WISeKey

FY 2020

Annual Report

2020

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MESSAGE
FROM THE CEO

Dear Shareholders,

As the world continues to deal with the unprecedented effects of the covid-19 pandemic in terms of both health and economic consequences, we hope you and your families are healthy and safe.

The covid-19 pandemic has affected every business across the globe, including WISeKey. Since March of 2020, when this crisis started in Europe, we took several initiatives to minimize risks to our business, develop and adapt new technologies to protect our customers against cyber-attacks and protect shareholder value. Our senior management team's experience during the 2000 and 2008 financial crises has proven to be very valuable and reassuring in dealing with the current pandemic crisis.

At WISeKey, meeting our responsibilities to all our stakeholders has been an essential part of our culture since our founding, 22 years ago.

Most of our staff continues to work from home – this has been the case for the past 12 months - with the exception of essential employees needed to maintain critical infrastructures onsite (data centers, design labs, production centers etc.). While the safety and well-being of our employees and our customers remain our top priority, we recognize the important role we play in providing cybersecurity and identity management protection services during this critical time to our customers.

For those employees who are working from home, we have implemented a "remote work" policy connected by video conference and the necessary security and technology to do so safely using the experience WISeKey has in this type of environment. For employees who require office attendance in Geneva, France, Taiwan, Japan, and USA, we took significant steps to ensure seamless service delivery to our clients, while safeguarding their health.

We are actively monitoring the current vaccination efforts and taking steps to help keep our ecosystem safe and protected.

CARLOS MOREIRA
CHIEF EXECUTIVE OFFICER

That said, I wanted to share with you some of the milestones we achieved during 2020:

1. We have developed **a special edition of WISeID that is now available as a free download of our WISeID app** to secure interactions of teleworkers around the globe locked-down due to the covid-19 pandemic and help companies reduce information security risks. While this new coronavirus is a real biological threat, it's raising awareness in the cybersecurity community due to the increased use of remote connectivity or higher dependence on communication means such as email. Hackers are already profiting from this situation by launching new phishing attacks, pretending to be company managers or government agents, and trying to access computers and hijack corporate systems. In most companies the urgent need to enable teleworkers to keep up with their usual daily activities caught the IT infrastructures unprepared and not properly secured. Attackers are aware of these deficiencies and have tried to profit from them.

The use of PKI and Digital Certificates can help secure email messages and reduce risks by adding digital signatures that ensure the authenticity of messages and enable encryption of confidential data. WISeKey's WISeID Identity Platform is available for anyone to obtain a digital certificate and immediately protect their email.

2. **We have put together a team ready to respond to any challenges** related to this pandemic and have Business Continuity Plans in place to ensure the continuation of services and in particular, the manufacturing of our IoT micro-processors in Taiwan, Thailand. WISeKey's strong financial position of $21.8 million cash and restricted cash at the end of 2020, and low convertible debt facilities have put the company in a resilient position ready to handle any operational challenge due to cash reserves that can finance our activities for at least two years. Additionally, we took urgent and decisive actions to manage our costs, capital expenditures, and working capital to maintain a positive free cash flow position during the year.

3. We **discontinued the share buyback program** announced last year to **conserve our available cash for operational needs**.

4. We **anticipate strong demand for our cybersecurity products** during 2021 calendar year and sustained revenue derived from the increase in demand for our technology. It is anticipated that Cybersecurity companies like WISeKey with strong technology-IP assets will recover much faster from the current crisis. Overall, continued adoption of IoT technologies connected to secure clouds, and ultimately 5G, will be tremendous catalysts for security companies given the related risk of adoption.

5. We maintained our M&A leadership by entering into an **acquisition agreement with arago**, a German-based AI leading company. In that regard, we **invested $5.5 million cash into the arago operations and acquired controlling interest**, which lead to a combination of the businesses of WISeKey and arago and consolidation of revenues starting February 2021. We also reached a **binding agreement to acquire the remaining 49%** that would be completed through the issuance by WISeKey of new Class B shares to arago's remaining minority shareholder against contribution by arago's minority shareholder of the remaining arago shares to WISeKey.

arago has a large recurring customer base and licensing model, which is expected to bring significant synergies to WISeKey and strengthen WISeKey's position in the fast-growing AIoT market.

The ability to authenticate and remotely manage millions of networked, automated devices and equipment is becoming pervasive: from the factory floor to the hospital operating room, to the residential home, everything from refrigerators, watches, and wearables, to wine bottles, is connecting and communicating via the Internet.

The IoT security market is expected to reach nearly USD 29 billion in 2020, according to 'Markets and Markets', growing at an annual rate of 35%. These massively deployed connected objects face regular attacks, hence generating a large need for trusted end-to-end cybersecurity solutions. The increasing AI and IoT convergence is one of the primary factors driving the growth. Over the past five years, a rapid surge in the adoption of AIoT cloud services has been witnessed. It is driven by its capabilities to provide an enterprise-wide array of resources they can utilize to scale, orchestrate, and support their operations.

6. Listing of our ADRs on the NASDAQ progressed in volume bolstered by the **refocusing of our efforts and resources on cybersecurity/IoT market and a larger footprint in the U.S**.

7. **WISeKey ended 2020 with a strong financial position of $21.8 million cash and restricted cash**. This allowed us to **support investments in new products, IP, and faster-growing IoT/Cybersecurity markets**. During 2020, we have made significant investments in R&D and new microchips design in order to maintain our leading-edge technology position and the competitive advantage of our product offerings. We recently developed NanoSealRT, an NFC Forum Type 5 chip that works with both Android and IOS 12 (and above) devices, which will further reinforce our position as a major IoT player.

We are making **significant investments in new talent and have expanded our sales force** to take advantage of higher demand for strong security, authentication, brand protection and anti-counterfeiting services for segments such as connected devices, connected cars, luxury products, pharmaceuticals, and banking/financial sector. These efforts are expected to start showing concrete results from 2021 onward.

As a result of our solid 2021-2023 Cybersecurity/IoT revenue pipeline and our growth strategy that includes additional investments and increased marketing efforts, we believe that we have positioned WISeKey well to take advantage of several growth opportunities, create new revenue streams and continue its growth organically and through acquisitions.

We believe that given our team experience, leading technology, dedicated and talented staff, and our dedication to the cybersecurity business, we will emerge from this pandemic stronger than ever.

Going forward, we will continue to show the same resilience we showed during this crisis and continue doing everything we can to help our multistage holders: investors, customers, partners, employees, and multi-lateral organizations emerge stronger and safer from this crisis. The current pandemic has shown that trusted digital technologies and automation are the lifeline for every business. The pandemic is accelerating the movement to digital identification, AI, automation, and a customer-centric mindset.

And as I look to the future, I know that by truly continuing our trusted relation and coming together, we will all get to a safe and healthy new normal for the benefit of all of us. **Together We Are Stronger!**

Carlos Moreira
FOUNDER & CEO
WISEKEY INTERNATIONAL HOLDING

MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

FY 2020 Key Financial Milestones:

The key highlights of the year ended December 31, 2020 were:

- **Strong cash position:** cash and cash equivalents together with restricted cash increased to $21.8 million at December 31, 2020, from $16.6 million at December 31, 2019.
- **M&A activity:** FY 2020 investment in, and subsequent FY 2021 acquisition of arago GmbH ("arago"), a leading AI company, and more strategic investments and partnerships anticipated in 2021.
- **New Sales and Marketing organization:** the Group has invested in a strengthened and restructured sales and marketing team with significant experience in both the IoT and PKI markets, led by its new Chief Revenue Officer, Benjamin Stump. In recent months, the Group's new sales organization has already gained new clients across three new market verticals: drones, portable radios, and medical devices, and has already received orders from clients which comprise approximately 66% of its IoT revenue budget for 2021 with clients' confirmed forecasts covering the remaining 2021 IoT budget.
- **Reductions in General and Administrative ("G&A") expenses:** the Company incurred $5.1 million less G&A expenses in 2020 compared with 2019, which results from targeted efforts to improve its cost structure.
- **Strong investments in Research & Development ("R&D"):** we continue to support our R&D work with $6.0 million invested during the year to develop new products and create business opportunities in cybersecurity, IoT and AI.

Key Financial Metrics

A summary of the key performance metrics of the Group is set out in the table below:

US GAAP (Million US$)	2020	2019
Net sales	**14.8**	**22.7**
Gross profit	**5.5**	**9.5**
Operating loss as reported (continuing)	(18.5)	(20.5)
Net (loss)/income attributable to WISeKey as reported	(28.7)	8.2

Non-GAAP (Million US$)	2020	2019
EBITDA from continuing operations	(16.9)	(19.2)
Total Cash and restricted cash	21.8	16.6

Liquidity and Capital Resources

Cash and cash equivalents together with restricted cash as of December 31, 2020 was $21.8 million, compared to $16.6 million at December 31, 2019. This reflects the Group's continued drive to maximize cash reserves and ensure that it has sufficient liquidity to be able to support its operations and investment strategy.

The Group entered into new funding arrangements with Global Tech Opportunities 8 during the year and continues to have funding arrangements in place with a fund of Yorkville Advisors Global, LLC; as of December 31, 2020, these facilities provide the opportunity to draw down up to CHF 10.8 million (USD 12.2 million) and CHF 46.0 million (USD 52.0 million) respectively. This illustrates the capacity of WISeKey to find funding for its future investment and M&A strategy.

Revenues

For full year 2020, WISeKey's total revenue was $14.8 million, compared to $22.7 million in 2019. Revenue decline year-over-year was due to a combination of factors; during the year we experienced delays to deliveries as a result of the COVID-19 pandemic with several clients pushing scheduled deliveries beyond 2020 and into 2021 and others being impacted by border restrictions, whilst 2019 included some one-off revenues such as that relating to the sale of the ISTANA platform to a major car manufacturer.

Impact of the COVID-19 pandemic

The COVID-19 global pandemic had an impact upon the Group's annual results. Although initially the Group did not see a reduction in demand for its products, as the pandemic evolved and more countries around the world implemented partial or full lockdowns, which resulted in some clients to defer product deliveries. In particular, deliveries of semiconductors to international clients became difficult to impossible due to controls imposed on imports by governments, whilst other clients in sectors such as the retail sector looked to delay their orders. This also disrupted the semiconductor supply chain for the same reason.

The Group received support from the Swiss government in the form of two long-term loans and also received temporary funding under the Swiss partial unemployment law support for a relatively small proportion of its workforce based upon the reduction in work in Geneva, whilst the remaining parts of the Group remained fully employed throughout. With its strong liquidity reserves, the Group has not had to make any reductions in workforce during the pandemic. The Group is no longer receiving any funding under partial unemployment law in any of its entities.

Expected trend reversal from 2021 onward

Our 2020 revenue was affected by three main factors:

- The impact of the COVID-19 pandemic has led to a reduction in revenues through deliveries delayed at the request of clients. A significant project relating to the installation of Smart Meters was paused due to COVID-19, leading to a $1.4 million shortfall from budget. Our Sales and Marketing team also experienced similar difficulties in confirming new customer orders due to potential clients delaying project decisions during the pandemic. This has led to difficulty in replacing expiring, end-of-life products with new revenues with the benefits only now being seen in 2021.
- The entire semiconductor industry continued to experience a downturn in 2020. This downturn was itself linked to the COVID-19 pandemic coming off the back of the political and trading tensions between the U.S. and China, and the rising threat of protectionism and vulnerabilities in emerging markets, which has affected all IoT companies (source: McKinsey & Company "most semiconductor segments will experience negative year-on-year revenue growth in 2020.")
- The phasing out of end-of-life products caused a drop in revenues that was not replaced due to the aforementioned issues with obtaining commitments from new customers to invest in updated technologies.

Off the back of the new AIoT revenue stream following the acquisition of arago, the introduction of the NanoSeal family, and our investment in the Sales and Marketing operations of WISeKey, the outlook for 2021 is much more positive. Demand for the Group's products has increased in the first quarter of 2021 and the Group has already booked circa 66% of its 2021 IoT budget in client orders and has forecasts to achieve its full IoT revenue budget for 2021. The Group has also opened up three new IoT markets, being hand-held radios, drones and healthcare, each of which has significant upside potential.

Revenue by region

Our operations are global in scope and we generate revenue from selling our products and services across various regions. Our operations in North America now contribute the largest part of our revenues, having surpassed Europe in 2020. We are continuing to work on a strategic expansion into Asia, but the COVID-19 pandemic meant that we were unable to make significant progress in 2020.

Our revenue from continuing operations by geographic region for the fiscal years ended December 31, 2020 and 2019 is set forth in the following table:

Net sales by region from continuing operations USD'000	12 months ended December 31, 2020		12 months ended December 31, 2019	
Switzerland	592	4%	2,137	9%
Rest of EMEA*	4,321	29%	8,046	36%
North America	8,260	56%	9,691	43%
Asia Pacific	1,526	10%	2,504	11%
Latin America	80	1%	274	1%
Total Net sales from continuing operations	**14,779**	**100%**	**22,652**	**100%**

* EMEA means Europe, Middle East and Africa

Expansion of the sales team and marketing efforts minimized the impact of the pandemic in our revenue from clients in North America; this market contributed 56% of total revenue in 2020.

In Europe, the decrease in revenue is attributable to the impact of the COVID-19 pandemic, with, for instance, a reduction in revenues of $1.3 million in our luxury goods portfolio. We are on track to fuel future revenue growth in 2021 and beyond as our investment in the Sales and Marketing team starts to produce returns with new markets and clients coming on-line.

The share of revenue from clients in North America has increased relatively at 56% in 2020 compared to 43% in 2019 as we saw less impact of COVID-19 on our US clients. Of particular note, the impact of the pandemic was offset by increased demand for our product by one of our telecommunications clients. We anticipate our North American revenues helping drive our recovery in 2021 with several of our new client wins being in this market, in particular with regards to the portable radio industry.

Gross Profit

Our gross profit from continuing operations decreased by $4.0 million to $5.5 million (gross margin of 37%) in the year ended December 31, 2020 in comparison with a gross profit of $9.5 million (gross margin of 42%) in the year ended December 31, 2019. The gross margin was adversely impacted by one-off provisions against unsold stock as a result of clients reducing their order values due to the pandemic. Because of the long manufacturing cycle of our IoT activity, and in order to reduce the lead time to our customers, we have to start the manufacturing cycle early. However, with the impact of the pandemic, we were affected by reduced volume orders by customers, particularly for product lines that were already about to reach the end of their life.

(Million US$)	12 months ended December 31, 2020	2019	Year-on-Year Variance
Net sales	**14.8**	**22.7**	**-35%**
Cost of sales	(8.6)	(12.9)	-33%
Depreciation of production assets	(0.7)	(0.3)	126%
Gross profit	**5.5**	**9.5**	**-42%**
Other operating income	0.1	0.2	-76%
Research & development expenses	(6.0)	(6.4)	-6%
Selling & marketing expenses	(7.4)	(8.0)	-7%
General & administrative expenses	(10.7)	(15.8)	-32%
Total operating expenses	**(24.0)**	**(30.0)**	**-20%**
Operating loss	**(18.5)**	**(20.5)**	**-10%**
Non-operating income	1.1	1.9	--41%
Gain on derivative liability	-	0.2	n/a
Gain / (loss) on debt extinguishment	-	(0.2)	n/a
Interest and amortization of debt discount	(0.4)	(0.7)	-38%
Non-operating expenses	(11.1)	(3.7)	23%
Income / (loss) from continuing operations before income tax expense	**(28.9)**	**(23.0)**	**-3%**
Income tax (expense)/recovery	-	-	n/a
Income/ (loss) from continuing operations, net	**(28.9)**	**(23.0)**	**-3%**
Discontinued operations:			
Net sales from discontinued operations	-	1.9	n/a
Cost of sales from discontinued operations	-	(0.8)	n/a
Total operating and non-operating expenses from discontinued operations	-	(1.8)	n/a
Income tax (expense)/recovery from discontinued operations	-	0.1	n/a
Gain on disposal of a business, net of tax on disposal	-	31.1	n/a
Income / (loss) on discontinued operations	-	30.5	n/a
Net income / (loss)	**(28.9)**	**7.5**	**n/a**

Operating Results

The Group reduced its operating loss by $2.0 million year on year, going from a $20.5 million operating loss in 2019 to an operating loss of $18.5 million in 2020, which shows that it has successfully scaled its costs down despite the decrease in revenue.

The Group continues to focus on reducing its cost structure and its General and Administrative (G&A) expenses, whilst investing in both its Sales and Marketing (S&M) operations and R&D of new products. Going forward, S&M and R&D expenses should continue to encompass a large portion of our cost structure as the Group continues to invest heavily in new products, markets and, in particular, new technologies such as Blockchain and AI.

Total operating expenses from continuing operations decreased by 20% or $6.0 million, from $30.0 million to $24.0 million, to meet WISeKey's development strategy. Most of this decrease relates to the grant made in FY 2019 to a significant number of employees through stock options (ESOP) in recognition for past services, which increased the stock-based compensation charge by $3.7 million that year. This expense was not repeated in 2020.

Analysis of operating income and expenditure

Other operating income

The Group's other operating income consisted of recharges for the use of our premises by OISTE (see Note 39 of our consolidated financial statement as at December 31, 2020) for $43,000, which was reduced year on year due to the renegotiation of the agreement. The prior year also included a gain on the liquidation of our subsidiaries WISeKey Italia s.r.l and WISeKey Singapore Pte Ltd. for $40,000 , whilst there was no similar one-off income in 2020.

Research & development expenses

Our R&D expenses include expenses related to the research of new technology, products and applications, as well as their development and proof of concept, and the development of further application for our new and existing products and technology, such as VaultiTrust, WISeID, and NanoSealRT. They include salaries, bonuses, pension costs, stock-based compensation, depreciation and amortization of capitalized assets, costs of material and equipment that do not meet the criteria for capitalization, as well as any tax credit relating to R&D activities, among others.

Our R&D expenses represented respectively 25% and 21% of total operating expenses in 2020 and 2019. Our Group being technology-driven, this reflects our engagement to act as a leader in new cybersecurity developments and future applications. The year-on-year expenditure reduced by $0.4 million against 2019 which was due to a one-off stock-based compensation charge of $0.7 million having been incurred in 2019, offset by higher staff costs of $0.1 million and increased amortization of $0.1 million. The latter was due to the increased amortization of patents acquired with the WISeKey Semiconductors business in 2016. We expect our R&D expenses to remain a significant portion of our overall expenditure as the Group continues to invest in new products and this will only increase following the acquisition of arago and its AI activity.

Sales & marketing expenses

Our S&M expenses include advertising and sales promotion expenses such as salaries, bonuses, pension costs, stock-based compensation, business development consultancy services, and costs of supporting material and equipment that do not meet the criteria for capitalization, among others.

Our S&M expenses decreased by 7% or $0.6 million in 2020 compared with 2019. The main factors in this reduction are a drop in stock-based compensation of $1.1 million, reductions in travel and entertaining costs of $0.4 million and a $0.2 million reduction in advertising and promotions, both as a result of the restrictions imposed during the COVID-19 pandemic. These reductions are offset by an increase in staff costs of $1.2 million as a result of the expansion of our sales force with a new Chief Revenue Officer having been appointed during the year, alongside new Sales Directors in Europe, India and North America.

General & administrative expenses

Our G&A expenses cover all other charges necessary to run our operations and supporting functions, and include salaries, bonuses, pension costs, stock-based compensation, lease and building costs, insurance, legal, professional, accounting and auditing fees, depreciation and amortization of capitalized assets, and costs of supporting material and equipment that do not meet the criteria for capitalization, among others.

Our G&A expenses decreased by 32% or $5.1 million in 2020 compared with 2019. The decrease is due to a reduction in stock-based compensation by $3.4 million year-on-year following the grant of ESOP options to our employees in recognition for past services to the Group and a $1.7 million reduction in the legal and professional fees of the Group as a result of the simplification of our legal structure and the sale of QuoVadis, as well as a significant reduction in the ongoing level of external legal and consultancy spend as we bring as many of these activities in-house as is possible.

The main components of our G&A costs are detailed below:

Total General & administrative expenses (Million US$)	12 months ended December 31, 2020	12 months ended December 31, 2019
Staff-related costs	6.4	6.2
Depreciation & amortization classified under G&A	0.1	0.2
Legal & professional fees	1.9	3.6
Rental & general office costs	1.6	1.5
Stock based compensation classified under G&A	0.2	3.4
Non-income tax expense	0.2	0.3
Customer contract impairment losses	-	0.1
Other G&A Operating Costs	0.3	0.5
Total G&A expenses	**10.7**	**15.8**

We will continue to challenge our G&A in future periods although increases are anticipated in certain key categories to support our growth and strategical positioning. Anticipated costs include those relating to:

- Our expansion strategy with potential acquisitions, such as that of arago, will maintain high legal, auditing and accountancy, and other professional G&A costs;
- Employee Stock Option Plan: grants to support our staff retention strategy will impact all cost categories including G&A
- To preserve the flexibility of our local entities, many of our staff are involved in projects covering sales & marketing, R&D and general and administrative fields. Where the allocation is not straightforward, these staff have been included entirely in G&A expenses.

Net Results

The Group reported a net loss of $28.9 million in 2020 in comparison to a net income of $7.5 million in the previous year. The variance was mainly due to the $31.1 million gain generated from the sale of the SSL/TLS PKI business to Digicert for $45 million in 2019.

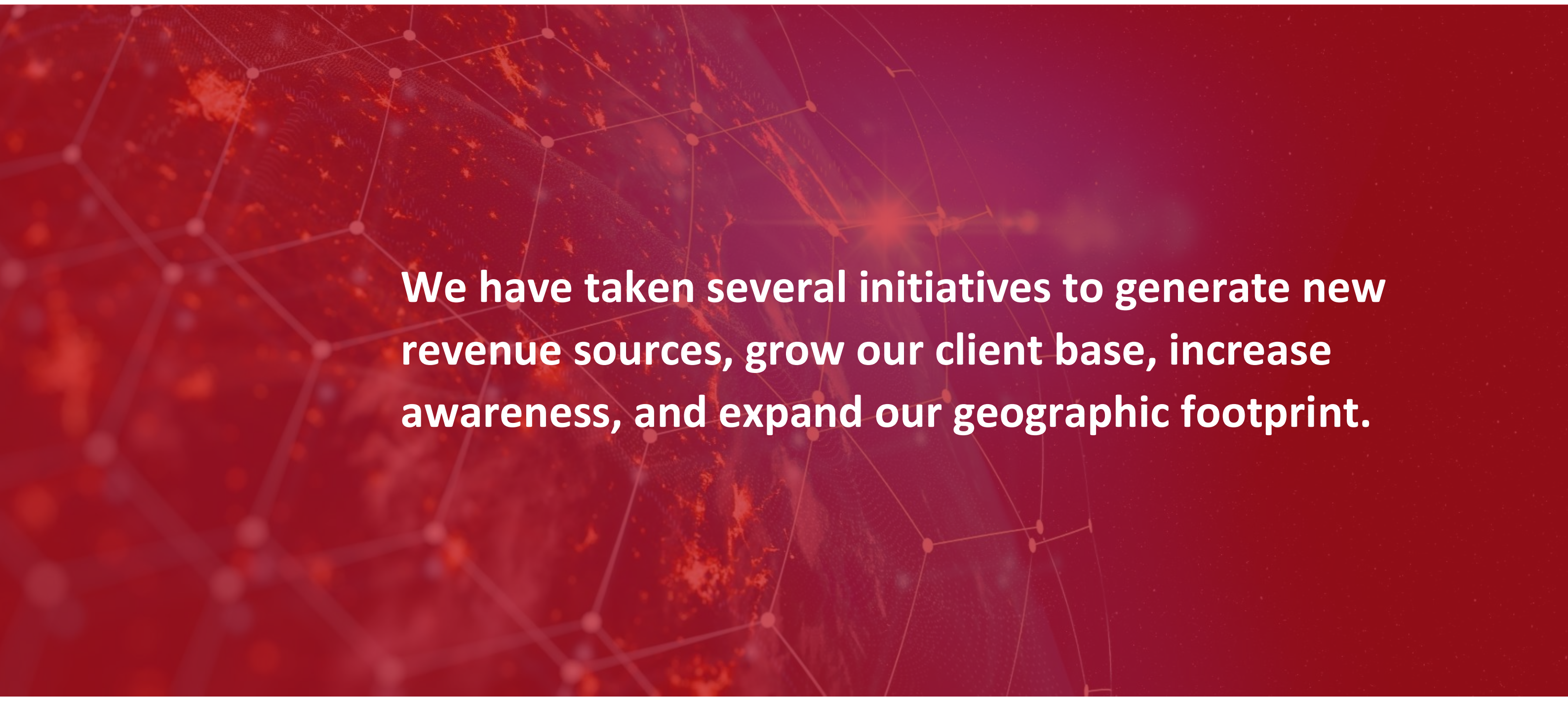
Total non-operating expenses increased by $7.9 million in 2020 compared with 2019. This was primarily due to the full impairment, in 2020, of our Tarmin warrant which had a carrying value of USD 7.0 million. Although Tarmin has positive business performance indicators, the impairment was triggered by a deterioration in the earnings performance and liquidity position.

Outlook for 2021 and beyond

We have taken several initiatives to generate new revenue sources, grow our client base, increase awareness, and expand our geographic footprint.

These initiatives include:

- **The strategic acquisition of arago** representing the convergence of arago's AI-based Knowledge Automation and Data platform with WISeKey's Cybersecurity and IoT technologies on a joint platform.
- **A significant investment in and complete restructuring of our Sales and Marketing department** with the appointment of a new Chief Revenue Officer alongside three new Sales Directors with significant industry expertise and the implementation of a CRM system.
- **Launch of new proprietary solutions, including VaultiTrust, WISeID, and NanoSealRT:** offering secure digital identities for critical applications such as smart grids, cloud security, drones, smart homes, Industry 4.0, consumer engagement, personal asset protection, anti-counterfeiting, and battery protection.
- **Development of modular Integrated Security Platforms** that meet the need for easy to deploy security solutions that can be reconfigured to solve the unique challenges of market verticals.
- Establishment of several **partnerships with leading players in the Identity Management/IoT/Blockchain segment,** together with joint ventures in Saudi Arabia, India and China which will provide new revenue streams and increased diversification.



Growth Strategy

WISeKey is focused on the following major areas for near-term revenue growth and long-term expansion:

- **Trusted Non-Fungible Token (NFT) Platform:**
  WISeKey plans to deploy its unique Digital Identification NFT platform technology in 2021. This NFT platform will provide the most secure and scalable blockchain backend for creating real digital twins for valuable objects. This unique approach will make it possible to mint provenance and a digital version into an NFT that contains smart contracts on how the digital twin may be used, removing any uncertainty of what an NFT actually means to a collector by delivering authenticated digital twins to the art and luxury market. A pilot project was already executed in the luxury watch industry with a world premiere Hublot NFT watch.

- **Trusted Automation:**
  The integrated WISeKey arago Automation Platform licensing revenue model is expected to bring significant revenue synergies and strengthen WISeKey's position in the fast-growing AIoT market. Knowledge Automation and Data platform HIRO™, developed by arago, takes a unique approach to process automation by using AI to autonomously and independently determine how to complete and then automate end-to-end tasks based on real time contextual data. Fully auditable and only using steps defined and approved by the customer, Knowledge Automation delivers significantly higher automation rates at a much lower operational cost.

- **Brand Protection and Consumer Engagement:**
  As Brands reduce their brick-and-mortar presence and continue to evolve their ecommerce strategies and reach, authentic products and goods coupled with innovative ways to digitally connect with their consumers and drive their brand image and loyalty have never been more important. With the advent of the NanoSeal family being integrated with our PKI and Digital Identity solutions in concert with a strong partner ecosystem, WISeKey can now fully address the digitally connected needs of Brands bringing not only certainty to the authenticity of their products and goods, but also certainty to the consumer that they can engage with the brand in a completely secure way with a simple tap of their mobile device.

Non-GAAP Financial Measures

In managing WISeKey's business on a consolidated basis, WISeKey management develops an annual operating plan, which is approved by our Board of Directors, using non-GAAP financial measures. In measuring performance against this plan, management considers the actual or potential impacts on these non-GAAP financial measures from actions taken to reduce costs with the goal of increasing our gross margin and operating margin and when assessing appropriate levels of research and development efforts. In addition, management relies upon these non-GAAP financial measures when making decisions about product spending, administrative budgets, and other operating expenses. We believe that these non-GAAP financial measures, when coupled with the GAAP results and the reconciliations to corresponding GAAP financial measures, provide a more complete understanding of the Company's results of operations and the factors and trends affecting WISeKey's business. We believe that they enable investors to perform additional comparisons of our operating results, to assess our liquidity and capital position and to analyze financial performance excluding the effect of expenses unrelated to operations, certain non-cash expenses related to acquisitions and share-based compensation expense, which may obscure trends in WISeKey's underlying performance. This information also enables investors to compare financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management.

These non-GAAP financial measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The presentation of these and other similar items in WISeKey's non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent, or unusual. Reconciliations of these non-GAAP measures to the most comparable measures calculated in accordance with GAAP are provided in the financial statements portion of this release in a schedule entitled "Financial Reconciliation of GAAP to non-GAAP Results (unaudited)."

Non-GAAP to GAAP Reconciliations

Financial Reconciliation of GAAP to non-GAAP Results (unaudited) (Million US$)	12 months to December 31, 2020	12 months to December 31, 2019
Operating loss as reported	(18.5)	(20.5)
Non-GAAP adjustments from continuing operations:		
Depreciation expense from continuing operations	1.0	0.8
Amortization expense on intangibles from continuing operations	0.6	0.5
EBITDA from continuing operations	**(16.9)**	**(19.2)**

GAAP to Non-GAAP Cash and cash equivalents (Million US$)	As at December 31, 2020	As at December 31, 2019
Cash and cash equivalents as reported	19.7	12.1
Restricted cash, current as reported	2.1	2.5
Restricted cash, noncurrent as reported	-	2.0
Total Cash and restricted cash	**21.8**	**16.6**

ABOUT
WISEKEY

WISeKey (SIX Swiss Exchange: WIHN, Nasdaq: WKEY) continues to extend its leadership position in the global cybersecurity marketplace through the deployment of large-scale digital identity solutions that protect people, devices and objects using software, hardware and IoT technologies that respect the Human as the Fulcrum of the Internet. With the combination of best-in-class secure silicon, certified software, and managed trust services, we have created Integrated Security solutions that remove the complexities of protecting people, devices and objects in the rapidly expanding connected world. For more information, visit www.WISeKey.com.

WISeKey delivers easy to use and robust security solutions to our clients who are creating innovative products that are driving the evolution of digital transformation. We have an install base of over 1.5 billion microchips in virtually all IoT sectors including: connected cars, smart cities, drones, agricultural sensors, anti-counterfeiting tags, servers, computers, mobile phones, etc. With our **VaultIC** and more recently announced **NanoSealRT** silicon at the edge of the IoT, where important decisions are being made, we play a significant role in the generation and protection of high-value authenticated Big Data that is being used for breakthrough applications like connected medical diagnostics, autonomous driving and predictive maintenance for industrial infrastructures.

Our platforms, trusted by the OISTE/WISeKey Swiss based cryptographic Root of Trust ("RoT"), ensure the integrity of transactions among objects and people in both physical and virtual environments. Building from this foundation, we are uniquely qualified to deliver security applications like WISeID that provides individuals with enterprise-class digital asset protection in a mobile environment or our Managed PKI ("mPKI") services that are built to scale with

the high-volume demands of the IoT market and are ready to deploy with leading cloud platforms like the AWS IoT Core.

In the complex world of cybersecurity, WISeKey cuts through the confusion of disconnected vendors, costly design teams, and architectural decisions that are riddled with security risks at every turn. When time, money, and reputation are all on the line, WISeKey provides trusted solutions that allow our clients to focus on what they do best without worrying about their devices, team, data, or communications being compromised or hacked.

WISeKey (SIX Swiss Exchange: WIHN, Nasdaq: WKEY) continues to extend its leadership position in the global cybersecurity marketplace through the deployment of large-scale digital identity solutions that protect people, devices and objects using software, hardware and Internet of Things ("IoT") technologies that respect the Human as the Fulcrum of the Internet. With the combination of best-in-class secure silicon, certified software, and managed trust services, we have created Integrated Security solutions that remove the complexities of protecting people, devices and objects in the rapidly expanding connected world. For more information, visit www.WISeKey.com.

WISeKey delivers easy to use and robust security solutions to our clients who are creating innovative products that are driving the evolution of digital transformation. We have an install base of over 1.5 billion microchips in virtually all IoT sectors including: connected cars, smart cities, drones, agricultural sensors, anti-counterfeiting tags, servers, computers, mobile phones, etc. With our **VaultIC** and more recently announced **NanoSealRT** silicon at the edge of the IoT, where important decisions are being made, we play a significant role in the generation and protection of high-value authenticated Big Data that is being used for breakthrough applications like connected medical diagnostics, autonomous driving and predictive maintenance for industrial infrastructures.

Our platforms, trusted by the OISTE/WISeKey Swiss based cryptographic Root of Trust ("RoT"), ensure the integrity of transactions among objects and people in both physical and virtual environments. Building from this foundation, we are uniquely qualified to deliver security applications like **WISeID** that provides individuals with enterprise-class digital asset protection in a mobile environment or our **Managed PKI** ("mPKI") services that are built to scale with the high-volume demands of the IoT market and are ready to deploy with leading cloud platforms like the AWS IoT Core.

In the complex world of cybersecurity, WISeKey cuts through the confusion of disconnected vendors, costly design teams, and architectural decisions that are riddled with security risks at every turn. When time, money, and reputation are all on the line, WISeKey provides trusted solutions that allow our clients to focus on what they do best without worrying about their devices, team, data, or communications being compromised or hacked.

WISeKey delivers easy to use and robust security solutions to our clients who are creating innovative products that are driving the evolution of digital transformation.

2020 Highlights

Digital Identities Gain Global Traction

With the dramatically changing landscape that was 2020, impacted by the global pandemic, the market understanding and need for increased security across IoT applications, e-commerce and personal digital identities grew significantly. Digital Identities and Cybersecurity are not new, but in 2020, WISeKey invested heavily in their solutions, was recognized by the market and took significant steps to apply their leading solutions in various verticals to secure people, devices and objects furthering their software and SaaS based offerings and, in many cases, offering future expansion for the inclusion secure elements.

WISeKey Application Advancements

WISeKey's Digital Identity platform (WISeID) is a unified suite of web services and mobile applications:

1. **The WISeID Account:** a digital identity with a unique credential that can be used to access all of WISeKey's services and other affiliated services
2. **A Digital Certificate**: offers strong authentication and digital signatures which can be also used to protect users' email and communication during Teleworking
3. **A Personal Encrypted Vault**: provides secure storage of confidential information, including the medical details

Facing the global pandemic, WISeKey has upgraded their app to include a full health digital certificate that is imported into the App by connecting it to the medical record of the patient which has been issued by a qualified health certification program on which Doctors and Medical Facilities can join.

WIShelter app uses digital identity secured by WISeKey and allows its users to geo-localize other certified users and stablish secure communications between them using end-to-end encryption. To ensure data privacy, each user's Personal Identifiable Information (PII) is kept encrypted, never disclosed without the user's consent, and offers secure messaging services plus related functions, including end-to-end encrypted voice calls and file and picture sharing. It is just as easy-to-use as other well-known messaging apps but the added value of WIShelter is authentication and trust.

Expanding the WIShelter platform further streamlines security clearance at border controls and simplifies the process of international entry resulting in reduced risk and improved passenger experience, not only at airports but at tourism destinations as well. With WIShelter, international travellers can apply from their mobile phone to get their digitally signed entry clearance in minutes. Travelers receive a clear response on their travel eligibility in the form of a digitally signed and secure barcode, also available as a wallet pass, which they can present at check-in and boarding.

Digital Diagnostics AG

Digital Diagnostics is a Germany based health tech company leveraging WISeKey cybersecurity and Identity Management solutions to secure their digid cantisense™ SARS-CoV-2 test.

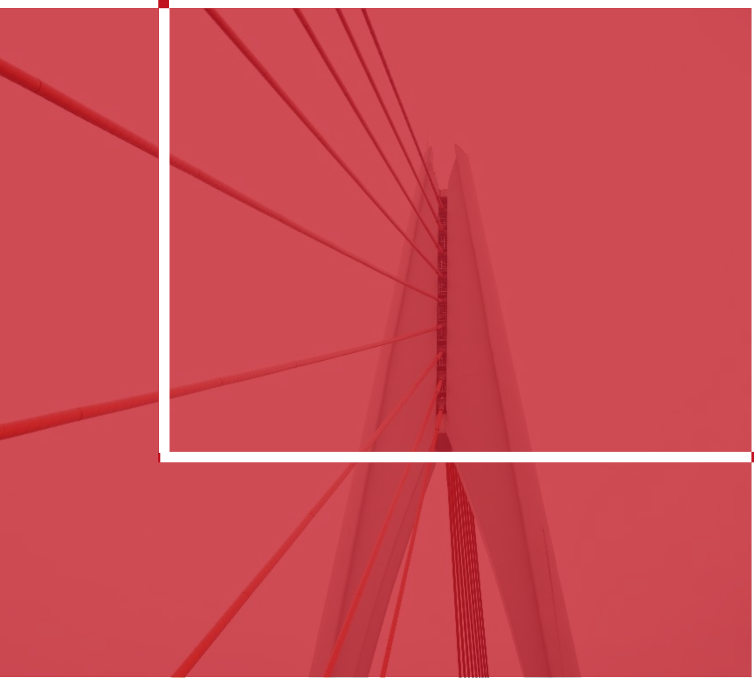
The WISeKey solutions adds device level digital certification (identity) and secures and encrypts the data. The test kit now becomes a completely secure, pocket-sized laboratory anywhere by general practitioners, paramedics, and nursing staff. This new, completely secure, digital diagnostic platform not only enables rapid testing of millions of people but further enables real-time monitoring of the spread of the disease. By connecting the diagnostic platform to a secure database, new regional hotspots of the can be recognized and more efficiently and effectively contained.

Bilwee

Bilwee is an Argentina based accompany that provides an automatic collection and payment management platform that provides Argentinian companies with the ability to maintain cash flow and liquidity through the cancellation of debtor invoices.

WISeKey's WISeID digital identification and security platform empowers companies using the Bilwee platform to comprehensively protect their transactions, which includes uploading invoices to the cloud and completing payments to then be canceled between debtors and creditors.

The strategic collaboration with WISeKey, through the integration of the WISeID digital identity platform, adds the highest level of security to these transactions. WISeKey's cryptographic Root of Trust offers companies the ability to carry out secure transactions and also opens the way for the subsequent use of the IBM Blockchain powered by Hyperledger Fabric, not only when these transactions are uploaded in the cloud but during each transactional stage. Through the Bilwee registry, the platform carries out and safeguards thousands of monthly transactions.



Allscripts

Allscripts is a leader in US healthcare information technology solutions and has successfully secured all of their communication systems with WISeKey's Managed PKI services.

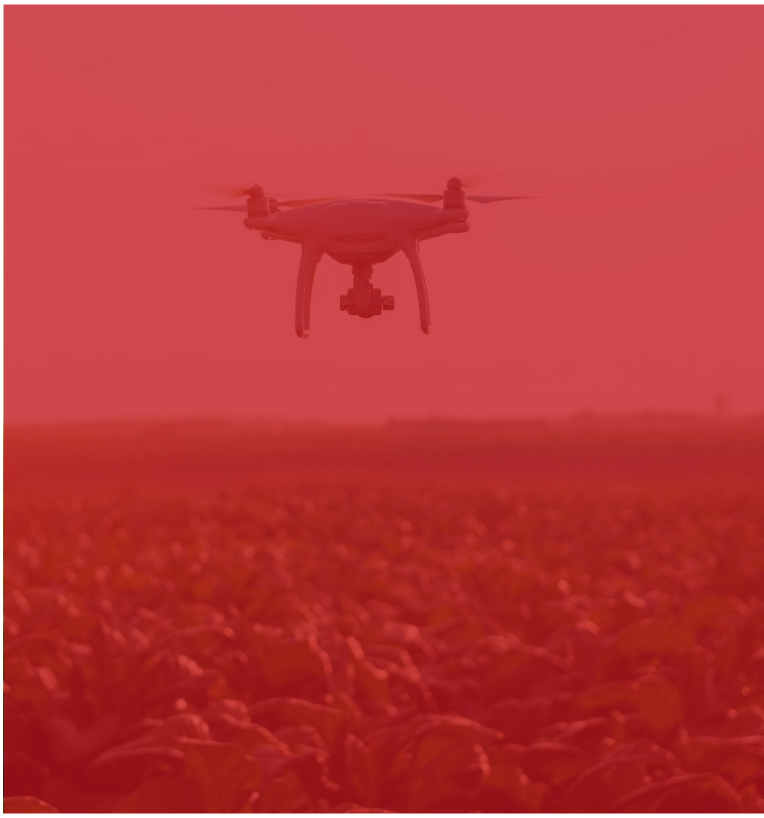
WISeKey's Managed PKI services provides a platform to provision people, applications and objects with trusted digital identities. WISeKey's trust services are recognized by browsers, operating systems and key applications, allowing a seamless integration and user experience.

This new engagement in 2020, leveraging a multi-year relationship for Digital Identity solutions, provides an efficient and dedicated set of services to manage large quantities of digital certificates for Allscripts which are used to secure the communications of servers and client applications, ensuring the authenticity and confidentiality of the sensitive data. As a leader in IT systems that support prescription processing and other essential healthcare activity, Allscripts play a crucial role in fighting the healthcare and fighting the current pandemic and now they are secure from cybercriminals.

IATA

The International Air Transport Association is a trade association of the world's airlines founded in 1945. IATA strengthens its partnership with WISeKey to secure their strategic digital cargo transformation, by adopting for production projects and integrating new stockholders such as Lufthansa and Ericsson.

The implementation of the WISeKey solution enables highly secure authentication and data encryption by leveraging digital identity and Managed PKI Services, allowing the issuance of trusted digital certificates under its worldwide recognized Root of Trust for the benefit of One Record and the entire Digital Cargo Trusted Ecosystem.



Ensurity

Ensurity, a cybersecurity company has integrated WISeKey's secure chip and digital identification to secure their password less access to Microsoft Windows and Active Directory (AD).

Ensurity has been partnering with Microsoft to support the FIDO2 password less initiative to offer a secure login to Microsoft Windows and Azure AD, a solution to remotely access corporate data and applications. ThinC-AUTH is a FIDO2 certified and Microsoft compatible USB based security key featuring a fingerprint touch sensor. The key is designed around WISeKey's integrated secure chip with government grade digital security certification to guarantee that credentials, cryptography methods and user's fingerprints are stored in a safe place.

IoTeX

WISeKey and IoTeX team up to ensure manufacturing integrity by using Secure Semiconductors with Blockchain. As partners, WISeKey and IoTeX will work together at the intersection of secure hardware and Blockchain technology to develop the tools for verifiably trusted secure manufacturing.

The project will use secure semiconductors to guarantee the authenticity, integrity, and auditability of input materials and processes. Blockchain entries will be created to ensure authentic materials, process integrity, and the final quality assurance test results. This integration will provide immutable traceability for manufactures to demonstrate the quality and integrity of the products that they produce and is seeing applicability across numerous market verticals.

Parrot

Parrot, a leading European drone group, has integrated WISeKey's advanced digital identity and cybersecurity solutions into Parrot's growing range of ANAFI drones.

Public safety, security, defense and inspection professionals comprise a growing market share of drone users and demand the highest levels of privacy, encryption and security for their flights. The solution provides various features integrated with the Parrot drone offers including secure network connection and authentication, robust data encryption and privacy features ensuring that end users have total control over where and how their data is managed.

The Future is CyberSecure Knowledge Automation

Leveraging the market traction for Digital Identities, WISeKey is poised to complete the acquisition of the German AI and automation company arago. The intent is to capture the expansive business process automation market: Arago's next generation Knowledge Automation augments the traditional robotic process automation (RPA) approach for up to 3x higher automation outcomes. The company enables full digitization of end-to-end processes and harnesses customer data for AI and analytics in its data platform.

