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Oculus Innovative Sciences Announces Agreement With Bayer (Sichuan) Animal Health Co. Ltd. for Development of Microcyn(R) Technology Use in Chinese Animal Market

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 that is intended to treat infections in chronic and acute wounds, announced today an agreement with Bayer (Sichuan) Animal Health Co. Ltd. for development of the Microcyn(R) Technology for use in the Chinese animal market.

As part of the agreement, Bayer (Sichuan) Animal Health Co. Ltd. will be responsible for securing Chinese regulatory approval for the use of Microcyn Technology in both the Chinese companion animal and food animal markets. Upon receipt of the Chinese regulatory approvals, Bayer retains right of first negotiation to enter into a distribution agreement for Oculus' Vetericyn(TM) animal brand (formulated with the Microcyn Technology) for the People's Republic of China.

In March of this year, Oculus announced Chinese State and Food Drug Administration approval of Microcyn Technology for treatment of various acute and chronic wounds including ulcers, cuts, contusions and burns in humans. This approval followed the completion and submission of two randomized controlled Chinese clinical trials of Microcyn in December of 2007--a burn wound study with 162 patients and a chronic wound treatment study with 35 patients. Oculus entered into an agreement with China Bao Tai in 2007 for the distribution of Microcyn-based products for humans in China through its various sub-distributors, including Sinopharm and Lianhua Supermarket Holdings Co., Ltd.

Hoji Alimi, CEO and founder of Oculus said, "We see this ongoing Bayer Animal Healthcare relationship as another vital step in our efforts to expand Microcyn's impact on animal health care worldwide--first with the announced development agreement last week with Bayer Australia Limited and now today's agreement with Bayer Sichuan Animal Health. Similar to our efforts to establish Microcyn as the standard of care in human wound care, Bayer Animal Health of China has the ability to carry this same message into multiple animal health care markets through its global network of Bayer Animal Health divisions. We believe that successful approval and adoption of the Microcyn Technology in the Chinese animal health market will positively increase awareness for the Microcyn technology in other regional animal health care markets."

Chinese Animal Care Market

According to Animal Pharm Reports, the market for animal health and nutrition products in China was worth just over \$1.5 billion in 2004 and has grown by more than one-third since 2000. The main reasons for this dynamic growth are the underlying strength of the Chinese economy, and the resultant increases in demand for meat and meat products. This scenario is likely to continue for at least another 10 years, and the growth prospects for the Chinese animal health and nutrition industry are thus excellent. Animal Pharm Reports forecasts that the market will be worth \$2.4 billion by 2010.

About Bayer (Sichuan) Animal Health Co. Ltd.

The Bayer Animal Health Division produces and distributes worldwide about 100 different veterinary drug products and grooming products for food animal and companion animals. It is one of the leading and most successful global suppliers of veterinary specialties and ranks internationally among the top four.

Bayer's Animal Health's scientific and technical advice and other services offer additional benefits to our customers - veterinarians, animal owners and farmers. Our prime focus is always the protection of animals with modern products which ensure rapid, safe and efficient therapy for diseases and contribute to the production of high-quality food for humans.

Bayer's key animal products include

- Flea-control medications such as Advantage(R), for dogs and cats
- Products against ticks
- Drugs to treat infectious diseases in livestock and companion animals (Baytril(R))
- Products to control endoparasites in pets (Drontal(R) and Drontal(R) Plus)
- Baycox(R), the innovative product to control coccidia problems in farm animals

The Bayer Group inaugurated a plant for the manufacture of animal health products in China in 1997. A total of 14.3 million euros were invested to build the new plant located in Chengdu, Sichuan Province. Bayer (Sichuan) Animal Health Co., Ltd. is a 70:30 joint venture of Bayer and the Sichuan Province General Corporation of Animal Husbandry, Industry and Commerce. Complying with international high manufacturing standards, the plant is to produce feed additives and various animal health products for the Chinese market.

About Oculus

Oculus Innovative Sciences is a biopharmaceutical company that 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 is a biocompatible, shelf-stable solution containing active oxychlorine compounds that is currently commercialized outside the United States (Europe, India and Mexico) for the treatment of infected wounds. The solutions derived from the Microcyn

Technology 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.

In addition to the company's existing and under-development therapeutic products, Oculus also develops, manufactures and markets a number of 510k devices and products for both professional and consumer. This includes the recently announced Oculus MDD (Microcyn Delivery Device) for dressing-free treatment of both chronic and acute wounds. As well, Dermacyn Wound Care is currently being test marketed in the U.S. for the moistening and debriding of wounds.

A recently completed U.S. Phase II clinical trial of Microcyn Technology met the primary endpoints of safety and efficacy for the treatment of mildly infected diabetic foot ulcers.

Oculus' principal operations are in Petaluma, California, and it conducts operations in Europe, Latin America and Japan through its wholly owned subsidiaries, Oculus Innovative Sciences Netherlands B.V., Oculus Technologies of Mexico, S.A. de C.V. and Oculus Japan K.K. Oculus' website is 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 "development," "receipt," "securing," "to expand," "to establish," "believe," and "will be," 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 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 March 31, 2008. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements.

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Source: Oculus Innovative Sciences, Inc.