



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

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**London, 21 September 2011** – Silence Therapeutics Plc (AIM: SLN), a leading international RNAi therapeutics company, today provides a corporate update and announces its interim results for the six months ended 30 June 2011.

**Highlights**

- New German-based CEO appointed
- Business development operations strengthened, including the appointment of a Chief Business Officer, highlighting an increased commercial focus for the Group to monetise its strong portfolio of clinical and pre-clinical assets.
- US location closed and operations centralised in Berlin.
- Rationalisation and reorganisation of the Group has reduced burn rate.
- Non-executive Board membership reduced.
- Atu027 Phase I ascending dose trial continues with excellent safety at doses beyond those showing biological activity in preclinical studies.
- Continued progress with our three proprietary delivery systems enabling specific, targeted organ delivery.
- Collaboration deal signed with micro-RNAi partner, InteRNA.
- Fundraising in May 2011 increases cash runway to H2 2012.

**In more detail**

- Thomas Christély has been appointed the new Chief Executive Officer of Silence. Thomas was previously COO of Silence and has been with the Group for 10 years. Thomas brings to his new role considerable expertise in negotiating pharmaceutical deals and in people leadership. His appointment ensures the continuity of relationships with our collaboration partners and our staff, as well as making important use of his long-term familiarity with the science and IP.
- As separately announced today, Tony Sedgwick has been appointed as Chief Business Officer of Silence. Tony is a highly experienced executive in the life sciences arena and has a strong track record in licensing agreements in the biotechnology space. Tony will build a larger team in business development to significantly increase our activity to generate non-dilutive funding from deals.
- The US operations of Silence, based in Redwood City, California have been closed. The US-based business development and legal functions will be

absorbed elsewhere in the Group. The operations of the Group will now be based in Berlin, where our research and development facilities have always been located, with the exception of a small management presence in London.

- The cost base and operations have been streamlined by reducing some non-critical staff, closing of the US operation and reducing the non-executive Board. This has helped to increase our cash runway.
- We have seen encouraging interim results from the Phase I ascending dose clinical trial of the cancer treatment, Atu027. These results were presented at the American Society of Clinical Oncology (ASCO) Annual Meeting and the data presented showed disease stabilisation and other indications of potential efficacy, as well as demonstrating that the AtuPLEX™ delivery system is safe in humans at dose levels which has showed biological activity in pre-clinical species. As of August 2011, 27 patients have been treated. The trial is approaching the top of the dose range and enrolment is expected to be completed in early 2012 with results announced in mid-2012.
- Post-period end, we announced a new collaboration with InteRNA to investigate the potential of Silence's proprietary AtuPLEX™ delivery system in the development of novel microRNAi therapeutics targeting cancer. microRNA intervention is an exciting new therapeutic area for which the Silence technology platform is well suited.
- Silence's partner, Quark Pharmaceuticals ('Quark'), announced the completion of the DEGAS study, a Phase II trial of PF-04523655 ('PF-'655') in diabetic macular oedema. This compound was sublicensed by Quark to Pfizer and is based on Silence's AtuRNAi technology. It was shown to be more effective than laser therapy. Quark is also initiating a Phase IIb study of this compound in this indication.
- Issuance of a Japanese patent that provides protection for the Company's novel AtuRNAi molecules in Japan. This patent represents another critical asset to support our efforts to establish valuable partnerships with leading Japanese pharmaceutical companies.
- Issuance of a new US patent that broadens the Company's existing protection of optimised RNAi molecules, including its proprietary AtuRNAi platform.

## **Financial Highlights**

- Revenue for the six months ended 30 June 2011 was £354,078 (six months ended 30 June 2010: £716,090).
- Research and Development costs decreased to £1.82m (six months ended 30 June 2010: £4.40m) reflecting the reorganisation of R&D in April 2010 following the acquisition of Intradigm Corporation ("Intradigm").
- Administrative expenses decreased to £2.00m (six months ended 30 June 2010: £3.23m) again reflecting the reorganisation of R&D in April 2010

following the acquisition of Intradigm. Excluding the restructuring cost of £0.44m with respect to closing the Redwood City facility in the US, Administrative expenses were £1.56m.

- In May 2011, Silence raised £5.51m (net of expenses). The cash position as of 30 June 2011 was £6.49m (at 31 December 2010: £3.57m). Cash usage in operating and investing activities in the half year amounted to £2.59m (six months ended 30 June 2010: £6.65m).

