

Report of the statutory auditor on the financial statements

as of 31 December 2022 of

CRISPR Therapeutics AG, Zug

To the General Meeting of
CRISPR Therapeutics AG, Zug

Basle, 21 February 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of CRISPR Therapeutics AG (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Estimation of Variable Consideration for ongoing Collaboration Agreements

Risk As disclosed in the Notes under “Principles” and “Significant Events” to the financial statements, the Company has multiple ongoing collaboration agreements which include rights to future payments totaling up to approximately \$2.2 billion as of 31 December 2022 that are payable upon the achievement of various developmental, regulatory and commercial milestones related to certain programs under development. These future payments represent variable consideration that is included in the transaction price for these collaboration agreements to the extent that the Company determines it is probable that a significant revenue reversal of cumulative revenue recognized under the contract will not occur. When the Company cannot conclude that it is probable that a significant revenue reversal of cumulative revenue under the contract will not occur, the Company constrains the related variable consideration resulting in its exclusion from the transaction price. The Company’s estimation of variable consideration to be constrained impacts the reported amounts of revenue and deferred revenue within the consolidated financial statements.

In determining the portion of the transaction price to be constrained, management considers the probability and uncertainty of whether the related developmental, regulatory and commercial milestones will be achieved given the nature of clinical development and the stage of the underlying programs. This assessment is performed at each reporting period. In making this evaluation, management considers both internal and external information available including information from industry publications, the stage of development of the underlying programs and other relevant factors. Changes to the constraint of variable consideration can have a material effect on the amount of revenue recognized in the financial reporting period. As a result, auditing the accounting for the application of constraint to variable consideration required complex auditor judgement.

Our audit response We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s revenue recognition process. For example, we tested controls over management’s estimation of the total transaction price for its collaboration agreements including those related to the application of constraint to variable consideration associated with future developmental, regulatory and commercial milestones.

To audit the Company’s judgements related to the application of constraint to variable consideration, we performed audit procedures that included, among others, evaluating the Company’s judgements related to the probability of achieving the related future developmental, regulatory and commercial milestones.

To evaluate the Company's estimated probability of achieving developmental, regulatory and commercial milestones, we considered the nature of clinical development and the stage of development of the underlying programs in relation to relevant external data and compared the probabilities of achieving the milestones to current industry trends and available information from other guideline companies within the same industry and other relevant factors. We also discussed the probability of achieving the milestones in relation to each program's phase of development with the Company's research and development managers.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Simon Zogg
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Faidra Ekati
Lygerou (Qualified
Signature)

Certified Auditor Accountant (Greece)

Enclosures

- ▶ Financial statements (balance sheet, income statement, notes)

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Income Statement

For the year ended 31 December

Notes	2022 USD	2021 USD	2022 CHF	2021 CHF
Operating income				
Collaboration revenue	436,710	913,081,567	420,570	843,084,734
Total net revenue	<u>436,710</u>	<u>913,081,567</u>	<u>420,570</u>	<u>843,084,734</u>
Operating expenses				
Research and development	(196,794,310)	(109,950,891)	(189,521,120)	(101,522,056)
Operating expenses from subsidiaries	(395,653,252)	(447,977,813)	(381,030,568)	(413,635,834)
Personnel expenses	(1,147,785)	(1,139,009)	(1,105,364)	(1,051,692)
Other operating expenses	(31,370,748)	(35,911,236)	(30,211,337)	(33,158,281)
Total operating expenses	<u>(624,966,095)</u>	<u>(594,978,949)</u>	<u>(601,868,389)</u>	<u>(549,367,863)</u>
Total operating result	<u>(624,529,385)</u>	<u>318,102,618</u>	<u>(601,447,819)</u>	<u>293,716,871</u>
Financial income	18,360,389	14,149,235	17,681,820	13,064,555
Gain/(loss) on investments	(180,113)	(1,222,822)	(173,456)	(1,129,081)
Financing expenses	(63,207)	(3,955,257)	(60,871)	(3,652,047)
Foreign exchange gain/(loss), net	(90,562)	(300,955)	(87,215)	(277,884)
(Loss)/Income before and after taxes for the year	<u>(606,502,878)</u>	<u>326,772,819</u>	<u>(584,087,541)</u>	<u>301,722,415</u>

The accompanying notes form an integral part of the financial statements.

