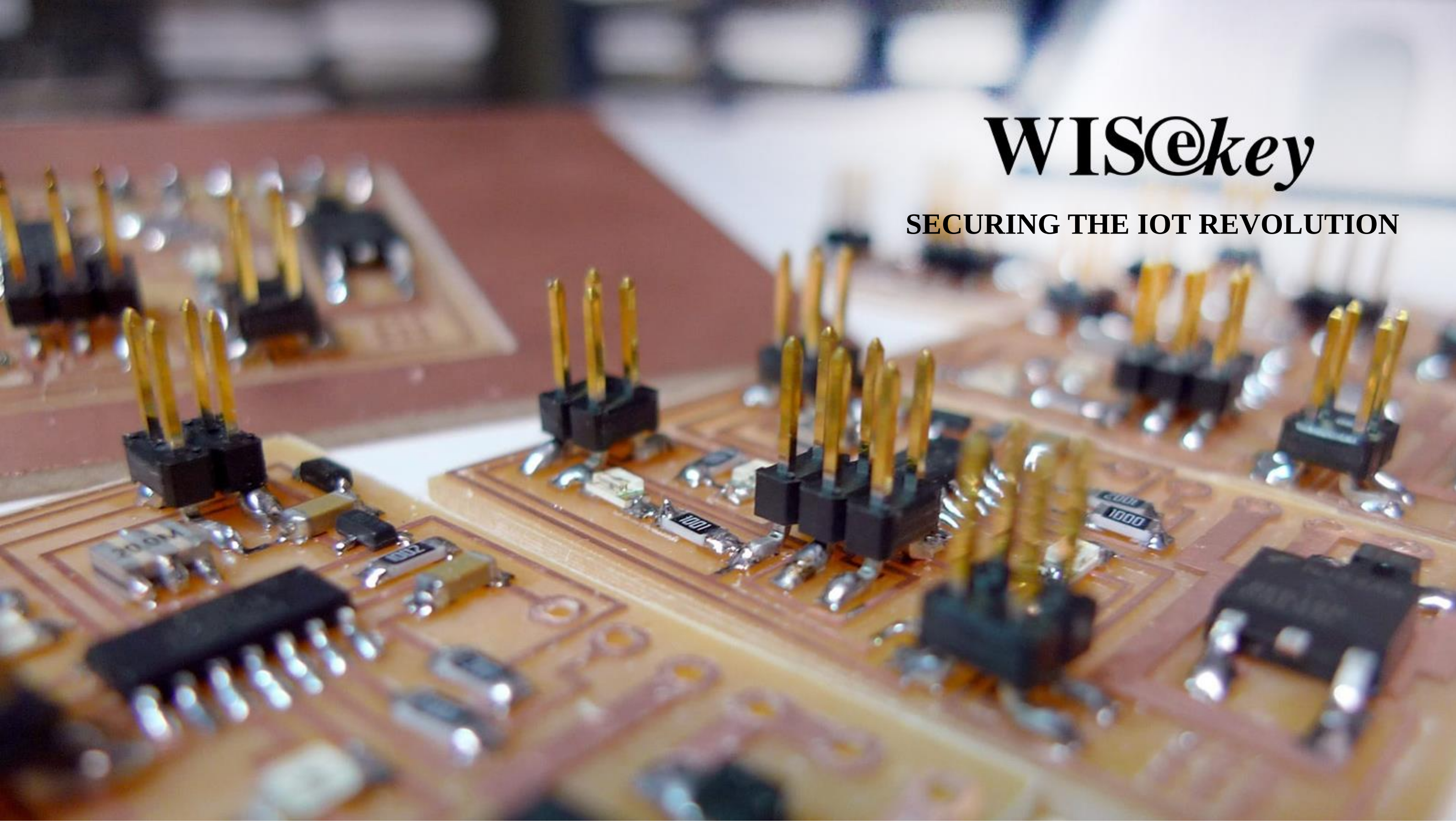

WISeKey International Holding AG

2019 Annual Report

Contents

Letter to Our Shareholders

Dear Shareholders

2019 was a transformational year for WISeKey. Following the sale of the SSL/TLS PKI business, WISeKey became an integrated Identity Management/IoT/Blockchain service provider with a unique trust model of securing objects and people in the connected world.

During 2019 calendar year, we made significant progress towards achieving our primary objective of building WISeKey to be a globally competitive and profitable company. We closed many exciting new agreements and ultimately learned that there were three main reasons why our clients selected us as their security partner -- they wanted a) an integrated security solution that was easy to deploy, b) at a price that was appropriate for their market risk, and c) backed up by the support of a company that has already proven their credibility in the cybersecurity market.