WISeAI will integrate the arago AI and data platform and wrap it with a cybersecurity layer to deliver Trusted Knowledge Automation via a cloud-based SaaS offering designed for an unclear cyberthreat environment. With the unique combination of data, AI, and trust technologies, WISeAI is enabling organizations worldwide to digitize their business to bring work into the digital age.

With a focus on IT Operations growing into the larger IoT space, AIoT will be born from WISeKey which will provide the brain that will power the nervous system of the network of IoT objects offering a further connection with WISeKey's VaultIC and secure semiconductors. AIoT will embed AI into the core infrastructure components of the ecosystem including Root of Trust, and edge computing. Specialized APIs are then used to provide interoperability between components at the device, software, and platform level to optimize system and network operations.

Healthcare/Medical Devices

With the disruptive changes in the health care sector, the privacy and protection of personal medical information and the authenticity of tests and results has never been more important. Without ever going to the doctor's office, patients are increasingly using remote medical sensors to gather diagnostics for doctors. The VaultIC family of products is the Digital Identity foundation for our solutions being integrated into remote diagnostic sensors, test kits and more in order to secure device and ensure the protection of patient data and data communications. Layering on the AIoT solution introduces unprecedented automation and data analysis as evidenced through the WISeShelter app for example.

Brand Protection and Consumer Engagement

As brands reduce their brick-and-mortar presence and continue to evolve their ecommerce strategies and reach, authentic products and goods coupled with innovative ways to digitally connect with their consumers and drive their brand image and loyalty have never been more important. With the advent of the NanoSeal family being integrated with our PKI and Digital Identity solutions in concert with a strong partner ecosystem, WISeKey can now fully address the digitally connected needs of brands bringing not only certainty to the authenticity of their products and goods, but also certainty to the consumer that they can engage with the brand in a completely secure way with a simple tap of their mobile device. Again, looking to the future, the inclusion of automation will drive more efficient brand marketing campaigns, personalized advertising and increase brand revenues and loyalty without the costly staff augmentation typically required to grow.

Smart City/Smart Home

The growing need for smart cities and homes is obvious from smart gas meters to intelligence power grids and home automation. As these become more generally available the security requirements are paramount to fight against hackers and illicit activity. Layering in the secure knowledge automation opens the door for the art of the possible and will empower companies and home owners alike to confidently and securely participate in the digital transformation anchored by WISeKey’s Cybersecurity portfolio.

Integrated Solutions

WISeKey is often being compared to niche security providers, like our secure elements being compared to chip companies like NXP, or our PKI services being compared to DigiCert. This year we offered enough proof points in the market to prove that we are in fact different and our integrated solutions are the way of the future. This becomes even more “sticky” in the market with the addition of arago and Secure Knowledge Automation and we open new markets and deliver a broader array of solutions with increased value. This combination now positions WISeKey as the pre-eminent digital transformation solution provider for global companies.

Agreements

- **CrossCert**
  Strategic partnership to jointly commercialize Trust Services to generate synergies by launching new and innovative cryptographic security solutions in the Asia Pacific region and other markets. Rolling out SSL/TSL products in the region. In subsequent phases, partners aim to expand in 2021 the cooperation by offering complementary solutions, including Turing Cryptography's leading FIDO biometric authentication software (with over one billion transactions to-date) and WISeKey's end-to-end AIoT platform. Future synergies are expected to include joint offerings in the area of AI powered security solutions, where both companies possess core competencies.

- **IBM Research**
  WISeKey's technology (VaultIC secure microprocessors provisioned with digital identity issued from WISeKey-OISTE RoT) were selected by IBM Research to become a crypto anchors to connect the physical and digital worlds to fight fraud. IBM Research is developing a framework to enhance security, transparency and efficiency in supply chain management. The solution consists of 3 layers: a blockchain to digitally store and track transactions and ownership rights, a layer of crypto anchors attached to or embedded in the actual trade goods connecting their digital identity to a physical support, and finally, a blockchain platform in between that allows the seamless integration of different crypto anchor embodiments into one single blockchain backend this may be the IBM Food Trust,

- **WTPF**
  Strategic collaboration to commercialize on the new Generation of Trade Points to integrate WISeKey's PKIs into WTPF´s backbone. The WTPF will be able to provide trusted identities to their Trade Points and related enterprises becoming one of the largest networks of trusted RA Registration Authorities in over 70 countries worldwide to trade internationally through the use of electronic commerce and cybersecurity technologies requiring Trusted Digital Identities, to be powered by the WISeKey technology.

- **ClinIQ**
  Strategic collaboration to enable the commercialization of VirusIQ secure digital health screening, telemedicine and diagnostic services with trusted identity service that provide access to the web and mobile applications with WISeID strong authentication techniques and online KYC onboarding, OTP and digital certificate login. This collaboration aims to deliver a unique platform to governments, institutions, individuals, and transportation, sports, and entertainment companies that allows the early diagnosis and management of COVID-19 or other pandemic outbreaks by bringing the world a digital health product that can be trusted to safeguard an individual's health and identity data.

- **Bilwee**
  Partnership agreement to integrate the WISeID digital identity platform, adds a high level of security to the Bilwee registry platform to carries out and safeguards thousands of monthly transactions. WISeKey's cryptographic Root of Trust help to securely authenticate the user and carry out secure transactions using the IBM Blockchain powered by Hyperledger Fabric with the Bilwee business application uploading invoices to the cloud and safely complete payments to then be cancelled between debtors and creditors.

Recognitions

WebTrust for Certification Authorities, Baseline Requirements and Extended Validation SSL services. WISeKey undergoes annual independent audits of our Trust Services, as required by the industry and the different Root Certificate Programs (Chrome, Mozilla, Microsoft, Apple and others) in order to recognize our Digital Certificates as trusted for different purposes as protection of web servers with TLS certificates or electronic signatures of documents with Personal certificates.

CORPORATE GOVERNANCE REPORT

WISeKey International Holding Ltd (the "**Company**", and together with its subsidiaries "**WISeKey**" or the "**Group**" or the "**WISeKey Group**") has prepared this Corporate Governance Report (the "**Report**") in accordance with the SIX Swiss Exchange ("**SIX**") Directive of December 13, 2016 on Information Relating to Corporate Governance (the "**Directive**").

WISeKey believes that sound corporate governance practices are essential for transparency towards its shareholders, investors and the users of its financial statements. As a listed company, WISeKey seeks to follow sound corporate governance practices as a continuing commitment to corporate accountability, efficient and responsible decision-making, and transparency to shareholders.

1 Group Structure and Significant Shareholders

1.1 Group Structure

1.1.1 Operational Group Structure

The Company is domiciled at General-Guisan-Strasse 6, 6300 Zug, Switzerland, and is the holding company of the WISeKey Group. It has a branch domiciled at Route de Pré Bois 29, 1215 Geneva, Switzerland. The Group conducts its business through subsidiaries in Europe, North and South America, and Asia. Although not all are wholly-owned, all subsidiaries of the Company as of December 31, 2020 were assessed as being under control of the Group and have therefore been fully consolidated.

As of December 31, 2020, the main operating subsidiaries in the Group were WISeKey Semiconductors SAS, domiciled in France, and WISeKey SA, domiciled in Switzerland.

The Group's segment reporting separates out the Internet of Things ("**IoT**") activities with the manufacture and distribution of chip-based products, and the managed Public Key Infrastructure ("**mPKI**") activities with operations relating to digital information security, authentication and identity management.

1.1.2 Listed Companies

The Company, with its registered office at General-Guisan-Strasse 6, 6300 Zug, Switzerland, has a dual share structure: shares with a nominal value of CHF 0.01 each (the "**Class A Shares**"), which are not listed, and shares with a nominal value of CHF 0.05 each (the "**Class B Shares**" and any Class A Share or Class B Share of the Company a "**Share**" and collectively the "**Shares**"), which are listed on the SIX. The initial listing of the Class B Shares occurred on March 31, 2016 (Ticker symbol: WIHN; Security No.: 31402927; ISIN: CH0314029270). As of December 31, 2020, WISeKey had, based on the Class B Shares, a market capitalization of CHF 58,778,262.38.

On December 04, 2019, the Companies' American Depositary Shares ("**ADS**") started trading on The Nasdaq Stock Market LLC ("**NASDAQ**") under the ticker symbol WKEY. Each ADS represents five Class B Shares. As at December 31, 2020, 1,436,545 ADSs were outstanding.

None of the other Group companies have securities listed on a stock exchange as of December 31, 2020.

1.1.3 Non-listed Companies Belonging to the WISeKey Group

As at December 31, 2020, the Group structure was as follows:

Group Company Name	Registered Office	Share Capital		% ownership as at December 31, 2020	% ownership as at December 31, 2019	Nature of business
WISeKey SA	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	933,436	95.75%	95.58%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	Rue de la carrière de Bachasson, Arteparc de Bachasson, CS 70025, 13590 Meyreuil, France	EUR	1,298,162	100.0%	100.0%	Chip manufacturing, sales & distribution
WiseTrust SA	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey ELA SL	Calle Rodriguez Arias No 15, Bilbao, Spain	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	20-22 Bedford Row, London WC1R 4JS, United Kingdom	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc*	731 James Street, Suite 400, Syracuse, New York 13203-2003, USA	USD	6,500	100%*	100%*	Sales & support
WISeKey India Private Ltd**	C-4/5, Lower Ground Floor, Safdarjung Development Area, New Delhi, South Delhi, Delhi, India, 110016	INR	1,000,000	45.9%	45.9%	Sales & support
WISeKey IoT Japan KK	3F, 1-9-7 Kanda-Awajicho, Chiyoda-ku, Tokyo, Japan	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey IoT Taiwan	Hun Tai Centre, 2/F-A, 170 Dunhua North Road, Singshan District, Taipei 10548, Taiwan	TWD	100,000	100.0%	100.0%	Sales & distribution
WISeCoin AG	General Guisan Strasse 6, 6300 Zug, Switzerland	CHF	100,000	90.0%	90.0%	Sales & distribution
WISeKey Equities AG	c|o WISeKey International Holding AG, General-Guisan-Strasse 6, 6300 Zug, Switzerland	CHF	100,000	100.0%	100.0%	Financing, Sales & distribution
WISeCoin France R&D Lab SAS	350 avenue JRGG de la Lauzière 31 Parc du Golf, CS 90519, 13593 Aix-en-Provence, France	EUR	10,000	90.0%	90.0%	Research & development
WISeKey Semiconductors GmbH	Riestrasse 16, c/o Design Office 88 North, 80992 Munich, Germany	EUR	25,000	100.0%	100.0%	Sales & distribution
WISeKey Arabia - Information Technology Ltd	E.A.Juffali& Bros. main office, Al-Andalus, Madina Road, Nour Al-Qoloub St., 21431 Jeddah, Saudi Arabia	SAR	200,000.00	51.0%	51.0%	Sales & distribution
WiseAI AG	c|o WISeKey International Holding AG, General-Guisan-Strasse 6, 6300 Zug, Switzerland	CHF	100,000	51.0%	not incorporated	Sales & distribution

* 50% owned by WISeKey SA and 50% owned by WiseTrust SA
** 88% owned by WISeKey SAARC which is controlled by WISeKey International Holding AG

1.1.4 Significant Changes to the Group Structure after December 31, 2020

On November 19, 2020, the Company and arago GmbH (“**arago**”), a leading German technology company that provides artificial intelligence to enterprises globally through knowledge automation, announced that they reached a binding agreement for the Company to acquire, through conversion of loan commitments and guaranteeing existing arago indebtedness, a majority interest of 51% in arago. Under the agreement referred to above, if the Company did not exercise its right to conversion by December 31, 2020, arago could request conversion of the convertible at any time thereafter. On January 18, 2021, the Company exercised it conversion right and thus, the Company acquired the aforementioned majority interest of 51% in arago.

1.2 Significant Shareholders

The Swiss Financial Market Infrastructure Act ("**FMIA**") and the rules and regulations promulgated thereunder, to which the Company and beneficial owners of its Shares are subject, requires persons who directly, indirectly or in concert with other parties acquire or dispose of Shares or purchase or sale rights or obligations relating to such Shares, and, thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, $33^{1/3}$%, 50% or $66^{2/3}$% of the Company’s voting rights (whether exercisable or not) to notify the Company and the Disclosure Office of the SIX of such acquisition or disposal in writing.

Each Class A Share and each Class B Share carry one vote at a general meeting of shareholders of the Company (the "**General Meeting**") and, as such, the number of shares held by each person or entity set forth below is equal to the number of voting rights held by such person or entity.

The table below sets out, to the knowledge of the Company, beneficial owners holding 3% or more of the voting rights of the Company as disclosed on the SIX disclosure platform on December 31, 2020. The percentages indicated above have been established based on the share capital of the Company registered with the commercial register of the Canton of Zug on the date on which the respective disclosure obligation pursuant to the FMIA was triggered. For a full review of the disclosure reports that were made to the Company and the SIX Disclosure Office during fiscal year 2020, including with respect to sale and purchase positions, and then published on the SIX electronic publication platform in accordance with the FMIA and the rules and regulations promulgated thereunder please refer to the search facility of the SIX Disclosure Office at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

	Number of Shares owned		**Total number of voting rights**	**Percentage of voting rights**
Name	**Class A Shares**	**Class B Shares**		
Lock-up group consisting of Carlos Moreira and five additional members[1]	40,021,988	-	40,021,988	45.66%

1.3 Cross-shareholdings

The Company is not aware of any cross-shareholdings.

2 Capital Structure

2.1 Capital

As at December 31, 2020, the Company's statutory share capital amounted to CHF 2,781,354.33, divided into 40,021,988 Class A Shares and 47,622,689 Class B Shares. In addition, as at December 31, 2020 the Company had outstanding 359,566 Class B Shares, corresponding to a nominal value of CHF 17,978.30, issued out of the Company's conditional share capital that had not yet been registered with the commercial register. As at December 31, 2020, the total outstanding capital therefore amounted to CHF 2,799,332.63, divided into 40,021,988 Class A Shares and 47,982,255 Class B Shares. All Shares are registered shares (*Namenaktien*) and all Class A Shares and 47,893,885 Class B Shares are issued in form of intermediated securities (*Bucheffekten*) and 88,370 Class B Shares are issued in certificated form. The Shares are fully paid and rank economically *pari passu* with each other.

As at December 31, 2020, the Company held no Class A Shares and 4,783,135 Class B Shares in treasury.

As at December 31, 2020, the Company had 1,436,545 ADSs outstanding which were traded on the NASDAQ.

As regards the Company's authorized and conditional share capital, please refer to item 2.2 below.

2.2 Authorized and Conditional Share Capital

2.2.1 Authorized Share Capital

The Board of Directors of the Company (the "**Board**") is authorized to issue new Class B Shares at any time during a period expiring May 15, 2022 and thereby increase the Company's share capital, without the approval of the shareholders, in a maximum amount of CHF 390,445,30 through the issuance of up to 7,808,906 new fully paid-in Class B Shares, corresponding to 14.04% of the share capital and 8.91% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2020. An increase in partial amounts is permitted.

After May 15, 2022, authorized share capital will be available to the Board for issuance of additional Class B Shares only if the authorization is reapproved by the Company's shareholders at the 2022 annual general meeting.

According to the Company's authorized share capital, the Board determines the time of the issuance, the issue price, the manner in which the new Class B Shares have to be paid in, the date from which the new Class B Shares carry the right to dividends and, subject to the provisions of the articles of association of the Company (the "**Articles**"), the conditions for the exercise of the pre-emptive rights with respect to the issuance and the allotment of pre-emptive rights that are not exercised.

The Board may issue new Class B Shares by means of a firm underwriting through a banking institution or a third party and a subsequent offer of these shares to the current shareholders.

The Board is entitled to permit, to restrict or to exclude the trade with pre-emptive rights. The Board may allow pre-emptive rights that are not exercised to expire, or it may place such rights or Class B Shares, the pre-emptive rights in respect of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.

The Board is further authorized to limit or withdraw the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are to be used:

a) for issuing new shares if the issue price of the new shares is determined by reference to the market price; or
b) for the acquisition of an enterprise, parts of an enterprise or participations or for new investment projects or for purposes of financing or refinancing any such transactions; or
c) for the purpose of broadening the shareholder constituency in certain financial or investor markets or in connection with the listing of new shares on domestic or foreign stock exchanges; or
d) for purposes of national and international offerings of shares for the purpose of increasing the free float or to meet applicable listing requirements; or
e) for purposes of the participation of strategic partners; or
f) for an over-allotment option ("*greenshoe*") being granted to one or more financial institutions in connection with an offering of shares; or
g) for the participation of directors, officers, employees, contractors, consultants of, or other persons providing services to the Company, or a subsidiary, or
h) for raising capital in a fast and flexible manner which could only be achieved with great difficulty without exclusion of the pre-emptive rights of the existing shareholders.

Further to the above-mentioned instances, there is no restriction as to the types of beneficiaries who have the right to subscribe for this additional capital.

The subscription and acquisition of the new Class B Shares as well as any subsequent transfer of the Class B Shares is subject to the restrictions pursuant to Article 6 of the Articles (see item 2.6 below).

2.2.2 Conditional Share Capital

As per December 31, 2020[1], the Articles provided for a conditional share capital that authorized the issuance of new Class B Shares of up to a maximum amount of CHF 390,201.50 or up to 7,804,030 new Class B Shares, corresponding to 14.03% of the share capital and 8.90% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2020, without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued:

— up to an amount of CHF 46,316.55 by the issuance of up to 926,331 fully paid-in Class B Shares with a nominal value of CHF 0.05 through the exercise of conversion, option, exchange, warrant or similar rights for the subscription of shares granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants, notes, other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by, or of a member of, the Company (the "Rights-Bearing Obligations"); and

— up to an amount of CHF 343,884.95 by the issuance of up to 6,877,699 fully paid-in Class B Shares with a nominal value of CHF 0.05 in connection with the issuance of Class B Shares, Rights-Bearing Obligations, options or other share-based awards granted to

[1] Note: As per the disclosure on the SIX Disclosure Platform dated December 30, 2020, Carlos Moreira held 43.9% out of the total 45.66% of voting rights held by the lock-up group at that date. As a result of a change in the composition of the lock-up group after December 31, 2020, and as per the disclosure on the SIX Platform dated January 30, 2021, Carlos Moreira's voting rights increased to 44.65% (out of the total 45.66% of voting rights held by the lock-up group) after December 31, 2020.

[2] The Company issued Class B Shares out of the conditional share capital during fiscal year 2020 as further set out under Section 2.3. Only Class B Shares issued out of the conditional share capital up until November 30, 2020 are reflected in the Articles in force as of December 31, 2020.

members of the Board of Directors, members of executive management, employees, contractors, consultants or other persons providing services to the Company or a member of the Company.

The pre-emptive rights of the shareholders are excluded in connection with the issuance of any Rights-Bearing Obligations by any member of the Company. The then-current owners of such Rights-Bearing Obligations shall be entitled to subscribe for the new Class B Shares issued upon conversion, exchange, or exercise of the Rights-Bearing Obligations. The conditions of the Rights-Bearing Obligations shall be determined by the Board.

The Board is authorized to restrict or deny the advance subscription rights of shareholders in connection with the issuance by the Company of Rights-Bearing Obligations if:

a) such issuance is for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or for new investment projects; or
b) such instruments are issued to strategic investors; or
c) such instruments are issued on national or international capital markets or through a private placement.

If advance subscription rights are neither granted directly or indirectly by the Board, (i) the Rights-Bearing Obligations must be issued or entered into at market conditions, (ii) the conversion, exchange or exercise price of the Rights-Bearing Obligations must be set with reference to the market conditions prevailing at the date on which the Rights-Bearing Obligations are issued and (iii) the Rights-Bearing Obligations may be converted, exchanged or exercised during a maximum period of 30 years from the date of the relevant issuance or entry.

In connection with the issuance of any new Class B Shares or Rights-Bearing Obligations pursuant to the second limb of the conditional share capital described above (i.e. the conditional share capital to satisfy our obligations towards employee compensation plans), the pre-emptive rights and advance subscription rights of the shareholders are generally excluded. Class B Shares or Rights-Bearing Obligations must be issued to members of the Board, members of executive management, employees or other persons providing services to the Company in accordance with one or more benefit or incentive plans. Class B Shares may be issued to any of such persons at a price lower than the current market price, but at least at par value.

2.3 Changes in Capital

Since January 01, 2018, the share capital of the Company has been increased as follows:

— On February 08, 2018, as part of a private investment in public equity transaction, the Company issued 162,718 new Class B Shares out of authorized capital to a private investor against the contribution in cash of CHF 1,000,000.00 resulting in an increase in share capital by CHF 8,135.90, and a contribution to the capital contribution reserves of the Company of CHF 991,864.10.

— On February 26, 2018, the Company issued 199,367 new Class B Shares out of authorized capital to ExWorks as partial settlement of the fees owed by the Company to ExWorks in connection with the sixth amendment to the Credit Facility. The fees amounted to CHF 887,238.97 (USD 945,000), resulting in an increase in share capital by CHF 9,968.35, and a contribution to the capital contribution reserves of the Company of CHF 877,270.62.

— On May 25, 2018, the annual General Meeting of shareholders of the Company resolved to increase the Company's authorized share capital to CHF 614,825.05, corresponding to the issuance of up to 12,296,501 Class B Shares, and the Company's conditional share capital to CHF 614,825.05, of which CHF 364,825.05, corresponding to the issuance of up to 7,296,501 Class B Shares, is reserved for Rights-Bearing Obligations and CHF 250,000, corresponding to the issuance of up to 5,000,000 Class B Shares, for the issuance of Class B Shares or Rights-Bearing Obligations granted to employees and/or advisors of the Company.

— On June 20, 2018, the Company issued 860,000 new Class B Shares out of authorized capital as consideration for the acquisition of the remaining 15% noncontrolling interest in WISeKey (Bermuda) Holding Ltd (formerly QV Holdings Ltd), resulting in an increase in share capital by CHF 43,000.00, and a contribution to the capital contribution reserves of the Company of CHF 4,621,994.42.

— On June 20, 2018, the Company also amended its Articles and registered a total number of 402,122 Class B Shares issued out of its conditional capital during the period commencing on December 12, 2017 and ending on April 30, 2018. A total number of 402,122 Class B Shares were issued out of the Company's conditional share capital during that period at an aggregate issue price of CHF 1,325,588.34, thereby increasing the share capital by CHF 20,106.10 and the capital contribution reserves by CHF 1,305,482.24.

— On July 10, 2018, the Company issued 554,672 new Class B Shares out of authorized capital at an aggregate issue price of CHF 2,407,813.14, corresponding to an increase of the share capital by CHF 27,733.60 and the capital contribution reserves by CHF 2,380,079.54, whereby (i) 258,397 Class B Shares were issued to YA II PN, Ltd in connection with a drawdown by the Company under the Standby Equity Distribution Agreement, entered into by and between YA II PN, Ltd and the Company on February 8, 2018, as amended on September 28, 2018 (the "**SEDA**"), (ii) 203,005 Class B Shares were issued to a private investor against the contribution in cash of CHF 1,000,003.00, as part of a private investment in public equity transaction, and (iii) 93,270 Class B Shares were issued to Inside Secure SA in connection with the assumption of debt agreement entered into by and between France Brevets, WISeKey Semiconductors SAS, Inside Secure SA and the Company on July 06, 2018.

— On November 30, 2018, the Company issued 2,000,000 new Class B Shares at nominal value out of authorized capital to WISeKey Equities AG against a contribution in cash of CHF 100,000, resulting in an increase in share capital by CHF 100,000.00. No capital contribution reserves were created. The issuance of these 2,000,000 Class B Shares occurred for the sole purpose of creating an advance of Class B Shares for delivery to YA II PN Ltd pursuant to the SEDA and to Crede CG III, Ltd. pursuant to a Convertible Loan Agreement entered into by and between Crede CG III, Ltd. and the Company.

— On May 14, 2019, the Company amended its Articles to record the issuance out of its conditional capital of a total number of 54,289 Class B Shares during the period commencing on June 18, 2018 and ending on December 31, 2018. As a result, the conditional share capital available to the Company was reduced by 54,289 Class B Shares or CHF 2,714.45 to CHF 592,004.50, and the share capital of the Company was increased by 54,289 Class B Shares or CHF 2,714.45 to CHF 1,841,424.18.

— On January 09, 2020, as part of a private investment in public equity transaction, the Company issued 378,788 new Class B Shares out of authorized capital to a private investor, Cecilia Lo, on a non-preemptive rights basis, against the contribution in cash of CHF 972,539.69 resulting in an increase in share capital by CHF 18,939.40, and a contribution to the capital contribution reserves of the Company of CHF 953,600.29.

— On May 06, 2020, the Company amended its Articles to record the issuance out of its conditional capital of a total number of 2,414,939 Class B Shares during the period commencing on January 01, 2019 and ending on April 30, 2020. As a result, the conditional share capital available to the Company was reduced by 2,414,939 Class B Shares or CHF 120,746.95 to CHF 471,257.55, the share capital of the Company was increased by 2,414,939 Class B Shares or CHF 120,746.95 to CHF 1,981,110.53, and the capital contribution reserves were increased by CHF 3,354,000.

— On May 15, 2020, the annual General Meeting of shareholders of the Company resolved to increase the Company's authorized share capital to CHF 790,445.30, corresponding to the issuance of up to 15,808,906 Class B Shares, and the Company's conditional share capital to CHF 790,445.30, of which CHF 440,45.30, corresponding to the issuance of up to 8,808,906 Class B Shares, is reserved for Rights-Bearing Obligations and CHF 350,000, corresponding to the issuance of up to 7,000,000 Class B Shares, for the issuance of Class B Shares or Rights-Bearing Obligations granted to employees and/or advisors of the Company.

— On June 10, 2020, the Company issued 3,000,000 new Class B Shares at nominal value out of authorized capital to WISeKey Equities AG against a contribution in cash of CHF 150,000, resulting in an increase in share capital by CHF 150,000.00. No capital contribution reserves were created. The issuance of these 3,000,000 Class B Shares occurred for the sole purpose of creating an advance of Class B Shares for delivery to YA II PN Ltd pursuant to the SEDA, to Crede CG III, Ltd. pursuant to a convertible loan agreement entered into by and between Crede CG III, Ltd. and the Company, and to Nice & Green SA pursuant to an Agreement for the Issuance and Subscription of Convertible Notes entered into by and between Nice & Green SA and the Company on May 18, 2020 (the "**Nice & Green Facility**").

— On December 16, 2020, the Company issued 5,000,000 new Class B Shares at nominal value out of authorized capital to WISeKey Equities AG against a contribution in cash of CHF 250,000, resulting in an increase in share capital by CHF 250,000.00. No capital contribution reserves were created. The issuance of these 5,000,000 Class B Shares occurred for the sole purpose of creating an advance of Class B Shares for delivery to Crede CG III, Ltd. pursuant to a convertible loan agreement entered into by and between Crede CG III, Ltd. and the Company on August 07, 2020 (the "**Crede Convertible Loan**"),, and to Global Tech Opportunities 8 pursuant to a convertible facility agreement entered into by and between Global Tech Opportunities 8 and the Company on December 8, 2020.

— On December 16, 2020, the Company also amended its Articles to record the issuance out of its conditional capital of a total number of 8,004,876 Class B Shares during the period commencing on May 01, 2020 and ending on November 30, 2020. As a result, the conditional share capital available to the Company was reduced by 8,004,876 Class B Shares or CHF 400,243.80 to CHF 390,201.50, the share capital of the Company was increased by 8,004,876 Class B Shares or CHF 400,243.80 to CHF 2,781,354.33, and the capital contribution reserves were increased by CHF 7,444,373.71.

— Between December 01, 2020 and December 31, 2020, 359,566 Class B Shares that have not yet been recorded in the Articles as at December 31, 2020, were issued out of the Company's conditional share capital in connection with convertible facilities, thereby increasing the share capital by CHF 17,978.30 and the capital contribution reserves by CHF 332,021.70. These 359,566 Class B Shares were not yet registered with the commercial register as at December 31, 2020.

2.4 Shares and Participation Certificates

For information regarding the total number, nominal value, and types of Shares of the Company, please see item no. 2.1. All of the Shares are fully paid in. Each Share carries one vote at a general meeting of shareholders, irrespective of the difference in par value of Class A Shares (CHF 0.01 per Share) and Class B Shares (CHF 0.05 per Share). This means that, relative to their respective per share contribution to the Company's capital, the holder of the Class A Shares has a greater relative per share voting power than the holders of the Class B Shares for matters that require approval on the basis of a specified majority of shares present at a meeting of shareholders. Shareholders resolutions and elections (including elections of members of the board of directors) require the affirmative vote of an absolute majority of the votes represented (in person or by proxy) at a general meeting of shareholders (each Class A Share and each Class B Share having one vote), unless otherwise stipulated by law or the Articles. The following matters require approval by a majority of the par value of the Shares represented at the general meeting (each Class A Share having a par value of CHF 0.01 per share and each Class B Share having a par value of CHF 0.05 per share):

— electing the Company's auditor;
— appointing an expert to audit the Company's business management or parts thereof;
— adopting any resolution regarding the instigation of a special investigation; and
— adopting any resolution regarding the initiation of a derivative liability action.

Both categories of Shares confer equal entitlement to dividends relative to the nominal value of the Class A Shares and the Class B Shares, respectively.

The Company has ADSs outstanding which are trading on the NASDAQ. The Bank of New York Mellon acts as depositary of the ADS. Each ADS represents five Class B Shares (or a right to receive five Class B Shares) deposited with Credit Suisse Group AG, as custodian for the depositary in Switzerland. The depositary is the holder of Class B Shares underlying the ADSs. A registered holder of ADSs has ADS holder rights. A deposit agreement among the Company, the depositary, each ADS holder and all other persons indirectly holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

ADS holders may instruct the depositary to vote the number of deposited Class B Shares their ADSs represent. The depositary provides notice to ADS holders of shareholders' meetings and arranges to deliver the voting materials to them if so requested. ADS holders have in principle the right to cancel their ADSs and withdraw the underlying Class B Shares at any time, subject to certain exceptions.

2.5 Dividend-Right Certificates

The Company has not issued any non-voting equity securities, such as participation certificates (*Partizipationsscheine*) or profit-sharing certificates (*Genussscheine*).

2.6 Limitations on Transferability and Nominee Registrations

The Company's share register is maintained by Computershare Schweiz Ltd. The share register lists the names, addresses and nationalities of the registered owners of the Shares. Nominees can be entered into the share register with voting rights. The Company does not limit or restrict nominee registrations.

Only holders of Shares (including nominees) that are recorded in the share register as of the record date (see item 6.5 below) are entitled to vote at a General Meeting.

Any person who acquires Shares and does not expressly state in his/her/its application to the Company that the relevant Shares were acquired for his/her/its own account may not be entered in the share register as a shareholder with voting rights for the Shares.

The Board may, after having heard the concerned registered shareholder or nominee, cancel entries in the share register that were based on false information with retroactive effect to the date of entry.

Any acquirer of Shares who is not registered in the share register as a shareholder with voting rights may not vote at or participate in any General Meeting, but will still be entitled to dividends and other rights with financial value with respect to such Shares.

Each holder of Class A Shares has entered into an agreement (each such agreement a "**Shareholder Agreement**") with the Company, pursuant to which such holder of Class A Shares has given the undertaking vis-à-vis the Company not to (i) directly or indirectly offer, sell, transfer or grant any option or contract to purchase, purchase any option or contract to sell, grant instruction rights with respect to or otherwise dispose of, or (ii) solicit any offers to purchase, otherwise acquire or be entitled to, any of his/her/its Class A Shares or any right associated therewith (collectively a "**Transfer**"), except if such Transfer constitutes a "**Permitted Transfer**", as defined hereafter. A Permitted Transfer is defined as a Transfer by a holder of Class A Share to his/her spouse or immediate family member (or a trust related to such immediate family member) or a third party for reasonable estate planning purposes, the transfer to an affiliate and any transfer following conversion of his/her/its Class A Shares into Class B Shares. Each holder of a Class A Share has the right to request that, at the Company's annual General Meeting, an item be included on the agenda according to which Class A Shares are, at the discretion of each holder of Class A Shares, converted into Class B Shares.

2.7 Convertible Bonds and Options

2.7.1 Convertible Bonds and Equity-Linked Instruments

On January 19, 2016, GEM Global Yield Fund LLC SCS, 412f Route d'Esch, 2086 Luxembourg, Luxembourg, and GEM Investments America, LLC, East 62nd Street 10065 New York, NY, USA (the latter being beneficially owned by GEM Global Yield Fund LLC SCS; collectively referred to as "**GEM**") entered into a share subscription facility agreement (the "**SSF**") with the Company, according to which GEM granted the Company the right, at any date after the date on which the Class B Shares are listed on the SIX, during the period expiring on the earlier of January 19, 2021 and the date on which GEM has subscribed for Class B Shares with an aggregate subscription price of CHF 60,000,000 (exercise period), to request GEM, in one or several steps, to subscribe for Class B Shares up to an aggregate subscription amount of CHF 60,000,000. After drawdowns made by the Company under the SSF in June, August and December 2017, the remaining aggregate subscription amount was CHF 56,094,645 as at December 31, 2020. The subscription price for each subscription request of the Company corresponds to 90% of the average of the closing bid prices for Class B Shares on the SIX (as adjusted for variations) as reported by Bloomberg during relevant pricing period. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 29, 2020 as a basis, which assumed a hypothetical subscription price of CHF 1.59822 per new Class B Share, and further assuming that the entire remaining subscription amount of CHF 56,094,645 would be drawn down by the Company, GEM would receive, subject to a respective (hypothetical) subscription request by the Company, 35,098,199 new Class B Shares, corresponding to a nominal value of CHF 1,754,909.95, which represents 63.10% of the share capital and 40.05% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the actual subscription price at which the Company may request GEM to subscribe for Class B Shares under the SSF may be lower or higher than CHF 1.59822 (depending on the market conditions prevailing at the time of a drawdown request), and accordingly, the voting rights that GEM may acquire upon the subscription of Class B Shares under the SSF may be lower or higher than in the example used herein.

On February 08, 2018 the Company entered into the **SEDA** (as amended) with YA II PN, Ltd., George Town, Cayman Islands, a fund managed by Yorkville Advisors Global LLC ("**Yorkville**"). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50,000,000 in exchange for Class B Shares over a three-year period ending March 01, 2021. Based on an amendment dated March 04, 2020, the three-year period was extended by two years, now ending on March 31, 2023. After several drawdowns made by WISeKey under the SEDA in 2018, 2019 and 2020, and resulting in the issuance of an aggregate 2,197,198 Class B Shares, the remaining amount available for drawdown as at December 31, 2020 is CHF 46,007,830.69. Provided that a sufficient number of Class B Shares is provided through the share lending mechanism provided for in the SEDA , the Company has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5,000,000 by drawdown, subject to certain exceptions and limitations (including the exception that a drawdown request by WISeKey shall in no event cause the aggregate number of Class B Shares held by Yorkville to reach or exceed 4.99% of the total number of shares registered with the commercial register of the Canton of Zug). The subscription or purchase price will be 93% of the relevant market price at the time of each drawdown, determined by reference to a ten-day trading period following the drawdown request by WISeKey. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 29, 2020 as a basis, which assumed a hypothetical subscription price of CHF 1.08 (rounded) (i.e. CHF 1.16 discounted by 7% in accordance with the terms of the SEDA) per new Class B Share, and further assuming that the entire remaining SEDA subscription amount of CHF 46,007,830.69 would be drawn down by the Company, Yorkville would receive, subject to a respective (hypothetical) drawdown request by the Company, 42,647,229 Class B Shares, corresponding to a nominal value of CHF 2,132,361.45, which represents 76.67% of the share capital and 48.66% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the actual subscription price at which the Company may request Yorkville to subscribe for or purchase Class B Shares under the SEDA may be lower or higher than CHF 1.0788 (depending on the market conditions prevailing at the time of a drawdown request), and accordingly, the voting rights that Yorkville may acquire upon the subscription or purchase of Class B Shares under the SEDA may be lower or higher than in the example used herein.

On March 04, 2020, WISeKey entered into a convertible loan agreement with Yorkville, pursuant to which Yorkville has committed to grant a loan to WISeKey in the amount of USD 4,000,000 (the "**Yorkville Convertible Loan**"). The Yorkville Convertible Loan will mature on April 30, 2021 ("**Yorkville Maturity**") and bear interest at a yearly rate of 6% ("**Yorkville Interest**"). The Yorkville Convertible Loan is to be repaid in cash in monthly instalments starting on March 30, 2020. However, Yorkville, in its sole and absolute discretion, may elect to convert any amount outstanding (principal and/or interests) into Class B Shares. The conversion price corresponds to the quotient of (i) the amount to be converted translated to CHF using the rate of exchange applicable on the date of the conversion, and (ii) a conversion price, initially set at CHF 3.00 per Class B Share but subject to adjustments under certain extraordinary circumstances. Yorkville did not effect any conversions in the year 2020. As at December 31, 2020 the remaining balance of the Yorkville Convertible Loan is USD 1,692,979.16. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 29, 2020 as a basis, which assumed a hypothetical conversion price of CHF 3.00 per Class B Share, and further assuming that the entire remaining amount of the Yorkville Convertible Loan (USD 1,692,979.16) would be converted in one step, together with all Yorkville Interest to be earned until the Yorkville Maturity, Yorkville would receive 507,751 Class B Shares, corresponding to a nominal value of CHF 25,387.55, which represents 0.91% of the share capital and 0.58% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the exact number of Class B Shares that the Company may issue to Yorkville in connection with the conversion rights associated with the Yorkville Convertible Loan Agreement may be lower or higher (depending on the market conditions prevailing at the relevant time) than in the example used herein.

On May 18, 2020, WISeKey entered into the Nice & Green Facility with Nice & Green SA (“**Nice & Green**”), pursuant to which WISeKey has the right to draw down up to a maximum of CHF 10,000,000 in up to 25 tranches, each of which is divided into 25 convertible notes (the “**Nice & Green Convertible Notes**”), during a commitment period of 24 months commencing on May 20, 2020. The Nice & Green Convertible Notes do not bear interest. Subject to a cash redemption right of WISeKey, the Nice & Green Convertible Notes are mandatorily convertible into Class B Shares within a period of 12 months from issuance of the respective Nice & Green Convertible Notes (the “**Nice & Green Conversion Period**”). Conversion takes place upon request by Nice & Green during the Nice & Green Conversion Period, but in any case no later than at the expiry of the Nice & Green Conversion Period, at a conversion price of 95% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the ten trading days preceding the relevant conversion date. WISeKey made several drawdowns in 2020 under the Nice & Green Facility and the remaining amount available for drawdown as at December 31, 2020 is CHF 1,083,111. In 2020, Nice & Green requested to convert all Nice & Green Convertible Notes issued in 2020, resulting in the issuance of 8,688,469 Class B Shares to Nice & Green. Therefore, as at December 31, 2020, there were no Nice & Green Convertible Notes outstanding. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 29, 2020 as a basis, which assumed a hypothetical conversion price of CHF 1.10 (rounded) (i.e. CHF 1.16, discounted by 5%, in accordance with the terms of the Nice & Green Facility) per Class B Share, and further assuming that the entire remaining amount of the Nice & Green Facility (CHF 1,083,111) would be drawn down and immediately converted in one step, Nice & Green would receive 982,859 Class B Shares, corresponding to a nominal value of CHF 49,142.95, which represents 1.77% of the share capital and 1.12% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the exact number of Class B Shares that the Company may issue to Nice & Green in connection with the conversion rights associated with the Nice & Green Facility may be lower or higher (depending on the market conditions prevailing at the relevant time) than in the example used herein.

On August 07, 2020, WISeKey entered into the Crede Convertible Loan with Crede CG III, Ltd., Hamilton, Bermuda ("**Crede**"), pursuant to which Crede has committed to grant a loan to WISeKey in the amount of USD 5,000,000. The Crede Convertible Loan will mature on August 07, 2022 ("**Crede Maturity**") and bear interest at a yearly rate of 5% ("**Crede Interest**"). The Crede Convertible Loan is to be repaid at Crede Maturity by way of conversion into such number of Class B Shares as corresponds to the quotient of the (i) then outstanding Crede Convertible Loan and (ii) 92% of the lowest daily volume weighted average share prices of a Class B Share, quoted on the SIX Swiss Exchange during the ten trading days immediately preceding the relevant conversion date, converted into USD at the relevant exchange rate. Crede may effect the conversion of the Crede Convertible Loan any time before Crede Maturity. Crede effected several conversions in 2020, resulting in the issuance of 764,569 Class B Shares, and the remaining balance of the Crede Convertible Loan as at December 31, 2020 is USD 4,215,119.92. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 29, 2020, as a basis, which assumed a hypothetical conversion price of CHF 1.07 (i.e. CHF 1.16, discounted by 8%, in accordance with the terms of the Crede Convertible Loan) converted into USD at the relevant exchange rate, and further assuming that the entire remaining amount of the Crede Convertible Loan (USD 4,215,119.92) would be converted in one step, Crede would receive 3,492,694 Class B Shares, corresponding to a nominal value of CHF 174,634.70, which represents 6.28% of the share capital and 3.99% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the actual price, at which Crede may convert the

Crede Convertible Loan into Class B Shares may be lower or higher than the USD equivalent of CHF 1.07 (depending on the market conditions prevailing at the time of conversion), and accordingly, the voting rights that Crede may acquire upon conversion of the Convertible Loan into Class B Shares may be lower or higher than in the example used herein.

Pursuant to the terms of the Crede Convertible Loan, the Company has the right, at its sole election, to pay interest accrued on the outstanding principal amount in cash or by delivery of such number of Class B Shares, determined in accordance with the conversion methodology as set out in the preceding paragraph. By way of illustration, using the same conversion price as in the paragraph above and further assuming that the Company would convert the entire maximum amount of interest that may accrue until Maturity, Crede would receive, subject to a respective (hypothetical) conversion request by the Company, 334,804 Class B Shares, corresponding to a nominal value of CHF 16,740.20, which represents 0.60% of the share capital and 0.38% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the actual price at which the Company may require Crede to convert interest into Class B Shares (depending on the market conditions prevailing at the time of the conversion request) may be lower or higher than in the example used herein.

On December 08, 2020, WISeKey entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**GTO Facility**") with GLOBAL TECH OPPORTUNITIES 8, Grand Cayman, Cayman Islands ("**GTO**") pursuant to which GTO committed to grant a loan to WISeKey by way of subscribing to convertible notes (the “**GTO Convertible Notes**”), for up to a maximum amount of CHF 15,500,000, subject to certain conditions, over a period of 18 months. The GTO Convertible Notes do not bear any interest. Each GTO Convertible Note may be converted within a period of 12 months after its issuance (the “**GTO Conversion Period**”). Conversion takes place upon request by GTO during the GTO Conversion Period, but in any case no later than at the expiry of the GTO Conversion Period, into such number of Class B Shares as corresponds to the principal amount of the GTO Convertible Note divided by the higher of (i) CHF 0.05 and (ii) 97% of the lowest five trading day volume weighted average price of Class B Shares as traded on the SIX Swiss Exchange over the twenty trading days immediately preceding the relevant conversion date. The GTO Convertible Notes are only repayable in cash in an event of default under the terms of the GTO Facility or if WISeKey so elects. GTO made several subscriptions in 2020 under the GTO Facility and the remaining amount available for subscription as at December 31, 2020 is CHF 10,840,000. GTO requested to convert some but not all GTO Convertible Notes issued in 2020, resulting in the issuance of 771,513 Class B Shares. As at December 31, 2020, GTO Convertible Notes in an aggregate amount of CHF 3,910,000 remained unconverted. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 29, 2020 as a basis, which assumed a hypothetical conversion price of CHF 1.1252 per Class B Share, and further assuming that (i) the entire remaining amount of the GTO Facility (CHF 10,840,000) would be subscribed for and immediately converted in one step, and (ii) the entire amount of outstanding GTO Convertible Notes (CHF 3,910,000) would be converted, GTO would receive 13,108,780 Class B Shares, corresponding to a nominal value of CHF 655,439.00, which represents 23.57% of the share capital and 14.96% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020. Note that the exact number of Class B Shares that the Company may issue to GTO in connection with the conversion rights associated with the GTO Facility may be lower or higher (depending on the market conditions prevailing at the relevant time) than in the example used herein.

