

**FOR IMMEDIATE RELEASE**

**SILENCE THERAPEUTICS PLC  
UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED  
31 DECEMBER 2009**

**London, 29 April 2010** - Silence Therapeutics plc (AIM: SLN) (“Silence” or the “Company”) announces its results for the year ended 31 December 2009.

On 5 January 2010, Silence merged with U.S.-based RNA interference (RNAi) therapeutic company, Intradigm Corporation, to form a leading company in the field of RNAi. The merger offers a number of strategic benefits including multiple RNAi discovery, development and delivery technologies, a broad internal and partnered product pipeline and a strong portfolio of intellectual property. Details and outlook relating to this merger are provided in the Chairman's Statement and the Chief Executive's Review.

**Analyst Conference Call and Webcast:** An analyst briefing call and simultaneous webcast will be held Thursday, 29 April 2010 at 2:00pm BST / 9:00am ET. The webcast can be accessed via Silence Therapeutics' website at [www.silence-therapeutics.com](http://www.silence-therapeutics.com). The conference call can be accessed by dialing:

**U.K.: 0 808 101 7548**

**U.S.: 913-312-1483**

**Participant PIN code: 6504213**

The archived webcast will be available afterwards on Silence Therapeutics' website.

**HIGHLIGHTS 2009**

**OPERATIONAL**

- **Silence initiated a Phase I clinical trial of Atu027**, its lead drug candidate for the treatment of advanced solid tumours. The trial, being conducted at the clinical study centre of the Cancer Hospital SanaFontis in Freiburg, Germany, is an open-label, dose-finding study to address the safety, tolerability and pharmacokinetics of Atu027. It is expected that results from the trial will be available in the second half of 2011.
- **Silence's licensing partner, Quark Pharmaceuticals, commenced Phase I/II clinical trials with QPI-1002**, a short interfering RNA (siRNA) therapeutic product candidate in development for use in kidney transplants. QPI-1002 is based on Silence's proprietary AtuRNAi chemistry.
- **The European Patent Office (EPO) granted a patent on protein kinase N3 (PKN3)**, the target gene for Silence's lead compound Atu027.

- **The Technical Board of Appeal of the European Patent Office revoked in its entirety European patent EP1 214 945, which is a fundamental competitor patent owned by Alnylam Europe AG.**
- **Silence entered into a delivery collaboration with Dainippon Sumitomo Pharma Co., Ltd. of Japan** to demonstrate the functional delivery of Silence's proprietary siRNA molecules to specific targets. The collaboration is evaluating Silence's proprietary AtuRNAi, a novel proprietary siRNA molecule which is chemically modified to improve stability, reduce manufacturing costs and increase yield. The collaboration is also making use of Silence's AtuPLEX delivery technology, which has been shown to improve functional intracellular uptake.
- **The Opposition Division of the EPO upheld Silence's core AtuRNAi patent EP 1 527 176 ('176) in amended form.** The amended form of patent '176 covers Silence's proprietary blunt-ended siRNA molecules containing alternating 2'-O-Methyl modifications.

## FINANCIAL

- Revenue generated in the year was £1.72m (2008: £2.21m)
- Administrative expenses increased to £4.20m (2008: £3.29m)
- Research and development expenditure decreased to £5.07m (2008: £6.71m)
- The cash position at year-end was £1.13m. A further £15.0m (gross) was raised shortly after the year-end through an institutional placing that closed in January 2010. At the end of 2008, Silence had cash of £3.35m.

## POST YEAR-END OPERATIONS

- **Silence merged with U.S.-based RNAi therapeutic company Intradigm Corporation ("Intradigm") on 5 January 2010 to form a leading company in the field of RNA interference.** The merger was effected by the issue of Silence shares to the shareholders of Intradigm such that the Intradigm shareholders at the time of the merger owned approximately 36% of the issued share capital of Silence. The merger offers a number of strategic benefits including multiple RNAi discovery, development and delivery technologies, a broad internal and partnered product pipeline and a strong portfolio of intellectual property.

In parallel with the merger, Silence Therapeutics raised £15 million (gross) through an institutional placing and a subscription of shares at a price of 23 pence per share. The funds raised will support the company's ongoing development efforts and provide the strength from which to pursue additional partnerships and development deals.

