27 September 2016

Interim results for the six months ended 30 June 2016

Liver focus, patent portfolio validation and strengthened leadership

London, 27 September 2016 - Silence Therapeutics plc, AIM:SLN ("Silence" or "the Company") a leader in the discovery, delivery and development of novel RNA therapeutics for the treatment of serious diseases with unmet medical need, announces its unaudited interim results for the half year to 30 June 2016.

Highlights

- In line with the new liver focus, competitive *in vivo* data generated in GalNAc-siRNA conjugates for several target genes.
- Encouraging RNA based CRISPR/Cas9 data in murine liver confirms the suitability of liposomal systems for *in vivo* gene editing. Target gene disruption maintained for over 145 days so far.
- Licensee Quark Pharmaceuticals started dosing of its Phase 2 and Phase 3 trials initiated in Delayed Graft Function and Acute Kidney Injury. In combination, over 1,000 patients will be treated with our proprietary modified siRNA (AtuRNAi®).
- Negotiations with US company for a single AtuRNAi licence continue.
- Senior management and main Board strengthened with key hires.
- Technology Advisory Board (TAB) consisting of three world leading experts in RNA therapeutics established.
- Arbitration proceedings instigated with licensee Quark Pharmaceuticals for a milestone payment.
- Atu027 Phase 2a follow up results showed consistent Overall Survival (OS) with the Progression Free Survival (PFS) previously reported.

Financial Highlights

- Loss after tax of £4.7M (2015 H1: £4.1M).
- Cash and cash equivalents of £47.6M (H1 2015: £55.8M, FY 2015 £51.9M).

Ali Mortazavi Chief Executive of Silence Therapeutics commented

"Silence has been fully focused on progressing a high conviction IND/CTA filing to spearhead the platform potential of RNA therapeutics. Central to this have been the key senior hires from the biopharma industry in conjunction with rapid progress in the powerful GalNAc liver technology. A proportion of our R&D budget has also been focused on high impact R&D areas such as CRISPR, where we believe that we can license or partner enabling technologies for larger players in the field.
In addition to our core science, through the licensing of our IP and newly granted patents, we are represented in the clinic in Phase 2 and 3 trials as well as continuing discussions around possible new licences to our own patents with competitors in the field. Recent legal advice in regards to our IP has further increased our confidence that this element of our business alone could represent a significant proportion of the current market capitalisation of the Company."

Stephen Parker Non-Executive Chairman said

"This has been a time of intense activity for Silence, including a review of the research strategy and the recruitment of highly experienced executives to lead the implementation. At the Board level, we have recently been delighted to welcome Dr Andy Richards, CBE as a non-executive director and Chairman of the Remuneration Committee, Alistair Gray has extended the remit of the Audit and Risk Committee and we have completed the restructuring of the Board to have only two executive directors, the CEO and the CFO, in which role we have also been pleased to welcome David Ellam."

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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Notes to Editors

About Silence Therapeutics plc

Our technology harnesses the body's natural mechanisms to create therapeutic effects within its cells. This technology can selectively silence or replace any gene in the genome, modulating gene expression up as well as down in a variety of organs and cell types, in vivo. We have developed proprietary modifications to improve the robustness of RNA sequences, as well as advanced chemistries to enhance the effective delivery of therapeutic RNA molecules to target cells.

Chief Executive's Report

Overview
The Company is approaching an important moment where the technology to enable RNA interference (RNAi) is robust enough to support multiple clinical programmes. We believe that lipid nanoparticle delivery systems are better suited to larger cargos such as messenger RNA (mRNA) and for gene editing applications, whereas the highly potent and specific GalNAc liver targeted delivery is best suited to RNAi. In relation to this, our IP position in modified short interfering RNA (siRNA), which has recently been strengthened by the grant of broad claims, is an asset that has become even more valuable in the context of GalNAc conjugated delivery. To date, we have taken the view that we have not yet seen sufficient high conviction disease modulation to justify a new full scale clinical commitment. However, we are in the process of building stronger datasets and will continue to apply stringent go/no-go criteria to internal programmes in order to maximise our chances of delivering benefits to patients and returns to investors.

