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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(**Mark One**)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-40367

VACCITECH PLC

(**Exact Name of Registrant as Specified in its Charter**)

England and Wales	**Not Applicable**
(**State or other jurisdiction of incorporation or organization**)	(**I.R.S. Employer Identification No.**)
Unit 6-10, Zeus Building Rutherford Avenue, Harwell, Didcot, United Kingdom	**OX11 0DF**
(**Address of principal executive offices**)	(**Zip Code**)

Registrant's telephone number, including area code: +44 (0) 1865 818 808

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares*	VACC	The Nasdaq Global Market
Ordinary shares, nominal value £0.000025 per share**		

*American Depositary Shares may be evidenced by American Depositary Receipts. Each American Depositary Share represents one (1) ordinary share.

**Not for trading, but only in connection with the listing of American Depositary Shares on The Nasdaq Global Market.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 3, 2023, the registrant had 38,524,963 ordinary shares, nominal value £0.000025 per share, outstanding.

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We own various trademark registrations and applications, and unregistered trademarks, including our name, our corporate logo and technologies acquired as part of our acquisition of Avidea Technologies, Inc. in December 2021. We have an exclusive license to use and display the Vaccitech registered trademark in order to commercialize Vaccitech in the United Kingdom. All other trade names, trademarks and service marks of other companies appearing in this Quarterly Report on Form 10-Q, or this Quarterly Report, are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Quarterly Report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

From time to time, we may use our website, our Twitter account at @Vaccitechplc and our LinkedIn account at linkedin.com/company/Vaccitech-plc to distribute material information. Our financial and other material information is routinely posted to and accessible on the Investors section of our website, available at www.vaccitech.co.uk. Investors are encouraged to review the Investors section of our website because we may post material information on that site that is not otherwise disseminated by us. Information that is contained in and can be accessed through our website, our Twitter posts and our LinkedIn posts are not incorporated into, and does not form a part of, this Quarterly Report.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

VACCITECH PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)
(UNAUDITED)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 173,030	$ 194,385
Accounts receivable	—	323
Accounts receivable - related parties	349	5,524
Research and development incentives receivable	3,137	4,541
Prepaid expenses and other current assets	8,261	8,268
Total current assets	184,777	213,041
Goodwill	12,209	12,209
Property and equipment, net	13,741	7,957
Intangible assets, net	26,688	28,269
Right of use assets, net	7,707	7,753
Other assets	1,006	976
Total assets	$ 246,128	$ 270,205
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,429	$ 3,748
Accrued expenses and other current liabilities	8,547	8,061
Operating lease liability - current	1,135	433
Total current liabilities	12,111	12,242
Non-Current liabilities:		
Operating lease liability	11,044	8,340
Contingent consideration	2,117	1,711
Deferred tax liability, net	2,094	3,746
Other non-current liabilities	1,300	965
Total liabilities	$ 28,666	$ 27,004
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Ordinary shares, £0.000025 nominal value; 38,524,059 shares authorized, issued and outstanding (December 31, 2022: authorized, issued and outstanding: 37,683,531)	1	1
Deferred A shares, £1 nominal value; 63,443 shares authorized, issued and outstanding (December 31, 2022: authorized, issued and outstanding: 63,443)	86	86
Deferred B shares, £0.01 nominal value; nil shares authorized, issued and outstanding (December 31, 2022:authorized, issued and outstanding: 570,987)	—	8
Deferred C shares, £0.000007 nominal value, nil shares authorized, issued and outstanding (December 31, 2022: authorized, issued and outstanding: 27,828,231)	—	0 [1]
Additional paid-in capital	385,636	379,504
Accumulated deficit	(145,225)	(103,243)
Accumulated other comprehensive loss – foreign currency translation adjustments	(23,289)	(33,460)
Total shareholders' equity attributable to Vaccitech plc shareholders'	217,209	242,896
Noncontrolling interest	253	305
Total shareholders' equity	$ 217,462	$ 243,201
Total liabilities and shareholders' equity	$ 246,128	$ 270,205

[1] indicates amount less than thousand

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VACCITECH PLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN THOUSANDS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)
(UNAUDITED)

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
License revenue [1]	$ 334	$ 17,063	$ 802	$ 32,072
Research grants and contracts	—	—	—	9
Total revenue	334	17,063	802	32,081
Operating expenses				
Research and development	13,543	9,720	23,357	20,421
General and administrative	13,128	(5,892)	25,266	(2,156)
Total operating expenses	26,671	3,828	48,623	18,265
(Loss)/income from operations	(26,337)	13,235	(47,821)	13,816
Other income (expense):				
Interest income	522	669	2,110	752
Interest expense	(14)	(7)	(14)	(8)
Research and development incentives	559	826	1,716	1,874
Other income	310	51	310	51
Total other (expense) income	1,377	1,539	4,122	2,669
(Loss)/profit before income tax	(24,960)	14,774	(43,699)	16,485
Tax benefit	1,136	915	1,652	1,778
Net (loss)/income	(23,824)	15,689	(42,047)	18,263
Net loss attributable to noncontrolling interest	22	4	65	26
Net (loss)/income attributable to Vaccitech plc shareholders	(23,802)	15,693	(41,982)	18,289
Weighted-average ordinary shares outstanding, basic	38,407,672	37,202,600	38,211,625	37,196,843
Weighted-average ordinary shares outstanding, diluted	38,407,672	38,174,426	38,211,625	38,260,579
Net (loss)/income per share attributable to ordinary shareholders, basic	$ (0.62)	$ 0.42	$ (1.10)	$ 0.49
Net (loss)/income per share attributable to ordinary shareholders, diluted	$ (0.62)	$ 0.41	$ (1.10)	$ 0.48
Net (loss)/income	$ (23,824)	$ 15,689	$ (42,047)	$ 18,263
Other comprehensive gain/(loss) – foreign currency translation adjustments	5,604	(16,807)	10,184	(22,790)
Comprehensive loss	(18,220)	(1,118)	(31,863)	(4,527)
Comprehensive loss attributable to noncontrolling interest	15	34	52	71
Comprehensive loss attributable to Vaccitech plc shareholders	$ (18,205)	$ (1,084)	$ (31,811)	$ (4,456)

[1] Includes license revenue from related parties for the three and six month periods ended June 30, 2023 of $0.3 million and $0.8 million, respectively and for the three and six month periods ended June 30, 2022 of $17.1 million and $32.1 million, respectively.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VACCITECH PLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)
(UNAUDITED)

	Three and Six months ended June 30, 2023												
	Ordinary Shares		Deferred A Shares		Deferred B Shares		Deferred C Shares		Additional Paid-in-capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, January 1, 2023	**37,683,531**	**$ 1**	**63,443**	**$ 86**	**570,987**	**$ 8**	**27,828,231**	**$ 0 [1]**	**$ 379,504**	**$ (103,243)**	**$ (33,460)**	**$ 305**	**$ 243,201**
Share based compensation	—	—	—	—	—	—	—	—	2,222	—	—	—	2,222
Issue of ordinary shares, net of issuance costs	673,494	0 [1]	—	—	—	—	—	—	1,789	—	—	—	1,789
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	4,574	6	4,580
Cancellation of deferred shares	—	—	—	—	(570,987)	(8)	(27,828,231)	(0)[1]	8	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	(18,180)	—	(43)	(18,223)
Balance, March 31, 2023	**38,357,025**	**$ 1**	**63,443**	**$ 86**	**$ —**	**$ —**	**$ —**	**$ 0**	**$ 383,523**	**$ (121,423)**	**$ (28,886)**	**$ 268**	**$ 233,569**
Share based compensation	—	—	—	—	—	—	—	—	1,990	—	—	—	1,990
Issue of ordinary shares, net of issuance cost	167,034	0 [1]	—	—	—	—	—	—	123	—	—	—	123
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	5,597	7	5,604
Net loss	—	—	—	—	—	—	—	—	—	(23,802)	—	(22)	(23,824)
Balance, June 30, 2023	**38,524,059**	**$ 1**	**63,443**	**$ 86**	**—**	**$ —**	**—**	**$ —**	**$ 385,636**	**$ (145,225)**	**$ (23,289)**	**$ 253**	**$ 217,462**

	Three and Six months ended June 30, 2022												
	Ordinary Shares		Deferred A Shares		Deferred B Shares		Deferred C Shares		Additional Paid-in-capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, January 1, 2022	**37,188,730**	**$ 1**	**63,443**	**$ 86**	**570,987**	**$ 8**	**27,828,231**	**$ 0 [1]**	**$ 369,103**	**$ (108,585)**	**$ (8,488)**	**$ 437**	**$ 252,562**
Share based compensation	—	—	—	—	—	—	—	—	3,984	—	—	—	3,984
Issue of ordinary shares	4,637	0 [1]	—	—	—	—	—	—	0 [1]	—	—	—	0 [1]
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	(5,968)	(15)	(5,983)
Net income	—	—	—	—	—	—	—	—	—	2,596	—	(22)	2,574
Balance, March 31, 2022	**37,193,367**	**$ 1**	**63,443**	**$ 86**	**570,987**	**$ 8**	**27,828,231**	**$ 0 [1]**	**$ 373,087**	**$ (105,989)**	**$ (14,456)**	**$ 400**	**$ 253,137**
Share based compensation	—	—	—	—	—	—	—	—	2,748	—	—	—	2,748
Issue of ordinary shares, net of issuance cost	22,795	0 [1]	—	—	—	—	—	—	0 [1]	—	—	—	0 [1]
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	(16,777)	(30)	(16,807)
Net income	—	—	—	—	—	—	—	—	—	15,693	—	(4)	15,689
Balance, June 30, 2022	**37,216,162**	**$ 1**	**63,443**	**$ 86**	**570,987**	**$ 8**	**27,828,231**	**$ 0 [1]**	**$ 375,835**	**$ (90,296)**	**$ (31,233)**	**$ 366**	**$ 254,767**

[1] Indicates amount less than thousand

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

VACCITECH PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six months ended	
	June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	$ (42,047)	$ 18,263
Adjustments to reconcile net (loss)/income to net cash used in operating activities:		
Share based compensation	4,212	6,732
Depreciation and amortization	2,520	1,958
Non-cash lease expenses	595	528
Unrealized foreign exchange gain	7,122	(18,730)
Non-cash interest expense	14	—
Change in contingent consideration	309	626
Deferred tax benefit	(1,652)	(1,778)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	5,606	(17,028)
Prepaid expenses and other current assets	3,107	(6,020)
Research and development incentives receivable	1,586	388
Accounts payable	(1,916)	776
Accrued expenses and other current liabilities	275	(488)
Deferred revenue	—	(28)
Other assets	138	(171)
Net cash used in operating activities	$ (20,131)	$ (14,972)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,530)	(3,146)
Net cash used in investing activities	$ (5,530)	$ (3,146)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares from the exercise of stock options	0 [1]	0 [1]
Proceeds from issue of ordinary shares, net of issuance costs	1,880	—
Payment of contingent consideration	(163)	—
Repayment of debt	—	(159)
Net cash provided by/(used in) financing activities	$ 1,717	$ (159)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	2,589	(3,450)
Net decrease in cash and cash equivalents	(21,355)	(21,727)
Cash and cash equivalents, beginning of the period	194,385	214,054
Cash and cash equivalents, end of the period	$ 173,030	$ 192,327
Supplemental cash flow disclosures:		
Non-Cash investing and financing activities		
Capital expenditures included in accounts payable and accrued expenses	$ 506	$ 1,719
ROU assets obtained in exchange for operating lease liabilities	$ —	$ 2,400
Asset retirement obligation	$ 282	$ 826
Changes to right-of-use asset resulting from lease reassessment event	$ (47)	$ (46)

[1] Indicates amounts less than thousand

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VACCITECH PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Nature of Business and Basis of Presentation

Vaccitech plc ("Vaccitech") is a public limited company incorporated pursuant to the laws of England and Wales in March 2021. Vaccitech is a clinical-stage biopharmaceutical company engaged in the discovery and development of novel T cell immunotherapeutics designed to harness the power of the immune system to treat chronic infectious diseases, cancer and autoimmunity. Vaccitech is headquartered in Harwell, Oxfordshire, United Kingdom. Vaccitech and its direct and indirect subsidiaries, Vaccitech (UK) Limited, Vaccitech Australia Pty Limited, Vaccitech Oncology Limited ("VOLT"), Vaccitech North America, Inc., Vaccitech Switzerland GmbH and Vaccitech Italia S.R.L, are collectively referred to as the "Company".