2.7.2 Options, Warrants and Similar Instruments

As of December 31, 2020, the Company has an aggregate number of 6,610,201 outstanding options and warrants, which entitle the respective holders of such options and warrants to acquire a total of 6,610,201 Class B Shares:

- On May 06, 2016, the Company issued to GEM Global Yield Fund LLC SCS, 412f Route d’Esch, 2086 Luxembourg, Luxembourg, a warrant according to which GEM Global Yield Fund LLC SCS has the right to subscribe for 1,463,739 Class B Shares (subscription ratio: 1:1). The subscription price corresponds to CHF 8.8264 (as adjusted). The warrant expires on May 06, 2021. The warrant can be exercised at any time during the exercise period. If the warrant was exercised in full, the share capital would be increased by CHF 73,186.95), equaling 2.63% of the Company's share capital and 1.67% of the Company's voting rights registered with the commercial register of the Canton of Zug as of December 31, 2020, and the capital contribution reserves by CHF 12,846,358.96.
- On September 28, 2018, the Company signed an Option Agreement with Crede whereby it granted Crede the right to acquire up to 408,247 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 3.84. The Option Agreement originally expired on October 29, 2021 but an amendment signed on September 18, 2020 extended the warrant to October 29, 2023. The options can be exercised at any time during the exercise period, either in full, or in part. If the options were exercised in full, the capital contribution reserves would increase by CHF 1,547,256.13 and the share capital by CHF 20,412.35, equalling to 0.73% of the share capital and 0.47% of the voting rights, calculated based on the share capital of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020.
- On June 27, 2019, the Company signed a Warrant Agreement with Yorkville whereby it granted Yorkville the right to acquire up to 500,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 3.00 subject to adjustment in case of specific events. The Warrant Agreement expires on June 27, 2022. The options can be exercised at any time during the exercise period, either in full, or in part. If the options were exercised in full, the capital contribution reserves would increase by CHF 1,475,000 and the share capital by CHF 25,000, equalling to 0.90% of the share capital and 0.57% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2020.
- On August 07, 2020, the Company signed an Option Agreement with Crede whereby it granted Crede the right to acquire up to 1,675,885 Class B Shares (subscription ratio: 1:1) at an exercise price originally set at CHF1.65 but revised down to CHF 1.375 as per an amendment signed on September 18, 2020. The Option Agreement expires on September 14, 2023. The options can be exercised at any time during the exercise period, either in full, or in part. If the options were exercised in full, the capital contribution reserves would increase by CHF 2,220,547.63 and the share capital by CHF 83,794.25, equalling to 3.01% of the share capital and 1.91% of the voting rights, calculated based on the share capital of the Company registered with the commercial register of the Canton of Zug as of December 31, 2020.

- On December 08, 2020, WISeKey entered into a Warrant Agreement (the "Warrant Agreement") with GTO pursuant to which WISeKey is required to issue in favor of GTO warrants in a number equal to 15% of each tranche issued by WISeKey under the GTO Facility, divided by the exercise price which is the higher of (i) 120% of the five trading day volume weighted average prices of the Class B Shares on the SIX Swiss Exchange over the five trading days on the SIX Swiss Exchange immediately preceding the subscription request to issue the relevant tranche and (ii) CHF 1.50. The warrants will be granted upon issuance of the relevant tranche.
- On December 09, 2020, following the first subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 75,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.50. The warrant expires on December 09, 2025. The options can be exercised at any time during the exercise period, either in full, or in part. If the options were exercised in full, the capital contribution reserves would increase by CHF 108,750 and the share capital by CHF 3,750, equalling to 0.13% of the share capital and 0.09% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2020.
- On December 21, 2020, following the second subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 175,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.50. The warrant expires on December 21, 2025. The options can be exercised at any time during the exercise period, either in full, or in part. If the options were exercised in full, the capital contribution reserves would increase by CHF 253,750 and the share capital by CHF 8,750, equalling to 0.31% of the share capital and 0.20% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2020.
- On December 24, 2020, following the third subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 216,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.50. The warrant expires on December 24, 2025. The options can be exercised at any time during the exercise period, either in full, or in part. If the options were exercised in full, the capital contribution reserves would increase by CHF 313,200 and the share capital by CHF 10,800, equalling to 0.39% of the share capital and 0.25% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2020.
- As of December 31, 2020, the Company had 2,096,330 options outstanding under the ESOP (as defined below), entitling its holders to acquire up to 2,096,330 Class B Shares:
  - 16,269 options to acquire 16,269 Class B Shares (subscription ratio: 1:1), corresponding to 81,345 options granted by WISeKey SA to employees of WISeKey SA under the WISeKey SA employee share ownership plan and assumed by the Company with effect as of the Initial Listing, as amended (exercise period: December 31, 2022, exercise ratio: 1:1, exercise price per option: CHF 0.05, vesting: all options have vested). Assuming that all options are exercised, the share capital of the Company would be increased by CHF 813.45 or 0.03% and the total voting rights by 0.02%, based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2020.
  - The Company has granted 1,406,149 options to employees and Board members of the WISeKey Group. Each option is exercisable to purchase one Class B Share (subscription ratio: 1:1). 1,272,816 of these options have vested, whilst the remaining 133,333 options are unvested. Unless otherwise stated below, all options are fully vested. Once vested and subject to specific terms, the options can be exercised at any time during the exercise period. If all options were exercised, a total number of 1,406,149 Class B Shares would be issued, thereby causing an increase in share capital by CHF 70,307.45, equaling to 2.53% of the share capital and 1.60% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2020. The exercise price is CHF 0.05. The exercise period of these options is detailed below:
    - 28,369 options, fully vested, with an exercise period of 7 years ending on February 11, 2026;
    - 1,078,220 options, fully vested, with an exercise period of 7 years ending on September 26, 2026;
    - 37,210 options, fully vested, with an exercise period of 7 years ending on December 23, 2026;
    - 16,667 options, fully vested, with an exercise period of 7 years ending on November 10, 2026;
    - 16,667 options, vesting on November 10, 2021, with an exercise period of 7 years ending on November 10, 2026;
    - 16,666 options, vesting on November 10, 2022, with an exercise period of 7 years ending on November 10, 2026;
    - 11,094 options, fully vested, with an exercise period of 7 years ending on April 23, 2027;
    - 26,783 options, fully vested, with an exercise period of 7 years ending on August 23, 2027;
    - 33,334 options, vesting on June 30, 2021, with an exercise period of 7 years ending on June 30, 2027;
    - 33,333 options, vesting on June 30, 2022, with an exercise period of 7 years ending on June 30, 2027;
    - 33,333 options, vesting on June 30, 2023, with an exercise period of 7 years ending on June 30, 2027;
    - 32,897 options, fully vested, with an exercise period of 7 years ending on November 16, 2027;
    - 41,576 options, fully vested, with an exercise period of 7 years ending on December 23, 2027;
  - The Company has granted 673,912 options to persons providing consultancy, advisory and other services to WISeKey in connection with business development activities. Each option is exercisable to purchase one Class B Share (subscription ratio: 1:1). All options are fully vested. Once vested, the options can be exercised at any time during the exercise period. If all options were exercised, a total number of 673,912 Class B Shares would be issued, thereby causing an increase in share capital by CHF 33,695.60, equaling to 1.21% of the share capital and 0.77% of voting rights based on the share capital of the

Company registered with commercial register of the Canton of Zug as of December 31, 2020, and an increase in the capital contribution reserves by CHF 2,633,299.95. The exercise prices, vesting date and exercise period of these options are detailed below:

- 166,666 options, fully vested, with an exercise period of 3 years later extended to 5 years ending on July 05, 2022 and an exercise price of CHF 4.15;
- 166,667 options, fully vested, with an exercise period of 2 years later extended to 4 years ending on July 05, 2022 and an exercise price of CHF 4.15;
- 166,667 options, fully vested, with an exercise period of 1 year later extended to 3 years ending on July 05, 2022 and an exercise price of CHF 4.15;
- 10,000 options, fully vested, with an exercise period of 7 years ending on April 08, 2025 and an exercise price of CHF 5.00;
- 4,000 options, fully vested, with an exercise period of approximately 33 months ending on February 06, 2021 and an exercise price of CHF 0.05;
- 100,000 options, fully vested, with an exercise period of approximately 33 months ending on February 06, 2021 and an exercise price of CHF 5.00;
- 5,026 options, fully vested, with an exercise period of approximately 4.5 years ending on June 30, 2025 and an exercise price of CHF 0.05;
- 5,000 options, fully vested, with an exercise period of 3 years ending on May 07, 2022 and an exercise price of CHF 0.05;
- 4,000 options, fully vested, with an exercise period of 3 years ending on November 21, 2022 and an exercise price of CHF 0.05;
- 10,000 options, fully vested, with an exercise period of 7 years ending on August 20, 2027 and an exercise price of CHF 0.05;
- 6,521 options, fully vested, with an exercise period of approximately 1 year ending on August 30, 2021 and an exercise price of CHF 1.80;
- 6,521 options, fully vested, with an exercise period of approximately 1 year ending on July 30, 2021 and an exercise price of CHF 2.15;
- 6,521 options, fully vested, with an exercise period of approximately 1 year ending on October 30, 2021 and an exercise price of CHF 2.15;
- 16,323 options, fully vested, with an exercise period of 7 years ending on October 14, 2027 and an exercise price of CHF 0.05.

Assuming that all options granted under the ESOP are exercised, the aggregate number of Class B Shares issuable upon exercise of the options amounts to 3.77% of the share capital and 2.39% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2020.

— **Significant Changes after December 31, 2020**

On January 19, 2021, the SSF with GEM expired. The Company did not make any drawdown on the facility between January 01, 2021 and January 19, 2021; therefore, no shares were issued to GEM after December 31, 2020 and before the SSF expired.

On January 28, 2021, the extraordinary general meeting of shareholders ("**EGM**") of WISeKey approved the Board's special authority under a separate authorized share capital to issue of up to 12,327,506 new registered shares, par value CHF 0.05 each (“**Class B Shares**“), to Mr. Hans-Christian Boos, or companies controlled by him, in exchange for all arago shares directly or indirectly held by Mr. Hans-Christian Boos or companies controlled by him, representing approximately 22.16% of the share capital and 14.07% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2020.

Additionally, the EGM approved the Board's general authority under the authorized share capital to issue up to 12,986,037 new Class B Shares, representing approximately 23.34% of the share capital and 14.82% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2020.

Furthermore, the EGM resolved to create an additional conditional share capital of the Company for the Company to be able to issue registered shares, par value of CHF 0.01 (i.e. the class of shares not listed and traded on the SIX Swiss Exchange, the "**Class A Shares**") to members of the Board and executive management under a new Class A Share WISeKey Stock Option Plan. Accordingly, the share capital may be increased in an amount not to exceed CHF 120,000 by the issuance of up to 12,000,000 Class A Shares, representing approximately 4.31% of the share capital and 13.69% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2020, in connection with the grant of options awarded to members of the Board and members of executive management.

Finally, the EGM approved an increase in the Company's existing conditional share capital to (1) up to 16,615,543 Class B Shares, representing approximately 29.87% of the share capital and 18.96% of the voting rights of the Company registered with the commercial register of the

Canton of Zug on December 31, 2020 for issuance in connection with convertible, exchangeable or exercisable bonds or similar financial instruments and (2) up to 6,300,000 Class B Shares, representing approximately 11.33% of the share capital and 7.19% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2020 for issuance to employees, members of the Board, consultants and other persons providing services to the Company or one of its group companies under the Company's existing stock option plan.

3 Board of Directors

3.1 Members of the Board of Directors

The following table sets forth the name, function, committee membership, age as at December 31, 2020, first time election and terms of office of each member of the Board.

Name	Function	Committee Membership	Age	Initial Election	Term of Office Expires at AGM
Philippe Doubre	Independent Member of the Board	Nomination & Compensation Committee	85	2016	2021
David Fergusson	Independent Member of the Board	Audit Committee, Nomination & Compensation Committee	60	2017	2021
Jean-Philippe Ladisa	Independent Member of the Board	Audit Committee	57	2020	2021
Carlos Moreira	Executive member (CEO) and Chairman of the Board	Strategy Committee	62	2015	2021
Eric Pellaton	Independent Member of the Board	Nomination & Compensation Committee	61	2020	2021
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	68	2015	2021

Philippe Doubre

Philippe Doubre, born in 1935, a Swiss citizen, graduated in mathematics from the Collège Saint Barbe in Paris, France. Mr. Doubre has held the position of president and secretary general of the World Trade Centre Geneva (WTCA) from 1979 to 2015. He is the founder and president of Lake of Geneva Services and Consulting (LGSC SA) since 1996, as well as co-founder of WISeKey in 1999 and Member of the Board. Further, he serves as president of the OISTE Foundation since 1998 and, since 1999, as a member of the board of the WTCA in New York, U.S.A. Philippe Doubre also is the former chairman of the WTCA Committee on Information and Communication. He is the president of the China Hub in Geneva and a permanent representative of the WTCA organization to the UN in Geneva. Philippe Doubre also held several senior positions in the banking and finance industry, including Vice President and General Cashier of American Express Paris, and General Manager of the Overseas Development Bank between 1967 and 1970.

David Fergusson

David Fergusson, born in 1960, a Canadian citizen, is the Executive Managing Director - M&A, for Generational Equity, the largest volume middle-market M&A investment banking advisory firm in North America. Based in New York, he also heads the company’s Technology Practice Group and Cross Border Practice Group. Prior to joining Generational Equity in 2018, he was most recently the CEO and President of The M&A Advisor, where he led global think tank services: market intelligence publishing, media, event and consulting, for the firm’s constituency of over 350,000 finance industry professionals, from their offices in New York and London. As a partner in Paradigm Capital Management, Mr. Fergusson conducted over 25 acquisitions as an investor. A pioneer in cross border mergers and acquisitions between the United States and China, he was recognized with the 2017 M&A Leadership Award and the 2019 Lifetime Achievement Award from the China Mergers & Acquisitions Association and is Co-Chairman of the Global M&A Council of 18 member countries. Mr. Fergusson is a respected speaker on the subjects of financial services and corporate transformation and social innovation at prominent educational institutions including Cambridge, Columbia, Harvard, MIT and Cornell; a participant in leadership assemblies including the Vatican, World Economic Forum at Davos, World Bank and the International Monetary Fund; and a frequent contributor to major media organizations. He is also the editor of 5 annual editions of the mergers and acquisitions handbook - “The Best Practices of The Best Dealmakers” series with a readership of more than 500,000 in over 60 countries. Mr. Fergusson is also the co-author of the bestselling book and forthcoming CNBC TV series - “The transHuman Code”. Recipient of the 2015 Albert Schweitzer Leadership Award for his work in global youth leadership development, Mr. Fergusson is a Director and former President of Hugh O’Brien Youth Leadership (HOBY), the world’s largest social leadership foundation for high school students. Mr. Fergusson is a graduate of Kings Edgehill School and The University of Guelph.

Jean-Philippe Ladisa

Jean-Philippe Ladisa, born in 1963, a Swiss and Italian citizen, has over thirty years' experience in audit, accounting, financial analysis, corporate/personal taxation, payroll and HR in Switzerland. Mr. Ladisa graduated in audit from ExpertSuisse in Switzerland, and as a chartered accountant from the Autorité de Surveillance des Réviseurs in Switzerland. Jean-Philippe Ladisa started his career managing audit and accounting mandates of small and medium-sized Swiss companies in the construction, trade and services sectors with BFB

Sociétés Fiduciaires in Switzerland from 1982 to 1993. From 1993, Mr. Ladisa joined Fiduciaire Wuarin & Chatton SA, an audit and accounting firm in Switzerland, first as a director then as a partner. Mr. Ladisa serves as an expert in auditing, tax reporting, advisory for natural and legal persons, application of conventions to avoid double taxation and business valuation with the Geneva Court.

Carlos Moreira, Chairman

Carlos Moreira, born in 1958, a Swiss citizen, began his career as a United Nations expert on CyberSecurity and Trust Models, working for the International Labor Organization (ILO), the United Nations (UN), United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and International Trade Centre (ITC), the World Bank, the United Nations Development Programme (UNDP) and the Economic and Social Commission for Asia and the Pacific (ESCAP) from 1983 to 1998. A recognized early stage pioneer in the field of digital identity, Mr. Moreira was also Adjunct Professor of the Graduate School of Engineering Royal Melbourne Institute of Technology RMIT) from 1995 to 1999 and Head of the Trade Efficiency Lab at the Graduate School of Engineering at RMIT. In 1999, Carlos Moreira founded the Geneva-based online data security firm WISeKey SA.

Carlos Moreira is a member of the UN Global Compact, member of the World Economic Forum's Global Agenda Council, founding member of the World Economic Forum for Global Growth Companies, World Economic Forum ("**WEF**") New Champion 2007 to 2016, Vice Chair of the World Economic Forum Global Agenda Council on Illicit Trade 2012/15, member of the Selection Committee for the WEF Growth Companies, founder and board member of Geneva Security Forum SA, member of the New York Forum, founding member of the "Comité de Pilotage Project E-Voting" of the Geneva Government, member of The Blockchain Research Institute, founder of the Blockchain Center of Excellence in 2019, member of Blockchain Advisory Board of the Government of Mexico, and founding member of TrustValley. Mr. Moreira was also a member of the WEF Global Agenda Council on the Future of IT Software & Services in 2014-2016.

An entrepreneur and investor in Deeptech, AI, Blockchain, IoT and Cybersecurity, Mr. Moreira was selected as one of the WEF's Trailblazers, Shapers and Innovators. Carlos Moreira was selected by Bilanz among the 100 most important 2016 digital heads in Switzerland, nominated by Bilan.CH among the 300 most influential persons in Switzerland in 2011 and 2013, in the top 100 of Who's Who of the Net Economy, Man of the Year AGEFI 2007, and an award Holder CGI. Mr. Moreira is a Keynote speaker at the UN, WEF, CGI, ITU, Bloomberg, Munich Security Conference, World Policy Conference, Zermatt Summit, Microsoft, IMD, INSEAD, MIT Sloan, HEC, UBS, and CEO Summit. Mr. Moreira is also the co-author of the bestselling book and forthcoming CNBC TV series - "The transHuman Code".

An expert in M&A, Fundraising, IPOs , SIX and NASDAQ listings, he won the M&A Award 2017 Best EU acquisition, and the 2018 Blockchain Davos Award of Excellence by the Global Blockchain Business Council.

Eric Pellaton

Eric Pellaton, born in 1959, a Swiss and US citizen, graduated as an Electronic/Electro technique Engineer from Ecole Technique Supérieure du Locle, Switzerland. He held different positions from sales, service, management, CEO and Chairman in the field of automation and robotics at Ismeca Group from 1981 to 2000. Ismeca was producing equipment for the Electronic, Medical, Watches and Car Industries all over the world. After Ismeca, Mr. Pellaton invested in several startup companies involved in different fields: in Real Estate Holdings, Sofia Rental (Bulgaria), a company that buys, sells and manages apartments and a luxury hotel, where has been a partner and investor since 2000; in ZeroBoundary Inc (USA), from 2001 until 2018, a company involved in project management and leadership development products and services, in face-to-face and e-learning delivery formats which he co-founded; in Pelican Packaging (USA), a company involved in die packaging for the semiconductor industry, where he acted as partner and investor from 2002 until 2007; in ACN (Switzerland), a company that develops electronic chips that can transfer internet/video/audio information through the power line, and in Seyonics (Switzerland), a company specialized in Nano liter dispensing system (syringe), where, in both cases, he has been acting as investor and advisor since 2003; in Visage Pro USA, a company involved in skin care products with organic cream ranging from anti-aging to burn issues, where he was a partner and investor between 2005 and 2018;and in Solar Rain (USA), a company involved in salt water and dirty water purification systems for drinking water, where he has been a partner and investor since 2008. Eric Pellaton also owns a patent in RFID technology.

Peter Ward

Peter Ward, born in 1952, a UK citizen, is a chartered management accountant with significant international experience in the IT, fast moving consumer goods, retail/distribution, medical equipment, plastics and Biotech industries, having worked at companies such as ITT, General Electric, Iomega from 1996 to 2004, and Isotis from 2005 to 2008, both in field and headquarters position. He has worked in the UK, the Netherlands, Germany, Belgium and Switzerland, where he currently resides. He has worked for many years at the executive staff level in international, multi-cultural environments. He began his tenure with WISeKey SA in 2008 as Finance Director and has been Chief Financial Officer and a Board member since 2012. He has in depth experience in change management, process improvement, business integration & restructuring as well as extensive knowledge of international tax, statutory and US GAAP reporting and Sarbanes-Oxley requirements. He has a BA (honors) degree in Business Administration from Wolverhampton University, U.K. Peter Ward served as a member of the board of directors of Iomega International SA from 1996 to 2004 and from 2005 to 2008 as a member of the board of directors of Isotis Orthobiologics.

3.2 Other Activities and Vested Interests

See item 3.1 above.

3.3 Permitted Activities

The Articles limit the number of mandates in the supreme governing bodies and the executive management of legal entities that are registered in the Swiss commercial register or a foreign equivalent register outside the Company to ten (10) mandates for members of the Board and five (5) mandates for members of the Executive Management (as defined below). Mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits are not subject to these limitations. However, no member of the Board or the Executive Management may hold more than ten (10) such mandates.

3.4 Elections and Terms of Office

The Articles provide that the Board consists of a minimum of three and a maximum of 12 directors. The Board currently consists of six directors.

The General Meeting elects the members of the Board and the chairman of the Board (the "**Chairman**") individually and for a term of office until the completion of the next annual General Meeting. Re-election is possible. If the office of the Chairman of the Board is vacant, the Board appoints a new Chairman from among its members for a term of office extending until completion of the next annual General Meeting.

Except for the election of the Chairman and the members of the Nomination & Compensation Committee by the General Meeting, the Board constitutes itself. The Board may elect one or several Vice-Chairpersons. The Board further appoints a secretary who need not be a member of the Board.

Please see the table provided under item 3.1 above for the time of each Board member's initial election and term of office.

3.5 Internal Organizational Structure

3.5.1 Allocation of Tasks Within the Board

Except for the Chairman who is elected by the General Meeting, the Board constitutes itself. The Board may elect one or several Vice-Chairpersons. The Board further appoints a secretary who need not be member of the Board.

The Board is entrusted with the ultimate direction of the Company, the definition of its strategy and the supervision of management. The Board's non-transferable and irrevocable duties further include issuing the necessary directives, determining the organization, organizing the accounting system, the financial controls and the financial planning and appointing, supervising and removing the persons entrusted with the management and representation of the Company. Furthermore, the Board's duties include the responsibility for the preparation of the management report and the General Meeting, the carrying out of shareholders' resolutions and the notification to the judge in case of over-indebtedness of the Company.

In addition, further duties of the Board are the responsibility for passing resolutions regarding the increase of the share capital, provided that the Board has the authority to do so (art. 651(4) CO), and the attestation of the capital increase, the preparation of the capital increase report and the corresponding amendment to the Articles.

According to the Company's organizational rules, resolutions of the Board are passed by way of a simple majority vote. The Chairman has a casting vote. To validly pass a resolution, more than half of the members of the Board have to attend the meeting. No quorum is required for confirmation resolutions and adaptations of the Articles in connection with capital increases pursuant to articles 634a, 651a, 652g and 653g CO.

In accordance with Swiss law, the Articles and the organizational regulations (the "**Organizational Regulations**"), the Board has delegated the Company's Executive Management to the chief executive officer of the Company (the "**CEO**"), who is supported by the other members of the Executive Management. In the Company's current structure, the positions of Chairman and CEO are held by the same person. The Organizational Regulations may be accessed over the weblinks referenced on page 42 of this Report.

3.5.2 Board Committees

The Board has established the following committees:

Strategy Committee

The Strategy Committee currently consists of two members of the Board: Carlos Moreira (Chairman) and Peter Ward. The Chairman and the other members of the Strategy Committee are appointed by the Board.

The Strategy Committee develops the strategy of the Company and prepares the relevant resolutions of the Board. It advises the Board on all strategic matters, including acquisitions, divestments, joint ventures, restructurings and similar matters. The Strategy Committee continuously reviews the strategic direction of the Company and assesses the impact of changes in the environment of the Company.

Audit Committee

The Audit Committee currently consists of two members of the Board: Jean-Philippe Ladisa (Chairman) and David Fergusson. All of the Audit Committee's members are non-executive members of the Board and independent. The Chairman and the other members of the Audit Committee are appointed by the Board.

The function of the Audit Committee is to serve as an independent and objective body with oversight of:

— the Company's accounting policies, financial reporting and disclosure controls and procedures;

— the quality, adequacy and scope of external audits;

— the Company's accounting compliance with financial reporting requirements;

— the Executive Management's and the internal audit's approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance; and

— the performance of the internal audit.

Nomination & Compensation Committee

The Nomination & Compensation Committee currently consists of three members of the Board: David Fergusson (Chairman), Philippe Doubre and Eric Pellaton, all of whom are non-executive and independent. The members of the Nomination & Compensation Committee are elected by the General Meeting for a one-year term, commencing on the date of their election at the annual General Meeting and expiring after completion of the subsequent annual General Meeting. The Chairman of the Nomination & Compensation Committee is appointed by the Board.

The Nomination & Compensation Committee establishes, in accordance with the requirements of the Compensation Ordinance and the Articles, the compensation principles for members of the Board and the Executive Management and other members of senior management, including, without limitation, with respect to bonus programs, share purchase plans and option programs. The Nomination & Compensation Committee is also informed of succession plans for members of the Board and the Executive Management and other members of senior management, as well as development programs associated with such succession planning.

3.5.3 Working Methods of the Board and its Committees

The cooperation and allocation of competencies between the Board and its committees are as described under this item 3.5. The Chairman coordinates, together with the respective committee chairmen, the work of all committees. He may attend the meetings of all committees, subject to a committee resolving otherwise, and with the exception of discussions relating to his own compensation as member of the Executive Management.

Members of senior management or external consultants may be called in on ad-hoc basis to discuss specific issues or topics where the Board feels that specialized input is required. The Company's legal advisors are regularly called upon to ensure compliance of the Board, Executive Management and the Company's operations with all applicable Swiss rules and regulations.

The Board meets as often as the business requires, at least four times a year, hence an average quarterly frequency. The Board meetings can be held at the Company's place of incorporation, over the phone, or at such other place as the Chairman may determine from time to time. In 2020, the Board officially met eight times, not taking into account Board conference calls held ad-hoc to discuss or resolve on specific items. The average duration of Board meetings was one hour and ten minutes.

The Audit Committee meets as often as the business requires. In 2020, the Audit Committee formally met five times for an average duration of thirty minutes.

The Nomination & Compensation Committee meets as often as the business requires. In 2020, the Nomination & Compensation Committee met twice for an average duration of thirty minutes. The compensation for members of the Board for the period between the 2020 annual General Meeting and the 2021 annual General Meeting, as well as the compensation for members of the Executive Management for the financial year 2021 were approved by the Nomination & Compensation Committee, submitted and approved by the Board, then submitted and voted by the general assembly of shareholders that took place on May 15, 2020 during the annual General Meeting. There were no changes to the Board or to the executive management during the remaining of the fiscal year 2020 requiring the Nomination & Compensation Committee to meet to review the compensation voted during the Annual general Meeting.

3.6 Definition of Areas of Responsibility

The tasks assumed by the Board are described under item 3.5.1 and 3.5.2 above.

The Board has delegated full management of the Company to the CEO and the Executive Management. The CEO and the Executive Management coordinates the operations of the Company in accordance with the Organizational Regulations of the Company.

The Board has not made any specific resolutions by the Executive Management subject to Board's approval (apart from the tasks under art. 716a of the Swiss Code of Obligations). The Board has not reserved the right to make specific decisions.

3.7 Information and Control Instruments Vis-à-vis the Executive Management

The Board supervises the Executive Management in particular with regard to the Executive Management's performance in meeting agreed goals and objectives; and the compliance with applicable laws, rules and regulations.

Members of the Board have access to all information concerning the business and the affairs of the Company as may be necessary or helpful for them to fulfil their duties as Board members. At Board meetings, any Board member is entitled to request information on any matter relating to the Company regardless of the agenda and the members of the Board or the Executive Management present must provide such information to the best of their knowledge. Outside Board meetings, each Board Member may request information from the Executive

Management on the general course of business and, upon approval by the Chairman, each Board member may obtain information on specific transactions and/or access to business documents.

The Executive Management, acting through the CEO, ensures that the Chairman and the Board are kept informed in a timely manner with information in a form and of a quality appropriate to enable the Board to discharge its duties. The Executive Management, through its CEO, regularly reports to the Board at Board Meetings (or outside Board Meetings) in a manner agreed with the Chairman on the current business development and on important business issues, including on all matters falling within the duties and responsibilities of the Board.

Such reports must cover (i) the current business developments including key performance indicators, existing and emerging risks and updates on developments in relevant markets; (ii) quarterly reports on the profit and loss situation, cash flow and balance sheet development, investments, personnel and other pertinent data of the Company; and (iii) information regarding all issues which may affect the supervisory or control function of the Board, including the internal control system.

4 Executive Management

4.1 Members of the Executive Management

The following table sets forth the name, age and principal position of those individuals who currently are part of the Executive Management, followed by a short description of each member's business experience, education and activities:

Off0icer	Office	Age as at December 31, 2020
Carlos Moreira	Chief Executive Officer (CEO)	62
Peter Ward	Chief Financial Officer (CFO)	68

In relation to Carlos Moreira's and Peter Ward's biographical information, please refer to the information provided under item 3.1 above.

4.2 Other Activities and Vested Interests

See item 3.1 above.

4.3 Additional Disclosure of Information Pursuant to art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation (OaEC)

Please refer to the audited Compensation Report in page 43 of this annual report.

4.4 Management Contracts

There are no management contracts in place.

In accordance with the Articles and the Organizational Regulations, the Board has delegated the operational management to the CEO and the Executive Management. The CEO and the Executive Management conduct the operational management of the Company under the supervision of the Board and report to the Board on a regular basis in accordance with the Organizational Regulations.

5 Compensation, Shareholdings and Loans

The annual General Meeting held on May 15, 2020 approved the maximum amounts of Board and Executive Management compensation for the 2020/2021 Board term and the 2021 financial year, respectively (see "*Compensation Approved by the General Meeting*" in section 5.1 for further details).

Please refer to the Compensation Report starting on page 43 of this Annual Report for additional information regarding the compensation of Board members and members of the Executive Management.

5.1 Content and Method of Determining the Compensation and the Shareholding Programs

Principles and Elements of Compensation

The Company assumed the WISeKey Share Ownership Plan from WISeKey SA, the Company's predecessor prior the Initial Listing, as amended by the Company from time to time (the "**ESOP**"). The ESOP authorizes the Board to grant, at its discretion, options for the purchase of Class B Shares to employees, directors, officers and persons providing advisory services to the Company. The terms of options granted under the WISeKey Share Ownership Plan are determined on an individual basis, but generally vest over a period of three years. Further, holders of options granted under the WISeKey Share Ownership Plan may generally exercise their rights under vested options at any time until the seventh anniversary of the option grant date. If options are not exercised within the exercise period, they are forfeited. In the event of a change of control (as defined in the WISeKey Share Ownership Plan; see item 7.2 below), all options vest immediately. If an employment agreement is terminated with a cause by the Company, or if an option holder breaches any material obligation, all options held by such option holder (whether vested or not) are forfeited.

Although the definitive compensation policy of the Company continues to be subject to review by the Company's Nomination & Compensation Committee, the Company currently believes the Company's compensation plans will continue to be based on the following key principles:

- Coherence in remuneration against the tasks, workload and level of responsibility assumed;
- Adequacy of remuneration in general depending on the course of business, changes of the market in which the Company operates and the compensation the Company's peers pay;
- Enhancement of the Company's long-term interests by maintaining compensation plans designed to align the interest of key staff with long-term shareholder interest; and

— Link of long-term incentive compensation to both relative and absolute performance metrics.

For non-executive Board members, the Company is and will be using a combination of cash and equity compensation to attract and retain qualified candidates to serve on the Board. The Board believes that any compensation method should have a significant compensation component in the form of equity in order to more closely align director compensation with shareholders' interests. Executive Board members will not receive any compensation for their Board service.

Compensation for the members of the Executive Management, including the executive directors, will in particular contain the following elements:

— The overall annual remuneration of the members of the Executive Management will include a fixed base salary and variable remuneration, which will consist of a bonus and long-term incentive compensation. The methodology determining the variable
— compensation will be designed to encourage the members of the Executive Management to achieve pre-established performance goals, both short-term and long-term.
— The bonus will be paid in cash, in Class B Shares or options or other instruments entitling its holder to acquire Class B Shares.
— Long-term incentive compensation is expected to be awarded in Class B Shares or share units with ratable vesting over a longer period so as to provide a direct correlation of realized pay to shareholder value.

Procedure for Determining Compensation

The Nomination & Compensation Committee is responsible for determining the compensation policy and the compensation plans of the Company and submits such policies and plans to the Board for approval. Subject to the Board's and the General Meeting's approval, the Nomination & Compensation Committee sets the compensation of each Board member and each member of the Executive Management. Such compensation must be within the total fixed amount of compensation for Board Members and members of Executive Management, respectively, approved by the General Meeting (see under "*Compensation Approved by the General Meeting*" under this item 5.1 for further details).

The Nomination & Compensation Committee also reviews the annual compensation report and submits it to the Board for approval.

Compensation Approved by the General Meeting

The Company's shareholders approved the Board compensation for the 2020/2021 Board term and the Executive Management compensation for financial year 2021 at the annual General Meeting held on May 15, 2020. The maximum amount of the Board's compensation for the 2020/2021 Board term is CHF 1 million. The maximum amount of compensation for the Executive Management for financial year 2021 is CHF 6 million.

5.2 Rules Related to Compensation in the Articles

5.2.1 Principles Applicable to Compensation

Non-Executive Members of the Board

The compensation of the non-executive members of the Board of Directors consists of a fixed base compensation and may consist of further compensation elements, including equity components.

Executive Members of the Board and Executive Management

The compensation of the executive members of the Board and of the members of the Executive Management consists of fixed and variable compensation elements. Variable compensation shall take into account the achievement of specific performance targets.

The performance targets may include individual targets, targets of the Company or parts thereof or targets in relation to the market, other companies or comparable benchmarks, taking into account position and level of responsibility of the recipient. The Board or, to the extent delegated to it, the Nomination & Compensation Committee, shall determine the relative weight of the performance targets and the respective target values.

Compensation may be paid in the form of cash, Class B Shares, or in the form of other types of benefits; for the executive members of the Board and the members of the Executive Management, compensation may in addition be granted in the form of options or comparable instruments or units. The Board and, to the extent delegated to it, the Nomination & Compensation Committee, shall determine grant, vesting, exercise, restriction and forfeiture conditions and periods. In particular, they may provide for continuation, acceleration or removal of vesting, exercise, restriction and forfeiture conditions and periods, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment or mandate agreement. The Company may procure the required shares or other securities through purchases in the market or by using conditional share capital.

5.2.2 Loans, Credit Facilities and Post-Employment Benefits for Members of the Board of Directors and Executive Committee.

Under the current Articles, the Company or companies controlled by it may grant loans to members of the Board of Directors or the Executive Management, provided they are granted at arm's length terms.

As at December 31, 2020, the Company had no loan outstanding to members of the Board of Directors.

Under the Articles, the Company or companies controlled by it may grant members of the Executive Management post-retirement benefits beyond occupational pension, provided, however, that such pension benefits may not exceed 50% of the base salary in the financial year immediately preceding the retirement.

5.2.3 Vote on Pay at the General Meeting of Shareholders

The Articles provide that the General Meeting must each year vote separately on the proposals by the Board regarding the maximum aggregate amounts of:

- the total compensation of the Board for the next term of office; and
- the total compensation of the Executive Management for the period of the next financial year.

If the General Meeting does not approve a proposal of the Board, the Board determines the maximum aggregate amount or maximum partial amounts taking into account all relevant factors and submits such amounts for approval to the same General Meeting, to an extraordinary General Meeting or to the next annual General Meeting for retrospective approval.

6 Shareholders' Participation Rights

6.1 Voting Rights Restrictions and Representation

Each Share of the Company carries one vote at a General Meeting of shareholders. Accordingly, each Class A Share and each Class B Share entitle to one vote, irrespective of their different par value. Relative to the investment required to acquire a Class A Share, holders of Class A Shares benefit from a voting privilege, as one Class A Share grants its holder the same voting right as the higher par value Class B Shares. Pursuant to the CO, the voting privilege of Class A Shares does not apply to the following matters to be resolved upon at the Company's General Meeting of shareholders:

- the election of the Company's auditor;
- the appointment of an expert to audit the Company's business management or parts thereof;
- any resolution regarding the instigation of a special investigation; and
- any resolution regarding the initiation of a liability action.

Voting rights may be exercised by shareholders registered in the Company’s share register or by a duly appointed proxy of a registered shareholder or nominee, which proxy need not be a shareholder of the Company up to a specific qualifying day designated by the Board.

Shareholders may also instruct the independent voting rights representative with the exercise of their voting rights. The annual General Meeting shall elect the independent voting rights representative for a term of office until completion of the next annual General Meeting. Re-election is possible. If the Company does not have an independent voting rights representative, the Board shall appoint the independent voting rights representative for the next General Meeting.

Acquirers of Shares of the Company must be entered into the share register as shareholders with the right to vote, provided that such acquirers expressly declare that they have acquired the Shares of the Company in their own name and for their own account.

The Articles do not limit the number of Shares of the Company that may be voted by a single shareholder. Holders of treasury shares of the Company, whether the holder is the Company or one of its majority-owned subsidiaries, will not be entitled to vote at General Meetings of the shareholders.

The acting chairman may direct that elections be held by use of an electronic voting system. Electronic resolutions and elections are considered equal to resolutions and elections taken by way of a written ballot.

6.2 Supermajority Requirements

Pursuant to the Articles, the shareholders generally pass resolutions by the affirmative vote of a majority of the votes represented at the General Meeting, unless otherwise provided by law or the Articles.

The CO and the Articles require the affirmative vote of at least two-thirds of the voting rights and an absolute majority of the par value of the Shares, each as represented (in person or by proxy) at a General Meeting to approve the following matters:

- the amendment to or the modification of the purpose of the Company;
- the creation or cancellation of shares with privileged voting rights;
- the restriction on the transferability of shares or cancellation thereof;
- the restriction on the exercise of the right to vote or the cancellation thereof;
- an authorized or conditional increase in the share capital;
- an increase in the share capital through (i) the conversion of capital surplus, (ii) a contribution in kind, or for purposes of an acquisition of assets, or (iii) a grant of special privileges;
- the limitation on or withdrawal of pre-emptive rights;
- a change in the registered office of the Company;

— the conversion of registered shares into bearer shares and vice versa; and

— the dissolution of the Company.

6.3 Convocation of the General Meeting

6.3.1 Notice

The Board generally convenes a General Meeting of shareholders. Under Swiss law, the convocation notice is published in the Swiss Official Gazette of Commerce and must be sent to each registered shareholder at the address recorded in the share register at least 20 days prior to the meeting.

6.3.2 Extraordinary General Meetings

An extraordinary General Meeting may be called upon the resolution of the Board or, under certain circumstances, by the auditor. In addition, the Board is required to convene an extraordinary General Meeting if so requested by shareholders holding an aggregate of at least 10% of the Shares, specifying the items for the agenda and their proposals and including evidence of the required shareholdings recorded in the share register, or if it appears from the annual standalone statutory balance sheet that half of the Company's share capital and legal reserves are not covered by the Company's assets. In the latter case, the Board must immediately convene an extraordinary General Meeting and propose financial restructuring measures.

6.4 Inclusion of Items on the Agenda

Shareholders holding Shares of the Company with a nominal value of at least CHF 1 million or 10% of the nominal share capital registered in the commercial register have the right to request that a specific proposal be put on the agenda for the next General Meeting of shareholders, setting forth the item and proposal. In accordance with the Articles, a request to put an item on the agenda has to be made at least 45 calendar days prior to the meeting.

6.5 Entries in the Share Register

Registration in the Company's share register maintained by the Company's registrar, Computershare Switzerland Ltd., occurs upon request and is subject to the condition that the acquiring shareholders expressly declare that they have acquired the registered Shares in their name and for their account. Individual persons who do not declare to have acquired the Shares in their name and for their account may be registered as nominees with voting rights.

After hearing the registered shareholder or nominee, the registration in the share register may be cancelled with retroactive effect as of the date of registration if such registration was made based on false or misleading information. The relevant shareholder or nominee shall be promptly informed of the cancellation.

Only those shareholders (including nominees) who are registered in the share register on the record date have the right to vote at General Meetings. The Company generally expects to set the record date for each General Meeting to be a date not more than 20 calendar days prior to the date of the relevant General Meeting and announce the date of the General Meeting prior to the record date.

7 Change of Control and Defence Measures

7.1.1 Duty to Make an Offer

Pursuant to the applicable provisions of the FMIA, any person that acquires shares of a listed Swiss company, whether directly or indirectly or acting in concert with third parties, which shares, when taken together with any other shares of such company held by such person (or such third parties), exceed the threshold of $33^{1/3}$% of the voting rights of such company, must make a takeover bid to acquire all the other listed shares of such company. A company's articles of association may either eliminate the mandatory takeover obligation under the FMIA or may raise the relevant threshold to 49% ("opting-out" or "opting-up", respectively).

The Articles contain an opting-out provision. Therefore, a potential acquirer or Company of acquirers exceeding the threshold of $33^{1/3}$% of the voting rights of the Company will not be required to make a takeover bid to acquire all the other Class B Shares.

7.1.2 Clauses on Changes of Control

The Company is not aware of any agreements containing change of control clauses. The WISeKey Share Ownership Plan, as mentioned in item 5.1 above, stipulated, with respect to its predecessor WISeKey SA, i.e., the holding company prior to the Company's listing, that all options granted to employees, members of the Board or the Executive Management shall vest upon an initial public offer, a mandatory public tender offer, or the acquisition by any person or entity, alone or jointly, of more than 50% of the shares or voting rights of the Company.

8 Auditors

8.1 Duration of the Mandate and Term of Office of the Lead Auditor

Under the Company's Articles, the shareholders elect the Company's independent statutory auditor each year at the annual General Meeting. Re-election is permitted.

The Company's auditor is BDO SA (**BDO**), Route de Meyrin 123, 1219 Châtelaine, Switzerland. BDO has been the auditor since the Company's incorporation on December 02, 2015, and has been re-elected at the ordinary General Meetings on May 31, 2017, May 25, 2018, May 21, 2019 and May 15, 2020. Since December 02, 2015, the responsible lead audit partner is M. Christoph Tschumi. In accordance with article 730a para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

8.2 Auditing Fees

The auditing fees (gross of VAT) invoiced to the Company by BDO in the fiscal year 2020 amount to CHF 764,092.

8.3 Additional Fees

BDO has not charged the Company any additional fees.

8.4 Information Instruments Pertaining to the External Audit

The supervision of the external audit is to be exercised by the Audit Committee and by the full Board of Directors (see also the duties and functions as described under item 3.5 above). For the December 31, 2020 audit, the supervision of the external audit has been exercised primarily by the Audit Committee.

BDO provides the Audit Committee with a report before each meeting of the Audit Committee regarding the execution and results of its work for WISeKey, proposals to correct or improve identified problems and the implementation of decisions made by the Audit Committee. For future reporting periods, it is planned to include the auditor's representatives to take part in meetings of the Audit Committee as external participants.

In 2020, the Audit Committee and BDO met four times.

9 Information Policy

The Company releases its annual financial results in the form of a business report. Under Swiss law, the convocation notice is published in the Swiss Official Gazette of Commerce. WISeKey's business report is published in electronic form within four months of the December 31 balance sheet date, the first time for financial year 2015. In addition, results for the first half of each financial year are released in electronic form within three months of the June 30 balance sheet date. The Company's annual report and half-year results will be announced via press releases and media and investor conferences in person or via telephone.

WISeKey's annual and interim reports are available at https://www.wisekey.com/investors/reports/.

The Company's agenda is available at https://www.wisekey.com/investors_corporate-calendar/.

