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SILENCE THERAPEUTICS plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

London, 19 March 2014 – Silence Therapeutics plc (AIM: SLN), a leading international RNA therapeutics company, today announces its unaudited preliminary results for the year ended 31 December 2013.

Highlights

- Raised £18.7m net from institutional investors in April 2013. Year end cash and other financial assets £20.9m (2012: £8.9m)
- Completed the lead-in 1b oncology safety study for Atu027 in combination with gemcitabine and began the Phase 2a pancreas cancer study
- Outlined plans for Phase 1b head and neck cancer
- Progressed Atu111, using our DACC delivery, for acute lung injury, from pre-clinical research into development
- Initiated the parallel study, Atu112, also into acute lung injury, using our Atuplex delivery
- Strengthened the Board of Directors and the Scientific Advisory Board
- Laying the foundations for a clinical engine targeting vascular indications

Chief Executive Ali Mortazavi said: ‘2013 was a year of accelerating activity and development at the Company. The potential of RNA therapeutics is starting to gain wide recognition, as is confirmed by the \$1bn raised by our quoted North American peers since October 2013. A sector long on promise is starting to show clinical results. We are confident Silence Therapeutics will play a leading role in this transformation.’

Silence Therapeutics plc

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Company website

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Forward Looking Statements

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.

Chief Executive's Report

2013 was a pivotal year for Silence Therapeutics, in which we took our lead product into Phase 2 and took other programmes into advanced pre-clinical development.

Enhanced clinical expertise

In April we promised to complement the existing science skills in the Company with enhanced capabilities in translational medicine and clinical development. This process is under way. The pre-clinical research headcount in Berlin has increased and since year end we have strengthened our clinical team.

Atu027

The Phase 1b pancreatic lead-in oncology safety study for Atu027 was successfully completed in Q2 2013. Dosing of patients in the Phase 2a study began in Q3 and has steadily expanded as we recruited more centres across Germany. The study is primarily for safety and we expect to complete recruitment this year, with follow-up analysis by mid-2015.

In November we announced the plan for a Phase 1b investigator-led study with the University of Birmingham using Atu027 for head and neck squamous cell carcinoma in combination with current best therapy. We expect this study to begin recruitment in H2 2014 and to take 9 to 12 months. Head and neck cancer is strongly associated with metastases to the lung. The study will also yield valuable before and after tissue samples. Depending on results, we aim to take this programme into a full randomised control trial at Phase 2.

Atu111: acute lung injury

In mid-2013 we decided to advance Atu111 from pre-clinical discovery to development, with the target of filing an Investigational New Drug application (IND) in H2 2014 or H1 2015. Atu111 uses our DACC delivery system which targets the lung vasculature. The siRNA payload targets Angiopoietin 2 (Angpt-2), a widely researched vascular inflammatory agent. In parallel with Atu111 we are also researching the targeting of Angpt-2 with Atu112, this time using systemic delivery with Atuplex, which is used in Atu027.

Strengthening the Board of Directors and the Scientific Advisory Board

During the year we welcomed Annie Cheng to the Board firstly as Director of Corporate Strategy and from November as Chief Operating Officer. At that time we said goodbye to David Mack, a Non-Executive Director, and to Jerry Randall, who was our Executive Chairman. We thank them for their contribution. We welcomed three experienced Non-Executive Directors with deep experience of biotechnology. Simon Sturge became Non-executive Chairman. He was for many years Chief Executive of Vernalis. Dr Stephen Parker, Chairman of our Audit Committee, has been an investment banker and was also Finance Director of Oxford Glycosciences. Dr Alastair Riddell, Chairman of the Remuneration Committee, was Chief Executive of Pharmagene.

The Scientific Advisory Board gained four new members:

- Dr Trevor Littlewood, Cambridge University, oncology
- Dr Sascha David, Hannover Medical School, acute lung injury
- Professor Justin Stebbing, Imperial College, oncology
- Professor Gerhard Winter, Munich University, chemistry

Further pipeline development

In H2 2014 we aim to select a further clinical target from our pre-clinical engine. In mid-2015 we intend to begin a further programme with Atu027 in oncology. In H2 2015 we expect to lay our plans for developing miRNA. We have achieved encouraging results with miRNA payloads in mouse models.

Our licensee, Quark Pharmaceuticals, expects to announce the results of its Phase 2 trials into delayed graft function for kidney transplant patients later in H1 2014, for delayed macular edema in H2. Quark used naked RNAi in those trials. All of Silence's own programmes use chemistry to enhance delivery of the siRNA.

Potential fundraising

The Company has today separately announced a potential future substantive fundraising. There can be no guarantee that the financing goes ahead.

Our North American quoted peers have raised \$1bn since October 2013. We believe this reflects investors' recognition of the rapidly maturing potential of RNA therapeutics.

To enable certain of the Directors to take part in any potential future fundraising, Silence discloses that a company has approached it for a licence. A cross-licence has been discussed. However no agreement has been reached, or may be reached. The matter is subject to a non-disclosure agreement.

