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## **SILENCE THERAPEUTICS plc**

### **PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

London, 2 April 2015 – Silence Therapeutics plc, AIM: SLN ('Silence' or 'the Company'), a leader in the development and delivery of novel RNA therapeutics, announces its preliminary results for the year ended 31 December 2014.

#### **Highlights**

- Technology breakthrough in messenger RNA (mRNA), achieving therapeutic levels of protein production in pre-clinical *in vivo* models
- Delivery technology progress with our lung targeted system DACC, achieving functional short interfering RNA (siRNA) delivery and knockdown of target genes in the pulmonary vascular endothelium of non-human primates (NHPs)
- Completion of Phase 2a safety trial using Atu027 in combination with gemcitabine for pancreatic cancer, follow up data due in 2016
- Appointment of Lars Karlsson as Head of Research & Development
- Equity placing in April 2014 raised gross proceeds of £11.4m

#### **Post year end events**

- Alastair Riddell became chairman after exchanging roles with Simon Sturge, who remains a non-executive
- Draft interim report on Phase 2a trial of Atu027 in pancreatic cancer showed positive signals
- European Patent Office upheld key RNA interference (RNAi) trigger modification patent against challenges by four parties
- Cash £19.2m at 31 March 2015
- Fundraising to raise £40m before expenses to further develop RNA platform (see separate announcement today)

Chief Executive, **Ali Mortazavi** commented:

***“2014 was a year of significant technological progress for silence therapeutics. As well as the ability to switch genes off using our modified siRNA and delivery systems, we added the ability to switch genes on by using the same delivery systems with a messenger RNA.***

***“After the period end, we announced highly encouraging data in our phase 2a pancreas cancer trial. The successes of the company have since led to a material capital raise and we are now in a unique position to capitalise on the tidal wave of genetic medicine.”***

#### **Enquiries:**

##### **Silence Therapeutics plc**

Ali Mortazavi, CEO

Timothy Freeborn, Finance Director

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**About Silence Therapeutics** ([www.silence-therapeutics.com](http://www.silence-therapeutics.com))

Silence Therapeutics is a leading RNA therapeutics company. It has developed proprietary modifications to improve the robustness of RNA sequences together with advanced liposomal chemistries to enhance the delivery of its therapeutics. Its technology can selectively silence or replace the expression of any gene in the genome, modulating expression up as well as down in a variety of organs and cell types, *in vivo*. This allows the development of therapeutics for diseases with high unmet clinical need. Silence's technology is currently in the clinic in a Phase 2a pancreatic cancer trial.

**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****Overview**

Silence has made good progress over the last year, in particular achieving important technological advances; the efficacy of its DACC lung delivery system was successfully translated from rodents to NHPs and a new capability was established in mRNA, with its delivery systems being shown to generate therapeutically relevant levels of protein in rodents. It now has a genetic toolkit which can, in pre-clinical *in vivo* models, modulate gene expression up as well as down and unique delivery systems to a variety of organs and cell types. In addition, it has a well-established and embedded algorithm for pre-clinical drug development with clear go/no-go milestones.

**Translation to larger animal species**

A key target was achieved in April 2014 when Silence confirmed successful gene knockdown in NHPs using its siRNA lung targeted delivery system, DACC. The successful translation from mouse studies to larger animals cannot be guaranteed and achieving effective knockdown of the target gene in NHPs with a single dose means that Silence has crossed the translation gap both in the lung vasculature and systemically, through the vascular endothelium using the Company's first delivery formulation, AtuPLEX. Silence continues to focus on broadening the number of organs and tissues which it can address in NHPs and in advancing its earlier stage systems to the NHP level.

**Messenger RNA delivery**

Silence has made rapid progress in using mRNA delivery to induce protein generation at therapeutically relevant levels. During the year, it was discovered that the Company's proprietary liposomal delivery formulations were capable of carrying a payload far larger and more structurally complex than was previously realised. Liposomal delivery systems are well suited to mRNAs in comparison to other delivery technologies which are limited to smaller payloads.

There are many more diseases caused by genetic deficiency or loss of gene function than by gene over-expression and this additional capability will greatly increase the range of indications which Silence can address.

**Pipeline**

In July 2014, Silence completed recruitment for its Phase 2a pancreatic cancer study for Atu027 in combination with the standard of care, gemcitabine. Atu027 is Silence's leading siRNA based drug candidate. It uses the Company's proprietary AtuPLEX® and AtuRNAi® technologies to broadly deliver siRNA to the endothelial cells of the vascular system, targeting the expression of the protein PKN3. The primary objective of this trial was to assess safety and pharmacokinetics.

Post the year end, a preliminary analysis of this study indicated that the subjects who were exposed to a 33% higher total dose of Atu027 had a longer duration of Progression Free Survival (median of 5.33 months) than patients on the lower exposure regimen (median of 1.81 months). This suggests that in this study, a dose-dependent effect was seen for Atu027. This is an early positive signal which requires further investigation.

