



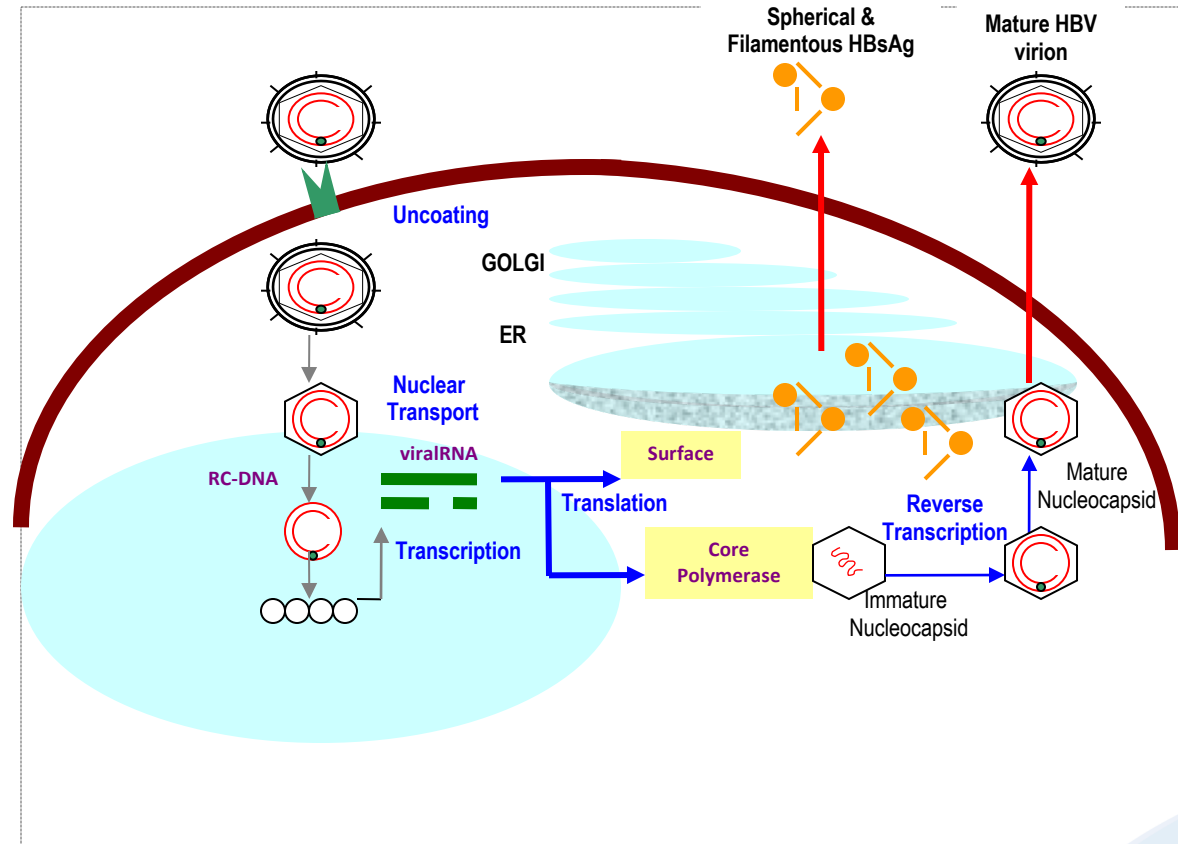
Hitting HBV everywhere; why RNAi holds so much potential as a platform therapy in CHB

