May 21, 2014

Xenetic Biosciences Announces First Quarter 2014 Financial Results and Business Update

Company Marks 10-Year Anniversary With Scott Maguire as CEO

LEXINGTON, Mass., May 21, 2014 (GLOBE NEWSWIRE) -- Xenetic Biosciences (OTCBB:XBIO), a biopharmaceutical company focused on developing next-generation biologic drugs and novel oncology therapeutics, today reported financial results for the quarter ended March 31, 2014.

Scott Maguire, CEO of Xenetic Biosciences said, "Having been appointed CEO of Xenetic 10 years ago, I am pleased to be part of the Company's evolution from a small U.K.-based research company to a growing U.S. biopharma focused on developing a broad and diverse clinical development pipeline, all centered around our unique, cutting-edge technology platforms. Our years as a research company has positioned us well with over 140 issued patents and 90 patents pending. As a U.S. company, we are now focused on utilizing these patents to create new and improved therapies with the hope of treating and curing a number of insidious diseases. Ultimately, what gives any executive in this industry passion and motivation is playing a role in having a positive impact on human health, and that is our key focus at Xenetic.

"In addition to relocating our corporate headquarters and research operations to Lexington, MA, we have also significantly bolstered our team with the additions of three healthcare industry veterans to our Board, including Mark Leuchtenberger as Non-Executive Chairman. Earlier this year, we also further strengthened our hemophilia partnership with Baxter International, Inc., including a $10 million equity investment from Baxter and a substantial increase in the future economics, now representing up to $100 million in potential milestones, plus royalty payments arising from the PSA-rFactor VIII, BAX 826, program," continued Mr. Maguire.

"Looking ahead to the remainder of 2014, our priority is advancing OncoHist® for refractory and relapsed Acute Myeloid Leukemia (AML) into a U.S. FDA clinical trial, as well as focusing on our most advanced clinical candidate, ErepoXen® for the treatment of anemia. In parallel, we will be receiving patient data on a number of candidates from our Russian partners, which will provide the Company further U.S. pipeline expansion opportunities."

Recent Business Highlights

- Appointed biopharmaceutical industry veteran Mark Leuchtenberger as Non-Executive Chairman of the Board of Directors
- Announced positive results from a Phase 1 clinical trial of PSA-Oxyntomodulin for the

treatment of Type II Diabetes and obesity, conducted by Russian partner, OJSC Pharmsynthez

Expected 2014 Milestones

- Present interim data from Phase 2 Australia/New Zealand trial of ErepoXen® for the treatment of chronic anemia in patients with renal disease
- Advance ongoing clinical development of OncoHist®, with planned U.S. IND filings for AML and an additional cancer indication
- Secure U.S. Orphan Drug Designation for additional oncology indication for OncoHist®
- Present interim data from Phase 2 Russia trial of OncoHist® in patients with refractory AML and Non Hodgkin's Lymphoma
- Initiate Phase 2 trial of PulmoXen® for the treatment of cystic fibrosis, conducted by Russian partner, OJSC Pharmsynthez
- Commence IV trials for ErepoXen® for in-center dialysis patients in India based on Xenetic's positive Phase 2 data for pre-dialysis patients

- In addition to these expected milestones, one of the primary goals of management and the Board is to seek a NASDAQ Capital Market uplist at the earliest practical date

First Quarter 2014 Financial Results

Net loss for the first quarter of 2014 was $4.1 million, compared to a net loss of $1.4 for the same period in 2013. The Company did not recognize revenues for both the first quarter of 2014 and the comparable period in 2013.

Research and development expenses were $0.6 million for both the first quarter of 2014 and the comparable period in 2013. Xenetic expects an increase in R&D expense in 2014 as the company further advances development of its clinical programs and brings its Lexington, MA research facility to full operational activity.

General and administrative expenses were $2.4 million for the first quarter of 2014, compared to $0.8 million for the same period in 2013. The increase in G&A expenses was primarily due to increased accounting, legal and other professional consulting fees associated with the Company's strategic decision to move from a U.K.-based, London AIM quoted, organization, to a U.S.-based, publicly traded company, which resulted in increased expenses during the first quarter of 2014.

As of March 31, 2014, Xenetic's cash and cash equivalents totaled $10.9 million and there were approximately 146.7 million shares of common stock outstanding.

