

January 10, 2013



# **Oculus Innovative Sciences, Inc. Announces Plan to Spin Off Biotechnology Business**

## **Oculus Management Conference Call Begins at 4:30 p.m. (ET) Today**

PETALUMA, Calif., Jan. 10, 2013 (GLOBE NEWSWIRE) -- Oculus Innovative Sciences, Inc. (Nasdaq:OCLS) today announced that its board of directors has unanimously approved a spin-off of its novel biotechnology business, Ruthigen, Inc.

Oculus management is currently working with securities counsel and bankers on a plan to provide equity in Ruthigen to Oculus shareholders. Oculus expects the spinoff to be a tax-free stock distribution and ultimately anticipates Ruthigen to become an independent NASDAQ-traded company. Oculus has retained bankers and financial advisors for the spinoff, and expects the spinoff to be completed in 2013. Execution of the transaction requires further work relative to structure, governance and other significant matters and risks.

Upon completion of the spinoff, Hoji Alimi, founder and current chief executive officer of Oculus, will remain on the board of directors at Oculus and serve as chairman and chief executive officer of Ruthigen, Inc. Jim Schutz, the current chief operating officer and director of Oculus, will assume the role of chief executive officer of Oculus, with a new board chair to be elected shortly. Each company will operate with independent management teams and boards of directors to establish separate governance and financials as required by accounting rules. Additional details regarding structure will be determined and disclosed at a later time.

Oculus will retain all Microcyn drug and device indications while Ruthigen will focus on RUT58-60, a drug candidate intended for the prevention of infection in trauma and surgical procedures. RUT58-60 is a new unique chemical formulation containing twice the concentration of hypochlorous acid, along with magnesium and no sodium hypochlorite.

Alimi said: "By separating these unique businesses into two companies, we believe each company will benefit from greater strategic and managerial focus and be better positioned to capitalize on future market opportunities. Under the plan currently under consideration, Oculus shareholders will receive shares of Ruthigen. Ultimately, we are seeking to create additional value for current and future shareholders of both Oculus and Ruthigen.

"Our Microcyn business will continue as it has over the past seven years providing life saving products for patients without the additional burden of drug development costs. Oculus has a foundation of strong fundamentals, including sustainable revenues from several key markets and a solid plan for new sources of revenue growth over the next

several years."

Oculus' intent is to secure additional FDA and CE regulatory approvals and to expand medical device offerings over the next 12 months. This will provide current partners with new products and a growing platform of products for new partners. While Oculus will continue promoting Microcyn-based products for topical use, Ruthigen intends to focus on use of its uniquely differentiated drug for internal use targeting organ exposure. Ruthigen intends to identify a partner for its European drug indication as well as file an S-1 registration statement to fund its pivotal drug program in the United States. Upon completion of a public offering, the entities will operate as independent entities.

"The spin-off of Ruthigen should be attractive to shareholders who are interested in companies that are addressing the critical issue of surgical infection," said Alimi. "Initially, we intend to leverage our previous phase two drug data for use in regulatory approvals relative to the prevention of infection in surgeries."

The completion of the proposed spinoff is subject to certain customary conditions, including final approval by Oculus' board of directors, the filing and effectiveness of appropriate filings with the U.S. Securities and Exchange Commission including a registration statement on form S-1, and any necessary third-party consents, as well as certain other matters relating to the spinoff, receipt of legal opinions, execution of intercompany agreements, and final approval of the transactions contemplated by the spinoff, as may be required under Delaware law. Oculus notes that there can be no assurance that any separation transaction will ultimately occur, or, if one does occur, its terms or timing.

### **Management Conference Call**

Oculus management will hold a conference call today to discuss the spin-off and to answer questions, beginning at 4:30 p.m. ET. Individuals interested in participating in the conference call may do so by dialing (877) 303-7607 for domestic callers or (973) 638-3203 for international callers. Those interested in listening to the conference call live via the Internet may do so at <http://ir.oculusis.com/events.cfm>. Log on approximately 30 minutes prior to the presentation in order to register and download the appropriate software. Please note that those listening via the web do not have the ability to pose questions.

A telephone replay will be available for seven days following the conclusion of the call by dialing (855) 859-2056 for domestic callers, or (404) 537-3406 for international callers, and entering conference code 87524998. A webcast replay will be available on the site at <http://ir.oculusis.com/events.cfm> for one year following the call.

### **About Oculus Innovative Sciences**

Oculus Innovative Sciences is a *healthcare* company that designs, produces and markets innovative, safe and effective anti-infective products and 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

## **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 "provide," "execution," "assume," and "intended," 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, the uncertainties associated with effecting a spinoff of a separate public company, and the discretion of Oculus' Board of Directors to delay or cancel the spinoff prior to execution, 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, 2012. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements except as required by law.

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