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FOR IMMEDIATE RELEASE

Otonomy Announces Positive Results from Phase 1b Study of OTO-104 in Ménière's Disease

Novel Treatment is Well-Tolerated and Demonstrates Improvement in Debilitating Symptoms of Severe Inner Ear Disorder

San Diego, CA, April 28, 2011 -- Otonomy, Inc., a clinical stage biopharmaceutical company developing innovative therapeutics for diseases and disorders of the inner and middle ear, today announced positive data from a Phase 1b study of the company's lead product candidate, OTO-104, in patients with Ménière's disease. Study results showed OTO-104 to be well-tolerated at both doses tested when delivered via a single intratympanic (IT) injection. Additionally, while not powered to demonstrate statistically significant clinical activity, data from the trial showed that patients receiving OTO-104 experienced greater reductions in vertigo frequency and tinnitus compared to patients receiving placebo. Otonomy plans to discuss these study findings with the United States Food and Drug Administration (FDA) and initiate a Phase 2 clinical trial of OTO-104 in Ménière's disease by the end of 2011.

"OTO-104 was well-tolerated at both doses and we experienced no technical issues with administration of the sustained release formulation via IT injection," stated Paul R. Lambert, M.D., professor and chair of the department of otolaryngology – head and neck surgery, Medical University of South Carolina, and the study's lead investigator. "Furthermore, the improvements in vertigo and tinnitus observed in this study support the potential benefit of OTO-104 in the treatment of patients with Ménière's disease and suggest that further evaluation in this patient population is warranted."

A total of 44 patients with unilateral Ménière's disease were enrolled in this prospective, randomized, double-blind, placebo-controlled multicenter study. Patients participated in a one-month baseline period to characterize disease status, followed by randomization to receive a single IT injection of OTO-104 (3mg or 12mg) or placebo. Patients were monitored over a three-month observation period following injection. The study's primary objective was the evaluation of the safety and tolerability of OTO-104 when administered via a single IT injection. Additionally, the study evaluated various indicators of OTO-104 clinical activity including changes in vertigo, tinnitus, hearing function and patient quality of life.

"We are excited by the results from our first clinical trial since they validate the potential of our novel sustained release therapeutic approach and bolster our plan to develop a portfolio of

products to treat a broad range of inner and middle ear disorders,” said David A. Weber, Ph.D., president and chief executive officer of Otonomy. “We look forward to discussing these encouraging clinical results with the FDA and advancing towards our goal of delivering an approved drug treatment option for patients suffering from the debilitating symptoms of Ménière’s disease.”

About OTO-104

OTO-104 is a sustained release formulation of the steroid dexamethasone that has been designed for intratympanic (IT) injection into the middle ear for the potential treatment of a broad range of inner ear disorders including vertigo, hearing loss and tinnitus. OTO-104 is based on Otonomy’s proprietary formulation technology which is intended to overcome the limitations associated with the use of unapproved short acting solutions in the ear. These include limited drug exposure, large variability of delivered dose and the need for multiple IT injections.

About Ménière's Disease

Ménière's disease is a disorder of the inner ear characterized by acute episodes of vertigo, fluctuations in hearing, tinnitus and aural fullness. The underlying cause of Ménière's disease is unknown and there are currently no FDA-approved drug treatments. According to the National Institute on Deafness and Other Communication Disorders (NIDCD), approximately 615,000 individuals have been diagnosed with Ménière's disease in the United States.

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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