### **Board and Management Changes – Post-Period**

- In August 2011, Silence announced a company reorganisation to consolidate and streamline the Company's operations. Related to this reorganisation:
  - Silence closed its facility in Redwood City, California and reduced headcount in its Berlin, Germany, facility from 32 to 27. As the decision to close the Redwood City facility was taken prior to the period-end, a restructuring charge of £0.44m was recorded in the first half of 2011.
  - Thomas Christély, former Chief Operating Officer of Silence, was appointed Chief Executive Officer effective 19 September 2011 following the resignation of Dr Philip Haworth.
  - Dr James Topper resigned from the Board of Directors effective 29 July 2011 and Dr David U'Prichard will leave the Board at the end of 2011.
- Announced today, Tony Sedgwick appointed as Chief Business Officer strengthening the business development function. Tony will enlarge Silence's business development team with further members as Silence seeks to obtain further collaborations and partnerships that will generate non-dilutive funds for the Company.

### **Other Post-Period Events**

- Received a notice of allowance of a new US patent covering novel siRNA delivery technologies. This patent provides protection for a core component of the Company's proprietary AtuPLEX™ delivery platform, which is incorporated in Silence's lead internal compound, Atu027, and in other RNAi therapeutic candidates.
- Issuance of a Japanese patent covering certain 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 protein kinase N 3 ("PKN3") for screening of therapeutic agents, thus preventing others from using PKN3 for screening purposes.

**Thomas Christély, CEO of Silence Therapeutics, commented:** *“The restructuring, re-organisation and refocus of Silence Therapeutics is now complete. It has positioned Silence to be a leaner, more efficient organisation, poised to further develop its world leading RNAi asset portfolio. As a new and strengthened management team, we will have a sharper focus on identifying partners to help progress the development and partnering of our assets, thereby generating non-dilutive cash and/or funding to extend our cash runway. Technically, as we escalate through higher doses in our internal Atu027 oncology program, the interim data consolidate our belief that Atu027 is a safe and effective drug in patients. Our partner Quark also reported encouraging Phase II data in diabetic macular oedema in collaboration with Pfizer. We have strengthened our patent portfolio, streamlined our organisation and secured sufficient funding to continue this successful development. Although this progress has yet to be reflected in Silence’s share price, we are convinced that siRNA therapeutics will become a major drug class similar in importance to monoclonal antibodies, due to the various advantages of siRNA therapeutics. In order to overcome the known challenges of delivering siRNA into cells, Silence has also expanded its proprietary delivery technologies from AtuPLEX™, to now include DACC and DBTC. This comprehensive delivery platform allows our RNAi therapeutics to reach and affect many different cell types. The breakthroughs have arisen from Silence’s decade or more of investigating the actions and disposition of different oligonucleotides in collaboration with several large pharmaceutical companies. Thus Silence offers today the most comprehensive RNAi therapeutic platform, founded on a portfolio of advanced delivery technologies.”*

**For further information, please contact:**

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## **CHAIRMAN'S STATEMENT**

2011 has been a time of significant change and refocus for Silence. Over recent years Silence has progressed strongly in initially the preclinical and now the clinical arena, on the back of its unique platform. We have evolved to become a more mature, experienced and focused oncology biotechnology company. This progress has however been inhibited in the past by the complex structure of the operations. With the support of some new significant investors, we have now dealt with this in 2011.

The geography of the Group has been rationalised and operations focussed on our state of the art research and development facility in Berlin. We have also streamlined our R&D team in Berlin and reduced non-critical costs, whilst retaining our unique ability to identify, create, validate and appropriately deliver target oligonucleotides.

We have appointed a new CEO from inside the Group. I am delighted that Thomas has been promoted to this position, ensuring continuity with our collaboration partners, our staff, IP and science.

Thomas Christély has more than 20 years experience in corporate and business development and finance. He, and the team at Silence, successfully executed the merger of Atugen AG with Silence Therapeutics plc in 2005. His track record includes concluding major collaborations with AstraZeneca, Pfizer and Dainippon Sumitomo, multiple financing transactions as well as M&A, divestments and strategic restructurings. Mr. Christély joined Atugen AG in 2001 as Chief Financial Officer and became Chief Operating Officer in 2002 prior to being appointed its Chief Executive Officer in 2006. We are confident that Thomas has the experience and initiative necessary to move the Company toward the achievement of its corporate, scientific and clinical objectives

There are many challenges ahead in a difficult environment, but Thomas is well equipped to take on these challenges, and I wish him every success in this new position.

In conjunction with the appointment of Thomas, we are significantly strengthening the Business Development team and its priorities. Silence has developed an enviable portfolio of clinical and pre-clinical assets, which it has yet to fully exploit. It is critical to the success of the business that our business development and ultimately commercial progress catches up with the scientific progress made over recent years. To this end, to support Thomas and to strengthen the commercial efforts of the Company, we have today announced the appointment of Tony Sedgwick as Chief Business Officer. Tony is extremely experienced in the licensing of biotechnology assets, and brings many years of experience in this area, as well as in M&A and financing transactions. Tony will spearhead the business development function and will also grow our team in this area to identify and secure partners for the clinical development of our assets. These partners will bring us further validation of our delivery assets and non-dilutive cash to extend our runway and facilitate further development of our portfolio.

