December 11, 2012

Oculus Innovative Sciences Provides Second Half CY 2012 Business Update

- **Cash Position of $8.3 Million at End of Q2 FY 2013 with EBITDAS Loss of $235,000 for First Six Months of FY 2013**
- **Revenues of $8.6 Million for First Half FY 2013 with Product Revenue Growth of 32%**
- **Reduction of $2.8 Million in Annual SG&A Costs as Result of Partnership with More Pharma**
- **EBITDAS Profitability Anticipated During FY 2014**
- **NASDAQ Net Worth Achieved**
- **Scar Study Top-Line Data Expected Before End of FY 2013**
- **New Dermatology Product to be Introduced in Q4 FY 2013**
- **Additional International Regulatory Approvals and Commercialization in China and India Expected Q4 FY 2013**
- **Potential Partnerships in Europe**

PETALUMA, Calif., Dec. 11, 2012 (GLOBE NEWSWIRE) -- Oculus Innovative Sciences, Inc. (Nasdaq:OCLS) a *healthcare* company that designs, produces and markets innovative, safe and effective anti-infective medical devices while also developing multiple drug candidates, today provided a market update for the second half of 2012.

Financial Update/EBITDAS Profitability Expected During FY 2014

Total revenue was $8.6 million in the six months ended September 30, 2012, compared to $6.6 million in the same period last year with product revenue growing at 32% over the same period last year. Operating loss minus non-cash expenses (EBITDAS) for these six months was $235,000 compared to $1.2 million in the same period last year. If adjusted for one-time severance costs of $410,000 relating to the transaction with Oculus partner, More Pharma, Oculus would have been EBITDAS profitable for the first half of FY 2013. The company's cash position as of September 30, 2012 was $8.3 million.

Oculus management believes the combination of the growing revenue, especially in the United States, and reduced operating expenses in Mexico, should result in consistent EBITDAS profitability sometime in fiscal year 2014, excluding expenses directly related to clinical drug trials. Once realized, Oculus will then target cash flow breakeven, which will be facilitated by continued revenue growth and maintenance of reduced cash operating expenses. Management provided product revenue growth guidance of up to 25% for the full fiscal year 2013, compared to the same period last year.

Revenue Growth

Oculus management anticipates sustainable revenue growth as a result of the following

domestic partnerships:

- U.S. sales of Oculus' dermatology products and expansion of product lines will provide the greatest near-term revenue boost with revenue growth guidance of 40% to 60% for full fiscal year 2013.
- Animal healthcare partner, Innovacyn, Inc., provided Oculus with revenue growth of 36% in the first half of FY 2013. The company has provided guidance of up to 20% revenue growth for FY 2013.

The company's international sales are expected to grow as a result of additional drug and device approvals in both India and China in Q4 FY 2013 with commercialization to follow in Q1 FY 2014. Oculus will update guidance as these initiatives move forward.

Scar Study

Oculus completed patient enrollment for its scar management trial. This trial is being conducted based on an FDA-reviewed protocol to support the company's pending FDA 510(k) clearance for management of hypertrophic and keloid scars. The company expects to announce top line data from this trial in early calendar year 2013. Upon successful completion of the clinical trial and anticipated FDA clearance, AmDerma/Quinnova will reimburse Oculus for the cost of the trial and will introduce another innovative Microcyn-based product into the U.S. dermatology market. This is part of Oculus' strategy to provide partners with growing and robust product pipelines for their respective markets.

Two FY 2013 Licensing Agreements

Oculus' partner, More Pharma, assumed all Microcyn-based product marketing and sales responsibilities in South America and the Caribbean as of August 2012. In addition to an upfront payment of $5.1 million to Oculus, More Pharma's 200-person marketing/sales team has assumed all product marketing/sales in Mexico, while also pursuing further regulatory approvals and subsequent commercialization in other Latin American countries. Oculus believes long-term sales will grow at a much greater pace as these regulatory approvals are secured. More Pharma's 200-person marketing/sales team has assumed all product marketing/sales in Mexico as of August 2012. As a result of this successful transition the company eliminated its marketing and sales team in that region, thus lowering its SG&A expenses by $2.8 million per annum.

Secondly, Oculus signed a licensing agreement with AmDerma/Quinnova to develop and commercialize Oculus' novel proprietary Microcyn® Technology drug compounds for major dermatological conditions, including acne. The exclusive agreement includes licensing of the dermatology compounds in the United States and India. The product formulation is nearing finalization. AmDerma/Quinnova will be responsible for the development costs for the acne formulation as well as other dermatological compounds.

Future Planned Partnerships

Duplicating the successful blueprint of the FY 2013 partnerships, Oculus is working to secure a series of CE mark approvals for use of its various product formulations in the treatment of wounds and dermatology indications. The added CE mark approvals will provide a significant opportunity for potential partners to quickly commercialize and

penetrate the European markets in FY 2014.

NASDAQ Net Worth Target Achieved/Company Negotiating /Debt Restructured

On November 1, 2012, Oculus disclosed the company achieved a net worth of approximately $4.5 million on a pro forma basis as a result of two transactions as of September 30, 2012. The first transaction was the issuance of $3.5 million in restricted common stock to the company's lender, Western Technology Institute, to be used for the reduction of Oculus' debt liabilities. In the second transaction, Oculus agreed to amend a warrant, held by two of its investors, to remove a provision in the warrant that contained certain cash-settlement features; this was in exchange for extending the warrant by two years. These transactions allowed the company to regain compliance with the $2.5 million stockholders' equity requirement for continued listing on the NASDAQ capital market.

In the event the company receives a second delisting notice from NASDAQ regarding trading of Oculus stock below the minimum bid price of $1 per share, Oculus intends to request an extension so as to resolve this issue.

Hoji Alimi, founder and CEO of Oculus said: "Our commitment is to drive the company towards profitability while simultaneously unlocking the value of our drug assets in the areas of acne, surgical and wound care."

About Oculus Innovative Sciences

Oculus Innovative Sciences is a *healthcare* company that designs, produces and markets innovative, safe and effective anti-infective medical devices while also developing multiple drug candidates for various indications including treatment of acne and surgical suite use. Oculus is pioneering innovative solutions in multiple markets for the dermatology, surgical, wound care, and animal healthcare markets, and has commercialized products in the United States, Europe, India, China, Mexico and select Middle East countries. The company's headquarters are in Petaluma, California, with manufacturing operations in the United States and Latin America. More information can be found at www.oculusis.com.

Forward-Looking Statements

Except for historical information herein, 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 the Company's commercial and technology progress and future financial performance. These forward-looking statements are identified by the use of words such as "receives," "drive" and "unlocking," 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 such risks that regulatory clinical and guideline developments may change, scientific data may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, clinical results may not be replicated in actual patient settings, protection offered by the Company's patents and patent applications may be challenged, invalidated or circumvented by its competitors, the available market for the Company's products will not be as large as expected, the Company's products will not be able to penetrate one or more targeted markets, revenues will not be sufficient to fund further development and clinical studies, the Company may not meet its future capital

needs, and its ability to obtain additional funding, as well as uncertainties relative to varying product formulations and a multitude of diverse regulatory and marketing requirements in different countries and municipalities, 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, 2011. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements except as required by law.

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