

CODE OF BUSINESS CONDUCT AND ETHICS OF METABASIS THERAPEUTICS, INC.

INTRODUCTION

Metabasis Therapeutics, Inc. (the “*Company*”) is committed to maintaining the highest standards of business conduct and ethics. This Code of Business Conduct and Ethics (the “*Code*”) reflects the business practices and principles of behavior that support this commitment. We expect every employee, officer and director to read and understand the Code and its application to the performance of his or her business responsibilities. References in the Code to employees are intended to cover officers and, as applicable, directors.

Officers, managers and other supervisors are expected to develop in employees a sense of commitment to the spirit, as well as the letter, of the Code. The compliance environment within each supervisor’s assigned area of responsibility will be a factor in evaluating the quality of that individual’s performance. In addition, any employee who makes an exemplary effort to implement and uphold our standards of business conduct and ethics may be recognized for that effort in his or her performance review. However, please note that nothing in the Code alters the Company’s policy of “at-will” employment.

The Code cannot possibly describe every practice or principle related to honest and ethical conduct. The Code addresses conduct that is particularly important to proper dealings with the people and entities with whom we interact, but reflects only a part of our commitment. The following additional policies of the Company supplement or amplify the Code in certain areas and should be read in conjunction with the Code: Audit Committee Charter, Disclosure Committee Charter, Employee Handbook and related employee policies and procedures documents, Insider Trading Policy, Window Period Policy, Corporate Disclosure Policy, Document Retention Policy, Employee Proprietary Invention and Disclosure Agreement, Policy for Responding to Allegations of Scientific Misconduct, Accounting and Auditing Matters Open Door Policy, and Related-Person Transactions Policy.

Action by members of your family, significant others or other persons who live in your household also may potentially result in ethical issues to the extent that they involve the Company’s business. For example, acceptance of inappropriate gifts by a family member from one of our suppliers could create a conflict of interest and result in a Code violation attributable to you. Consequently, in complying with the Code, you should consider not only your own conduct, but also that of your family members, significant others and other persons who live in your household.

The Company’s integrity and reputation depends on the honesty, fairness and integrity brought to the job by each person associated with us. It is the responsibility of each employee to apply common sense, together with the highest ethical standards, in making business decisions where there is no stated guideline in the Code. Unyielding personal integrity is the foundation of corporate integrity.

You should not hesitate to ask questions, voice concerns or clarify “gray” areas about whether any conduct may violate the Code. Please see below for a description of the compliance

resources available to you. In addition, you should be alert to possible violations of the Code by others and report suspected violations, without fear of any form of retaliation, as further described below. Violations of the Code will not be tolerated. Any employee who violates the Code may be subject to disciplinary action, up to and including termination of employment and, in appropriate cases, civil legal action or referral for criminal prosecution.

1. LEGAL COMPLIANCE

Obedying the law, both in letter and in spirit, is the foundation of this Code. Our success depends upon each employee's operating within legal guidelines and cooperating with local, national and international authorities. It is therefore essential that you understand the legal and regulatory requirements applicable to your part of the business and area of responsibility. We hold periodic training sessions to ensure that all employees comply with the relevant laws, rules and regulations associated with their employment. While we do not expect you to memorize every detail of these laws, rules and regulations, we want you to be able to determine when to seek advice from others. If you do have a question in the area of legal compliance, it is important that you not hesitate to seek answers from your supervisor or the Company's Compliance Officer, as described in Section 15 below.

Disregard of the law will not be tolerated. Violation of domestic or foreign laws, rules and regulations may subject an individual, as well as the Company, to civil and/or criminal penalties. You should be aware that conduct and records, including emails, are subject to internal and external audits, and to discovery by third parties in the event of a government investigation or civil litigation. It is in everyone's best interests to know and comply with our legal and ethical obligations.

Misuse of Company Computer Equipment

You may not, while acting on behalf of the Company or while using our computing or communications equipment or facilities, either:

- access the internal computer system (also known as "hacking") or other resource of another entity without express written authorization from the entity responsible for operating that resource; or
- commit any unlawful or illegal act, including harassment, libel, fraud, sending of unsolicited bulk email (also known as "spam") in violation of applicable law, trafficking in contraband of any kind, or espionage; or
- intentionally access or send pornographic messages or images.