Silence has developed an enviable portfolio of assets, which is second to none in RNAi. Our internal compound has progressed well almost to the completion of its Phase I trial, safely passing through estimated effective dose levels, with some indications of potential efficacy. Our two other delivery systems that show great promise, DACC and DBTC, have been validated in preclinical studies and have demonstrated siRNA targeting to different cell types. Silence's delivery technologies have wide potential application beyond just the field of RNAi and I am excited about the opportunities that lay in front of us.

In May 2011 we completed a £5.51m (net of expenses) fundraising with the support of some new investors. This enabled us to extend our runway into the second half of 2012. The money raised will allow us to fund critical advancements with our clinical and preclinical pipeline programs, including Atu027. Our increased commitment and resource in business development will enable us to meet our objectives of generating non-dilutive funding to extend our cash runway and invest further in the development of our portfolio.

In June 2011, we presented positive interim data from the ongoing Phase I clinical trial of Atu027 at ASCO. The response to this data has been extremely favourable, giving us great optimism as we look to the future development and potential partnering of this promising lead compound.

Our momentum in the clinic with Atu027 combined with our strong leadership and more commercially focussed structure position us well to move forward as one of the leading RNAi therapeutics companies in the World. We look forward to reporting additional developments through the remainder of the year.

Thank you for your continued support of Silence Therapeutics.

Jerry Randall ACA  
Chairman

## **CHIEF EXECUTIVE OFFICER'S STATEMENT**

### **OVERVIEW**

Silence Therapeutics is prominent in an exciting new sector in the drug development arena. We lead the effort to translate RNAi therapeutics into viable therapies for a variety of clinical indications in areas such as oncology, vascular, metabolic and ophthalmic diseases. We believe that RNAi therapeutics represent a novel and uniquely safe and effective class of drugs, that by preventing mutant or malfunctioning gene expression, have the potential to overcome many of the limitations of existing therapies and provide improved treatment for people with serious diseases. The first step in proving this potential is the generation of data from clinical studies conducted with RNAi therapeutics.

In June 2011, Silence presented encouraging interim data from our ongoing Phase I trial of Atu027 in patients with solid tumours at the ASCO Annual meeting. We not only observed impressive safety and tolerability, but we also saw indications of potential efficacy.

These important findings serve as valuable validation for Silence's fundamental RNAi technology platform. They also support our AtuPLEX™ delivery technology, the only systemic lipid-based siRNA delivery technology in clinical trials that does not require suppression of the immune system prior to treatment. We believe this provides us with a significant competitive advantage that will strengthen our ability to secure licensing partners for the delivery of different RNAi therapeutics using AtuPLEX™.

The data generated with Atu027 thus far represent significant clinical progress not only for Silence but also for the entire field of RNAi therapeutics. We believe that this clinical success, in addition to the continued advancement of our internal and partnered programs, as well as the strength of our intellectual property estate, establishes us as one of the strongest companies in the RNAi sector.

### **OPERATIONAL REVIEW**

#### **Advancements with Internal Pipeline Products**

##### Atu027

Atu027 for the treatment of solid tumours is Silence Therapeutics' most advanced internal product candidate. Atu027, which combines our proprietary drug delivery system, AtuPLEX™, with AtuRNAi, the Company's proprietary RNAi chemistry, specifically targets PKN3, a protein implicated in cancer growth and metastases.

The interim data recently presented at ASCO from our ongoing Phase I clinical trial of Atu027 are extremely encouraging.

Study results showed that nine of the 24 patients treated with Atu027 as of June 2011 achieved stable disease after repeated treatment with six of these cases confirmed at study end (three months after treatment initiation) and three other patients continuing to receive treatment under compassionate use. 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. In addition to the encouraging anti-tumour activity, study results show Atu027 to be safe and well tolerated.

We expect to complete patient recruitment in the Phase I study in early 2012 and to announce results from the study in mid-2012.

The Company believes that the encouraging data to date and the important validation of our AtuPLEX™ delivery system on which Atu027 is based, are important factors in realising value for shareholders. Upon completion of the Phase I study, we expect to initiate a Phase Ib clinical study of Atu027 in the second half of 2012. The Company will also continue licensing discussions regarding Atu027 with potential pharmaceutical partners.

#### Atu134

Atu134 is the Company's second potential cancer therapy. Like Atu027, Atu134 combines our proprietary AtuPLEX™ drug delivery system with the Company's proprietary RNAi chemistry. Atu134 specifically targets CD31, a target that has so far proved intractable to small molecule and antibody approaches. Silence has now completed studies in multiple preclinical cancer models, which demonstrated that Atu134 appears to have a profound impact in slowing the progression of solid tumours. Production of Good Manufacturing Practice (GMP) materials for final preclinical toxicology studies has commenced, and we expect to initiate these studies in the first half of 2012. We remain on track to file an Investigational Medicinal Product Dossier (IMPD) in Europe in the second half of 2012.