As from the listing, copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from the Company's website at www.wisekey.com/investors or obtained from the Company upon request at Investor Relations (telephone number: +41 22 594 3000, email: info@wisekey.com).

Additional information on WISeKey is available on the Company's website: https://www.wisekey.com/.

Weblinks regarding the SIX Swiss Exchange push and pull system concerning ad-hoc publicity issues are:

Investor relations contact:	https://www.wisekey.com/investors/contact/
Press releases:	https://www.wisekey.com/investors_press-release/
Current Articles of Association:	https://www.wisekey.com/investors/corporate-governance/organisation/
Organizational Regulations:	https://www.wisekey.com/investors/corporate-governance/organisation/

COMPENSATION
REPORT

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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of WISeKey International Holding AG, Zug

As statutory auditor, we have audited the accompanying Compensation Report dated 29 April 2021 of WISeKey International Holding AG for the period from 01 January 2020 to 31 December 2020. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) in sections 5 and 6 of the Compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Remuneration Report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying Remuneration Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the period from 1 January 2020 to 31 December 2020 of WISeKey International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Geneva, 29 April 2021

BDO Ltd

Christoph Tschumi
Auditor in Charge
Licensed Audit Expert

Philipp Kegele
Licensed Audit Expert

1 Introduction

In accordance with the Ordinance against Excessive Compensation (the “**OaEC**”) applicable to Swiss listed companies, the remuneration of members of the Board of Directors and the Executive Management of WISeKey International Holding AG (the "**Company**", and together with its subsidiaries “**WISeKey**” or the "**Group**” or the "**WISeKey Group**”) is disclosed below for the periods ended December 31, 2020 and 2019.

This Compensation Report should be read in conjunction with the compensation policy as disclosed in the Corporate Governance Report presented in this Annual Report on page 24.

2 Compensation Policy

2.1 Board of Directors

It is our general policy that compensation for the members of the board of directors of the Company (the "**Board**") consists of a mix of cash and equity stock options in order to ensure a commitment to the long-term success of the Company.

2.2 Executive Management

Our compensation strategy aims to compensate the members of the Executive Management in line with industry standards and as a fair reward for their success in implementing the Company’s strategy, expansion plans and performance targets.

The key underlying elements taken into account to define the Executive Management compensation are:

- **Alignment with industry standards** – in order to attract and retain talented executives and employees, the Nomination & Compensation Committee has ensured that the various compensation elements are reasonable and in line with the compensation of similar listed companies benchmarking against sources such as the BDO 600 Report, S&P 600 Small Cap report and white papers from other recognized institutions.
- **Alignment with shareholders’ interests** – part of the compensation of the Executive Management consists of equity stock options in order to ensure that the Executive Management works towards the long-term success of the Company and takes into account shareholders’ interests to define and plan the Company’s future.
- **Compensation in line with performance and results** – part of the Executive Management’s compensation is variable and may therefore be linked to the achievement of the strategic objectives defined by the Company.

3 Determination of Compensations

3.1 The Nomination & Compensation Committee

The Nomination & Compensation Committee assists the Board in the preparation of compensation proposals for members of the Board and the Executive Management to be submitted for approval to the annual general meeting of shareholders of the Company (the "General Meeting"). Further tasks and responsibilities of the Nomination & Compensation Committee are set forth in articles 23 et seq. of the articles of association of the Company (the "Articles").

In line with OaEC requirements, the Nomination & Compensation Committee members are elected annually and individually by the General Meeting. Members can be re-elected. Should a vacancy in the Nomination & Compensation Committee arise, the Board would appoint a new member from the Board until the following General Meeting.

The Nomination & Compensation Committee aims to meet as and when necessary in view of the Company’s activities and will hold at least two meetings per financial year.

The chairman of the Board and the members of the Executive Management are not present at meetings where their personal compensation is discussed.

Members of the Nomination & Compensation Committee were elected at the General Meeting held on May 15, 2020, each for a term extending until completion of the next General Meeting. The Nomination & Compensation Committee consists of non-executive members of the Board. As at December 31, 2020, the following members of the Board served on the Nomination & Compensation Committee:

- David Fergusson, Chairman of the Nomination & Compensation Committee
- Philippe Doubre
- Eric Pellaton

3.2 Approval of Compensation at the General Meeting

The General Meeting approves annually and separately the proposals of the Board regarding:

- the maximum aggregate amount of compensation of the members of the Board for the period up until the following General Meeting, and
- the maximum aggregate amount of compensation of the members of the Executive Management for the next fiscal year commencing after the General Meeting on which the compensation is voted on.

If the General Meeting does not approve a proposal, or part of a proposal, the Board, pursuant to the Articles, may submit a new proposal during the same meeting. Should the Board not submit a new proposal, or if the new proposal is also rejected, the Board may call an extraordinary General Meeting to submit new proposals.

4 Compensation Components

4.1 Compensation of the Board

With the exception of Carlos Moreira, Chairman and CEO, Peter Ward, CFO, the Company's Executive Management members, and Dourgam Kummer, former Head of M&A who resigned effective November 30, 2020, each member of the Board generally receives an annual compensation consisting of:

- A board fee in cash in an amount of CHF 52,500 for Committee Chairs and CHF 40,000 for all other Directors; and
- Equity-based compensation equivalent to CHF 52,500 for Committee Chairs and CHF 40,000 for all other Directors, granted in options exercisable for Class B Shares at an exercise price of CHF 0.05.

In fiscal year 2020, as a consequence of the pandemic, the Board voted to amend the cash : equity mix of the Board compensation so as to reduce the pressure on cash for the Group. The overall compensation amount of Board members remains equal. Therefore, for the fiscal year 2020, the Board received an annual compensation consisting of:

- A board fee in cash in an amount of CHF 42,000 for Committee Chairs and CHF 32,000 for all other Directors; and
- Equity-based compensation equivalent to CHF 63,000 for Committee Chairs and CHF 48,000 for all other Directors, granted in options exercisable for Class B Shares at an exercise price of CHF 0.05.

In fiscal year 2021, the Board will review the liquidity position of the Group to assess whether the Board compensation split between cash and equity should be brought back to 50:50, or if it will need to be amended again.

4.2 Compensation of the Executive Management

The Executive Management compensation for fiscal year 2020 consists of fixed compensation and variable compensation, whereby the ratio of the fixed to the variable compensation ranges from 1:0.5 to 1:3. The fixed and the variable compensation are composed of the following elements:

- Fixed Compensation and Other Benefits:
  - Annual base compensation, and
  - Pension and other social charges and contributions;
- Variable Compensation:
  - Annual incentive award
  - Equity-based compensation

The annual base compensation of each member of the Executive Management is set to reflect his role and responsibilities within the Company and the WISeKey Group in general, his experience, his skill set and his representative functions for the Company. It is paid in cash, typically monthly, over a thirteen-month period. The thirteenth-month compensation is paid in December of each year, together with the twelfth month base compensation. Base compensation is reviewed annually by the Board and adjusted as necessary based on performance and industry standards.

Pension and other benefits are designed to provide the members of the Executive Management with a fair level of security for them and their dependents.

Annual incentive compensation reflects the efforts of the Executive Management to support the expansion and evolution of the WISeKey Group.

Equity-based compensation is designed to ensure the commitment of Executive Management members towards the long-term success of the WISeKey Group, to align the Executive Management's strategy to shareholders' interests, and to maximize operating cash in the Company.

5 Compensation for the fiscal year 2020

In line with OaEC requirements, compensation of the Board and the Executive Management includes all elements that are subject to disclosure pursuant to article 14 para. 1 of the OaEC.

5.1 Compensation of the members of the Board

Carlos Moreira and Peter Ward are members of the Executive Management and, therefore, do not receive separate compensation for their roles as members of the Board. Their compensation is reflected in the Executive Management section set forth further below.

Dourgam Kummer became an executive member of the Board from January 2019 when he was employed by WISeKey as Head of M&A, and therefore stopped receiving a separate compensation for his role as member of the Board. However, Mr. Kummer was not a member of the Executive Management and, for that reason, his compensation is disclosed in the table below relating to the compensation of the members of the Board. Prior to his employment with WISeKey, Mr. Kummer was a non-executive member of the Board, and, as such, was compensated for his Board services up until December 31, 2018, which is included in the table below relating to 2019. We note that Mr. Kummer resigned from the Board effective November 30, 2020.

Compensation of the Board of Directors of WISeKey International Holding AG
for the 12 months ending December 31, 2020

CHF'000 [1]	Function	Board Fee[2]	Additional Fees[3]	Other Stock Based Compensation[4]	Total Compensation
Philippe Doubre	Board Member, NCC[5] Member	81	-	-	81
David Fergusson	Board Member, NCC Chairman, Audit Committee Member	112	-	-	112
Juan Hernandez Zayas	Formerly Board Member, Audit Committee Chairman, Strategy Committee Member	49	-	-	49
Dourgam Kummer[6]	Formerly Board Member	-	229	-	229
Jean-Philippe Ladisa	Board Member, Audit Committee Chairman	57	-	-	57
Eric Pellaton	Board Member, NCC Member	40	-	-	40
Total Board Members		**339**	**229**	**-**	**568**

1 Board members are remunerated in Swiss Francs (CHF).
2 Board fees can be paid in a mix of cash and options.
The cash fee voted by the Board as remuneration to Board Members is disclosed in application of the accrual-based principle if not paid as at the end of the reporting period. In 2020, Board members received their full cash compensation up until December 31, 2020.
Compensation in options on WIHN Class B Shares is disclosed in the period it was granted, regardless of whether it relates to Board fees from prior financial periods. The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date. In 2020, Board members received the options relating to the following Board Term: 2019/2020 and 2020/2021 up until December 31, 2020.
The recognition of the compensation in options on a grant-basis as opposed to an accrual-based principe may generate differences between the amount of Board fees accrued in a fiscal period and the amount of Board fees actually paid in respect of that period, at a later stage.
The amount of Board fees includes employer social charges paid by the Company.
3 Additional fees relate to services other than Board duties rendered to the Company.
4 Other stock based compensation refers to stock based compensation for services other than Board services.
The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date.
5 Nomination & Compensation Committee
6 The amount disclosed under Additional Fees for Mr. Kummer relates to his compensation as employee of WISeKey for the period from January 01, 2020 to November 30, 2020.

Compensation of the Board of Directors of WISeKey International Holding AG
for the 12 months ending December 31, 2019

CHF'000 [1]	Function	Board Fee[2]	Additional Fees[3]	Other Stock Based Compensation[4]	Total Compensation
Philippe Doubre	Board Member, NCC[5] Member	113	-	-	113
David Fergusson	Board Member, NCC Chairman, Audit Committee Member	160	-	-	160
Juan Hernandez Zayas	Board Member, Audit Committee Chairman, Strategy Committee Member	164	-	-	164
Thomas Hürlimann	Board Member	63	-	-	63
Dourgam Kummer[6]	Board Member	52	308	274	634
Maryla Shingler Bobbio	formerly Board Member, NCC Member, Audit Committee Member	122	-	-	122
Total Board Members		**674**	**308**	**274**	**1,256**

1 Board members are remunerated in Swiss Francs (CHF).
2 Board fees can be paid in a mix of cash and options.
The cash fee voted by the Board as remuneration to Board Members is disclosed in application of the accrual-based principle if not paid as at the end of the reporting period. In 2019, Board members received their full cash compensation up until December 31, 2019.
Compensation in options on WIHN Class B Shares is disclosed in the period it was granted, regardless of whether it relates to Board fees from prior financial periods. The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date. In 2019, Board members received the options relating to the following Board Term: 2017/2018, 2018/2019, and 2019/2020 up until December 31, 2019.
The recognition of the compensation in options on a grant-basis as opposed to an accrual-based principe may generate differences between the amount of Board fees accrued in a fiscal period and the amount of Board fees actually paid in respect of that period, at a later stage.
The amount of Board fees includes employer social charges paid by the Company.
3 Additional fees relate to services other than Board duties rendered to the Company.
4 Other stock based compensation refers to stock based compensation for services other than Board services.
The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date.
5 Nomination & Compensation Committee
6 The Board Fee for Mr. Kummer is made up of the compensation for his Board services up until December 31, 2018, prior to his employment by WISeKey. The amounts disclosed under Additional Fees and Other Stock Based Compensation relate to his compensation as employee of WISeKey from January 2019.

We note that the stock-based compensation granted to the members of the Board during fiscal year 2019 and included under Board Fee in the above table relate to board compensation due for fiscal year 2019 and prior years. Stock-based compensation is recognized in the period when options are granted, at the fair value at grant date.

As a result, out of the expense recorded in the income statement in fiscal year 2019 for board fees, a total amount of CHF 462,000 paid in fiscal year 2019 relates to the compensation of the members of the Board for their board services in fiscal year 2019, CHF 187,000 to their board services in fiscal year 2018, and CHF 25,000 to their Board services in fiscal year 2017.

5.2 Compensation of the members of the Executive Management

The members of the Executive Management during fiscal year 2020 were Carlos Moreira, Chief Executive Officer, and Peter Ward, Chief Financial Officer. Consistent with the OaEC, the Company discloses the aggregate amount paid to the Executive Management and the highest amount paid to an individual member, specifying his name and function.

Compensation of the Executive Management of WISeKey International Holding AG
for the 12 months ending December 31, 2020

CHF'000 [1]	Function	Base Salary[2]	Annual Incentive	Additional Fees[3]	Stock Based Compensation[4]	Other Compensation[5]	Total Compensation
Highest Paid Executive							
Carlos Moreira	Chairman of the Board, Chief Executive Officer	780	2,241	-	-	500	3,521
Peter Ward	Board Member, Chief Financial Officer	585	425	-	-	149	1,159
Total Executive Management		**1,365**	**2,666**	**-**	**-**	**649**	**4,680**

1 The executive management members are remunerated in Swiss Francs (CHF).
2 Base salary includes employee social security costs.
3 Additional Fees include fees paid for special services rendered to the Company.
4 The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted are valued using the Black-Scholes method at the grant date, using the market price of WIHN shares.
5 Other compensation includes pension contributions, employer social charges, lump-sum expenses and parking charges paid by the Company.

Compensation of the Executive Management of WISeKey International Holding AG
for the 12 months ending December 31, 2019

CHF'000 [1]	Function	Base Salary[2]	Annual Incentive	Additional Fees[3]	Stock Based Compensation[4]	Other Compensation[5]	Total Compensation
Highest Paid Executive							
Carlos Moreira	Chairman of the Board, Chief Executive Officer	650	1,138	-	1,566	237	3,591
Peter Ward	Board Member, Chief Financial Officer	520	923	-	1,390	188	3,021
Total Executive Management		**1,170**	**2,061**	**-**	**2,956**	**425**	**6,612**

1 The executive management members are remunerated in Swiss Francs (CHF).
2 Base salary includes employee social security costs.
3 Additional Fees include fees paid for special services rendered to the Company.
4 The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted are valued using the Black-Scholes method at the grant date, using the market price of WIHN shares.
5 Other compensation includes pension contributions, employer social charges, lump-sum expenses and parking charges paid by the Company.

We note that the stock-based compensation granted to the members of the Executive Management during fiscal year 2019 relate to executive compensation due in prior years. There was no stock-based compensation paid in 2019 in relation to fiscal year 2019. Stock-based compensation is recognized in the period when options are granted, at the fair value at grant date.

As a result, a total amount of CHF 3,656,000 paid in fiscal year 2019 relates to the 2019 compensation of the Executive Management, respectively CHF 2,025,000 for Mr. Moreira and CHF 1,631,000 for Mr Ward, whilst the remaining stock-based compensation of CHF 2,956,000, respectively CHF 1,566,000 and CHF 1,390,000, is a compensation for services rendered by the Executive Management in fiscal years 2015 and 2016.

6 Loans, credits and other payments

As at December 31, 2020, there were no loans outstanding to members of the Board.

FINANCIAL
REPORT

WISeKey International Holding Ltd

Consolidated Financial Statements

As at December 31, 2020

The page numbers below refer only to the F pages of the annual report.

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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of WISeKey International Holding AG, Zug

Report of the statutory auditor on the consolidated financial statements

Opinion

As statutory auditor, we have audited the accompanying consolidated financial statements of WISeKey International Holding AG, Zug and its subsidiaries ("the Group"), which comprise the Consolidated Balance Sheets as at 31 December 2020 and 31 December 2019 and the related Consolidated Statements of Comprehensive Income / (Loss), Consolidated Statements of Changes in Shareholders' Equity and Consolidated Statements of Cash Flows for each of the three years in the period ended 31 December 2020, and Notes to the Consolidated Financial Statements.

In our opinion, the Consolidated Financial Statements (pages F-7 to F-57) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2020 and 31 December 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2020, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm and are required to be independent with respect to the Group. We conducted our audits in accordance with Swiss law, Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Convertible Loan Agreement with arago GmbH	
In the year the Group entered into a Convertible Loan Agreement (CLA) providing arago GmbH (arago) with a loan facility and giving the Group the option to convert the loan into shares of arago. The Group cancelled the agreement two times and always signed into an updated agreement after the cancellation. In accordance with the third and latest version, the Group has the option to acquire 51 percent of arago's share capital converting loans in the amount of CHF 5M. The Group can convert the loans at any time. As at December 31, 2020 the Group paid a total of CHF 3M of CHF 5M loans under the CLA. The Group classified the CLA as an available for sale debt security that is carried at fair value. Unrealized gains and losses are reported in other comprehensive income / (loss). The Group used an option pricing model, as well as a present value of expected cash flows from the debt security utilizing the risk-free rate and the estimated credit spread as of the valuation date as the discount rate. Due to the significant judgment and estimates involved in calculating the fair value we consider this area to be a key audit matter. We refer to Note 10 to the consolidated financial statements for additional disclosure on the arago convertible loan.	We inspected the underlying legal documents and the Group's accounting memorandums and assessed the Group's accounting treatment for US GAAP compliance. For the actual cash transferred we inspected supporting documents. With the support of our internal valuation specialist, we tested the accuracy and appropriateness of the model used. We examined the assumptions used in calculating the option value and ensure mathematical accuracy of the calculation. We assessed the discount rate used. We assessed the appropriateness and completeness of the related disclosures in Note 10.

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Key Audit Matter	How our audit addressed the key audit matter

Goodwill - Impairment Considerations

Key Audit Matter	How our audit addressed the key audit matter
The Group carries goodwill of total USD 8.3M on the consolidated balance sheet. ASC 350 requires the Group to assess whether the fair value of the respective reporting unit is less than its carrying amount. The Group selected to bypass the qualitative assessment and proceeded directly to the quantitative assessment of the relating reporting unit Internet of Things (mainly consisting of Semiconductor) by calculating the fair value based on the income approach using discounted expected future cash flows. Due to the significant impact of goodwill on the consolidated financial statements and due to the significant estimates of management involved we consider this area to be a key audit matter. We refer to Note 18 to the consolidated financial statements for additional disclosure of the Group's goodwill.	We evaluated the appropriateness of the Group's identification of the reporting units and the allocation of the net assets to the reporting units. Regarding Semiconductor, we inspected Group's assessment on impairment consideration for appropriateness. We evaluated the budgeting approach. We challenged management's analysis around the key drivers of cash flow projections. We assessed key assumptions used, e.g. WACC and considered sensitivity of key assumptions. With the support of our internal valuation specialist, we tested the accuracy and appropriateness of the model used. We assessed the appropriateness of the accuracy and completeness of the related disclosures in Note 18.

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Key Audit Matter	How our audit addressed the key audit matter
New loans and lines of credits	
The group enters into different financing facilities and loan agreements on a regular basis and needs to assess the accounting treatment.	We tested the drawdowns on a sample basis agreeing them back to the underlying legal documents and verifying the resulting journal entries for correctness.
The facilities and loan agreements can either be equity or liability classified, might result in debt modification or extinguishment accounting, can come with embedded financial instruments to be assessed for bifurcation. Further related discounts and effective interest rates, deferrals and fair values need to be recorded.	We obtained detailed accounting memorandums from the Company and assessed management's conclusion on liability or equity classification, tested for debt modifications and extinguishments, assessed embedded financial instruments for bifurcation, verified fair value calculation models used, assessed input data, substantiated debt issuance costs and tested deferrals. In additional we directly confirmed outstanding balances with the counterparty.
Finally, drawdowns and settlements need to be accounted for.	We also assessed the appropriateness of the accuracy and completeness of the related disclosures in Note 25.
The classification of the transactions and the accounting was complex, the underlying calculation required judgment and estimates and there was a significant impact on the consolidated financial statements. Therefore, we considered it to be a Key Audit Matter.	.
We refer to Note 25 to the consolidated financial statements for additional disclosure of the Group's loans and line of credit.	

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Report on other legal and regulatory requirements

We are a public accounting firm registered with the Swiss Federal Audit Oversight Authority (FAOA) and the PCAOB and we confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA). We are independent with respect to the Group in accordance with Swiss law (article 728 CO and article 11 AOA) and U.S. federal securities laws as well as the applicable rules and regulations of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

We have served as the Group's auditor since 2015.

Geneva, 29 April 2021

BDO Ltd

Christoph Tschumi	Philipp Kegele
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

1. Consolidated Statement of Comprehensive Income/(Loss)

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018	*Note ref.*
Net sales	14,779	22,652	34,280	*30*
Cost of sales	(8,578)	(12,871)	(17,607)	
Depreciation of production assets	(736)	(325)	(712)	
Gross profit	**5,465**	**9,456**	**15,961**	
Other operating income	43	180	289	*31*
Research & development expenses	(6,012)	(6,422)	(5,306)	
Selling & marketing expenses	(7,355)	(7,929)	(5,772)	
General & administrative expenses	(10,673)	(15,789)	(14,232)	
Total operating expenses	**(23,997)**	**(29,960)**	**(25,021)**	
Operating loss	**(18,532)**	**(20,504)**	**(9,060)**	
Non-operating income	1,127	1,918	2,181	*33*
Gain on derivative liability	44	214	-	*6/25*
Gain / (loss) on debt extinguishment	-	(233)	-	
Interest and amortization of debt discount	(458)	(742)	(150)	*25*
Non-operating expenses	(11,079)	(3,670)	(2,826)	*34*
Loss from continuing operations before income tax expense	**(28,898)**	**(23,017)**	**(9,855)**	
Income tax expense	(9)	(13)	(53)	*35*
Loss from continuing operations, net	**(28,907)**	**(23,030)**	**(9,908)**	
Discontinued operations:				
Net sales from discontinued operations	-	1,934	19,412	
Cost of sales from discontinued operations	-	(791)	(6,196)	
Total operating and non-operating expenses from discontinued operations	-	(1,801)	(19,778)	
Income tax recovery from discontinued operations	-	42	205	
Gain on disposal of a business, net of tax on disposal	-	31,100	-	
Income / (loss) on discontinued operations	**-**	**30,484**	**(6,357)**	
Net income / (loss)	**(28,907)**	**7,454**	**(16,265)**	
Less: Net income / (loss) attributable to noncontrolling interests	(248)	(733)	13	
Net income / (loss) attributable to WISeKey International Holding AG	**(28,659)**	**8,187**	**(16,278)**	
Earnings per share				
Earnings from continuing operations per share - Basic	(0.68)	(0.64)	(0.29)	*37*
Earnings from continuing operations per share - Diluted	(0.68)	(0.64)	(0.29)	*37*
Earnings from discontinued operations per share - Basic	-	0.84	(0.19)	*32*
Earnings from discontinued operations per share - Diluted	-	0.81	(0.19)	*32*
Earning per share attributable to WISeKey International Holding AG				
Basic	(0.67)	0.23	(0.48)	*37*
Diluted	(0.67)	0.23	(0.48)	*37*

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018	Note ref.
Other comprehensive income / (loss), net of tax:				
Foreign currency translation adjustments	1,729	516	108	
Change in unrealized gains related to available-for-sale debt securities	5,385	-	-	10
Defined benefit pension plans:				26
Net gain (loss) arising during period	1,189	(2,199)	287	
Other comprehensive income / (loss)	**8,303**	**(1,683)**	**395**	
Comprehensive income / (loss)	**(20,604)**	**5,771**	**(15,870)**	
Other comprehensive income / (loss) attributable to noncontrolling interests	(95)	(127)	(23)	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	**8,398**	**(1,556)**	**418**	
Comprehensive income / (loss) attributable to noncontrolling interests	(343)	(860)	(10)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	**(20,261)**	**6,631**	**(15,860)**	

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

3. Consolidated Balance Sheet

USD'000	As at December 31, 2020	As at December 31, 2019	*Note ref.*
ASSETS			
Current assets			
Cash and cash equivalents	19,650	12,121	*7*
Restricted cash, current	2,113	2,525	*8*
Accounts receivable, net of allowance for doubtful accounts	2,900	3,770	*9*
Notes receivable from employees	37	-	
Available-for-sale debt security	9,190	-	*10*
Inventories	2,474	2,787	*11*
Contract assets	-	15	
Prepaid expenses	649	690	
Deferred charges, current	836	207	*25*
Other current assets	814	1,469	*12*
Total current assets	**38,663**	**23,584**	
Noncurrent assets			
Restricted cash, noncurrent	-	2,000	*8*
Notes receivable, noncurrent	183	23	*13*
Deferred income tax assets	3	6	
Deferred tax credits	1,312	2,488	*14*
Property, plant and equipment net of accumulated depreciation	1,000	1,801	*15*
Intangible assets, net of accumulated amortization	9	600	*16*
Finance lease right-of-use assets	246	289	*17*
Operating lease right-of-use assets	2,502	2,780	*17*
Goodwill	8,317	8,317	*18*
Deferred charges, noncurrent	169	30	*25*
Equity securities, at cost	-	7,000	*19*
Equity securities, at fair value	301	756	*20*
Other noncurrent assets	176	230	*21*
Total noncurrent assets	**14,218**	**26,320**	
TOTAL ASSETS	**52,881**	**49,904**	
LIABILITIES			
Current Liabilities			
Accounts payable	13,099	10,713	*22*
Notes payable	4,115	4,104	*23*
Convertible note payable, current	5,633	3,226	*25*
Deferred revenue, current	302	89	*30*
Current portion of obligations under finance lease liabilities	119	103	*17*
Current portion of obligations under operating lease liabilities	601	556	*17*
Income tax payable	3	11	
Derivative liabilities	-	44	*6*
Other current liabilities	1,105	1,304	*24*
Total current liabilities	**24,977**	**20,150**	
Noncurrent liabilities			
Bonds, mortgages, convertible note payable and other long-term debt	646	-	*25*
Convertible note payable, noncurrent	3,710	-	*25*
Deferred revenue, noncurrent	19	10	*30*
Finance lease liabilities, noncurrent	67	169	*17*
Operating lease liabilities, noncurrent	1,901	2,223	*17*
Employee benefit plan obligation	6,768	6,880	*26*
Other deferred tax liabilities	38	25	
Other noncurrent liabilities	329	3	
Total noncurrent liabilities	**13,478**	**9,310**	
TOTAL LIABILITIES	**38,455**	**29,460**	

USD'000	As at December 31, 2020	As at December 31, 2019	*Note ref.*
Commitments and contingent liabilities			*27*
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	*28*
CHF 0.01 par value			
Authorized - 40,021,988 and 40,021,988 shares			
Issued and outstanding - 40,021,988 and 40,021,988 shares			
Common stock - Class B	2,490	1,475	*28*
CHF 0.05 par value			
Authorized - 63,234,625 and 41,066,298			
Issued - 47,622,689 and 28,824,086			
Outstanding - 42,839,554 and 27,621,895			
Share subscription in progress	1	6	
Treasury stock, at cost (4,783,135 and 1,202,191 shares held)	(505)	(1,288)	*28*
Additional paid-in capital	224,763	212,036	
Accumulated other comprehensive income / (loss)	6,940	(1,453)	*29*
Accumulated deficit	(217,820)	(189,161)	
Total shareholders'equity attributable to WISeKey shareholders	**16,269**	**22,015**	
Noncontrolling interests in consolidated subsidiaries	(1,843)	(1,571)	
Total shareholders'equity	**14,426**	**20,444**	
TOTAL LIABILITIES AND EQUITY	**52,881**	**49,904**	

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

4. Consolidated Statements of Changes in Shareholders' Equity

USD'000	Number of common shares Class A	Number of common shares Class B	Common Share Capital Class A	Common Share Capital Class B	Total share capital	Treasury Shares	Additional paid-in capital	Share subscription in progress	Accumulated deficit	Accumulated other comprehensive income / (loss)	**Total stockholders' equity**	Non controlling interests	**Total equity**
As at December 31, 2018	40,021,988	28,769,797	400	1,472	1,872	(1,139)	201,373	-	(197,348)	100	**4,858**	(883)	**3,975**
Common stock issued[1]	-	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Options exercised	-	54,289	-	3	3	-	3,375	-	-	-	**3,378**	-	**3,378**
Stock-based compensation	-	-	-	-	-	-	5,414	6	-	-	**5,420**	-	**5,420**
Changes in treasury shares	-	-	-	-	-	(534)	-	-	-	-	**(534)**	-	**(534)**
Sale of QuoVadis Group	-	-	-	-	-	-	-	-	-	34	**34**	131	**165**
Change in Ownership in WISeKey SA	-	-	-	-	-	29	(159)	-	-	(10)	**(140)**	41	**(99)**
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(21)	**(21)**	-	**(21)**
Yorkville SEDA	-	-	-	-	-	296	632	-	-	-	**928**	-	**928**
Crede convertible loan	-	-	-	-	-	549	1,075	-	-	-	**1,624**	-	**1,624**
Yorkville convertible loan	-	-	-	-	-	-	326	-	-	-	**326**	-	**326**
Share buyback program	-	-	-	-	-	(489)	-	-	-	-	**(489)**	-	**(489)**
Net loss	-	-	-	-	-	-	-	-	8,187	-	**8,187**	(733)	**7,454**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	(1,556)	**(1,556)**	(127)	**(1,683)**
As at December 31, 2019	40,021,988	28,824,086	400	1,475	1,875	(1,288)	212,036	6	(189,161)	(1,453)	**22,015**	(1,571)	**20,444**
Common stock issued[1]	-	8,261,363	-	448	448	-	-	-	-	-	**448**	-	**448**
Options exercised	-	2,537,240	-	126	126	-	-	-	-	-	**126**	-	**126**
Stock-based compensation	-	-	-	-	-	-	393	(5)	-	-	**388**	-	**388**
Changes in treasury shares	-	8,000,000	-	441	441	(439)	-	-	-	-	**2**	-	**2**
Yorkville SEDA	-	-	-	-	-	1,252	(228)	-	-	-	**1,024**	-	**1,024**
Crede convertible loan	-	-	-	-	-	517	2,007	-	-	-	**2,524**	-	**2,524**
LSI convertible loan	-	-	-	-	-	20	1,242	-	-	-	**1,262**	-	**1,262**
Nice & Green loan	-	-	-	-	-	106	8,749	-	-	-	**8,855**	-	**8,855**
GTO facility	-	-	-	-	-	23	593	-	-	-	**616**	-	**616**
Change in Ownership in WISeKey SA	-	-	-	-	-	-	(29)	-	-	(5)	**(34)**	71	**37**
Share buyback program	-	-	-	-	-	(696)	-	-	-	-	**(696)**	-	**(696)**
Net loss	-	-	-	-	-	-	-	-	(28,659)	-	**(28,659)**	(248)	**(28,907)**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	8,398	**8,398**	(95)	**8,303**
As at December 31, 2020	40,021,988	47,622,689	400	2,490	2,890	(505)	224,763	1	(217,820)	6,940	**16,269**	(1,843)	**14,426**

1. The articles of association of the Company had not been fully updated as of December 31, 2020 with the shares issued out of conditional capital.

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

5. Consolidated Statements of Cash Flows

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Cash Flows from operating activities:			
Net Income (loss)	(28,907)	7,454	(16,265)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant & equipment	988	821	1,437
Amortization of intangible assets	604	534	2,047
Impairment charge	7,000	-	-
Interest and amortization of debt discount	458	783	1,165
Loss / (gain) on derivative liability	(44)	(214)	-
Loss on debt extinguishment	-	1,326	-
Stock-based compensation	393	5,414	1,660
Bad debt expense	24	99	276
Inventory obsolescence impairment	457	535	284
Deferred tax asset write-off	-	-	161
Income tax expense / (recovery) net of cash paid	9	(17)	(152)
Release of provision	(52)	-	(218)
Other non cash expenses /(income)			
Expenses settled in equity	14	40	1,685
Gain on disposal of a business	-	(31,100)	-
Other	455	80	-
Unrealized and non cash foreign currency transactions	800	157	(201)
Changes in operating assets and liabilities, net of effects of businesses acquired			
Decrease (increase) in accounts receivables	870	1,346	(2,898)
Decrease (increase) in inventories	313	1,399	(722)
Decrease (increase) in other current assets, net	46	(84)	(4,385)
Decrease (increase) in deferred research & development tax credits, net	1,176	19	279
Decrease (increase) in other noncurrent assets, net	53	(77)	(63)
Increase (decrease) in accounts payable	2,386	(1,765)	(126)
Increase (decrease) in deferred revenue, current	213	25	3,007
Increase (decrease) in income taxes payable	(8)	(362)	349
Increase (decrease) in other current liabilities	(199)	(217)	1,312
Increase (decrease) in deferred revenue, noncurrent	9	2,247	2,985
Increase (decrease) in defined benefit pension liability	66	258	(109)
Increase (decrease) in other noncurrent liabilities	326	(2,592)	-
Net cash provided by (used in) operating activities	**(12,550)**	**(13,891)**	**(8,492)**
Cash Flows from investing activities:			
Sale / (acquisition) of equity securities	-	(4,000)	(3,000)
Sale / (acquisition) of property, plant and equipment	(52)	(293)	(1,244)
Sale of a business, net of cash and cash equivalents divested	-	40,919	-
Acquisition of debt securities or investments	(3,845)	-	-
Net cash provided by (used in) investing activities	**(3,897)**	**36,626**	**(4,244)**
Cash Flows from financing activities:			
Proceeds from options exercises	68	3,412	217
Proceeds from issuance of Common Stock	2,194	1,112	2,904
Proceeds from convertible loan issuance	22,053	2,860	3,000
Proceeds from debt	646	4,030	7,656
Repayments of debt	(2,344)	(27,631)	(1,001)
Payments of debt issue costs	-	(42)	-
Repurchase of treasury shares	(1,135)	(1,025)	(900)
Net cash provided by (used in) financing activities	**21,482**	**(17,284)**	**11,876**
Effect of exchange rate changes on cash and cash equivalents	82	41	(200)
Cash and cash equivalents			
Net increase (decrease) during the period	5,117	5,492	(1,060)
Balance, beginning of period	16,646	11,154	12,214
Balance, end of period	**21,763**	**16,646**	**11,154**

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Reconciliation to balance sheet			
Cash and cash equivalents from continuing operations	19,650	12,121	9,146
Restricted cash, current from continuing operations	2,113	2,525	618
Restricted cash, noncurrent from continuing operations	-	2,000	-
Cash and cash equivalents from discontinued operations	-	-	1,390
Balance, end of period	**21,763**	**16,646**	**11,154**
Supplemental cash flow information			
Cash paid for interest, net of amounts capitalized	250	756	772
Cash paid for incomes taxes	46	12	72
Noncash conversion of convertible loans into common stock	12,946	1,771	-
Restricted cash received for share subscription in progress	1	5	2,020
Purchase of equity securities	-	-	(500)
ROU assets obtained from finance lease	-	321	-
ROU assets obtained from operating lease	544	3,768	-

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

6. Notes to the Consolidated Financial Statements

Note 1. The WISeKey Group

WISeKey International Holding AG, together with its consolidated subsidiaries ("**WISeKey**" or the "**Group**" or the "**WISeKey Group**"), has its headquarters in Switzerland. WISeKey International Holding AG, the ultimate parent of the WISeKey Group, was incorporated in December 2015 and is listed on the Swiss Stock Exchange, SIX SAG with the valor symbol "WIHN" since March 2016 and on the NASDAQ Capital Market exchange with the valor symbol "WKEY" since December 2019.
The Group develops, markets, hosts and supports a range of solutions that enable the secure digital identification of people, content and objects, by generating digital identities that enable its clients to monetize their existing user bases and at the same time, expand its own eco-system. WISeKey generates digital identities from its current products and services in Cybersecurity Services, IoT (internet of Things), Digital Brand Management and Mobile Security.
The Group leads a carefully planned vertical integration strategy through acquisitions of companies in the industry. The strategic objective is to provide integrated services to its customers and also achieve cross-selling and synergies across WISeKey. Through this vertical integration strategy, WISeKey anticipates being able to generate profits in the near future.

Note 2. Future operations and going concern

The Group experienced a loss from operations in this reporting period. Although the WISeKey Group does anticipate being able to generate profits in the near future, this cannot be predicted with any certainty. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern.
The Group incurred a net operating loss of USD 18.5 million and had positive working capital of USD 13.7 million as at December 31, 2020, calculated as the difference between current assets and current liabilities. Based on the Group's cash projections for the next 12 months to March 31, 2022, it will need approximately USD 1 million to fund operations and financial commitments. Historically, the Group has been dependent on equity financing to augment the operating cash flow to cover its cash requirements. Any additional equity financing may be dilutive to shareholders.

In the year 2020, the Group secured three loans (see Note 25 for detail):

- On March 04, 2020, WISeKey entered into a new convertible loan agreement (the "**Second Yorkville Convertible Loan**") with YA II PN, Ltd. a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**") for a total amount of USD 4 million repayable in monthly instalments starting March 30, 2020 in cash or, at Yorkville's election, in class B shares. The Second Yorkville Convertible Loan bears an interest rate of 6% per annum payable monthly in arrears and matures on April 30, 2021. The Second Yorkville Convertible Loan replaces the existing convertible loan signed on June 27, 2019 (the "**Yorkville Convertible Loan**"). The remaining balance of USD 2.3 million under the Yorkville Convertible Loan was rolled over into the new agreement, which means that the loan generated a net cash inflow of USD 1.7 million.
- On March 26, 2020, two members of the Group entered into agreements to borrow funds under the Swiss Government supported COVID-19 Credit Facility (the "**Covid loans**") with UBS SA. Under the terms of the Agreement, UBS has lent such Group members a total of CHF 571,500. The loans are repayable in full on March 30, 2028, as amended, although UBS reserves the right to implement instalments before this date. The interest rate is determined by Swiss COVID-19 Law and currently the Covid loans carry an interest rate of 0%.
- On August 07, 2020, WISeKey entered into Convertible Loan Agreement (the "**New Crede Convertible Loan**") with Crede CG III, Ltd ("**Crede**") for an amount of USD 5 million. The loan bears a 5% p.a. interest rate, payable in arrears on a quarterly basis starting September 30, 2020, and is repayable in WIHN class B shares any time between September 23, 2020 and the maturity date of August 07, 2022, at Crede's election. Accrued interests are payable, at WISeKey's sole election, either in cash or in WIHN class B shares.

These loans demonstrate the availability of lenders to support the WISeKey Group in its activities and development. See Note 25 for detail on these loans.

On February 08, 2018 the Group entered into a Standby Equity Distribution Agreement ("**SEDA**") with Yorkville (see Note 25 for detail). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50.0 million in exchange for Class B Shares over a three-year period. Provided that a sufficient number of Class B Shares is provided through share lending, WISeKey has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5.0 million by drawdown, subject to certain exceptions and limitations. In the year 2020, WISeKey made six drawdowns for CHF 1.1 million (USD 1.2 million). As at December 31, 2020, the outstanding equity financing available was CHF 46.0 million. On March 04, 2020, the SEDA was extended by 24 months to March 31, 2023.
On December 16, 2019, WISeKey entered into a Convertible Term Loan Facility Agreement (the "**LSI Convertible Facility**") with Long State Investment Limited ("**LSI**"), a Hong Kong-based investment company, to borrow up to CHF 30.0 million over a commitment period of 24 months (see Note 25 for detail). WISeKey will be able to drawdown individual term loans of up to CHF 500,000 or, if so agreed between the parties, up to CHF 2.5 million at an interest rate of 1.5% p.a., up to an aggregate amount of CHF 30 million. LSI will have the right to convert a drawdown tranche into existing or newly issued WIHN class B shares or, if so agreed among the parties and permitted by law, into American Depositary Shares ("**ADSs**") representing WIHN class B shares. Any term loan not converted by LSI initially will automatically

convert into WIHN class B shares, or (to the extent permissible under applicable securities laws) ADSs, 20 SIX trading days before the expiration of the commitment period at the applicable conversion price. As at December 31, 2020, the Group has made no drawdowns under the LSI Convertible Facility and so the outstanding facility available was CHF 30.0 million.

On May 18, 2020, the Group entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**Nice & Green Facility**") with Nice & Green SA ("**Nice & Green**") (see Note 25 for detail.) Pursuant to the Nice & Green Facility, Nice & Green commits to subscribe for up to CHF 10.0 million of interest-free convertible notes, over a two-year period. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN class B shares within a period of 12 months from issuance. In year 2020, WISeKey made six subscriptions. As at December 31, 2020, the outstanding Nice & Green Facility available was CHF 1,083,111 (USD 1,224,832) and there were no unconverted outstanding loan amounts.

On December 08, 2020, WISeKey entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**GTO Facility**") with GLOBAL TECH OPPORTUNITIES 8 ("**GTO**"), Grand Cayman, Cayman Islands, pursuant to which GTO commits to grant a loan to WISeKey for up to a maximum amount of CHF 15.5 million divided into tranches of variable sizes, during a commitment period of 18 months ending June 09, 2022. The dates and amounts of the first 3 tranches were agreed in advance in the GTO Facility agreement; for the remaining facility, GTO has the right to request the subscription of 2 tranches, all other tranches are to be subscribed for by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes that do not bear interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN class B shares within a period of 12 months from issuance. GTO made three subscriptions in 2020 under the GTO Facility. As at December 31, 2020, the outstanding GTO Facility available was CHF 10,840,000 (USD 12,258,371). Convertible notes in an aggregate amount of CHF 3,910,000 (USD 4,421,608) remained unconverted.

The SEDA, the LSI Convertible Facility, the Nice & Green Facility and the GTO Facility will be used as a safeguard should there be any additional cash requirements not covered by other types of funding.

Based on the foregoing, Management believe it is correct to present these figures on a going concern basis.

Note 3. Basis of presentation

The consolidated financial statements are prepared in accordance with the Generally Accepted Accounting Principles in the United States of America ("**US GAAP**") as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC). All amounts are in United States dollars ("**USD**") unless otherwise stated.

Note 4. Summary of significant accounting policies

Fiscal Year

The Group's fiscal year ends on December 31.

Principles of Consolidation

The consolidated financial statements include the accounts of WISeKey and its wholly-owned or majority-owned subsidiaries over which the Group has control.

The consolidated comprehensive loss and net loss of non-wholly owned subsidiaries is attributed to owners of the Group and to the noncontrolling interests in proportion to their relative ownership interests.

Intercompany income and expenses, including unrealized gross profits from internal group transactions and intercompany receivables, payables and loans have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make certain estimates, judgments and assumptions. We believe these estimates, judgements and assumptions are reasonable, based upon information available at the time they were made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are differences between these estimates, judgments or assumptions and the actual results, our consolidated financial statements will be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by US GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting from available alternatives would not produce a materially different result.

Foreign Currency

In general, the functional currency of a foreign operation is the local currency. Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive income/loss. The Group's reporting currency is USD.

Cash and Cash Equivalents

Cash consists of deposits held at major banks that are readily available. Cash equivalents consist of highly liquid investments that are readily convertible to cash and with original maturity dates of three months or less from the date of purchase. The carrying amounts approximate fair value due to the short maturities of these instruments.

Accounts Receivable

Receivables represent rights to consideration that are unconditional and consist of amounts billed and currently due from customers, and revenues that have been recognized for accounting purposes but not yet billed to customers. The Group extends credit to customers in the normal course of business and in line with industry practices.