Balance Sheet

For the year ended 31 December

	Notes	2022 USD	2021 USD	2022 CHF	2021 CHF
Assets					
Current assets					
Cash and cash equivalents		36,485,744	613,068,650	34,024,051	566,070,808
Other receivables subsidiaries		3,625,604	3,391,858	3,380,984	3,131,838
Other current assets		662,402	1,411,820	617,710	1,303,590
Accrued but not-invoiced revenue		11,204,054	8,513,774	10,448,117	7,861,108
Prepaid expenses		5,201,587	11,050,629	4,850,636	10,203,488
Total current assets		57,179,391	637,436,732	53,321,498	588,570,832
Non-current assets					
Long term loan to subsidiary		1,906,914,392	1,805,702,337	1,778,254,878	1,667,277,196
Investments in shareholdings	1	12,905,516	26,824,427	12,034,781	24,768,067
Fixed assets		829,548	1,339,306	773,578	1,236,635
Intangible assets		1	1	1	1
Total non-current assets		1,920,649,457	1,833,866,071	1,791,063,238	1,693,281,898
Total Assets		1,977,828,848	2,471,302,803	1,844,384,736	2,281,852,730

The accompanying notes form an integral part of the financial statements.

Balance Sheet

For the year ended 31 December

	Notes	2022 USD	2021 USD	2022 CHF	2021 CHF
Liabilities					
Current liabilities					
Trade accounts payable		14,216,510	4,356,189	13,257,322	4,022,242
Current payables to subsidiaries		48,454,328	27,437,485	45,185,115	25,334,128
Other current non-interest bearing liabilities		299,976	857,190	279,736	791,478
Accrued expenses		40,389,846	48,449,197	37,664,743	44,735,082
Total current liabilities		<u>103,360,660</u>	<u>81,100,061</u>	<u>96,386,916</u>	<u>74,882,930</u>
Non-current liabilities					
Deferred revenue non-current		12,323,473	12,323,473	11,492,008	11,378,755
Other non-interest bearing non-current liabilities		4,833,329	4,853,932	4,507,224	4,481,830
Total non-current liabilities		<u>17,156,802</u>	<u>17,177,405</u>	<u>15,999,232</u>	<u>15,860,585</u>
Total liabilities		<u>120,517,462</u>	<u>98,277,466</u>	<u>112,386,148</u>	<u>90,743,515</u>
Equity					
Share capital		2,614,129	2,563,327	2,506,510	2,459,700
Legal capital reserves					
Capital contribution reserves	8	2,752,836,920	2,662,112,390	2,627,037,263	2,539,362,119
Other capital reserves		90,450,479	90,437,273	86,627,730	86,615,161
Total legal capital reserves		<u>2,843,287,399</u>	<u>2,752,549,663</u>	<u>2,713,664,993</u>	<u>2,625,977,280</u>
Revaluation adjustment		—	—	(46,723,522)	(83,965,911)
Loss carried forward		(381,875,480)	(708,648,299)	(353,161,175)	(654,883,590)
Net (loss)/income for the year		(606,502,878)	326,772,819	(584,087,541)	301,722,415
Accumulated losses		<u>(988,378,358)</u>	<u>(381,875,480)</u>	<u>(937,248,716)</u>	<u>(353,161,175)</u>
Treasury Shares	7	(211,784)	(212,174)	(200,677)	(200,677)
Total equity		<u>1,857,311,386</u>	<u>2,373,025,336</u>	<u>1,731,998,588</u>	<u>2,191,112,949</u>
Total liabilities and equity		<u>1,977,828,848</u>	<u>2,471,302,803</u>	<u>1,844,384,736</u>	<u>2,281,852,730</u>

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December 2022 and 2021

Principles

General

CRISPR Therapeutics AG headquarters are located at Baarerstrasse 14, CH-6300 Zug, and the CRISPR Therapeutics AG financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations) ("**Law**").