Upon completion of the merger, Philip Haworth, J.D. Ph.D., former chief executive officer of Intradigm, assumed the role of chief executive officer of the enlarged group.

- **The United States Patent and Trademark Office (USPTO) issued the company a notice of allowance on a patent application directed to methods of treatment using PKN-3, a high-value therapeutic target in the area of oncology.**
- **Silence and Dainippon Sumitomo Pharma Co., Ltd. agreed to expand their ongoing siRNA delivery collaboration** to examine delivery of RNAi therapeutics to additional disease targets selected by Dainippon Sumitomo.
- **Silence announced a strategic plan designed to optimally organize its resources** following its recent merger with Intradigm. Moving forward, all research activities related to Silence's novel RNAi therapeutic platforms, including technologies that have emerged from both Silence and Intradigm, will take place at the company's Berlin location. Other functions including operations, business development, legal and certain drug development activities will be conducted in Palo Alto. Silence expects this move to result in a significant reduction in the company's operating costs moving forward.
- **Silence and AstraZeneca agreed to an extension of their ongoing siRNA delivery collaboration** to examine new and enhanced delivery approaches for RNAi therapeutics.

#### **POST YEAR-END BOARD AND MANAGEMENT CHANGES**

- **Silence announced a board change** with the resignation of Iain Ross as chairman. Jerry Randall, who was appointed to the Silence board in 2008, was appointed non-executive chairman.
- **Silence announced a management and board change** with the resignation of Melvyn Davies as chief financial officer. Silence also announced the appointment of Max Herrmann as the company's chief financial officer and company secretary with effect from 4 May 2010.

#### **CHAIRMAN'S STATEMENT**

2009 was a defining year for Silence Therapeutics. Each of the company's internal programs advanced steadily - we entered into a new collaboration with Dainippon Sumitomo and made excellent progress with each of our pharma partnerships, and we strengthened our intellectual property position by expanding our portfolio of filed and issued patents.

Despite our many internal successes, the turbulence of the world's financial markets created a significant degree of uncertainty that required the company's attention and decisive action. In an effort to address the declining opportunity for financing and the erosion of our share value, we began to evaluate our options, with the goal of achieving the following objectives:

- Establish Silence as a partner-of-choice for the world's leading pharmaceutical companies;
- Expand our technology base to allow us to best address the challenges of RNAi delivery; and,
- Secure additional financing for the company.

The merger with Intradigm Corporation, which was completed in January 2010, took Silence Therapeutics a long way to achieving these goals including a concurrent financing of £15.0m (gross). As a result, Silence is now better funded and holds a strong strategic position in the three areas we believe are critical to building, protecting and commercializing RNAi therapeutics:

- Proprietary delivery technologies
  - Silence's delivery platform is one of the industry's broadest, including both lipid and polymer technologies, offering drug developers an increased opportunity for successful delivery to specific tissues to cause specific therapeutic benefits.
- Potent siRNA sequences
  - Silence has issued and pending patents on multiple high-value siRNA sequences of varying structure.
- Innovative siRNA structural features
  - Silence has issued and pending patents directed to one of the industry's most advanced siRNA chemical modification technologies optimized for improved stability, yield and safety.
  - Silence's exclusive licenses from the University of Massachusetts provide access to issued and pending patents associated with the Zamore “Design Rules” including methods for increased potency and reduced off-target effects.

A key factor in establishing Silence as a partner-of-choice for pharmaceutical companies is our ability to provide novel and effective siRNA delivery solutions. As it is not likely that the vast range of siRNA delivery challenges will be addressed by a single platform, we believe it's critical to build a broad toolbox of solutions and technologies. By combining the impressive expertise of both Silence and Intradigm, we now have one of the industry's most comprehensive and versatile delivery technology platforms, providing Silence with unmatched potential to develop solutions for successful siRNA delivery to particular tissues to cause specific therapeutic benefits.

The combined assets of the new company have drawn the attention of a number of leading pharmaceutical companies worldwide and we are actively engaged in partnering discussions spanning a range of new and exciting development opportunities.

