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Oculus Innovative Sciences Reduces Additional Cash Need to \$3 Million as Company Targets Breakeven Within 12 Months

Assumes Funding New Products Including a Microcyn(R) Hydrogel While Accelerating Global Sales Reduction is Result of Six-Month Effort to Consolidate Manufacturing Plants while Reducing Clinical Costs, Management Compensation and Workforce

PETALUMA, Calif.--(BUSINESS WIRE)-- Oculus Innovative Sciences, Inc. (Nasdaq: OCLS), a biopharmaceutical company that develops, manufactures and markets a family of products based upon the Microcyn(R) Technology platform, which is intended to treat infections in chronic and acute wounds, announced today that the company's ongoing cost reductions over the past two quarters, in tandem with strong revenue growth over this same time period, have reduced its total cash need from over \$20 million in calendar year 2008 to approximately \$5.4 million in calendar year 2009. As of December 31, 2008 the company had cash of \$2.4 million, thereby requiring an additional \$3 million to achieve breakeven.

"We reacted prudently to the economic challenges," said Hoji Alimi, founder and CEO of Oculus, "and as a result, we re-assessed our business strategy and adopted a multi-tiered plan:

- Continued international revenue growth with an emphasis on the sizeable Chinese market as well as Mexico as it continues to operate at breakeven while moving towards profitability.
- Launching Microcyn Wound Care in the United States with our initial focus on the podiatry market.
- Announced in our last earnings call a plan to seek a strategic partner to underwrite any future clinical trials, rather than funding ourselves.
- And finally, we re-examined every line item in our budget and reduced spending when it didn't contribute to increased revenues. We believe our ability to respond to the current market challenges will result in a stronger Oculus once the market recovers."

This strategy will allow Oculus to launch two new product formulations in 2009, achieve breakeven and move towards profitability as the company continues to grow revenues in China, Europe, Asia and United States. Further reductions in spending can be expected as the company plans to consolidate its manufacturing operations in the near-term. Management discussion of this initiative will be available in the company's third quarter

earnings release and teleconference scheduled for February.

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 in the United States, 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. The company's headquarters are in Petaluma, California, with operations in Europe and Latin America. 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. These forward-looking statements are identified by the use of words such as "reduced," "will result," "available," "plans," and "expected," 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 financial forecasts will not be achieved, the risk that protection offered by our patents and patent applications may be challenged, invalidated or circumvented by our competitors, the risk that present 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 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 quarterly report on Form 10-Q for the quarter ended September 30, 2008. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements.

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Source: Oculus Innovative Sciences, Inc.