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FOR IMMEDIATE RELEASE

Otonomy Announces Preclinical Results Supporting Intra-operative Use of OTO-201 for Common Childhood Procedure

Sustained Release Antibiotic is Effective in Combination with Tympanostomy Tube Placement for Otitis Media

San Diego, CA, June 8, 2011 -- Otonomy, Inc., a developer of innovative therapeutics for diseases and disorders of the ear, today announced positive results for OTO-201, a sustained release gel formulation of the antibiotic ciprofloxacin, in multiple preclinical studies evaluating the treatment of middle ear effusion (fluid) at the time of tympanostomy tube placement surgery. Approximately one million tube placement procedures are conducted each year in the U.S. with the vast majority performed in children suffering from recurrent or persistent otitis media (inflammation or infection of the middle ear). A significant portion of patients receiving tubes have middle ear effusion at the time of surgery which significantly increases their risk of post-operative complications including otorrhea (drainage) and tube occlusion. A number of clinical studies have demonstrated that administration of topical antibiotics during and immediately following tube placement surgery significantly reduces this risk. However, no antibiotic product has been approved by the United States Food and Drug Administration (FDA) for this use and efficacy relies on caregiver compliance with multi-day dosing regimens. OTO-201 is a sustained release antibiotic designed for intra-operative administration by the ear, nose and throat (ENT) surgeon, thereby providing a full course of treatment at the time of tube placement and eliminating the risk of compliance issues.

Preclinical study results demonstrating sustained middle ear drug exposure and efficacy of OTO-201 were presented yesterday at the 10th International Symposium on Recent Advances on Otitis Media. Data demonstrated that a single administration of OTO-201 delivered ciprofloxacin concentrations to the middle ear that were sustained for more than one week above the minimum inhibitory concentration (MIC) required for eradication of common otitis media pathogens. Findings in an otitis media model confirmed that OTO-201, when administered at the time of tube placement, achieved a significant reduction in both middle ear bacterial load and effusion volume versus the study's control treatment. In addition, a single dose of OTO-201 demonstrated middle ear drug levels and efficacy improvements that were comparable to fourteen doses (twice daily for seven days) of CIPRODEX®* Otic, the current market leading antibiotic eardrop.

"These positive results support the advancement of OTO-201 into clinical trials for a lead indication that is commercially attractive due to the large volume of tympanostomy tube

placement procedures performed each year and the lack of an FDA-approved treatment," said David A. Weber, Ph.D., president and chief executive officer of Otonomy. "Furthermore, we believe that the sustained release dosing profile and impressive microbiological efficacy demonstrated by OTO-201 in these preclinical studies may provide the opportunity to expand the set of target indications over time to include non-surgical patients suffering from chronic otitis media."

Based on these positive study results Otonomy plans to initiate a Phase 1b clinical trial of OTO-201 by the end of 2011 in pediatric patients with middle ear effusion at the time of tympanostomy tube placement surgery. The company is also actively advancing OTO-104, its lead product candidate, through clinical development as a treatment for Ménière's disease. By the end of 2011, Otonomy plans to discuss its recently announced positive Phase 1b data for OTO-104 with the FDA and initiate a Phase 2 clinical trial in Ménière's disease patients.

Otitis media is defined as an infection or inflammation of the middle ear and is extremely common during childhood. It is typically the result of a viral, bacterial or respiratory infection that spreads into the middle ear. According to the National Institute on Deafness and Other Communication Disorders (NIDCD), three out of four children experience otitis media by the time they reach three years of age. Oral antibiotics are considered standard of care for patients with otitis media due to infection. Patients with recurrent or persistent otitis media are routinely referred to ENT surgeons for placement of a tympanostomy tube in one or both ears. Industry sources estimate that approximately one million patients undergo tympanostomy tube placement surgery each year in the U.S.

About Otonomy

Otonomy is a clinical stage biopharmaceutical company developing innovative therapeutics for diseases and disorders of the inner and middle ear. There are currently no FDA-approved drug treatments for the nearly 30 million Americans that are affected by debilitating hearing and balance diseases and disorders such as Ménière's disease, sudden sensorineural hearing loss, noise-induced hearing loss, age-related hearing impairment and tinnitus. Otonomy's core technology is a sustained release formulation developed for optimal delivery of drugs to the middle and inner ear with a single intratympanic (IT) injection. This technology has broad applicability across a range of therapeutic classes and two products based on this platform are in active development.

Otonomy's lead product candidate, OTO-104, is a sustained release formulation of the steroid dexamethasone. A Phase 1b clinical trial in Ménière's disease patients has recently been completed, and future studies are being planned in Ménière's disease and other inner ear disorders. OTO-201, the company's second product candidate, is a novel sustained release antibiotic being developed for the treatment of chronic otitis media. OTO-201 clinical trials are expected to begin in 2011. Additional product candidates are expected to target acute and chronic forms of hearing loss, balance disorders, and tinnitus.

For more information visit: www.otonomy.com.

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