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Safe Harbor Statement

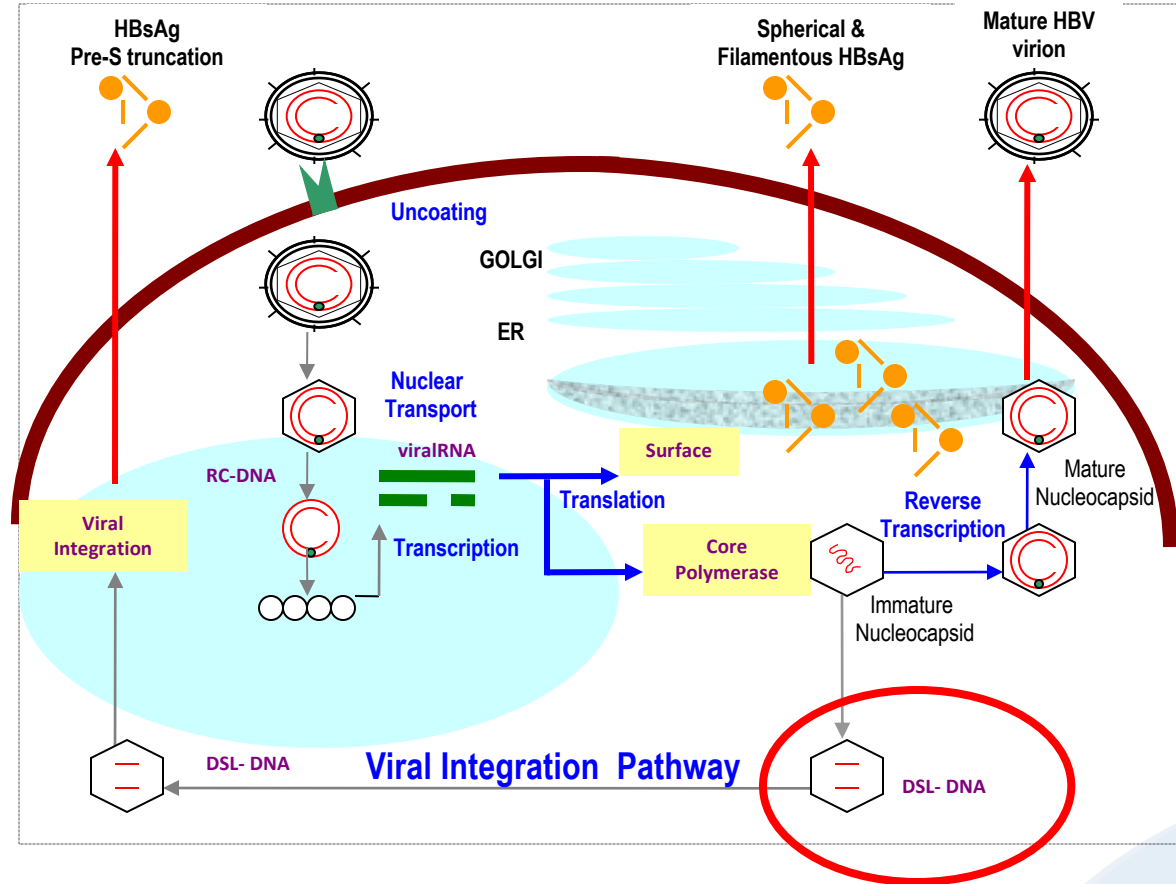
This presentation contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current expectations and speak only as of the date hereof. Our actual results may differ materially and adversely from those expressed in any forward-looking statements as a result of various factors and uncertainties, including, without limitation, our developmental stage and limited operating history, our ability to successfully and timely develop products, enter into collaborations and achieve other projected milestones, rapid technological change in our markets, demand for our future products, legislative, regulatory and competitive developments and general economic conditions. Our Annual Report on Form 10-K, recent and forthcoming Quarterly Reports on Form 10-Q, recent Current Reports on Forms 8-K, and other SEC filings discuss some of the important risk factors that may affect our ability to achieve the anticipated results, as well as our business, results of operations and financial condition. Readers are cautioned not to place undue reliance on these forward-looking statements. Additionally, Arrowhead disclaims any intent to update these forward-looking statements to reflect subsequent developments.