In 2019, we celebrated our 20th anniversary of delivering highly trusted and secured solutions accepted and adopted by leading international organizations, corporations and governments worldwide. This level of trust is not built overnight and is earned by years of flawless execution and by demonstrating a governance model and culture aimed at avoiding conflicts of interest.

Also 2019 is marked by several operational and financial milestones.

Operational Milestones:

- **Higher demand** for our products (hardware and software) and services from existing and new/potential clients
- **Launch of new proprietary solutions**, including VaultiTrust, WISeID, and NanoSeaRT: offering secure digital identities for critical applications such as smart grids, cloud security, drones, smart homes, Industry 4.0, consumer engagement, personal asset protection, anticounterfeiting, 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 challenges of unique market verticals
- **Acceleration of new customer acquisitions** and increased our geographic footprint
- **Establishment of several partnerships** with leading players in the Identity Management/IoT/Blockchain segment through the establishment of several partnerships with leading players in the space and joint ventures in Saudi Arabia, India and China will provide new revenue streams and increase diversification

- **Nasdaq Listing:** on December 4, 2019, WISeKey listed our American Depositary Shares (ADSs) on the NASDAQ (https://www.nasdaq.com/market-activity/stocks/wkey)

Financial Milestones:

- **Strong cash position:** cash and cash equivalents together with restricted cash increased to $16.6 million at December 31, 2019, from $9.8 million at December 31, 2018.
- **Debt reduction:** repaid, in full, of the Line of Credit with ExWorks Capital Fund I, L.P. in the amount of $25.3 million
- **Substantially improved financial position** has paved the way for significant investments in growth initiatives
- **Investments in R&D:** we increased our R&D effort with $6.4 million invested during the year to develop new products and create business opportunities in cybersecurity, IoT, Microprocessors, Blockchain an AI.
- **Profitability:** ended the year with $7.5 million in net income mainly due to the $31.1 million gain generated from the sale of the SSL/TLS PKI business to Digicert for $45 million.
- **Revenue of $24.6 million:** although lower than full year 2018 revenue (mainly due to the sale of the SSL business), WISeKey's enhanced position as a vertically integrated Identity Management/IoT/Blockchain service provider and "razor and blade: hardware and software" revenue model, has positioned us well to take advantage of massive opportunities in the market and further increase revenue and improve profitability.

Investing in our Future

I would like to highlight our continued commitment to invest in our cybersecurity / IoT businesses for the future. Together with our JV partners in China and Asia we will be spending approximately $30 million on capital expenditure during the next three years using signed facilities with Long State Investment Limited (LSI), a leading Asian based investor, to expand the reach of WISeKey in the growing Asian markets and to become one of the leading providers of semiconductors, IoT and Blockchain services in the region. 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 with financed by a $30 million facility provided by LSI during a 24-month period.

Growth Strategy

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

Digital Brand Protection: our newly released NanoSealRT NFC chip, and the impressive list of ecosystem partners we have made in the Authentic Consumer Engagement space, has identified

~$250 million in serviceable addressable market (“SAM”) opportunities over the next three years, which we are actively pursuing to close.

Explosion of Connected IoT Products: our VaultIC secure elements, and services like VaultiTrust, are rapidly gaining traction in the new landscape of connected IoT products that desperately need to add security in order to meet the growing concerns over consumer protection.

Automotive: our Ines and Foresight platforms are benefiting from the large-scale deployment inside of a major European car manufacturer and these platforms are ready for us to take target at other auto makers for applications like smart-car production, dealer validation of parts, predictive maintenance, and over-the-air software updates.

Global Expansion: introduction of these products and several new blockchain and IoT products into the U.S., China and Saudi Arabia.

Stock Price and Share Buyback Program

As our operating and financial performance substantially improved during 2019, we continued to execute a series of initiatives that we believe will, over time, better position WISeKey to deliver the value that our shareholders deserve. That said, in 2019 our stock price was negatively impacted by a number of factors, including:

1. an overhang created by the expiration of the lockup period of shares issued for the acquisitions of VaultIC and QuoVadis;
2. new shares issued through SEDA (Standby Equity Distribution Agreement) transactions which allowed WISeKey to obtain cash against issuance of new shares;
3. payment of Exworks loan interest in shares; and subsequently exercise of warrants at 3 CHF
4. low trading volume on the Swiss Stock Exchange for our category of stock; and,
5. technical issues on The Nasdaq platform and a mismatch between data vendors/ trading desks and prices reflected on various trading platforms created confusion, thus trading desks were unable to execute trades of our ADS.