#### **Partnered Programs**

In March 2011, our partner, Quark Pharmaceuticals, announced the completion of the DEGAS study, a Phase II clinical trial of PF-04523655 for the treatment of diabetic macular oedema. PF-04523655, which incorporates Silence's AtuRNAi technology and is sublicensed to Pfizer by Quark, was shown to be more effective than laser therapy. We believe that this data broadly support the potential utility of RNAi therapeutics and specifically validates Silence's AtuRNAi technology. Quark plans to conduct a Phase IIb study which we expect to be initiated shortly. In addition, PF-04523655 recently completed a Phase II trial as a treatment for age-related macular degeneration. We anticipate Pfizer/Quark to announce results from this study later this year.

In addition to our partnerships with Quark for PF-04523655, we have an ongoing licence with Quark for QPI-1002. Quark has established an option agreement with Novartis for QPI-1002. A Phase II study is ongoing in kidney transplantation, and a Phase I study has been successfully completed in acute kidney injury.

We also have two ongoing collaborations with AstraZeneca: one is for the development of novel approaches for the delivery of siRNA molecules entered into in March 2008, and the other, established in 2007, is for research and development of five targets in respiratory and oncology indications. Both collaborations were

extended in 2010. Under the research and development collaboration, AstraZeneca has now selected all five targets, and we expect to complete evaluation of these targets by the end of 2011.

Additionally, we have an ongoing siRNA delivery collaboration with Dainippon Sumitomo in which we are jointly leveraging Silence's proprietary siRNA molecules as well as delivery and targeting technologies to demonstrate functional delivery of RNAi therapeutics to specific disease targets in the body. This agreement, which originally included two drug targets at the time it was established in 2008, was expanded in 2010 to include an additional two drug targets. This collaboration continues to make good progress.

After the end of the first half, we established a new agreement with InteRNA Technologies B.V., a biopharmaceutical company developing pathway targeted microRNA (miRNA)-based therapeutics for cancer. Under the agreement, we will combine Silence's proprietary AtuPLEX™ delivery system with InteRNA's novel microRNAs to develop novel microRNA therapeutics for the treatment of cancer. Under the terms of the agreement, InteRNA will provide Silence with specific miRNA sequences which Silence will formulate with its AtuPLEX™ delivery system in order to develop multiple candidate drugs. Silence and InteRNA will undertake *in vitro* and *in vivo* studies of the candidate drugs developed under the agreement and select certain lead candidates for further evaluation. Silence is eligible to receive upfront fees as well as staged research payments. This agreement is important in demonstrating the additional potential value of AtuPLEX™ beyond the delivery of siRNAs.

Each of our collaborations is progressing well, and we believe they provide testament to the value that the pharmaceutical industry assigns to Silence and its science. For the remainder of 2011 and beyond, we are dedicating efforts to identifying and executing new, value enhancing partnerships that will further leverage our scientific capabilities, build our financial strength and expand our pipeline.

### **Continued Intellectual Property Strength**

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. Importantly, we have achieved significant successes in establishing key levels of patent protection for our technologies in Europe, the USA and Japan, offering opportunities in all of these important markets.

Silence remains committed to the expansion and strengthening of its intellectual property portfolio in target markets around the globe. So far this year we have strengthened our intellectual property portfolio via the following:

- Issuance of a new US patent that broadens the Company's existing protection of optimised RNAi molecules, including our proprietary AtuRNAi platform

- Issuance of a Japanese patent that provides protection for the Company's novel AtuRNAi molecules in Japan, representing another critical asset to support our efforts to establish valuable partnerships with leaders in the Japanese pharmaceutical industry
- Received a notice of allowance of a new US patent that provides protection for a core component of our proprietary AtuPLEX™ delivery platform
- Issuance of a Japanese patent covering certain 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 PKN3 for screening of therapeutic agents, thus preventing others from using PKN3 for screening purposes.

Looking forward, the Company will continue to expand and strengthen our intellectual property portfolio in target markets around the globe. In that regard, re-examination hearings were held in the US in the first half of 2011 relating to certain patents covering the 'Zamore Design Rules'. Silence holds exclusive licences to three of these patent families from the University of Massachusetts. We anticipate a response from the US Patent and Trademark Office in the coming months. 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.

## **FINANCIAL REVIEW**

In May 2011 Silence raised £5.93m (£5.51m net of expenses) in a placing and open offer of shares. This funding is expected to provide cash resources that will support the Company's operations into the second half of 2012 even excluding any milestones or other receipts that the Company believes it could receive over this period.