In connection with the initial public offering of American Depositary Shares ("ADSs"), in March 2021, Vaccitech completed a corporate reorganization wherein the shareholders of Vaccitech (UK) Limited exchanged each of their ordinary shares, series A shares and series B shares of Vaccitech (UK) Limited (formerly Vaccitech Limited) for the same quantity of ordinary shares, series A shares and series B shares in Vaccitech plc (resulting in the shareholders of the Company holding the same percentage and class of shares in Vaccitech plc (formerly Vaccitech Rx Limited) as they had in Vaccitech (UK) Limited. The group reorganization under common control constituted a change in reporting entity and has been given retrospective effect reflecting the net assets of Vaccitech (UK) Limited and its subsidiaries and Vaccitech plc at their historical carrying amounts. On April 4, 2022, a merger was effected between subsidiaries Vaccitech USA, Inc. and Vaccitech North America, Inc., with Vaccitech North America, Inc. being the surviving entity.

The Company operates in an environment of rapid technological change and substantial competition from pharmaceutical and biotechnology companies. The Company is subject to risks common to companies in the biopharmaceutical industry in a similar stage of its life cycle including, but not limited to, the need to obtain adequate additional funding, possible failure of preclinical testing or clinical trials, the need to obtain marketing approval for its vaccine product candidates, competitors developing new technological innovations, the need to successfully commercialize and gain market acceptance of any of its products that are approved, and protection of proprietary technology. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain required regulatory approval or that any approved products will be commercially viable. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will generate significant product sales. If the Company does not successfully commercialize any of its products or mitigate any of these other risks, it will be unable to generate revenue or achieve profitability.

Basis of presentation

The Company's unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Certain notes or other information that are normally required by GAAP have been omitted if they substantially duplicate the disclosures contained in the Company's annual audited consolidated financial statements. Accordingly, the unaudited condensed consolidated financial statements should be read in connection with the Company's audited financial statements and related notes as of and for the year ended December 31, 2022. The condensed consolidated balance sheet as of December 31, 2022, was derived from the audited financial statements but does not contain all of the footnote disclosures from the annual financial statements.

As of June 30, 2023, the Company had cash and cash equivalents of $173.0 million and an accumulated deficit of $145.2 million, and the Company expects to incur losses for the foreseeable future. The Company expects that its cash and cash equivalents will be sufficient to fund current operations for at least the next twelve months from the issuance of the financial statements. The Company expects to seek additional funding through equity financing, government or private-party grants, debt financings or other capital sources, including collaborations with other companies or other strategic transactions. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborations or other arrangements. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders. If the Company is unable to obtain sufficient capital, the Company will be forced to delay, reduce or eliminate some or all of its research and development programs,

VACCITECH PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

product portfolio expansion or future commercialization efforts, which could adversely affect its business prospects, or the Company may be unable to continue operations. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

The condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business.

Unaudited Condensed Financial Information

The accompanying Condensed Consolidated Balance Sheets as of June 30, 2023, and December 31, 2022, the Condensed Consolidated Statements of Operations and Comprehensive Loss, Condensed Consolidated Statements of Changes in Shareholders' Equity and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022 are unaudited. These unaudited condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities Exchange Commission (the "Annual Report") on March 24, 2023. In our opinion, the unaudited condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of our financial position as of June 30, 2023, our results of operations for the three and six months ended June 30, 2023, and 2022, and our cash flows for the six months ended June 30, 2023, and 2022. The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023, or any other interim periods.

2. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 2 to the consolidated financial statements as of and for the year ended December 31, 2022, except as discussed below related to newly adopted accounting pronouncements.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue, and expenses during the reporting period. The Company bases estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis. The Company's actual results may differ from these estimates under different assumptions or conditions.

As of the date of issuance of these unaudited condensed consolidated financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, assumptions and judgments or revise the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the unaudited condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's financial statements.

Recently issued accounting pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that the Company adopts as of the specified effective date. The Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to "opt out" of the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company can adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and can do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company.

VACCITECH PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

We have reviewed all recently issued standards and have determined that such standards will not have a material impact on our condensed consolidated financial statements or do not otherwise apply to our current operations.

3. Foreign currency translation in General and Administrative Expenses

The aggregate, net foreign exchange gain or loss included in determining net (loss)/income recognized in general and administrative expenses for the three and six months ended June 30, 2023, was a loss of $4.2 million and a loss of $7.7 million, respectively. The aggregate net foreign exchange gain or loss included in determining net income recognized in general and administrative expenses for the three and six months ended June 30, 2022, was a gain of $15.2 million and a gain of $20.5 million, respectively.

4. Net (Loss)/Income Per Share

The following table sets forth the computation of basic and diluted net (loss)/income per share for the three months and six months ended June 30, 2023, and 2022 (in thousands, except number of shares):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net (loss)/income	$ (23,824)	$ 15,689	$ (42,047)	$ 18,263
Net loss attributable to noncontrolling interest	22	4	65	26
Net (loss)/income attributable to Vaccitech shareholders	$ (23,802)	$ 15,693	$ (41,982)	$ 18,289
Denominator:				
Weighted-average ordinary shares outstanding, basic	38,407,672	37,202,600	38,211,625	37,196,843
Effect of dilutive stock options	—	971,826	—	1,063,736
Weighted-average ordinary shares outstanding, diluted	38,407,672	38,174,426	38,211,625	38,260,579
Net (loss)/income per share attributable to ordinary shareholders, basic	$ (0.62)	$ 0.42	$ (1.10)	$ 0.49
Net (loss)/income per share attributable to ordinary shareholders, diluted	$ (0.62)	$ 0.41	$ (1.10)	$ 0.48

For the three and six month period ended June 30, 2023, 5,671,825 and 5,551,286 potential ordinary shares issuable for stock options, respectively, were excluded from the computation of diluted weighted-average shares outstanding because including them would have had an anti-dilutive effect.

For the three and six month period ended June 30, 2022, 3,245,537 and 2,646,562 potential ordinary shares issuable for stock options, respectively, were excluded from the computation of diluted weighted-average shares outstanding because including them would have had an anti-dilutive effect.

5. Property and equipment, net

During the six months ended June 30, 2023, the Company’s additions to property and equipment, net were $6.4 million which primarily related to an increase in leasehold improvements from the Company’s U.S. office in Germantown, Maryland (six months ended June 30, 2022: $6.0 million, related to leasehold improvements of the Company’s corporate headquarters).

Depreciation expense for the three and six months ended June 30, 2023 was $0.5 million and $0.9 million, respectively. (June 30, 2022: three and six months was $0.2 million and $0.4 million, respectively).

VACCITECH PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

6. Intangible assets, net

The gross amount of amortizable intangible assets, consisting of developed technology, was $31.6 million and $31.6 million as of June 30, 2023 and December 31 2022, respectively, and accumulated amortization was $4.9 million and $3.3 million as of June 30, 2023 and December 31, 2022, respectively. The amortization expense for the three and six months ended June 30, 2023 was $0.8 million and $1.6 million, respectively (three and six months ended June 30, 2022: $0.8 million and $1.6 million, respectively). The estimated annual amortization expense is $3.1 million for the years 2023 through to 2031.

7. Prepaid expenses and other current assets (in thousands):

	June 30, 2023	December 31, 2022
Prepayments and accrued income	$ 6,762	$ 5,887
Employee retention and payroll tax credit	53	48
Lease incentive receivable	—	1,770
Others	1,446	563
Total	$ 8,261	$ 8,268

8. Accrued expenses and other current liabilities (in thousands):

	June 30, 2023	December 31, 2022
Accrued manufacturing and clinical expenses	$ 3,708	$ 2,997
Accrued board of director compensation	29	9
Accrued bonus	1,178	1,925
Accrued payroll and employee benefits	374	928
Accrued professional fees	2,620	1,270
Accrued other	638	932
Total	$ 8,547	$ 8,061

9. Ordinary Shares

All ordinary shares rank pari passu as a single class. The following is a summary of the rights and privileges of the holders of ordinary shares as of June 30, 2023:

Liquidation preference: in the event of the liquidation, dissolution or winding up of the Company, the assets of the Company available for distribution to holders of the ordinary shares shall be distributed amongst all holders of the ordinary shares in proportion to the number of shares held irrespective of the amount paid or credited as paid on any share.

Dividends: the Company may, subject to the provisions of the Companies Act 2006 and our Articles, by ordinary resolution from time to time declare dividends to be paid to shareholders not exceeding the amount recommended by the Company's board of directors. Subject to the provisions of the Companies Act 2006, in so far as, in the board of directors' opinions, the Company's profits justify such payments, the board of directors may pay interim dividends on the Company's ordinary shares.

Voting Rights: each holder of ordinary shares has the right to receive notice of, and to vote at, the Company's general meetings. Each holder of ordinary shares who is present (in person or by proxy) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present (in person or by proxy) has one vote in respect of each share of which they are the holder.

Preemption rights: pursuant to section 561 of the Companies Act 2006, shareholders are granted preemptive rights when new shares are issued for cash. However, it is possible for our Articles, or shareholders at a general meeting representing at least 75% of our ordinary shares present (in person or by proxy) and eligible to vote at that general meeting, to disapply these preemptive rights by passing a special resolution. Such a disapplication of preemption rights may be for a maximum period of up to five years from the date

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on which the shareholder resolution was passed. In either case, this disapplication would need to be renewed by our shareholders upon its expiration (*i.e.*, at least every five years) to remain effective.

On April 21, 2021, our shareholders approved the disapplication of preemptive rights for a period of five years from the date of approval by way of a special resolution of our shareholders. This included the disapplication of preemption rights in relation to the allotment of our ordinary shares in connection with the IPO. This disapplication will need to be renewed upon expiration (*i.e.*, at least every five years) to remain effective, but may be sought more frequently for additional five-year terms (or any shorter period).

10. Deferred Shares

All deferred shares rank pari passu as a single class. The deferred shares do not have rights to dividends or to any other right of participation in the profits of the Company. On a return of assets on liquidation, the deferred shares shall confer on the holders thereof an entitlement to receive out of the assets of the Company available for distribution amongst the shareholders (subject to the rights of any new class of shares with preferred rights) the amount credited as paid up on the deferred shares held by them respectively after (but only after) payment shall have been made to the holders of the ordinary shares of the amounts paid up or credited as paid up on such shares and the sum of £1.0 million in respect of each ordinary share held by them respectively. The deferred shares shall confer on the holders thereof no further right to participate in the assets of the Company.

On March 29, 2023, the Company transferred back to the Company and subsequently cancelled all of its deferred B shares (nominal value of £0.01 each) and deferred C shares (nominal value of £0.00000736245954692556 each) which were previously in issue. These deferred shares had previously been issued to certain pre-IPO shareholders in connection with the implementation of certain stages of the Company's pre-IPO share capital reorganization. The Company received shareholder approval on April 21, 2021 (pursuant to the shareholder resolutions passed on that date) in order to effect the transfer back and cancellation of the deferred shares for nil consideration in accordance with sections 659 and 662 of the Companies Act 2006.

The Company's deferred A shares with a nominal value of £1.00 each remain in issue for the purposes of satisfying the minimum share capital requirements for a public limited company as prescribed by the Companies Act 2006.

11. Fair value

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, certain accrued expenses, and contingent consideration. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated their respective fair value due to the short-term nature and maturity of these instruments.

As of June 30, 2023, the Company had a contingent consideration liability of $2.1 million related to the acquisition of Avidea Technologies, Inc. The fair value of the contingent consideration is a Level 3 valuation with the significant unobservable inputs being the probability of success of achievement of the milestones and the expected date of the milestone achievement. Significant judgment is employed in determining the appropriateness of certain of these inputs.