The significant accounting and valuation principles applied that are not prescribed by the Law are described below.

In accordance with the Law, the Company has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes, as well as a cash flow statement, because it has prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

Foreign currency

The accounting records are maintained in United States dollars (USD). All monetary assets and liabilities recognized in foreign currencies are converted into USD at the exchange rate as of the balance sheet date, with the exception of investments in subsidiaries, which are converted at historical rates.

Realized exchange gains and losses arising from these, as well as those from business transactions denominated in foreign currencies, are recorded in the income statement. Net unrealized exchange losses are recorded in the income statement; net unrealized gains, however, are deferred within accrued liabilities.

In the financial statements for the years ended 31 December 2022 and 2021, amounts shown on the balance sheet in CHF are indicative and have been converted from USD at an exchange rate of CHF 0.9325 to USD 1 and CHF 0.9233 to USD 1, respectively, which represents a conversion based on the Swiss tax spot rate as of 31 December 2022 and 2021, respectively. Amounts shown on the income statement for the years ended 31 December 2022 and 2021 have been converted from USD at an exchange rate of CHF 0.9630 to USD 1 and CHF 0.9235 to USD 1, respectively, which represents a conversion based on the Swiss tax average rate for 2022 and 2021, respectively.

Revenue recognition

In general, the Company's research and collaboration agreements contain the following elements:

1. Upfront payments: Realization of upfront payments are allocated to the contractual obligations on a relative value basis.
2. Milestone payments: Realization of milestones follows the method "the single most likely outcome of the contract" (milestones are recognized to the extent that it is "probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty underlying the variable consideration is resolved", the variable consideration "constraint").
3. Royalty income: Royalties received in exchange for a license of Intellectual Property ("IP") are recognized as revenue at the later of when the sale occurs or when the performance obligation to which the royalty relates has been satisfied.
4. Licenses of IP: The Company's IP license agreements fall under "Functional IP" which typically grant a right to use an entity's IP as it exists at a point in time and has significant standalone functionality.

Cash and cash equivalents

Cash and cash equivalents include cash at bank.

Receivables and other current assets

Receivables and other current assets are reported at their nominal value less any impairments.

Investments in subsidiaries and affiliated companies

Investments in shareholdings are recorded at acquisition cost less adjustments for impairment of value. The Company evaluates investments in subsidiaries for impairment annually and records an impairment loss when the carrying amount of such assets exceeds the fair value.

Deferred Revenue

Deferred revenue primarily relate to contracts where we have received payment, but we have not yet satisfied the related performance obligations.

Long term loan to subsidiary

Long term loan to subsidiary relates to loan from CRISPR Therapeutics AG to CRISPR Therapeutics Inc., for a facility of up to USD 2,000.0 million. Each advance is due on the third-year anniversary on the date of draw and bears interest at the US Applicable Federal Rates. The Company recognizes an intercompany loan receivable based on the remaining interests on the amount drawn as of period end.

Liabilities

Liabilities are recognized at their nominal value.

Significant events**Collaboration Agreements:**

On 16 April 2021, the Company and Vertex agreed to amend and restate the JDA and entered into an Amended and Restated Joint Development and Commercialization Agreement, or the "A&R Vertex JDCA," pursuant to which the parties agreed to, among other things, (a) adjust the governance structure for the collaboration and adjust the responsibilities of each party thereunder, whereby Vertex shall lead and have all decision making (i.e., control) in relation to the CTX001 program prospectively; (b) adjust the allocation of net profits and net losses between the parties with respect to CTX001 only, which will be allocated 40% to the Company and 60% to Vertex, prospectively; and (c) exclusively license (subject to the Company's reserved rights to conduct certain activities) certain intellectual property rights to Vertex relating to the specified product candidates and products (including CTX001) that may be researched, developed, manufactured and commercialized on a worldwide basis under such agreement. The transaction contemplated by the A&R JDCA closed on 2 June 2021. The Company will provide certain specified transition services to Vertex in connection with the agreement.