If you receive authorization to access another entity's internal computer system or other resource, you must make a permanent record of that authorization so that it may be retrieved for future reference, and you may not exceed the scope of that authorization.

Unsolicited bulk email is regulated by law in a number of jurisdictions. If you intend to send unsolicited bulk email to persons outside of the Company, either while acting on our behalf or using our computing or communications equipment or facilities, you should contact your

supervisor or the Compliance Officer for approval.

All data residing on or transmitted through our computing and communications facilities, including email and word processing documents, is the property of the Company and subject to inspection, retention and review by the Company in accordance with applicable law.

Environmental Compliance

Federal law imposes criminal liability on any person or company that contaminates the environment with any hazardous substance that could cause injury to the community or environment. Violation of environmental laws can be a criminal offense and can involve monetary fines and imprisonment. We expect employees to comply with all applicable environmental laws.

It is our policy to conduct our business in an environmentally responsible way that minimizes environmental impacts. We are committed to minimizing and, if possible, eliminating the use of any substance or material that may cause environmental damage, reducing waste generation and disposing of all waste through safe and responsible methods, minimizing environmental risks by employing safe technologies and operating procedures, and being prepared to respond appropriately to accidents and emergencies.

Research and Development Compliance

The research and development of pharmaceutical products is subject to a number of legal and regulatory requirements, including standards related to ethical research procedures and scientific misconduct. We expect employees to comply with all such requirements and standards including, as applicable, those set forth in our Policy for Responding to Allegations of Scientific Misconduct.

2. INSIDER TRADING

Employees who have access to confidential (or “inside”) information are not permitted to use or share that information for stock trading purposes or for any other purpose except to conduct our business. All non-public information about the Company or about companies with which we do business is considered confidential information. To use material non-public information in connection with buying or selling securities, including “tipping” others who might make an investment decision on the basis of this information, is not only unethical, it is illegal. Employees must exercise the utmost care when handling material inside information.

We have adopted a separate Insider Trading Policy with which you will be expected to comply as a condition of your employment with the Company. In addition, we have adopted a Window Period Policy that applies to our officers, directors and other members of management. You should consult our Insider Trading Policy and, if applicable, our Window Period Policy, for more specific information on the definition of “inside” information and on buying and selling our securities or securities of companies with which we do business.

3. INTERNATIONAL BUSINESS LAWS

Our employees are expected to comply with the applicable laws in all countries to which they travel, in which they operate and where we otherwise do business, including laws prohibiting bribery, corruption or the conduct of business with specified individuals, companies or countries. The fact that in some countries certain laws are not enforced or that violation of those laws is not subject to public criticism will not be accepted as an excuse for noncompliance. In addition, we expect employees to comply with U.S. laws, rules and regulations governing the conduct of business by its citizens and corporations outside the U.S.

These U.S. laws, rules and regulations, which extend to all our activities outside the U.S., include:

- The Foreign Corrupt Practices Act, which prohibits directly or indirectly giving anything of value to a government official to obtain or retain business or favorable treatment, and requires the maintenance of accurate books of account, with all company transactions being properly recorded;
- U.S. embargoes, which restrict or, in some cases, prohibit companies, their subsidiaries and their employees from doing business with certain other countries identified on a list that changes periodically (but which currently includes, for example, Cuba, Iran, North Korea, Sudan and Syria) or specific companies or individuals;
- Export controls, which restrict travel to designated countries or prohibit or restrict the export of goods, services and technology to designated countries, persons or entities from the U.S., or the re-export of U.S. origin goods from the country of original destination to such countries, companies or entities; and
- Anti-boycott compliance, which prohibits U.S. companies from taking any action that has the effect of furthering or supporting a restrictive trade practice or boycott that is fostered or imposed by a foreign country against a country friendly to the U.S. or against any U.S. person.

If you have a question as to whether an activity is restricted or prohibited, seek assistance from your supervisor or the Compliance Officer before taking any action.