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The following table summarizes changes to our financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Beginning balance	$ 1,710	$ 2,371	$ 1,711	$ 2,371
Change in fair value recognized in net income/(loss) [1]	354	626	316	626
Foreign exchange translation recognized in other comprehensive loss	53	(270)	90	(270)
Ending balance	$ 2,117	$ 2,727	$ 2,117	$ 2,727

[1] During the fourth quarter of 2022, the Company reclassified the change in fair value of Contingent Consideration from Other income and expense to General and Administrative operating expense. For the three and six month periods ending June 30, 2022, an expense of $0.6 million and $0.6 million, respectively, has been reclassified to conform the presentation for comparator periods.

12. Goodwill

The Company identified qualitative indicators of impairment due to a sustained decline in the price of the Company's American Depositary Shares, whereby the market capitalization continues to be below the value of the net assets of the Company. Therefore, the Company performed an interim qualitative assessment as of June 30, 2023 to determine whether it was more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on this assessment, management determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount.

13. Share-Based Compensation

During the six month period ended June 30, 2023, in accordance with the terms of the Annual Increase of the Vaccitech plc Share Award Plan 2021 (the "Plan"), the total number of ordinary shares available for issuance under the Plan increased by 4% of the Company's issued and outstanding ordinary shares as of January 1, 2023.

For the six months ended June 30, 2023, the Company granted 2,142,905 options to employees and directors with a weighted average grant date fair value of $2.00 and a weighted average exercise price of $2.51 per share. For the six months ended June 30, 2022, the Company granted 1,807,703 options to employees and directors with a weighted average grant date fair value of $3.72 and a weighted average exercise price of $10.59 per share. For the six months ended June 30, 2023, the Company canceled 217,860 options to employees and directors for forfeitures on unvested options when leaving the Company (June 30, 2022: cancelled 22,683 options).

The fair value of each stock option issued to employees was estimated at the date of grant using the Black-Scholes model with the following weighted-average assumptions:

	Six months ended June 30,	
	2023	2022
Expected volatility	97.2 %	92.7 %
Expected term (years)	6.0	6.0
Risk-free interest rate	3.6 %	2.0 %
Expected dividend yield	0.0 %	0.0 %

As of June 30, 2023, 6,781,099 options with a weighted average exercise price of $9.51 were outstanding. As of June 30, 2023, there was $6.5 million unrecognized compensation cost related to stock options, which is expected to be recognized over a weighted average period of 2.0 years. As of June 30, 2022, 4,944,406 options with a weighted average exercise price of $9.37 were outstanding. As of June 30, 2022, there was $11.5 million unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted average period of 2.24 years.

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Share based compensation expense is classified in the unaudited condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Research and development	$ 1,027	$ 688	$ 2,146	$ 1,530
General and administrative	963	2,060	2,066	5,202
Total	$ 1,990	$ 2,748	$ 4,212	$ 6,732

14. Commitments and Contingencies

In-License Agreements

The Company is party to a number of licensing agreements, most of which are with related parties. These agreements serve to provide the Company with the right to develop and exploit the counterparties' intellectual property for certain medical indications. As part of execution of these arrangements, the Company paid certain upfront fees, which have been expensed as incurred because the developing technology has not yet reached technical feasibility, the lack of alternative use, and the lack of proof of potential value. The agreements cover a variety of fields, including influenza, cancer, human papillomavirus infection, ("HPV"), hepatitis B virus ("HBV") and middle east respiratory syndrome ("MERS"). The Company's obligations for future payments under these arrangements are dependent on its ability to develop promising drug candidates, the potential market for these candidates and potential competing products, and the payment mechanisms in place in countries where the Company retains the right to sell. Each agreement provides for specific milestone payments, typically triggered by achievement of certain testing phases in human candidates, and future royalties ranging from 1 to 5% for direct sales of a covered product to 3 to 7% of net payments received for allowable sublicenses of technology developed by the Company. The obligation to make these payments is contingent upon the Company's ability to develop candidates for submission for phased testing and approvals, and for the development of markets for the products developed by the Company. The Company has not made or accrued any material payments under these license agreements during the six month periods ended June 30, 2023 and 2022.

Leases

The Company leases certain laboratory and office space under operating leases, which are described below.

The Harwell Science and Innovation Campus, Oxfordshire

On September 3, 2021, the Company entered into a lease agreement for the lease of approximately 31,000 square feet in Harwell, Oxfordshire which expires in September 2031. The property is the Company's corporate headquarters. As the Company's leases typically do not provide an implicit rate, the Company uses an estimate of its incremental borrowing rate based on the information available at the lease commencement date, being the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. The Company has provided the lessor with a refundable security deposit of $0.7 million which is included in Other assets.

Germantown, Maryland

On June 14, 2022, the Company entered into a lease agreement for the lease of approximately 19,700 square feet in Germantown, Maryland. The site will house the Company's, state-of-the-art wet laboratory in the United States of America. The lease expires on February 28, 2034, with the Company having a single right to extend for an additional five years on the same terms and conditions other than for the base rent. The Company has a rent-free period up to February 29, 2024, and is entitled to up to $3.5 million for leasehold improvements to the premises desired by the Company. The Company has provided the lessor with a refundable security deposit of $0.2 million which is included in Other assets.

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The Company recorded a right-of-use asset and a lease liability on the effective date of the lease term. The Company's right-of-use asset and lease liability are as follows (in thousands):

	June 30, 2023	December 31, 2022
Right-of-use asset	$ 7,707	$ 7,753
Operating lease liability, current	$ 1,135	$ 433
Operating lease liability, non-current	$ 11,044	$ 8,340
Weighted average remaining lease term (years)	9.25	9.44
Weighted average discount rate	7.6 %	7.6 %
Other information		
Short-term lease costs	$ 303	$ 529
Operating cash flows operating leases	$ 442	$ 1,081

Future annual minimum lease payments under operating leases as of June 30, 2023, were as follows (in thousands):

Remainder of 2023	$ (321)
2024	1,782
2025	1,934
2026	1,958
2027	1,983
Thereafter	10,002
Total minimum lease payments	$ 17,338
Less: imputed interest	(5,159)
Total operating lease liability	$ 12,179

Other contingencies

As of the date of this Quarterly Report on Form 10-Q, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. However, from time to time, we could be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, legal proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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15. Related Party Transactions

During the three and six months ended June 30, 2023, the Company incurred expenses of $Nil and $Nil respectively from its shareholder, Oxford Science Enterprises plc. During the three months and six months ended June 30, 2022, the Company paid $0.1 million and $0.05 million (after offsetting lease costs for laboratory and office space in Oxford of $0.07 million against a refund of $0.1 million) respectively to its shareholder, Oxford Science Enterprises plc, mostly related to the lease of a laboratory and office space in Oxford. As of June 30, 2023 the Company received Nil proceeds (December 31, 2022: the Company received proceeds of $0.4 million from the sale of property plant and equipment and earned a profit of $0.3 million). As of June 30, 2023 the Company owed Nil (December 31, 2022: $0.007 million) to Oxford Science Enterprises plc.

During the three and six months ended June 30, 2023, the Company incurred expenses of $Nil and $Nil respectively (three and six months ended June 30, 2022: $0.2 million and $0.2 million respectively) to its shareholder, the University of Oxford, related to clinical study costs. As of June 30, 2023, the Company owed $Nil (December 31, 2022: $Nil) to the University of Oxford.

During the three and six months ended June 30, 2023, the Company incurred expenses mainly related to the patent portfolio of $0.3 million and $0.4 million respectively (three and six months ended June 30, 2022: $0.07 and $0.3 million, respectively) from Oxford University Innovation Limited which is a wholly owned subsidiary of the Company's shareholder, the University of Oxford. As of June 30, 2023, the Company owed $0.1 million (December 31, 2022: $Nil) to Oxford University Innovation Limited.

During the three and six months ended June 30, 2023, the company recognized license revenue of $0.3 million and $0.8 million respectively (three and six months ended June 30, 2022: $17.1 million and $32.1 million respectively), from Oxford University Innovation Limited. As of June 30, 2023, the Company was owed $0.3 million (December 31, 2022: $5.5 million) from Oxford University Innovation Limited.

During the three months and six months ended June 30, 2023, the Company incurred expenses of $Nil and $Nil, respectively (three months and six months ended June 30, 2022: $Nil and $0.001 million, respectively) to its shareholder, the Oxford University Hospitals, related to clinical study costs. As of June 2023, the Company owed $Nil (December 31, 2022: $Nil) to Oxford University Hospitals.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes appearing elsewhere in this unaudited Quarterly Report on Form 10-Q and our audited financial statements and related notes thereto for the year ended December 31, 2022 included in our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 24, 2023. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties, and assumptions. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K and in other filings with the SEC.

Overview

We are a clinical-stage biopharmaceutical company engaged in the discovery and development of novel T cell immunotherapeutics designed to harness the power of the immune system to treat chronic infectious diseases, cancer and autoimmunity. We aim to treat and prevent infectious diseases and cancer by using our proprietary platforms to develop product candidates that stimulate powerful, targeted immune responses against pathogens, infected cells, and tumor cells. We design these product candidates to stimulate immune responses that are robust, highly specific, and are differentiated by the magnitude of the T cell populations induced, which exhibit critical functionality and durability. In the field of autoimmunity, we use our proprietary platform to develop product candidates that are designed to induce regulatory T cells to suppress specific immune responses and prevent/reverse autoimmunity. We are focused on applying our platform capabilities and the expertise of our team to address significant unmet medical needs in two settings - the therapeutic setting, for the treatment of chronic infectious diseases, cancer, and autoimmunity and the prophylactic setting, for the prevention of infectious diseases, based on our platform's ability to respond rapidly to epidemic and pandemic threats.

We have a broad pipeline of both clinical and preclinical stage therapeutic and prophylactic programs. Our current therapeutic programs include VTP-300 for the treatment of chronic hepatitis B infection, or CHB, VTP-200 for the treatment of HPV, VTP-850 for the treatment of prostate cancer, VTP-600 for the treatment of non-small cell lung cancer, or NSCLC, VTP-1000 for treatment of celiac disease, and VTP-1100 for treatment of HPV-associated cancers. The latter two programs are designed to utilize our SNAPvax platform. Our current prophylactic programs include VTP-400 for the prevention of herpes zoster, or shingles, and VTP-500 for the prevention of MERS. In addition, we co-invented a COVID-19 vaccine with the University of Oxford, the rights to which we assigned to Oxford University Innovation, or OUI, to facilitate the license of those rights by OUI to AstraZeneca UK Limited, or AstraZeneca. The vaccine, formerly referred to as AZD1222, is now authorized for use under the marketing name Vaxzevria in a number of countries. AstraZeneca has exclusive worldwide rights to develop and commercialize Vaxzevria.

On May 4, 2021, we completed our initial public offering, or IPO, pursuant to which we issued and sold 6,500,000 American Depository Shares, or ADSs, at a public offering price of $17.00 per ADS, resulting in net proceeds of $102.8 million, after deducting underwriting discounts and commissions and offering expenses. Prior to our IPO, we funded our operations primarily from private placements of our ordinary and preferred shares, private placements of loan notes convertible into ordinary shares, as well as from grants and licensing agreements, research tax credit payments, investments from non-controlling interest, and a $2.4 million upfront payment from OUI in July 2020 in connection with the Amendment, Assignment and Revenue Share Agreement, or the OUI License Agreement Amendment, related to the licensing of the COVID-19 vaccine, Vaxzevria. We do not expect to generate revenue from any of our own product candidates, excluding Vaxzevria, until we obtain regulatory authorization for one or more of such product candidates, if at all, and commercialize our products, or we enter into out-licensing agreements with third parties.