About Xenetic Biosciences

Xenetic Biosciences is a biopharmaceutical company developing next-generation biologic drugs and novel oncology therapeutics. Xenetic's proprietary drug technology platforms include PolyXen® for creating next generation biologic drugs by extending the efficacy, safety and half-life of biologic drugs and OncoHist® for the development of novel oncology drugs focused on orphan indications. Xenetic's lead product candidates include ErepoXen®, an improved, polysialylated form of erythropoietin (EPO) for the treatment of anemia in pre-dialysis patients with chronic kidney disease and OncoHist®, a recombinant human histone

H1.3 molecule which Xenetic is developing for the treatment of refractory Acute Myeloid Leukemia (AML). Xenetic is developing a novel series of polysialylated blood coagulation factors through its license agreement with Baxter International Inc. Xenetic is also developing a broad pipeline of clinical candidates for next generation biologics and novel oncology therapeutics in a number of orphan disease indications. For more information, please visit the company's website at www.xeneticbio.com.

Forward-Looking Statements

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our future financial performance, management's plans, objectives and strategies, the potential safety, tolerability and efficacy of our product candidates, the advancement of our clinical trials, the initiation of future clinical trials, the timing of data announcement in connection with these trials, the timing of regulatory filings, and our ability to secure orphan designation status for future indications. Forward-looking statements can be identified by terminology such as "anticipate," "believe," "could," "could increase the likelihood," "estimate," "expect," "intend," "is planned," "may," "should," "will," "will enable," "would be expected," "look forward," "may provide," "would" or similar terms, variations of such terms or the negative of those terms. Any forward-looking statements in this press release are based on management's current expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those set forth in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risk of cessation or delay of any of the ongoing or planned clinical trials and/or our development of our product candidates, the risk that the results of previously conducted studies involving similar product candidates will not be repeated or observed in ongoing or future studies involving current product candidates, the risk that our collaboration with Baxter will not continue or will not be successful, and the risk that any one or more of our product candidates will not be successfully developed and commercialized. For a discussion of other risks and uncertainties, and other important factors, any of which could cause our actual results to differ from those contained in the forward-looking statements, see the section entitled "Risk Factors" in our Current Report on Form 10-K, as well as discussions of potential risks, uncertainties, and other important factors in our subsequent filings with the Securities and Exchange Commission. All information in this press release is as of the date of the release, and Xenetic undertakes no duty to update this information unless required by law.

XENETIC BIOSCIENCES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2014	2013
Revenue	$--	$--
Cost of revenue	--	--
Gross profit	--	--

Operating costs and expenses:		
Research and development	565,901	622,105
General and administrative	2,427,615	764,219
	2,993,516	1,386,324
Loss from operations	(2,993,516)	(1,386,324)
Other income (expense):		
Loss on disposal of subsidiaries	(1,069,675)	--
Interest income	1,044	10,716
Interest expense	(884)	--
	(1,069,515)	10,716
Loss before income taxes	$(4,063,031)	$(1,375,608)
Income tax	--	--
Net loss	$(4,063,031)	$(1,375,608)
Other comprehensive (loss) income		
Foreign currency translation adjustment	125,884	(1,220,049)
Total comprehensive loss	$(3,937,147)	$(2,595,657)
Net loss per share of common stock, basic and diluted	$(0.03)	$(0.01)
Weighted-average shares of common stock outstanding, basic and diluted	136,052,498	119,831,943

XENETIC BIOSCIENCES, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash	$10,857,824	$4,839,486
Restricted cash	66,000	66,000
Other receivables	245,737	256,015
Prepaid expenses and other	329,362	168,308
Total current assets	11,498,923	5,329,809
Property and equipment, net	148,811	152,603

Goodwill	3,697,828	3,665,199
Indefinite-lived intangible assets	10,409,855	10,318,001
Other assets	142,394	--
Total assets	$25,868,351	$19,465,612
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$592,380	$942,156
Accrued expenses	1,092,518	1,826,867
Accrued payroll taxes	299,457	84,599
Other current liabilities	34,357	55,266
Loans due to related parties	681,042	681,124
Total current liabilities	2,699,754	3,590,012
Deferred tax liability	3,286,913	3,257,910
Other liabilities	70,611	--
Total liabilities	6,057,278	6,847,922
Commitments and contingent liabilities	--	--
Stockholders' equity:		
Common stock, $0.01 par value; 215,456,000 shares authorized as of March 31, 2014 and December 31, 2013; 146,740,692 and 130,575,516 shares issued as of March 31, 2014 and December 31, 2013, respectively; 136,052,498 and 119,887,322 shares outstanding as of March 31, 2014 and December 31, 2013, respectively	1,467,407	1,305,755
Additional paid in capital	87,979,066	73,999,860
Accumulated deficit	(65,380,355)	(58,306,999)
Accumulated other comprehensive income	1,026,135	900,254
Treasury stock	(5,281,180)	(5,281,180)
Total stockholders' equity	19,811,073	12,617,690
Total liabilities and stockholders' equity	$25,868,351	$19,465,612

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Source: Xenetic Biosciences, Inc.