Allowance for Doubtful Accounts

We recognize an allowance for credit losses to present the net amount of receivables expected to be collected as of the balance sheet date. The allowance is based on the credit losses expected to arise over the asset's contractual term taking into account historical loss experience, customer-specific data as well as forward looking estimates. Expected credit losses are estimated individually.
Accounts receivable are written off when deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries, which are not to exceed the amount previously written off, are considered in determining the allowance balance at the balance sheet date.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs are calculated using standard costs, approximating average costs. Finished goods and work-in-progress inventories include material, labor and manufacturing overhead costs. The Group records write-downs on inventory based on an analysis of obsolescence or a comparison to the anticipated demand or market value based on a consideration of marketability and product maturity, demand forecasts, historical trends and assumptions about future demand and market conditions.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives which range from 1 to 8 years. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the lease terms, as appropriate. Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible Assets

Those intangible assets that are considered to have a finite useful life are amortized over their useful lives, which generally range from 1 to 14 years. Each period we evaluate the estimated remaining useful lives of intangible assets and whether events or changes in circumstances require a revision to the remaining periods of amortization or that an impairment review be carried out. As at December 31, 2020 and 2019, all intangible assets held by the Group have been determined to have a finite life.

Leases

In line with ASC 842, the Group, as a lessee, recognizes right-of-use assets and related lease liabilities on its balance sheet for all arrangements with terms longer than twelve months, and reviews its leases for classification between operating and finance leases. Obligations recorded under operating and finance leases are identified separately on the balance sheet. Assets under finance leases and their accumulated amortization are disclosed separately in the notes. Operating and finance lease assets and operating and finance lease liabilities are measured initially at an amount equal to the present value of minimum lease payments during the lease term, as at the beginning of the lease term.

We have elected the short-term lease practical expedient whereby we do not present short-term leases on the consolidated balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that we are reasonably certain to exercise.
We have also elected the practical expedients related to lease classification of leases that commenced before the effective date of ASC 842.

We adopted ASC 842 as of January 01, 2019 using the cumulative effect adjustment approach. Accordingly, previously reported financial statements, including footnote disclosures, have not been restated to reflect the application of the new standard to all comparative periods presented.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are subject to impairment analysis at least once annually.
Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. We review our goodwill and indefinite lived intangible assets annually for impairment, or sooner if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We use October 1st as our annual impairment test measurement date.

Equity Securities

Equity securities are any security representing an ownership interest in an entity or the right to acquire or dispose of an ownership interest in an entity at fixed or determinable prices, in accordance with ASC 321, i.e. investments that do not qualify for accounting as a derivative instrument, an investment in consolidated subsidiaries, or an investment accounted for under the equity method.
We account for these investments in equity securities at fair value at the reporting date, except for those investments without a readily determinable fair value where we have elected the measurement at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, in line with ASC 321. Changes in fair value are accounted for in the income statement as a non-operating income/expense.

Available-for-sale debt securities

Available-for-sale debt securities are investments in debt securities that have readily determinable fair values and are not classified as trading securities or as held-to-maturity securities.
We account for these investments in available-for-sale debt securities at fair value at the reporting date and subject to impairment testing. Other than impairment losses, unrealized gains and losses are reported, net of the related tax effect, in other comprehensive income as change in unrealized gains related to available-for-sale debt securities.

Revenue Recognition

WISeKey's policy is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, WISeKey applies the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. We typically allocate the transaction price to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. If a standalone price is not observable, we use estimates.
The Group recognizes revenue when it satisfies a performance obligation by transferring control over goods or services to a customer. The transfer may be done at a point in time (typically for goods) or over time (typically for services). The amount of revenue recognized is the amount allocated to the satisfied performance obligation. For performance obligations satisfied over time, the revenue is recognized over time, most frequently on a *prorata temporis* basis as most of the services provided by the Group relate to a set performance period.
If the Group determines that the performance obligation is not satisfied, it will defer recognition of revenue until it is satisfied.
We present revenue net of sales taxes and any similar assessments.
The Group delivers products and records revenue pursuant to commercial agreements with its customers, generally in the form of an approved purchase order or sales contract.
Where products are sold under warranty, the customer is granted a right of return which, when exercised, may result in either a full or partial refund of any consideration received, or a credit that can be applied against amounts owed, or that will be owed, to WISeKey. For any amount received or receivable for which we do not expect to be entitled to because the customer has exercised its right of return, we recognize those amounts as a refund liability.

Contract Assets

Contract assets consists of accrued revenue where WISeKey has fulfilled its performance obligation towards the customer but the corresponding invoice has not yet been issued. Upon invoicing, the asset is reclassified to trade accounts receivable until payment.

Deferred Revenue

Deferred revenue consists of amounts that have been invoiced and paid but have not been recognized as revenue. Deferred revenue that will be realized during the succeeding 12-month period is recorded as current and the remaining deferred revenue recorded as non-current. This would relate to multi-year certificates or licenses.

Contract Liability

Contract liability consists of either:

- amounts that have been invoiced and not yet paid, nor recognized as revenue. Upon payment, the liability is reclassified to deferred revenue if the amounts still have not been recognized as revenue. Contract liability that will be realized during the succeeding 12-month period is recorded as current and the remaining contract liability recorded as non-current. This would relate to multi-year certificates or licenses.
- advances from customers not supported by invoices.

Sales Commissions

Sales commission expenses where revenue is recognized are recorded in the period of revenue recognition.

Cost of Sales

Our cost of sales consists primarily of expenses associated with the delivery and distribution of our services and products. These include expenses related to the license to the Global Cryptographic ROOT Key, the global Certification authorities as well as the digital certificates for people, servers and objects, expenses related to the preparation of our secure elements and the technical support provided on the Group's ongoing production and on the ramp-up phase, including materials, labor, test and assembly suppliers, and subcontractors, freights costs, as well as the amortization of probes, wafers and other items that are used in the production process.

Research and Development and Software Development Costs

All research and development costs and software development costs are expensed as incurred.

Advertising Costs

All advertising costs are expensed as incurred.

Pension Plan

The Group maintains four defined benefit post retirement plans:

- one that covers all employees working for WISeKey SA in Switzerland,
- one that covers all employees working for WISeKey International Holding Ltd in Switzerland,
- one for the French employees of WISeKey Semiconductors SAS, and
- one for the French employees of WiseCoin R&D Lab SAS

In accordance with ASC 715-30, *Defined Benefit Plans – Pension,* the Group recognizes the funded status of the plan in the balance sheet. Actuarial gains and losses are recorded in accumulated other comprehensive income / (loss).

Stock-based Compensation

Stock-based compensation costs are recognized in earnings using the fair-value based method for all awards granted. Fair values of options and awards granted are estimated using a Black-Scholes option pricing model. The model's input assumptions are determined based on available internal and external data sources. The risk-free rate used in the model is based on the Swiss treasury rate for the expected contractual term. Expected volatility is based on historical volatility of WIHN class B shares.

Compensation costs for unvested stock options and awards are recognized in earnings over the requisite service period based on the fair value of those options and awards at the grant date.

Nonemployee share-based payment transactions are measured by estimating the fair value of the equity instruments that an entity is obligated to issue and the measurement date will be consistent with the measurement date for employee share-based payment awards (i.e., grant date for equity-classified awards).

Income Taxes

Taxes on income are accrued in the same period as the revenues and expenses to which they relate.

Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of our companies prepared for consolidation purposes, with the exception of temporary differences arising on investments in foreign subsidiaries where WISeKey has plans to permanently reinvest profits into the foreign subsidiaries.

Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is "more likely than not" that future profits will be available and the tax loss carry-forward can be utilized.

Changes to tax laws or tax rates enacted at the balance sheet date are taken into account in the determination of the applicable tax rate provided that they are likely to be applicable in the period when the deferred tax assets or tax liabilities are realized.

WISeKey is required to pay income taxes in a number of countries. WISeKey recognizes the benefit of uncertain tax positions in the financial statements when it is more likely than not that the position will be sustained on examination by the tax authorities. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on settlement with the tax authority, assuming full knowledge of the position and all relevant facts. WISeKey adjusts its recognition of these uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax positions.

Research Tax Credits

Research tax credits are provided by the French government to give incentives for companies to perform technical and scientific research. Our subsidiary WISeKey Semiconductors SAS is eligible to receive such tax credits.

These research tax credits are presented as a reduction of Research & development expenses in the income statement when companies that have qualifying expenses can receive such grants in the form of a tax credit irrespective of taxes ever paid or ever to be paid, the corresponding research and development efforts have been completed and the supporting documentation is available. The credit is deductible from the entity's income tax charge for the year or payable in cash the following year, whichever event occurs first. The tax credits are included in noncurrent deferred tax credits in the balance sheet in line with ASU 2015-17.

Earnings per Share

Basic earnings per share are calculated using WISeKey International Holding AG's weighted-average outstanding common shares. When the effects are not antidilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares and the dilutive effect of stock options as determined under the treasury stock method.

Segment Reporting

Our chief operating decision maker, who is also our Chief Executive Officer, regularly reviews information collated into two segments for purposes of allocating resources and assessing budgets and performance. We report our financial performance based on this segment structure described in Note 35.

Recent Accounting Pronouncements

Adoption of new FASB Accounting Standard in the current year – Prior-Year Financial Statements not restated:

In 2020, the Group adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820 as follows:
The following disclosure requirements were removed from Topic 820:

- The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; The policy for timing of transfers between levels;
- The valuation processes for Level 3 fair value measurements;.

The following disclosure requirements were added to Topic 820:

- The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. There was no material impact on the Group’s disclosures in 2020 upon adoption of the new standard.

As of January 1, 2020, the Group adopted Accounting Standards Update ASU 2016-13, Financial Instruments - Credit Losses, which requires the measurement of expected lifetime credit losses, rather than incurred losses, for financial instruments held at the reporting date based on historical experience, current conditions and reasonable forecasts. There was no material impact on the Group's results upon adoption of the standard.
The Group also adopted ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, Codification improvements, which clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement of financial instruments to ASU 2016-01, 2016-13 & 2017-12. Since issuance of these standards, the FASB has identified areas that need clarification and correction, resulting in changes similar to those issues under its ongoing Codification improvements. There was no material impact on the Group’s results of operations in 2020 upon adoption of the new standard.

New FASB Accounting Standard to be adopted in the future:

In August 2018, The FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.*
Summary: ASU 2018-14 applies to all employers that sponsor defined benefit pension or other postretirement plans. The amendments modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.
ASU 2018-14 deletes the following disclosure requirements:
The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan.
For public entities, the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits.
ASU 2018-14 adds/clarifies disclosure requirements related to the following:
The weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates; An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period; The projected benefit obligation (PBO) and fair value of plan assets for plans with PBOs in excess of plan assets; The accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets.
Effective Date: The amendments are effective for fiscal years ending after December 15, 2020 for public business entities. Early adoption is permitted. The Group expects to adopt all of the aforementioned guidance when effective. Management does not expect the aforementioned guidance to have an impact on its consolidated financial statements, other than the required changes in disclosures.

In December 2019, The FASB issued Accounting Standards Update (ASU) no 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (the ASU), as part as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The FASB’s amendments primarily impact ASC 740, Income Taxes, and may impact both interim and annual reporting periods.
It eliminates the need for an organization to analyze whether the following apply in a given period:

- Exception to the incremental approach for intraperiod tax allocation;
- Exceptions to accounting for basis differences when there are ownership changes in foreign investments; and
- Exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses.

The ASU also improves financial statement preparers' application of income tax-related guidance and simplifies GAAP for:

- Franchise taxes that are partially based on income;
- Transactions with a government that result in a step up in the tax basis of goodwill;
- Separate financial statements of legal entities that are not subject to tax; and
- Enacted changes in tax laws in interim periods.

Effective Date: The amendments related to ASU 2019-12 are effective for public business entities for annual reporting periods beginning after December 15, 2020, and interim periods within those reporting periods. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

In January 2020, the FASB issued Accounting Standards Update (ASU) no 2020-01, Investments- Equity securities (Topic 321), Investments – equity method and joint ventures (Topic 323), and derivatives and hedging (topic 815).
Summary: ASU 2020-01 provides additional guidance as a result of the adoption of ASU 2016-01, which added Topic 321, Investments – Equity Securities and provided an entity with the option to measure certain equity securities without a readily determinable fair value at cost, minus impairment. ASU 2020-01 amended the current guidance. In particular, the FASB clarified that entities seeking to apply the measurement alternative found in Topic 321 should first consider whether there are observable transactions that would require the reporting entity to either apply or discontinue the equity method of accounting in accordance with Topic 323. With respect to certain forward contracts and purchase options, the FASB explained an entity should not consider whether the underlying securities would be accounted for under Topic 323 or the fair value option found in Topic 825 upon the settlement of the contract or purchase option. Entities should instead consider the characteristics of these contracts and options based on the guidance found in 815-10-15-141 to determine the appropriate accounting treatment.
Effective Date: The amendments related to ASU 2020-01 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for public business entities for periods in which financial statements have not been issued and for other entities in periods in which financial statements are not yet available for issuance.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

In August 2020, the FASB issued Accounting Standards Update (ASU) no 2020-06, 'Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.
Summary: ASU 2020-06 simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas.
Effective Date: ASU No. 2020-06 is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the standard will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption will be permitted.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

In October 2020, the FASB issued Accounting Standards Update (ASU) no 2020-10, Codifications improvements.
Summary: ASU 2020-10 further clarify and improve the Codification by codifying all guidance that requires or provides the option for an entity to disclose information within the footnotes. This clarification is meant to reduce the likelihood of a preparer missing required disclosure requirements. While the amendments do not introduce new topics or subtopics or change existing GAAP, all entities should review the changes found in the ASU to assess the impact it may have on their financial reporting requirements.

Effective date: Amendments in ASU 2020-10 are effective for public business entities for fiscal years beginning after December 15, 2020. Early adoption is permitted for all financial statements not yet issued for public business entities. The amendments should be applied on a retrospective basis as of the beginning of the period including the adoption date.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

Note 5. Concentration of credit risks

Financial instruments that are potentially subject to credit risk consist primarily of cash and cash equivalents and trade accounts receivable. Our cash is held with large financial institutions. Management believes that the financial institutions that hold our investments are financially sound and accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

The Group sells to large, international customers and, as a result, may maintain individually significant trade accounts receivable balances with such customers during the year. We generally do not require collateral on trade accounts receivable. Summarized below are the clients whose revenue were 10% or higher than the respective total consolidated net sales for fiscal years 2020, 2019 and 2018, and the clients whose trade accounts receivable balances were 10% or higher than the respective total consolidated trade accounts receivable balance for fiscal years 2020 and 2019:

	Revenue concentration (% of total net sales)			Receivables concentration (% of total accounts receivable)	
	Year to December 31, 2020	Year to December 31, 2019	Year to December 31, 2018	As at December 31, 2020	As at December 31, 2019
IoT operating segment					
Multinational electronics contract manufacturing company	18%	12%	8%	14%	19%
International luxury watch company	0%	6%	2%	2%	13%
International packaging solutions, technology and chips	8%	11%	3%	2%	0%
International equipment and software manufacturer	0%	2%	0%	0%	11%

Note 6. Fair value measurements

ASC 820 establishes a three-tier fair value hierarchy for measuring financial instruments, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

USD'000	As at December 31, 2020 Carrying amount	Fair value	As at December 31, 2019 Carrying amount	Fair value	Fair value level	Note ref.
Nonrecurring fair value measurements						
Accounts receivable	2,900	2,900	3,770	3,770	3	9
Notes receivable from related parties	37	37	-	-	3	
Notes receivable, noncurrent	183	183	23	23	3	13
Equity securities, at cost	-	-	7,000	7,000	3	19
Accounts payable	13,099	13,099	10,713	10,713	3	22
Notes payable	4,115	4,115	4,104	4,104	3	23
Convertible note payable, current	5,633	5,633	3,226	3,226	3	25
Convertible note payable, noncurrent	3,710	3,710	-	-	3	25
Recurring fair value measurements						
Available-for-sale debt security	9,190	9,190	-	-	1	10
Equity securities, at fair value	301	301	756	756	1	20
Derivative liabilities, current	-	-	44	44	3	6

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair Value Measurements section above, we used the following methods and assumptions to estimate the fair value of our financial instruments:

- Accounts receivable – carrying amount approximated fair value due to their short-term nature.
- Notes receivable from related parties – carrying amount approximated fair value due to their short-term nature.
- Notes receivable, noncurrent- carrying amount approximated fair value because time-value considerations are immaterial to the accounts.
- Equity securities, at cost - no readily determinable fair value, measured at cost minus impairment.
- Accounts payable – carrying amount approximated fair value due to their short-term nature.
- Notes payable – carrying amount approximated fair value due to their short-term nature.
- Convertible note payable current and noncurrent- carrying amount approximated fair value.
- Available-for-sale debt security - fair value remeasured as at reporting period.
- Equity securities, at fair value - fair value remeasured as at reporting period.
- Derivative liabilities, current - fair value remeasured as at reporting period.

Derivative liabilities

In 2020, the Group held one derivative instrument which was measured at estimated fair value on a recurring basis and linked to the conversion option originally embedded in the convertible loan signed with Yorkville on June 27, 2019 (the "**First Yorkville Convertible Loan**") and modified on March 04, 2020 via the Second Yorkville Convertible Loan (see Note 25).

The Second Yorkville Convertible Loan has a maturity date of April 30, 2021. It contains a conversion option into WIHN Class B shares at the election of the Yorkville covering any amount outstanding (principal and/or interests) that may be settled. The exercise price is set at CHF 3.00 with antidilution provision adjustments as further described in Note 25.

In line with ASU 2014-16, both the First Yorkville Convertible Loan and the Second Yorkville Convertible Loan were assessed as a hybrid instrument, being a debt instrument with an equity-linked component (the conversion option). Per ASC 815-10, the embedded conversion option met the definition of a derivative and was accounted for separately.
The hosting debt instruments were recorded using the residual method.
The derivative component (the conversion option) was fair valued using a binomial lattice model, building in quoted market prices of WIHN class B shares on the SIX Swiss Stock Exchange, and inputs such as time value of money, volatility, and risk-free interest rate. It was valued at inception of the First Yorkville Convertible Loan on June 27, 2019 at USD 257,435 and revalued at fair value at each reporting date in line with ASC 815-15-30-1. At inception of the Second Yorkville Convertible Loan on March 04, 2020, following the modification accounting detailed in Note 25, the derivative liability was fair valued at USD nil.

In 2020, WISeKey made one final cash repayment of the principal amounting to USD 37,392 for the First Yorkville Convertible Loan. This repayment did not result in any gain or loss on derivative because the derivative was fair valued at USD nil at that date.
In 2020, WISeKey made twelve repayments in cash of the Second Yorkville Convertible Loan as per below. These repayments did not result in any gain or loss on derivative because the derivative was fair valued at USD nil at all repayment and reporting dates.

- On April 16, 2020, WISeKey repaid USD 259,250 of the principal.
- On May 15, 2020, WISeKey repaid USD 256,417 of the principal.
- On May 29, 2020, WISeKey repaid USD 125,000 of the principal.
- On June 16, 2020, WISeKey repaid USD 125,000 of the principal.
- On June 30, 2020, WISeKey repaid USD 50,073 of the principal.
- On July 15, 2020, WISeKey repaid USD 139,152 of the principal.
- On July 16, 2020, WISeKey repaid USD 59,043 of the principal.
- On August 05, 2020, WISeKey repaid USD 272,546 of the principal.
- On September 09, 2020, WISeKey repaid USD 270,539 of the principal.
- On September 30, 2020, WISeKey repaid USD 250,000 of the principal.
- On October 30, 2020, WISeKey repaid USD 250,000 of the principal.
- On November 30, 2020, WISeKey repaid USD 250,000 of the principal.

The derivative component was measured at fair value at the reporting date at USD nil. Therefore, for the year ended December 31, 2020, WISeKey recorded in the income statement, a net gain on derivative of USD 43,655 and a net debt discount amortization expense of USD 280,736.

Derivative liabilities	**USD'000**
Balance as at December 31, 2018	-
Fair value of the derivative instrument (conversion option)	258
Gain on derivative recognized as a separate line in the statement of loss	(214)
Balance as at December 31, 2019	44
Fair value of the derivative instrument (conversion option)	-
Gain on derivative recognized as a separate line in the statement of loss	(44)
Balance as at December 31, 2020	-

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 8. Restricted cash

Restricted cash as at December 31, 2020 is made up of:

- USD 2.0 million of the consideration for the sale of WISeKey (Bermuda) Holding Ltd (formerly named QV Holdings Ltd) and its affiliates (together “QuoVadis”) in 2019, which is held in an escrow account, and to be released in an amount of up to USD 2.0 million on January 16, 2021 (see Note 40 Subsequent events), and
- A balance of CHF 100,000 (USD 113,085) held by the 51% owned subsidiary WiseAI AG, and corresponding to the payment of the share capital at incorporation which is being held on a blocked account.

Note 9. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at December 31, 2020	As at December 31, 2019
Trade accounts receivable	2,608	3,643
Allowance for doubtful accounts	(42)	(25)
Accounts receivable from shareholders	14	-
Accounts receivable from other related parties	95	119
Accounts receivable from underwriters, promoters, and employees	1	-
Other accounts receivable	224	33
Total accounts receivable net of allowance for doubtful accounts	**2,900**	**3,770**

As at December 31, 2020, accounts receivable from shareholders consisted of a receivable from Dourgam Kummer, a former Board member of the Group and shareholder, relating to outstanding employee social charges for the exercise of ESOP options granted in 2019 (see Notes 32 and 39).

As at December 31, 2020, accounts receivable from other related parties consisted of a receivable from OISTE in relation to the facilities and personnel hosted by WISeKey SA on behalf of OISTE. (see Note 39).

Note 10. Available-for-sale debt security

Convertible Loan with arago

On August 11, 2020 WISeKey entered into a convertible loan agreement with arago GmbH ("**arago**") (the "**arago First Convertible Loan**"), a private German company leader in artificial intelligence automation, to acquire 5% of arago's fully diluted share capital against an investment of CHF 5 million to be paid in five monthly installments of CHF 1 million starting August 12, 2020. The arago First Convertible Loan bore an interest of 5% per annum, did not contain any lender's fees, and had no maturity date. WISeKey or arago could request conversion of the arago Second Convertible Loan into arago shares representing 5% of arago's fully diluted share capital provided that either the full CHF 5 million was paid by WISeKey or that WISeKey had terminated the agreement. On August 12, 2020, WISeKey made an initial payment of CHF 1 million. On September 10, 2020, WISeKey terminated the arago First Convertible Loan and signed a new convertible loan agreement with arago on September 18, 2020 (the "**arago Second Convertible Loan**").

Per arago Second Convertible Loan, WISeKey intends to acquire 5% of arago's fully diluted share capital against an investment of CHF 5 million made up of the CHF 1 million paid on August 12, 2020 and four monthly installments of CHF 1 million starting September 18, 2020. The arago Second Convertible Loan bore an interest of 5% per annum, did not contain any lender's fees, and had no maturity date. WISeKey or arago could request conversion of the arago Second Convertible Loan into arago shares representing 5% of arago's fully diluted share capital once the full CHF 5 million was paid by WISeKey, or, should WISeKey terminate the agreement, the conversion shall take place within the next financing round of arago. On September 21, 2020, WISeKey made a payment of CHF 1 million. On October 09, 2020, WISeKey terminated the arago Second Convertible Loan and signed a new convertible loan agreement with arago on November 18, 2020 (the "**arago Third Convertible Loan**").

Per arago Third Convertible Loan, WISeKey intends to acquire 51% of arago's fully diluted share capital against (i) an investment of CHF 5 million made up of the CHF 1 million paid on August 12, 2020, the CHF 1 million paid on September 21, 2020 and three monthly installments of CHF 1 million starting November 20, 2020 subject to adjustment in accordance with arago's working capital needs, and (ii) a guarantee on arago's existing indebtedness. The arago Third Convertible Loan bore an interest of 5% per annum, did not contain any lender's fees, and had no maturity date. WISeKey can request conversion of the arago Third Convertible Loan into arago shares representing 51% of arago's fully diluted share capital at any time provided that the full CHF 5 million was paid by WISeKey and that WISeKey pays the nominal value of the newly issued shares in cash. In case WISeKey has not exercised its conversion right by December 31, 2020, arago can request the conversion at any time. WISeKey made three payments under the arago Third Convertible Loan as follows:

- CHF 600,000 on November 20, 2020,
- CHF 400,000 on December 01, 2020, and
- CHF 400,000 on December 22, 2020 out of which arago returned EUR 300,000 (CHF 324,708 at historical rate) unrequired funds on December 30, 2020.

Therefore, as at December 31, 2020, WISeKey had paid a total of CHF 3,075,292 (USD 3,477,682) to arago under the arago Third Convertible Loan.

To determine the appropriate accounting treatment for our convertible debt investment, we performed a variable interest entity ("VIE") analysis and concluded that arago does not meet the definition of a VIE. After we reviewed all of the terms of the investment, we concluded the appropriate accounting treatment to be that of an available-for-sale debt security.

The investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. We estimate the fair value of our investment at each reporting date by utilizing an option pricing model, as well as a present value of expected cash flows from the debt security utilizing the risk-free rate and the estimated credit spread as of the valuation date as the discount rate. The valuation analysis utilizes certain key assumptions such as the estimated credit spread, the expected life of the option, and the valuation of arago all of which are significant unobservable inputs and thus represent a Level 3 measurement within the fair value hierarchy. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the investment, which would result in different impacts to our consolidated balance sheet and comprehensive income. Actual results may differ from our estimates. The fair value of the convertible debt investment is recorded in debt securities, at fair value on our consolidated balance sheets.

The table below sets forth the changes in the balance of the convertible debt investment for the years ended December 31, 2020 and 2019.

Available-for sale debt security	**USD'000**
Balance as at December 31, 2018	-
Balance as at December 31, 2019	-
Available-for sale debt security acquired in the year	3,805
Change in unrealized gains related to available-for-sale debt securities recorded in other comprehensive income	5,385
Balance as at December 31, 2020	9,190

Note 11. Inventories

Inventories consisted of the following:

USD'000	**As at December 31, 2020**	**As at December 31, 2019**
Raw materials	543	636
Work in progress	1,931	2,151
Total inventories	**2,474**	**2,787**

In the years ended December 31, 2020, 2019 and 2018, the Group recorded inventory obsolescence charges in the income statement of respectively USD 156,188 USD 26,249 and USD 90,567 on raw materials, and USD 301,215 USD 508,938 and USD 193,213 on work in progress.

Note 12. Other current assets

Other current assets consisted of the following:

USD'000	**As at December 31, 2020**	**As at December 31, 2019**
Value-Added Tax Receivable	762	1,449
Advanced payment to suppliers	43	7
Deposits, current	5	9
Other currrent assets	4	4
Total other current assets	**814**	**1,469**

Note 13. Notes receivable, noncurrent

Notes receivable, noncurrent consisted of the following:

USD'000	As at December 31, 2020	As at December 31, 2019
Long-term receivable from, and loan, to shareholders	144	-
Long-term receivable from, and loan to, other related parties	39	23
Total notes receivable, noncurrent	**183**	**23**

As at December 31, 2020, the noncurrent notes receivable were made up of:

- several loans to employees who are shareholders in relation to the outstanding employee social charges and tax deducted at source for the exercise of their ESOP options (see Note 32). These loans do not bear interest. The total loan amount as at December 31, 2020 was CHF 127,521 (USD 144,207).
- several loans to employees in relation to the outstanding employee social charges for the exercise of their ESOP options (see Note 32). These loans do not bear interest. The total loan amount as at December 31, 2020 was CHF 34,640 (USD 39,172).

As at December 31, 2019, the noncurrent notes receivable consisted of a loan to an employee for CHF 21,780 (USD 22,504), corresponding to the monthly loan amounts of CHF 2,420 per month from April 01, 2019 until December 31, 2019. The loan bears an interest rate of 0.5% per annum. The loan and accrued interest are to be repaid in full on or before December 31, 2021. In exchange for the loan, the employee has pledged the 60,000 ESOP options that he holds on WIHN class B shares (see Note 32).This loan was reclassified as current as at December 31, 2020.

Note 14. Deferred tax credits

Deferred tax credits consisted of the following:

USD'000	As at December 31, 2020	As at December 31, 2019
Deferred research & development tax credits	1,311	2,487
Deferred other tax credits	1	1
Total deferred tax credits	**1,312**	**2,488**

WISeKey Semiconductors SAS and WISeCoin France R&D Lab SAS are eligible for Research tax credits provided by the French government (see Note 4 Summary of significant accounting policies). As at December 31, 2020, and 2019, the receivable balances in respect of these Research tax credits were respectively USD 560,162 and USD 1,934,539 for WISeKey Semiconductors SAS, and USD 750,523 and USD 552,067 for WISeCoin France R&D Lab SAS. The credit is deductible from the entity's income tax charge for the year or payable in cash the following year, whichever event occurs first.

Note 15. Property, plant and equipment

Property, plant and equipment, net consisted of the following.

USD'000	As at December 31, 2020	As at December 31, 2019
Machinery & equipment	3,925	4,029
Office equipment and furniture	2,900	2,505
Computer equipment and licences	1,171	1,069
Total property, plant and equipment gross	7,996	7,603
Accumulated depreciation for:		
Machinery & equipment	(3,290)	(2,508)
Office equipment and furniture	(2,573)	(2,270)
Computer equipment and licences	(1,133)	(1,024)
Total accumulated depreciation	(6,996)	(5,802)
Total property, plant and equipment from continuing operations, net	**1,000**	**1,801**
Depreciation charge from continuing operations for the year	988	821

The depreciation charge from continuing operations for the year 2018 was USD 855,163.

In 2020, WISeKey did not identify any events or changes in circumstances indicating that the carrying amount of any asset may not be recoverable. As a result, WISeKey did not record any impairment charge on Property, plant and equipment in the year 2020.

The useful economic life of property plant and equipment is as follow:

- Office equipment and furniture: 2 to 5 years
- Production masks 5 years
- Production tools 3 years
- Licenses 3 years
- Software 1 year

Note 16. Intangible assets

Intangible assets and future amortization expenses consisted of the following:

USD'000	As at December 31, 2020	As at December 31, 2019
Trademarks	142	130
Patents	2,281	2,281
License agreements	11,626	10,758
Other intangibles	6,641	6,152
Total intangible assets gross	20,690	19,321
Accumulated amortization for:		
Trademarks	(142)	(129)
Patents	(2,281)	(1,683)
License agreements	(11,617)	(10,757)
Other intangibles	(6,641)	(6,152)
Total accumulated amortization	(20,681)	(18,721)
Total intangible assets from continuing operations, net	**9**	**600**
Amortization charge from continuing operations for the year	604	534

The amortization charge from continuing operations for the year 2018 was USD 459,575.

The useful economic life of intangible assets is as follow:

- Trademarks: 5 to 10 years
- Patents 5 to 10 years
- License agreements: 3 to 5 years
- Other intangibles: 5 to 10 years

Future amortization charges are detailed below:

Future estimated aggregate amortization expense from continuing operations		
Year		**USD'000**
	2021	5
	2022	3
	2023	1
Total intangible assets, net		**9**

Note 17. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. As at December 31, 2020, WISeKey holds one finance lease for IT equipment in our datacenter, 9 operating leases, and 4 short-term leases. One of its short-term leases is for a vehicle, whilst all other short-term and operating leases relate to premises. We do not sublease. All of our operating leases include multiple optional renewal periods which are not reasonably certain to be exercised. The finance lease contains an option to purchase the assets at the end of the lease which we have assumed will be exercised and so has been included in the calculation of the right of use asset and lease liability.

We have elected the short-term lease practical expedient related to leases of various premises and equipment. We have elected the practical expedients related to lease classification of leases that commenced before the effective date of ASC 842.

In the years 2020, 2019, and 2018 we recognized rent expenses associated with our leases as follows:

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Finance lease cost:			
Amortization of right-of-use assets	66	31	-
Interest on lease liabilities	12	8	-
Operating lease cost:			
Fixed rent expense	602	567	561
Short-term lease cost	22	63	61
Net lease cost	**702**	**669**	**622**
Lease cost - Cost of sales	-	-	-
Lease cost - General & administrative expenses	702	669	622
Net lease cost	**702**	**669**	**622**

In the years 2020 and 2019, we had the following cash and non-cash activities associated with our leases:

USD'000	As at December 31, 2020	As at December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	106	47
Operating cash flows from operating leases	632	550
Financing cash flows from finance leases	12	8
Non-cash investing and financing activities :		
Net lease cost	702	669
Additions to ROU assets obtained from:		
New finance lease liabilities*	-	321
New operating lease liabilities*	544	3,768

*In line with the new standard ASC 842 “Leases” and its transition guidance, we considered all leases as new leases in 2019.

As at December 31, 2020, future minimum annual lease payments were as follows:

Year	USD'000 Operating	USD'000 Short-term	USD'000 Finance	USD'000 Total
2021	629	4	125	**759**
2022	449	-	64	**513**
2023	357	-	-	**357**
2024	357	-	-	**357**
2025 and beyond	1,201			**1,200**
Total future minimum operating and short-term lease payments	**2,993**	**4**	**189**	**3,186**
Less effects of discounting	(491)	**-**	(3)	(494)
Less effects of practical expedient	-	(4)	-	(4)
Lease liabilities recognized	**2,502**	**-**	**186**	**2,688**

In line with ASU 2018-11, future minimum lease payments under legacy ASC 840 are disclosed in the table below:

Year	USD'000
2021	759
2022	513
2023	357
2024	357
2025 and beyond	1,200
Total future minimum operating and short-term lease payments	**3,186**
Less effects of discounting	(498)
Lease liabilities recognized	**2,688**

As of December 31, 2020, the weighted-average remaining lease term was 1.5 years for our finance lease and 6.58 years for operating leases.

For our finance lease, the implicit rate was calculated as 5.17%. For our operating leases and because we generally do not have access to the implicit rate in the lease, we calculated an estimate rate based upon the estimated incremental borrowing rate of the entity holding the lease. The weighted average discount rate associated with operating leases as of December 31, 2020 was 3.09%.

Note 18. Goodwill

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 01, 2020, the fair value of the net assets of the reporting unit concerned by goodwill was superior to the carrying value of the net assets and goodwill allocated. After October 01, 2020, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2020.
An impairment review has been conducted for the item of goodwill allocated to the reporting unit ("**RU**") relating to the acquisition of WISeKey Semiconductors SAS in 2016. Fair value has been determined based on the income approach. Cash flows have been projected over 5 years from the date of the assessment and have been discounted at the pre-tax weighted average cost of capital of the RU. The fair value is higher than its carrying value. The WISeKey Semiconductors SAS RU has a negative carrying amount.

USD'000	IoT Segment	mPKI Segment	Total
Goodwill balance as at December 31, 2018	**8,317**	**-**	**8,317**
Goodwill acquired during the year	-	-	-
Impairment losses	-	-	-
As at December 31, 2019			
Goodwill	8,317	-	8,317
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2019	**8,317**	**-**	**8,317**
Goodwill acquired during the year	-	-	-
Impairment losses	-	-	-
As a December 31, 2020			
Goodwill	8,317	-	8,317
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2020	**8,317**	**-**	**8,317**

The assumptions included in the impairment tests require judgment, and changes to these inputs could impact the results of the calculations. Other than management's projections of future cash flows, the primary assumptions used in the impairment tests were the weighted-average cost of capital and long-term growth rates. Although the Group's cash flow forecasts are based on assumptions that are considered reasonable by management and consistent with the plans and estimates management is using to operate the underlying businesses, there are significant judgments in determining the expected future cash flows attributable to a reporting unit.

Note 19. Equity securities, at cost

Warrant agreement in Tarmin

On September 27, 2018 WISeKey purchased a warrant agreement in Tarmin Inc. from ExWorks as part of the eleventh amendment of the ExWorks Credit Agreement (see Note 25). As a result, WISeKey entered into a warrant agreement with Tarmin Inc ("**Tarmin**") (the "**Tarmin Warrant**"), a private Delaware company, leader in data & software defined infrastructure to acquire 22% of common stock deemed outstanding at the time of exercise. The warrant may be exercised in parts or in full, at an exercise price of USD 0.01 per share at nominal value USD 0.0001. The purchase price of the Tarmin Warrant was USD 7,000,000, of which USD 3,000,000 was paid in cash on October 05, 2018 and the remaining USD 4,000,000 was paid on April 08, 2019.
The Tarmin Warrant was assessed as an equity investment without a readily determinable fair value and we elected the measurement at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer as permitted by ASU 2016-01. As such, the Tarmin Warrant was initially recognized on the balance sheet at USD 7,000,000.
As at December 31, 2020, we performed a qualitative assessment to consider potential impairment indicators. We made reasonable efforts to identify any observable transactions of identical or similar investments, but did not identify any such transaction. Although there are positive indicators on the business performance of Tarmin, we identified a deterioration in the earnings performance and liquidity position and, as a result, assessed that the asset should be fully impaired. Therefore, we recorded an impairment loss of the full USD 7,000,000 carrying value of Tarmin in 2020, included in non-operating expenses in the income statement (see Note 34). The carrying value of the Tarmin Warrant as at December 31, 2020 was USD nil.

Note 20. Equity securities, at fair value

On March 29, 2017, the Group announced that the respective boards of directors of WISeKey and OpenLimit Holding AG (DE: O5H) ("OpenLimit") had decided that discussions in relation to a possible merger transaction between WISeKey and OpenLimit as previously announced on July 25, 2016 were not being further pursued. The interim financing provided by WISeKey to OpenLimit in a principal amount of EUR 750,000 was, in accordance with applicable terms of a convertible loan agreement, converted into OpenLimit Shares issued by

OpenLimit out of its existing authorized share capital. The conversion price was set at 95% of the volume weighted average price ("**VWAP**") of the OpenLimit shares traded on the Frankfurt stock exchange as reported by the Frankfurt stock exchange for the ten trading days immediately preceding and including March 29, 2017. WISeKey received 2,200,000 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis. The effective conversion ratio was EUR 0.3409 per share. The equity securities were fair valued at market price on the date of the transaction to USD 846,561.
As at December 31, 2020, the fair value was recalculated using the closing market price on the XETRA of EUR 0.112 (USD 0.137) and amounted to USD 301,301. The difference of USD 454,501 from the fair value at December 31, 2019 (USD 755,802) was accounted for in the income statement as a non-operational expense.

Note 21. Other noncurrent assets

Other noncurrent assets consisted of noncurrent deposits. Deposits are primarily made up of rental deposits on the premises rented by the Group.

Note 22. Accounts payable

The accounts payable balance consisted of the following:

USD'000	As at December 31, 2020	As at December 31, 2019
Trade creditors	4,608	5,482
Factors or other financial institutions for borrowings	178	888
Accounts payable to Board Members	1,580	117
Accounts payable to other related parties	172	2
Accounts payable to underwriters, promoters, and employees	2,985	2,229
Other accounts payable	3,576	1,995
Total accounts payable	**13,099**	**10,713**

As at December 31, 2020, accounts payable to Board Members are made up of accrued salaries and bonus of CHF 1,397,135 (USD 1,579,945) payable to Carlos Moreira (see Note 39 for detail).
As at December 31, 2020, accounts payable to other related parties are made up of a CHF 151,992 (USD 171,879) payable to OISTE (see Note 39 for detail).

Accounts payable to employees consist primarily of holiday, bonus and 13th month accruals across WISeKey. As at December 31, 2020, Accounts payable to underwriters, promoters, and employees.

Other accounts payable are mostly amounts due or accrued for professional services (e.g. legal, accountancy, and audit services) and accruals of social charges in relation to the accrued liability to employees.

Note 23. Notes payable

Notes payable consisted of the following:

USD'000	As at December 31, 2020	As at December 31, 2019
Short-term loan	4,030	4,022
Short-term loan from shareholders	85	82
Total notes payable	**4,115**	**4,104**

As at December 31, 2020, the current notes payable balance was made up of:
- a USD 4,030,000 short-term loan with ExWorks (see detail in Note 25).
- short-term loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 84,721 at closing rate (USD 82,268 as at December 31, 2019). These loans do not bear interests.

The weighted–average interest rate on current notes payable, excluding loans from shareholders at 0%, was respectively 10% and 10% per annum as at December 31, 2020 and 2019.

Note 24. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2020	As at December 31, 2019
Value-Added Tax payable	312	706
Other tax payable	137	65
Customer contract liability, current	367	255
Other current liabilities	289	278
Total other current liabilities	**1,105**	**1,304**

Note 25. Loans and line of credit

Share Subscription Facility with GEM LLC

On January 19, 2016 the Group closed a Share Subscription Facility ("**the GEM Facility**") with GEM LLC, (Global Equity Markets, "**GEM**"), which is a CHF 60 million facility over 5 years and allows the Group to draw down funds at its option in exchange for WIHN class B shares. The mechanics of the deal allow for a drawdown essentially 18 times in a year, the amount being in a range related to the trading volume and price of the WIHN class B share trading on the Swiss SIX Stock Exchange. The drawdown amount is based on 90% of the average closing price of the last 15 trading days multiplied by 1,000% of the average volume of the last 15 trading days. GEM can then elect to purchase between 50% and 200% of this figure.

The instrument was assessed under ASC 815 as an equity instrument. The drawdowns were reflected as increases in Common Share Capital with an increase in the value of common stock issued and the difference between the nominal value of the shares and the funds received being recorded against Additional Paid-In Capital ("**APIC**").
In 2017, WISeKey made three drawdowns for a total of CHF 3,905,355 in exchange for a total of 825,000 WIHN class B shares issued out of authorized share capital.
There were no drawdowns made in 2018, 2019, nor in 2020.

Therefore, as at December 31, 2020 the outstanding facility available is CHF 56,094,645.

Standby Equity Distribution Agreement with YA II PN, Ltd.

On February 08, 2018 WISeKey entered into a Standby Equity Distribution Agreement ("**SEDA**") with YA II PN, Ltd., a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**"). Under the terms of the SEDA as amended, Yorkville has committed to provide WISeKey, upon a drawdown request by WISeKey, up to CHF 50,000,000 in equity financing originally over a period of three-year period ending March 01, 2021, now over a period of five years ending March 31, 2023 in line with the amendment signed by the parties on March 04, 2020. Provided that a sufficient number of class B shares is provided through share lending, WISeKey has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the class B shares are issued out of authorized share capital) or purchase (if the class B shares are delivered out of treasury) class B shares worth up to CHF 5,000,000 by drawdown, subject to certain exceptions and limitations (including the exception that a drawdown request by WISeKey shall in no event cause the aggregate number of class B shares held by Yorkville to meet or exceed 4.99% of the total number of shares registered with the commercial register of the Canton of Zug). The purchase price will be 93% of the relevant market price at the time of the drawdown, determined by reference to a ten-day trading period following the draw down request by WISeKey.

The instrument was assessed under ASC 815 as an equity instrument. WISeKey paid a one-time commitment fee of CHF 500,000 (USD 524,231 at historical rate) on April 24, 2018 in 100,000 WIHN class B shares. In line with ASU 2015-15 the commitment fee was capitalized as deferred charges to be amortized over the original duration of the contract as a reduction of equity.
In 2018, WISeKey made 4 drawdowns for a total of CHF 1,749,992 (USD 1,755,378 at historical rate) in exchange for a total of 540,539 WIHN class B shares issued out of authorized share capital or treasury share capital.

In 2020, WISeKey made the following drawdowns:

- On April 16, 2020 one drawdown for CHF 250,000 (USD 259,250 at historical rate) in exchange for 306,372 WIHN class B shares issued out of treasury share capital.
- On May 15, 2020 one drawdown for CHF 249,433 (USD 256,417 at historical rate) in exchange for 343,572 WIHN class B shares issued out of treasury share capital.
- On July 14, 2020 one drawdown for CHF 72,313 (USD 76,652 at historical rate) in exchange for 74,396 WIHN class B shares issued out of treasury share capital.
- On July 16, 2020 one drawdown for CHF 62,500 (USD 66,250 at historical rate) in exchange for 61,035 WIHN class B shares issued out of treasury share capital.
- On August 5, 2020 one drawdown for CHF 250,000 (USD 275,000 at historical rate) in exchange for 198,255 WIHN class B shares issued out of treasury share capital.

- On September 9, 2020 one drawdown for CHF 250,000 (USD 275,000 at historical rate) in exchange for 182,215 WIHN class B shares issued out of treasury share capital.