We believe our current share price does not reflect WISeKey’s current operational and financial performance, the value of its proprietary technology, nor its growth prospects.

Thus, in July 2019, WISeKey’s Board of Directors approved a 3-year share buyback program for its Class B Shares (which in early 2020 was expanded to include ADSs). Class B Shares or ADSs repurchased under the buyback program will be used for potential future M&A transactions, and to fund existing employee share incentive program, convertible loans entered into by WISeKey and on demand equity lines available to the Company. For more information visit: https://www.wisekey.com/investors/share-buyback/.

We believe that the share buyback presents an attractive use of our capital resources and is consistent with our commitment to enhance stockholder value.

In conclusion, I am very pleased with the performance in 2019 and look forward to another great year in 2020. On behalf of our Board of Directors, I want to extend my appreciation and recognition to our various partners, stakeholders, and the numerous community groups with whom we work, for their ongoing support.

I would also like to express my gratitude to the board, our management and our employees who deserve praise for their sacrifices and continuous commitment to build WISeKey into a competitive company.

Sincerely Yours,

Carlos Moreira
Founder, Chairman and CEO of WISeKey International Holding
March 10, 2020

Management Discussion and Analysis of Financial Condition and Results of Operations

FY 2019 Key Financial Milestones:

The key highlights of the year ended December 31, 2019 were:

- Revenue of $24.6 million: although lower than full year 2018 revenue (mainly due to the sale of the SSL business), WISeKey's enhanced position as a vertically integrated Identity Management/IoT/Blockchain service provider and "razor and blade: hardware and software" revenue model, has positioned us well to take advantage of massive opportunities in the IoT market and further increase revenue and improve profitability.
- Profitability: ended the year with $7.5 million in net income mainly due to the $31.1 million gain generated from the sale of the SSL/TLS PKI business to Digicert for $45 million.
- Strong cash position: cash and cash equivalents together with restricted cash increased to $16.6 million at December 31, 2019, from $9.8 million at December 31, 2018.
- Debt reduction: repaid, in full, the Line of Credit with ExWorks Capital Fund I, L.P. in the amount of $25.3 million.
- Substantially improved financial position has paved the way for significant investments in growth initiatives.
- Investments in R&D: we increased our R&D effort with $6.4 million invested during the year to develop new products and create business opportunities in cybersecurity, IoT, Microprocessors, Blockchain and AI which repositioned WISeKey as a global IoT player.

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

US GAAP (Million US$)	**2019**	**2018**
Net sales from continuing operations	22.7	34.3
Net sales from discontinued operations	1.9	19.4
Total revenue	**24.6**	**53.7**
Gross profit from continuing operations	9.5	16.0
Gross profit from discontinued operations	1.1	13.2
Total gross profit	**10.6**	**29.2**
Operating loss as reported (continuing)	(20.5)	(9.1)
Net income/(loss) attributable to WISeKey as reported	8.2	(16.3)

Non-GAAP (Million US$)	2019	2018
EBITDA from continuing operations	(19.2)	(7.7)
Adjusted EBITDA from continuing operations	(12.6)	(2.7)
Adjusted net income/(loss) attributable to WISeKey	(13.3)	(10.2)
Total Cash and restricted cash	16.6	9.8

Liquidity and Capital Resources

Cash and cash equivalents together with restricted cash at December 31, 2019 was $16.6 million, compared to the net cash proceeds of $37.7 million and $4.5 million cash held in an escrow account (total proceeds of $45 million) in early 2019, from the sale of the QuoVadis Group to Digicert. WISeKey used the cash proceeds to repay in full the Line of Credit with ExWorks Capital Fund I, L.P. in the amount of $25.3 million.

The Group also continues to have funding arrangements in place with GEM LLC and Yorkville Advisors Global, LLC. These facilities provide the opportunity to draw down up to CHF 56.1 million and CHF 47.1 million respectively and, when combined with the net cash position following the sale of the QuoVadis Group, provide sufficient assurance regarding the future operations of the business.

Revenues

For full year 2019, WISeKey's total revenue was $24.6 million. This compares to full year 2018 revenue of $53.7 million, which included revenue from the SSL/TLS PKI business segment sold to DigiCert in January 2019 for $45 million.

Continuing Operations

Our revenue from continuing operations for the year ended December 31, 2019 decreased by $11.6 million or 34% from prior period. This is mostly attributable to three factors:

- The impact of the sale of WISeKey (Bermuda) Holding Ltd and its affiliates on our continuing operations with the absence of cross-selling opportunities, i.e. opportunities to sell other products and services of the group to existing customers of the divested entities, and the reduction of our sales team.
- Our IoT activity was adversely affected by the overall downturn in the semiconductor industry worldwide. This downturn, linked to the political and trading tensions between the U.S. and China, and the rising threat of protectionism and vulnerabilities in emerging markets, has affected all IoT and microprocessor companies (according to the Semiconductors Industry

Association, 2019 mid-year global semiconductor sales were down 14.5% as compared to 2018).