R&D Review
During the first half of our financial year we obtained the follow-up data of our Phase 2a Atu027 study in pancreatic cancer. As reported, OS data was in line with the PFS results previously announced although a statistically significant difference between the two arms was not observed. The trial met its primary endpoint, with no safety issues being identified for the combination of Atu027 with gemcitabine. Our goal is to progress Atu027 through a suitable partnership rather than using our balance sheet.

Recent developments in GalNAc-siRNA conjugates include knock down data for multiple genes in mice, as well as translation of these effects to non-human primates using a secreted tool target. Both depth and duration of knock down appear competitive relative to the data published by other companies in the field. In addition, research is under way in several disease areas, where representative animal models have been identified. Given the progress in GalNAc conjugates achieved during the period, the Company will increase its liver focus and limit the applications of its liposomal systems for extra-hepatic indications and for the delivery of larger cargos like mRNAs.

Progress was also made in extra-hepatic liposomal siRNA, where studies in animal models of pulmonary arterial hypertension continue to be encouraging. We are currently in the process of evaluating which existing liver liposomal programmes are best suited to GalNAc and will be transitioned to this delivery technology.

In mRNA, we observed therapeutically relevant levels of protein production in non-human primates as well as in rodents. In addition, we have obtained proof that our liposomes can mediate CRISPR gene editing through an entirely RNA based approach, which consists of delivering mRNA coding for Cas9 nuclease and a guide RNA for a particular target gene packaged into one particle. We have optimised the composition of these double-cargo liposomes and achieved sustained target gene disruption in vivo for two different target liver genes for over 145 days so far. This experiment is still running to fully assess the duration of the effect.

Licensing

In December 2015, the Company had a further patent (9,222,092) granted in the US, which substantially broadens its position in modified siRNA molecules and we continue to seek additional granted claims through a program of continuation filings.

In the past six months Silence has obtained several favourable legal opinions indicating that multiple siRNA based drugs currently in clinical development potentially fall within its issued claims. Subsequently, the Company has invited the relevant companies to enter licensing negotiations.

The strengthened position around AtuRNAi® makes this asset an even more significant value driver, comprising existing licensee Quark's clinical progress, ongoing negotiations and potential additional licences.

Strategy

The headline strategy of the Company remains the development of a lead clinical programme based on RNA-triggered gene expression modulation. Silence's business model relies on a risk-diversified preclinical engine that plays to the modularity of RNA therapeutics. In order to ensure that large amounts of capital are only invested in the development of high confidence drug candidates, highly stringent go/no-go criteria are applied prior to entering clinical trials.

This period saw a strategic review of the Company's technology and programmes, with input from the recently established TAB. The outcome of such review confirmed the decision taken in Q2 2015 to increase investment in GalNAc-siRNA conjugates for liver delivery. In parallel, a smaller liposomal capability will be maintained for large cargos (mRNA) and severe extra-hepatic applications, where the toxicity and administration route challenges of large nanoparticles are less limiting.

The liver is affected by numerous diseases of high unmet clinical need, opening new areas of opportunity for Silence with its GalNAc delivery technology, which allows potent gene inhibition with subcutaneous administration. Although GalNAc is a recent development, positive clinical data generated by other players in the space has already partially de-risked this technology. Liver disease is a sufficiently large area to allow for multiple leaders to successfully operate in this market, which ranges from rare and ultra-rare genetic diseases to infectious conditions to common metabolic disorders.

Team
During the period there have been a number of Board changes: David Ellam was appointed as Chief Financial Officer (CFO) and joined the Board of the Company, while previous CFO Timothy Freeborn stepped down from the Board and moved to Silence's Berlin site as Managing Director. In addition, several senior R&D appointments took place including Dr Dmitry Samarksy who joined the Company as Chief Scientific Officer (CSO) post-period and Dr Mark Cameron as Head of Chemistry. An expert TAB was also established to offer guidance both in technology development and in assessing our competitive position in different R&D areas. Post the period, as announced, Dr Andy Richards CBE joined the Board as non-executive director.