The amortization charge for the capitalized fee recognized in APIC amounted to USD 184,134 for the year to December 31, 2020 and the remaining deferred charge balance was USD 30,188 which was all current.
As at December 31, 2020 the outstanding equity financing available was CHF 46,007,830.

Facility Agreement with YA II PN, Ltd.

On September 28, 2018 WISeKey entered into short-term Facility Agreement (the "**Yorkville Loan**") with Yorkville to borrow USD 3,500,000 repayable by May 01, 2019 in monthly cash instalments starting in November 2018. The loan bears an interest rate of 4% per annum payable monthly in arrears. A fee of USD 140,000 and debt issuance costs of USD 20,000 paid at inception.
The debt instrument was assessed as a term debt. A discount of USD 160,000 was recorded at inception and will be amortized using the effective interest method over the life of the debt.
The remaining loan balance at December 31, 2018 was USD 2,717,773 including unamortized debt discount of USD 57,007.

The discount amortization expense recorded for the period to December 31, 2018 was USD 102,993.
In the period to December 31, 2018, WISeKey repaid USD 725,220 of the principal loan amount in cash.

On June 27, 2019, WISeKey entered into a Convertible Loan Agreement (the "**Yorkville Convertible Loan**") with Yorkville to borrow USD 3,500,000 repayable by August 01, 2020 in monthly instalments starting in August 01, 2019 either in cash or in WIHN class B Shares. The loan bears an interest rate of 6% per annum payable monthly in arrears. Total fees of USD 160,000 were paid at inception.
The conversion option into WIHN Class B shares is exercisable at the election of Yorkville and may be exercised at each monthly repayment date, covering any amount outstanding, be it principal and/or accrued interests. The initial exercise price is set at CHF 3.00 per WIHN class B Share but may be adjusted as a result of specific events so as to prevent any dilutive effect. The events triggering anti-dilution adjustments are: (a) increase of capital by means of capitalization of reserves, profits or premiums by distribution of WIHN Shares, or division or consolidation of WIHN Shares, (b) issue of WIHN shares or other securities by way of conferring subscription or purchase rights, (c) spin-offs and capital distributions other than dividends, and (d) dividends.

At the date of inception of the Yorkville Convertible Loan, on June 27, 2019, an unpaid balance of USD 500,000 remained on the Yorkville Loan. There was no unamortized debt discount on the Yorkville Loan as it was amortized in accordance with the planned repayment schedule, i.e. by May 01, 2019.
In line with ASC 470-50, we compared the present value of the new debt (the Yorkville Convertible Loan) to the present value of the old debt (the Yorkville Loan) using the net method and concluded that the difference was below the 10% threshold. Therefore the Yorkville Convertible Loan was analyzed as a debt modification and accounted for under ASC 470-50-40-14.

In line with ASU 2014-16, the convertible note was assessed as a hybrid instrument, being a debt instrument with an equity-linked component (the conversion option). Per ASC 815-10, the embedded conversion option met the definition of a derivative and was accounted for separately, thereby creating a debt discount.
The derivative liability component (the conversion option) was fair valued using a binomial lattice model, building in quoted market prices of WIHN class B shares, and inputs such as time value of money, volatility, and risk-free interest rates. It was valued at inception at USD 257,435, and was allocated between current and noncurrent on a prorata temporis basis according to the monthly repayment schedule. The derivative component will be revalued at fair value at each reporting date in line with ASC 815-15-30-1.

On the date of the agreement, WISeKey signed an option agreement granting Yorkville the option to acquire up to 500,000 WIHN class B shares at an exercise price of CHF 3.00, exercisable between June 27, 2019 and June 27, 2022. In order to prevent any dilutive effect, the exercise price may be adjusted as a result of the same specific events listed above as adjustments to the conversion price of the principal amount. In line with ASC 470-20-25-2, the proceeds from the convertible debt with a detachable warrant was allocated to the two elements based on the relative fair values of the debt instrument net of the warrant and the embedded conversion separated out on the one side, and the warrant at time of issuance on the other side. The option agreement was assessed as an equity instrument and was fair valued at grant for an amount of USD 373,574 using the Black-Scholes model and the market price of WIHN class B shares on the date of grant, June 27, 2019, of CH 2.35. The fair value of the debt was calculated using the discounted cash flow method as USD 3,635,638. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of USD 326,126, and the credit entry was booked in APIC.

As a result of the above accounting entries, the total debt discount recorded at inception was USD 743,561, made up of USD 160,000 fees to Yorkville, USD 257,435 from the bifurcation of the embedded conversion option into derivative liabilities, and USD 326,126 from the recognition of the warrant agreement.

On March 04, 2020, WISeKey entered into the Second Yorkville Convertible Loan with Yorkville to borrow USD 4,000,000 repayable by April 30, 2021 in monthly instalments starting on March 30, 2020 either in cash or in WIHN class B Shares. The loan bears an interest rate of 6% per annum payable monthly in arrears. Total fees of USD 68,000 will be paid in monthly instalments over the life of the loan.
The conversion option into newly issued or existing WIHN Class B shares is exercisable at the election of Yorkville and may be exercised at any time until all amounts have been repaid in full, covering any amount outstanding, be it principal and/or accrued interests. The initial exercise price is set at CHF 3.00 per WIHN class B Share but may be adjusted as a result of specific events so as to prevent any dilution effect. The events triggering anti-dilution adjustments are: (a) increase of capital by means of capitalization of reserves, profits or premiums

by distribution of WIHN Shares, or division or consolidation of WIHN Shares, (b) issue of WIHN shares or other securities by way of conferring subscription or purchase rights, (c) spin-offs and capital distributions other than dividends, and (d) dividends.

At the date of inception of the Second Yorkville Convertible Loan on March 04, 2020, an unpaid balance of USD 2,300,000 and an unamortized debt discount of USD 104,469 remained on the Yorkville Convertible Loan.
Per ASC 470-50, we compared the present value of the new debt (the Second Yorkville Convertible Loan) to the present value of the old debt (the Yorkville Convertible Loan) using the net method and concluded that the difference was below the 10% threshold. Therefore, the Second Yorkville Convertible Loan was analyzed as a debt modification and accounted for under ASC 470-50-40-14.

In line with ASU 2014-16, the convertible note was assessed as a hybrid instrument, being a debt instrument with an equity-linked component (the conversion option). Per ASC 815-10, the embedded conversion option met the definition of a derivative and was accounted for separately, thereby creating a debt discount.
The derivative liability component (the conversion option) was fair valued using a binomial lattice model, building in quoted market prices of WIHN class B shares, and inputs such as time value of money, volatility, and risk-free interest rates. It was valued at inception at USD nil. The derivative component will be revalued at fair value at each reporting date in line with ASC 815-15-30-1 and will be allocated between current and noncurrent on a prorata temporis basis according to the monthly repayment schedule (see Note 6).

In 2020, WISeKey's repayments amounted to a total of USD 2,307,021. As at December 31, 2020, the principal amount outstanding was USD 1,692,979 with an unamortized debt discount of USD 82,560, and the derivative component measured at fair value at the reporting date at USD nil. No conversion rights were exercised in 2020.
For the year ended December 31, 2020, WISeKey recorded in the income statement a net loss on derivative of USD 43,655 and a debt discount amortization expense of USD 280,736.

Convertible Loan with Crede CG III, Ltd

On September 28, 2018 the Group closed a Convertible Loan Agreement (the "**Crede Convertible Loan**") with Crede for an amount of USD 3,000,000. The funds were made available on October 31, 2018. The loan bears a 10% p.a. interest rate, payable in arrears on a quarterly basis starting December 31, 2018, and is repayable in WIHN class B shares any time between November 30, 2018 and the maturity date of September 28, 2020, at Crede's election. Accrued interests are payable, at WISeKey's sole election, either in cash or in WIHN class B Shares. The conversion price applicable to the prepayment of the principal amount or accrued interest is calculated as 93% of the average of the 2 lowest daily volume-weighted average prices quoted on the SIX Stock Exchange during the 10 Trading Days immediately preceding the relevant conversion date or interest payment date respectively, disregarding any day on which Crede (or its Affiliates or related party) has effected any trade, converted into USD at the exchange rate reported by Bloomberg at 9 a.m. Swiss time on the relevant conversion date or interest payment date.

Due to Crede's option to convert the loan in part or in full at any time before maturity, the Crede Convertible Loan was assessed as a share-settled debt instrument with an embedded put option. Because the value that Crede will receive at settlement does not vary with the value of the shares, the settlement provision is not considered a conversion option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the Crede Convertible Loan was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

On the date of the agreement, WISeKey signed an option agreement granting Crede the option to acquire up to 408,247 WIHN class B shares at an exercise price of CHF 3.84, exercisable between October 31, 2018 and October 29, 2021. Per the option agreement's term, the date of grant under US GAAP is October 29, 2018 upon issuance of a Tax Ruling from the Swiss Federal Tax Administration and the Zug tax authority. In line with ASC 470-20-25-2, the proceeds from the convertible debt with a detachable warrant was allocated to the two elements based on the relative fair values of the debt instrument without the warrant and of the warrant at time of issuance. The option agreement was assessed as an equity instrument and was fair valued at grant for an amount of USD 408,056 using the Black-Scholes model and the market price of WIHN class B shares on the date of grant, October 29, 2018, of CH 3.06. The fair value of the debt was calculated using the discounted cash flow method as USD 2,920,556. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of USD 367,771, and the credit entry was booked in APIC.

In 2020, Crede issued three exercise notices, resulting in the following conversions:

- On January 10, 2020 for 150,000 WIHN class B shares delivered on January 14, 2020 for a conversion of USD 259,436.
- On April 03, 2020 for 200,428 WIHN class B shares delivered on April 06, 2020 for a conversion of USD 152,490.
- On June 15, 2020 for 970,555 WIHN class B shares delivered on June 18, 2020 for a final conversion of USD 816,974.

The loan was fully converted after the last conversion on June 18, 2020. Therefore, there were no outstanding balance on this loan as at December 31, 2020.
For the year to December 30, 2020, the Group recorded a net debt discount amortization expense in the income statement of USD 29,055.

Credit Agreement with ExWorks Capital Fund I, L.P

On April 04, 2019 WISeCoin AG ("**WISeCoin**"), an affiliate of the Company, signed a credit agreement with ExWorks. Under this credit agreement, WISeCoin was granted a USD 4,000,000 term loan and may add up to USD 80,000 accrued interest to the loan principal, hence a maximum loan amount of USD 4,080,000. The loan bears an interest rate of 10% p.a. payable monthly in arrears. The maturity date of the

arrangement is April 04, 2020 therefore all outstanding balances are classified as current liabilities in the balance sheet. ExWorks can elect to have part of or all of the principal loan amount and interests paid either in cash or in WISeCoin Security Tokens (the "**WCN Token**") as may be issued by WISeCoin from time to time. As at June 30, 2019, the conversion price is set at CHF 12.42 per WCN Token based on a non-legally binding term sheet.
Under the terms of the credit agreement, WISeCoin is required to not enter into agreements that would result in liens on property, assets or controlled subsidiaries, in indebtedness other than the exceptions listed in the credit agreement, in mergers, consolidations, organizational changes except with an affiliate, contingent and third party liabilities, any substantial change in the nature of its business, restricted payments, insider transactions, certain debt payments, certain agreements, negative pledge, asset transfer other than sale of assets in the ordinary course of business, or holding or acquiring shares and/or quotas in another person other than WISeCoin R&D. Furthermore, WISeCoin is required to maintain its existence, pay all taxes and other liabilities.
Borrowings under the line of credit are secured by first ranking security interests on all material assets and personal property of WISeCoin, and a pledge over the shares in WISeCoin representing 90% of the capital held by the Company. Under certain circumstances, additional security may be granted over the intellectual property rights of WISeCoin and WISeCoin R&D, and the shares held by WISeCoin in WISeCoin R&D.
Total debt issue costs of USD 160,000 were recorded as debt discount and amortized over the duration of the loan.

In the year 2020, WISeKey recorded a total debt amortization charge of USD 8,657 and the debt discount was fully amortized as at December 31, 2020.
As at December 31, 2020, the loan had not been repaid and the outstanding borrowings were USD 4,030,000, meaning that the loan is past due under the terms of the credit agreement with ExWorks. The Company is currently in negotiation with ExWorks regarding a potential sale of its investment in Tarmin, a Company in which ExWorks is also a significant shareholder. It is the view of the management of the Company that the sale of the investment in Tarmin and the repayment of the credit agreement are codependent and therefore the loan will be repaid at such time as the investment is sold. ExWorks continues to charge interest on the loan at the rate of 10% p.a. and has not launched any formal recovery proceedings as of the date of this report.

Credit Agreement with Long State Investment Limited

On December 16, 2019, WISeKey entered into a Convertible Term Loan Facility Agreement (the **"LSI Convertible Facility"**) with Long State Investment Limited (**"LSI"**), a Hong Kong-based investment company, to borrow up to CHF 30 million. Under the terms of the LSI Convertible Facility, WISeKey will be able to drawdown individual term loans of up to CHF 500,000 or, if so agreed between the parties, up to CHF 2.5 million at an interest rate of 1.5% p.a., up to an aggregate amount of CHF 30 million over a commitment period of 24 months. LSI will have the right to convert a drawdown tranche into WIHN class B shares or, if so agreed among the parties and permitted by law, into American Depositary Shares (**"ADSs"**) representing WIHN class B shares, within a period of 21 SIX trading days after each individual drawdown at 95% of the higher of (i) the then prevailing market rate and (ii) the minimum conversion price of CHF 1.80. Any term loan not converted by LSI initially will automatically convert into WIHN class B shares, or ADSs, 20 SIX trading days before the expiration of the commitment period at the applicable conversion price. Under certain circumstances, interest payments may be "paid in kind" by capitalizing such interest and adding to it the aggregate principal balance of the loan outstanding.
Under the arrangement, WISeKey and LSI plan to establish a Joint Venture in Hong Kong in the first quarter of 2020 to focus on business opportunities in Asia. A memorandum of understanding has been executed between WISeKey and LSI to that effect.

Due to LSI's option to convert the loan in part at each drawdown before maturity, the LSI Convertible Facility was assessed as a debt instrument with an embedded put option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the LSI Convertible Facility will be accounted for as a liability measured at fair value using the discounted cash flow method for each term loan (corresponding to each drawdown).
Total debt issue costs amounting to CHF 56,757 in legal fees and expense allowance were paid by WISeKey in 2019 and 2020, and a commitment fee payable in 400,000 WIHN class B shares was settled on January 23, 2020 with a fair value of CHF 759,200 based on the market price of the WIHN shares at settlement. The debt issue costs and commitment fee will be recorded as a debt discount proportionately to each drawdown. However, as at December 31, 2020, WISeKey had not yet drawn down on the LSI Convertible Facility, therefore, in application of ASC 340-10-S99-1, WISeKey accounted for the debt issue costs of CHF 56,757 and the commitment fee of CHF 759,200 as a deferred asset to be amortized on a straight-line basis over the access period of the LSI Convertible Facility.

In 2020, WISeKey did not make any drawdowns under the LSI Convertible Facility.
The amortization charge for the capitalized costs and fee recognized in APIC amounted to CHF 443,484 (USD 472,754) for the year to December 31, 2020 and the remaining deferred charge balance was CHF 372,473 (USD 421,210) which was all current.
As at December 31, 2020 the outstanding LSI Convertible Facility available was CHF 30.0 million (USD 33.9 million).

Loan Agreements with UBS SA

On March 26, 2020, two members of the Group entered into the Covid loans to borrow funds under the Swiss Government supported COVID-19 Credit Facility with UBS SA. Under the terms of the Agreement, UBS has lent such Group members a total of CHF 571,500. The loans are repayable in full by March 30, 2028, as amended, being the eight anniversary of the date of deposit of the funds by UBS. Semi-annual repayments should start by March 31, 2022 and will be spread on a linear basis over the remaining term. The full repayment of the loans is permitted at any time. The interest rate is determined by Swiss COVID-19 Law and currently the Covid loans carry an interest rate of 0%. There were no fees or costs attributed to the Covid loans and as such there is no debt discount of debt premium associated with the loan facility.

Under the terms of the loans, the relevant companies are required to use the funds solely to cover the liquidity requirements of the Company. In particular, the Company cannot use the funds for the distribution of dividends and directors' fees as well as the repayment of capital contributions, the granting of active loans; refinancing of private or shareholder loans; the repayment of intra-group loans; or the transfer of guaranteed loans to a group company not having its registered office in Switzerland, whether directly or indirectly linked to applicant.

As at December 31, 2020, the outstanding balance on the loans was CHF 571,500 (USD 646,278).

Credit Agreement with Nice & Green SA

On May 18, 2020, the Group entered into the Nice & Green Facility, an Agreement for the Issuance and Subscription of Convertible Notes with Nice & Green pursuant to which WISeKey has the right to draw down up to a maximum of CHF 10 million during a commitment period of 24 months commencing on May 20, 2020, in up to 25 tranches based upon 60% of the traded volume of the WIHN class B share on the SIX Swiss Stock Exchange over the 5 trading days preceding the subscription date. Each tranche is divided into 25 convertible notes that do not bear interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN class B shares within a period of 12 months from issuance (the "**Nice & Green Conversion Period**"). Conversion takes place upon request by Nice & Green during the Nice & Green Conversion Period, but in any case no later than at the expiry of the Nice & Green Conversion Period, at a conversion price of 95% of the lowest daily volume-weighted average price of a WIHN class B share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date.

Due to Nice & Green's option to convert the loan in part at any time before maturity, and as there is no limit on the number of shares to be delivered, the Nice & Green Facility was assessed as a share-settled debt instrument with an embedded put option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the Nice & Green Facility will be accounted for as a liability measured at cost for each term loan (corresponding to each drawdown).

Per the terms of the Nice & Green Facility, WISeKey pays to Nice & Green, in cash, a commitment fee of 5% of the amount of each subscription which will be recorded as a debt discount against each subscription (principal). Nice & Green also undertake to pay to WISeKey an incentive fee equal to 10% of the positive difference between the net capital gain and the net capital loss generated by Nice & Green on the sales of WIHN class B shares. The incentive fee income is recorded in the income statement in other non-operating income (see Note 33).

During the year to December 31, 2020, the Group made a total of six subscriptions under the terms of the agreement as follows:

- On June 17, 2020 for CHF 1,931,355 (USD 2,029,927 at historical rate).
- On July 22, 2020 for CHF 1,239,226 (USD 1,333,867 at historical rate).
- On August 17, 2020 for CHF 2,521,308 (USD 2,783,403 at historical rate).
- On September 18, 2020 for CHF 1,075,000 (USD 1,181,972 at historical rate).
- On October 22, 2020 for CHF 1,075,000 (USD 1,184,872 at historical rate).
- On November 20, 2020 for CHF 1,075,000 (USD 1,179,242 at historical rate).

In 2020, Nice & Green issued a total of eleven conversion notices, resulting in the following conversions:

- On June 18, 2020 for 2,313,000 WIHN class B shares delivered on June 18, 2020 for a conversion of CHF 1,931,355 (USD 2,030,992 at historical rate).
- On July 30, 2020 for 676,941 WIHN class B shares delivered on July 30, 2020 for a conversion of CHF 793,105 (USD 869,571 at historical rate).
- On August 6, 2020 for 346,555 WIHN class B shares delivered on August 6, 2020 for a conversion of CHF 446,121 (USD 489,965 at historical rate).
- On August 24, 2020 for 115,722 WIHN class B shares delivered on August 24, 2020 for a conversion of CHF 201,705 (USD 221,441 at historical rate).
- On September 11, 2020 for 143,971 WIHN class B shares delivered on September 11, 2020 for a conversion of CHF 201,705 (USD 221,837 at historical rate).
- On September 15, 2020 for 427,340 WIHN class B shares delivered on September 15, 2020 for a conversion of CHF 504,262 (USD 555,103 at historical rate).
- On September 21, 2020 for 427,340 WIHN class B shares delivered on September 21, 2020 for a conversion of CHF 504,262 (USD 550,300 at historical rate).
- On September 29, 2020 for 927,804 WIHN class B shares delivered on September 29, 2020 for a conversion of CHF 1,008,523 (USD 1,094,600 at historical rate).
- On October 12, 2020 for 1,081,740 WIHN class B shares delivered on October 12, 2020 for a conversion of CHF 1,175,852 (USD 1,292,574 at historical rate).
- On November 5, 2020 for 1,158,405 WIHN class B shares delivered on November 5, 2020 for a conversion of CHF 1,075,000 (USD 1,185,993 at historical rate).
- On November 24, 2020 for 1,069,651 WIHN class B shares delivered on November 24, 2020 for a conversion of CHF 1,075,000 (USD 1,178,545 at historical rate).

During the year to December 31, 2020, debt discount in the amount of CHF 12,101 (USD 12,900) was amortized to the income statement, whilst CHF 433,743 (USD 490,497) was booked to APIC as per ASC 470-02-40-4. There was no unamortized debt discount outstanding at December 31, 2020.

As at December 31, 2020, the outstanding Nice & Green Facility available was CHF 1,083,111 (USD 1,224,832) and there were no unconverted outstanding loan amounts.

New Convertible Loan with Crede CG III, Ltd

On August 07, 2020, WISeKey entered into the New Crede Convertible Loan with Crede for an amount of USD 5 million. The funds were made available on September 23, 2020. The loan bears a 5% p.a. interest rate, payable in arrears on a quarterly basis starting September 30, 2020, and is repayable in WIHN class B shares any time between September 23, 2020 and the maturity date of August 07, 2022, at Crede's election. Accrued interests are payable, at WISeKey's sole election, either in cash or in WIHN class B shares. The conversion price applicable to the prepayment of the principal amount or accrued interest is calculated as 92% of the lowest daily volume weighted average share prices quoted on the SIX Stock Exchange during the 10 trading days immediately preceding the relevant conversion date or interest payment date respectively, disregarding any day on which Crede (or its Affiliates or related party) has effected any trade, converted into USD at the exchange rate reported by Bloomberg at 9 a.m. Swiss time on the relevant conversion date or interest payment date.

Due to Crede's option to convert the loan in part or in full at any time before maturity, the New Crede Convertible Loan was assessed as a share-settled debt instrument with an embedded put option. Because the value that Crede will receive at settlement does not vary with the value of the shares, the settlement provision is not considered a conversion option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the New Crede Convertible Loan was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

On the date of the New Crede Convertible Loan, WISeKey signed an option agreement granting Crede the option to acquire up to 1,675,885 WIHN class B shares at an exercise price set initially at CHF 1.65 but revised down to CHF 1.375 in an amendment signed by both parties on September 18, 2020, exercisable between September 24, 2020 and September 14, 2023. Per the option agreement's term, the date of grant under US GAAP is September 14, 2020 upon issuance of a Tax Ruling from the Swiss Federal Tax Administration and the Zug tax authority. In line with ASC 470-20-25-2, the proceeds from the convertible debt with a detachable warrant was allocated to the two elements based on the relative fair values of the debt instrument without the warrant and of the warrant at time of issuance. The option agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 866,046 using the Black-Scholes model and the market price of WIHN class B shares on the date of the amendment, September 18, 2020, of CHF 1.25. The fair value of the debt was calculated using the discounted cash flow method as USD 5,387,271. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of USD 692,469, and the credit entry was booked in APIC.

In 2020, Crede issued two exercise notices under the New Crede Convertible Loan, resulting in the following conversions:

- On November 20, 2020 for 220,143 WIHN class B shares delivered on November 25, 2020 for a conversion of USD 219,680.
- On December 18, 2020 for 549,190 WIHN class B shares delivered on December 23, 2020 for a conversion of USD 565,200.

As at December 31, 2020, the principal amount outstanding under the New Crede Convertible Loan was USD 4,215,120, with unamortized debt discount of USD 504,855. For the year to December 31, 2020, the Group recorded a net debt discount amortization expense in the income statement of USD 90,901.

Credit Agreement with GLOBAL TECH OPPORTUNITIES 8

On December 08, 2020, WISeKey entered into the GTO Facility, an Agreement for the Issuance and Subscription of Convertible Notes with GTO, pursuant to which GTO commits to grant a loan to WISeKey for up to a maximum amount of CHF 15.5 million divided into tranches of variable sizes, during a commitment period of 18 months ending June 09, 2022. The dates and amounts of the first 3 tranches were agreed in advance in the GTO Facility agreement; for the remaining facility, GTO has the right to request the subscription of 2 tranches, all other tranches are to be subscribed for by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes of CHF 10,000 each that do not bear interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN class B shares within a period of 12 months from issuance (the "**GTO Conversion Period**"). Conversion takes place upon request by GTO during the GTO Conversion Period, but in any case no later than at the expiry of the GTO Conversion Period, at a conversion price of the higher of (i) CHF 0.05 and (ii) 97% of the average of the 5 lowest closing volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 20 trading days preceding the relevant conversion date.

Due to GTO's option to convert the loan in part or in full at any time before maturity, the GTO Facility was assessed as a share-settled debt instrument with an embedded put option. Because the value that GTO will receive at settlement does not vary with the value of the shares, the settlement provision is not considered a conversion option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the GTO Facility was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Debt issue costs made up of legal expenses of commitment fee of CHF 697,500, representing 4.5% of the maximum GTO Facility, were due to GTO at inception, payable throughout the commitment period but no later than June 08, 2022. At inception on December 08, 2020, in application of ASC 340-10-S99-1, WISeKey accounted for the debt issue costs of and the commitment fee of CHF 697,500 as a deferred asset to be amortized on a straight-line basis over the commitment period (access period) of the GTO Facility. Upon subscription of each tranche, the debt issue costs and commitment fee are recorded as a debt discount proportionately to each tranche amount.

Additionally, per the terms of the GTO Facility, upon each tranche subscription, WISeKey will grant GTO the option to acquire WIHN class B shares at an exercise price of the higher of (a) 120% of the 5-trading day VWAP of the WIHN class B shares on the SIX Swiss Stock Exchange over the 5 trading days immediately preceding the relevant subscription request and (b) CHF 1.50 (the "**GTO Warrant Exercise Price**"). The number of options granted at each tranche subscription is calculated as 15% of the principal amount of each Tranche divided by the GTO Warrant Exercise Price. Each warrant agreement has a 5-year exercise period starting on the relevant subscription date. In line with ASC 470-20-25-2, for each subscription, the proceeds from the convertible notes with a detachable warrant were allocated to the two elements based on the relative fair values of the debt instrument without the warrant and of the warrant at time of issuance. When assessed as an equity instrument, the option agreement is fair valued at grant using the Black-Scholes model and the market price of WIHN class B shares on the date of the subscription. The fair value of the debt is calculated using the discounted cash flow method.

During the year to December 31, 2020, the Group made a total of three subscriptions under the terms of the GTO Facility as follows:

- On December 09, 2020 for convertibles notes in the amount CHF 750,000 (USD 842,302 at historical rate). The funds were received on December 11, 2020. On December 09, 2020, in line with the terms of the GTO Facility, WISeKey issued GTO with 75,000 warrants on WIHN class B shares at an exercise price of CHF 1.50. The option agreement was assessed as an equity instrument and was fair valued at grant at an amount of CHF 30,000 (USD 33,692) using the Black-Scholes model and the market price of WIHN class B shares on the date of grant of CHF 0.99. The fair value of the debt was calculated using the discounted cash flow method as CHF 726,445 (USD 815,848). Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of CHF 29,744 (USD 33,405), and the credit entry was booked in APIC.
- On December 21, 2020 for convertibles notes in the amount CHF 1,750,000 (USD 1,975,678 at historical rate). The funds were received on December 28, 2020. On December 21, 2020, in line with the terms of the GTO Facility, WISeKey issued GTO with 175,000 warrants on WIHN class B shares at an exercise price of CHF 1.50. The option agreement was assessed as an equity instrument and was fair valued at grant at an amount of CHF 78,750 (USD 88,906) using the Black-Scholes model and the market price of WIHN class B shares on the date of grant of CHF 1.065. The fair value of the debt was calculated using the discounted cash flow method as CHF 1,695,038 (USD 1,913,628). Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of CHF 76,773 (USD 86,674), and the credit entry was booked in APIC.
- On December 24, 2020 for convertibles notes in the amount CHF 2,160,000 (USD 2,422,792 at historical rate). The funds were received on December 31, 2020. On December 24, 2020, in line with the terms of the GTO Facility, WISeKey issued GTO with 216,000 warrants on WIHN class B shares at an exercise price of CHF 1.50. The option agreement was assessed as an equity instrument and was fair valued at grant at an amount of CHF 103,680 (USD 116,294) using the Black-Scholes model and the market price of WIHN class B shares on the date of grant of CHF 1.105. The fair value of the debt was calculated using the discounted cash flow method as CHF 2,118,422 (USD 2,376,156). Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of CHF 100,782 (USD 113,043), and the credit entry was booked in APIC.

During the year to December 31, 2020, GTO issued a total of five conversion notices, resulting in the following conversions:

- On December 14, 2020 for 50,607 WIHN class B shares delivered on December 18, 2020 for a conversion of CHF 50,000 (USD 56,487).
- On December 18, 2020 for 102,986 WIHN class B shares delivered on December 23, 2020 for a conversion of CHF 100,000 (USD 112,582).
- On December 21, 2020 for 205,973 WIHN class B shares delivered on December 28, 2020 for a conversion of CHF 200,000 (USD 224,801).
- On December 23, 2020 for 205,973 WIHN class B shares delivered on December 28, 2020 for a conversion of CHF 200,000 (USD 224,801).
- On December 29, 2020 for 205,973 WIHN class B shares delivered on December 30, 2020 for a conversion of CHF 200,000 (USD 226,444).

We note that GTO sent a conversion notice on December 30, 2020 for 1,802,265 WIHN class B shares representing a conversion of CHF 1,750,000 (USD 1,978,980 at closing rate). The shares were not delivered by December 31, 2020.

During the year to December 31, 2020, a debt discount charge of CHF 4,483 (USD 4,779) and deferred charges in the amount of CHF 28,724 (USD 30,620) were amortized to the income statement, and commitment fees of CHF 62,243 (USD 66,351) were booked to APIC as per ASC 470-02-40-4.

As at December 31, 2020 the outstanding GTO Facility available was CHF 10,840,000 (USD 12,258,371). Convertible notes in an aggregate amount of CHF 3,910,000 (USD 4,421,608) remained unconverted and the unamortized debt discount balance was CHF 352,912 (USD 399,089), hence a carrying value of CHF 3,557,088 (USD 4,022,519). as at December 31, 2020. The deferred charge balance was CHF 489,437 (USD 553,478).

Note 26. Employee benefit plans

Defined benefit post-retirement plan

The Group maintains four pension plans: one maintained by WISeKey SA and one by WISeKey International Holding Ltd, both covering its employees in Switzerland, as well as one maintained by WISeKey Semiconductors SAS and one by WISeCoin France R&D Lab SAS, both covering WISeKey's French employees.
All plans are considered defined benefit plans and accounted for in accordance with ASC 715 Compensation – Retirement Benefits. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services ratably over this period, and therefore, the income statement effects of pensions should follow a similar pattern. ASC 715 requires recognition of the funded status or difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the balance sheet, with a corresponding adjustment recorded in the net loss. If the projected benefit obligation exceeds the fair value of the plan assets, then that difference or unfunded status represents the pension liability.
The Group records net service cost as an operating expense and other components of defined benefit plans as a non-operating expense in the statement of comprehensive loss.
The liabilities and annual income or expense of the pension plan are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return (based on the market-related value of assets). The fair value of plan assets is determined based on prevailing market prices.

The defined benefit pension plan maintained by WISeKey Semiconductors SAS and WISeCoin France R&D Lab SAS, and their obligations to employees in terms of retirement benefits, are limited to a lump sum payment based on remuneration and length of service, determined for each employee. The plans are not funded.

The pension liability calculated as at December 31, 2020 is based on annual personnel costs and assumptions as of December 31, 2020.

Personnel Costs	**As at December 31,**	**As at December 31,**	**As at December 31,**
USD'000	**2020**	**2019**	**2018**
Wages and Salaries	12,145	11,161	9,738
Social security contributions	3,230	2,813	2,974
Net service costs	646	281	372
Other components of defined benefit plans, net	248	132	140
Total	**16,268**	**14,387**	**13,224**

				As at December 31,					
Assumptions	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**
	France	**Switzerland**	**India**	**France**	**Switzerland**	**India**	**France**	**Switzerland**	**India**
Discount rate	0.30%	0.15%	n/a	0.70%	0.25%	7.30%	1.50%	0.80% - 0.90%	7.72%
Expected rate of return on plan assets	n/a	1.50%	n/a	n/a	1.50%	n/a	n/a	1.50% - 2%	n/a
Salary increases	3%	1.50%	n/a	3%	1.50%	9%	3%	0.5% - 1.50%	9%

For WISeKey SA's funded plan, the expected long-term rate of return on assets is based on the pension fund policy which is based on approximately +0.5% in addition to the minimum interest by law in Switzerland (**"Min LPP"**). In 2020, Min LPP is 1.0% hence an assumption of 1.5%.

As at December 31, 2020 the Group's accumulated benefit obligation amounted to USD 18,483,000.

Reconciliation to Balance Sheet start of year		
USD'000		
Fiscal year	**2020**	**2019**
Fair value of plan assets	(10,686)	(8,275)
Projected benefit obligation	17,566	12,740
Surplus/deficit	**6,880**	**4,465**
Opening balance sheet asset/provision (funded status)	**6,880**	**4,465**
Reconciliation of benefit obligation during the year		
Projected benefit obligation at start of year	17,566	12,740
Net Service cost	436	412
Interest expense	50	107
Plan participant contributions	141	216
Net benefits paid to participants	(8)	1,377
Prior service costs	(698)	0
Actuarial losses/(gains)	(74)	2,487
Reclassifications	(2)	0
Currency translation adjustment	1,689	227
Projected benefit obligation at end of year	**19,100**	**17,566**
Reconciliation of plan assets during year		
Fair value of plan assets at start of year	(10,686)	(8,275)
Employer contributions paid over the year	(244)	(347)
Plan participant contributions	(141)	(216)
Net benefits paid to participants	(22)	(1,401)
Interest income	(167)	(123)
Return in plan assets, excl. amounts included in net interest	(28)	(136)
Currency translation adjustment	(1,044)	(188)
Fair value of plan assets at end of year	**(12,332)**	**(10,686)**
Reconcilation to balance sheet end of year		
Fair value of plan assets	(12,332)	(10,686)
Defined benefit obligation - funded plans	19,100	17,566
Surplus/deficit	**6,768**	**6,880**
Closing balance sheet asset/provision (funded status)	**6,768**	**6,880**
Estimated amount to be amortized from accumulated OCI into NPBC over next fiscal year		
Net loss (gain)	286	283
Unrecognized transition (asset)/obligation	0	0
Prior service cost/(credit)	61	61

Fiscal year	**2020**	**2019**	**2018**
Amounts recognized in accumulated OCI			
Net loss (gain)	4,237	4,258	1,964
Unrecognized transition (asset)/obligation	0	0	0
Prior service cost/(credit)	(440)	300	357
Deficit	**3,797**	**4,558**	**2,321**

Movement in Funded Status **USD'000** **Fiscal year**	**2020**	**2019**	**2018**
Opening balance sheet liability (funded status)	**6,880**	**4,465**	**4,585**
Net Service cost	436	412	372
Interest cost/(credit)	50	107	86
Expected return on Assets	(167)	(123)	(116)
Amortization on Net (gain)/loss	284	88	108
Amortization on Prior service cost/(credit)	61	62	62
Currency translation adjustment	20	(2)	1
Total Net Periodic Benefit Cost/(credit)	**684**	**544**	**512**
Actuarial (gain)/loss on liabilities due to experience	(72)	1,056	272
Actuarial gain/loss on liab. from changes to fin. assump	0	1,431	(309)
Actuarial (gain)/loss on liab. from changes to demo. assump	0	0	1
Return in plan assets, excl. amounts included in net interest	(29)	(136)	(56)
Prior service cost/(credit)	(698)	0	0
Amortization on Net (gain)/loss	(284)	(88)	(108)
Amortization on Prior service cost/(credit)	(61)	(62)	(62)
Currency translation adjustment	(45)	(2)	(0)
Total gain/loss recognized via OCI	**(1,189)**	**2,200**	**(262)**
Employer contributions paid in the year	(274)	(371)	(293)
Total cashflow	**(274)**	**(371)**	**(293)**
Currency translation adjustment	669	43	(77)
Reclassification	(2)	0	0
Closing balance sheet liability (funded status)	**6,768**	**6,880**	**4,465**

Reconciliation of Net Gain / Loss			
Amount at beginning of year	4,258	1,964	2,187
Amortization during the year	(284)	(86)	(109)
Asset (gain) / loss	(29)	(136)	(56)
Liability (gain) / loss	(72)	2,487	(37)
Reclassifications	(2)	0	0
Currency translation adjustment	366	29	(21)
Amount at year-end	**4,237**	**4,258**	**1,964**

Reconciliation of prior service cost/(credit)			
Amount at beginning of year	300	357	423
Amortization during the year	(61)	(62)	(62)
Prior service costs for the current period	(698)	0	0
Currency translation adjustment	19	5	(4)
Amount at year-end	**(440)**	**300**	**357**

All of the assets are held under the collective contract by the plan's re-insurer company and are invested in a mix of Swiss and International bond and equity securities. In line with ASC 820's three-tier fair value hierarchy, pension assets belong to the fair value level 3.

The table below shows the breakdown of expected future contributions payable to the Plan :

Period **USD'000**	**France**	**Switzerland**
2021	-	1,843
2022	126	398
2023	36	424
2024	8	2,037
2025	25	541
2026-2030	359	3,082

The Group expects to make contributions of approximately $248,000 in 2021.

Note 27. Commitments and contingencies

Lease commitments

The future payments due under leases are shown in Note 17.

Guarantees

Our software and hardware product sales agreements generally include certain provisions for indemnifying customers against liabilities if our products infringe a third party's intellectual property rights. Certain of our product sales agreements also include provisions indemnifying customers against liabilities in the event we breach confidentiality or service level requirements. It is not possible to determine the maximum potential amount under these indemnification agreements due to our lack of history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date, we have not incurred any costs as a result of such indemnifications and have not accrued any liabilities related to such obligations in our consolidated financial statements.

Note 28. Stockholders' equity

WISeKey International Holding Ltd	As at December 31, 2020		As at December 31, 2019	
Share Capital	*Class A Shares*	*Class B Shares*	*Class A Shares*	*Class B Shares*
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	2,490,403	400,186	1,475,000
Per Articles of association and Swiss capital categories				
Authorized Capital - Total number of authorized shares	-	7,808,906	-	8,881,829
Conditional Share Capital - Total number of conditional shares	-	7,804,030	-	11,840,090
Total number of fully paid-in shares	40,021,988	47,622,689	40,021,988	28,824,086
Per US GAAP				
Total number of authorized shares	40,021,988	63,234,625	40,021,988	41,066,298
Total number of fully paid-in issued shares	40,021,988	47,622,689	40,021,988	28,824,086
Total number of fully paid-in outstanding shares	40,021,988	42,839,554	40,021,988	27,621,895
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	2,490,403	400,186	1,475,000
Total share capital (in USD)	**2,890,589**		**1,875,186**	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	4,783,135	-	1,202,191
Treasury share capital (in USD)	-	505,154	-	1,288,591
Total treasury share capital (in USD)	**-**	**505,154**	**-**	**1,288,591**

Note: unregistered conversion of conditional capital NOT deducted from total number of conditional shares, i.e. as if the issue had not taken place.

In the years to December 31, 2020 and 2019 respectively, WISeKey purchased a total of 8,458,273 and 593,824 treasury shares at an average purchase price of USD 0.15 and USD 2.75 per share, and sold a total of 4,877,329 and 1,479,694 treasury shares at an average sale price of USD 0.99 and USD 2.40 per share.

Share buyback program

On July 09, 2019, the Group started a share buyback program on the SIX Swiss Exchange to buy back WIHN class B shares up to a maximum 10.0% of the share capital and 5.35% of the voting rights. In compliance with Swiss Law, at no time will the group hold more than 10% of its own registered shares. The share buyback program will end on July 08, 2022 but WISeKey may terminate the buyback program early.

As at December 31 ,2020, WISeKey's treasury share balance included 35,500 WIHN class B shares purchased through the share buyback program.

Voting rights

Each share carries one vote at a general meeting of shareholders, irrespective of the difference in par value of class A shares (CHF 0.01 per share) and class B shares (CHF 0.05 per share). Our class A shares have a lower par value (CHF 0.01) than our class B shares (CHF 0.05) but have same voting right as the higher par value class B shares, namely one (1) vote per share. This means that, relative to their respective per share contribution to the Company's capital, the holders of our class A shares have a greater relative per share voting power than the holders of our class B shares for matters that require approval on the basis of a specified majority of shares present at the shareholders meeting.

Shareholder resolutions and elections (including elections of members of the board of directors) require the affirmative vote of an absolute majority of the votes represented (in person or by proxy) at a general meeting of shareholders (each class A share and each class B share having one vote), unless otherwise stipulated by law or our Articles. The following matters require approval by a majority of the par value of the shares represented at the general meeting (each class A share having a par value of CHF 0.01 per share and each class B share having a par value of CHF 0.05 per share):

- electing our auditor;
- appointing an expert to audit our business management or parts thereof;
- adopting any resolution regarding the instigation of a special investigation; and
- adopting any resolution regarding the initiation of a derivative liability action.

In addition, under Swiss corporation law and our Articles, approval by two-thirds of the shares represented at the meeting, and by the absolute majority of the par value of the shares represented is required for:

- amending our corporate purpose;
- creating or cancelling shares with preference rights;
- restricting the transferability of registered shares;
- restricting the exercise of the right to vote or the cancellation thereof;
- creating authorized or conditional share capital;
- increasing the share capital out of equity, against contributions in kind or for the purpose of acquiring specific assets and granting specific benefits;
- limiting or withdrawing shareholder's pre-emptive rights;
- relocating our registered office;
- converting registered shares into bearer shares and vice versa;
- our dissolution or liquidation; and
- transactions among corporations based on Switzerland's Federal Act on Mergers, Demergers, Transformations and the Transfer of Assets of 2003, as amended (the "Swiss Merger Act") including a merger, demerger or conversion of a corporation.

In accordance with Swiss law and generally accepted business practices, our Articles do not provide attendance quorum requirements generally applicable to general meetings of shareholders.

Both categories of Shares confer equal entitlement to dividends and liquidation rights relative to the nominal value of the class A shares and the class B shares, respectively.

Only holders of Shares (including nominees) that are recorded in the share register as of the record date communicated in the invitation to the General Meeting are entitled to vote at a General Meeting.

Any acquirer of Shares who is not registered in the share register as a shareholder with voting rights may not vote at or participate in any General Meeting, but will still be entitled to dividends and other rights with financial value with respect to such Shares.

Each holder of class A shares has entered into an agreement (each such agreement a "Shareholder Agreement") with WISeKey, pursuant to which such holder of class A shares has given the undertaking vis-à-vis WISeKey not to (i) directly or indirectly offer, sell, transfer or grant any option or contract to purchase, purchase any option or contract to sell, grant instruction rights with respect to or otherwise dispose of, or (ii) solicit any offers to purchase, otherwise acquire or be entitled to, any of his/her/its class A shares or any right associated therewith (collectively a "Transfer"), except if such Transfer constitutes a "Permitted Transfer", as defined hereafter. A Permitted Transfer is defined as a Transfer by a holder of class A share to his/her spouse or immediate family member (or a trust related to such immediate family member) or a third party for reasonable estate planning purposes, the transfer to an affiliate and any transfer following conversion of his/her/its class A shares into class B shares. Each holder of a class A share has the right to request that, at WISeKey's annual General Meeting, an item be included on the agenda according to which class A shares are, at the discretion of each holder of class A shares, converted into class B shares.