- One of our products, the old-generation of MicroPass used in the past for electronic payments in the U.S. market, is reaching the end of its life.

With the introduction of the Nanoseal family, the next-generation family of secure memory chips, we are positioning our product offering for the next technological evolutions. However, the performance of our IoT segment will remain dependent on the macro-economic factors impacting the semiconductors industry, particularly the evolution of the tensions between the United States and China.

Revenue by region

Our operations are global in scope and we generate revenue from selling our products and services across various regions. While our operations in Europe have historically contributed the largest portion of our revenues, the revenue generated from North America shows our engagement in this region. We are also building a strategy to expand into new territories in Asia, although at this stage the results have not yet materialized in our revenue.

Our revenue from continuing operations by geographic region for the fiscal years ended December 31, 2019 and 2018 is set forth in the following table:

(Million US$)	12 months ended December 31, 2019	%	12 months ended December 31, 2018	%
Switzerland	2.1	*9%*	2.5	*7%*
Rest of EMEA	8.1	*36%*	14.1	*41%*
North America	9.7	*43%*	15.2	*44%*
Asia Pacific	2.5	*11%*	2.3	*7%*
Latin America	0.3	*1%*	0.2	*1%*
Net sales	**22.7**	*100%*	**34.3**	*100%*

In Europe, the decrease in revenue is mostly attributable to the non-recurring 2018 revenue generated from the ISTANA platform and Daimler opportunities exceeding $4 million in total. The rest of the decrease is linked to the downturn in the semiconductors industry which has also affected our European customers.

The share of revenue from clients in North America remains stable at 43% in 2019 compared to 44% in 2018. However, our US portfolio has been greatly impacted by the downturn in the semiconductors industry. Our customers had excess inventory at the beginning of 2019 which significantly affected orders in the first half of 2019. Unfortunately, as the excess inventory situation was resolved, new orders received during the second half of the year did not go back to 2018 levels.

Gross profit

Our gross profit from continuing operations decreased by $6.5 million to $9.4 million (gross margin of 42%) in the year ended December 31, 2019 in comparison with a gross profit of $16.0 million (gross margin of 47%) in the year ended December 31, 2018. Due to the long manufacturing cycle of our IoT activity, and in order to reduce the lead time to our customers, we start the manufacturing cycle early. However, with the downturn in the semiconductor industry, some customers were left with excess stock at the end of 2018 thus reduced their order volumes in 2019 on a very short notice, which did not allow us to adapt our manufacturing cycle. The gross margin improved significantly between the first half of 2019 (39%) and the second half of 2019 (45%), however this was not enough to reach a gross margin consistent with 2018 because of the decrease on the higher-margin mPKI revenue between 2018 and 2019.

To a lesser extent, our gross profit was also adversely impacted by the new product introduction costs in our IoT segment.

Net Income

For the first time since inception, the Group achieved a net income position at $7.5 million mainly due to the $31.1 million gain generated from the sale of the SSL/TLS PKI business to Digicert for $45 million, compared to a loss of $16.3 million in 2018.

(Million US$)	12 months ended December 31, 2019	2018	Year-on-Year Variance
Net sales	22.7	34.3	-34%
Cost of sales	(13.2)	(18.3)	-28%
Gross profit	**9.5**	**16.0**	**-41%**
Other operating income	0.2	0.3	-38%
Research & development expenses	(6.4)	(5.3)	21%
Selling & marketing expenses	(8.0)	(5.8)	37%
General & administrative expenses	(15.8)	(14.3)	11%
Total operating expenses	**(30.0)**	**(25.1)**	**20%**
Operating income / (loss)	**(20.5)**	**(9.1)**	**126%**
Non-operating income	1.9	2.2	-12%
Gain / (loss) on derivative liability	0.2	-	n/a
Gain / (loss) on debt extinguishment	(0.2)	-	n/a
Interest and amortization of debt discount	(0.7)	(0.1)	395%
Non-operating expenses	(3.7)	(2.8)	30%
Income / (loss) from continuing operations before income tax expense	**(23.0)**	**(9.8)**	**134%**