In connection with the closing of the transaction contemplated by the A&R JDCA, the Company received a USD 900.0 million up-front payment from Vertex. Additionally, the Company is eligible to receive a one-time USD 200.0 million milestone payment upon receipt by Vertex of the first marketing approval of the initial product candidate from the U.S. Food and Drug Administration or the European Commission. With respect to CTX001 only, the net profits and net losses, as applicable, incurred under the A&R JDCA through 1 July 2021 in connection with the initial shared product (i.e., CTX001) were shared equally between the Company and Vertex, and beginning 1 July 2021, the net profits and net losses, as applicable, incurred under the A&R Vertex JDCA are allocated 40% to the Company and 60% to Vertex.

In June 2019, CRISPR Therapeutics AG entered into a separate strategic collaboration and license agreement (the "CRISPR DMD/DML Agreement") with Vertex. Pursuant to this agreement, Vertex received an exclusive worldwide license to CRISPR's existing and future intellectual property for Duchenne muscular dystrophy ("DMD") and myotonic dystrophy type 1 ("DMI"). The Company has the option to co-develop and co-commercialize all DMI products globally and forego the milestones and royalties associated with the DMI program.

In the fourth quarter of 2021, the Company successfully completed the work necessary to receive a second milestone of USD 12.5 million in connection with a previous collaboration agreement, which was paid in December 2021.

In 2022, no such income was recognized. Deferred revenue recognized as a liability as of 31 December 2022 is related to the CRISPR DMD/DML Agreement with Vertex and is unchanged from 31 December 2021.

Notes to the financial statements

Note 1.

Direct investments in shareholdings

	31.12.2022 USD	31.12.2021 USD	31.12.2022 CHF	31.12.2021 CHF
CRISPR Therapeutics Ltd. , London, GB Research and experimental development of biotechnology Share capital GBP 1, share in capital and voting rights: 100%	1	1	1	1
CRISPR Therapeutics Inc. , Cambridge, USA Research and experimental development of biotechnology Share capital USD 1, share in capital and voting rights: 100%	12,000,001	12,000,001	11,190,361	11,080,081
TRACR Hematology Ltd. , London, GB Research and experimental development of biotechnology Share capital EUR 10'000, share in capital and voting rights: 100%	60,877	60,877	56,770	56,210
CTX Financing GmbH , Zug, CH, share capital CHF 20'000, share in capital and voting rights: 100%	344,637	344,637	321,385	318,217
StrideBio, LLC , Durham, USA, Series A 256,173 shares and voting rights: preferred stock	500,000	500,000	466,264	461,670
Casebia Therapeutics LLP , London, GB Research and experimental development of biotechnology partnership: 99%	—	13,918,911	—	12,851,887
Total	<u>12,905,516</u>	<u>26,824,427</u>	<u>12,034,781</u>	<u>24,768,067</u>

Note 2.

Conditional/Authorized Capital

The Company has the following conditional capital reserved for future issuance:

	31.12.2022	31.12.2021
Number of shares		
Shares available for bonds and similar debt instruments	8,202,832	4,919,700
Shares available for employee benefit plans	20,799,332	20,806,433
Total	<u>29,002,164</u>	<u>25,726,133</u>

Furthermore, the company runs at-the-market offerings (ATM) for which the Company has authorized capital CHF 1'179'509,25 available.

Note 3.