4. CONFLICTS OF INTEREST

A “conflict of interest” occurs when an individual’s personal interest may interfere in any way with the performance of his or her duties or the best interests of the Company. A conflict of interest could result from an expectation of personal gain now or in the future or from a need to satisfy a prior or concurrent personal obligation. We expect our employees to be free from influences that conflict with their duties or the best interests of the Company. Even the appearance of a conflict of interest where none actually exists can be damaging and should be avoided. Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest are prohibited unless specifically authorized as described below.

If you have any questions about a potential conflict or if you become aware of an actual or potential conflict, and you are not an officer or director of the Company, you should discuss the matter with your supervisor or the Compliance Officer. Supervisors may not authorize conflict of interest matters without first seeking the approval of the Compliance Officer and filing with the Compliance Officer a written description of the authorized activity. If the supervisor is involved in the potential or actual conflict, you should discuss the matter directly with the Compliance Officer. Officers should seek authorization directly from the Audit Committee. Factors that may be considered in evaluating a potential conflict of interest are, among others:

- whether it may interfere with the employee's job performance, responsibilities or morale;
- whether the employee has access to confidential information;
- whether it may interfere with the job performance, responsibilities or morale of others within the organization;
- any potential adverse or beneficial impact on our business;
- any potential adverse or beneficial impact on our relationships with our customers or suppliers or other service providers;
- whether it would enhance or support a competitor's position;
- the extent to which it would result in financial or other benefit (direct or indirect) to the employee;
- the extent to which it would result in financial or other benefit (direct or indirect) to one of our customers, suppliers or other service providers; and
- the extent to which it would appear improper to an outside observer.

The following are examples of situations that may, depending on the facts and circumstances, involve conflicts of interests:

- *Employment by (including consulting for) or service on the board of a competitor, customer or supplier or other service provider.* Activity that enhances or supports the position of a competitor to the detriment of the Company is prohibited, including employment by or service on the board of a competitor. Employment by or service on the board of a customer or supplier or other service provider is generally discouraged and you must seek authorization in advance if you plan to take such action.
- *Owning, directly or indirectly, a significant financial interest in any entity that does business, seeks to do business or competes with us.* In addition to the factors described above, persons evaluating ownership for conflicts of interest will consider

the size and nature of the investment; the nature of the relationship between the other entity and the Company; the employee's access to confidential information and the employee's ability to influence the Company's decisions. If you would like to acquire a financial interest of that kind, you must seek approval in advance.

- *Soliciting or accepting gifts, favors, loans or preferential treatment from any person or entity that does business or seeks to do business with us.* See Section 8 below for further discussion of the issues involved in this type of conflict.
- *Soliciting contributions to any charity or for any political candidate from any person or entity that does business or seeks to do business with us.*
- *Taking personal advantage of corporate opportunities.* See Section 5 below for further discussion of the issues involved in this type of conflict.
- *“Moonlighting”, or providing services to another entity (including employment, consulting or serving as a director), without permission from the Compliance Officer.* This requirement does not apply to our non-employee directors.
- *Conducting our business transactions with your family member, significant other or person who shares your household or a business in which you have a significant financial interest.* Related-person transactions covered by our Related-Person Transactions Policy must be approved in accordance with such policy and will be publicly disclosed to the extent required by applicable laws and regulations.
- *Exercising supervisory or other authority on behalf of the Company over a co-worker who is also a family member.* The employee's supervisor and/or the Compliance Officer will consult with the Human Resources department to assess the advisability of reassignment.

Loans to, or guarantees of obligations of, employees or their family members by the Company could constitute an improper personal benefit to the recipients of these loans or guarantees, depending on the facts and circumstances. Applicable law requires that our Board of Directors approve all loans and guarantees to employees, and some loans may be expressly prohibited by law. As a result, all such loans and guarantees by the Company must be approved in advance by the Audit Committee.

5. CORPORATE OPPORTUNITIES

You may not take personal advantage of opportunities that are presented to or discovered by you as a result of your position with us or through your use of corporate property or information, unless authorized by the Compliance Officer or the Audit Committee. Even opportunities that are acquired privately by you may be questionable if they are related to our existing or proposed lines of business. Participation in an investment or outside business opportunity that is related to our existing or proposed lines of business must be pre-approved. You cannot use your position with us or corporate property or information for improper personal gain, nor can you compete with us in any way.