In summary, the merger combined the strength of two innovative entities and created a new leadership in RNAi therapeutic development. As a result, we have succeeded in establishing a new company with the following strengths and advantages:

- **Comprehensive platform of technologies capable of addressing the discovery, development and delivery of RNAi therapeutics.** Capabilities extend to all essential areas for successful product development including formulation and drug delivery, siRNA structure and chemistry and a diverse library of therapeutic siRNA sequences.
- **Advancing pipeline of internal and partnered product candidates.** At least half of the siRNA

programs currently in clinical development globally incorporate Silence's technology. These include product candidates that are being advanced by partners such as Pfizer and Quark Pharma.

- **Broad and diverse intellectual property portfolio.** IP protection covering essential areas of RNAi therapeutic development (target sequences, delivery and siRNA structural features).
- **Validating partnerships with global pharmaceutical companies.** The multiple major partnerships with companies such as AstraZeneca, Pfizer, Quark Pharma and Daiippon Sumitomo demonstrate the credibility of Silence's technologies.
- **Experienced management team and board of directors.** Our new management team, board and recent reorganization provide the expertise and focused skills required to advance Silence's discovery and development activities.
- **Expanded financial support and stability to facilitate new growth opportunities.** International shareholder base offers broader access to capital, which should ultimately provide additional strength to negotiate favorable strategic transactions.

We believe the merger produced a stronger, more stable and technologically sophisticated company that is well positioned as a new leader in RNAi therapeutic development. We are actively developing our strategic plan for the near term, and we will continue to take all steps required to advance our internal and partnership programs, as well as establish new collaborations to fuel our pipeline in the future.

We are grateful for the support of our shareholders and new investors alike and we wish to assure them both that we are committed to building corporate value through meaningful scientific progress and additional high-value partnerships with the pharmaceutical industry.

Thank you for your continued support of Silence Therapeutics.

Jerry Randall ACA  
Chairman

## **CHIEF EXECUTIVE'S REVIEW**

### **OVERVIEW**

In 2009, a number of pivotal events provided the foundation and framework that will propel Silence forward in 2010 and beyond. During the year, the company made progress on all fronts – in the clinic, with partnerships, financially and in securing critical intellectual property (IP). These successes opened the door for further opportunity, culminating in the merger with Intradigm on 5 January 2010. We believe post-merger Silence is a new leader in RNAi therapeutic development with a unique potential to develop delivery solutions that can be tailored to address various therapeutic requirements. With our expanded technologies and assets, we are aggressively executing a plan designed to further strengthen the business and create increasing value for our shareholders.

Before looking ahead, I'd like to address each of the critical 2009 events that contributed to our new company and our future opportunities.

## **OPERATIONAL**

### **Progress in the Clinic**

In 2009, we made great strides in the clinic with two of our programs in human trials. In January 2009, our licensing partner, Quark Pharmaceuticals, commenced a Phase I/II clinical trial with QPI-1002, its RNAi drug targeting the p53 gene for the prevention of delayed graft function (DGF) following kidney transplants. QPI-1002 incorporates Silence's AtuRNAi technology and we believe this independent advancement of our technology represents a significant validation of Silence's science and drug candidates. While this program is managed by Quark, we believe the trial is progressing as planned and we look forward to the results.

In June 2009, Silence initiated a Phase I study of Atu027, our lead drug candidate for the treatment of advanced solid tumours. The trial, being conducted at the clinical study centre of the Cancer Hospital SanaFontis in Freiburg, Germany, is an open-label, dose-finding study to address the safety, tolerability and pharmacokinetics of Atu027. This trial has 11 dosing regimens. We are advancing through the dosing protocol as planned and we remain on target to have results in the second half of 2011.

Atu027 specifically targets PKN3, a molecule involved in cancer growth and metastasis formation. Atu027 is Silence's most advanced clinical candidate for a systemically delivered siRNA using the company's proprietary AtuPLEX delivery technology. It is our belief that Atu027 may ultimately be a valuable treatment option for cancer patients that do not respond to standard therapy.

Silence is also working to develop three pre-clinical programs. Atu134 is being evaluated for potential treatment of acute lung injury and Atu111 and Atu150 are both being evaluated for the potential treatment of solid tumours.