HBV Replication: HBsAg (Episomal [cccDNA]) Pathway



- Dominant in naïve HBeAg-pos CHB

HBV Replication: HBsAg (Integrated) Pathway



- **Dominant in HBeAg-neg CHB**

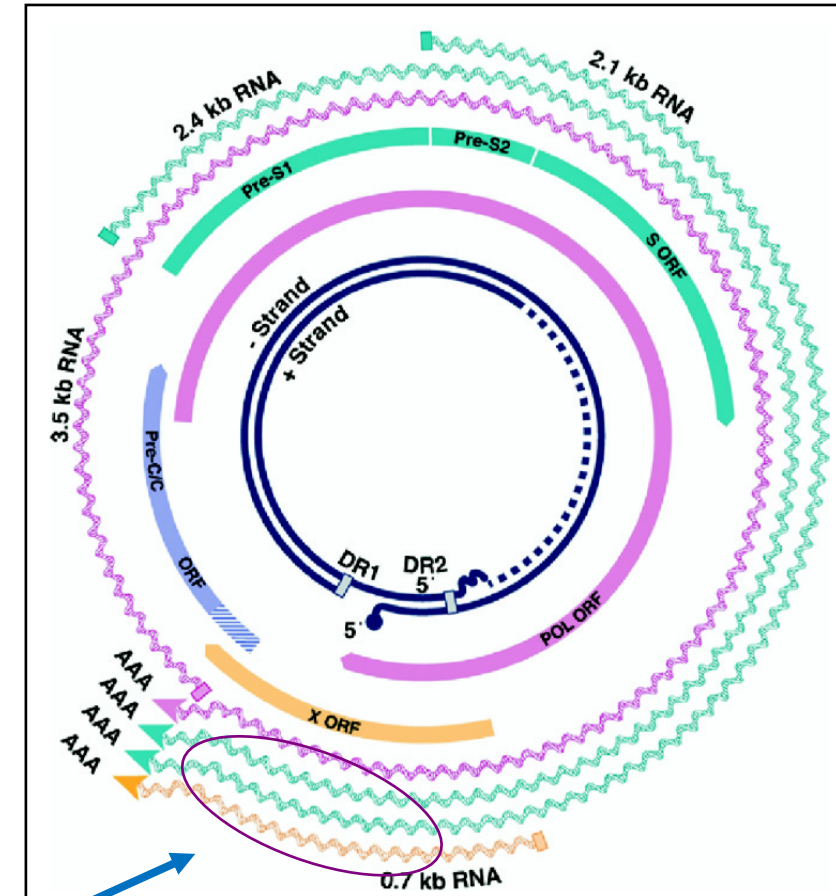
Courtesy of S. Locarnini

HBV Has Evolved to Defeat Challenges

- HBeAg has been proposed as important for tolerance development early
 - Later mutations or therapies that lead to elimination of circulating HBeAg are not curative
