

Xenetic: Proactive Investors Forum

November 8, 2011

Enhancing lives and improving drugs



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Xenetic Biosciences : Introduction

- AIM listed bio-pharmaceuticals group (AIM: XEN) since Jan 2006. Formerly Lipoxen plc (LPX).
- **Derisking Biotech:**
 - Our technologies modify and improve existing biologic drugs and vaccines
 - 12 human proof of concept trials in Russia and India
- Collaborators are world's largest pharma / biotech companies
- **Key Points:**
 1. We aim to improve drug performance
 2. This leads to lower dosage requirements
 3. Which is more cost effective and better for the patient
 4. Large pharma companies can re-patent their drugs
- Lead license partner, Baxter Healthcare, third largest shareholder and recently committed more capital to the Company. US\$75M cash milestones plus royalties license deal on their core drugs, coagulation Factors.
- Low cash burn rate
 - clinical trials funded externally
 - manufacturing supported by India's largest biotech company

Management Team



Sir Brian Richards, CBE, PhD
Non-executive Chairman

- Founder / Chairman of leading UK biotech PLCs:
- British Biotech, Peptide Therapeutics (now Acambis/Sanofi), Oxford Biomedica, Cozart & CeNeS, Alizyme



M. Scott Maguire, MBA
Chief Executive Officer

- 18 years investment banking & global healthcare experience with Merrill Lynch, W. R. Grace & Andersen
- Appointed CEO of Lipoxen in 2004
- Led the Company's AIM listing in 2006



Colin Hill
Chief Financial Officer

- Substantial public company experience in the UK, USA and Australia
- 20 years experience in corporate finance, PE/venture capital in broad range of small-cap enterprises.
- Joined Lipoxen in 2006 as Non Exec; appointed CFO in June 2007

Investment Proposition

– Three patent-protected technology platforms:

1. **PolyXen** extending length of action of biologic drugs in the body eg: Insulin and EPO
 - c.\$70 billion market
2. **ImuXen** creates new vaccines and improves existing vaccines
 - c.\$25 billion market

– Summary of recently announced deals:

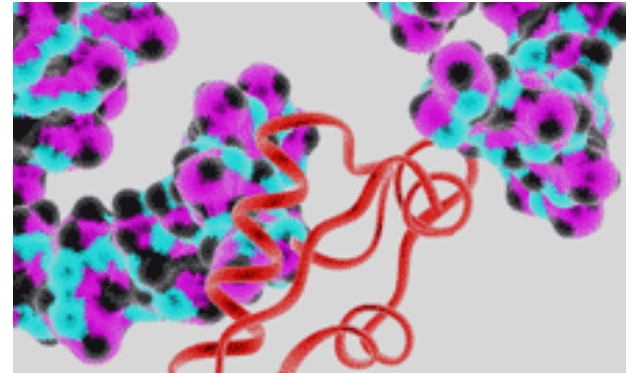
- Placing at 11p equal to 40% premium for \$19.5M with Russian government SPV
- License deal for 6 drug candidates with SPV
- Acquisition for 80M shares of German natural therapeutic platform technology company
- Release of vaccine and drug candidates from Serum Institute of India for development with Russian SPV and an increased royalty from launch of PSA EPO in India

– Publicly announced commercial collaborations with major bio-pharmaceutical partners including:



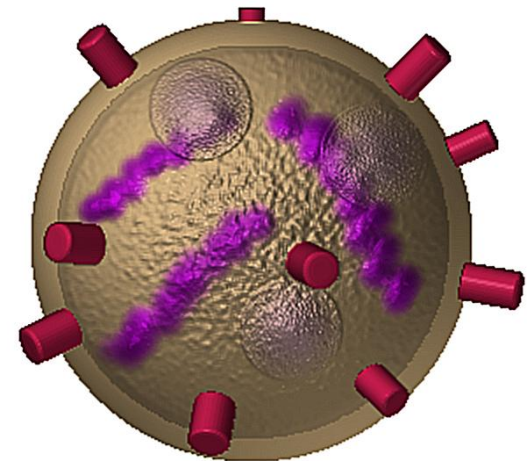
PolyXen® : Better Performance for Protein Drugs

- Uses a natural polymer to extend the active life of protein drugs in the body
- Modelled on the multi-billion US\$ success of PEG - a synthetic polymer
- Key benefits:
 - Better efficacy
 - Avoidance of side effects
 - Avoidance of PEG toxicity
 - Fewer shots
 - Improved stability
- Versatile:
 - Ability to improve the clinical profile of most protein drugs
 - Applies to over 150 marketed products and 1,350+ products in the clinic and in development
 - Very attractive acquisition target for Big Pharma / Big Biotech for solving 'pipeline vacuum'



ImuXen® : Vaccine Technology

- Developing new vaccines for major diseases eg: pandemic Influenza and HIV
- ImuXen®
 - Primate studies have proved efficacy
 - Collaborating with two of the world's largest vaccine companies
- Proof of concept preclinical studies have shown that the benefits of ImuXen® for DNA, protein and polysaccharide vaccines include:
 - Multiple vaccines delivered with a single injection
 - Reduction in the number of doses required
 - Reduction in side effects
- ImuXen® technology is currently being used in preclinical vaccine candidate research programmes
 - Influenza
 - MS Vaccine
- Next steps
 - MS vaccine commence Ph I trials