Share Ownership

Significant Shareholders

Significant shareholders that hold directly, or through their affiliates, the following beneficial interests in excess of 5 percent of issued share capital:

	Number of Shares	Percentage of issued share capital
2022		
ARK Investment Management LLC	7,829,932	10%
Capital International Investors	5,560,492	7%
Nikko Asset Management Co., Ltd.	4,006,476	5%
2021		
ARK Investment Management LLC	9,087,868	12%
Nikko Asset Management Co., Ltd.	4,319,471	6%
Capital Research and Management Company	3,706,044	5%

Shares and Share Options owned by Board Members

The total number of shares and share options owned by members of the Board of Directors, excluding Rodger Novak and Samarth Kulkarni, is shown in the table below.

	31.12.2022	31.12.2021
Number of share options		
Ali Behbahani, M.D.	107,256	96,089
Bradley Bolzon, Ph.D.	107,000	95,833
Maria Fardis, Ph.D. ⁽¹⁾	4,000	—
Simeon J. George, M.D.	107,000	95,833
John T. Greene	72,000	53,333
Katherine A. High, M.D.	62,000	45,833
Douglas A. Treco, Ph.D.	44,000	22,833
H. Edward Fleming, Jr., M.D.	19,500	4,167
Total	522,756	413,921

(1) Dr. Fardis was elected to the Board of Directors in June 2022.

Shares and Share Options owned by Executive Management

As of 31 December 2022, executive management consisted of:

Samarth Kulkarni, Ph.D., Chief Executive Officer
Rodger Novak, M.D., President and Director
Phuong Khanh Morrow, Ph.D., Chief Medical Officer
Brendan Smith, Chief Financial Officer
James Kasinger, General Counsel & Corporate Secretary

Lawrence Klein, former Chief Operating Officer, resigned as a member of executive management in December 2022.

The total number of shares and share options owned by members of the executive management team as of 31 December 2022 and 2021 are shown in the tables below.

	31.12.2022	31.12.2021
Number of shares		
Samarth Kulkarni, Ph.D.	369,111	279,085
Rodger Novak, M.D.	573,007	573,007
Lawrence Klein, former COO	—	22,325
Tony Ho, former Head R&D ⁽¹⁾	—	52,526
James Kasinger	50,191	43,705
Michael Tomsicek, former CFO ⁽²⁾	—	31,616
Phuong Khanh Morrow, Ph.D. ⁽³⁾	—	—
Brendan Smith ⁽⁴⁾	2,639	—
Total	994,948	1,002,264
Number of share options exercisable		
Samarth Kulkarni, Ph.D.	1,051,220	1,092,787
Rodger Novak, M.D.	165,652	115,245
Lawrence Klein, former COO	—	79,183
Tony Ho, former Head R&D ⁽¹⁾	—	409,195
James Kasinger	251,403	200,238
Michael Tomsicek, former CFO ⁽²⁾	—	144,601
Phuong Khanh Morrow, Ph.D. ⁽³⁾	390	—
Brendan Smith ⁽⁴⁾	33,083	—
Total	1,501,748	2,041,249

(1) Tony Ho left CRISPR Therapeutics AG in December 2021.

(2) Michael Tomsicek resigned as Chief Financial Officer in October 2021, but he was an employee until December 2021.

(3) Dr. Phuong Khanh Morrow was appointed as Chief Medical Officer on 23 May 2022.

(4) Brendan Smith was appointed as Chief Financial Officer on 14 October 2021.

The tables below represent stock option awards granted during the years ended 31 December 2022 and 2021 to members of the executive management team and the Board of Directors.

2022	Number of options granted	Grant date fair value (USD)	Grant date fair value (CHF)
Executive management team	352,780	12,972,819	12,493,365
Board members	108,000	4,935,882	4,753,460
Total	460,780	17,908,701	17,246,825

2021	Number of options granted	Grant date fair value (USD)	Grant date fair value (CHF)
Executive management team	378,788	27,883,780	25,746,209
Board members	85,000	6,398,786	5,908,255
Total	463,788	34,282,566	31,654,464

The tables below represent restricted share awards granted during the years ended 31 December 2022 and 2021 to members of the executive management team. No restricted share awards were granted to members of the Board of Directors.