(Million US$)	12 months ended December 31, 2019	2018	Year-on-Year Variance
Income tax (expense)/recovery	-	(0.1)	-75%
Income/ (loss) from continuing operations, net	**(23.0)**	**(9.9)**	**132%**
Discontinued operations:			
Net sales from discontinued operations	1.9	19.4	-90%
Cost of sales from discontinued operations	(0.8)	(6.2)	-87%
Total operating and non-operating expenses from discontinued operations	(1.8)	(19.8)	-91%
Income tax (expense)/recovery from discontinued operations	0.1	0.2	-80%
Gain on disposal of a business, net of tax on disposal	31.1	-	n/a
Income / (loss) on discontinued operations	**30.5**	**(6.4)**	
Net income / (loss)	**7.5**	**(16.3)**	

However, the WISeKey Group continues to show a heavy cost structure due to its investment strategy and new and innovative lines of business, such as Blockchain and its expansion in Asia. The sections below on the operating expenses provide additional details.

Analysis of operating income and expenditure

Total operating expenses from continuing operations increased by 20% or $4.9 million, from $25.0 million to $30.0 million, to meet WISeKey's development strategy. Most of this increase relates to the grant in FY 2019 of a significant number of employee stock options (ESOP) in recognition for past services to its employees, which increased the stock-based compensation charge by $3.7 million year on year. The rest of the increase is due to WISeKey's investment strategy to expand into new lines of business and new regions.

Other operating income

In 2019 our 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, 2019) for $140,000 and a gain on the liquidation of our subsidiaries WISeKey Italia s.r.l and WISeKey Singapore Pte Ltd. for $40,000. In the year ended December 31, 2018 the Group had recorded a $289,000 gain on the liquidation of its subsidiary WISeKey BRBV classified as other operating income.

We do not have recurring other operating income that contributes to our profit.

Research & development expenses

Our research and development ("R&D") expenses includes 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 21% of total operating expenses in 2019 and 2018. Our Group being technology-driven, this reflects our engagement to act as a leader in new cybersecurity developments and future applications. In addition to the expected growth in our R&D expenses linked to our technology leadership position, in 2019, the increase by $1.1 million or 21% from prior period was partly due to an increase by $0.7 million in R&D-related stock-based compensation.

Selling & marketing expenses

Our selling & marketing ("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 increased by 37% or $2.2 million in 2019 compared with 2018. This is explained by the expansion of our sales force in Europe and North America and our efforts to rebuild our sales team following the divestiture of WISeKey (Bermuda) Holding Ltd and its affiliates in addition to an increase in our stock-based compensation by $0.7 million.

General & administrative expenses

Our general & administrative ("G&A") expenses covers 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 increased by 11% or $1.6 million in 2019 compared with 2018. This increase is due to an increase in stock-based compensation by $2.4 million year-on-year following the grant of ESOP options to our employees in recognition for past services to our Company. If we exclude the impact of our stock-based compensation, our G&A expenses actually decreased by $0.8 million, which reflects the efforts that we made to reduce our cost basis.

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

Total non-GAAP General & administrative expenses (Million US$)	12 months ended December 31, 2019	12 months ended December 31, 2018
Staff-related costs	6.2	7.3
Depreciation & amortization classified under G&A	0.2	-
Legal & professional fees	3.6	3.3
Rental & general office costs	1.5	1.6
Stock based compensation classified under G&A	3.4	1.0
Non-income tax expense	0.3	0.3
Customer contract impairment losses	0.1	-
Other G&A Operating Costs	0.5	0.7
Total G&A expenses	**15.8**	**14.2**

We expect G&A expenses to continue to rise in future periods to support our growth and strategical positioning. Anticipated costs include those relating to:

- Our expansion strategy with potential acquisitions 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.

Non-operating income and expenses

Income and expenditure resulting from non-operating activities increased by $1.7 million in 2019 compared with 2018. This was primarily due to our financing facilities. As at December 31, 2018, we had three interest-bearing instruments: the ExWorks Line of Credit, the Crede Convertible Loan Agreement from September 28, 2018, and the Yorkville Convertible Loan Agreement from September 28, 2018. In line with ASC 205, part of the interest expense relating to the ExWorks Line of Credit was classified under the results from discontinued operations, whilst the interest expense in connection with both the Crede Convertible Loan Agreement and the Yorkville Convertible Loan Agreement only related to one quarter. In 2019, the ExWorks Line of Credit was repaid in full on January 16, 2019, but our Company entered into a new loan with ExWorks from April 2019, and the Group paid interest expense for the full year on both the Crede Convertible Loan Agreement and the Yorkville Convertible Loan Agreement, hence an increase in interest expense of $0.4 million and in interest and amortization of debt discount by $0.6million from prior year. See Note 24 of our consolidated financial statements for the year ended December 31, 2018 and 2019 for details on these financial instruments.