Background

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Xenetic Biosciences (AIM:XEN)

- Why the name change? Lipoxen has been historically compromised by its name at trade conferences as industry players connote Lipoxen with liposomes. This is a secondary technology in Lipoxen's portfolio with polysialic being the most advanced technology.
- Xenetic is derived from kinetic (def: forward motion) and **XEN**, Lipoxen's main brand identity
- The transformational nature of these deals deserves a new name
- New ticker: XEN
- New website: www.xeneticbio.com

Acquisition: Symbiotec GmbH

- We have contracted a independent valuation which determines the current value as €25-30M, also an AIM listed comparable, Sareum Holdings Plc, has a market cap of £22M with cancer platform technologies and in-vivo data (only) on their AML candidate.
- Oncohist is a novel unique product based on an endogenous protein with proven clinical data to have a beneficial, curative effect on various cancers as observed from various cell cultures studies in more than 60 human cancer cell lines, preclinical data and promising PhI/IIA in terminal AML patients.
- We will retain only two people from Symbiotec, the founder and the clinical expert, will continue with the Company to supervise the clinical trials and pursue further orphan indications.
- In summary, the Symbiotec naturally occurring platform technology complements the Company's technologies and we are acquiring for 25% of the prevailing valuations.

Russia-Rusnano placing

- SynBio is an consolidation of management and IP of the only two publicly traded Russian biotech companies, Pharmsynthez and Human Stem Cell Institute.
- The Kremlin-controlled funding entity, Rusnano, has committed the capital to SynBio and the Company, as a means of developing a biotech industry, a major initiative of the Russian government.
- The \$19.5M placing with Rusnano-SynBio at a significant premium, approx 40%, to the prevailing market price coupled with the importance of the Company's license programs with SynBio for the Russian government are very positive transactions for the Company.
- Derisking Biotech: We will now have 12 candidates in development in Russia and these candidates will provide the Company with data to allow an evidence-based decision making on pursuing US-EU clinical development allowing Xenetic to take a derisked approach to drug development.

What does this mean for the Company?

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Dual Strategic Focus

- First strategic track is about controlling the future, news flow and value enhancement of the Company.
- The Company will focus on value enhancement through proprietary drug development focused on the orphan drug area.
- Orphan drugs require significantly less capital for clinical trials and much shorter time frame to market launch.
 - Orphan drug candidates cost \$15-40M to launch and 3-6 years of clinical trials.
- Competition in orphan drug sector significantly less given the population for such drugs is sub 200k patients (in the US).
- Although the potential for orphan drugs is vast given Genzyme was purchased by Sanofi for \$18.5B earlier this year and Biogen Idec has a market of \$23B.

Dual Strategic Focus (2)

- PSA EPO as a first line candidate. The Company will fund this candidate through to Ph IIA at which point we will seek to outlicense the candidate. Unlike the orphan drugs, EPO (\$12B market) is targeted to a large market and therefore the PH III clinical trials would involve thousands of patients and up to \$150M in costs.
- Orphan drug candidates:
 - **Next generation:** PSA Dormase: Cystic Fibrosis: \$800M market
 - **Novel:** MS Vaccine: multiple sclerosis: \$5B market
 - **Novel:** Oncohist: AML recurrent/refractory market: \$600M market
 - **Partnered with Baxter:** 3 blood Factors: haemophilia: \$6B market
 - Orphans will provide market exclusivity for 7 years in the US and 10 years in EU no matter the patent position. Also grant funding and/or tax incentives from 50% and up available for clinical trials in the US and EU, 50% discount on regulatory fees, free trial protocol assistance.
- When the Company's orphan strategy was communicated to Baxter, Baxter was very interested as "orphan drugs are the core of Baxter's development". Factor VII, VIII and IX are orphan drugs.

Dual Strategic Focus (3)

- Outlicensing the platform technologies remains part of our corporate strategy. This strategy creates short term value drivers but execution of such deals is in the hands of Big Bio and Pharma. The Company has a number of research relationships that we would hope to convert to substantial license deals within the next 12 months.
- Baxter deal is progressing VERY well and we would hope to have significant news on this deal H1 '12. Baxter has stated that their deal with the Company is their most important early stage initiative in their biosciences division.

Projects Update and Conclusion

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Newsflow: H2 11

- Close \$19.5M fundraising at 11p this month
- Close acquisition of Symbiotec
- PSA EPO-commence PhIIB trials in India
- Oncohist: commence PhIIB trials in Russia
- MS vaccine: clinical trial application awaiting approval from Russian FDA

Conclusion

- We will not move away from outlicensing, it will be a supplement to our drug portfolio development
- Large market drugs such as PSA EPO (\$12B market) we will look to outlicense in Ph II, however the orphan drugs we will look to develop up to market approval
- The proprietary development will allow the Company to control the development and timing of the drug candidates while allowing the Company to lessen the reliance on external partners for value enhancement
- It is via a proprietary pipeline that the Company can truly realize its value potential
- We remain a lower risk proposition than other biotechs in that we will continue to reformulate and improve upon existing marketed drugs and we have 12 candidates in development in Russia and India that will yield human data before we apply our capital to develop these product candidates.

Thank you from Xenetic Biosciences

www.xeneticbio.com

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