### **Expanding Our Collaborations**

In August 2009, Silence expanded its partnerships with the addition of a new collaboration with Dainippon Sumitomo Pharma Co., Ltd. of Japan. The purpose of the collaboration is to demonstrate the functional delivery of Silence's proprietary siRNA molecules to specific targets. The ongoing collaboration is currently evaluating Silence's proprietary AtuRNAi molecule that is chemically modified to improve safety, reduce manufacturing costs and increase stability. The collaboration is also making use of Silence's AtuPLEX delivery technology, which has been shown to improve functional intracellular uptake.

Though this collaboration is currently only seven months old, we were pleased to announce in March 2010 that Dainippon Sumitomo has elected to expand this collaboration by examining delivery to additional disease targets that were not originally specified under the initial collaboration.

As a company focused on addressing the challenges of RNAi delivery, we are very pleased that Dainippon Sumitomo has elected to expand our collaboration so quickly. We believe this is a strong testimony to the potential of our delivery technology as well as the value we bring our partners.

In addition to our partnership with Dainippon Sumitomo, we currently have two ongoing collaborations with AstraZeneca, which were initiated in June 2007 and March 2008. The June 2007 collaboration was established for the purpose of developing novel siRNA therapeutics against specific targets exclusive to AstraZeneca, and the March 2008 collaboration seeks to develop a range of novel approaches for the delivery of siRNA molecules. These collaborations continue to advance as planned and we, together with our partners, are very pleased with the progress to date. We look forward to providing updates on these collaborations in the near future.

### **Building Financial Strength**

In January 2009, Silence raised £2.65m net of expenses through the issue of 15m shares at a price of 18p per share. Concurrent with our merger with Intradigm in January 2010, we raised an additional £15m (gross) at a price of 23p per share. Such funds are intended to support the company's ongoing development efforts and provide a position of strength as we work to pursue additional partnerships and development deals.

Beyond the funding itself, it is important to note who invested in each of these rounds. We are fortunate to have the support of several preeminent institutions in the U.K., as well as several leading U.S. institutions. We are also very fortunate to have the financial backing of a number of strategic pharmaceutical venture groups including Lilly Ventures, Roche Finance and Astellas Venture, who were investors in Intradigm.

### **Enhancing Our Intellectual Property Estate**

The importance of intellectual property to success in the RNAi therapeutic field cannot be overstated. Yet, we argue that the true value of IP lies in the specific claims as opposed to the number of patents. During 2009 and continuing in 2010, both Silence and the former Intradigm secured a number of pivotal patents that are all now owned by post-merger Silence. The following events contributed significantly to the strength of Silence's IP estate:

- The European Patent Office (EPO) granted a patent on protein kinase N3 (PKN3), the target gene for Silence's lead compound Atu027.
- The Technical Board of Appeal of the European Patent Office revoked in its entirety European patent EP1 214 945, which is a fundamental competitor patent owned by Alnylam Europe AG.
- The Opposition Division of the EPO upheld Silence's core AtuRNAi patent EP 1 527 176 ('176) in amended form. The amended form of patent '176 covers Silence's proprietary blunt-ended siRNA molecules containing alternating 2'-O-Methyl modifications.

- The United States Patent and Trademark Office (USPTO) issued a notice of allowance on a patent application directed to methods of treatment using PKN-3, a high-value therapeutic target in the area of oncology. The allowed subject matter is directed to, among other things, methods of treating cancer with siRNA or antisense molecules that target the PKN-3 messenger RNA (mRNA). The claims cover the siRNA molecule in Silence's lead clinical compound, Atu027, an RNAi therapeutic that targets PKN-3 for the treatment of advanced solid tumours.

In addition to these events, Silence also now owns key intellectual property rights previously secured by Intradigm as follows:

- Issued and pending patents on multiple high-value siRNA sequences of varying structure;
- Issued and pending patents directed to one of the industry's most advanced siRNA chemical modification technologies optimized for improved stability, yield and safety; and,
- Three exclusive licenses from the University of Massachusetts to the issued and pending patents associated with the Zamore "Design Rules" including methods for increased potency and reduced off-target effects.

With these combined assets, we believe our patent estate today is one of the most useful, most functional portfolios in the RNAi field and we believe it will provide us with the opportunity to actively pursue all our areas of interest.

## **FINANCIAL**

Silence successfully strengthened its financial position through the completion of two financings in 2009 and early 2010 that generated proceeds of approximately £17.7m (gross). This funding provided cash resources that will support the company's operations into the second quarter of 2011. This is without taking into account any milestone or other receipts that the company believes it could receive in 2010.