We have been able to attract professionals with extensive experience in the biotechnology and pharma sectors that is directly relevant to the Company. The strengthened management team is now in a better position to drive the execution of our business plan and to advance our technology into clinical development and ultimately into marketed drugs. Our strengthened Board also brings increased leadership experience and a broad range of capabilities to complement the executive team. We believe the Company now has the right balance of aspiring scientists and experienced management with the required expertise in drug development.

Outlook
Silence has focused on adding key leaders to its management as well as on the consolidation of a new part of its business, GalNAc-siRNA conjugates, during the first half of 2016. The progress achieved in GalNAc delivery technology and its widespread applications support our liver focus and the planned shift of our R&D budget towards a heavier spend in this area. The rest of the year will centre around the implementation of our business plan, driving technological progress based on the foundations established to date. The newly assembled executive team will strive to advance selected preclinical programmes into the clinic in an ambitious timeline.
Silence is a world leading RNA therapeutics company and we look to the future with great confidence.

EU Referendum
Whilst the outcomes of the 'Brexit' are not yet clear, it is expected that any medium to long-term implications will be manageable. In the period, movements in the Sterling to Euro rates contributed towards a favourable foreign exchange gain.

Financial review

Operating Expenses

Research & Development Expenses

Research and development expenses increased by £1.5M to £4.7M for H1 2016 (H1 2015: £3.2M). Payroll related costs rose by £0.5M due primarily to the cost of a small number of redundancies as the R&D team was reorganized, and the cost of materials rose £0.8M with additional expenditure on activities including early CRISPR development & R&D expansion into non liposomal conjugation delivery systems.

General and Administration Expenses

General & administration expenses increased by £1.0M to £2.0M for H1 2016, from £1.0M for H1 2015. Payroll related costs rose by £0.5M of which £0.3M was an increase in the share based compensation expense. The prior period included a one-off credit of £0.4M related to the reversal of certain accruals.

Other Income

The foreign exchange gain of £1.1M arose primarily from the company's holding of cash denominated in Euros (H1 2015: £NIL)

Cash flows

The Group continues to maintain a strong cash position, with cash & cash equivalents at 30 June 2016 of £47.6M (30 June 2015: £55.8M). The net decrease in cash and cash equivalents in the period was £5.8M for H1 2016. The net increase in cash and cash equivalents for H1 2015 was £39.3M and this included net placing proceeds of £39.2M plus the addition of £5M from the sale of financial assets held for resale.

Taxation

During H1 2016 we accrued £0.8M recognizing a current tax asset in respect of R&D tax credits. For H1 2015 there was no accrual for an R&D tax credit: given that there was no track history of claiming, management could not reliably estimate the amount that would be received and therefore no accrual was made.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out in the 2015 Annual Report which is available on our website, www.silence-therapeutics.com. The Board does not believe that the risks and uncertainties set out in that Annual Report have changed.

SILENCE THERAPEUTICS PLC
CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June 2016 (un-audited) £000s	Six months ended 30 June 2015 (un-audited) £000s	Year ended 31 Dec 2015 (audited) £000s
Research and development costs	(4,670)	(3,237)	(7,114)
General & Administration expenses	(2,047)	(962)	(2,655)
Operating loss	(6,717)	(4,199)	(9,769)
Other income			
Interest income	108	61	175
Foreign Exchange gain / (loss)	1,067	(3)	165
Loss for the period before taxation	(5,542)	(4,141)	(9,429)
Taxation	809	-	2,784
Retained loss for the period after taxation	(4,733)	(4,141)	(6,645)
Loss per ordinary share (basic and diluted)	(6.8p)	(7.1p)	(10.4p)