6. INTEGRITY OF CORPORATE RECORDS AND FINANCIAL DISCLOSURE

The integrity of our records and financial disclosure depends on the validity, accuracy and completeness of the information supporting the entries to our books of account. Therefore, our corporate and business records should be completed accurately and honestly. The making of false or misleading entries, whether they relate to financial results or test results, is strictly prohibited. Our records serve as a basis for managing our business and are important in meeting our obligations to customers, suppliers, creditors, employees and others with whom we do business. Our records are also relied upon to produce reports for our management, investors and creditors, as well as for governmental agencies. As a result, it is important that our books, records and accounts accurately and fairly reflect, in reasonable detail, our assets, liabilities, revenues, costs and expenses, as well as all transactions and changes in assets and liabilities. We require that:

- no entry be made in our books and records that intentionally hides or disguises the nature of any transaction or any liability, or misclassifies any transaction as to accounts or accounting periods;
- transactions be supported by appropriate documentation;
- the terms of sales and other commercial transactions be reflected accurately in the documentation for those transactions and all such documentation be reflected accurately in our books and records;
- employees comply with our system of internal controls; and
- no cash or other assets be maintained for any purpose in any unrecorded or “off-the-books” fund.

Reliance upon our accounting and other business and corporate records is also necessary for the periodic reports we are required to file with the Securities and Exchange Commission (the “SEC”). These reports must provide full, fair, accurate, timely and understandable disclosure and fairly present our financial condition and results of operations. Employees who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying these reports should strive to ensure that our financial disclosure is accurate and transparent and that our reports contain all of the information about the Company that would be important to enable stockholders and potential investors to assess the soundness and risks of our business and finances and the quality and integrity of our accounting and disclosures. In addition:

- no employee may take or authorize any action that would cause our financial records or financial disclosure to fail to comply with generally accepted accounting principles, the rules and regulations of the SEC or other applicable laws, rules and regulations;
- all employees must cooperate fully with our independent public accountants and counsel, respond to their questions with candor and provide them with complete and

accurate information to help ensure that our books and records, as well as our reports filed with the SEC, are accurate and complete; and

- no employee should knowingly make (or cause or encourage any other person to make) any false or misleading statement in any of our reports filed with the SEC or knowingly omit (or cause or encourage any other person to omit) any information necessary to make the disclosure in any of our reports accurate in all material respects.

Any employee who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to a supervisor, the Compliance Officer or one of the other compliance resources described in Section 15 below.

7. FAIR DEALING

We strive to outperform our competition fairly and honestly. Advantages over our competitors are to be obtained through superior performance of our products and services, not through unethical or illegal business practices. Acquiring proprietary information from others through improper means, possessing trade secret information that was improperly obtained, or inducing improper disclosure of confidential information from past or present employees of other companies is prohibited, even if motivated by an intention to advance our interests. If information is obtained by mistake that may constitute a trade secret or other confidential information of another business, or if you have any questions about the legality of proposed information gathering, you must consult your supervisor or the Compliance Officer, as further described in Section 15 below.

You are expected to deal fairly with our customers, suppliers, employees and anyone else with whom you have contact in the course of performing your job. No employee may take unfair advantage of anyone through misuse of confidential information, misrepresentation of material facts or any other unfair dealing practice.

Employees involved in procurement have a special responsibility to adhere to principles of fair competition in the purchase of products and services by selecting suppliers based exclusively on normal commercial considerations, such as quality, cost, availability, service and reputation, and not on the receipt of special favors.