Outlook

We look forward to the rest of 2014 and to the coming years with growing confidence.

Ali Mortazavi

Chief Executive

19 March 2014

FINANCIAL REVIEW

During 2013 Silence significantly improved its cash position through the £18.7m net proceeds of its share placing in April 2013. The funds raised have allowed the Company to begin new clinical and pre-clinical programmes.

Revenue

Revenue generated during the year reduced by £46k to £117k (2012: £163k).

Research and development expenditure

Research and development expenses during the year increased to £5.6m (2012: £3.4m). The increase reflects the rising spend on our clinical and pre-clinical programmes.

Administrative expenses

Administrative expenses during the year increased to £3.5m (2012: £2.6m). This increase is largely explained by the rise in the charge for share-based payments from £0.7m in 2012 to £1.4m, which mainly falls within administrative expenses.

Financial income

Financial income was higher at £70,000 (2012: £18,000) mainly due to higher average cash balances during the year.

Taxation

No corporation tax was payable in either 2013 or 2012.

Liquidity, cash, cash equivalents and money market investments

The Group's cash position at year end was £20.9m, which includes the £5.0m deposit at Investec Bank plc, described as 'Other financial assets', which is repayable in May 2014. At the end of 2012, Silence had cash of £8.9m. A total of £18.8m net was raised during 2013 through the placing, exercise of warrants and options.

The net cash outflow from operating activities in 2013 was £6.8m (2012: £4.9m) against an operating loss of £9.0m (2012: £26.3m).

Trade and other receivables at year end were £390k (excluding cash on deposit) (2012: £148k) and trade and other payables were £1.7m at year end (2012: £1.0m). The increase in payables reflects the rise in research spending at year end.

Goodwill at year end was £7.5m (2012: £7.3m). The movement in goodwill during the year related to foreign exchange.

Timothy Freeborn

Finance Director and Company Secretary

19 March 2014

CONSOLIDATED INCOME STATEMENT

year ended 31 December 2013

	2013 £000s	2012 £000s
Revenue	117	163
Research and development costs	(5,648)	(3,378)
Gross loss	(5,531)	(3,215)
Impairment of intangible assets	—	(20,486)
Administrative expenses	(3,541)	(2,613)
Operating loss	(9,072)	(26,314)
Finance income	70	18
Gain on sale of fixed assets	—	12
Loss for the period before taxation	(9,002)	(26,284)
Taxation	—	—
Retained loss for the period after taxation	(9,002)	(26,284)
Loss per ordinary equity share (basic and diluted)	(20p)	(135p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

year ended 31 December 2013

	2013 £000s	2012 £000s
Loss for the period after taxation	(9,002)	(26,284)
Other comprehensive income:		
Exchange differences arising on consolidation of foreign operations	292	(714)
Total comprehensive income for the period	(8,710)	(26,998)

CONSOLIDATED BALANCE SHEET

at 31 December 2013

	2013 £000s	2012 £000s
Non-current assets		
Property, plant and equipment	218	157
Goodwill	7,549	7,333
Other intangible assets	251	526
	8,018	8,016
Current assets		
Trade and other receivables	390	148
Investments held for sale	2	2
Other financial assets	5,000	—
Cash and cash equivalents	15,890	8,909
	21,282	9,059
Current liabilities		
Trade and other payables	(1,724)	(959)
Total assets less current liabilities	27,576	16,116
Net assets	27,576	16,116
Capital and reserves attributable to the Company's equity holders		
Share capital	2,353	1,872
Capital reserves	114,478	94,849
Translation reserve	2,615	2,323
Retained loss	(91,870)	(82,928)
Total equity	27,576	16,116

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

year ended 31 December 2013

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Retained Loss £000s	Total £000s
At 1 January 2012 (restated)	5,771	81,141	3,037	(57,772)	32,177
Recognition of share-based payments	—	656	—	—	656
Transfer to capital redemption reserve	(5,194)	5,194	—	—	—
Transfer upon:					
– lapse of vested options in the period	—	(1,128)	—	1,128	—
Shares issued in period, net of expenses	1,095	8,186	—	—	9,281
Issue of convertible loan	200	800			1,000
Transactions with owners	(3,899)	13,708	—	1,128	10,937
Loss for the year to 31 December 2012	—	—	—	(26,284)	(26,284)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	(714)	—	(714)
At 1 January 2013	1,872	94,849	2,323	(82,928)	16,116
Recognition of share-based payments	—	1,386	—	—	1,386
Issuance of warrants	—	—	—	—	—
Transfer upon:					
-exercise of warrants	—	(33)	—	33	—
-lapse of vested options in period	—	(27)	—	27	—
Shares issued in period, net of expenses	481	18,303	—	—	18,784
Transactions with owners	481	19,629	—	60	20,170
Loss for year to 31 Dec 2013	—	—	—	(9,002)	(9,002)
Other comprehensive income					—
Exchange differences arising on consolidation of foreign operations	—	—	292	—	292
At 31 December 2013	2,353	114,478	2,615	(91,870)	27,576