- Mutation is a key defense
 - Early Nucs were easily defeated with selection of resistant strains
 - Core antagonist (CPAMs) are predicted to have similar issues
- cccDNA can remain dormant for decades even in the setting of HBsAg seroclearance

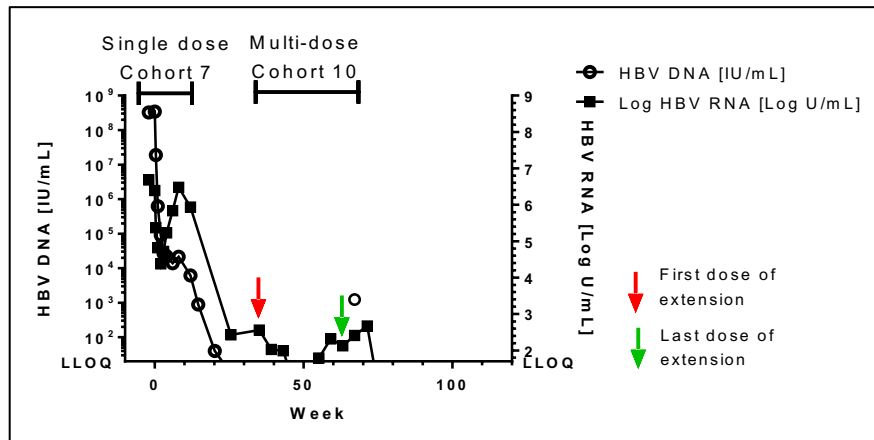
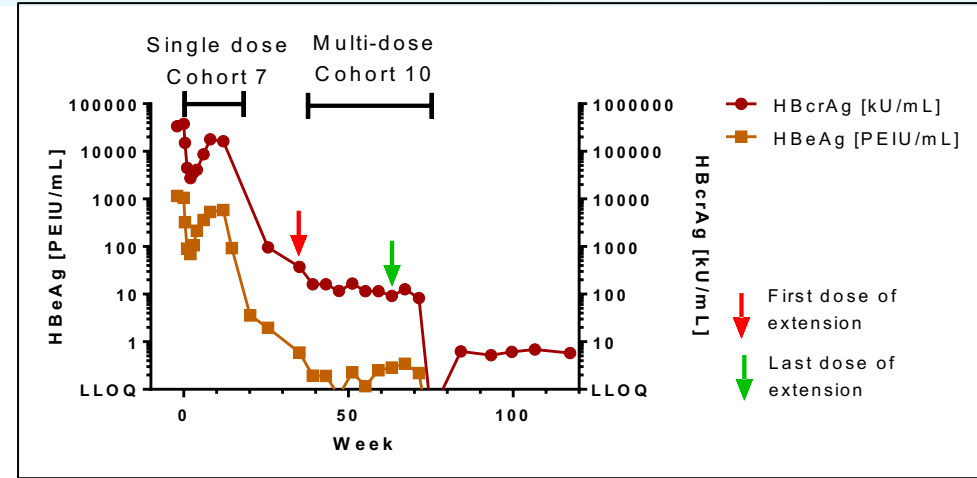
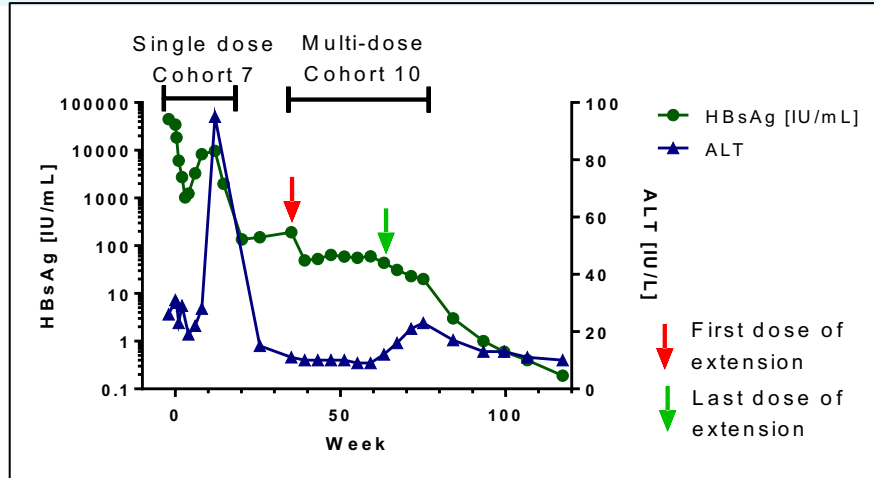
All HBV RNA from cccDNA can be targeted with one siRNA