SILENCE THERAPEUTICS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June 2016 (un-audited) £000s	Six months ended 30 June 2015 (un-audited) £000s	Year ended 31 Dec 2015 (audited) £000s
Loss for the period after taxation	(4,733)	(4,141)	(6,645)
Other comprehensive income:			
Exchange differences arising on consolidation of foreign operations	1,326	(1,091)	(616)
Total comprehensive expense for the period	(3,407)	(5,232)	(7,261)

SILENCE THERAPEUTICS PLC
CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2016

	As at 30 June 2016 (un-audited) £000s	As at 30 June 2015 (un-audited) £000s	As at 31 Dec 2015 (audited) £000s
Non-current assets			
Property, plant and equipment	1,062	462	1,093
Goodwill	7,499	6,383	6,663
Other intangible assets	10	3	6
Other receivables	233	—	233
	8,804	6,848	7,995
Current assets			
Trade and other receivables	2,589	373	1,641
Investments held for sale	3	2	2
Cash and cash equivalents	47,594	55,768	51,907
	50,186	56,143	53,550
Current liabilities			
Trade and other payables	(1,520)	(926)	(1,118)
Total Assets less current liabilities	57,470	62,065	60,427
Net assets	57,470	62,065	60,427
Capital and reserves attributable to the company's equity holders			
Share capital	3,490	3,490	3,490
Capital reserves	164,519	164,851	165,074
Translation reserve	2,624	823	1,298
Retained loss	(113,163)	(107,099)	(109,435)
Total equity	**57,470**	**62,065**	**60,427**

SILENCE THERAPEUTICS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 JUNE 2016

(Un-audited)

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Retained Loss £000s	Total £000s
At 1 January 2016	3,490	165,074	1,298	(109,435)	60,427
Recognition of share-based payments	—	450	—	—	450
Transfer upon:					
Purchase of options	—	(975)	—	975	—
Lapse of vested options in period	—	(30)	—	30	—
Transactions with owners	**—**	**(555)**	**—**	**1,005**	**450**
Loss for six months to 30 June 2016	—	—	—	(4,733)	(4,733)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	1,326	—	1,326
Total comprehensive expense for the period	—	—	1,326	(4,733)	(3,407)
At 30 June 2016	**3,490**	**164,519**	**2,624**	**(113,163)**	**57,470**

SILENCE THERAPEUTICS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2015

	Share Capital £000s	Capital Reserves £000s	Translation Reserve £000s	Retained Loss £000s	Total £000s
At 1 January 2015	2,605	126,197	1,914	(102,958)	27,758
Recognition of share-based payments	—	777	—	—	777
Lapse of vested options in period	—	(168)	—	168	—
Shares issued in period, net of expenses	885	38,268	—	—	39,153
Transactions with owners	**885**	**38,877**	**—**	**168**	**39,930**
Loss for year to 31 Dec 2015	—	—	—	(6,645)	(6,645)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	(616)	—	(616)
Total comprehensive expense for the year	—	—	**(616)**	**(6,645)**	**(7,261)**
At 31 December 2015	**3,490**	**165,074**	**1,298**	**(109,435)**	**60,427**

SILENCE THERAPEUTICS PLC
CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June 2016 (un-audited) £000s	Six months ended 30 June 2015 (un-audited) £000s	Year ended 31 Dec 2015 (audited) £000s
Cash flow from operating activities			
Loss for the period	(4,733)	(4,141)	(6,645)
Depreciation charges	138	70	180
Amortisation charges	2	-	2
Sale of fixed assets	4	-	-
Charge for the period in respect of share-based payments	450	385	777
Finance income	(108)	(61)	(175)
Tax credits	(809)	-	(2,784)
R&D tax credit received	-	-	1,513
Non-cash and other movements	(1,071)	(629)	-
	(6,127)	(4,376)	(7,132)
(Increase) in trade and other receivables	(118)	(13)	(228)
Increase/(decrease) in trade and other payables	363	(412)	(895)
Net cash outflow from operating activities	(5,882)	(4,801)	(8,255)
Cash flow from investing activities			
Decrease in other financial assets	-	5,000	5,000
Interest received	108	61	175
Addition to property, plant and equipment	(49)	(114)	(843)
Addition to intangible assets	(5)	(2)	(7)
Net cash (used in)/generated from investing activities	54	4,945	4,325
Cash flow from financing activities			
Proceeds from issue of share capital	-	39,154	39,153
Increase/(decrease) in cash and cash equivalents	(5,828)	39,298	35,223
Cash and cash equivalent at start of period	51,907	16,857	16,857
Net (decrease)/increase in the period	(5,828)	39,298	35,223
Effect of exchange rate fluctuations	1,515	(387)	(173)
Cash and cash equivalent at end of period	**47,594**	**55,768**	**51,907**