Note 29. Accumulated other comprehensive income

USD'000		
Accumulated other comprehensive income as at December 31, 2018		**100**
Total net foreign currency translation adjustments	643	
Total defined benefit pension adjustment	(2,199)	
Total adjustment from liquidation of group companies	(21)	
Total adjustment from sale of QuoVadis Group	34	
Total adjustment from change in ownership	(10)	
Total Other comprehensive income/(loss), net		(1,553)
Accumulated other comprehensive income as at December 31, 2019		**(1,453)**
Total net foreign currency translation adjustments	1,824	
Total Change in unrealized gains related to available-for-sale debt securities	5,385	
Total defined benefit pension adjustment	1,189	
Total adjustment from change in ownership	(5)	
Total Other comprehensive income/(loss), net		8,393
Accumulated other comprehensive income as at December 31, 2020		**6,940**

Note 30. Revenue

Nature of goods and services

The following is a description of the principal activities – separated by reportable segment – from which the Group generates its revenue. For more detailed information about reportable segments, see note 36 - Segment Information and Geographic Data.

- IoT Segment

The IoT segment of the Group principally generates revenue from the sale of semiconductors secure chips. Although they may be sold in connection with other services of the Group, they always represent distinct performance obligations.
The Group recognizes revenue when a customer takes possession of the chips, which usually occurs when the goods are delivered. Customers typically pay once goods are delivered.

- mPKI Segment

The mPKI Segment of the Group generates revenues from Digital Certificates, Software as a Service, Software license and Post-Contract Customer Support (PCS) for cybersecurity applications. Products and services are sold principally separately and more in bundled packages. For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identified from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices when available or estimated based on the Adjusted Market Assessment approach (e.g. licenses), or the Expected Cost-Plus Margin approach (e.g. PCS).

Product and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Certificates	The Group recognizes revenue on a straight-line basis over the validity period of the certificate, which is usually one to three years. This period starts after the certificate has been issued by the Certificate Authority and may be used by the customer for authentication and signature, by checking the certificate validity against the Root of Trust which is maintained by the Group on its IT infrastructure. Customers pay certificates when certificates are issued and invoiced. The excess of payments over recognized revenue is shown as deferred revenue.
SaaS	The Group's SaaS arrangement cover the provision of cloud-based certificate life-cycle-management solutions and signing and authentication solutions. The Group recognizes revenue on a straight-line basis over the service period which is usually yearly renewable. Customers usually pay ahead of quarterly or yearly service periods; the paid amounts which have not yet been recognized are shown as deferred revenue.
Software	The Group provides software for certificates life-cycle management and signing and authentication solutions. The Group recognizes license revenue when the software has been delivered and PCS revenue over the service period which is usually one-year renewable. Customers pay upon delivery of the software or over the PCS.

Product and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Implementation, integration and other services	The Group provides services to implement and integrate multi-element cybersecurity solutions. Most of the time the solution elements are off-the-shelve non-customized components which represent distinct performance obligations. Implementation and integration services are payable when rendered, while other revenue elements are payable and recognized as per their specific description in this section. WISeKey also provides hosting and monitoring of infrastructure services which are distinct performance obligations and are paid and recognized over the service period.

Disaggregation of revenue

The following table shows the Group's revenues disaggregated by reportable segment and by product or service type:

Disaggregation of revenue	Typical payment	At one point in time			Over time			Total		
USD'000		2020	2019	2018	2020	2019	2018	2020	2019	2018
IoT Segment										
Payment at one point in time:										
Secure chips	Upon delivery	14,317	20,504	29,404	-	-	-	14,317	20,504	29,404
Total IoT segment revenue		**14,317**	**20,504**	**29,404**	**-**	**-**	**-**	**14,317**	**20,504**	**29,404**
mPKI Segment										
Certificates	Upon issuance	-	-	-	175	172	338	175	172	338
Licenses and integration	Upon delivery	287	1,976	4,538	-	-	-	287	1,976	4,538
SaaS, PCS and hosting	Quarterly or yearly	-	-	-	-	-	-	-	-	-
Total mPKI segment revenue		**287**	**1,976**	**4,538**	**175**	**172**	**338**	**462**	**2,148**	**4,876**
Total Revenue		**14,604**	**22,480**	**33,942**	**175**	**172**	**338**	**14,779**	**22,652**	**34,280**

For the years ended December 31, 2020, 2019, and 2018 the Group recorded no revenues related to performance obligations satisfied in prior periods.

The following table shows the Group's revenues disaggregated by geography, based on our customers' billing addresses:

Net sales by region USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
IoT Segment			
Switzerland	278	708	1,171
Rest of EMEA	4,228	7,508	10,695
North America	8,217	9,547	15,165
Asia Pacific	1,526	2,503	2,257
Latin America	68	238	116
Total IoT segment revenue	**14,317**	**20,504**	**29,404**
mPKI Segment			
Switzerland	314	1,428	1,341
Rest of EMEA	93	539	3,428
North America	43	144	-
Asia Pacific	-	1	49
Latin America	12	36	58
Total mPKI segment revenue	**462**	**2,148**	**4,876**
Total Net sales	**14,779**	**22,652**	**34,280**

*EMEA means Europe, Middle East and Africa

Contract assets, deferred revenue and contract liability

Our contract assets, deferred revenue and contract liability consist of:

Contract assets and contract liabilities

USD'000	As at December 31, 2020	As at December 31, 2019
Trade accounts receivables		
Trade accounts receivable - IoT segment	2,227	2,843
Trade accounts receivable - mPKI segment	381	800
Total trade accounts receivables	**2,608**	**3,643**
Contract assets	-	15
Total contract assets	**-**	**15**
Contract liabilities - current	367	255
Contract liabilities - noncurrent	23	2
Total contract liabilities	**390**	**257**
Deferred revenue		
Deferred revenue - mPKI segment	171	92
Deferred revenue - IoT segment	150	7
Total Deferred revenue	**321**	**99**
Revenue recognized in the year from amounts included in the deferred revenue of the mPKI segment at the beginning of the year	84	83

Increases or decreases in trade accounts receivable, contract assets, deferred revenue and contract liability were primarily due to normal timing differences between our performance and customer payments.

Remaining performance obligations

As of December 31, 2020, approximately USD 710,225 is expected to be recognized from remaining performance obligations for mPKI contracts. We expect to recognize revenue for these remaining performance obligations during the next three years approximately as follows:

Estimated mPKI revenue from remaining performance obligations as at December 31, 2020		USD'000
	2021	669
	2022	41
Total remaining performance obligation		**710**

Note 31. Other operating income

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Other operating income from related parties	43	140	-
Other operating income - other	-	40	289
Total other operating income	**43**	**180**	**289**

In the year 2020, other operating income from related parties was made up of the amounts invoiced by WISeKey to the OISTE Foundation for the use of its premises and equipment.

Note 32. Stock-based compensation

Employee stock option plans

The Stock Option Plan ("ESOP 1") was approved on December 31, 2007 by the stockholders of WISeKey SA, representing 2,632,500 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.
The Stock Option Plan ("ESOP 2") was approved on December 31, 2011 by the stockholders of WISeKey SA, representing 16,698,300 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.
At March 22, 2016 as part of the reverse acquisition transaction, both ESOP plans in existence in WISeKey SA were transferred to WISeKey International Holding Ltd at the same terms, with the share exchange term of 5:1 into WIHN class B shares.

Grants

In the 12 months to December 31, 2018, the Group granted a total of 851,131 options exercisable in WIHN class B shares. Each warrant is exercisable into one class B share.
The warrants granted consist of:

- 113,750 options with immediate vesting granted to employees, all of which had been exercised as of December 31, 2018;
- 100,000 options with immediate vesting granted to an external advisor, all of which had been exercised as of December 31, 2018;
- 214,000 options with immediate vesting granted to external advisors, none of which had been exercised as of December 31, 2018;
- 13,167 options granted to an employee, which vested on February 01, 2018 but were not exercised and were forfeited on September 30, 2019;
- 13,167 options granted to an employee, which vested on August 01, 2018 but were not exercised and were forfeited on September 30, 2019;
- 132,346 options vesting on December 31, 2018 granted to employees, none of which had been exercised as of December 31, 2018;
- 132,349 options vesting on December 31, 2019 granted to employees;
- 132,352 options vesting on December 31, 2020 granted to employees.

The warrants granted were valued at grant date using the Black-Scholes model. Unexercised warrants to external advisers at December 31, 2018 were revalued to their fair value at December 31, 2018 using the same model.

In the 12 months to December 31, 2019, the Group granted a total of 2,292,539 options exercisable in WIHN class B shares. Each warrant is exercisable into one class B share.
The warrants granted consisted of:

- 2,074,770 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2019;
- 145,854 options with immediate vesting granted to employees and Board members, all of which had been exercised as of December 31, 2019;
- 60,394 options with immediate vesting granted in exchange for WISeKey SA shares, all of which had been exercised as of December 31, 2019; and
- 11,521 options with immediate vesting granted to an external advisor and which had not been exercised as of December 31, 2019.

The warrants granted were valued at grant date using the Black-Scholes model.

In the 12 months to December 31, 2020, the Group granted a total of 467,617 options exercisable in WIHN class B shares. Each warrant is exercisable into one class B share.
The warrants granted consisted of:

- 279,017 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2020;
- 5,381 options with immediate vesting granted to employees and Board members, all of which had been exercised as of December 31, 2020;
- 16,667 options vesting on November 10, 2021 granted to employees;
- 16,666 options vesting on November 10, 2022 granted to employees;
- 33,334 options vesting on June 30, 2021 granted to employees;
- 33,333 options vesting on June 30, 2022 granted to employees;
- 33,333 options vesting on June 30, 2023 granted to employees;
- 16,323 options with immediate vesting granted in exchange for WISeKey SA shares, all of which had been exercised as of December 31, 2020; and
- 33,563 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2020.

The warrants granted were valued at grant date using the Black-Scholes model.

Stock option charge to the income statement

The Group calculates the fair value of options granted by applying the Black-Scholes option pricing model. Expected volatility is based on historical volatility of WIHN class B shares.
In the fiscal year 2020, a total charge of USD 392,772 was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant, in relation to options:

- USD 362,911 for options granted to employees and Board members; and
- USD 29,861 for options granted to nonemployees.

The following assumptions were used to calculate the compensation expense and the calculated fair value of stock options granted:

Assumption	December 31, 2020	December 31, 2019	December 31, 2018
Dividend yield	None	None	None
Risk-free interest rate used (average)	1.00%	1.00%	1.00%
Expected market price volatility	37.61% - 65.38%	51.59% - 56.86%	46.11% - 58.22%
Average remaining expected life of stock options (years)	3.43	3.01	3.10

Unvested options to employees as at December 31, 2020 were recognized prorata temporis over the service period (grant date to vesting date).

The following table illustrates the development of the Group's non-vested options for the years ended December 31, 2020 and 2019.

Non-vested options	Number of WIHN Class B Shares under options	Weighted-average grant date fair value (USD)
Non-vested options as at December 31, 2018	**431,368**	**2.99**
Granted	2,292,539	2.45
Vested	(2,464,232)	2.41
Non-vested forfeited or cancelled	(254,649)	3.75
Non-vested options as at December 31, 2019	**5,026**	**3.65**
Granted	467,617	1.08
Vested	(339,310)	1.01
Non-vested forfeited or cancelled	-	-
Non-vested options as at December 31, 2020	**133,333**	**1.20**

As at December 31, 2020, there was a USD 122,100 unrecognized compensation expense related to non-vested stock option-based compensation arrangements. Non-vested stock options outstanding as at December 31, 2020 were accounted for using the graded-vesting method, as permitted under ASC 718-10-35-8, and we therefore recognized compensation costs calculated using the Black-Scholes model and the market price of WIHN class B shares at grant date, over the requisite service period.

The following table summarizes the Group's stock option activity for the years ended December 31, 2020 and 2019.

Options on WIHN Shares	WIHN Class B Shares under options	Weighted-average exercise price (USD)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (USD)
Outstanding as at December 31, 2018	**1,342,819**	**2.76**	**3.00**	**(895,404)**
Of which vested	911,451	3.28	2.26	(1,082,233)
Of which non-vested	431,368	-	-	-
Granted	2,292,539	0.99	-	-
Exercised or converted	(259,338)	1.00	-	581,477
Forfeited or cancelled	(333,905)	0.05	-	-
Expired	(199,000)	5.17	-	-
Outstanding as at December 31, 2019	**2,843,115**	**0.99**	**5.19**	**3,693,941**
Of which vested	2,838,089	1.00	5.19	3,682,672
Of which non-vested	5,026	-	-	
Granted	467,617	1.48	-	-
Exercised or converted	(1,214,402)	1.57	-	2,046,219
Forfeited or cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as at December 31, 2020	**2,096,330**	1.48	**4.44**	**554,377**
Of which vested	1,962,997	1.57	4.31	329,716
Of which non-vested	133,333	-	-	

Summary of stock-based compensation expenses

Stock-based compensation expenses USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
In relation to Employee Stock Option Plans (ESOP)	363	5,386	1,278
In relation to non-ESOP Option Agreements	30	28	382
Total	**393**	**5,414**	**1,660**

Stock-based compensation expenses are recorded under the following expense categories in the income statement.

Stock-based compensation expenses USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Research & development expenses	6	786	121
Selling & marketing expenses	209	1,269	571
General & administrative expenses	178	3,359	967
Total	**393**	**5,414**	**1,660**

Note 33. Non-operating income

Non-operating income consisted of the following:

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Foreign exchange gain	839	1,761	1,664
Financial income	8	74	85
Interest income	16	-	-
Other	264	83	432
Total non-operating income from continuing operations	**1,127**	**1,918**	**2,181**

Non-operating income – Other includes total income of CHF 204,547 (USD 218,047) from Nice & Green corresponding to the agreed incentive fee included in the Nice & Green Facility (see Note 25).

Note 34. Non-operating expenses

Non-operating expenses consisted of the following:

USD'000	12 months ended December 31, 2020	12 months ended December 31, 2019	12 months ended December 31, 2018
Impairment of equity securities at cost	7,000	-	-
Foreign exchange losses	2,195	2,401	1,984
Financial charges	104	341	104
Interest expense	685	643	244
Other components of defined benefit plans, net	248	132	140
Other	847	153	354
Total non-operating expenses from continuing operations	**11,079**	**3,670**	**2,826**

The impairment of equity securities at cost relate to the Tarmin warrant (see Note 19).

Non-operating expenses – Other include a USD 454,501 expense for the fair value adjustment as at December 31, 2020 of the investment in OpenLimit (see Note 20).

Note 35. Income taxes

The components of income before income taxes are as follows:

Income / (Loss) USD'000	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Switzerland	(15,723)	(19,179)	(11,428)
Foreign	(6,621)	(3,838)	(4,989)
Less discontinued operations	-	-	6,562
Income/(loss) before income tax	**(22,344)**	**(23,017)**	**(9,855)**

Income taxes relating to the Group are as follows:

Income taxes USD'000	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Switzerland	0	(42)	328
Foreign	9	13	(479)
Less discontinued operations	0	42	205
Income tax expense	**9**	**13**	**53**

Income tax at the Swiss statutory rate compared to the Group's income tax expenses as reported are as follows:

Deferred income tax assets/(liabilities) USD'000	As at December 31, 2020	As at December 31, 2019
Foreign	3	6
Deferred income tax assets/(liabilities)	**3**	**6**

Income tax at the Swiss statutory rate compared to the Group's income tax expenses as reported are as follows:

Income taxes at the Swiss statutory rate USD'000	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Net income/(loss) from continuing operations before income tax	(28,898)	(23,017)	(9,855)
Statutory tax rate	14%	24%	24%
Expected income tax (expense)/recovery	4,043	5,524	2,365
Income tax (expense)/recovery	(9)	(13)	(53)
Change in valuation allowance	(631)	(2,129)	4,228
Permanent Difference	(1)	0	(9)
Change in expiration of tax loss carryforwards	(3,411)	(3,395)	(6,584)
Income tax (expense) / recovery	**(9)**	**(13)**	**(53)**

The Group assesses the recoverability of its deferred tax assets and, to the extent recoverability does not satisfy the "more likely than not" recognition criterion under ASC 740, records a valuation allowance against its deferred tax assets. The Group considered its recent operating results and anticipated future taxable income in assessing the need for its valuation allowance.

The Group's deferred tax assets and liabilities consist of the following:

Deferred tax assets and liabilities USD'000	As at December 31, 2020	As at December 31, 2019
Stock-based compensation	1	-
Defined benefit accrual	1,089	1,100
Tax loss carry-forwards	12,655	11,264
Deferred tax liability on change in unrealized gains related to available-for-sale debt securities	(753)	-
Valuation allowance	(12,989)	(12,358)
Deferred tax assets / (liabilities)	**3**	**6**

As of December 31, 2020, the Group's operating cumulated loss carry-forwards of all jurisdictions for its continuing operations are as follows:

Operating loss-carryforward as of December 31, 2020

USD'000	USA	Switzerland	Spain	France	UK	Germany	India	Total
2021	-	7,139	224	860	32	-	-	8,255
2022	-	7,135	1,303	-	2	-	-	8,440
2023	-	10,150	1,337	1,121	1	-	-	12,609
2024	-	5,848	-	5,157	1	-	-	11,006
2025	-	10,778	-	7,778	-	-	361	18,917
2026	-	6,373	-	-	-	-	277	6,650
2027	-	14,097	-	-	-	-	170	14,267
2028	91	-	-	-	-	-	210	301
2029	9	-	25	-	-	-	-	34
2030	2	-	25	-	-	-	-	27
2031	54	-	75	-	-	-	-	129
2032	89	-	86	-	-	-	-	175
2033	-	-	98	-	-	-	-	98
2034	-	-	202	-	-	-	-	202
2035	247	-	112	-	-	-	-	359
2036	-	-	-	-	-	-	-	-
2037	159	-	-	-	-	-	-	159
2038	-	-	-	-	-	-	-	-
2039	221	-	-	-	-	-	-	221
2040	90	-	-	-	-	-	-	90
Total operating loss carry-forwards / Year of expiration if applicable to jurisdiction								
	962	**61,520**	**3,487**	**14,917**	**36**	**-**	**1,016**	**81,938**

The following tax years remain subject to examination:

Significant jurisdictions	**Open years**
Switzerland	2016 - 2020
USA	2020
France	2017 - 2020
Spain	2017 - 2020
Japan	2020
Taiwan	2019 - 2020
India	2018 - 2020
Germany	2020
UK	2018 - 2020

As at December 31, 2019, WISeKey Semiconductors SAS had recorded a USD 118,294 tax provision following a tax audit started in 2018 in relation to prior years. Although the final conclusions have not yet been communicated formally, management believes that it is more probable than not that the entity will have to pay additional taxes and has calculated the provision based on preliminary discussions with the tax authorities.
As at December 31, 2020, WISeKey Semiconductors SAS still had the provision of USD 118,294 which was neither utilized nor released and there was no additional accrual in the year 2020.

The Group has no unrecognized tax benefits.

Note 36. Segment information and geographic data

The Group has two segments: Internet of Things ("**IoT**", previously referred to as "Semiconductors") and managed Public Key Infrastructure ("**mPKI**", previously referred to as "Others"). The Group's chief operating decision maker, who is its Chief Executive Officer, reviews financial performance according to these two segments for purposes of allocating resources and assessing budgets and performance.
The IoT segment encompasses the design, manufacturing, sales and distribution of microprocessors operations. The mPKI segment includes all operations relating to the provision of secured access keys, authentication, signing software, certificates and digital security applications.

12 months to December 31,	2020			2019			2018		
USD'000	IoT	mPKI	Total	IoT	mPKI	Total	IoT	mPKI	Total
Revenues from external customers	14,317	462	14,779	20,504	2,148	22,652	29,404	4,876	34,280
Intersegment revenues	-	6,786	6,786	344	6,169	6,513	725	2,563	3,288
Interest revenue	8	59	67	36	38	74	37	167	204
Interest expense	12	707	718	29	695	724	275	2,608	2,883
Depreciation and amortization	1,501	91	1,592	1,298	57	1,355	1,299	16	1,315
Segment income /(loss) before income taxes	(2,038)	(26,537)	(28,575)	130	(22,837)	(22,707)	(1,232)	(8,466)	(9,698)
Profit / (loss) from intersegment sales	-	323	323	16	294	310	35	122	157
Income tax recovery /(expense)	-	(9)	(9)	-	(13)	(13)	2	(55)	(53)
Other significant non cash items									
Share-based compensation expense	-	393	393	-	5,414	5,414	-	1,660	1,660
Gain/(loss) on derivative liability	-	44	44	-	214	214	-	-	-
Interest and amortization of debt discount and expense	-	458	458	-	742	742	-	150	150
Segment assets	11,031	40,327	51,358	15,794	29,919	45,713	19,082	52,675	71,757

12 months to December 31,	2020	2019	2018
	USD'000	USD'000	USD'000
Revenue reconciliation			
Total revenue for reportable segment	21,565	29,165	37,568
Elimination of intersegment revenue	(6,786)	(6,513)	(3,288)
Total consolidated revenue	14,779	22,652	34,280
Loss reconciliation			
Total profit / (loss) from reportable segments	(28,575)	(22,707)	(9,698)
Elimination of intersegment profits	(323)	(310)	(157)
Loss before income taxes	(28,898)	(23,017)	(9,855)

As at December 31,	2020	2019	2018
	USD'000	USD'000	USD'000
Asset reconciliation			
Total assets from reportable segments	51,358	45,713	71,757
Elimination of intersegment receivables	(10,515)	(6,794)	(6,430)
Elimination of intersegment investment and goodwill	12,038	10,985	(19,533)
Total assets held for sale from discontinued operations	-	-	32,659
Consolidated total assets	**52,881**	**49,904**	**78,453**

Revenue and property, plant and equipment by geography

The following tables summarize geographic information for net sales based on the billing address of the customer, and for property, plant and equipment.

Net sales by region from continuing operations	12 months ended December 31,	12 months ended December 31,	12 months ended December 31,
USD'000	2020	2019	2018
Switzerland	592	2,137	2,512
Rest of EMEA*	4,321	8,046	14,122
North America	8,260	9,691	15,165
Asia Pacific	1,526	2,504	2,306
Latin America	80	274	175
Total Net sales from continuing operations	**14,779**	**22,652**	**34,280**

*EMEA means Europe, Middle East and Africa

Property, plant and equipment, net of depreciation, by region	As at December 31,	As at December 31,
USD'000	2020	2019
Switzerland	37	44
Rest of EMEA*	953	1,742
North America	1	1
Asia Pacific	9	14
Total Property, plant and equipment, net of depreciation	**1,000**	**1,801**

* EMEA means Europe, Middle East and Africa

Note 37. Earnings/(Loss) per share

The computation of basic and diluted net earnings/(loss) per share for the Group is as follows:

Earnings / (loss) per share	2020	2019	2018
Net income / (loss) attributable to WISeKey International Holding AG (USD'000)	(28,659)	8,187	(16,278)
Effect of potentially dilutive instruments on net gain (USD'000)	N/A	335	N/A
Net income / (loss) attributable to WISeKey International Holding AG after effect of potentially dilutive instruments (USD'000)	N/A	8,522	N/A
Shares used in net earnings / (loss) per share computation:			
Weighted average shares outstanding - basic	42,785,300	36,079,000	33,904,659
Effect of potentially dilutive equivalent shares	N/A	1,399,458	N/A
Weighted average shares outstanding - diluted	N/A	37,478,458	N/A
Net earnings / (loss) per share			
Basic weighted average loss per share attributable to WIHN (USD)	(0.67)	0.23	(0.48)
Diluted weighted average loss per share attributable to WIHN (USD)	(0.67)	0.23	(0.48)

For purposes of the diluted net loss per share calculation, stock options, convertible instruments and warrants are considered potentially dilutive securities and are excluded from the calculation of diluted net loss per share, because their effect would be anti-dilutive.
The following table shows the number of stock equivalents that were excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive.

Dilutive vehicles with anti-dilutive effect	2020	2019	2018
Total stock options	1,333,434	-	1,342,819
Warrants	-	-	2,942,374
Total convertible instruments	20,369,716	-	6,821,804
Total number of shares from dilutive vehicles with anti-dilutive effect	**21,703,150**	**-**	**11,106,997**

The following table shows the number of stock equivalents that were included in the computation of diluted earnings per share:

Dilutive vehicles	2020	2019	2018
Total stock options	-	2,327,115	-
Warrants	-	-	-
Total convertible instruments	-	693,230	-
Total number of shares from dilutive vehicles	**-**	**3,020,345**	**-**

Note 38. Legal proceedings

We are currently not party to any legal proceedings and claims.

Note 39. Related parties disclosure

Subsidiaries

The consolidated financial statements of the Group include the entities listed in the following table:

Group Company Name	Country of incorporation	Year of incorporation	Share Capital		% ownership as at December 31, 2020	% ownership as at December 31, 2019	Nature of business
WISeKey SA	Switzerland	1999	CHF	933,436	95.75%	95.58%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	France	2010	EUR	1,298,162	100.0%	100.0%	Chip manufacturing, sales & distribution
WiseTrust SA	Switzerland	1999	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey ELA SL	Spain	2006	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	U.K.	2016	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc*	U.S.A	2006	USD	6,500	100% *	100% *	Sales & support
WISeKey India Private Ltd**	India	2016	INR	1,000,000	45.9%	45.9%	Sales & support
WISeKey IoT Japan KK	Japan	2017	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey IoT Taiwan	Taiwan	2017	TWD	100,000	100.0%	100.0%	Sales & distribution
WISeCoin AG	Switzerland	2018	CHF	100,000	90.0%	90.0%	Sales & distribution
WISeKey Equities AG	Switzerland	2018	CHF	100,000	100.0%	100.0%	Financing, Sales & distribution
WISeCoin France R&D Lab SAS	France	2019	EUR	10,000	90.0%	90.0%	Research & development
WISeKey Semiconductors GmbH	Germany	2019	EUR	25,000	100.0%	100.0%	Sales & distribution
WISeKey Arabia - Information Technology Ltd	Saudi Arabia	2019	SAR	200,000.00	51.0%	51.0%	Sales & distribution
WiseAI AG	Switzerland	2020	CHF	100,000	51.0%	not incorporated	Sales & distribution

* 50% owned by WISeKey SA and 50% owned by WiseTrust SA

** 88% owned by WISeKey SAARC which is controlled by WISeKey International Holding AG

Related party transactions and balances

Related Parties (in USD'000)	Receivables as at December 31, 2020	Receivables as at December 31, 2019	Payables as at December 31, 2020	Payables as at December 31, 2019	Net expenses to in the year ended December 31, 2020	Net expenses to in the year ended December 31, 2019	Net expenses to 2018	Net income from in the year ended December 31, 2020	Net income from in the year ended December 31, 2019	Net income from 2018
1 Carlos Moreira	-	-	1,580	-	-	-	-	-	-	209
2 Maryla Shingler-Bobbio	-	-	-	-	-	123	80	-	-	-
3 Philippe Doubre	-	-	-	40	86	114	80	-	-	-
4 Juan Hernández Zayas	-	-	-	37	52	165	88	-	-	-
5 Thomas Hürlimann	-	-	-	16	-	63	24	-	-	-
6 Dourgam Kummer	14	-	-	2	-	52	264	-	-	-
7 David Fergusson	-	-	-	22	119	161	47	-	-	-
8 Eric Pellaton	-	-	-	-	42	-	-	-	-	-
9 Jean-Philippe Ladisa	-	-	-	-	61	-	-	-	-	-
10 Roman Brunner	-	-	-	-	-	426	242	-	87	-
11 Anthony Nagel	-	-	-	-	-	5	164	-	58	-
12 Harald Steger	-	-	-	-		-	445	-	-	-
13 Don Tapscott	-	-	-	-	8	-	394	-	-	-
14 Wei Wang	-	-	-	-	-	-	187	-	10	-
15 OISTE	95	119	172	-	374	219	221	32	140	-
16 Edmund Gibbons Limited	-	-	-	-	-	479	173	-	36	434
17 Terra Ventures Inc	-	-	33	33	-	-	-	-	-	-
18 SAI LLC (SBT Ventures)	-	-	34	33	-	-	-	-	-	-
19 GSP Holdings Ltd	-	-	18	17	-	-	-	-	-	-
20 Indian Potash Limited	-	-	-	-	-	-	-	-	-	42
21 ACXIT Capital	-	-	-	-	-	-	-	-	-	696
22 Philippe Gerwill	-	-	-	-	-	14	-	-	-	-
23 Related parties of Carlos Moreira	-	-	-	2	223	360	-	-	-	-
24 Todd Ruppert	-	-	-	-	-	-	353	-	-	-
25 Cristina Dolan	-	-	-	-	1	-	-	-	-	-
26 Maria Pia Aqueveque Jabbaz	-	-	-	-	1	-	-	-	-	-
Total	109	119	1,837	202	967	2,181	2,762	32	331	1,381

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey. A short-term payable in an amount of CHF 1,397,135 (USD 1,579,945) to Carlos Moreira was outstanding as at December 31, 2020, made up of accrued salary and bonus.

2. Maryla Shingler Bobbio is a former Board member of the Group, and former member of the Group's audit committee and nomination & compensation committee.

3. Philippe Doubre is a Board member of the Group, and member of the Group's nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2020 relate to his Board fee.

4. Juan Hernandez-Zayas is a former Board member of the Group, and former member of the Group's audit committee and the strategy committee, as well as a shareholder. Mr. Hernandez-Zayas did not seek reelection at the Group's last Annual General Meeting on May 15, 2020.

5. Thomas Hürlimann is a former Board member of the Group.

6. Dourgam Kummer is a former Board member of the Group, as well as a shareholder. The receivable from Dourgam Kummer as at December 31, 2020 relates to outstanding employee social charges for the exercise of ESOP options granted in 2019.

7. David Fergusson is a Board member of the Group, and member of the Group's audit committee and nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2020 relate to his Board fee.

8. Eric Pellaton is a Board member of the Group, and member of the Group's nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2020 relate to his Board fee.

9. Jean-Philippe Ladisa is a Board member of the Group, and member of the Group's audit committee. The expenses recorded in the income statement in the year to December 31, 2020 relate to his Board fee.

10. Roman Brunner is the former Chief Revenue Officer of the Group.

11. Anthony Nagel is the former Chief Operations Officer of QuoVadis.

12. Harald Steger is a former member of the Group's advisory committee.

13. Don Tapscott is a member of the Group's advisory committee, and cofounder of The Tapscott Group Inc. The Blockchain Research Institute (the "**BRI**") is a division of The Tapscott Group Inc. On December 20, 2018 WISeKey and the BRI entered into an agreement to establish BlockChain Centers of Excellence and promote BlockChain technology worldwide. The expenses recorded in the income statement in the year to December 31, 2020 relate to his advisory committee fee.

14. Wei Wang is a former member of the Group's advisory committee.

15. The Organisation Internationale pour la Sécurité des Transactions Electroniques ("**OISTE**") is a Swiss non-profit making foundation that owns a cryptographic rootkey. In 2001 WISeKey SA entered into a contract with OISTE to operate and maintain the global trust infrastructures of OISTE. In line with the contract, WISeKey pays a regular fee to OISTE for the use of its cryptographic rootkey. A member of the Board of Directors of WISeKey is also a member of the Counsel of the Foundation which gives rise to the related party situation.
OISTE is also the minority shareholder in WISeCoin AG with a 10% ownership.
The receivable from OISTE as at December 31, 2020 and income recorded in the income statement in the year to December 31, 2020 relate to the facilities and personnel hosted by WISeKey SA on behalf of OISTE. In the year 2020, WISeKey SA invoiced OISTE CHF 29,918 (USD 31,893).
The payable to OISTE as at December 31, 2020 and expenses relating to OISTE recognized in 2020 are made up of license and royalty fees for the year 2020 under the contract agreement with WISeKey SA.

16. Edmund Gibbons Limited had a 49% shareholding in QuoVadis Services Ltd which was 51% owned by WISeKey until the divestiture of QuoVadis in 2019.

17. Terra Ventures Inc has a 49% shareholding in WISeKey SAARC Ltd. Terra Ventures granted a GBP 24,507 loan to WISeKey SAARC Ltd on January 24, 2017. The loan is non-interest bearing and has no set repayment date.

18. SAI LLC, doing business as SBT Ventures, is a former shareholder in WISeKey SAARC Ltd. SAI LLC granted a GBP 25,000 loan to WISeKey SAARC Ltd on January 25, 2017. The loan is non-interest bearing and has no set repayment date.

19. GSP Holdings Ltd is a former shareholder in WISeKey SAARC Ltd. GSP Holdings Ltd granted a GBP 12,500 loan to WISeKey SAARC Ltd on February 02, 2017. The loan is non-interest bearing and has no set repayment date.

20. Indian Potash Limited has a 10% shareholding in WISeKey India Private Ltd.

21. ACXIT Capital Partners, an international corporate finance and investment advisory firm, has provided advisory services to WISeKey.

22. Philipp Gerwill is an external consultant for the Group.

23. Two immediate family members of Carlos Moreira are employed by WISeKey SA. In line with ASC 850-10-50-5, transactions involving related parties cannot be presumed to be carried out on an arm's-length basis. The aggregate employment remuneration of these two immediate family members amounted to USD 219,892 recorded in the income statement in 2020.
Additionally, one other immediate family member of Carlos Moreira has access to WISeKey's facilities for a cost of CHF 2,760 (USD 2,942) per annum.

24. Todd Ruppert is a former investor in WISeKey.

25. Cristina Dolan is a member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2020 relate to her advisory committee fee.

26. Maria Pia Aqueveque Jabbaz is a member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2020 relate to her advisory committee fee.

Note 40. Subsequent events

GTO Facility

After December 31, 2020, the Group made two subscriptions under the terms of the GTO Facility as follows:

- On February 11, 2021 for convertibles notes in the amount CHF 4,840,000 (USD 5,433,229 at historical rate). The funds were received on February 19, 2021. In line with the terms of the GTO Facility, WISeKey issued GTO with 458,332 warrants on WIHN class B shares at an exercise price of CHF 1.584.
- On March 22, 2021 for convertible notes in the amount of CHF 1,500,000 (USD 1,624,664 at historical rate). The funds were received on March 24, 2021. In line with the terms of the GTO Facility, WISeKey issued GTO with 102,599 warrants on WIHN class B shares at an exercise price of CHF 2.193.

On March 25, 2021, GTO exercised their right to request the subscription of 2 tranches for convertible notes in the amount of CHF 3,000,000 (USD 3,193,098 at historical rate). The funds were received on March 31, 2021. In line with the terms of the GTO Facility, WISeKey issued GTO with 187,188 warrants on WIHN class B shares at an exercise price of CHF 2.40.

In 2021, GTO issued a total of five conversion notices, resulting in the following conversions after December 31, 2020:

- On December 30, 2020 for 1,802,265 WIHN class B shares delivered on January 04, 2021 for a conversion of CHF 1,750,000 (USD 1,985,363).
- On January 08, 2021 for 102,986 WIHN class B shares delivered on January 11, 2021 for a conversion of CHF 100,000 (USD 112,399).
- On January 11, 2021 for 2,059,731 WIHN class B shares of which 401,446 were delivered on January 13, 2021 and 1,658,285 on January 19, 2021 for a conversion of, respectively, CHF 389,805 (USD 439,274) and CHF 1,610,195 (USD 1,811,772).
- On January 27, 2021 for 46,210 WIHN class B shares delivered on February 01, 2021 for a conversion of CHF 50,000 (USD 55,778).
- On February 15, 2021 for 2,919,579 WIHN class B shares delivered on February 23, 2021 for a conversion of CHF 3,340,000 (USD 3,732,727).
- On March 18, 2021 for 441,306 WIHN class B shares delivered on March 22, 2021 for a conversion of CHF 500,000 (USD 541,555).
- On March 19, 2021 for 882,612 WIHN class B shares delivered on March 22, 2021 for a conversion of CHF 1,000,000 (USD 1,083,109).
- On March 23, 2021 for 441,306 WIHN class B shares delivered on March 25, 2021 for a conversion of CHF 500,000 (USD 532,183).
- On March 25, 2021 for 882,612 WIHN class B shares delivered on March 29, 2021 for a conversion of CHF 1,000,000 (USD 1,066,166).
- On March 30, 2021 for 2,647,836 WIHN class B shares delivered on April 01, 2021 for a conversion of CHF 3,000,000 (USD 3,187,380).

Crede Convertible Loan

On January 06, 2021 Crede exercised a conversion in the amount of USD 1,038,627 in exchange for 1,000,000 WIHN class B shares issued out of treasury shares and delivered on January 06, 2021.

On February 15, 2021 Crede exercised a conversion in the amount of USD 3,176,493 in exchange for 3,058,358 WIHN class B shares issued out of conditional capital. This last conversion was for the remaining balance of the loan, therefore, as at February 17, 2021 when the shares were delivered to Crede, the balance of the loan was USD nil.

Release of restricted cash

On January 16, 2021, as per the terms of the SPA relating to the sale of WISeKey (Bermuda) Holding Ltd and its affiliates to Digicert Inc,, USD 2.0 million of the consideration retained on an escrow account was released to WISeKey. The funds were received on January 29, 2021 together with USD 46,557 interest earned on the restricted cash account until its release.

GEM Facility

On January 19, 2021, the GEM facility expired. There was no drawdown in 2021 before expiration. Therefore, the GEM Facility expired with an unused balance of CHF 56,094,645.

Options granted under WISeKey ESOP

After December 31, 2020, a total of 8,299 options were granted under the Group's ESOP.

Conversion of arago Third Convertible Loan and acquisition of 51% of arago's share capital

Arago is a private German company, leader in artificial intelligence automation. In 2021, WISeKey made three more payments to arago in the framework of the arago Third Convertible Loan (see Note 10): on January 04, 2021 for EUR 300,000 (USD 367,646), on February 17, 2021 for CHF 800,000, and on March 10, 2021 for CHF 800,000 (USD 858,751). These payments brought the arago Third Convertible Loan balance to CHF 5 million as at March 10, 2021.
On January 18, 2021, WISeKey requested to convert the arago Third Convertible Loan (see Note 10) into 51% of arago's share capital carrying 51% of the voting rights, which resulted in the issue of 136,072 new arago shares with a nominal value of EUR 1 to WISeKey in exchange for the payment by WISeKey of the aggregate nominal value of the newly issued shares of EUR 136,072 (USD 164,275 at historical cost).

The arago Shareholders' Resolution relating to the capital increase to create 136,072 new arago shares to be transferred to WISeKey, the amendment of the articles of association of arago GmbH and the subscription by WISeKey International Holding AG for the acquisition of the 136,072 newly-created arago shares took place on January 27, 2021. The Investment and Shareholders' Agreement between WISeKey International Holding AG, arago and arago's existing shareholders for the acquisition by WISeKey of 51% of arago's share capital was registered at the notary office on January 27, 2021. On February 01, 2021, Carlos Moreira was appointed Managing Director of arago. The registration of WISeKey as a shareholder of arago holding 136,072 arago shares occurred on February 15, 2020. At the date when these financial statements are released, there remains an uncertainty about the acquisition date as defined by ASC 805.

Once the acquisition date is determined, the assets, liabilities and results of arago will be consolidated in WISeKey's financial statements from the acquisition date. The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, as well as for the fair value of the remaining noncontrolling interest and goodwill cannot be ascertained at the time these financial statements are released because of the uncertainty around the acquisition date and because the audited US GAAP financial statements of arago are not yet available.
The consideration will include the fair value of the arago Third Convertible Loan at the acquisition date, the payment by WISeKey of the aggregate nominal value of the newly issued shares of EUR 136,072 (USD 164,275 at historical cost), and any additional costs meeting the definition of acquisition-related costs per ASC 805. Any gain or loss recognized as a result of remeasuring the arago Third Convertible Loan to fair value on the acquisition date will be disclosed.

Second Yorkville Convertible Loan

At the time of release of this annual report, WISeKey has repaid another USD 1,123,438 toward the Second Yorkville Convertible Loan and the remaining balance is USD 569,541.

Investment in FOSSA SYSTEMS s.l.

On April 08, 2021, WISeKey E.L.A. s.l. invested EUR 440,000 (USD 475,673 at historical rate) to acquire 15% of the share capital of FOSSA SYSTEMS s.l., a Spanish aerospace company providing picosatellites for Low Earth Orbit (LEO) services as a vertically integrated service: from design to launch and operations.

SEDA Drawdown

On April 15, 2021 WISeKey made one drawdown for CHF 363,876 (USD 394,370 at historical rate) in exchange for 219,599 WIHN class B shares issued out of treasury share capital.

Note 41. Business Update Related to COVID-19

In March 2020, the World Health Organization declared the Coronavirus (COVID-19) a pandemic. The outbreak spread quickly around the world, including in every geography in which the Company operates. The pandemic has created uncertainty around the impact of the global economy and has resulted in impacts to the financial markets and asset values. Governments implemented various restrictions around the world, including closure of non-essential businesses, travel, shelter-in-place requirements for citizens and other restrictions.

The Company took a number of precautionary steps to safeguard its businesses and colleagues from COVID-19, including implementing travel restrictions, working from home arrangements and flexible work policies. Through the end of the first half of the year, the majority of the Company's colleagues continued working either fully or partially in a remote work environment, with virtually no disruption to the Company as a whole and its ability to serve clients. The Company started to return to offices around the world, in line with the guidelines and orders issued by national, state and local governments, implementing a phased approach in its main offices in Switzerland and in France. We continue to prioritize the safety and well-being of our colleagues during this time.

The Company's major production centers, located in Taiwan and Vietnam, were quick to implement controls and safeguards around their processes that enabled us to continue delivering products with minimal interruption to our clients. At the end of the second quarter, we started to see the first impact of the pandemic upon our activities with certain clients reducing or delaying their orders. At this stage, the impact upon the Company has been limited and we remain confident that we will be able to fulfil all current client orders.

The Company retains a strong liquidity position and believes that it has sufficient cash reserves to support the entity for the foreseeable future (see note 2 for further details.) The Company continues to review its costs and suspended its share buy-back programs in order to reduce the cash burn. The Company has applied for, and received, support under the schemes announced by the Swiss government and is applying for similar support under the schemes announced by the French government. Currently the Company remains able to meet its commitments and does not foresee any significant challenges in the near future. The Company currently does not anticipate any material impact on its liquidity position and outlook.

At this stage it remains impossible to predict the extent of the impact of the COVID-19 pandemic as this will depend on numerous evolving factors and future developments that the Company is not able to predict.

WISeKey International Holding AG

Statutory Financial Statements

As at December 31, 2020

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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of WISeKey International Holding AG, Zug

Report of the Statutory Auditor on the Financial Statements

Opinion

We have audited the financial statements of WISeKey International Holding AG, which comprise the balance sheet as at 31 December 2020, and the income statement, and notes for the year then ended.

In our opinion the financial statements (pages F-62 to F-79) as at December 31, 2020 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 Auditing Standards. 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 entity 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, 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.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investments in subsidiaries	
The Company carries investments in subsidiaries in the amount of CHF 23.3 million on the balance sheet. Investments are valued individually at acquisition costs less impairment. The valuation of investments involves judgment in the projections and assumptions used, which are sensitive to the expected future market developments that could affect the profitability of these entities. We focused on this area due to the degree of management's judgment involved, its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the Company's impairment considerations and valuation for all significant investments for reasonableness. We evaluated key assumptions used in the valuations relating to future expected cash flows, net asset values and fair values based on the allocation of the Company's market capitalization to each significant subsidiary.
Valuation of intercompany loans	
The Company carries an intercompany loan balance in the amount of CHF 15.1 million on the balance sheet. We focused on this area due to its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the financial solvency of each corresponding subsidiary based on the net asset values as well as future expected cash flows and fair values based on the allocation of the Company's market capitalization.

Responsibility of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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.

