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Xenetic Biosciences (XBIO) Contracts With Baxter International Inc Have Been Assigned to Baxalta Incorporated Following the Company Spin Out

LEXINGTON, Mass., Sept. 09, 2015 (GLOBE NEWSWIRE) -- **Xenetic Biosciences, Inc.** (OTCQB:XBIO), a biopharmaceutical company focused on developing next-generation biologic drugs and novel oncology therapeutics, announces that its contracts and arrangements with Baxter Healthcare SA ("Baxter SA") and Baxter Healthcare Corporation (together referred to as "Baxter") (NYSE:BAX) have now been assigned to Baxalta Incorporated (NYSE:BXLT) ("Baxalta") as part of the spin out of the company's biopharmaceutical business.

Xenetic has an exclusive research, development, license and supply agreement with Baxalta (formerly Baxter Healthcare SA and Baxter Healthcare Corporation) to develop products with an extended half-life of certain proteins and molecules using the Company's patent protected PolyXen® technology whereby polysialic acid ("PSA" – a chain of polysialic acids) is conjugated with Baxter's proprietary molecule(s). The resulting drug candidate is designed to create a longer-acting haemophilia drug, a polysialylated recombinant Factor VIII ("rFVIII") protein, than what is currently available on the market. Baxter also has rights that extend to treatments of the failure of blood to coagulate. Baxalta expects to begin Clinical Trial Authorization (CTA, EU) and Investigational New Drug (IND, US) submissions on this novel drug candidate in the coming months.

As a result of a revised license deal in January 2014, the Company is entitled to up to \$100 million in potential development, regulatory, sales and deadline extension receipts, which are contingent on the performance of Baxalta achieving certain milestones. The Company is also entitled to royalties on potential net sales. In connection with this deal, Baxalta also made a \$10 million equity investment at a price of \$0.935 per share, which is a post money market cap of approximately \$140 million.

Baxalta Incorporated is a newly established global biopharmaceutical leader developing, manufacturing and commercializing therapies for orphan diseases and underserved conditions in hematology, oncology and immunology.

Baxalta is a related party of Xenetic, with a share ownership of approximately 8.7%.

About PolyXen®

PolyXen® is an enabling platform technology for protein drug delivery. It uses the natural polymer polysialic acid (PSA) to prolong the drug's half-life and potentially improve the stability of therapeutic peptides and proteins. Both the site of attachment and the length of

the PSA chain can enhance the properties of the therapeutic by changing the apparent hydrodynamic radius of the molecule which, in turn, changes a number of the biological characteristics of the therapeutic. It can also be used for small molecule drugs.

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®, designed to develop 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®, a polysialylated form of erythropoietin (EPO) for the treatment of anemia in pre-dialysis patients with chronic kidney disease, and OncoHist™, a novel recombinant human histone H1.3 molecule for the treatment of refractory Acute Myeloid Leukemia (AML) with potential to treat numerous other cancer indications. Xenetic is collaborating with Russian-based OJSC Pharmsynthez (who is an affiliate of a significant shareholder in Xenetic) and the Serum Institute of India to test additional drug and vaccine candidates and to de-risk the development process with clinical data generated in Russia and India before Xenetic takes these candidates into the clinic in the Western markets.

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.

Baxter Healthcare:

Xenetic is working together with Baxter International Inc. to develop a novel series of polysialylated blood coagulation factors, including a next generation Factor VIII. This collaboration relies on the PolyXen technology to conjugate PSA to therapeutic blood-clotting factors, with the goal of improving the pharmacokinetic profile and extending the active life of these biologic molecules. Baxter is one of the Company's largest shareholders having invested in a number of rounds with the most recent investment of \$10M last year. The agreement is exclusive research, development and license agreement grants Baxter a worldwide, exclusive, royalty-bearing license to Xenetic's PSA patented and proprietary technology in combination with Baxter's proprietary molecules designed for the treatment of blood and bleeding disorders. Under the agreement, Xenetic may receive regulatory and sales target receipts for total potential milestones of up to \$100 million plus royalties on sales.

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, the potential safety, tolerability and efficacy of our product candidates and the advancement of our clinical trials. 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," "designed to," "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 Annual 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.

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