Additionally, for the year ended December 31, 2019, our non-operating income decreased by $0.3 million from prior period because of a non-recurring credit for the fair value measurement of our investment in OpenLimit booked in the income statement in 2018, and our foreign exchange losses increased by $0.4 million from prior period due to unfavorable currency fluctuations (see Impact of foreign currency fluctuation below).

Our Company regularly enters into loan and convertible loan agreements to finance its operations.

Outlook for 2020 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:

- 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
- Nasdaq Listing: on December 4, 2019, WISeKey listed its American Depositary Shares (ADSs) on the NASDAQ (https://www.nasdaq.com/market-activity/stocks/wkey)

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

- **Digital Brand Protection:** our newly released NanoSealRT NFC chip, and the impressive list of ecosystem partners we have made in the Authentic Consumer Engagement space, has identified ~$250 million in serviceable addressable market ("SAM") opportunities over the next three years, which we are actively pursuing to close.
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- **Automotive:** our Ines and Foresight platforms are benefiting from the large-scale deployment inside a major European car manufacturer and these platforms are ready for us to target other auto makers for applications, such as smart-car production, dealer validation of parts, predictive maintenance, and over-the-air software updates.
- **Global Expansion:** introduction of these products and several new blockchain and IoT products into the U.S., China and Saudi Arabia.

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, 2019**	**12 months to December 31, 2018**
Net sales as reported	22.7	34.3
Net sales from discontinued operations	1.9	19.4
Total revenue	**24.6**	**53.7**
Operating loss as reported	(20.5)	(9.1)
Non-GAAP adjustments from continuing operations:		
Depreciation expense from continuing operations	0.8	0.9
Amortization expense on intangibles from continuing operations	0.5	0.5
EBITDA from continuing operations	**(19.2)**	**(7.7)**
Non-GAAP adjustments from continuing operations:		
Stock-based compensation	5.4	1.7
Expenses settled in equity	-	1.7
M&A-related legal fees	1.0	1.3
M&A-related professional fees	-	0.3
Listing-related professional fees	0.2	-
Adjusted EBITDA from continuing operations	**(12.6)**	**(2.7)**

GAAP to Non-GAAP Cash and cash equivalents (Million US$)	**As at December 31, 2019**	**As at December 31, 2018**
Cash and cash equivalents as reported	12.1	9.2
Restricted cash, current as reported	2.5	-
Restricted cash, noncurrent as reported	2.0	0.6
Total Cash and restricted cash	**16.6**	**9.8**

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 and objects using Blockchain, Artificial Intelligence, 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 Platforms that remove the complexities of protecting people 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 next age 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, crypto tokens etc. With our **VaultIC** and 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 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 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 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 we provide trusted solutions that allow our clients to focus on what they do best without worrying about their names being splashed across a front-page article trumpeting the latest device that was hacked and used to create a breach of consumer trust.

2019 Highlights

Secure Silicon & Services Gain Traction in Consumer and Industrial Applications

The long running **VaultIC** family of secure elements has been busy in 2019 with exciting new clients taking advantage of the high-level security that the tiny chip delivers. At first view, many of these products wouldn't seem like ideal candidates to take advantage of the power of deep encryption but the connected landscape continues to create a wider surface area for hackers to exploit and even the simplest of devices have been used to create nation-wide concerns.

- **DRONES:** A highly respected manufacturer of consumer and professional drones selected WISeKey's Secure Element with factory-personalized security to provide anti-cloning, reverse engineering & IP protection in order to eliminate risks through their subcontractor network. This solution also adds strong identification and authentication to avoid intrusion into the drone by hackers to avoid other potential security breaches. The Common Criteria and FIPS certifications of the Secure Element bring a guarantee of confidence that the manufacturer can use to promote their product to their customers.

- **CORDLESS CLEANERS:** A leading provider of industrial cleaning equipment selected WISeKey's combination of Secure Elements and digital certificates to help solve the challenge of counterfeit batteries that are costing them revenue and hurting their brand reputation. Cheap aftermarket batteries may lead to poor performance and even personal injury if they haven't passed the rigid OEM specifications. Our custom security scheme creates an authentication link between the host device and the OEM battery, so only authenticated batteries will be able to connect to the device, ensuring that the consumer experience is safe and the equipment meets their performance expectations.

- **INDUSTRIAL TOOLS:** A multi-national construction equipment maker selected WISeKey for protection of their cordless tools. Heavy-duty tools are used all day long, with multiple battery changes, for critical construction projects and their end users are dependent on their performance and safety. The selection of **VaultIC** for their battery anticounterfeiting solution is another example of how our combination of secure silicon and trusted services are meeting the highest level of security needs for brands who's reputation depends on reliability.