On March 28, 2022, pursuant to the OUI License Agreement Amendment, we were notified of the commencement of payments, arising from AstraZeneca's commercial sales of Vaxzevria. Under the terms of an exclusive worldwide license agreement between OUI and AstraZeneca, OUI is entitled to milestone payments and royalties on commercial sales of Vaxzevria that began after the pandemic period. As part of the assignment from us to OUI, we are entitled to receive approximately 24% of payments received by OUI from AstraZeneca. For the three and six months ended June 30, 2023, we recognized $0.3 million and $0.8 million respectively as revenue (three and six months ended June 30, 2022: $17.1 million and $32.1 million). There is, however, no guarantee that such payments will continue in the future and, if they do, that we will be notified of such payments in a timely manner.

On August 9, 2022, we filed a Registration Statement on Form S-3, as amended, or the Shelf, with the Securities and Exchange Commission in relation to the registration and potential future issuance of ordinary shares, including ordinary shares represented by ADSs, debt securities, warrants and/or units of any combination thereof in the aggregate amount of up to $200.0 million. The Shelf was declared effective on August 17, 2022. We also simultaneously entered into a sales agreement with Jefferies LLC, as sales agent, providing for the offering, issuance and sale by us of up to an aggregate of $75.0 million of our ordinary shares represented by ADSs from time to time in "at-the-market" offerings under the Shelf. As of June 30, 2023, we have sold 1,063,683 ordinary shares represented by ADSs under the sales agreement, amounting to net proceeds of $2.7 million.

We incurred net losses each year since inception through to December 31, 2021. For the year ended December 31, 2022, we generated net income of $5.3 million, primarily as a result of revenues arising from AstraZeneca sales of Vaxzevria and our agreement with OUI. For the six months ended June 30, 2023, we incurred a net loss of $42.0 million. As of June 30, 2023, we had an accumulated deficit of $145.2 million and we do not currently expect positive cash flows from operations in the foreseeable future. We expect to incur net operating losses for at least the next several years as we advance our product candidates through clinical development, seek regulatory approval, prepare for approval, and in some cases proceed to commercialization of our product candidates, as well as continue our research and development efforts and invest to establish a commercial manufacturing facility, as and when appropriate.

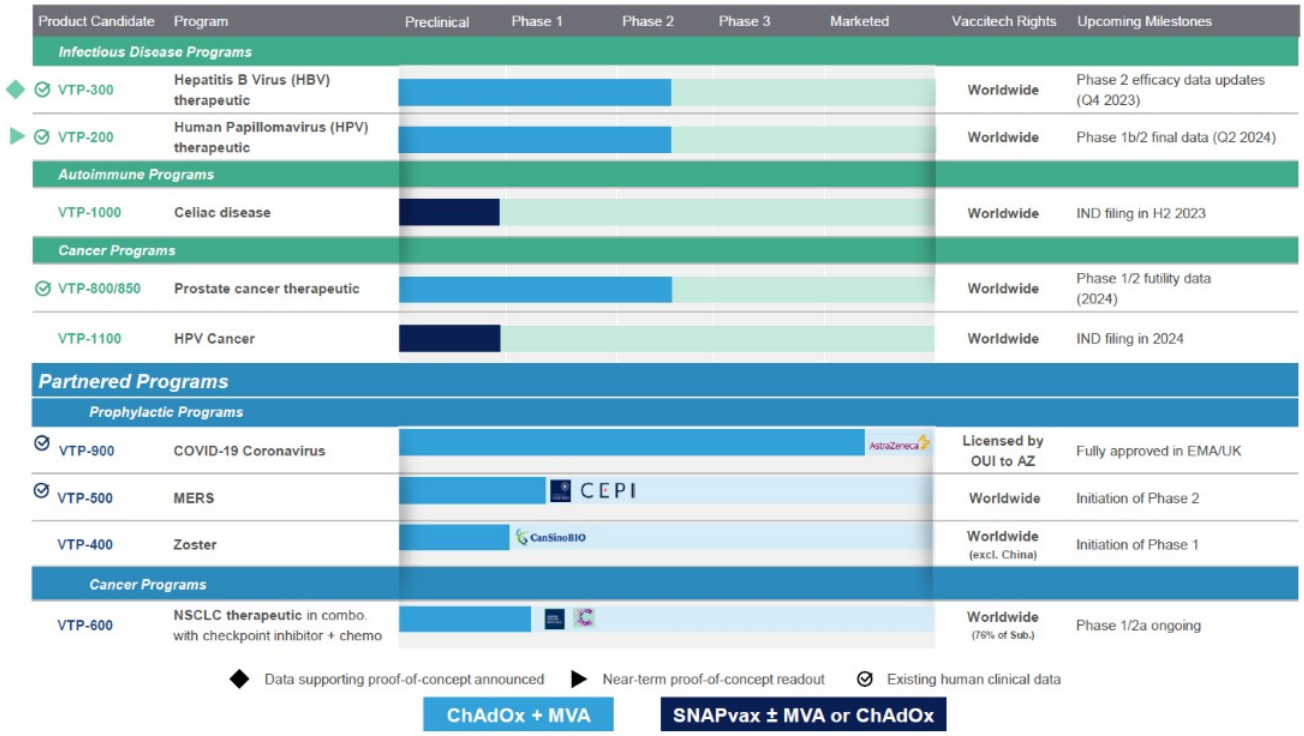
At this time, we cannot reasonably estimate, or know the nature, timing and estimated costs of all of the efforts that will be necessary to complete the development of any of our product candidates that we develop through our programs. We are also unable to predict when, if ever, material net cash inflows will commence from sales of product candidates we develop, if at all. This is due to the numerous risks and uncertainties associated with developing product candidates to approval and commercialization, including the uncertainty of:

- successful completion of preclinical studies and clinical trials;
- sufficiency of our financial and other resources to complete the necessary preclinical studies and clinical trials;
- acceptance of investigational new drug applications, or INDs, for our planned clinical trials or future clinical trials;
- successful and timely enrollment and completion of clinical trials;
- data from our clinical program supporting approvable and commercially acceptable risk/benefit profiles for our product candidates in the intended populations;
- receipt and maintenance of necessary regulatory and marketing approvals from applicable regulatory authorities, in the light of the commercial environment then existent;
- availability and successful procurement of raw materials required to manufacture our products for clinical trials, scale-up of our manufacturing processes and formulation of our product candidates for later stages of development and commercial production;
- establishing either our own manufacturing capabilities or satisfactory agreements with third-party manufacturers for clinical supply for later stages of development and commercial manufacturing;
- entry into collaborations where appropriate to further the development of our product candidates;
- obtaining and maintaining intellectual property and trade secret protection or regulatory exclusivity for our product candidates as well as qualifying for, maintaining, enforcing and defending such intellectual property rights and claims;
- successfully launching or assisting with the launch of commercial sales of our product candidates following approval;
- acceptance of each product's benefits and uses by patients, the medical community and third-party payors following approval;
- the prevalence and severity of any adverse events experienced with our product candidates in development;
- establishing and maintaining a continued acceptable safety profile of the product candidates following approval;

- obtaining and maintaining healthcare coverage and adequate reimbursement from third-party payors if necessary or desirable; and
- effectively competing with other therapies.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and/or timing associated with the development of that product candidate or could prevent continuation of that program being in the company's interests. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a product candidate, or if we experience significant delays in our clinical trials due to patient enrollment or other reasons, we might be required to expend significant additional financial resources and time on the completion of clinical development. In some circumstances, such as the emergence of a significantly more effective therapy from a competitor, it may be appropriate to discontinue a product candidate program. We expect that our cash balance as of June 30, 2023 will enable us to fund our operating expenses and capital requirements into the second quarter of 2025.

Recent Developments



VTP-200: Developing a Non-Invasive Treatment for Persistent High-Risk HPV

On April 20, 2023, the company presented topline data from the VTP-200 HPV001 phase 1b/2 clinical trial at the 35th Annual International Papillomavirus Conference (IPVC). The poster showed data for 42 women at Day 35, 7 days after the last dose of VTP-200, split by active treatment versus placebo. VTP-200 was generally well-tolerated and was administered with no product-related grade 3 unsolicited adverse events and no product-related SAEs. While the placebo group showed no antigen-specific T cell responses as measured by IFNg ELISpot, 26 of 29 women receiving varying doses of VTP-200 showed a response. The pooled active groups showed meaningful responses, with the average being greater than 1,000 spot-forming units per million peripheral blood mononuclear cells. Responses were strongest to the E1, E2 and E6 antigens. In addition, intracellular cytokine staining data from the active groups showed both CD4 and CD8 responses. The final dataset, including data on clearance of infection and cervical lesions at 12 months post-treatment, is expected in the second quarter of 2024.

VTP-850: An Immunotherapeutic Targeting Prostate Cancer

On June 12, 2023, Vaccitech announced the dosing of the first patient in the PCA001 clinical trial (NCT05617040). PCA001 is a multi-center, Phase 1/2 clinical trial designed to determine the recommended Phase 2 regimen and evaluate the safety, efficacy, as measured by prostate-specific antigen (PSA) response, and T cell response of VTP-850 monotherapy in men with rising PSA after definitive local therapy for their disease (i.e., biochemical recurrence).

VTP-850 is a next-generation prostate cancer immunotherapeutic candidate which utilizes Vaccitech's sequential dosing approach of two proprietary nonreplicating viral vectors, ChAdOx and MVA. PCA001 builds on the previous promising data from the University of Oxford VANCE01 (NCT02390063) and ADVANCE (NCT03815942) trials, Phase 1 and Phase 1/2 clinical trials respectively, of VTP-800, the first-generation product candidate which encoded 5T4, an antigen expressed by most prostate cancers. VTP-850 is a multi-antigen immunotherapeutic candidate containing four prostate-associated antigens: PSA, PAP, STEAP1 and 5T4. The first phase of the trial is enrolling participants in the US, with plans to open further sites in Italy and Spain.

VTP-300: An Immunotherapeutic Targeting Chronic HBV Infection

On June 21, 2023, Eleanor Barnes, Professor of Hepatology and Experimental Medicine at Oxford University, presented positive final data from the HBV002 clinical trial at the European Association for the Study of the Liver Congress 2023 – The International Liver Congress™. HBV002 (NCT04778904) is a Phase 1b/2a clinical trial of VTP-300 in adults with chronic Hepatitis B ("CHB"). Meaningful, durable reductions of Hepatitis B Surface Antigen (HBsAg) were seen in all participants with a >0.5 log10 reduction in HBsAg who received VTP-300 alone (Group 2) or in combination with a single administration of low-dose PD-1 inhibitor, nivolumab (Group 3). Two of five patients with baseline HBsAg below 100 IU/mL in Group 3, developed a non-detectable HBsAg level, which continued eight months after last dose. Reductions in HBsAg were most prominent in those with lower baseline HBsAg. Importantly, all participants who received VTP-300 and experienced a >0.5 log10 reduction in HBsAg had durable responses with reductions in HBsAg persisting through to the last measurement eight months post-final dose.

VTP-300, encoding Hepatitis B virus ("HBV") genotype C antigens, led to a decline in HBsAg in the majority of participants infected with genotypes B and C viruses. In addition, VTP-300-induced T cells showed cross-reactivity to the core antigen from genotypes A to E in ELISpot assays using PBMC from VTP-300-treated healthy subjects and genotype-specific peptides A-E. A robust T cell response was generated against all VTP-300 antigens and was highest in the VTP-300 alone group. In that group, there was a relation between ELISpot responses and HBsAg decline.

About HBV002

HBV002 was an open-label Phase 1b/2 study to evaluate the safety, tolerability and immunology readout (T cell responses) of VTP-300, with or without low-dose nivolumab, in people with CHB who are virally suppressed with oral anti-viral therapies. In the HBV002 study, 55 participants were randomized into four groups to receive combinations of VTP-300 and low-dose nivolumab, with follow-up for eight months post-final dose.

VTP-300 as monotherapy and in combination with low-dose nivolumab was administered with no treatment-related serious adverse events. As reported previously, two out of 55 participants experienced transaminase flares. Both incidents occurred in participants with HBsAg declines, but not in any of the participants who cleared HBsAg (<0.05 IU/mL).