8. GIFTS AND ENTERTAINMENT

Business entertainment and gifts are meant to create goodwill and sound working relationships and not to gain improper advantage with customers or facilitate approvals from government officials. No entertainment or gifts may be offered or provided to, or accepted from any federal, state, local or foreign governmental official or employee without express written permission from the Chairman of the Board, the Chief Executive Officer, the Compliance Officer or the Audit Committee. Unless express written permission is received from the Chairman of the Board, the Chief Executive Officer, the Compliance Officer or the Audit Committee, entertainment and gifts cannot be offered or provided to, or accepted from any non-governmental official or employee, customer, persons or entities affiliated or doing business with

Metabasis by any employee unless consistent with customary business practices and not (a) excessive in value, which would be any one item valued over \$500, multiple items from any single party in any one year valued in the aggregate over \$2,000 or any item(s) above the applicable signature authority limits, (b) in cash, (c) susceptible of being construed as a bribe or kickback or (d) in violation of any laws. This principle applies to our transactions everywhere in the world, even where the practice is widely considered “a way of doing business.” Under some statutes, such as the U.S. Foreign Corrupt Practices Act (further described in Section 3 above), giving anything of value to a government official to obtain or retain business or favorable treatment is a criminal act subject to prosecution and conviction. Discuss with your supervisor or the Compliance Officer any proposed entertainment or gifts if you are uncertain about their appropriateness.

9. ANTITRUST

Antitrust laws are designed to protect the competitive process. These laws generally prohibit:

- agreements, formal or informal, with competitors that harm competition or customers, including price fixing and allocations of customers, territories or contracts;
- agreements, formal or informal, that establish or fix the price at which a customer may resell a product; and
- the acquisition or maintenance of a monopoly or attempted monopoly through anti-competitive conduct.

Certain kinds of information, such as pricing, production and inventory, should not be exchanged with competitors, regardless of how innocent or casual the exchange may be and regardless of the setting, whether business or social.

Understanding the requirements of antitrust and unfair competition laws of the various jurisdictions where we do business can be difficult, and you are urged to seek assistance from your supervisor or the Compliance Officer whenever you have a question relating to these laws.

10. PROTECTION AND PROPER USE OF COMPANY ASSETS

All employees are expected to protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on our profitability. Our property, such as office supplies, computer equipment, laboratory supplies and office and laboratory space, is expected to be used only for legitimate business purposes, although incidental personal use may be permitted. Employees should be mindful of the fact that we retain the right to access, review, monitor and disclose any information transmitted, received or stored using our electronic equipment, with or without an employee’s or third party’s knowledge, consent or approval. Any misuse or suspected misuse of our assets must be immediately reported to your supervisor or the Compliance Officer.

11. CONFIDENTIALITY

One of our most important assets is our confidential information. If you have received or have access to confidential information, you must take care to keep this information strictly confidential, in accordance with the proprietary information and inventions agreement that you signed upon joining us. Confidential information may include business, marketing and service plans, financial information, product architecture, designs, databases, customer lists, pricing strategies, personnel data and other information described in your proprietary information and inventions agreement. Confidential information also includes information which is provided to us by third parties such as our customers, suppliers and partners. You must not share with others our confidential information, or that provided to us by third parties, in violation of your proprietary information and inventions agreement. Unauthorized use or distribution of this information could also be illegal and result in civil liability and/or criminal penalties.

You should also take care not to inadvertently disclose confidential information. Materials that contain confidential information, such as memos, notebooks, computer disks and laptop computers, should be stored securely. Unauthorized posting or discussion of any information concerning our business, information or prospects on the Internet is prohibited. You may not discuss our business, information or prospects in any “chat room,” regardless of whether you use your own name or a pseudonym. Also, please be cautious when discussing sensitive information in public places like elevators, airports, restaurants and “quasi-public” areas within the Company. All Company emails, voicemails and other communications are presumed confidential and should not be forwarded or otherwise disseminated outside of the Company, except where required for legitimate business purposes.

In addition to the above responsibilities, if you are handling information protected by any other agreement or policy (such as a privacy policy) by which we are bound, then you must handle that information solely in accordance with the applicable agreement or policy.

12. MEDIA/PUBLIC DISCUSSIONS

It is our policy to disclose material information concerning the Company to the public only through specific limited channels to avoid inappropriate publicity and to ensure that all those with an interest in the Company will have equal access to information. All inquiries or calls from the press (including financial analysts) should be referred to a company Spokesperson. Unless the Chief Executive Officer has designated another officer or director to respond to inquiries regarding specific areas of interest in accordance with our Corporate Disclosure Policy, these are the only individuals who may communicate with the press on behalf of the Company. You should consult our Corporate Disclosure Policy for information regarding who constitutes a Spokesperson as well as for further information related to disclosure of material information concerning the Company.