SILENCE THERAPEUTICS PLC
NOTES TO THE FINANCIAL STATEMENTS SIX MONTHS ENDED 30 JUNE 2016

1. Basis of Preparation and Accounting Policies

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with IAS 34 – 'Interim Financial Reporting' as adopted by the European Union. The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2015.

This condensed consolidated interim financial information has been neither reviewed nor audited. 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 six months ended 30 June 2015 are not the Company's statutory accounts for that financial year. The 2015 full year 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.

2. Going concern

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

During the period the Company met its day-to-day working capital requirements through existing cash resources. The Company had a net decrease in the cash and cash equivalent in the period ended 30 June 2016 of £5.8M and at 30 June 2016 had cash balances of £47.6M. The Directors have reviewed the working capital requirements of the Company for the next 12 months from the date of the approval of these interim financial statements and are confident that these can be met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SIX MONTHS ENDED 30 JUNE 2016

3. Segment Reporting

Six months ended 30 June 2016

Business segments	RNAi therapeutics £000s	Group unallocated	Consolidated £000s
Operating loss	(4,670)	(2,047)	(6,717)
Interest income	5	103	108
FX gain	-	1,067	1,067
Segment loss for the period	(4,665)	(877)	(5,542)
Segment assets	8,060	50,930	58,990
Segment liabilities	(551)	(969)	(1,520)
Costs to acquire property, plant and equipment	37	12	49
Costs to acquire intangible assets	5	-	5
Depreciation and amortization	88	52	140
Charge for non-cash expenses: share-based payments charge	-	450	450

Six months ended 30 June 2015

Business segments	RNAi therapeutics £000s	Group unallocated £000s	Consolidated £000s
Operating loss	(3,237)	(962)	(4,199)
Interest income	61	-	61
FX loss	(3)		(3)
Segment loss for the period	(3,179)	(962)	(4,141)
Segment assets	6,831	56,160	62,991
Segment liabilities	(218)	(708)	(926)
Costs to acquire property, plant and equipment	112	2	114
Costs to acquire intangible assets	2	-	2
Depreciation and amortisation	67	3	70
Charge for non-cash expenses: share-based payments charge	-	385	385

In accordance with IFRS 8 'Operating Segments', the identification of the Company'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 Company is managed on a business segment basis – RNA therapeutics 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 RNA therapeutics segment are located in Germany. The remaining operations segment assets and liabilities are located in the United Kingdom.

In accordance with IAS 36 Impairment of Assets, the carrying value of goodwill is assessed comparing its carrying value to its recoverable amount. The recoverable amount is calculated by the Directors as being the value in use. For the purpose of impairment testing of goodwill, the Directors perform risk adjusted discounted cash flow analysis of the RNAi therapeutics business segment. The goodwill in the RNAi therapeutics segment, which totals £7.5M, is supported by the value in use of the on-going business.

4. Loss per share

The loss per share is based on the loss for the period after taxation attributable to equity holders of £4.73M (year ended 31 December 2015 – loss £6.65M; six months ended 30 June 2015 – loss £4.14M) and on the weighted average of 69,801,624 ordinary shares in issue during the period (year ended 31 December 2015 – 64,023,900; six months ended 30 June 2015 – 58,150,414).

The options outstanding at 30 June 2016, 31 December 2015 and 30 June 2015 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 loss per share to report for the periods reported.

5. Related party transactions

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