- All HBV transcripts, including pregenomic RNA, terminate with the same polyadenylation signal.
- A single siRNA targeting this common region can reduce all HBV transcripts.



Single siRNA can reduce all HBV proteins

Patient 01-7985: Naïve HBeAg Positive Patient

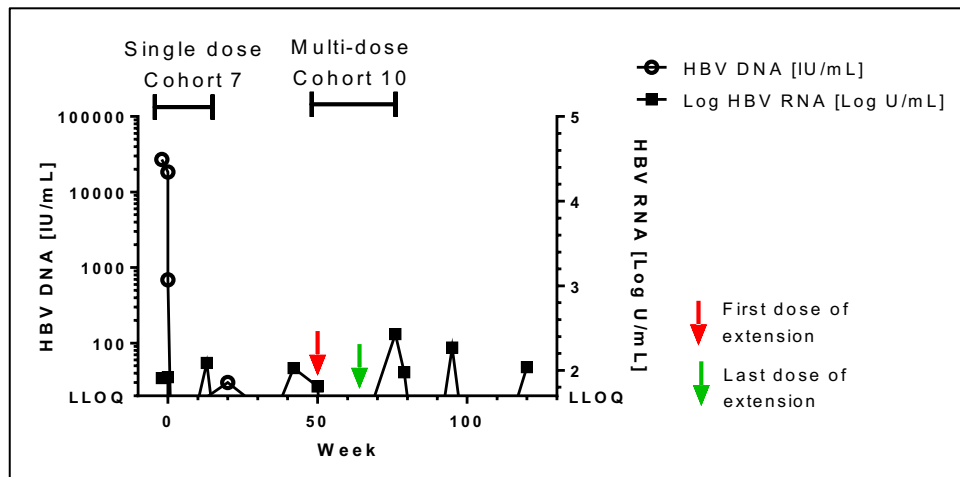
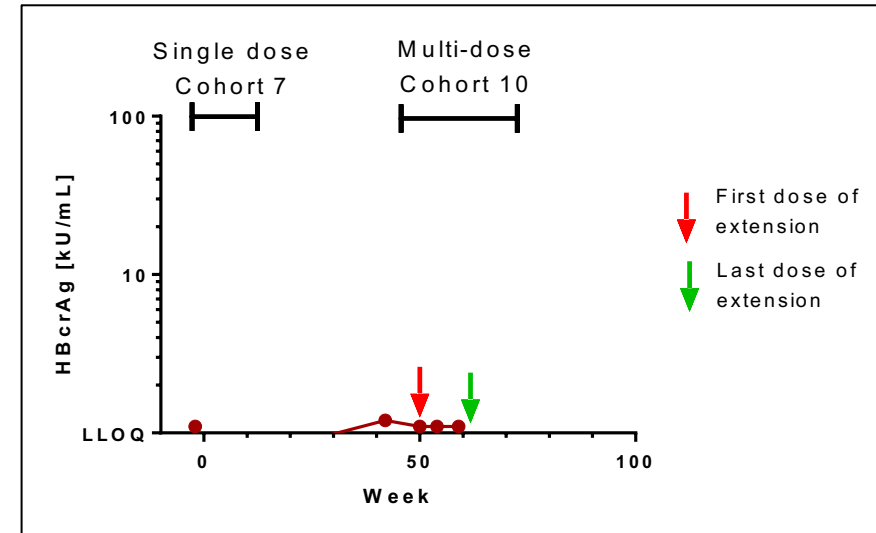
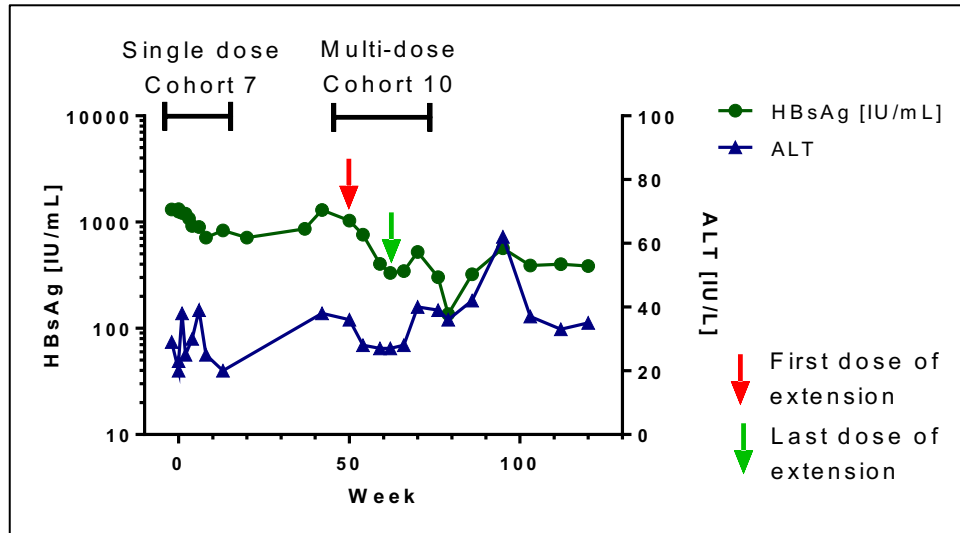


- HBsAg, RNA, HBeAg, HBcrAg all respond similarly to a single dose of ARC-520
- HBV DNA shows synergistic reduction in response to ARC-520 plus entecavir

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 - CPAMs are predicted to have similar issues
- cccDNA can remain dormant for decades even in the setting of HBsAg seroclearance
- *Perhaps most ingenious of all is the use of DNA integration to continue HBsAg production in the absence of measurable evidence of ongoing cccDNA activity*