13. PROVISION OF INFORMATION

It is our policy that our executive officers should provide correct and timely information to our Board of Directors with respect to the Company’s operational needs, budget and progress toward corporate goals, as well as any additional information necessary to allow the members of

our Board of Directors and its committees to discharge their duties to the Company's stockholders. In addition, it is our policy that the Company should provide correct and timely information regarding the Company and its business to the public, as required by applicable law and in conformity with the ethical expectations of good corporate governance.

14. WAIVERS

Any waiver of this Code for executive officers (including, where required by applicable laws, our principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions)) or directors may be authorized only by our Board of Directors or the Audit Committee, and may be subject to public disclosure to the extent required by applicable laws, rules and regulations.

15. COMPLIANCE STANDARDS AND PROCEDURES

Compliance Resources

To facilitate compliance with this Code, we have implemented a program of Code awareness, training and review. We have established the position of Compliance Officer to oversee this program. The Compliance Officer is a person to whom you can address any questions or concerns related to this Code. The Compliance Officer is the Company's General Counsel. If the General Counsel position in the Company is not occupied, the Compliance Officer shall be the Company's Chief Financial Officer. In addition to fielding questions or concerns with respect to potential violations of this Code, the Compliance Officer is responsible for:

- investigating possible violations of the Code, to the extent the Audit Committee deems it appropriate;
- training new employees in Code policies;
- conducting periodic training sessions to refresh employees' familiarity with the Code;
- distributing copies of the Code annually to each employee with a reminder that each employee is responsible for reading, understanding and complying with the Code;
- updating the Code as needed and alerting employees to any updates, with appropriate approval of the Audit Committee, to reflect changes in the law, the Company's operations and in recognized best practices, or to reflect the Company's experiences; and
- otherwise promoting an atmosphere of responsible and ethical conduct.

Your most immediate resource for any matter related to the Code is your supervisor. He or she may have the information you need, or may be able to refer the question to another appropriate source. There may, however, be times when you prefer not to go to your supervisor.

In these instances, you should feel free to discuss your concern with the Compliance Officer. If you are uncomfortable speaking with the Compliance Officer because he or she works in your department or is one of your supervisors, please contact the Chief Executive Officer.

Clarifying Questions and Concerns; Reporting Possible Violations

If you encounter a situation or are considering a course of action and its appropriateness is unclear, discuss the matter promptly with your supervisor or the Compliance Officer, or contact the EthicsLine, as described below. Even the appearance of impropriety can be very damaging and should be avoided.

If you are aware of a suspected or actual violation of Code standards by others, you have a responsibility to report it. You are expected to promptly provide a compliance resource with a specific description of the violation that you believe has occurred, including any information you have about the persons involved and the time of the violation. We believe that you should be able to report suspected or actual violations without fear of any form of retaliation; accordingly, we will take prompt disciplinary action against any employee who retaliates against you, up to and including termination of employment.

Supervisors must promptly report any complaints or observations of Code violations to the Compliance Officer or the EthicsLine. The Compliance Officer or the Audit Committee, as appropriate, will investigate all reported possible Code violations promptly and with the highest degree of confidentiality that is possible under the specific circumstances. Your cooperation in the investigation will be expected. As needed, we will consult with legal counsel, the Audit Committee or other appropriate parties.

If the investigation indicates that a violation of the Code may have occurred, we will take such action as we believe to be appropriate under the circumstances. If we determine that an employee is responsible for a Code violation, he or she will be subject to disciplinary action up to, and including, termination of employment and, in appropriate cases, civil action or referral for criminal prosecution. Appropriate action may also be taken to deter any future Code violations.

EthicsLine

We have established the EthicsLine for those who wish to report violations of the Code. Please refer to the Company's intranet for the EthicsLine phone number and email address. If you prefer, you may call the EthicsLine anonymously, although we may be unable to obtain follow-up details from you that may be necessary to investigate the matter. Whether you identify yourself or remain anonymous, your contact with the EthicsLine will be kept strictly confidential to the extent reasonably possible within the objectives of the Code.