2022	Number of shares granted	Grant date fair value (USD)	Grant date fair value (CHF)
Executive management team	349,250	24,077,738	23,187,864
Total	349,250	24,077,738	23,187,864

2021	Number of shares granted	Grant date fair value (USD)	Grant date fair value (CHF)
Executive management team	90,000	11,521,500	10,638,262
Total	90,000	11,521,500	10,638,262

**Note 4.
Employees**

	31.12.2022	31.12.2021
CRISPR Therapeutics AG	3	2
Total	3	2

**Note 5.
Pledged asset (restricted cash for credit cards)**

As of 31 December 2022 and 2021, the Company had restricted cash under certain credit card arrangements of USD 64,906 (CHF 60,000) and USD 65,807 (CHF 60,000), respectively.

**Note 6.
Contingent liabilities**

The Company has engaged several research institutions and companies to identify new delivery strategies and applications of the Company's gene-editing technology. The Company is also a party to a number of license agreements which require significant upfront payments and may be required to make future royalty payments and potential milestone payments from time to time. In addition, the Company is also a party to intellectual property agreements, which require maintenance and milestone payments from time to time. Further, the Company is a party to a number of manufacturing agreements that require upfront payments for the future performance of services.

In association with these agreements, on a product-by-product basis, the counterparties are eligible to receive up to low eight-digit potential payments upon specified research, development and regulatory milestones. In addition, on a product-by-product basis, the

counterparties are eligible to receive potential commercial milestone payments based on specified annual sales thresholds. The potential payments are low-single digit percentages of the specified annual sales thresholds. The counterparties are also eligible to receive low single-digit royalties on future net sales.

Under certain circumstances and if certain contingent future events occur, Vertex is eligible to receive up to USD 395.0 million (CHF 368.3 million based on Swiss tax spot rate at 31 December 2022) in potential specified research, development, regulatory and commercial milestones and tiered single-digit percentage royalties on future net sales related to a specified target under an amendment to the 2015 Collaboration Agreement. Vertex also has the option to conduct research at their own cost in certain defined areas that, if beneficial to the exa-cel program and ultimately achieves regulatory approval, then the Company could owe Vertex certain milestone payments aggregating to high eight digits, subject to certain limitations on the profitability of the exa-cel program.

Under the A&R Vertex JDCA, the Company deferred USD 36.3 million (CHF 33.85 million based on Swiss tax spot rate at 31 December 2022) of its share of costs incurred under the arrangement for the year ended 31 December 2022, as spending on the exa-cel program exceeded a specified amount. Any deferred amounts are only payable to Vertex as an offset against future profitability of the exa-cel program and the amounts payable are capped at a specified maximum amount per year. Company's deferred costs on the exa-cel program will be accrued for when it is probable that a liability has been incurred and the amount can be reasonably estimated. As of 31 December 2022, no contingent payments have been accrued.

Note 7.

Treasury shares (number of ordinary shares)

	31.12.2022	31.12.2021
Starting balance as of 1 January	5,038,262	2,906,383
ATM shares registered	—	3,500,000
ATM share sale	(12,365)	(1,353,121)
Treasury shares used for employee option exercises	—	(15,000)
Balance as of 31 December	5,025,897	5,038,262

Note 8.

Capital contribution reserve

As at 31 December 2022, CHF 479'856'173,11 (USD 490'760'879,86) were approved by the tax authorities. The remainder of CHF 2'147'181'089,89 (USD 2'262'076'040,14) is not yet approved.

Note 9.

Events after balance sheet date

CRISPR Therapeutics AG at the date of this Financial Statement were issued had no adjusting or non-adjusting events after balance sheet date to disclose.