Group 2

Meaningful, durable reductions of HBsAg were seen in Group 2 (receiving VTP-300 monotherapy, N=18). Three participants had 0.7, 0.7, and 1.4 log10 declines two months post-final dose, with durable responses continuing eight months post-final dose. These participants all had baseline HBsAg <50 IU/mL.

A robust T cell response was generated and was highest in this group and there was a relation demonstrated between ELISpot response and HBsAg decline.

Group 3

Those in Group 3 received VTP-300 followed by a single low dose of nivolumab together with Modified Vaccinia Ankara ("MVA")-HBV (N=18). Two months post-final dose, the mean reduction in HBsAg was 0.76 log10 ($p<0.001$). This effect persisted with a mean decline of 0.98 log10 at eight months ($p<0.001$) after the last dose and was most prominent with starting values HBsAg <1,000 IU/mL. Two participants developed non-detectable HBsAg levels, which continued eight months after last dose.

Pre-genomic RNA levels fell significantly in the majority of participants in this group only, consistent with the decline in HBsAg levels.

Groups 1 and 4
No meaningful reductions in HBsAg were observed in Group 1, in which participants received two doses of MVA-HBV without ChAdOx1-HBV, or in Group 4, in which participants received low-dose nivolumab with both doses of VTP-300. These groups were discontinued following interim analysis, as previously announced in June 2022.

A Phase 2b clinical trial (HBV003; NCT05343481) to evaluate timing of the low dose nivolumab, additional doses of the MVA component of VTP-300 and a nucleos(t)ide analogues discontinuation protocol, has been initiated in multiple countries across the Asia-Pacific region, with over 60% of the 120 participants enrolled to date (40 per group). We are in the process of submitting a protocol amendment to modify the enrollment criteria in the ongoing HBV003 study to only enroll patients with starting HBV surface antigen levels of less than 200 IU/mL, which is the patient population where we have seen the majority of responses to date. In addition, we intend to exclude patients with pre-existing thyroid antibodies and patients with abnormal Thyroid stimulating hormone levels as we have observed adverse drug reactions in such patients to nivolumab, which have been described in the nivolumab labelling. Interim data from HBV003 is expected in the fourth quarter of 2023.

In addition, a Phase 2a clinical trial (ACTRN12622000317796), in collaboration with Arbutus Biopharma Corporation, is evaluating the safety, antiviral activity and T cell responses of VTP-300 administered after Arbutus' AB-729 in 40 virologically-suppressed people with chronic HBV infection, with interim data expected in the fourth quarter of 2023.

Management Team

On July 20, 2023, Dr. Margaret Marshall notified the Company of her intention to retire from her position as Chief Medical Officer, effective immediately. In connection with her retirement, Dr. Marshall and the Company will enter into a consulting agreement.

Impact of the Ukraine Crisis

In respect of the international situation in Ukraine, we have assessed the impact on the Company as minimal. We have no operations or suppliers based in Ukraine, Belarus, or Russia, and there is consequently no additional risk or negative impact on the unaudited condensed consolidated financial statements.

Impact of Global Economic Conditions and Inflationary Pressures

Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on the Company's results of operations and financial condition. These inflationary pressures and rising interest rates in the United States, the United Kingdom and elsewhere have given rise to increasing concerns that the U.S., U.K. and other economies are now in, or may soon enter, economic recession. Sustained inflationary pressures, increased interest rates, an economic recession or continued or intensified disruptions in the global financial markets could adversely affect our future financing capability or ability to access the capital markets. Additionally, we may incur future increases in operating costs due to additional inflationary increases.

Components of Our Operating Results

Revenue

To date, we have not generated any revenue from direct product sales and do not expect to do so in the near future, if at all. Most of our revenue to date has been derived from the OUI License Agreement Amendment with OUI relating to Vaxzevria.

In April 2020, we entered into the OUI License Agreement Amendment with OUI in respect of our rights to use the ChAdOx1 technology in COVID-19 vaccines to facilitate the license of those rights by OUI to AstraZeneca. Under this agreement, we are entitled to receive from OUI a share of payments, including royalties and milestones, received by OUI from AstraZeneca in respect of this vaccine. In March 2022, we were notified by OUI of the commencement of revenue relating to the commercial sales of Vaxzevria. Our revenue for the three and six months ending June 30, 2023 was $0.3 million and $0.8 million, respectively (three and six months ending June 30, 2022: $17.1 million and $32.1 million, respectively), representing the amounts we have been notified of as due by

OUI to date and an estimate of future receipts, constrained to the extent that it is probable that a significant reversal of revenue would not occur.

We determined that we have no further performance obligations under the terms of the OUI License Agreement Amendment, which comprised the transfer of intellectual property rights only. Accordingly, we plan to recognize these and any future amounts as revenue when earned, and it is probable that a significant reversal of revenue will not occur.

Operating Expenses

Our operating expenses since inception have consisted of research and development costs and general and administrative costs.

Research and Development Expenses

Since our inception, we have focused significant resources on our research and development activities, including establishing and building on our adenovirus platform, further enhancing our in-licensed ChAdOx1, ChAdOx2 and MVA vectors, developing a new next-generation adenoviral vector, acquiring new technology platforms including SNAPvax, conducting preclinical studies, developing various manufacturing processes, and advancing clinical development of our programs including Phase 2 clinical trials for VTP-100, which we subsequently discontinued development of, as well as initiating the clinical trials for VTP-200, VTP-300, VTP-600 and VTP-850 and readying VTP-500, VTP-1000 and VTP-1100 for clinical trials. Research and development activities account for a large portion of our operating expenses, and we expect research and development expenses to increase in the future. Research and development costs are expensed as incurred. These costs include:

- salaries, benefits, and other related costs, including share-based compensation, for personnel engaged in research and development functions;
- expenses incurred in connection with the development of our programs including preclinical studies and clinical trials of our product candidates, under agreements with third parties, such as consultants, contractors, academic institutions and CROs;
- the cost of manufacturing drug products for use in preclinical development and clinical trials, including agreements with third parties, such as CMOs, consultants and contractors;
- laboratory costs; and
- leased facility costs, equipment depreciation and other expenses, which include direct and allocated expenses.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel costs, including share-based compensation, in our executive, finance, business development and other administrative functions. Other general and administrative expenses include consulting fees and professional service fees for auditing, tax and legal services, rent expenses related to our offices, depreciation, foreign exchange gains and losses on our cash balances and other central non-research costs. For the three and six month period ended June 30, 2023, we recognized a change in fair value in relation to the updated assumptions in the assessment of the contingent consideration fair value recognized from the acquisition of Avidea on December 10, 2021. Significant judgment is used to determine the probability of success of achievement of the technology and clinical milestones and the date of the expected milestone. We expect our general and administrative expenses to continue to increase in the future as we expand our operating activities in both the United Kingdom and United States and potentially prepare for manufacturing and/or commercialization of our current and future product candidates. These costs will increase as our headcount rises to allow full support for our operations as a public company, including increased expenses related to legal, accounting, regulatory and tax-related services associated with maintaining compliance with requirements of the Nasdaq Global Market and the Securities and Exchange Commission, directors' and officers' liability insurance premiums and investor relations activities.

Other Income (Expense)

Interest Income

Interest income results primarily from the interest earned on our short-term cash deposits and cash balances held by Vaccitech (UK) Limited.

Research and Development Incentives

Research and development incentives contain payments receivable from the United Kingdom government related to corporation tax relief on research and development projects in the United Kingdom. We account for such relief received as other income.

The Company benefits from the United Kingdom research and development tax credit regime, being the Small and Medium-sized Enterprises R&D tax relief program, or SME Program, and, to the extent that our projects are grant funded or relate to work subcontracted to us by third parties, the Research and Development Expenditure Credit program, or RDEC Program.

Under the SME program, the Company is able to surrender some of its trading losses that arise from qualifying research and development activities for a cash rebate of up to 33.35% of such qualifying research and development expenditure. Qualifying expenditures largely comprise employment costs for research staff, consumables, outsourced contract research organization costs and utilities costs incurred as part of research projects. Certain subcontracted qualifying research and development expenditures are eligible for a cash rebate of up to 21.67%. A large portion of costs relating to research and development, clinical trials and manufacturing activities are eligible for inclusion within these tax credit cash rebate claims.

The Company may not be able to continue to claim research and development tax credits under the SME program in the future because it may no longer qualify as a small or medium-sized company. In addition, the EU State Aid cap limits the total aid claimable in respect of a given project to €7.5 million which may impact the Company's ability to claim R&D tax credits in future. Further, the U.K. Finance Act of 2021 introduced a cap on payable credit claims under the SME Program in excess of £20,000 with effect from April 2021 by reference to, broadly, three times the total Pay As You Earn, or PAYE, and National Insurance Contributions, or NICs, liability of the company, subject to an exception which prevents the cap from applying. That exception requires the company to be creating, taking steps to create or managing intellectual property, as well as having qualifying research and development expenditure in respect of connected parties, which does not exceed 15% of the total claimed. If such an exception does not apply, this could restrict the amount of payable credit that we claim.

From April 2023 under the SME program the additional deduction has decreased from 130% to 86%, the SME credit rate has reduced from 14.5% to 10% and the SME cash rebate for the Company has reduced from 33.35% to 18.6% and from 21.67% to 12.1% for subcontractors.

Unsurrendered UK losses may be carried forward indefinitely to be offset against future taxable profits, subject to numerous utilization criteria and restrictions. The amount that can be offset each year is limited to £5.0 million plus an incremental 50% of UK taxable profits.

Critical Accounting Policies and Use of Estimates

This discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to revenue, expenses, accruals and prepayments for external manufacturing of clinical trial material as well as clinical study conduct, fair value of contingent consideration, impairment of goodwill and intangible assets, and the fair value of ordinary shares and share-based compensation. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

We believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our unaudited condensed consolidated financial statements and understanding and evaluating our reported financial results.

Recognition of Revenue from Contracts with Customers

In 2020, we entered into the OUI License Agreement Amendment with OUI to facilitate the license of our rights to the COVID-19 vaccine we co-invented with OUI to AstraZeneca, which is now known as Vaxzevria. Our performance obligations under the terms of this agreement are limited to the transfer of intellectual property rights (licenses and other rights). Payments by AstraZeneca to OUI under this agreement include an up-front payment, payments based upon the achievement of defined milestones, royalties on product sales, and may include payments of commercial and other milestones, if certain future conditions are met. We are entitled to receive approximately 24% of receipts, including royalties and milestones, received by OUI from that license agreement with AstraZeneca as set out in the OUI License Agreement Amendment.

We evaluate our collaboration and licensing arrangements pursuant to Accounting Standards Codification 606, or ASC 606. We use judgment to determine whether milestones or other variable consideration, except for sales-based royalties, should be included in the transaction price. For sales-based and clinical development milestones and royalties, when the license is deemed to be the predominant item to which the royalties relate, we recognize revenue at the later of when the related sales or milestone achievement occurs or when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). This could require management to estimate the amount of revenue to recognize in the period if the actual data for the period has not been provided.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including salaries and bonuses, share-based compensation, employee benefits, facilities costs, laboratory supplies, depreciation, manufacturing expenses and external costs of vendors engaged to conduct preclinical development activities and clinical trials as well as the cost of licensing technology. Advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are then expensed as the related goods are delivered or the services are performed. Research and development costs are accrued when the related services or goods are delivered ahead of being billed.

All patent-related costs incurred in connection with filing and prosecuting patent applications are classified as research and development costs and expensed as incurred due to the uncertainty about any future recovery of the expenditure. Upfront payments, milestone payments and annual payments made for the licensing of technology are generally expensed as research and development in the period in which they are incurred. Incremental sublicense fees triggered by contracts with customers are capitalized and expensed as research and development expenses over the period in which the relating revenue is recognized.