### **Revenue**

Revenue generated in the year declined to £1.72m in 2009 from £2.21m in 2008. The decrease in revenue was primarily attributable to receiving milestone income from previous deals in 2008 which did not arise in 2009.

### **Administrative Expenses**

Administrative expenses during the year increased to £4.20m in 2009 from £3.29m in 2008. The increase in administrative expenses is primarily attributed to costs incurred in respect of the acquisition of Intradigm subsequent to the year end.

### **Research and Development Expenses**

Research and development expenses during the year decreased to £5.07m in 2009 from £6.71m in 2008. The decrease in research and development expense is primarily attributed to the group having incurred substantial pre-clinical development costs in 2008 prior to the commencement of its clinical trials of Atu027 which commenced in 2009.

**Interest**

Interest income fell from £0.25m in 2008 to less than £0.1m in 2009 due to lower average balances on deposit and the marked fall in interest rates during 2008 and 2009.

**Taxation**

The taxation credit arises through the availability of UK R&D tax credits in respect of some of the group's research and development costs.

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

The group's cash position at year-end was £1.13m. A further £15.0m (gross) was raised shortly after the year-end through an institutional placing that closed in January 2010. At the end of 2008, Silence had cash of £3.35m.

The net cash outflow from operating activities was £4.65m against an operating loss of £7.55m primarily reflecting the impact of changes in other working capital of £1.6m and of non-cash items such as depreciation, amortisation and share option charges of £1.0m.

**SUMMARY AND OUTLOOK**

I'd like to conclude by reviewing the rationale for the recent merger and the subsequent goals we aim to achieve.

In setting out to combine these two companies, our objective was to dramatically change the competitive landscape in the field of RNAi therapeutics. While other companies in the sector may claim leadership, this merger created one of the most sophisticated platforms in RNAi therapeutic development. As a result of this merger, Silence now holds a powerful and strategic position in the three areas we believe are critical to building, protecting and commercializing RNAi therapeutics: proprietary delivery technologies, potent siRNA sequences and innovative siRNA structural features.

This unique combination of technology has created an unparalleled technology platform that we believe will drive many of the most critical advances in the field. Perhaps most exciting about the merger is the powerful range of RNAi delivery technology solutions possessed by the new company. The most significant hurdle to overcome in realization of the vast potential of RNAi therapeutics is that of enabling safe and effective delivery of siRNA payloads. By combining the expertise of both Intradigm and Silence, we now have one of the industry's most comprehensive and versatile delivery technology platforms, providing Silence with unmatched potential to develop delivery solutions that can be tailored to address various therapeutic requirements.

Beyond our technology platform, Silence is a clear leader in the enablement of clinical development of RNAi therapeutic candidates. At present, we believe that at least half of the siRNA programs currently in clinical trials worldwide are based on Silence's technology, representing the significant impact that our technology platform has within the sector. This impressive pipeline of products not only validates the strength of Silence's technology, it also validates the team of researchers that has guided the development path.

In summary, the rationale driving this merger was to combine the strength of two innovative entities to create a new leadership in RNAi therapeutic development. With the transaction complete, it is now our task to establish a path that allows us to optimize our resources and efficiently advance our development

programs and clinical efforts. To this end, we recently announced a restructuring of the company to focus research in Berlin, and business operations in Palo Alto. We will continue to evaluate the most beneficial strategies to address the challenges ahead.

In closing, I wish to express my sincere appreciation to our dedicated employees and the shareholders who support our company. In the coming year, we will continue to work diligently to advance our groundbreaking science and to continue to build shareholder value.

Thank you for your continued support of Silence Therapeutics.

