April 16, 2014

Xenetic Biosciences Announces Full Year 2013 Financial Results and Business Update

LEXINGTON, Mass., April 16, 2014 (GLOBE NEWSWIRE) -- Xenetic BioSciences (OTCBB:XBIO), a biopharmaceutical company focused on developing next-generation biologic drugs and novel orphan oncology therapeutics, today reported financial results for the year-ended December 31, 2013.

"The past several months have been pivotal for Xenetic as we have made significant advancements towards our goal of becoming a leading U.S.-based biopharmaceutical company," said Scott Maguire, CEO of Xenetic Biosciences. "We relocated our corporate headquarters and research operations to Lexington, MA, we recently appointed two healthcare industry veterans to our Board and we continue to add top talent as we build out our clinical development and research operations. Furthermore, we welcomed an increased shareholding in the Company from Baxter International, Inc. via a $10 million equity investment along with a substantial increase of up to $100 million in potential cash milestones on an existing license deal.

"We are also leveraging our proprietary drug technology platforms to continue advancing our clinical pipeline, including our most advanced products, ErepoXen® for the treatment of anemia, OncoHist® for the treatment of refractory and relapsed Acute Myeloid Leukemia (AML) and PulmoXen™ for the treatment of cystic fibrosis. As we look toward the numerous milestones across our development pipeline for the rest of 2014, we believe we are well positioned to further enhance shareholder value and potentially introduce new and better therapies for cancer and renal disease patients."

Recent Business Highlights

- Announced encouraging safety and tolerability results from the Phase I trial of PulmoXen for the treatment of cystic fibrosis, conducted by Russian partner, OJSC Pharmsynthez
- Received direct investment of $10 million from Baxter and restructured existing licensing agreement with Baxter to develop polysialylated blood coagulation factors using Xenetic's technology– increasing potential total milestone payments to $100 million, with additional future royalties on commercial sales
- Appointed industry veterans, Timothy Cote, MD, MPH, former Director of the U.S. FDA Office of Orphan Products Development, and experienced finance professional Darlene Deptula-Hicks to the Board of Directors as audit committee chairperson
- Opened new corporate headquarters and research and development facility in Lexington, MA in collaboration with the Massachusetts Life Sciences Center and the Massachusetts Biotechnology Council

- In January, transitioned to the U.S. markets through listing on the OTC Bulletin Board and subsequently commenced trading under the ticker symbol "XBIO"

Expected 2014 Milestones

- Present interim data from Phase 2 Australia/New Zealand trial of ErepoXen for the treatment of chronic anemiain patients with renal disease
- Advance ongoing clinical development of OncoHist, with a 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

Full Year 2013 Financial Results

Revenue for the year ended December 31, 2013 was $1.0 million, compared to $300,000 for the comparable period in 2012. The year-over-year increase in revenue was primarily due to Xenetic's receipt of license revenue in 2013 under its agreement with Baxter.

Research and development expenses were $3.1 million for the year ended December 31, 2013, compared to $1.9 million for the comparable period in 2012. The increase in R&D expense was primarily due to increased spending on clinical activities as Xenetic further advanced development of its ErepoXen and OncoHist clinical programs. 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 $6.6 million for the year ended December 31, 2013, compared to $3.6 million for the same period in 2012. The increase in G&A expenses was primarily due to increased legal and accounting expenses relating to the delisting from the AIM market and our transition to the U.S. capital markets, as well as the transition of the operations from London, UK to Lexington, MA.

Net loss for the year ended December 31, 2013 was $8.6 million, compared to a net loss of $6.3 for the same period in 2012.

Cash and cash equivalents were $4.8 million at December 31, 2013, compared to $11.1 million for the comparable period in 2012. In January 2014, Xenetic recorded a $10 million common stock investment from Baxter.

About Xenetic Biosciences

Xenetic Biosciences is a biopharmaceutical company developing next-generation biologic drugs and novel orphan oncology therapeutics. Xenetic's proprietary drug technology platforms include PolyXen® for creating next generation biologic drugs by extending the efficacy 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 and relapsed Acute Myeloid Leukemia (AML). Xenetic has entered into a license agreement with Baxter International, Inc. for the development of a novel series of polysialylated blood coagulation factors. 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 statements regarding the 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. 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

	YEAR ENDED DECEMBER 31,	
	2013	**2012**
Revenue	$1,000,000	$293,603
Cost of revenue	--	44,838
Gross profit	1,000,000	248,765
Operating costs and expenses:		
Research and development	3,060,306	1,943,504
General and administrative	6,553,163	3,561,898
Impairment of In-Process Research and Development	--	1,087,638
	9,613,469	6,593,040
Loss from operations	(8,613,469)	(6,344,275)

Other income (expense):		
Interest income	34,855	67,674
Interest expense	(632)	(51,739)
	34,223	15,935
Loss before income taxes	$(8,579,246)	$(6,328,340)
Income tax	--	--
Net loss	$(8,579,246)	$(6,328,340)
Other comprehensive (loss) income		
Foreign currency translation adjustment	(15,344)	1,170,501
Total comprehensive loss	$(8,594,590)	$(5,157,839)
Net loss per share of common stock, basic and diluted	$(0.07)	$(0.05)
Weighted-average shares of common stock outstanding, basic and diluted	119,836,558	119,828,687

XENETIC BIOSCIENCES, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2013	**2012**
ASSETS		
Current assets:		
Cash	$4,839,486	$11,136,870
Restricted cash	66,000	--
Accounts receivable	--	130,258
Other receivables	256,015	81,926
Prepaid expenses and other	168,308	195,907
Total current assets	5,329,809	11,544,961
Property and equipment, net	152,603	122,082
Goodwill	3,665,199	3,592,073
Indefinite-lived intangible assets	10,318,001	10,112,141
Total assets	$19,465,612	$25,371,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$942,156	$119,669
Accrued expenses	1,826,867	456,744

Accrued payroll taxes	84,599	86,600
Other current liabilities	55,266	53,656
Loans due to related parties	681,124	682,993
Total current liabilities	3,590,012	1,399,662
Deferred tax liability	3,257,910	3,192,909
Total liabilities	6,847,922	4,592,571
Commitments and contingent liabilities (Note 9)	--	--
Stockholders' equity:		
Common stock, $0.01 par value; 215,456,000 shares authorized as of December 31, 2013 and 2012; 130,575,516 and 130,520,137 shares issued as of December 31, 2013 and 2012; 119,887,322 and 119,831,943 shares outstanding as of December 31, 2013 and 2012 respectively	1,305,755	1,305,201
Additional paid in capital	73,999,860	73,566,820
Accumulated deficit	(58,306,999)	(49,727,753)
Accumulated other comprehensive income	900,254	915,598
Treasury stock	(5,281,180)	(5,281,180)
Total stockholders' equity	12,617,690	20,778,686
Total liabilities and stockholders' equity	$19,465,612	$25,371,257

CONTACT: Xenetic Biosciences, Inc.
M. Scott Maguire, Chief Executive Officer
+44 (0)20 3021 1500
g.fry@xeneticbio.com

U.S. Contact:
Stern Investor Relations
Paul Cox
212 362 1200
paul@sternir.com

UK/European Contact:
Walbrook PR
Mike Wort
+44 (0)20 7933 8780

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