Share-based Compensation

We grant options and restricted shares to employees and directors and account for share-based compensation using a fair value method. All of these arrangements are settled in equity at a predetermined price and generally vest over a period of three years. All share options have a life of 10 years before expiration. To the extent such incentives are in the form of share options, up until the first quarter of 2021, the options may have been granted pursuant bilateral EMI option awards or unapproved option awards. On April 8, 2021, we adopted the Vaccitech plc Share Award Plan 2021 and the Vaccitech plc Non-Employee Sub-Plan which is a sub-plan of the Vaccitech plc Share Award Plan 2021. Under the terms of the Vaccitech plc Share Award Plan 2021, the Board is permitted to grant awards to employees as restricted share units, options, share appreciation rights or restricted shares. Upon adoption of the Vaccitech plc Share Award Plan 2021, no further awards are granted pursuant to the bilateral EMI option awards or unapproved option awards.

Share based compensation awards are measured at the grant date fair value. For service-based awards, compensation expense is generally recognized over the requisite service period of the awards, usually the vesting period. We apply the “multiple option” method of allocating expense. In applying this method, each vesting tranche of an award is treated as a separate grant and recognized on a straight-line basis over that tranche’s vesting period. For performance-based awards where the vesting of the awards may be accelerated upon the achievement of certain milestones, vesting and the related share-based compensation is recognized as an expense when it is probable the milestone will be met. We have elected to recognize the effect of forfeitures on share-based compensation

when they occur. Any differences in compensation recognized at the time of forfeiture are recorded as a cumulative adjustment in the period where the forfeiture occurs.

We measure share-based awards granted to employees and directors based on the fair value on the date of grant using the Black-Scholes option-pricing model for options. Black-Scholes utilizes assumptions related to expected term, volatility, the risk-free interest rate and the dividend yield (which is assumed to be zero, as we have not paid any cash dividends). The volatility assumption utilizes both the Company's historical volatility and those of a portfolio of listed peer companies, weighted towards the Company as we build the historical records following IPO.

The assumptions used in the Black-Scholes model to determine fair value for the share option grants during the six months ended June 30, 2023 and 2022 were:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Expected volatility	97.2 %	92.7 %
Expected term (years)	6.0	6.0
Risk-free interest rate	3.6 %	2.0 %
Expected dividend yield	0.0 %	0.0 %

For the six months ended June 30, 2023, 2,142,905 share options were granted and 1,807,703 share options were granted for the six months ended June 30, 2022.

Business Combinations

We acquired Avidea on December 10, 2021 and have accounted for the acquisition using the acquisition method of accounting. This required us to assess and make judgments as to whether the acquisition met the criteria of a business combination or an asset acquisition. In determining that the acquisition of Avidea met the criteria of a business combination we first used the "screen test" to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. As the "screen test" was not met, as the identifiable assets were not substantially all of the fair value of the gross assets acquired, we then applied the "framework" for determining whether the acquired assets included at minimum, an input and substantive process that together significantly contribute to the ability to create output. We concluded that the framework criteria are met because the scientists make up an organized workforce that has the necessary skills, knowledge, or experience to perform processes that when applied to the developed technology (input) is critical to the ability to undertake research and development of a product that can be provided to a customer. The more than-insignificant amount of goodwill (including the fair value associated with the workforce) was also an indicator that management considered in determining that the workforce is performing a critical process. We therefore determined the acquisition to meet the definition of a business combination.

We recognize tangible and identifiable intangible assets acquired and liabilities assumed at their estimated fair values as of the acquisition date. Any excess purchase price over the estimated fair value assigned to the net tangible and identifiable intangible assets acquired and liabilities is allocated to goodwill.

We acquired Avidea for an up-front amount of $32.8 million (after working capital adjustments), of which $11.8 million was payable in cash and $21.0 million in 2,151,831 of American Depositary Shares of the Company. In addition, Avidea's stockholders may be entitled to receive an aggregate of up to $40.0 million in additional payments, payable in a mixture of cash and ADSs, upon the achievement of certain milestones. This contingent consideration is included within the purchase price and is recognized at its fair value on the acquisition date, and subsequently remeasured to fair value at each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings in the condensed consolidated statements of operations and comprehensive loss. The fair value of contingent consideration is based on the probability of pursuit of the activity associated with the milestone, the probability of success of the achievement of the milestone, the expected date of milestone achievement and applying the relevant discount rate.

Transaction costs are expensed as incurred in general and administrative expenses. Results of operations and cash flows of acquired companies are included in our operating results from the date of acquisition.

Goodwill and Purchased Intangible Asset

We test goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. We have elected to assess goodwill for impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis of determining whether it is necessary to perform the quantitative goodwill impairment test. We have one reporting unit. Accordingly, our review of goodwill impairment indicators is performed at the entity-wide level. This requires us to assess and make judgments regarding a variety of factors, including clinical data results, business plans, anticipated future cash flows, economic projections and other market data. Because there are inherent uncertainties involved in these factors, significant differences between these estimates and actual results could result in future impairment charges and could materially impact our future financial results. The goodwill of $12.2 million as of June 30, 2023 wholly relates to the acquisition of Avidea on December 10, 2021. During the year ended December 31, 2022, the Company identified qualitative indicators of impairment due to a sustained decline in the price of the Company's American Depositary Shares, whereby the market capitalization fell below the value of the net assets of the Company, which continued through to the second quarter of 2023. Therefore, the Company performed an interim assessment as of June 30, 2023 to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based off this assessment, the Company has not recognized any impairment losses related to goodwill or intangible assets for the three or six months ending June 30, 2023.

Results of Operations

Comparison of the Three Months Ended June 30, 2023 and 2022

The following table sets forth the significant components of our results of operations (in thousands):

	Three months ended June 30, 2023	Three months ended June 30, 2022	Change
Revenue from Licenses, Grants & Services	$ 334	$ 17,063	$ (16,729)
Operating expenses:			
Research & development	13,543	9,720	3,823
General and administrative	13,128	(5,892)	19,020
Total operating expenses	26,671	3,828	22,843
(Loss)/income from operations	(26,337)	13,235	(39,572)
Other income (expense)			
Interest income	522	669	(147)
Interest expense	(14)	(7)	(7)
Research and development incentives	559	826	(267)
Other income	310	51	259
Total other income	1,377	1,539	(162)
(Loss)/profit before income tax	(24,960)	14,774	(39,734)
Tax benefit	1,136	915	221
Net (loss)/income	$ (23,824)	$ 15,689	$ (39,513)

Revenue

For the three months ended June 30, 2023, and 2022, our revenue consisted of $0.3 million and $17.1 million respectively, from the OUI License Agreement Amendment with respect to payments from OUI in connection with commercial sales of Vaxzevria, which reduced due to lower sales in the period.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended June 30, 2023 and 2022 (in thousands):

	Three months ended June 30, 2023	Three months ended June 30, 2022	Change
Direct research and development expenses by program:			
VTP-200 HPV	$ 1,837	$ 804	$ 1,033
VTP-300 HBV	3,757	4,361	(604)
VTP-600 NSCLC	79	77	2
VTP-850 Prostate cancer	242	460	(218)
VTP-1000/VTP-1100 Celiac/HPV Cancer	3,018	—	3,018
Other and earlier stage programs	701	1,508	(807)
Total direct research and development expenses	9,634	7,210	2,424
Internal research and development expenses:			
Personnel-related (including share-based compensation)	3,388	2,197	1,191
Facility-related	202	240	(38)
Other internal costs	319	73	246
Total internal research and development expenses	3,909	2,510	1,399
Total research and development expenses	$ 13,543	$ 9,720	$ 3,823

Our research and development expenses for the three months ended June 30, 2023 and 2022 were $13.5 million and $9.7 million, respectively.

Direct expenses for the three months ended June 30, 2023 and 2022 were $9.6 million and $7.2 million, respectively, and consisted of outside services, consultants, laboratory materials, clinical trials, manufacturing of clinical trial materials, as well as costs for external preclinical services and sample testing. Of the $2.4 million increase, $3.0 million pertains to the commencement of VTP-1000 Celiac disease and VTP-1100 HPV cancer programs in IND-enabling studies. VTP-200 increased by $1.0 million due to topline HPV001 Phase 1b/2 clinical trial data that was presented at the 35th Annual International Papillomavirus Conference in April 2023. These increases were offset by a $0.8 million decrease in other and earlier stage programs, $0.6 million decrease in VTP-300 and $0.2 million decrease in VTP-850, reflective of the current status in the pipeline.

Internal research and development expenses for the three months ended June 30, 2023 and 2022 were $3.9 million and $2.5 million, respectively. Of the $1.4 million increase, $1.2 million pertains to personnel-related expenses as a result of the relative increase in headcount across locations in the United Kingdom and United States.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2023 were $13.1 million mainly attributable to personnel expense of $2.7 million, including share-based payment charge of $1.0 million, foreign exchange loss of $4.2 million, insurance cost of $1.2 million, legal and professional fees of $1.5 million and other expenses of $3.5 million.

General and administrative expenses for the three months ended June 30, 2022 were a gain of $5.9 million. General and administrative expenses for the three months ended June 30, 2022, excluding foreign exchange were $ 9.3 million, which were mainly attributable to personnel expenses of $4.3 million, including the share-based payment charge of $2.1 million, insurance costs of $1.6 million and legal and professional fees of $1.0 million, $0.6 million contingent consideration adjustment, netted by unrealized foreign exchange gain on cash balances of $15.2 million.

Interest Income

For the three months ended June 30, 2023 and 2022, interest income was $0.5 million and $0.7 million, respectively, resulting from the interest earned on our short-term cash deposits held by Vaccitech (UK) Limited.

Research and Development Incentives

For the three months ended June 30, 2023 and 2022, research and development incentives were $0.6 million and $0.8 million, respectively. Such research and development incentives relate to corporation tax relief on research and development projects incentive programs in the United Kingdom.

Tax benefit

For the three months ended June 30, 2023 and 2022, the tax benefit was $1.1 million and $0.9 million respectively, which primarily relates to movements in deferred tax.

Comparison of the Six Months Ended June 30, 2023 and 2022

The following table sets forth the significant components of our results of operations (in thousands):

	Six months ended June 30, 2023	Six months ended June 30, 2022	Change
Revenue from Licenses, Grants & Services	$ 802	$ 32,081	$ (31,279)
Operating expenses:			
Research & development	23,357	20,421	2,936
General and administrative	25,266	(2,156)	27,422
Total operating expenses	48,623	18,265	30,358
(Loss)/income from operations	(47,821)	13,816	(61,637)
Other income (expense)			
Interest income	2,110	752	1,358
Interest expense	(14)	(8)	(6)
Research and development incentives	1,716	1,874	(158)
Other income	310	51	259
Total other income	4,122	2,669	1,453
(Loss)/profit before income tax	(43,699)	16,485	(60,184)
Tax benefit	1,652	1,778	(126)
Net (loss)/income	$ (42,047)	$ 18,263	$ (60,310)

Revenue

For the six months ended June 30, 2023, and 2022, our revenue consisted of $0.8 million and $32.1 million respectively, primarily from the OUI License Agreement Amendment with respect to payments from OUI in connection with commercial sales of Vaxzevria, which reduced due to lower sales in the period.

Research and Development Expenses

The following table summarizes our research and development expenses for the six months ended June 30, 2023 and 2022 (in thousands):

	Six months ended June 30, 2023	Six months ended June 30, 2022	Change
Direct research and development expenses by program:			
VTP-200 HPV	$ 3,175	$ 1,960	$ 1,215
VTP-300 HBV	5,875	8,546	(2,671)
VTP-600 NSCLC	354	239	115
VTP-850 Prostate cancer	457	1,799	(1,342)
VTP-1000/VTP-1100 Celiac/HPV Cancer	4,590	—	4,590
Other and earlier stage programs	981	2,246	(1,265)
Total direct research and development expenses	15,432	14,790	642
Internal research and development expenses:			
Personnel-related (including share-based compensation)	6,989	4,923	2,066
Facility related	573	580	(7)
Other internal costs	363	128	235
Total internal research and development expenses	7,925	5,631	2,294
Total research and development expenses	$ 23,357	$ 20,421	$ 2,936

Our research and development expenses for the six months ended June 30, 2023 and 2022 were $23.4 million and $20.4 million, respectively.