Atu027 was generally well tolerated. More than 400 patients have now been treated with the Company's proprietary modified siRNA (AtuRNAi®), with excellent tolerability. This study also provides further evidence of the favourable safety profile of Silence's delivery platforms. A full interim report will be published in due course.

Silence also expects to begin recruitment for a Phase 1b combination study for Atu027 in head and neck cancer. Additionally, initial pre-clinical results have been encouraging in pulmonary arterial hypertension and the potential shown by the Company's newest delivery formulation, MacPLEX, is exciting, targeting liver macrophages which are key immune cells. The Company continues to review its plans for Atu111 which targets acute lung injury.

Silence is working on several further projects and collaborations which are at earlier stages. It currently has collaborations in place with world-leading academic institutions, including the University of Oxford, the University of Cambridge and Imperial College London.

## **Licensing**

Discussions continue with the company which approached Silence for a licence for its AtuRNAi® modified siRNA trigger. We also await news of licensing developments at Quark Pharmaceuticals, following the favourable Phase 2b results it announced for delayed kidney graft function last year.

## **Board changes**

In December 2014, Lars Karlsson was appointed as Head of Research and Development, joining the Board in January 2015. Lars brings much development experience from his career with Johnson & Johnson and more recently with Regulus Therapeutics and Novo Nordisk.

At the year end, Alastair Riddell became Chairman, taking over from Simon Sturge who has been appointed to a senior role at Merck Serono in Switzerland, but remains a non-executive director. The Company is already benefiting from Alastair's experience both in development and in senior management within the biotech sector. During the year Annie Cheng, Chief Operating Officer, left the Company and the Board thank her for her contribution.

## **Outlook**

The appointment of Lars Karlsson as Head of Research and Development marks the transition of Silence from a developer of technology to a developer of therapeutics. The prospects for Silence have never been greater than today. RNA therapeutics has made significant technology strides and as such, is now able to attract enough capital to transition its technology to the clinic. As a global leader in the field, Silence is a major beneficiary of this trend.

## **Ali Mortazavi**

### **Chief Executive**

2 April 2015

## **FINANCIAL REVIEW**

During 2014 Silence improved its cash position through the £10.8m net proceeds of its share placing in April 2014. The funds raised have allowed the Company to expand development of its platform technology, in particular with strong progress in delivery of messenger RNA.

### **Revenue**

Revenue generated during the year reduced by £102k to £15k (2013: £117k).

### **Research and development expenditure**

Research and development expenses during the year increased to £8.9m (2013: £5.6m). The increase reflects the rising spend on our clinical and pre-clinical programmes.

### **Administrative expenses**

Administrative expenses during the year decreased slightly to £3.3m (2013: £3.5m), in part due to a decrease in the charge for share-based payments.

### **Financial income**

Bank interest was higher at £139k (2013: £70k) mainly due to higher average cash balances during the year.

## **Taxation**

During the year we received a research and development tax credit of £0.9m (2013: £nil) in the UK, in respect of R&D expenditure in 2013, whose cash value is reflected in the results for 2014. No deferred or current tax asset is recognised at present in respect of 2014 R&D tax credits, pending establishing a record of successful claims.

## **Liquidity, cash, cash equivalents and money market investments**

The Group's cash, cash equivalents and money market investments at year end totalled £21.9m, which includes the £5.0m deposit at Investec Bank plc (included in the balance sheet within 'other financial assets'), which matured on 31 March 2015. At the end of 2013, Silence had cash of £20.9m. A total of £10.8m net was raised during 2014 through the placing and exercise of options.

The net cash outflow from operating activities in 2014 was £9.5m (2013: £6.8m) against an operating loss of £12.0m (2013: £9.0m).

## **Other balance sheet items**

Trade and other receivables at year end were £375k (2013: £390k) and trade and other payables were £2.0m at year end (2013: £1.7m). The increase in payables reflects the rise in research spending at year end.

Goodwill at year end was £7.1m (2013: £7.5m). The movement in goodwill during the year related to foreign exchange.

## **Timothy Freeborn**

Finance Director and Company Secretary

2 April 2015

**CONSOLIDATED INCOME STATEMENT**

year ended 31 December 2014

	Unaudited	Audited
	2014	2013
	£000s	£000s
Revenue	15	117
Research and development costs	(8,884)	(5,648)
Administrative expenses	(3,258)	(3,541)
Operating loss	(12,127)	(9,072)
Finance and other income	147	70
Loss for the year before taxation	(11,980)	(9,002)
Taxation	892	—
Loss for the year after taxation	(11,088)	(9,002)
Loss per ordinary equity share (basic and diluted)	(22.0p)	(20.0p)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

year ended 31 December 2014

	Unaudited	Audited
	2014	2013
	£000s	£000s
Loss for the period after taxation	(11,088)	(9,002)
Other comprehensive income, net of tax:		
Exchange differences arising on consolidation of foreign operations	701	292
Total comprehensive expense for the year	(10,387)	(8,710)

