-	4,472	-	4,472
Total comprehensive income for the year attributable to owners of the Parent Company	-	-	4,472	(5,736,563)	(5,732,091)
At 31 December 2011	5,771,145	81,141,424	3,037,175	(57,771,856)	32,177,888

Consolidated Cash flow statements

year ended 31 December 2011

	2011 unaudited £	2010 audited £
Cash flow from operating activities		
Loss before taxation	(5,736,563)	(8,795,274)
Depreciation charges	91,355	141,689
Amortisation charges	213,578	181,604
(Gain)/loss on sale of property, plant and equipment	(5,509)	169,049
Charge for the year in respect of share-based payments	121,269	659,018
(Reduction)/increase in impairment provision against loan to subsidiary	-	-
Finance income	(56,646)	(95,343)
Finance expense	12,817	63,295
	(5,359,699)	(7,675,962)
Decrease/(increase) in trade and other receivables	665,962	(43,948)
Reduction/(increase) in inventory	27,438	(27,438)
Increase/(decrease) in trade and other payables	(431,010)	(2,819,261)
Cash (absorbed) by operations	(5,097,309)	(10,566,609)
Taxation received	-	59,198
Interest paid	(12,817)	(44,302)
Net cash outflow from operating activities	(5,110,126)	(10,551,713)
Cash flow from investing activities		
Acquisition of business	-	746,108
Investment in assets held for sale	(6,290)	-
Proceeds from sale of property, plant and equipment	10,185	66,407
Investment in subsidiary undertakings	-	-
Reduction/(increase) in loans to subsidiary undertakings	-	-
Interest received	26,764	37,565
Additions to property, plant and equipment	(26,892)	(31,539)
Additions to intangible assets	(247,586)	(259,980)
Net cash (used in)/generated from investing activities	(243,819)	558,561
Cash flow from financing activities		
Proceeds from issue of share capital	5,519,035	14,358,313
Repayment of notes payable	-	(1,940,492)
Net cash (used in)/generated from financing activities	5,519,035	12,417,821
Increase (decrease) in cash and cash equivalents	165,090	2,424,669
Cash and cash equivalents at start of year	3,566,877	1,131,146
Net increase (decrease) in the year	165,090	2,424,669
Effect of exchange rate fluctuations on cash held	(44,107)	11,062
Cash and cash equivalents at end of year	3,687,860	3,566,877

Consolidated Cash flow statements

year ended 31 December 2011

	2011	2010
	unaudited	audited
	£	£
Cash and cash equivalents includes:		
Instant access bank accounts	3,687,860	3,566,877
Supplementary disclosure of noncash items:		
Issuance of share capital for merger acquisition	-	-
Share-based compensation issued as partial consideration for merger acquisition	120,474	-
Investment in subsidiary undertakings through issuance of share-based compensation	-	-
Reduction in investment through lapse of vested options	1,795,928	-

SILENCE THERAPEUTICS PLC

NOTES TO THE ACCOUNTS

Note 1. Principal accounting policies

Note 1.1 Basis of preparation

The financial information contained in this preliminary results announcement does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 31 December 2010.

The financial information for the year ended 31 December 2010 is derived from the statutory accounts for that year which have been approved by the board of directors and delivered to the Registrar of Companies. The auditors have reported on the 2010 accounts; their report was (i) unqualified, (ii) did include an emphasis of matter paragraph in relation to the material uncertainty surrounding the successful completion of an equity fundraising and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information for the year ended 31 December 2011 is unaudited and has been prepared using the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union. The statutory accounts for 2011 will be finalised on the basis of the financial information presented by the directors in this preliminary results announcement and will be delivered to the Registrar of Companies following the Company's forthcoming annual general meeting.

The principal accounting policies used in preparing this preliminary results announcement are those that the Company will apply in its statutory accounts for the year ended 31 December 2011 and are unchanged from those disclosed in the Company's Annual Report and Accounts for the year ended 31 December 2010.

Full financial statements for the year ended 31 December 2011 will be posted to shareholders on or shortly after 27 April 2012.

Note 1.2 Going concern

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

The Group had a net cash outflow from operating activities for the year ended 31 December 2011 of £5.11 million and at 31 December 2011 had cash balances of £3.69 million. Post 31 December 2011, the Group has continued to progress its research and development programmes resulting in a further net cash outflow of £0.83 million to 29 February 2012. At 29 February 2012 the Group's cash balances stood at £2.86 million. The Group's cash flow forecasts, based on current levels of research and development expenditure, administrative costs and contracted cash inflows, show that the Group will require additional funding during the third quarter of 2012. The Group does not currently have any overdraft or loan facilities.

The Directors have a reasonable expectation that further finances will become available during the course of 2012 through a combination of sources, including equity fundraisings, grants, milestone payments from existing agreements and license fees from entering into new agreements with business partners.

The Directors, having prepared cash flow forecasts, believe that existing cash resources together with additional funds provided by equity fundraisings, grants, milestone payments and license fees will provide sufficient funds for the Group to continue its research and development programmes and to remain in operation for at least twelve months from the date of approval of these financial statements. The Directors have also taken a number of steps to reduce expenditure during the last 12 months including the closure of the Group's US operations in Redwood City, California.

SILENCE THERAPEUTICS PLC
NOTES TO THE ACCOUNTS

Note 1. Principal accounting policies (continued)

Note 1.2 Going concern (continued)

The Directors have concluded that there is a material uncertainty as to the amount and timing that funds will be obtained from equity fundraisings, grants, milestone payments and license fees. The Directors also note that the failure to obtain sufficient funding from any or all of these sources would cast significant doubt on the Group's ability to continue as a going concern. The Group and Company may therefore be unable to continue realising their assets and discharging their liabilities in the normal course of business.

The Directors consider that the continued adoption of the going concern basis is appropriate and the financial statements do not reflect any adjustments that would be required if they were to be prepared on any other basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's review above. The financial position of the Group, its cash flows and liquidity position are as set out in the Financial Review also above.

Note 1.3 Loss per share

The calculation of the loss per share is based on the loss for the financial year after taxation of £5,736,563 (2010: loss £8,795,274) and on the weighted average of 466,864,698(2010: 278,303,966) ordinary shares in issue during the year.

The options outstanding at 31 December 2011 and 31 December 2010 are considered to be non-dilutive in that their conversion into ordinary shares would not increase the net loss per share. Consequently, there is no diluted loss per share to report for either year.