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**FOR IMMEDIATE RELEASE**

**Otonomy's OTO-104 Demonstrates Hearing Loss Protection and Hearing Recovery in Preclinical Studies**

*Positive Data Presented at 34<sup>th</sup> MidWinter Meeting of the Association for Research in Otolaryngology*

**San Diego, CA, February 22, 2011** -- Otonomy, Inc., a developer of innovative therapeutics for diseases and disorders of the ear, today announced positive results for the company's lead product candidate, OTO-104, in multiple preclinical models of hearing loss. Data demonstrated that a single intratympanic (IT) injection of OTO-104, a sustained release gel formulation of the corticosteroid dexamethasone, provided significant protection against both noise-induced and chemotherapy-induced hearing loss when administered prior to trauma. The treatment was also shown to promote recovery from noise-induced hearing loss when administered several days following trauma. These findings were presented at this week's 34<sup>th</sup> MidWinter Meeting of the Association for Research in Otolaryngology (ARO).

"The most compelling aspect of these findings is the breadth of therapeutic effect that we were able to demonstrate. The fact that a single injection of OTO-104 was protective against both noise-induced and chemotherapy-induced hearing loss, when dosed either before or after trauma is an impressive result," stated Carl LeBel, Ph.D., chief scientific officer of Otonomy. "Most importantly, these results lend support to the potential utility of OTO-104 in protecting cancer patients from a damaging side effect of chemotherapy, and hold the promise for treating individuals exposed to excessive noise on the battlefield or in the workplace. We look forward to advancing OTO-104 into clinical trials for these patients."

Researchers administered one of three OTO-104 doses or an inactive control via a single IT injection and measured therapeutic activity in the preclinical hearing loss models. Data demonstrated a significant reduction in hearing loss with higher doses of OTO-104 administered prior to noise exposure, and a significant increase in the level of hearing recovery when administered up to two days after the acoustic trauma. Pre-treatment with OTO-104 was also shown to provide nearly complete protection against hearing loss induced by cisplatin, a standard anti-cancer drug. In each of these studies, hearing loss was evaluated using auditory brainstem response (ABR) which is a quantifiable measure of hearing function.

OTO-104 is a sustained release dexamethasone gel designed for direct injection into the middle ear as a potential treatment for hearing loss and balance disorders. Otonomy's proprietary formulation is intended to overcome the limitations associated with short acting solutions which include the need for multiple IT injections and large variability of delivered dose. In addition to its work in the area of hearing loss, the company is also currently conducting a prospective, randomized, placebo-controlled, multicenter, Phase 1b study of OTO-104 given as a single IT injection for the treatment of unilateral Ménière's disease. While the primary endpoint of the study is safety and tolerability, a number of additional endpoints are being monitored, including the frequency of vertigo attacks experienced by patients pre- and post-treatment.

According to the National Institute on Deafness and Other Communication Disorders (NIDCD), approximately 17 percent (36 million) of American adults report some degree of hearing loss. Furthermore, the NIDCD estimates that approximately 15 percent (26 million) of Americans between the ages of 20 and 69 have high frequency hearing loss due to noise exposure at work or during leisure activities. In addition, there are more than 1 million cancer patients, including children, treated each year with chemotherapeutic agents known to cause irreversible hearing loss according to the United Kingdom's Royal National Institute for Deaf People (RNID).

### **About Otonomy**

Otonomy is a clinical stage biopharmaceutical company developing novel drug therapies for diseases and disorders of the inner and middle ear. The company's core technology is a sustained release formulation developed for optimal delivery of drugs from a single intratympanic (IT) injection. Broad applicability of this delivery and formulation technology has been established 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 is ongoing in Ménière's disease patients, and future studies are being planned for acute onset hearing loss. 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](http://www.otonomy.com).

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