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A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal Requirements

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

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

Geneva, 29 April 2021

BDO Ltd

Christoph Tschumi	Philipp Kegele
Auditor in Charge	Licensed Audit Expert
Licensed Audit Expert	

WISeKey International Holding A.G., Zug

Balance Sheet as at December 31, 2020

ASSETS	2020 CHF	Note ref:	2019 CHF
Current Assets			
Cash and bank deposits	13,946,014		7,287,874
Short-term restricted cash	1,768,588	4	2,419,545
Short-term intercompany receivables	3,374,363	5	2,586,201
Amounts receivable from employees, net	122,885	6	-
Other receivables	205,937		161,724
Prepaid expenses	136,326		340,283
Intercompany accrued income and interests	126,809	5	34,778
Total Current Assets	19,680,922		12,830,406
Non-current Assets			
Long-term restricted cash	-	4	1,935,636
Convertible loans - interest bearing	3,075,292	7	-
Investments in subsidiaries, net	23,293,142	8	23,245,479
Other investment	266,438	9	7,608,374
Intercompany loans	15,143,187	10	9,959,277
Total Capital Assets	41,778,060		42,748,767
Total Non-current Assets	41,778,060		42,748,767
TOTAL ASSETS	61,458,982		55,579,172

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

WISeKey International Holding A.G., Zug

Balance Sheet as at December 31, 2020

LIABILITIES AND SHAREHOLDERS' EQUITY	2020 CHF	Note ref:	2019 CHF
Current Liabilities			
Trade payables	599,531		121,099
Intercompany accounts payable	1,277,130	11	942,093
Short-term loans - interest bearing	5,224,497		3,451,522
Short-term loan - non-interest bearing	3,980,000		-
Other payables	2,000,146	12	-
Accrued liabilities	2,247,638	13	686,005
Intercompany accrued liabilities	77,488		55,973
Total Current Liabilities	15,406,430		5,256,692
Non-Current Liabilities			
Long term loans - non-interest bearing	223,000		-
Total Non-Current Liabilities	223,000		-
Total Liabilities	15,629,430		5,256,692
Shareholders' Equity			
Share Capital	2,781,354	14	1,841,424
Capital Contribution Reserves *	70,877,886		62,053,218
Reserve for Treasury Shares held by subsidiaries	217,114	15	37,355
Treasury Shares held by WISeKey International Holdings AG	(318,344)	15	(1,220,465)
Accumulated Deficit	(12,568,811)	16	(14,666,168)
Net Profit / (Loss) for the Period	(15,159,645)	16	2,277,115
Total Shareholders' Equity	45,829,553		50,322,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	61,458,982		55,579,172

*: this amount of capital contribution reserves is subject to the approval of the Swiss Federal Tax Administration. For further information, see also note 14.1 to the financial statements.

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

WISeKey International Holding A.G., Zug

Income Statement for the Period

	2020 CHF	Note ref:	2019 CHF
INCOME			
Other Income	-		38,857
Management Fee Income	2,391,890		2,196,062
Gain on Sale of Investment	-	19	11,556,302
	2,391,890		13,791,221
OPERATING EXPENSES			
Salaries and Personnel Costs	(6,233,462)	20	-
Office Expenses	(5,489)		(20,425)
Insurances	(391,248)		(303,188)
Travel & Accommodation	(6,674)		(2,929)
Consultancy and Professional Services	(1,627,323)	21	(3,333,263)
Marketing	(259,828)		(338,690)
Management Fees and Intercompany Charges	(535,911)	22	(3,810,500)
Valuation Adjustments on Loans and Investments	(9,806,796)	23	(5,539,696)
FINANCIAL COSTS AND FINANCIAL INCOME			
Foreign Exchange (Loss)/Gain	(403,808)		21,375
Other Financial Charges	(64,425)		(218,269)
Financial Charges on Loan	(1,610,958)	24	(486,577)
Interest Income	539,659		612,630
Interest Expense	(420)		(5,443)
Profit on Sale of Treasury Shares	3,572,488	15	2,247,746
Loss on Sale of Treasury Shares	(823,727)	15	(239,029)
PRIOR PERIOD COSTS			
Prior Period Expenditure	1,210		(59,092)
NON-OPERATIONAL COSTS AND INCOME			
Non-Operating Losses	(99,371)	25	(38,778)
Non-Operating Gains	204,547	26	21
(LOSS)/PROFIT BEFORE TAXES	(15,159,645)		2,277,115
Taxes	-		-
(LOSS)/PROFIT FOR THE YEAR	(15,159,645)		2,277,115

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

Note 1. Background and Operations

WISeKey International Holding A.G., (**the Company)**, was registered in Zug, Switzerland, on November 17, 2015 and was listed on the Swiss Stock Exchange, SIX AG, with the valor symbol "WIHN" on March 31, 2016. The Company's purpose is to incorporate, acquire, hold and dispose of participations in companies, both in Switzerland and abroad, especially in the field of cybersecurity and related areas. The Company may engage in all types of transactions that appear appropriate to promote, or are related to the purpose of the Company.

The Company had 9 full-time employees at December 31, 2020 (2019: nil.)

On March 3, 2016, the Company acquired 100% of the shares of WISeTrust SA.

On March 22, 2016, WISeKey SA's shareholders exchanged a total of 90.3% of their shares into those of the Company shares. During 2017, several shareholders approached the Company to exchange their shares in WISeKey SA, having failed to participate in the original share exchange program of 2016. As at December 31, 2019, the Company had acquired an additional 5.28% of WISeKey SA's shares, bringing its holding up to 95.58%. The remaining 4.42% of the WISeKey SA's share capital will be obtained either through share exchanges or as part of a squeeze-out merger.

On September 20, 2016, the Company acquired the semiconductor assets and supporting operations from Inside Secure, a French company listed on the Euronext, Stock Exchange in Paris, in the form of a carve-out. The entity was renamed WISeKey Semiconductors. As part of the deal, the Company also acquired the supporting operations in Japan, Taiwan and Singapore, renamed WISeKey KK, WISeKey Taiwan and WISeKey Singapore Pte Ltd respectively.

On October 5, 2016, the Company established a Joint Venture, WISeKey SAARC Ltd, in London, U.K., for operations in the South Asian region. It owns 51% of the venture. WISeKey SAARC Ltd owns 88% of WISeKey India Private Ltd, a sales and support operation based in New Delhi, India.

On April 3, 2017, the Company acquired 85% of the share capital of QuoVadis Holding Ltd, a Bermudan-based company in the managed PKI and digital signature management business, having operations in the UK, Netherlands, Belgium, Germany and Switzerland, as well as Bermuda itself. As part of the consideration, a shareholders' put and call option agreement over the 15% remaining non-controlling interest ("NCI") was signed by the Group and the 15% NCI shareholders. Per the shareholders' put and call option agreement over the 15% non-controlling interest, WISeKey granted the non-controlling interest shareholders an option (put option) pursuant to which the non-controlling interest shareholders were entitled to sell all of their shares in QV Holding Ltd to WISeKey, and the non-controlling interest shareholders granted WISeKey an option (call option) pursuant to which WISeKey was entitled to buy all shares in QV Holding Ltd held by the non-controlling interest shareholders. Both options were exercisable at the earliest on May 01, 2018 and at the latest on May 31, 2018. In May 2018, the NCI shareholders exercised their put option. On May 24, 2018, the Company acquired the remaining 15% of QuoVadis Holding Ltd through the issue of 860,000 Ordinary B shares valued at CHF5.42 per share for a total consideration of CHF 4,664,994.

On January 16, 2019 the Company completed the sale of WISeKey (Bermuda) Holding Ltd (including all of its subsidiaries) to DigiCert, Inc. pursuant to a Share Purchase Agreement entered into by and between the Company and DigiCert, Inc. on December 21, 2018. As of January 16, 2019, the following subsidiaries are no longer part of the WISeKey Group: WISeKey (Bermuda) Holding Ltd., QuoVadis Trustlink Schweiz AG, QuoVadis Trustlink BVBA, QuoVadis Trustlink BV, QV BE BV, QuoVadis Trustlink GmbH, QuoVadis Services Ltd. and QuoVadis Ltd.

At January 16, 2019, the Regulatory Authority in Bermuda ("RAB") consent to transfer the ownership of QuoVadis Services Ltd had not yet been obtained. Therefore, in application of the SPA terms and conditions, the shares in QuoVadis Services Ltd. held by WISeKey (Bermuda) Holding Ltd were transferred to WISeKey International Holding AG who, as a result, held a 51% interest in QuoVadis Services Ltd, and WISeKey directly operated QuoVadis Services Ltd. on trust for DigiCert, Inc. until receipt of the RAB Consent and the effective transfer of the shares in QuoVadis Services Ltd. to DigiCert, Inc. The RAB Consent was received in February 2019 and the transfer of ownership of QuoVadis Services Ltd from the Company to DigiCert Inc. was effective on February 28, 2019.

During the prior year, the Company applied to the SEC for permission to trade its shares, in the form of American Depository Receipts (ADRs), on a US exchange. On December 4, 2019, having received approval from both the SEC and the NASDAQ, the Company commenced trading of ADRs on the NASDAQ Global Market.

Note 2. Future Operations

The Company made a loss from operations in this reporting period, which was due to the gain on the sale of QuoVadis. The Company does anticipate being able to reduce the operating losses generated through the process of charging management fees to align the costs incurred on behalf of the group across the companies that have received the benefit of the services. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

The Company made a net loss of CHF 15,159,645 (2019: profit of CHF 2,277,115) and had net current assets of CHF 4,274,492 as at December 31, 2020. Historically, the Company has been dependent on debt and equity financing to augment the operating cash flow to cover its cash requirements. Any additional equity financing may be dilutive to shareholders.

In the year 2019, WISeKey entered into a Convertible Term Loan Facility with Long State Investment Limited (the "**Longstate Convertible Loan")** allowing the Company to borrow up to CHF 30,000,000 over a period of 24 months repayable by December 15, 2021 through conversion into "B" shares, with an interest rate of 1.5% per annum payable bi-annually in arrears.

On February 08, 2018 the Company entered into a Standby Equity Distribution Agreement ("**SEDA**") with a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**"). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50m in exchange for Class B Shares over a three-year period. During the year, the Company signed an amendment to extend the agreement for a further two-year period through to February 2023. Provided that a sufficient number of Class B Shares is provided through share lending, the Company has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5m by drawdown, subject to certain exceptions and limitations. In the year 2020, WISeKey made six drawdowns under the Yorkville Facility, for a total amount of CHF 1,134,247. As at December 31, 2020 the outstanding equity financing available was CHF 46,007,831.

On December 16, 2019, the Company entered into a Convertible Term Loan Facility Agreement (the "LSI Convertible Facility") with Long State Investment Limited ("LSI"), a Hong Kong-based investment company, to borrow up to CHF 30.0 million over a commitment period of 24 months(see Note 25 for detail). WISeKey will be able to drawdown individual term loans of up to CHF 500,000 or, if so agreed between the parties, up to CHF 2.5 million at an interest rate of 1.5% p.a., up to an aggregate amount of CHF 30 million. LSI will have the right to convert a drawdown tranche into existing or newly issued WIHN class B shares or, if so agreed among the parties and permitted by law, into American Depositary Shares ("ADSs") representing WIHN class B shares. Any term loan not converted by LSI initially will automatically convert into WIHN class B shares, or (to the extent permissible under applicable securities laws) ADSs, 20 SIX trading days before the expiration of the commitment period at the applicable conversion price. As at December 31, 2020, the Group has made no drawdowns under the LSI Convertible Facility and so the outstanding facility available was CHF 30.0 million.

On May 18, 2020, the Company entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**Nice & Green Facility**") with Nice & Green SA. Pursuant to the Nice & Green Facility, Nice & Green SA commits to subscribe for up to CHF 10.0 million of Convertible Notes over a two-year period. The Nice & Green Facility allows the Company to subscribe for funds based upon 60% of the traded volume of the WIHN class B share on the SIX Swiss Stock Exchange over the five SIX Swiss Exchange trading days preceding the subscription date. Nice & Green then provides the funding in exchange for Convertible Notes which are exchangeable for newly issued or existing WIHN Class B shares at Nice & Green's request. In the year 2020, WISeKey made six drawdowns for a total amount of CHF 8,916,889. As at December 31, 2020, the outstanding facility available was CHF 1,083,111.

On December 08, 2020, the Company entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**GTO facility**") with Global Tech Opportunities 8 ("**GTO**") pursuant to which GTO commits to grant a loan to WISeKey for up to a maximum amount of CHF 15.5 million divided into tranches of variable sizes, during a commitment period of 18 months ending June 09, 2022. The dates and amounts of the first 3 tranches were agreed in advance in the GTO Facility agreement; for the remaining facility, GTO has the right to request the subscription of 2 tranches, all other tranches are to be subscribed for by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes that do not bear interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN class B shares within a period of 12 months from issuance. GTO made three subscriptions in 2020 under the GTO Facility. As at December 31, 2020, the outstanding GTO Facility available was CHF 10,840,000. Convertible notes in an aggregate amount of CHF 3,910,000 remained unconverted

Based on the Company's cash projections for the next 12 months to February 28, 2022, , it will need approximately CHF 1 million to fund operations and financial commitments. The SEDA, the LSI Convertible Facility, the Nice & Green Facility and the GTO Facility will be used as a safeguard should there be any additional cash requirements not covered by other types of funding. Based on this, Management believe it is correct to present these figures on a going concern basis.

Note 3. Significant accounting policies

These financial statements were prepared according to the provisions of the Swiss financial reporting law (32nd title of the Swiss Code of Obligations). Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount. Certain prior year numbers were reclassified to conform to the current year presentation.

As WISeKey International Holding AG prepares consolidated financial statements under a recognized accounting standard (US GAAP), it has elected in these financial statements, as permitted by law, not to prepare a management report and to omit a cash flow statement and notes on interest-bearing liabilities and audit fees.

The significant accounting policies adopted by the Company are as follows:

Foreign currency translation

The accounting records of the Company are maintained in Swiss Francs. All transactions in other currencies are translated into Swiss Francs at the rate prevailing at the time of the transaction. Assets and liabilities in other currencies remaining at the balance sheet date are translated at the appropriate year-end rate. Transaction and translation foreign exchange profits and losses are included in the statement of income and expenses in the year in which they are incurred. Unrealized foreign exchange gains on non-current assets and liabilities at the balance sheet date are provided for in accrued liabilities at the year-end.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, and short-term highly liquid investments, which are convertible to a known amount of cash and bear an insignificant risk of change in value.

Restricted Cash

Restricted cash is defined as cash held on behalf of the Company in accounts outside of the Company's direct control and that can only be transferred to the Company upon the fulfilment of specific criteria.

Tax

The Company is liable for Swiss federal income tax and cantonal/communal income and capital taxes and therefore accrues for all taxes due for the period.

Other investments

Other investments are carried at cost less any necessary provision for impairment in value.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less any necessary provision for impairment in value.

Treatment of sale of treasury shares

Treasury shares are held at historic cost at the date of acquisition. Gains and losses made upon the sale of treasury shares are recognised in the income statement.

Debt issuance costs

It is the Company policy to capitalize issuance costs on long-term credit facilities, defined as those with a duration in excess of one year at the point of inception. These costs are amortized over the life of the credit facility to which they relate.

Note 4. Restricted Cash

The balance held as restricted cash represents the final instalment of the proceeds of the sale of the QuoVadis group. Under the terms of the share purchase agreement, these funds will be held in an Escrow account until the second anniversary of the sale. The first instalment, which was due on the first anniversary date, was received on January 23, 2020. The second payment was received in full, with no post-completion claims, on January 29, 2021.

Note 5. Short-term intercompany receivables and accrued income

As the Ultimate Parent Company of the Group, WISeKey International Holding AG incurs costs that are for the benefit of other companies within the Group. The Company raises invoices to its subsidiary undertakings for the recharge of these costs.

Note 6. Amounts receivable from employees, net

During the year, certain employees exercised share options awarded to them under the Company's Employee Share Ownership Plan. This exercise gave rise to certain taxes and social charges due by the employee to the Company. As the employees have lock-out periods that restricts when they can sell the shares, the Company has agreed to defer payment until such point as the employees have sold the shares, as long as they remain employed by the Company.

Note 7. Convertible loans receivable

During the year, the Company entered into three Convertible Loan Agreements with arago GmbH, a technology company engaged in the use of artificial intelligence to enable knowledge automation in the operations of its clients. The first and second Convertible Loan Agreements were terminated and ultimately replaced by the third Convertible Loan Agreement. Under the terms of the agreement, the Company agreed to lend CHF 5,000,000 to arago GmbH with the right to convert this loan into a 51% participation in arago GmbH. As at the year end, the Company had advanced an amount of CHF 3,400,000 under the Convertible Loan Agreement.

The loan bears interest at a rate of 5% per annum with the interest being included in the conversion amount upon the Company requesting such Conversion.

Note 8. Investments in subsidiaries, net

Cost CHF	Ownership /Voting interests %	Gross value of the investment as at 31.12 2020	Ownership/ Voting interests %	Gross value of the investment as at 31.12 2019
WISeKey SA *Geneva, Switzerland*	**95.58%**	7,947,016	95.35%	7,947,016
WISeTrust SA *Geneva Switzerland*	**100%**	4,102,244	100%	4,102,244
WISeKey Semiconductors SAS *Meyreuil, France*	**100%**	11,000,000	100%	11,000,000
WISeKey SAARC Ltd *London, United Kingdom*	**51%**	64,966	51%	64,966
WISeKey International Holding Ltd *Tapei, Taiwan*	**0%**	-	100%	3,337
WISeCoin AG *Zug, Switzerland*	**90%**	-	90%	-
WISeKey Equities AG *Zug, Switzerland*	**100%**	100,000	100%	100,000
WISeKey Semiconductors GmbH *Munich, Germany*	**100%**	27,916	100%	27,916
WISeAI AG *Zug, Switzerland*	**51%**	51,000		
Total		**23,293,142**		**23,245,479**

Management has reviewed the carrying value of the investments in the Company's subsidiaries and has determined that the carrying values remain appropriate.

In assessing the potential impairment of the investments, the Company considers the net asset value, the expected cash-flows that will be generated by each of these investments and the market capitalization of the Group. Management believes that, on the basis of this and other than as set out in note 24, the carrying value of these investments as at December 31, 2020 is not impaired.

WISeKey Singapore Pte Ltd was liquidated following the cessation of activities in 2017. The liquidation was completed and the company was dissolved on November 2, 2019.

As part of a restructuring to align the operations of WISeKey KK, Japan, and WISeKey International Holding Ltd, Taiwan, with those of WISeKey Semiconductors SAS, the ownership of WISeKey KK and WISeKey International Holding Ltd, Taiwan, was transferred to WISeKey Semiconductors SAS. The transfer of WISeKey International Holding Ltd, Taiwan, was completed on March 4, 2019 and the transfer of WISeKey KK, Japan, was completed on April 15, 2019.

On April 26, 2019, the Company completed the purchase of the entire issued share capital of Blitzstart Holding AG, a dormant shell company registered in Munich, Germany, for a total consideration of € 25,000 (CHF 27,916.) Upon acquisition, the name was changed to WISeKey Semiconductors GmbH. The company was established for the purpose of supporting the sales operations of WISeKey Semiconductors SAS in German-speaking markets outside of Switzerland.

On September 11, 2020, the Company acquired 51% of the issued share capital of WISeAI AG, a newly incorporated company registered in Zug, Switzerland for a total consideration of CHF 51,000. The company was established with arago GmbH for the purpose of the research and development, production, sales, operation, maintenance and service of AI-based knowledge automation and data platforms or other hardware and software infrastructures as well as corresponding technologies in particular in the real-time cybersecurity and automation areas, as well as the promotion of innovation and digital transformation in a highly secure environment.

Note 9. Other Investments

CHF	Ownership/ Voting interests %	Carrying value of the investment as at 31.12 2020	Ownership/ Voting interests %	Carrying value of the investment as at 31.12 2019
OpenLimit AG *Baar, Switzerland*	**8.4%**	266,438	8.4%	731,479
Tarmin Inc. *Delaware, USA*		-		6,876,895
Total		**266,438**		**7,608,374**

The investment in OpenLimit AG is held at cost less provision for impairment.

On September 27, 2018, the Company entered into a warrant agreement with Tarmin Inc., a private Delaware company, a leader in data & software defined infrastructure, to acquire 22% of common stock deemed outstanding at the time of exercise. The warrant may be exercised in parts or in full, at an exercise price of USD 0.01 per share at nominal value USD 0.0001. The purchase price of the Tarmin Warrant was USD 7,000,000 (CHF 6,876,895), of which USD 3,000,000 (CHF 2,950,011) was paid in cash on October 05, 2018, and the remaining USD 4,000,000 (CHF 3,926,884) was paid on March 31, 2019. Tarmin Inc. is a privately held company and the investment is carried at cost less any provision for impairment. Following a review of the valuation of the investment, although there are positive indicators on the business performance of Tarmin, management identified a deterioration in the earnings performance and liquidity position of Tarmin. As a result, management has determined that the carrying value of this investment should be fully impaired.

Note 10. Intercompany loans

The Company has extended multiple loans to its subsidiary undertakings. These bear an interest rate of 3% per annum.

Note 11. Intercompany accounts payable

Intercompany accounts payable includes charges payable to the Company's subsidiary undertaking, WISeKey SA, for management fees charged and costs incurred on behalf of the Company.

Note 12. Other payables

During the prior year, the Company established a branch in Meyrin, Switzerland for the purposes of employing the staff who work for the Company. These employees were previously paid by WISeKey SA and cross-charged to the parent company. The Other Payables relate to salary related payments that were due as at December 31, 2020.

Note 13. Accrued liabilities

The accrued liabilities include a provision for accrued vacation not yet taken by the employees transferred from WISeKey SA.

Note 14. Share Capital

The Company has 2 classes of shares in its share capital, Class “A” shares with a nominal value of CHF 0.01 per share and Class “B” shares with a nominal value of CHF 0.05 per share. Both classes of share have the same voting rights, namely 1 share, 1 vote. Only the Class “B” shares are listed on the International Reporting Standard of the SIX Stock Exchange.

On December 4, 2019 the Companies' American Depositary Shares (“ADS”) started trading on The Nasdaq Stock Market LLC (“NASDAQ”) under the ticker symbol WKEY. Each ADS represents five Class B Shares. As at December 31, 2020, (2019: 175,988) ADSs were outstanding.

	31 December 2020		31 December 2019	
	Number of Shares	CHF	Number of Shares	CHF
Share Capital Class "A" Shares	40,021,988	400,220	40,021,988	400,220
Share Capital Class "B" Shares	47,622,689	2,381,134	28,824,086	1,441,204
Total Share Capital	87,644,677	2,781,354	68,846,074	1,841,424
Issued Share Capital	87,644,677	2,781,354	68,846,074	1,841,424
Authorised Share Capital, not issued	7,808,906	390,445	8,881,829	444,091
Conditional Share Capital	7,444,464	372,223	11,840,090	592,005

14.1 Movement of share capital

The movements of the changes in shareholders’ equity are explained further here.

Movements in shareholders’ equity in 2020 mainly relate to the issuance of shares resulting from various capital increases during the period.

The legal general reserves from capital contribution relate to capital contributions contributed to the Company by its shareholders since 1997, which, under Swiss tax law, may be distributed without being subject to Swiss withholding tax effective January 1, 2011, if certain conditions are met.

One of the conditions is that the reserves from capital contribution have to be declared to the Federal tax administration no later than 30 days following the ordinary general meeting of the shareholders.

As of December 31, 2020, the capital contribution reserves have yet to be approved by the Swiss Tax authorities.

14.2 Conditional share capital

The share capital may be increased in an amount not to exceed CHF 372,223.20 with a nominal value of CHF 0.05 per share.

Its use is limited to 2 categories, namely:

- up to an amount of CHF 28,338.25 by the issuance of up to 566,765 fully paid-in Class B Shares with a nominal value of CHF 0.05 through the exercise of conversion, option, exchange, warrant or similar rights for the subscription of shares granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants, notes, other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by, or of a member of, the Company (the "Rights-Bearing Obligations"); and

- up to an amount of CHF 343,884.95 by the issuance of up to 6,877,699 fully paid-in Class B Shares with a nominal value of CHF 0.05 in connection with the issuance of Class B Shares, Rights-Bearing Obligations, options or other share-based awards granted to members of the Board of Directors, members of executive management, employees, contractors, consultants or other persons providing services to the Company or a member of the Company.

14.3 Authorised share capital, not issued

The Board of Directors is authorized, at any time until May 25, 2020, to increase the share capital in an amount not to exceed CHF 390,445.30 through the issuance of up to 7,808,906 fully paid in registered shares with a nominal value of CHF 0.05 per share.

The preferred right of subscription of the shareholders may be suppressed for at least one of the following reasons:

- for issuing new shares if the issue price of the new shares is determined by reference to the market price. The takeover of enterprises, parts of enterprises or shareholding through the exchange of shares,
- for the acquisition of an enterprise, parts of an enterprise or participations or for new investment projects or for purposes of financing or refinancing any such transactions Financing of the acquisition of enterprises, parts of enterprises or shareholding
- for the purpose of broadening the shareholder constituency in certain financial or investor markets or in connection with the listing of new shares on domestic or foreign stock exchanges. The purpose of strategic partnerships or strategic investors
- for purposes of national and international offerings of shares for the purpose of increasing the free float or to meet applicable listing requirements
- for purposes of the participation of strategic partners
- for an over-allotment option ("*greenshoe*") being granted to one or more financial institutions in connection with an offering of shares
- for the participation of directors, officers, employees, contractors, consultants of, or other persons providing services to the Company or a group company
- for raising capital in a fast and flexible manner which could only be achieved with great difficulty without exclusion of the pre-emptive rights of the existing shareholders

14.4 Significant shareholders

The Swiss Financial Market Infrastructure Act (**FMIA**) and the rules and regulations promulgated thereunder, to which the Company and beneficial owners of its Shares are subject, requires persons who directly, indirectly or in concert with other parties acquire or dispose of Shares or purchase or sale rights or obligations relating to such Shares, and, thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% of the Company's voting rights (whether exercisable or not) to notify the Company and the Disclosure Office of SIX of such acquisition or disposal in writing.

Each Class A share and each Class B share carries one vote at a general meeting of shareholders of the Company and, as such, the number of shares held by each person or entity set forth below is equal to the number of voting rights held by such person or entity.

The table below sets out, to the knowledge of the Company, beneficial owners holding 3% or more of the voting rights of the Company as disclosed on the SIX disclosure platform on December 31, 2020. The percentages indicated above have been established based on the share capital of the Company registered with the commercial register of the Canton of Zug on the date on which the respective disclosure obligation pursuant to the FMIA was triggered. For a full review of the disclosure reports, including with respect to sale and purchase positions, that were made to the Company and the SIX Disclosure Office during fiscal year 2020, and then published on the SIX electronic publication platform in accordance with the FMIA and the rules and regulations promulgated thereunder, please refer to the search facility of the SIX Disclosure Office at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Name	Number of Shares owned		Purchase Position	Sale Position	Total number of voting rights	Percentage of voting rights
	Class A Shares	Class B Shares	Class B Shares	Class B Shares		
A lock-up group consisting of: Carlos Moreira and five additional individuals	40,021,988	- -	- -	- -	40,021,988	45.56%

Note 15. Reserve for Treasury Shares

During the year, the Company and its subsidiary undertaking, WISeKey Equities SA, acquired Treasury Shares for various purposes. These Treasury shares came from various sources. A summary of the Treasury Shares acquired is as follows:

- M Moreira, a Company director and CEO, loaned 322,900 Ordinary 'B' shares to the Company on September 25, 2018. These shares were valued at the price of CHF 3.55, being the closing price of the shares on the SIX Swiss Exchange on this date. These shares were used to settle drawdowns against the YA II SEDA and, at December 31, 2019, none of these shares were held by the Company (December 31, 2018: 40,758.)

- Kepler Cheuvreux, a company registered in Paris, France, was mandated by the Company to provide bid and ask prices for Ordinary 'B' shares and to trade on behalf of the Company to ensure adequate liquidity of the Company's Ordinary 'B' shares. This mandate was put on hold on June 24, 2019 and the shares held by Kepler Cheuvreux were transferred to a Custody Account held by the Company. At December 31, 2020, there were 11,319 Ordinary 'B' shares held relating to those purchased by Kepler Cheuvreux on the Company's behalf (December 31, 2019: 314,647.)

- On July 9, 2019, the Company started a share buyback program to buy back the Company's class B shares up to a maximum 10.0% of the share capital and 5.35% of the voting rights. On July 29, 2020, the Company extended its share buyback program to include the purchase of ADS. In compliance with Swiss Law, at no time will WISeKey hold more than 10% of its own registered shares. At December 31, 2020, the Company held 245,445 (December 31, 2019: 90,500) Ordinary 'B' shares purchased through the share and ADS buyback program. A further 184,099 Ordinary 'B' shares were held by YA II PA ("Yorkville") on our behalf, having been sold to WISeKey International Holding AG for the purpose of settling drawdowns under the Yorkville SEDA (December 31, 2019: 49,944.)

- WISeKey Equities SA, a subsidiary of the Company, purchased 8,000,000 Ordinary 'B' shares at nominal value for the purpose of fulfilling exercise notices under option agreements, SEDA drawdowns and other such arrangements. 4,404,828 (2019: 1,030,000) were sold for the purpose of settling conversions and fees relating to the Nice & Green, Long State Investments, Global Tech Opportunities 8 and Crede Convertible Loan facilities and drawdowns under the Yorkville SEDA. In 2019, 222,900 of these were sold to WISeKey International Holding AG for the purpose of repaying the aforementioned loan of shares of M Moreira. At December 31, 2020, there remained 4,342,272 Ordinary 'B' shares held by WISeKey Equities SA (December 31, 2019: 747,100.)

Treasury shares held by subsidiaries	**Number of shares**	**Reserve for treasury shares held by subsidiaries as at 31.12.2020 (CHF)**	Number of shares	Reserve for treasury shares held by subsidiaries as at 31.12.2019 (CHF)
January 1	**747,100**	**37,355**	1,777,100	88,855
Number of shares purchased / sold, reserves transferred	**3,595,172**	**179,759**	(1,030,000)	(51,500)
December 31	**4,342,272**	**217,114**	747,100	37,355

WISeKey Equities SA purchased 8,000,000 treasury shares during 2020 (2019: nil) with an average purchase price of CHF 0.05 per share. Treasury share sales totaled 4,404,828 (2018: 1,030,000) with an average sale price of CHF 0.05 per share (2018: CHF 0.05 per share.)

Treasury shares held by WISeKey International Holding AG (WIHN)	**Number of shares**	**Cost of treasury shares held by WIHN as at 31.12.2020 (CHF)**	Number of shares	Cost of treasury shares held by WIHN as at 31.12.2019 (CHF)
January 1	**455,091**	**1,220,465**	310,961	1,015,563
Number of shares purchased / sold, reserves transferred	**(14,228)**	**(902,121)**	144,130	204,902
December 31	**440,863**	**318,344**	455,091	1,220,465

Treasury share purchases by the Company during 2020 totaled 4,863,101 (2019: 1,623,824) with an average purchase price of CHF 0.21 per share (2019: 1.03.) Treasury share sales totaled 4,877,329 (2019: 1,479,694) with an average sale price of CHF 0.93 per share (2019: 2.38.) During the year, the Company recognized profits of CHF 3,572,488 (2019: 2,247,746) on the sale of Treasury Shares and losses of CHF 823,727 (2019: CHF 239,029) on the sale of Treasury Shares.

Total Treasury shares	**Number of shares**	**Total reserve for treasury shares as at 31.12.2020 (CHF)**	Number of shares	Total reserve for treasury shares as at 31.12.2019 (CHF)
January 1	**1,202,191**	**1,257,820**	2,088,061	1,104,418
Number of shares purchased / sold, reserves transferred	**3,580,944**	**(722,362)**	(885,870)	153,402
December 31	**4,783,135**	**535,458**	1,202,191	1,257,820

WISeKey International Holding AG has met the legal requirements of the Swiss Code of Obligations under Article 659 et. seq. for the treasury shares.

Treasury share purchases by the Group during 2019 totaled 8,458,273 (2019: 593,824) with an average purchase price of CHF 0.14 per share (2019: CHF 2.73.) Treasury share sales totaled 4,877,329 (2019: 1,479,694) with an average sale price of CHF 0.93 per share (2019: CHF 2.38.)

Note 16. Movements in reserves

Accumulated deficit **CHF**	**Accumulated deficit as at 31.12.2020**	**Accumulated deficit as at 31.12.2019**
January 1	**(12,389,053)**	(14,717,668)
Transfer from/(to) reserve for treasury shares	**(179,758)**	51,500
Net gain/(loss) for the period	**(15,159,645)**	2,277,115
December 31	**(27,728,456)**	(12,389,053)

Due to the increase (2019: reduction) in the balance of Treasury Shares held by WISeKey Equities SA (see note 15), a subsidiary undertaking of the Company, CHF 179,758 has been transferred from (2019: CHF 51,500 transferred to) the Accumulated Deficit into the Reserve for Treasury Shares held by Subsidiaries.

Note 17. Guarantees to Related Parties

On July 03, 2018, the Company signed a written agreement to subordinate its claims against WISeKey SA for an amount of CHF 3,600,000 until such time as the liabilities of WISeKey SA are covered by its assets.

On November 18, 2020, the Company signed a letter of comfort to Harbert European Speciality Lending Company II, S.à.r.l., an investment and financing company that has purchased bearer bonds in arago GmbH, for the value of the outstanding principal amount on the Bonds. Under the terms of this letter, the Company committed to ensure that arago GmbH has sufficient financial means in order to fulfil all its present and future payment obligations under the Bonds when due and payable.

On November 19, 2020, the Company signed a letter of comfort to arago GmbH confirming that it will provide such funds as are necessary to safeguard the continued existence of arago GmbH.

On March 09, 2021, the Company signed a written guarantee in favor of WISeKey SA for the value of investments in and long-term receivables owed by certain subsidiaries of WISeKey SA.

On March 09, 2021, the Company provided a letter of comfort to its subsidiary WISeKey Semiconductors SAS. The Company confirmed that it will provide financial and other support to WISeKey Semiconductors for at least the next 18 months and thereafter for the foreseeable future.

Note 18. Shares & Options held by Board of Directors and Executive Management

	Class A shareholding	ADS	Class B shareholding			% of voting rights	
			Own name	ADS Equivalent	Total		Name of the Related Party Transaction
Philippe DOUBRE	**701,695**	-	26,380	-	**26,380**	**0.8%**	
David FERGUSSON	-	-	1,000	-	**1,000**	**0.0%**	
Jean-Philippe LADISA	-	-	-	-	-	**0.0%**	
Carlos CREUS MOREIRA	**38,508,733**	**20,000**	816,084	100,000	**916,084**	**44.8%**	
Eric PELLATON	-	**20,000**	190,000	100,000	**290,000**	**0.3%**	ADSs and B shares held by NRJ SA
Peter WARD	**185,475**	-	30,643	-	**30,643**	**0.2%**	

The share options held by the Board of Directors and Executive Management as at December 31, 2020 were as follows:

	Class B Options
Philippe DOUBRE	72,694
David FERGUSSON	63,644
Jean-Philippe LADISA	25,212
Carlos MOREIRA	-
Eric PELLATON	7,231
Peter WARD	573,400

Note 19. Gain on Sale of Investment

On January 16, 2019, the Company completed the sale of WISeKey (Bermuda) Holding Ltd (including all of its subsidiaries) to DigiCert, Inc. pursuant to a Share Purchase Agreement entered into by and between the Company and DigiCert, Inc. on December 21, 2018. This represents the profit made on the disposal of this investment.

Note 20. Salaries and Personnel Costs

During the prior year, the Company established a branch in Meyrin, Switzerland for the purposes of employing the staff who work for the Company. With effect from 1 January 2020, these employees were transferred to the Company and all of their salaries and related costs were paid by the Company and cross-charged to other group companies as necessary. These employees were previously paid by WISeKey SA and cross-charged to the parent company for services carried out for the benefit of the Company, whilst services relating to members of the Group were cross-charged directly from WISeKey SA to the other group companies.

Note 21. Consultancy and Professional Services

Costs incurred under Consultancy and Professional Services in the year includes CHF 7,845 (2019: CHF 998,566) of legal costs and CHF nil (2019: CHF 861,915) of professional fees relating to merger and acquisition activity as well as the placement of the Company's ADRs on the NASDAQ, along with CHF 142,059 (2019: CHF 148,802) of fees relating to the Company's registration on the NASDAQ.

Note 22. Management Fees and Intercompany Charges

Costs incurred under Management Fees and Intercompany Charges in the year includes CHF 535,911 (2019: CHF 3,633,688) relating to management fees charged by its subsidiary undertaking, WISeKey SA, for salaries and associated costs incurred on behalf of the parent company. The amount has reduced year on year due to the creation of a branch of the Company in Meyrin, Switzerland and the subsequent transfer of staff to the branch meaning that the salaries and associated costs relating to these employees no longer needed to be cross-charged between the two companies.

Note 23. Valuation Adjustments on Loans and Investments

Following a review of the carrying value of its Intercompany Loans and Investments in 2019, the Company decided to make a valuation adjustment to reduce the carrying value of its Loans and Investments with WISeCoin AG. This was due to the uncertainty surrounding the recoverability of these balances. A further review carried out in 2020 resulted the Company deciding to amend this valuation adjustment to include further amounts owed by WISeCoin AG as at 31 December 2020.

Following a review of the valuation of the investment in Tarmin, although there are positive indicators on the business performance, management has identified a deterioration in the earnings performance and liquidity position of Tarmin. Therefore, as a result, management has assessed that the asset should be fully impaired.

Further, the charge includes the decrease in the value of the investment held in OpenLimit AG (see note 8) and, in the prior year, the write-off of balances due from WISeKey Singapore Pte Ltd upon liquidation and the loss made upon the sale of WISeKey KK to WISeKey Semiconductors SAS.

Note 24. Financial Charges on Loan

During the year the Company arranged new financing facilities with Nice & Green SA, Global Tech Opportunities 8, and Crede Capital LLC. As a result of increased liquidity in the Company's shares on the SIX Swiss Exchange, the Company was able to drawdown higher amounts under these facilities than in previous years and, as a result, there was an increase in the fees incurred.

Note 25. Non-Operating Losses

The non-operating loss incurred relates to stamp duties payable on the issuance of additional share capital.

Note 26. Non-Operating Gains

The Non-operating gains recognized during the year relate to an incentive fee received from Nice & Green SA based upon a share of the gains they make upon sale of shares in the Company.

Note 27. Subsequent Events

GTO Facility

After December 31, 2020, the Group made two subscriptions under the terms of the GTO Facility as follows:

On February 11, 2021 for convertibles notes in the amount CHF 4,840,000. The funds were received on February 19, 2021. In line with the terms of the GTO Facility, WISeKey issued GTO with 458,332 warrants on WIHN class B shares at an exercise price of CHF 1.584.

On March 22, 2021 for convertible notes in the amount of CHF 1,500,000. The funds were received on March 24, 2021. In line with the terms of the GTO Facility, WISeKey issued GTO with 102,599 warrants on WIHN class B shares at an exercise price of CHF2.193.

On March 25, 2021, GTO exercised their right to request the subscription of 2 tranches for convertible notes in the amount of CHF 3,000,000. The funds were received on March 31, 2021. In line with the terms of the GTO Facility, WISeKey issued GTO with 187,188 warrants on WIHN class B shares at an exercise price of CHF 2.40.

In 2021, GTO issued a total of ten conversion notices, resulting in the following conversions after December 31, 2020:

On December 30, 2020 for 1,802,265 WIHN class B shares delivered on January 04, 2021 for a conversion of CHF 1,750,000.

On January 08, 2021 for 102,986 WIHN class B shares delivered on January 11, 2021 for a conversion of CHF 100,000.

On January 11, 2021 for 2,059,731 WIHN class B shares of which 401,446 were delivered on January 13, 2021 and 1,658,285 on January 19, 2021 for a conversion of, respectively, CHF 389,805 and CHF 1,610,195.

On January 27, 2021 for 46,210 WIHN class B shares delivered on February 01, 2021 for a conversion of CHF 50,000.

On February 15, 2021 for 2,919,579 WIHN class B shares delivered on February 23, 2021 for a conversion of CHF 3,340,000.

On March 18, 2021 for 441,306 WIHN class B shares delivered on March 22, 2021 for a conversion of CHF 500,000.

On March 19, 2021 for 882,612 WIHN class B shares delivered on March 22, 2021 for a conversion of CHF 1,000,000.

On March 23, 2021 for 441,306 WIHN class B shares delivered on March 25, 2021 for a conversion of CHF 500,000.

On March 25, 2021 for 882,612 WIHN class B shares delivered on March 29, 2021 for a conversion of CHF 1,000,000.

On March 30, 2021 for 2,647,836 WIHN class B shares delivered on April 01, 2021 for a conversion of CHF 3,000,000.

Crede Convertible Loan

On January 06, 2021 Crede exercised a conversion in the amount of USD 1,038,627 (CHF 914,848) in exchange for 1,000,000 WIHN class B shares issued out of treasury shares and delivered on January 06, 2021.

On February 15, 2021 Crede exercised a conversion in the amount of USD 3,176,493 (CHF 2,797,933) in exchange for 3,058,358 WIHN class B shares issued out of conditional capital. This last conversion was for the remaining balance of the loan, therefore, as at February 17, 2021 when the shares were delivered to Crede, the balance of the loan was CHF nil.

Release of restricted cash

On January 16, 2021, as per the terms of the SPA relating to the sale of WISeKey (Bermuda) Holding Ltd and its affiliates to Digicert Inc,, USD 2.0 million (CHF 1,780,961) of the consideration retained on an escrow account was released to WISeKey. The funds were received on January 29, 2021 together with USD 46,557 (CHF 41,458) interest earned on the restricted cash account until its release.

GEM Facility

On January 19, 2021, the GEM facility expired. There was no drawdown in 2021 before expiration. Therefore, the GEM Facility expired with an unused balance of CHF 56,094,645.

Options granted under WISeKey ESOP

After December 31, 2020, a total of 8,299 options were granted under the Group's ESOP.

Conversion of arago Third Convertible Loan and acquisition of 51% of arago's share capital

Arago is a private German company, leader in artificial intelligence automation. In 2021, WISeKey made two more payments to arago in the framework of the arago Third Convertible Loan (see Note 10): on January 04, 2021 for EUR 300,000 (CHF 324,062), on February 17, 2021 for CHF 800,000 and on March 10, 2021 for CHF 800,000 (USD 858,751). These payments brought the arago Third Convertible Loan balance to CHF 5 million as at March 10, 2021.

On January 18, 2021, WISeKey requested to convert the arago Third Convertible Loan (see Note 10) into 51% of arago's share capital carrying 51% of the voting rights, which resulted in the issue of 136,072 new arago shares with a nominal value of EUR 1 to WISeKey in exchange for the payment by WISeKey of the aggregate nominal value of the newly issued shares of EUR 136,072 (CHF 146,368 at historical cost).

The arago Shareholders' Resolution relating to the capital increase to create 136,072 new arago shares to be transferred to WISeKey, the amendment of the articles of association of arago GmbH and the subscription by WISeKey International Holding AG for the acquisition of the 136,072 newly-created arago shares took place on January 27, 2021. The Investment and Shareholders' Agreement between WISeKey International Holding AG, arago and arago's existing shareholders for the acquisition by WISeKey of 51% of arago's share capital was registered at the notary office on January 27, 2021. On February 01, 2021, Carlos Moreira was appointed Managing Director of arago. The registration of WISeKey as a shareholder of arago holding 136,072 arago shares occurred on February 15, 2020. At the date when these financial statements are released, there remains an uncertainty about the acquisition date as defined by ASC 805.

Once the acquisition date is determined, the assets, liabilities and results of arago will be consolidated in WISeKey's financial statements from the acquisition date. The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, as well as for the fair value of the remaining noncontrolling interest and goodwill cannot be ascertained at the time these financial statements are released because of the uncertainty around the acquisition date and because the audited US GAAP financial statements of arago are not yet available.

The consideration will include the fair value of the arago Third Convertible Loan at the acquisition date, the payment by WISeKey of the aggregate nominal value of the newly issued shares of EUR 136,072 (CHF 146,378 at historical cost), and any additional costs meeting the definition of acquisition-related costs per ASC 805. Any gain or loss recognized as a result of remeasuring the arago Third Convertible Loan to fair value on the acquisition date will be disclosed.

Second Yorkville Convertible Loan

At the time of release of this annual report, WISeKey has repaid another USD 1,123,438 (CHF 1,026,123) toward the Second Yorkville Convertible Loan and the remaining balance is USD 569,541 (CHF 525,501.)

SEDA Drawdown

On April 15, 2021 WISeKey made one drawdown for CHF 363,876 in exchange for 219,599 WIHN class B shares issued out of treasury share capital.

P. Ward	**C. Moreira**
Chief Financial Officer	Chairman and Chief Executive Officer