Revenue in the first half of 2011 at £0.35m (six months ended 30 June 2010: £0.72m) was below that in the prior year reflecting lower income from licence partners and from grants. Research and development expenditure at £1.82m (six months ended 30 June 2010: £4.40m) was significantly lower than in the prior year. Research and development expenditure in the first half of 2010 was unusually high because it included expenditure at Intradigm's R&D facility prior to its closure in April 2010. Administrative expenses in the first half of 2011 decreased to £2.00m from £3.23m in the first half of 2010. Excluding the restructuring charge of £0.44m taken as a result of the decision to close the Redwood City facility in the first half of 2011, Administrative expenses were £1.56m. Again, Administrative expenses were unusually high in the first half of 2010 prior to the closure of Intradigm's R&D operations.

The net loss for the half-year was £3.43m before taxation (six months ended 30 June 2010: £7.05m; full year 2010: £8.80m). Cash used in operating and investing activities in the first half of the year amounted to £2.59m (six months ended 30 June 2010: £6.65m) which left the Group with cash at bank of £6.49m at the period end.

## **RISKS AND UNCERTAINTIES**

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The risks (identified and outlined in the Annual Report and Accounts 2010 in the Directors' Report on page 16, which does not form part of this interim statement, and which include clinical and regulatory risk, competition and intellectual property risk, and economic, financial and counterparty risk) have not changed and therefore remain relevant for the remaining six months of 2011.

## **SUMMARY AND OUTLOOK**

In the first half of 2011, we achieved the following milestones, which we believe significantly strengthened our business and created value for shareholders:

- Restructured the Group, reducing our burn rate whilst significantly strengthening business development.
- Announced positive interim data from our ongoing Phase I clinical trial of Atu027. We believe this data is not only an important achievement for Silence, but also will have an important impact on the RNAi sector as a whole.
- Strengthened our financial position by closing a financing for £5.51m (net of expenses) and focused on delivering business development success in order to generate non-dilutive funding.
- Advanced our preclinical pipeline and in particular Atu134 in preparation for the filing, before the end of 2012, of an application to initiate clinical trials of the programme.
- Continued to make progress with all of our partnered programmes to establish Silence as a partner-of-choice in the RNAi arena and validate our scientific assets and technologies.
- Increased operational efficiencies by closing non-critical facilities and completing a strategic corporate reorganisation.
- Expanded our already strong intellectual portfolio by receiving key patent issuances with global reach.

In light of the advances we have made in the first half of the year, we look ahead to the second half of 2011 with great optimism.

Thank you for your continued support of Silence Therapeutics.

Thomas Christély  
Chief Executive Officer

**SILENCE THERAPEUTICS PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Note	Six months ended			Six months ended	Year ended
		Ongoing Operations	30 June 2011 (Un-audited) Restructuring	Combined	30 June 2010 (Un-audited)	31 December 2010 (Audited)
		£	£	£	£	£
Revenue	3	354,078		354,078	716,090	2,365,877
Research and development costs		(1,819,213)		(1,819,213)	(4,400,728)	(5,821,212)
Gross loss		(1,465,135)		(1,465,135)	(3,684,638)	(3,455,335)
Administrative expenses		(1,560,413)	(442,588)	(2,003,001)	(3,227,213)	(5,202,938)
Operating loss	3	(3,025,548)		(3,468,136)	(6,911,851)	(8,658,273)
Finance and other income		38,646		38,646	54,989	95,343
Gain/(loss) on sale of assets		3,761		3,761	(154,471)	(169,049)
Finance expense		-		-	(42,408)	(63,295)
Loss for the period before taxation		(2,983,141)		(3,425,729)	(7,053,741)	(8,795,274)
Taxation credit for the period		-		-	-	-
Retained loss for the period after taxation attributable to Equity Holders transferred from reserves		(2,983,141)	(442,588)	(3,425,729)	(7,053,741)	(8,795,274)
Loss per Ordinary Equity Share (basic and diluted)	4	(0.85)p	(0.12)p	(0.97)p	(2.52)p	(3.16)p

All transactions, with the exception of the restructuring expenses, arose from continuing activities and there are no recognised gains or losses other than those presented above.

**SILENCE THERAPEUTICS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	<b>Six months ended 30 June 2011 (Un-audited) £</b>	<b>Six months ended 30 June 2010 (Un-audited) £</b>	<b>Year ended 31 December 2010 (Audited) £</b>
Loss for the period after taxation	(3,425,729)	(7,053,741)	(8,795,274)
Other comprehensive income:			
Exchange differences arising on consolidation of foreign operations	(63,235)	562,310	151,696
Total comprehensive income for the period	<u>(3,488,964)</u>	<u>(6,491,431)</u>	<u>(8,643,578)</u>