CASH FLOW STATEMENTS
for the year ended 31 December 2013

	Group		Company	
	2013 £000s	2012 £000s (restated)	2013 £000s	2012 £000s (restated)
Cash flow from operating activities				
Loss before tax	(9,002)	(26,284)	(8,462)	(25,823)
Impairment of intangibles	—	20,486	—	—
Depreciation charges	64	63	1	1
Amortisation charges	313	189	—	—
Gain on sale of property, plant and equipment	—	(12)	—	—
Charge for the year in respect of share-based payments	1,386	656	1,386	579
Charge for the year in respect of tax on share-based payments	200	—	200	—
Charge for warrants	—	32	—	32
Foreign exchange gain on intra-group loan	—	—	(362)	200
Increase in impairment provision against loan to subsidiary	—	—	—	24,135
Finance income/expense	(70)	(18)	(70)	(15)
Other	228	-	8	-
	(6,881)	(4,888)	(7,299)	(891)
Decrease/(increase) in trade and other receivables	(212)	17	(123)	40
Increase/(decrease) in trade and other payables	337	(5)	82	(29)
Net cash outflow from operating activities	(6,756)	(4,876)	(7,340)	(880)
Cash flow from investing activities				
Increase in other financial assets	(5,000)	—	(5,000)	—
Asset held for sale	—	39	—	—
Proceeds from sale of property, plant and equipment	—	15	—	—
Investment in subsidiaries	—	—	—	(4,243)
Reduction/(increase) in loan to subsidiary undertakings	—	—	658	—
Interest received	40	15	40	15
Addition to property, plant and equipment	(120)	(3)	(5)	—
Addition to intangible assets	(18)	(199)	—	—
Net cash (used in)/generated from investing activities	(5,098)	(133)	(4,307)	(4,228)
Cash flow from financing activities				
Proceeds from issue of share capital	18,784	9,248	18,784	9,248
Proceeds from issue of convertible loan	-	1,000	-	1,000
Increase in cash and cash equivalents	6,930	5,239	7,137	5,140
Cash and cash equivalent at start of year	8,909	3,688	8,463	3,323
Net increase in the year	6,930	5,239	7,137	5,140
Effect of exchange rate fluctuations on cash held	51	(18)	—	—
Cash and cash equivalent at end of year	15,890	8,909	15,600	8,463

The accompanying accounting policies and notes form an integral part of this financial information.

NOTES

year ended 31 December 2013

1. Principal accounting policies

1.1 Basis of preparation

Silence Therapeutics plc (“Silence Therapeutics” or “the Company”) and its subsidiaries (together “the Group”) are primarily involved in the research and development of novel pharmaceutical products. Silence Therapeutics plc, a Public Limited Company incorporated and domiciled in England, is the Group’s ultimate parent company. The address of Silence Therapeutics’ registered office is 27-28 Eastcastle Street, London, W1W 8DH and the principal place of business is 1 Lyric Square, London, W6 0NB.

The financial information set out in this statement does not constitute the Company’s statutory accounts for the years ended 31 December 2012 or 31 December 2013, but is derived from those accounts.

Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered in due course. The auditors have reported on the 2012 accounts; their reports were 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 (“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 will apply in its statutory accounts for the year ended 31 December 2013 and are unchanged from those disclosed in the Company’s Annual Report and Accounts for the year ended 31 December 2012.

Full financial statements for the year ended 31 December 2013 will be posted to shareholders in April 2014.

There has been a restatement to reflect additional disclosure for the convertible loan issued to Robert Keith in 2012.

1.2 Company income statement

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The loss for the financial year dealt within the accounts of the Company is as follows:

£000s	2013	2012
	8,462	25,823

2.0 Going concern

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

The Group had a net cash inflow for 2013 of £6.9m (after expenses) and at 31 December 2013 had cash balances of £15.9m and £5.0m on short-term deposit, in ‘Other financial assets’. The Directors have reviewed the working capital requirements of the Group for the next twelve months and are confident that these can be met.

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

The Directors, having prepared cash flow forecasts, believe that existing cash resources together with additional funds provided by equity fundraisings, grants, milestone payments and licence 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.

3.0 Loss per share

The calculation of the loss per share is based on the loss for the financial year after taxation of £9.0m (2012: loss £26.3m) and on the weighted average of 43,927,486 (2012: 984,406,050) ordinary shares in issue during the year.

The options outstanding at 31 December 2013 and 31 December 2012 are considered to be non-dilutive in 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.

4.0 Related party transactions

In July 2013 the Company paid £70,000 to Darwin Strategic Limited (“Darwin”) for the cancellation of warrants on 66,600 shares. The warrants had a strike price of 75p and the value reflected Silence’s share price at the time. Chief Executive Ali Mortazavi holds 35.8% of the ordinary shares of Darwin. The Board approved the transaction as arm’s length. Separately, in April 2013 the Company signed a contract with Darwin for £25,000 per year for services preparing corporate presentations. This contract was terminated in November 2013.