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Oculus Innovative Sciences Reduces Planned Expenses While Accelerating Global Commercialization

-- Net Loss to Be Reduced by \$1 Million Per Quarter Compared to Previous Quarters

-- Company Focused on U.S. Product Launch Targeted for January 2009

-- Estimated \$30 Million Pivotal Trial Costs to be Shifted to Prospective Partner

PETALUMA, Calif.--(BUSINESS WIRE)--

Oculus Innovative Sciences, Inc. (Nasdaq: OCLS) today announced that it is significantly reducing planned expenses, including the shift of a planned \$30 million pivotal trial cost to a potential partner, while the company prepares for the launch of its Microcyn(R) Technology-based product in the United States as early as January 2009.

The company recently announced a successful End-of-Phase II meeting with the U.S. Food and Drug Administration, during which the FDA agreed that the company can commence the pivotal phase of its U.S. clinical program for its proprietary Microcyn(R) drug formulation. The company believes the FDA's positive feedback enhances its leverage in discussions with potential partners.

To accelerate the company's ability to achieve profitability, the company will reduce net loss by approximately \$1 million per quarter beginning in the fiscal third quarter which starts October 1, 2008, compared to recent quarters, and will focus on the following revenue growth initiatives:

- Launching its 510(k)-cleared Microcyn product in the United States, preceded by the expected completion in November 2008 of its ongoing U.S. marketing trials including physician focus groups.
- Supporting the launch of Dermacyn(TM) in China through partners including Sinopharm and more than 20 other sub-distributors.
- Expanding the existing distribution network in Europe.
- Filing for approvals of the Microcyn Gel formulation in the United States, China, India, Europe and Mexico and preparing for subsequent launch of gel-based products in

these countries.

-- Expanding Oculus' partnerships outside human wound care, such as Bayer for animal health, amongst others.

"Self-sustainability gained by growth of revenue and expense control remains an important objective," said Hoji Alimi, CEO and founder of Oculus. "We believe we are positioned to continue to grow revenue and accelerate new product research and development efforts, while expanding our portfolio of partners and reducing our cash burn."

As part of its planned cost reduction, the company also announced the reduction of several positions, including the departure of Chief Operating Officer Michael Wokasch from Oculus.

"Our team delivered two key items: Positive clinical data and a successful End-of-Phase II meeting with the FDA that allows us to move the U.S. clinical program forward into pivotal trials," Alimi said. "Now we are targeting our resources on the commercialization effort to provide millions of patients across the globe with access to our patented Microcyn Technology, while pursuing discussions with prospective partners that can move the Microcyn Technology towards drug approval in the United States. I look forward to providing additional information on our commercialization efforts during our next earnings conference call in November."

About Oculus

Oculus Innovative Sciences develops, manufactures and markets a family of products based upon the Microcyn(R) Technology platform, which is intended to help prevent and treat infections in chronic and acute wounds. The Microcyn Technology platform features a biocompatible, shelf-stable solution containing active oxychlorine compounds that is currently commercialized primarily in Europe, India, China and Mexico for the treatment of infected wounds. The solutions derived from this platform have demonstrated, in a variety of research and investigational studies, the ability to treat a wide range of pathogens, including antibiotic-resistant strains of bacteria (including MRSA and VRE), viruses, fungi and spores.

Oculus also develops, manufactures and markets a number of devices and products under 510(k) regulatory approvals to professionals and consumers. The company's headquarters are in Petaluma, California, with operations in Europe, Latin America and Japan. More information can be found at www.oculusis.com.

Forward-Looking Statements

Except for historical information herein, some matters set forth in this press release are forward-looking within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements about our ability to reduce planned expenses and achieve self-sustainability, our ability to grow the existing distribution network in Europe, and our ability to identify or align ourselves with new partners. These forward-looking statements are identified by the use of words such as "pursue," "accelerate," "reducing," "commence," "achieve," "launching," "growing," "filing," and "expanding," among others. Forward-looking statements in this press release are subject to certain risks and uncertainties inherent in the Company's business that could cause actual results to vary, including risks inherent in the development and commercialization of potential products, the risk that regulatory clinical and guideline developments may change, the risk that scientific

data may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, the risk that clinical results may not be replicated in actual patient settings, the risk that protection offered by our patents and patent applications may be challenged, invalidated or circumvented by our competitors, the risk that present treatment trends will continue and that the available market for our products will not be as large as expected, the risk that our products will not be able to penetrate one or more targeted markets, the risk that our work force is inadequate to implement our business plan, the risk that we are unable to identify or align ourselves with strategic partners, the risk that revenues will not be sufficient to fund further development and clinical studies, the Company's future capital needs, and its ability to obtain additional funding and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission including the annual report on Form 10-K for the year ended March 31, 2008. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements.

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Source: Oculus Innovative Sciences, Inc.