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2011**

	Note	30 June 2011 (Un-audited) £	30 June 2010 (Un-audited) £	31 December 2010 (Audited) £
<b>Non-current assets</b>				
Property, plant and equipment		269,391	302,702	287,613
Goodwill		28,210,456	28,478,960	28,346,276
Other intangible assets		1,048,110	1,039,147	945,391
		<u>29,527,957</u>	<u>29,820,809</u>	<u>29,579,280</u>
<b>Current assets</b>				
Investments		27,137	-	-
Inventory		-	-	27,438
Trade and other receivables		396,501	575,000	782,596
Cash and cash equivalents		6,485,868	6,836,177	3,566,877
		<u>6,909,506</u>	<u>7,411,177</u>	<u>4,376,911</u>
<b>Current liabilities</b>				
Trade and other payables		(2,072,769)	(2,750,139)	(1,686,516)
		<u>4,836,737</u>	<u>4,661,038</u>	<u>2,690,395</u>
<b>Net current assets</b>		<u>4,836,737</u>	<u>4,661,038</u>	<u>2,690,395</u>
<b>Net assets</b>		<u>34,364,694</u>	<u>34,481,847</u>	<u>32,269,675</u>
<b>Capital and Reserves attributable to the Company's Equity Holders</b>				
<b>Share capital</b>		5,765,845	2,798,915	2,798,915
<b>Capital reserves</b>		82,886,331	80,443,613	80,269,278
<b>Translation reserve</b>		2,969,468	3,443,317	3,032,703
<b>Profit and loss account</b>		(57,256,950)	(52,203,998)	(53,831,221)
<b>Equity Holders' funds</b>		<u>34,364,694</u>	<u>34,481,847</u>	<u>32,269,675</u>

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

<b>(Un-audited)</b>	<b>Share Capital £</b>	<b>Capital Reserves £</b>	<b>Translation Reserve £</b>	<b>Profit and loss Account £</b>	<b>Total £</b>
At 1 January 2011	2,798,915	80,269,278	3,032,703	(53,831,221)	<b>32,269,675</b>
Recognition of share-based payments	-	76,644	-	-	<b>76,644</b>
Issuance of warrants	-	795	-	-	<b>795</b>
Transfer upon:					
-exercise of options in period	-	-	-	-	-
-lapse of vested options in period	-	-	-	-	-
Shares issued in period, net of expenses	2,966,930	2,539,614	-	-	<b>5,506,544</b>
Transactions with owners	2,966,930	2,617,053	-	-	<b>5,583,983</b>
Loss for six months to 30 June 2011	-	-	-	(3,425,729)	<b>(3,425,729)</b>
Other comprehensive income				-	
Exchange differences arising on consolidation of foreign operations	-	-	(63,235)		<b>(63,235)</b>
At 30 June 2011	<u>5,765,845</u>	<u>82,886,331</u>	<u>2,969,468</u>	<u>(57,256,950)</u>	<b><u>34,364,694</u></b>

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

<b>(Un-audited)</b>	<b>Share Capital £</b>	<b>Capital Reserves £</b>	<b>Translation Reserve £</b>	<b>Profit and loss Account £</b>	<b>Total £</b>
At 1 January 2010	1,350,334	49,810,071	2,881,007	(45,150,257)	<b>8,891,155</b>
Recognition of share-based payments	-	820,077	-	-	<b>820,077</b>
Transfer upon:					
-exercise of options in period	-	-	-	-	-
-lapse of vested options in period	-	-	-	-	-
Shares issued in period, net of expenses	1,448,581	29,813,465	-	-	<b>31,262,046</b>
Transactions with owners	1,448,581	30,633,542	-	-	<b>32,082,123</b>
Loss for six months to 30 June 2010	-	-	-	(7,053,741)	<b>(7,053,741)</b>
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	-	-	562,310	-	<b>562,310</b>
At 30 June 2010	2,798,915	80,443,613	3,443,317	(52,203,998)	<b>34,481,847</b>

**SILENCE THERAPEUTICS PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE YEAR-ENDED 31 DECEMBER 2011**

<b>(Audited)</b>	<b>Share Capital £</b>	<b>Capital Reserves £</b>	<b>Translation Reserve £</b>	<b>Profit and loss Account £</b>	<b>Total £</b>
At 1 January 2010	1,350,334	49,810,071	2,881,007	(45,150,257)	<b>8,891,155</b>
Recognition of share-based payments	-	760,053	-	-	<b>760,053</b>
Transfer upon:					
-exercise of options in period	-	(2,477)	-	2,477	-
-lapse of vested options in period	-	(111,833)	-	111,833	-
Shares issued in year, net of expenses	1,448,581	29,813,464	-	-	<b>31,262,045</b>
Transactions with owners	1,448,581	30,459,207	-	114,310	<b>32,022,098</b>
Loss for the year ended 31 December 2010	-	-	-	(8,795,274)	<b>(8,795,274)</b>
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	-	-	151,696	-	<b>151,696</b>
At 31 December 2010	<u>2,798,915</u>	<u>80,269,278</u>	<u>3,032,703</u>	<u>(53,831,221)</u>	<b><u>32,269,675</u></b>