**CONSOLIDATED BALANCE SHEET**

at 31 December 2014

	Unaudited	Audited
	2014	2013
	£000s	£000s
<b>Non-current assets</b>		
Property, plant and equipment	458	218
Goodwill	7,077	7,549
Other intangible assets	2	251
	<b>7,537</b>	<b>8,018</b>
<b>Current assets</b>		
Trade and other receivables	375	390
Investments held for sale	2	2
Other financial assets	5,000	5,000
Cash and cash equivalents	16,857	15,890
	<b>22,234</b>	<b>21,282</b>
<b>Current liabilities</b>		
Trade and other payables	(2,013)	(1,724)
	<b>27,758</b>	<b>27,576</b>
<b>Total assets less current liabilities</b>		
	<b>27,758</b>	<b>27,576</b>
<b>Net assets</b>		
	<b>27,758</b>	<b>27,576</b>
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	2,605	2,353
Capital reserves	126,197	114,478
Translation reserve	1,914	2,615
Profit and loss account (deficit)	(102,958)	(91,870)
	<b>27,758</b>	<b>27,576</b>

**CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**

year ended 31 December 2014

	Share capital £000s	Capital reserves £000s	Translation reserve £000s	Profit and loss account £000s	Total equity £000s
At 1 January 2013	1,872	94,849	2,323	(82,928)	16,116
Recognition of share-based payments	—	1,386	—	—	1,386
Transfer upon:					
– exercise of warrants	—	(33)	—	33	—
– lapse of vested options in year	—	(27)	—	27	—
Shares issued in year, 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 1 January 2014 (audited)	2,353	114,478	2,615	(91,870)	27,576
Recognition of share-based payments	—	1,127	—	—	1,127
Shares issued in year, net of expenses	252	10,592	—	—	10,844
Transactions with owners	252	11,719	—	—	11,971
Loss for year to 31 Dec 2014	—	—	—	(11,088)	(11,088)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	(701)	—	(701)
At 31 December 2014 (unaudited)	2,605	126,197	1,914	(102,958)	27,758

## CASH FLOW STATEMENTS

for the year ended 31 December 2014

	Consolidated	
	Unaudited 2014	Audited 2013
	£000s	£000s
<b>Cash flow from operating activities</b>		
Loss before tax	(11,980)	(9,002)
Depreciation charges	90	64
Amortisation charges	242	233
Loss on abandonment of patents	—	80
Charge for the year in respect of share-based payments	1,127	1,386
Charge for the year in respect of NIC on share-based payments	—	200
Finance income	(139)	(70)
Corporation tax credits	892	—
Non-cash and other movements	258	228
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	(9,510)	(6,881)
Increase in trade and other receivables	(15)	(212)
Increase in trade and other payables	67	337
	<hr/>	<hr/>
Net cash outflow from operating activities	(9,458)	(6,756)
<b>Cash flow from investing activities</b>		
Increase / (decrease) in other financial assets	—	(5,000)
Interest received	137	40
Additions to property, plant and equipment	(337)	(120)
Additions to intangible assets	1	(18)
	<hr/>	<hr/>
Net cash outflow from investing activities	(199)	(5,098)
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital, net of issue costs	10,844	18,784
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	1,187	6,930
Cash and cash equivalents at start of year	15,890	8,909
Net increase in the year	1,187	6,930
Effect of exchange rate fluctuations on cash held	(220)	51
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<b>Cash and cash equivalents at end of year</b>	16,857	15,890

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

## **NOTES**

year ended 31 December 2014

### **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 unaudited financial information set out in this statement does not constitute the Company’s statutory accounts for the years ended 31 December 2013 or 31 December 2014, as defined in section 434 of the Companies Act 2006.

Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered in due course. The previous auditors KPMG have reported on the 2013 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 (“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 2014 and are unchanged from those disclosed in the Company’s Annual Report and Accounts for the year ended 31 December 2013.

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

#### **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 outflow from operating activities for 2014 of £9.5m and at 31 December 2014 had cash balances of £16.9m and £5.0m on short-term deposit, which matured on 31 March 2015. 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 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 £11.1m (2013: loss £9.0m) and on the weighted average of 50,424,784 (2013: 43,932,664) ordinary shares in issue during the year.

The options outstanding at 31 December 2014 and 31 December 2013 are considered to be non-dilutive as the Group is loss making.

#### 4.0 Related party transactions

Pharmalogos Limited, a company controlled by Dr Stella Khan, wife of Dr Michael Khan, supplies research services to Silence Therapeutics plc at an agreed price of £100,000 per annum. Notice was given to cease Pharmalogos services in September 2014, with effect from February 2015.