Direct expenses for the six months ended June 30, 2023 and 2022 were $15.4 million and $14.8 million, respectively, and consisted of outside services, consultants, laboratory materials, clinical trials, manufacturing of clinical trial materials, as well as costs for external preclinical services and sample testing. Of the $0.6 million increase, $4.6 million pertains to the commencement of VTP-1000 Celiac disease and VTP-1100 HPV cancer programs. $1.2 million of the increase pertains to VTP-200 due to topline HPV001 phase 1b/2 clinical trial data presented at the 35th Annual International Papillomavirus Conference in April 2023. These increases were offset by $2.7 million decrease related to VTP-300, as a result of completing the HBV002 Phase 2 clinical trial with final data that was presented at the European Association for the Study of the Liver (EASL) Congress in June 2023, and continuing enrollment in the HBV003 Phase 2 clinical and the AB-729-202 Phase 2a clinical collaboration with Arbutus, and a $1.3 million decrease that pertains to VTP-850 which progressed to first patient dosed in PCA001, a phase 1/2 clinical, in June 2023. A further $1.3 million of the decrease relates to reductions in other and earlier stage programs due to a decrease in earlier stage activity following the launch of the preclinical programs for VTP-1000 Celiac disease and VTP-1100 HPV cancer.

Internal research and development expenses for the six months ended June 30, 2023 and 2022 were $7.9 million and $5.6 million, respectively. Of the $2.3 million increase, $2.1 million pertains to personnel-related expenses as a result of the relative increase in headcount across locations in the United Kingdom and United States.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2023 were $25.3 million mainly attributable to personnel expense of $6.2 million, including share-based payment charge of $2.1 million, foreign exchange loss of $7.7 million, insurance cost of $2.7 million, legal and professional fees of $2.7 million and other expenses of $6.0 million.

General and administrative expenses for the six months ended June 30, 2022 were a gain of $2.2 million due to the foreign exchange gain of $20.4 million primarily on revaluation of cash balances due to the fluctuations between the United States dollar and pound sterling exchange rates. General and administrative expenses for the six months ended June 30, 2022, excluding foreign exchange gain, were $18.2 million, which were mainly attributable to personnel expenses of $9.3 million, including the share-based payment charge of $5.2 million, insurance costs of $3.3 million, legal and professional fees of $2.3 million and $0.6 million in changes in fair value assumptions in respect of contingent consideration.

Interest Income

For the six months ended June 30, 2023 and 2022, interest income was $2.1 million and $0.8 million resulting from the interest earned on our short-term cash deposits held by Vaccitech (UK) Limited.

Research and Development Incentives

For the six months ended June 30, 2023 and 2022 research and development incentives were $1.7 million and $1.9 million, respectively. Such research and development incentives relate to corporation tax relief on research and development projects incentive programs in the United Kingdom.

Tax benefit

For the six months ended June 30, 2023 and 2022, the tax benefit was $1.7 million and $1.8 million respectively, which primarily relates to movements in deferred tax.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception, we have funded our operations primarily through private and public placements of our ordinary and preferred shares as well as from grants and research incentives, various agreements with public funding agencies, the issuance of convertible loan notes, and most recently from upfront, royalty and milestone payments from OUI in connection with the OUI License Agreement Amendment. Through June 30, 2023, we had received gross proceeds of approximately $329.0 million from the issuance of our ordinary and preferred shares and convertible loan notes. As of June 30, 2023, we had cash and cash equivalents of $173.0 million. Key financing and corporate milestones include the following:

- In March 2016, we raised gross proceeds of approximately $14.0 million from the issuance of our seed round of ordinary shares;
- Between November 2017 and December 2018, we raised gross proceeds of $33.9 million from the issuance of our series A shares;
- Between July 2020 and November 2020, we raised gross proceeds of $41.2 million from the issuance of convertible loan notes;
- In March 2021, we raised gross proceeds of $125.2 million from the issuance of our series B shares;
- In May 2021, we raised gross proceeds of $110.5 million from the initial public offering of our ordinary shares on NASDAQ;
- Between April 2022 and June 2023, we received $44.2 million of cash from OUI for the commercial sales of Vaxzevria;
- Between December 2022 and June 2023, we raised net proceeds of $2.7 million from the issuance of shares represented by ADSs through “at-the-market” offerings under the sales agreement with Jefferies LLC.

On August 9, 2022, we filed a Registration Statement on Form S-3, as amended, or the Shelf, with the Securities and Exchange Commission in relation to the registration and potential future issuance of ordinary shares, including ordinary shares represented by ADSs, debt securities, warrants and/or units of any combination thereof in the aggregate amount of up to $200.0 million. The Shelf was declared effective on August 17, 2022. We also simultaneously entered into a sales agreement with Jefferies LLC, as sales agent, providing for the offering, issuance and sale by us of up to an aggregate of $75.0 million of our ordinary shares represented by ADSs from time to time in “at-the-market” offerings under the Shelf. As of June 30, 2023, we have sold 1,063,683 ordinary shares represented by ADSs under the sales agreement amounting to net proceeds of $2.7 million.

We do not currently expect positive cash flows from operations in the foreseeable future, if at all. In most periods, we have incurred operating losses as a result of ongoing efforts to develop our heterologous ChAdOx1-MVA prime-boost immunotherapy platform and our product candidates, including conducting ongoing research and development, preclinical studies, clinical trials, providing general

and administrative support for these operations and developing our intellectual property portfolio. We expect to continue to incur net negative cash flows from operations for at least the next few years as we progress clinical development, seek regulatory approval, prepare for and, if approved, proceed to manufacture and commercialization of our most advanced product candidates. Operating profits may arise earlier if programs are licensed or sold to third parties before final approval, but this cannot be guaranteed.

Cash Flows

The following table sets forth a summary of the primary sources and uses of cash (in thousands) for each period presented:

	Six months Ended June 30, 2023	Six months ended June 30, 2022
Net cash used in operating activities	$ (20,131)	$ (14,972)
Net cash used in investing activities	(5,530)	(3,146)
Net cash provided by/(used in) financing activities	1,717	(159)
Effect of exchange rates on cash and cash equivalents	2,589	(3,450)
Net (decrease)/increase in cash and cash equivalents	$ (21,355)	$ (21,727)

Cash Used in Operating Activities

During the six months ended June 30, 2023, net cash used in operating activities was $20.1 million, primarily resulting from our net loss of $42.0 million adjusted by share based compensation of $4.2 million, depreciation and amortization of $2.5 million, non-cash lease expenses of $0.6 million, foreign exchange gain of $7.1 million, contingent consideration adjustment of $0.3 million, deferred tax benefit of $1.7 million and changes in our operating assets and liabilities, net of $8.9 million primarily related to the receipt of lease incentives for Vaccitech NA and OUI receivable.

During the six months ended June 30, 2022, net cash used in operating activities was $15.0 million, primarily resulting from our net income of $18.3 million, adjusted by foreign exchange gain on translation of $18.7 million, share based compensation of $6.7 million, depreciation and amortization of $2.0 million, non-cash lease expenses of $0.5 million, and changes in our operating assets and liabilities, net of $22.6 million primarily resulting from the OUI receivable for the second quarter revenue, and an increase in prepaid expenses due to the payment of annual insurance premiums.

Net Cash Used in Investing Activities

During the six months ended June 30, 2023, cash used in investing activities was $5.5 million primarily resulting from capital expenditures related to leasehold improvements on our new office in Germantown, Maryland, United States. During the six months ended June 30, 2022, cash used in investing activities was $3.1 million primarily resulting from capital expenditures related to our new headquarters in Harwell, United Kingdom.

Net Cash Provided by/(Used in) Financing Activities

During the six months ended June 30, 2023, cash provided by financing activities was $1.7 million mainly as a result of net proceeds from the issuance of ordinary shares through the “at-the-market” sales agreement. During the six months ended June 30, 2022, cash used in financing activities was $0.2 million resulting from the repayment of debt incurred previously by the acquired company Avidea (acquired on December 10, 2021, and subsequently became Vaccitech North America, Inc.).

Effect of exchange rates on cash and cash equivalents

During the six months ended June 30, 2023 and 2022, the effect of foreign exchange on cash and cash equivalents was gain of $2.6 million and loss of $3.5 million respectively, primarily as a result of fluctuations between the United States dollar and pound sterling exchange rates.

Future Funding Requirements

To date, we have devoted substantially all of our resources to organizing and staffing our company, business planning, raising capital, undertaking preclinical studies and conducting clinical trials of our product candidates. As a result, we have incurred losses in each year since our inception in 2016, through to December 31, 2021. We were profitable in 2022, however we have negative operating cash flows as of June 30, 2023. As of June 30, 2023, we had an accumulated deficit of $145.2 million. We expect to continue to incur significant losses and negative cash flows from operations for the foreseeable future. We anticipate that our expenses will increase substantially as we:

- pursue the clinical and preclinical development of our current product candidates;
- use our technologies to advance additional product candidates into preclinical and clinical development;
- seek marketing authorizations for product candidates that successfully complete clinical trials, if any;
- attract, hire and retain additional clinical, regulatory, quality control and other scientific personnel;
- establish our manufacturing capabilities through third parties or by ourselves and scale-up manufacturing to provide adequate supply for clinical trials and commercialization, including any manufacturing finishing and logistics personnel;
- expand our operational, financial and management systems and increase personnel appropriately, including personnel to support our manufacturing and commercialization efforts and our operations as a public company;
- maintain, expand, enforce, and protect our intellectual property portfolio as appropriate;
- establish sales, marketing, medical affairs and distribution teams and infrastructure to commercialize any products for which we may obtain marketing approval and intend to commercialize on our own or jointly;
- acquire or in-license other companies, product candidates and technologies; and
- incur additional legal, accounting and other expenses in operating our business, including office expansion and the additional costs associated with operating as a public company.

Even if we succeed in commercializing one or more of our product candidates, we will continue to incur substantial research and development and other expenditure to develop and market additional product candidates. We may encounter unforeseen expenses, difficulties, complications, delays and other factors that may adversely affect our business. The size of our future net losses will depend on the rate of future growth of our expenses combined with our ability to generate revenue. Our prior losses and expected future losses have had and will continue to have an adverse effect on our shareholders' equity and working capital unless and until eliminated by revenue growth.

We may require substantial additional financing in the future to meet any such unanticipated factors and a failure to obtain this necessary capital could force us to delay, limit, reduce or terminate our product development programs, commercialization efforts or other operations.

Since our foundation, we have invested a significant portion of our efforts and financial resources in research and development activities for our ChAdOx1, ChAdOx2 and MVA technologies, acquisition of additional complementary platforms such as SNAPvax, development of new technologies in house, and our product candidates derived from these technologies. Preclinical studies and especially clinical trials and additional research and development activities will require substantial funds to complete. We believe that we will continue to expend substantial resources for the foreseeable future in connection with the development of our current product candidates and programs as well as any future product candidates we may elect to pursue, as well as the gradual gaining of control over our required manufacturing capabilities and other corporate functions. These expenditures will include costs associated with conducting preclinical studies and clinical trials, obtaining regulatory approvals, and potentially in-house manufacturing and supply, as well as marketing and selling any products approved for sale. In addition, other unanticipated costs may arise as outlined above. Because the outcome of any preclinical study or clinical trial is uncertain and the rate of change of third-party costs is also

unpredictable, we cannot reasonably estimate now the actual amounts which will be necessary to complete the development and commercialization of our current or future product candidates successfully.