**SILENCE THERAPEUTICS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Six months to 30 June 2011 (Un-audited)	Six months to 30 June 2010 (Un-audited)	Year ended 31 December 2010 (Audited)
	£	£	£
<b>Cash flows from operating activities</b>			
Loss before taxation	(3,425,729)	(7,053,741)	(8,795,274)
Adjustments for:			
Depreciation charges	60,671	95,650	141,689
Amortisation charges	86,433	102,760	181,604
(Gain)/loss on sale of property, plant and equipment	(4,527)	154,471	169,049
Charge for the period in respect of share-based payments	77,439	719,043	659,018
Foreign exchange movement	55,339	119,235	-
Finance expense	-	42,408	63,295
Finance income	(38,639)	(54,989)	(95,343)
	<u>(3,189,013)</u>	<u>(5,875,163)</u>	<u>(7,675,962)</u>
Decrease/(increase) in trade and other receivables	358,957	154,647	(43,948)
Decrease/(increase) in inventory	27,435	-	(27,438)
Increase/(decrease) in trade payables	386,254	(1,786,416)	(2,819,261)
<b>Cash absorbed by operations</b>	<u>(2,416,367)</u>	<u>(7,506,932)</u>	<u>(10,566,609)</u>
Taxation received	-	59,198	59,198
Interest paid	-	(42,408)	(44,302)
<b>Net cash outflow from operating activities</b>	<u>(2,416,367)</u>	<u>(7,490,142)</u>	<u>(10,551,713)</u>
<b>Cash flows from investing activities</b>			
Acquisition of business	-	746,108	746,108
Proceeds from the sale of property, plant and equipment	8,678	77,323	66,407
Interest received	17,942	54,989	37,565
Additions to property, plant and equipment	(33,341)	(11,287)	(31,539)
Additions to intangible assets	(163,360)	(31,142)	(259,980)
<b>Net cash (used in)/generated from investing activities</b>	<u>(170,081)</u>	<u>835,991</u>	<u>558,561</u>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital	5,506,544	14,358,313	14,358,313
Repayment of notes payable	-	(1,938,673)	(1,940,492)
<b>Net cash generated from/(used in) investing activities</b>	<u>5,506,544</u>	<u>12,419,640</u>	<u>12,417,821</u>
<b>Net increase in cash and cash equivalents</b>	<u>2,920,096</u>	<u>5,765,489</u>	<u>2,424,669</u>
<b>Cash and cash equivalents at beginning of period</b>	3,566,877	1,131,146	1,131,146
<b>Net increase in cash and cash equivalents</b>	2,920,096	5,765,489	2,424,669
Effect of exchange rate fluctuations on cash held	(1,105)	(60,458)	11,062
<b>Cash and cash equivalents at end of period</b>	<u>6,485,868</u>	<u>6,836,177</u>	<u>3,566,877</u>
<b>Cash and cash equivalents include</b>			
Instant access bank accounts	<u>6,485,868</u>	<u>6,836,177</u>	<u>3,566,877</u>

# **SILENCE THERAPEUTICS PLC**

## **NOTES**

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

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 – ‘Interim Financial Reporting’ as adopted by the European Union.

The interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. However, the report of the auditors did contain an emphasis of matter paragraph in relation to shareholder approval of the fundraising. This condensed consolidated interim financial information has neither been reviewed nor audited.

### **2. 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.

During the period the Group met its day-to-day working capital requirements through the cash resources raised in the placing and subscription of shares in May 2011.

The Group had a net cash inflow in the six months ended 30 June 2011 of £2.92m and at 30 June 2011 had cash balances of £6.49m.

The directors consider that the current financial position of the Group is not unusual for a drug discovery and development company.

The directors have reviewed the working capital requirements of the Group for the next 12 months from the date of the approval of these interim financial statements and are confident that these can be met. The directors have a reasonable expectation that further finances will become available during the course of the next 12 months through grants, milestone and licence fee payments, relating to either new or existing agreements. In the past the Group has funded a shortfall in cash resources through the issuance of equity to institutional investors, a source, which whilst less dependable than in the past, still remains potentially available. The directors note that there is a material uncertainty as to the exact timing and source of these funds and that the failure to receive sufficient funding from these sources would cast significant doubt on the Group's ability to continue as a going concern. The directors have also taken a number of steps since the start of 2011 to reduce administration costs with the closure of the Company's US operations and has restricted the research and development expenditure to core areas.

Given the continued efforts noted above, 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.