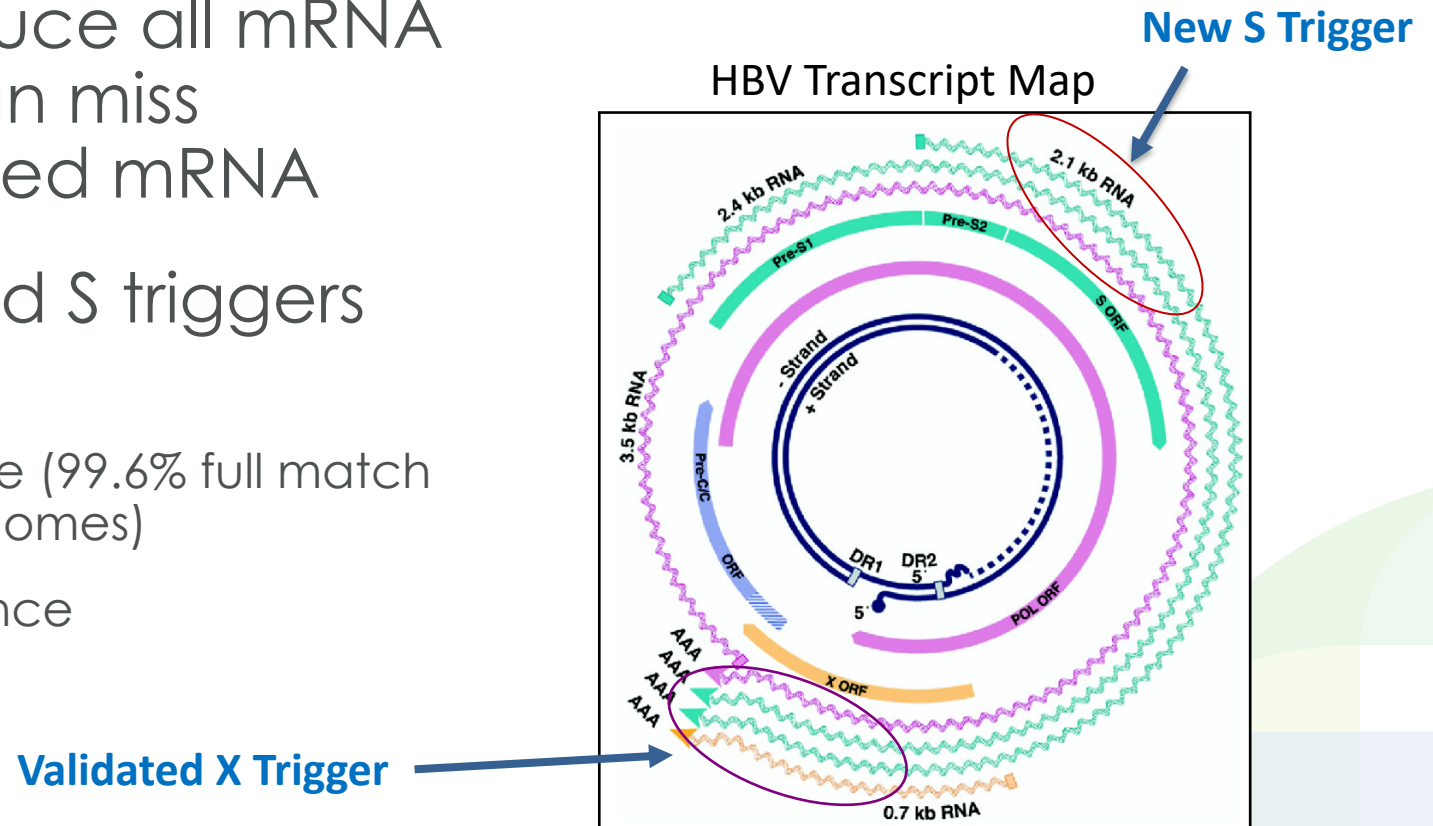
Patient 01-7986: Naive HBeAg Negative Patient



- HBsAg can remain elevated despite undetectable HBV DNA and borderline detectable cccDNA driven activity (in this case, HBV RNA and HBcrAg)
- *If cccDNA could be totally ablated, would this patient seroclear?*

Importance of integrated HBV DNA as S mRNA source has changed RNAi strategy

- Single siRNA can reduce all mRNA from cccDNA but can miss integrated HBV-derived mRNA
- Combination of X and S triggers → ARO-HBV
 - Greater genome coverage (99.6% full match of 17mer in ~7000 HBV genomes)
 - Reduce chance of resistance



Ghany & Liang (2007), *Gastroenterology* **132**: 1574-1585

Summary

- Effective RNAi with careful trigger selection should be able to suppress all cccDNA transcription products
 - Synergy has been demonstrated with NUCs
 - We expect synergy with other DAAs such as capsid inhibitors
- RNAi can also address HBsAg produced from integrated DNA
 - Not clear what if any of the other classes will be effective here
 - Functional cure might not be achievable in many/?most patients without addressing this HBsAg source
- RNAi likely to be a necessary component of finite treatment regimens, at least for the time being

Thank you !