- **SMART HOMES:** Contracted by a leading European Telecom Operator to develop a new generation of "smart Home" Boxes, a System Integrator has selected WISeKey's **VaultIC Secure Element**, and WISeKey's **VaultItrust** credentials provisioning to secure the control panel to which indoor and outdoor detectors, DECT, ULE, ZigBee and Z-Wave based peripherals and devices are connected.

- **INDUSTRY 4.0:** WISeKey joined forces together with ON Semiconductor a leading supplier of energy efficient semiconductor-based solutions, and Tatwah, a market leader in designing Bluetooth Low Energy beacons to develop the world's first Secure IoT Beacon device. Targeted applications in the industrial domains include; cold chain monitoring, health care, secure asset tracking, preventive maintenance and factory automation. The device is showing outstanding battery lifetime while providing critical security features like; replay attack protection, device clone protection, **VaultIC** Absence detection, revocation capability, measurements validity and integrity check. The project is demonstrated at Embedded Word 2020.

- **IATA ONE RECORD:** WISeKey and IATA's collaboration for the ONE Record platform aims to define the security layer to protect all data exchanges in the platform, by introducing the necessary technology components for strong authentication and data encryption. WISeKey will provide this security layer by leveraging its Managed PKI Services, allowing the issuance of trusted digital identities under its worldwide recognized Root of Trust, adopting the best practices in secure identity management and enhancing IATA's ONE Record platform to securely provide paperless processes and creating a plug-and-play environment where companies can connect and re-connect their digital relations with ease, security and trust. WISeKey's technology integration into the IATA ONE Record platform accelerates the Know Your Customer (KYC) process for stakeholders participating in the platform, and WISeKey's trusted digital certificates to secure P2M (people to machine) and M2M (machine to machine) interactions allow ONE Record operations to be executed within a trusted ecosystem.

- **PROFESSIONAL TOOLS:** A multinational professional construction tool maker selected WISeKey for protection, tradability and usability, based on WISeKey's IoT PKI. This value proposition will provide them with the assurance that trusted data is securely generated by an ecosystem, which is key to brands whose reputation depends on reliability.

At the Intersection of Protection and Attraction, WISeKey has a Massive Market Opportunity

- **LUXURY GOODS**: WISeKey has enjoyed our relationships with luxury brands like Hublot, BVLGARY, and FAVRE-LEUBA for over a decade now as we provided them with exclusive engagement platforms that took advantage of our secure silicon and PKI services embedded inside of watches and VIP cards. Our **WISeAuthentic** platform has been deployed in over 1 million watches already and the traction in 2019 increased with the adjusting attitudes of luxury goods owners who are now connected more than ever. WISeKey provides a digital experience through security with **WISeAuthentic** in an industry where value is perceived through tradition, heritage and craftsmanship**.**

- **DIRECT-TO-CONSUMER**: In addition to increasing interest in the traditional luxury space, WISeKey also gained traction in the higher-volume consumer goods market with the introduction of our **NanoSealRT** NFC enabled solutions. With the combination of low-cost chips, product specific security, and simple to use consumer engagement features, the **NanoSeal** ecosystem is creating a new class of connected services that we call ***Authentic Consumer Engagement***, where connected devices can not only authenticate themselves as they travel through their supply-chain but they can also reach out directly to the consumer and open up a lasting relationship with the brand.

- **DIGITAL TRANSFORMATION:** Our **WISeAuthentic** platform combined with the impressive cost and connectivity levels of the **NanoSealRT** tags allows us to solve one of the biggest digital problems that our clients are facing, the need to stay relevant to their customers. There are plenty of examples of Big Brand names spending millions on research to find out how to get closer to consumers that are rapidly shifting their buying habits over to digital platforms. It's called digital transformation and every company in the world is looking to add a digital component to their product strategy to find ways to connect with their customers. **NanoSealRT** is clearly one of the easiest ways to give a static product, like a pair of shoes, a digital identity and a digital presence.

- **$250 MILLION SAM FOR BRAND PROTECTION:** Through 2019 we built up an impressive list of ecosystem partners in the ***Authentic Consumer Engagement*** space that have complimentary products and services to ours and together we have identified ~$250 million over three years in serviceable addressable market ("SAM") opportunities that we are actively pursuing to close, and the numbers continue to grow from there.