Philip Haworth, Ph.D.  
Chief Executive Officer

### **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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**SILENCE THERAPEUTICS PLC****UNAUDITED CONSOLIDATED INCOME STATEMENT****YEAR ENDED 31 DECEMBER 2009**

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	<b>2009</b>	<b>2008</b>
	£	£
Revenue	1,723,289	2,208,699
Research and development costs	(5,073,333)	(6,712,032)
Gross loss	<u>(3,350,044)</u>	<u>(4,503,333)</u>
Administrative expenses	(4,204,371)	(3,288,304)
Operating loss	<u>(7,554,415)</u>	<u>(7,791,637)</u>
Finance income	46,104	356,996
Loss for the year before taxation	<u>(7,508,311)</u>	<u>(7,434,641)</u>
Taxation credit for the year	37,714	-
Loss for the year after taxation	<u><u>(7,470,597)</u></u>	<u><u>(7,434,641)</u></u>
Loss per share (basic and diluted)	<u>(5.55)p</u>	<u>(6.20)p</u>

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****YEAR ENDED 31 DECEMBER 2009**

	<b>2009</b>	<b>2008</b>
	£	£
Loss for the year after taxation	(7,470,597)	(7,434,641)
Other comprehensive income:		
Exchange differences arising on consolidation of foreign operations	(410,482)	2,654,895
Total comprehensive income for the year	<u><u>(7,881,079)</u></u>	<u><u>(4,779,746)</u></u>

**SILENCE THERAPEUTICS PLC**

**UNAUDITED CONSOLIDATED BALANCE SHEET**

**AT 31 DECEMBER 2009**

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	<b>2009</b>	<b>2008</b>
	£	£
<b>Non-current assets</b>		
Property, plant and equipment	376,676	535,909
Goodwill	8,130,972	8,611,087
Other intangible assets	736,117	812,696
	<u>9,243,765</u>	<u>9,959,692</u>
<b>Current assets</b>		
Trade and other receivables	560,190	998,702
Tax recoverable	59,198	70,000
Cash and cash equivalents	1,131,146	3,350,187
	<u>1,750,534</u>	<u>4,418,889</u>
<b>Liabilities - current</b>		
Trade and other payables	(2,103,144)	(934,601)
	<u>(2,103,144)</u>	<u>(934,601)</u>
<b>Net assets</b>	<u>8,891,155</u>	<u>13,443,980</u>
<b>Equity</b>		
Share capital	1,350,334	1,199,134
Capital reserves	49,810,071	47,010,414
Translation reserve	2,881,007	3,291,489
Retained loss	(45,150,257)	(38,057,057)
<b>Total equity</b>	<u>8,891,155</u>	<u>13,443,980</u>

**SILENCE THERAPEUTICS PLC****UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****AT 31 DECEMBER 2009**

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	<b>Share capital</b>	<b>Capital reserves</b>	<b>Translation reserve</b>	<b>Retained loss</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2008	1,198,835	46,465,165	636,594	(30,624,834)	17,675,760
Recognition of share-based payments	-	544,158	-	-	544,158
Transfer upon:					
- exercise of options in year	-	(1,687)	-	1,687	-
- lapse of vested options in year	-	(731)	-	731	-
Shares issued in the year	299	3,509	-	-	3,808
Transactions with Owners	299	545,249	-	2,418	547,966
Loss for the year ended 31 December 2008	-	-	-	(7,434,641)	(7,434,641)
<i>Other Comprehensive Income</i>					
Exchange differences arising on consolidation of foreign operations	-	-	2,654,895	-	2,654,895
Total comprehensive income for the year	-	-	2,654,895	(7,434,641)	(4,779,746)
At 31 December 2008	1,199,134	47,010,414	3,291,489	(38,057,057)	13,443,980

**SILENCE THERAPEUTICS PLC****UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)****AT 31 DECEMBER 2009**

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At 1 January 2009	1,199,134	47,010,414	3,291,489	(38,057,057)	13,443,980
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Recognition of share-based payments	-	661,704	-	-	661,704
Transfer upon:					
- exercise of options in year	-	(4,514)	-	4,514	-
- lapse of vested options in year	-	(372,883)	-	372,883	-
Shares issued in the year	151,200	2,515,350	-	-	2,666,550
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Transactions with owners	151,200	2,799,657	-	377,397	3,328,254
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Loss for the year ended 31 December 2009	-	-	-	(7,470,597)	(7,470,597)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Other comprehensive income</i>					
Exchange differences arising on consolidation of foreign operations	-	-	(410,482)	-	(410,482)
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Total comprehensive income for the year	-	-	(410,482)	(7,093,200)	(7,881,078)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	1,350,334	49,810,071	2,881,007	(45,150,257)	8,891,155
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**SILENCE THERAPEUTICS PLC****UNAUDITED CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2009**