Our future capital requirements may depend on many factors, including:

- the scope, progress, results and costs of researching and developing our current and future product candidates and programs, and of conducting preclinical studies and clinical trials;
- the number and development requirements of other product candidates that we may pursue, and of other indications for our current product candidates that we may pursue;
- the stability, scale and yield of future manufacturing processes as we scale-up production and formulation of our product candidates either internally or externally for later stages of development and commercialization;
- the timing of success achieved and the costs involved in obtaining regulatory and marketing approvals and developing our ability to establish license or sale transactions and/or sales and marketing capabilities, if any, for our current and future product candidates if clinical trials and approval processes are successful;
- the success of our collaborations with CanSino, CRUK and the Ludwig Institute and any future collaboration partners;
- the success of OUI's licensed product candidate with AstraZeneca;
- our ability to establish and maintain collaborations, strategic licensing or other arrangements and the financial terms of such agreements;
- the cost to the company of commercialization activities for our current and future product candidates that we may take on, whether alone or with a collaborator;
- the costs involved in preparing, filing, prosecuting, maintaining, expanding, defending and enforcing patent and other intellectual property claims, including litigation costs and the outcome of such litigation;
- the timing, receipt and amount of sales of, or royalties or other income from, our future products, if any; and
- the emergence and success or otherwise of competing oncology and infectious disease therapies and other market developments.

A change in the outcome of any of these or other variables with respect to the development of any of our current and future product candidates could significantly change the costs and timing associated with the development of that product candidate, in either direction. Furthermore, our operating plans may change in the future owing to research outcomes or other opportunities, and we may need additional funds to meet operational needs and capital requirements associated with such altered operating plans. Unless and until we can generate a substantial amount of revenue from our product candidates, we expect to finance our future cash needs through public or private equity offerings, debt financings, collaborations, licensing arrangements or other sources, or any combination of the foregoing.

Based on our research and development plans, we expect that our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements into the second quarter of 2025. These estimates are based on assumptions that may prove to be wrong, and we could use our available capital resources more quickly than we expect.

If we raise additional funds through collaborations, strategic alliances, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we would be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Lease, Purchase, and Other Obligations

We have operating lease obligations related to our property, plant and equipment. The obligations related to both short- and long-term lease arrangements are set forth in Note 14 “Commitment and Contingencies” to our condensed consolidated financial statements.

We enter into contracts in the normal course of business with CROs and other third parties for clinical trials and preclinical research studies and testing. These contracts are generally cancellable by us upon prior notice. Payments due upon cancellation consist only of payments for services provided or expenses incurred, including noncancellable obligations of our service providers, up to the date of cancellation.

We have contingent payment obligations that we may incur upon achievement of clinical, regulatory and commercial milestones, as applicable, or royalty payments that we may be required to make under our licenses; however, the amount, timing and likelihood of such payments are not known as of June 30, 2023.

Emerging Growth Company Status

We are an emerging growth company under the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. As an emerging growth company, we may delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We will remain an emerging growth company until the earliest of (1) the last day of the fiscal year (a) following the fifth anniversary of the date of the closing of our IPO, (b) in which we have total annual gross revenue of at least $1.07 billion, or (c) in which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our ADSs held by non-affiliates exceeded $700.0 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Recent Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Foreign Currency and Currency Translation

We are subject to the risk of fluctuations in foreign currency exchange rates, specifically with respect to the euro, pound sterling, Swiss franc and Australian dollar. Our reporting currency is the United States dollar, and the functional currency of Vaccitech plc and its consolidated subsidiaries, Vaccitech (UK) Limited and Vaccitech Oncology Limited, is the pound sterling. The functional currency of our wholly owned foreign subsidiary, Vaccitech North America, Inc. is the United States dollar. The functional currency of our wholly owned foreign subsidiary, Vaccitech Australia Pty, is the Australian dollar. The functional currency of our wholly owned foreign subsidiary, Vaccitech Italia S.R.L, is the euro. The functional currency of our wholly owned foreign subsidiary, Vaccitech Switzerland GmbH, is the Swiss franc. Our cash and cash equivalents as of June 30, 2023 consisted primarily of cash balances held by Vaccitech (UK) Limited in United States dollars.

Assets and liabilities are translated into United States dollars at the exchange rate in effect on the balance sheet date. Revenue and expenses are translated at the average exchange rate in effect during the period. Translation adjustments are included in the condensed consolidated Balance Sheets as a component of accumulated other comprehensive loss. Adjustments that arise from exchange rate changes on transactions denominated in a currency other than the local currency are included in operating expenses, net in the condensed consolidated Statements of Operations and Comprehensive Loss as incurred.

We incur significant operating costs in the UK and face exposure to changes in the exchange ratio of the United States dollar and the pound sterling arising from expenses and payables at our UK operations that are settled in pound sterling. For the three months ended June 30, 2023, an average 10% weakening in the United States dollar relative to the pound sterling would have resulted in an increase to our expenses denominated in pound sterling of approximately $2.7 million, as compared to an increase in our expenses of approximately $0.4 million in the three months ended June 30, 2022.

Interest Rate Sensitivity

We are not currently exposed significantly to market risk related to changes in interest rates, as we have no significant interest-bearing liabilities. We had cash and cash equivalents of $173.0 million as of June 30, 2023, which were primarily held as account balances with banks in the United Kingdom, United States and Australia. A hypothetical 10% relative change in interest rates during any of the periods presented would not have had a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2023. Based on this evaluation, we concluded that as of June 30, 2023 our disclosure controls and procedures were not effective due to the material weaknesses previously identified and disclosed, not being remediated as of June 30, 2023. The term “disclosure controls and procedures”, means controls and other procedures of a company that are designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management previously reported, in our Annual Report on Form 10-K for the year ended December 31, 2022, material weaknesses in our internal control over financial reporting related to: (i) our IT general control environment has not been sufficiently designed to include appropriate user access rights, and design and implementation of controls over program development, program changes and computer operations, and (ii) policies and procedures with respect to the review, supervision and monitoring of our accounting and reporting functions were either not designed and in place or not operating effectively.

Remediation Efforts

During fiscal year 2022, we undertook efforts to remediate previously disclosed material weaknesses, including assessing and identifying risks to financial reporting over all business processes impacting financial reporting and implementation of controls over critical accounting policies and estimates. Some business process controls over critical accounting policies and estimates established in the fiscal year that were dependent on systems without effective IT general controls were deemed ineffective because they could be adversely impacted by the lack of system controls. Our internal control remediation efforts continue into fiscal year 2023 and focus on the areas detailed below.

Planned Remediation Activities

(i) IT general controls

We are taking measures to address the IT environment through the implementation of a new enterprise resource planning, or ERP system and controls over program development, program changes, computer operations and access rights. We have implemented the new ERP system for the U.K. companies in the first quarter of 2023, and implemented the system in the U.S company in July 2023, resulting in alignment of all ERP systems across the Vaccitech group.

For the new ERP system and all other IT systems deemed significant to financial reporting, we have commenced implementation of: (i) program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized, and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties exist, to adequately restrict user and privileged access to certain financial applications, programs and data to appropriate company personnel; (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored, (iv) testing and approval controls for program development to ensure that changes are aligned

with business and IT requirements, and (v) identification and testing of system-generated information and calculations used in the execution of manual controls.

(ii) policies and procedures with respect to the review, supervision and monitoring of our accounting and reporting functions

We are taking measures to address this material weakness, which includes hiring appropriate personnel whose roles are to enhance policies and procedures with respect to the review, supervision, formalization and monitoring of our accounting and reporting functions. Additionally, we plan to enhance business process controls through the following activities:

- continue to evaluate and refine the design, implementation, and documentation of the internal controls to ensure controls address the relevant risks, are properly designed, and provide appropriate evidence of the Company's performance;
- enhance the design of controls that address the completeness and accuracy of reports being utilized in the execution of internal controls;
- continue to evaluate the assignment of responsibilities associated with the performance of control activities and consider hiring additional resources, obtaining third party assistance, or providing additional training to existing resources; and
- further develop and execute a testing protocol that allows the Company to validate the operating effectiveness of certain controls over financial reporting to gain assurance that such controls are presented and functioning as designed.

As we monitor and evaluate our internal control over financial reporting, we will continue to assess the effectiveness of our remediation plan and prioritize our resources.

Notwithstanding the ineffective disclosure controls and procedures as a result of the identified material weaknesses, management has concluded that the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial position, results of operations and cash flows in accordance with U.S. GAAP.

Changes in Internal Control over Financial Reporting

Other than the changes related to the ongoing remediation activities related to the material weaknesses noted above, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of June 30, 2023, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A Risk Factors.

There have been no material changes from the risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K as filed with the SEC on March 24, 2023.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains express or implied forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "potential," "continue," "ongoing," or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. The forward-looking statements and opinions contained in this Quarterly Report are based upon information available to our management as of the date of this Quarterly Report and, while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements about:

- the success, cost and timing of our product development activities and clinical trials;
- the timing, scope or likelihood of regulatory filings and approvals, including timing of Investigational New Drug Application and Biological License Application filings for our current and future product candidates, and final U.S. Food and Drug Administration, European Medicines Agency, United Kingdom Medicines and Healthcare products Regulatory Agency or other foreign regulatory authority approval of our current and future product candidates;
- our ability to develop and advance our current and future product candidates and programs into, and successfully complete, clinical trials;
- our ability to establish future or maintain current collaborations or strategic relationships or obtain additional funding;
- the rate and degree of market acceptance and clinical utility of our current and future product candidates;
- any expectations surrounding the payments we could potentially receive pursuant to the AstraZeneca License Agreement;
- the ability and willingness of our third-party collaborators to continue research and development activities relating to our product candidates;
- our and our collaborators' ability to obtain, maintain, defend and enforce our intellectual property protection for our product candidates, and the scope of such protection;
- our manufacturing, commercialization and marketing capabilities and strategy;

- future agreements with third parties in connection with the commercialization of our product candidates and any other approved products;
- regulatory developments in the United States and foreign countries;
- competitive companies, technologies and our industry and the success of competing therapies that are or may become available;
- our ability to attract and retain key scientific or management personnel;
- our ability to obtain funding for our operations, including funding necessary to complete further development and commercialization of our product candidates;
- the accuracy of our estimates of our annual total addressable markets, future revenue, expenses, capital requirements and needs for additional financing;
- our expectations about market trends;
- the impact of global economic and political developments on our business, including rising or sustained high inflation and capital market disruptions, the current conflict in Ukraine, disruptions in the banking industry, economic sanctions and economic slowdowns or recessions that may result from such developments which could harm our research and development efforts as well as the value of our ordinary shares and ability to access capital markets; and
- our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012, as amended.

If our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should read this Quarterly Report and the documents that we reference in this Quarterly Report with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements in this Quarterly Report by these cautionary statements.

This Quarterly Report contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Unless the context otherwise requires, reference in this Quarterly Report to the terms “Vaccitech,” “the Company,” “we,” “us,” “our,” and similar designations refer to Vaccitech plc and, where appropriate, our wholly-owned subsidiaries.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Set forth below is information regarding shares of equity securities sold, and options granted, by us during the three months ended June 30, 2023 that were not registered under the Securities Act.

Recent Sales of Unregistered Equity Securities

None.

Use of Proceeds from Initial Public Offering

On May 4, 2021, we completed our initial public offering, or the IPO, of 6,500,000 ADSs at a price of $17.00 per ADS for an aggregate offering price of approximately $110.5 million. Morgan Stanley & Co., Jefferies LLC, Barclays Capital Inc., William Blair & Company, L.L.C. and H.C. Wainwright & Co., LLC served as the underwriters of the IPO. The offer and sale of all of the ADSs in the offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-255158), which became effective on April 29, 2021.

We received aggregate net proceeds from the offering of approximately $102.8 million, after deducting underwriting discounts and commissions, as well as other offering expenses. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

There has been no material change in our planned use of the net proceeds from the IPO as described in the final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Articles of Association of the Registrant (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 001-40367) filed with the Securities and Exchange Commission on May 10, 2021).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted in as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.

** This certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VACCITECH PLC

Date: August 10, 2023

By: /s/ William Enright
William Enright
Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2023

By: /s/ Gemma Brown
Gemma Brown
Chief Financial Officer
(Principal Financial
and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William Enright, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaccitech plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ William Enright
Name: William Enright
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gemma Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaccitech plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ Gemma Brown
Name: Gemma Brown
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vaccitech plc (the "Company") on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his or her knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 10, 2023

/s/ William Enright
Name: William Enright
Title: Chief Executive Officer

Date: August 10, 2023

/s/ Gemma Brown
Name: Gemma Brown
Title: Chief Financial Officer