### 3. Segment Reporting

For the Six Months Ended 30 June 2011

Business Segments	RNAi Therapeutics	Immunotherapy	Unallocated Corporate items	Consolidated
	£	£	£	£
Revenue	354,078	-	-	<b>354,078</b>
Operating results	(2,964,260)	(683)	(503,193)	<b>(3,468,136)</b>
Finance and other income (net)	33,205	161	9,041	<b>42,407</b>
Net loss for the period	<b>(2,931,055)</b>	<b>(522)</b>	<b>(494,152)</b>	<b>(3,425,729)</b>
Segment assets	30,219,224	5,768	6,212,470	<b>36,437,462</b>
Segment liabilities	(1,869,399)	(819)	(202,551)	<b>(2,072,769)</b>
Costs to acquire property, plant and equipment	33,341	-	-	<b>33,341</b>
Costs to acquire other intangible assets	163,360	-	-	<b>163,360</b>
Depreciation and amortisation	147,104	-	-	<b>147,104</b>
Charge for non-cash expenses	71,666	-	5,773	<b>77,439</b>

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

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

In 2011, the total amount of costs incurred as part of the restructuring program amounted to £0.44m (2010:£0.48m).

## For the Six Months Ended 30 June 2010

Business Segments	RNAi Therapeutics	Immunotherapy	Unallocated Corporate items	Consolidated
	£	£	£	£
Revenue	716,090	-	-	<b>716,090</b>
Operating results	(4,942,211)	(8,952)	(1,960,688)	<b>(6,911,851)</b>
Finance and other income (net)	(201,438)	46,502	13,046	<b>(141,890)</b>
Net loss for the period	(5,143,649)	37,550	(1,947,642)	<b>(7,053,741)</b>
Segment assets	31,621,358	524,678	5,085,950	<b>37,231,986</b>
Segment liabilities	(2,597,898)	-	(152,241)	<b>(2,750,139)</b>
Costs to acquire property, plant and equipment	11,287	-	-	<b>11,287</b>
Costs to acquire other intangible assets	31,142	-	-	<b>31,142</b>
Depreciation and amortisation	198,410	-	-	<b>198,410</b>
Charge for non-cash expenses	540,288		178,755	<b>719,043</b>

### 4. Earnings per share

The loss per share is based on the loss for the period after taxation attributable to Equity Holders of £3,425,729 (year ended 31 December 2010 – loss £8,795,274; six months ended 30 June 2010 – loss £7,053,741) and on the weighted average of 352,015,733 ordinary shares in issue during the period (year ended 31 December 2010 – 278,303,966; six months ended 30 June 2010 – 276,617,824).

The options outstanding at 30 June 2010, 31 December 2010 and 30 June 2011 are considered to be non-dilutive in that their conversion into ordinary shares would decrease the net loss per share. Consequently, there is no diluted earnings per share to report for the periods reported.

### 5. Related Party

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

### 6. Issue of Shares

On 16 May 2011, the Company raised £5.93m in cash before expenses. The fundraising was conducted by way of a placing and open offer of 296,693,065 new Ordinary shares of 1 pence each at a price of 2 pence per share. The nominal value of these shares was £2,966,930.65.

## Notes for editors

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

Silence Therapeutics plc (AIM: SLN) is a leading biotechnology company dedicated to the discovery, development and delivery of targeted, systemic RNA interference (RNAi) therapeutics for the treatment of serious diseases. Silence offers one of the most comprehensive short interfering RNA (siRNA) therapeutic platforms available today based on a strong intellectual property portfolio and large clinical safety database. Silence's clinical siRNA product pipeline is one of the broadest in the industry. The Company possesses multiple proprietary siRNA delivery technology platforms including AtuPLEX™ and DACC. AtuPLEX enables the broad functional delivery of siRNA molecules to targeted diseased tissues and cells, while increasing their bioavailability and intracellular uptake. The DACC delivery system allows functional delivery of siRNA molecules selectively to the lung endothelium with a long duration of target mRNA and protein knock-down. Additionally, the Company has a platform of novel siRNA molecules based around its AtuRNAi chemical modification technology, which provides a number of advantages over conventional siRNA molecules. Silence's unique RNAi assets also include structural features for RNAi molecules and specific design rules for increased potency and reduced off-target effects of siRNA sequences.

The Company's lead internal drug candidate is Atu027, a liposomal formulation in clinical development for systemic cancer indications and one of the most clinically advanced RNAi therapeutic candidates in the area of oncology. Atu027 incorporates two of the Company's technologies, AtuRNAi and AtuPLEX. Silence is currently conducting an open-label, single-centre, dose-escalation Phase I study with Atu027 in patients with advanced solid tumors involving single, as well as repeated, intravenous administration. Encouraging interim data were presented at the American Society of Clinical Oncology Annual Meeting in June 2011. The study is expected to be completed in the first half of 2012.

The Company's RNAi therapeutic platform has received key validation through multiple partnerships with pharmaceutical companies including AstraZeneca, Dainippon Sumitomo, Pfizer/Quark, and Novartis/Quark. Silence is actively pursuing the establishment of additional partnerships. Silence Therapeutics has operations in both Berlin and London.

### **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.

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