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	<b>2009</b>	<b>2008</b>
	£	£
<b>Cash flow from operating activities</b>		
<b>Loss before taxation</b>	(7,508,311)	(7,434,641)
Adjustments for:		
Depreciation charges	150,293	116,489
Amortisation charges	220,658	306,916
Loss on sale of property, plant and equipment	19,577	307
Charge for the year in respect of Share-based payments	661,704	544,158
Foreign exchange movement	198,717	73,410
Recovery of loan provided for in previous years	-	(31,000)
Finance income	(46,104)	(253,634)
	<u>(6,303,466)</u>	<u>(6,677,995)</u>
Decrease in trade and other receivables	438,512	668,891
Increase/(decrease) in trade and other payables	1,168,543	(1,032,708)
Cash (absorbed) by operations	<u>(4,696,411)</u>	<u>(7,041,812)</u>
Taxation received	48,516	60,000
<b>Net cash (outflow) from operating activities</b>	<u>(4,647,895)</u>	<u>(6,981,812)</u>
<b>Cash flow from investing activities</b>	£	£
Recovery of loan made in previous years	-	31,000
Finance income	46,104	253,634
Additions to property, plant and equipment	(36,648)	(135,584)
Additions to intangible assets	(188,494)	(135,752)
Net cash (absorbed by)/generated from investing activities	<u>(179,038)</u>	<u>13,298</u>
<b>Cash flows from financing activities</b>		

Proceeds from issue of share capital	<u>2,666,550</u>	<u>3,808</u>
<b>Decrease in cash &amp; cash equivalents</b>	<u><u>(2,160,383)</u></u>	<u><u>(6,964,706)</u></u>
Cash and cash equivalents at start of year	3,350,187	10,174,389
Net decrease in the year	(2,160,383)	(6,964,706)
Effect of exchange rate fluctuations on cash held	(58,658)	140,504
Cash and cash equivalents at end of year	<u><u>1,131,146</u></u>	<u><u>3,350,187</u></u>
Cash and cash equivalents includes		
Instant access bank accounts	<u>1,131,146</u>	<u>3,350,187</u>

**SILENCE THERAPEUTICS PLC**  
**NOTES TO THE UNAUDITED PRELIMINARY ANNOUNCEMENT**

**YEAR ENDED 31ST DECEMBER 2009**

**1 GENERAL INFORMATION**

1.1 Group Information

Silence Therapeutics (“Silence” 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 the Company’s registered office is: 22 Melton Street, London NW1 2EP and the principal place of business is The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS.

1.2 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.

The group had a net cash outflow for 2009 of £2,160,383 and at 31 December 2009 had cash balances of £1.13m. In early January 2010, the group acquired Intradigm Corporation and raised £15m (before costs).

The directors have reviewed the working capital requirements of the group for the next 12 months 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 year through grants, milestone and licence fee payments, relating to either new or existing agreements. 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 to reduce administration costs and to restrict the research and development expenditure to core areas pending the availability of additional funds.

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.

1.3 The financial information set out above does not constitute the Company's statutory accounts within the meaning of section 435 of the Companies Act 2006. The 2009 figures are based on unaudited accounts for the year ended 31 December 2009. The directors anticipate that the auditor's report, to be issued with the Group's statutory accounts for the year ended 31 December 2009, will be unqualified but will contain an emphasis of matter paragraph. This emphasis of matter paragraph will draw attention to the material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, referred to in note 1.2 above.

The unaudited preliminary announcement has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for 2008.

The 2008 comparatives are derived from the statutory accounts for 2008 which have been delivered to the Registrar of Companies and received an unqualified audit report containing an emphasis of matter paragraph relating to going concern and did not contain a statement under the Companies Act 1985, s237(2) or (3).

## **2. LOSS PER SHARE**

The calculation of the loss per share is based on the loss for the financial year after taxation of £7,470,597 (2008: loss £7,434,641) and on the weighted average of 134,640,515 (2008: 119,885,617) ordinary shares in issue during the year.

The options outstanding at 31 December 2009 and 31 December 2008 are considered to be non-dilutive in that their conversion into ordinary shares would not increase the net loss per share. Consequently, there is no diluted loss per share to report for either year.