Platforms Will Win in 2020 and One Size Doesn't Fit ALL

- **WINING COMBINATION:** WISeKey is often being compared to single solution security providers, like our secure elements being compared to chip companies like NXP, or our Public Key Infrastructure ("PKI") services being compared to DigiCert. But over the course of 2019 it was clear that we are on the right track when we describe ourselves as an Integrated Security Platform provider because the majority of our design wins came from our combined solutions that made it easier for our clients to build security into their products without the confusion of coordinating across 4-5 different security vendors. Platforms will continue to win as more and more companies look to add digital features to their products and WISeKey is perfectly positioned to take advantage of this market shift.

- **SCALING TO BILLIONS OF IOT DEVICES:** WISeKey has also built a new **Managed PKI** ("mPKI") platform especially suited for the needs of IoT, being able to manage large amounts of device identities in an efficient way and fully integrated with lead IoT Cloud platforms like AWS IoT Core, enabling the use of customer-controlled identities in objects connected to these cloud services.

- **CUSTOM SOLUTIONS:** We also learned that there were a lot of unique security challenges that our clients face because of regulations or conditions specific to their markets. Maybe it's the wine makers stuck with legacy foil producers that can't adopt NFC technologies, or medical device makers that need to meet new government privacy standards. Many of these hurdles prevent our clients from moving their products into the next digital age to keep up with their competitors. For these kinds of companies time is money, and the longer they wait for an off-the-shelf product that can easily add advanced security to their products the further behind they get. This is the exact reason why we developed our new line of customizable security solutions like **WISeArtchitect**, **WISeDeveloper**, and **WISeDesign** that put over 40 years of security experience in the hands of our customers with our full support to help them build the right security solutions for their needs.

Meeting the Demand for Personal and Corporate Digital Identity Protection

- **ENTERPRISE SECURITY BECOMES PERSONAL:** In 2019 WISeKey launched **WISeID**, a revamped strategy for security services centering around the Personal Digital Identity. Users can enroll for an account in WISeID.COM and start benefiting from security capabilities like Secure eMail and Strong Authentication of their personal assets. The **WISeID** offering is enhanced with Mobile Apps that leverage the digital identity and electronic signatures that can be easily used from smart phones.

- **CORPORATE SERVICES: WISeID** goes beyond consumers applications and extends to corporate customers, thanks to a new corporate access that allows the for the management of employee identities. This service represents an easy-to-use identity platform to cover the needs of a wide variety of corporate clients. When corporations need to add higher level services like SSL certificate management for web servers, there is a natural migration from WISeID to our newly enhanced enterprise Managed PKI ("mPKI") services.

- **CLOUD SERVICES: WISeID CloudSigning** enables the electronic signature of documents through cloud platforms. This solution can be easily integrated with corporate tools like ERP or document workflows to dematerialize the business processes, bringing great savings and environmental advantages by eliminating the need of signed papers.

Agreements

- **MEMBER OF CYBERSECURITY TECH ACCORD:** All members of the Microsoft driven Cybersecurity TechAccord are expanding their partnership on initiatives that improve the security, stability and resilience of cyberspace.

- **ORACLE:** WISeKey'S Blockchain Identity technology became one of Oracle's first external trusted identity providers, allowing clients to securely add data onto the Oracle Blockchain Platform using the WISeKey cryptographic key infrastructure.

- **CHINA:** WISeKey's Root of Trust accreditation by 360 Security Browsers to provide Trusted SSL Services in China reinforced its penetration in the Chinese technology market. Also, WISeKey's comprehensive partnership with Long State Investment (LSI), a leading Asian based investor, aims to further expand the reach of WISeKey in the growing Asian markets. 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 with financed by a $30 million facility provided by LSI during a 24-month period.

- **OPSEC**: Joined forces with OpSec Security IoT leader on Brand Protection and Authentication of IoT EcoSystems.

- **WISEKEY BLOCKCHAIN CENTERS OF EXCELLENCE:** In cooperation with the Blockchain Research Institute (BRI), WISeKey is creating a number of interconnected Blockchain Centers of Excellence around the world, to facilitate the rapid adaptation and on-boarding of blockchain-based solutions and foster stronger collaboration between the public, private and academic sectors. Each center purchases technologies and licenses from WISeKey.

- **PATENT PORTFOLIO:** Expansion with new IP and patents with the aggregation of 39 IoT / Semiconductors patent families (more than 200 patents in total) to its portfolio (https://www.WISeKey.com/patents/).

- **SAP**: WISeKey joins the SAP® PartnerEdge® Program The collaboration provides increased security of devices when connecting to SAP IoT platforms. Companies and consumers can realize value and enable monetization when they can certify that they are receiving authenticated and secure sensor data, gain insight from it and propose appropriate actions as needed.

- **WECAN Group**: WISeKey creates synergies for the development of innovative solutions and brings secured identity and signature layer to existing Wecan business applications like compliance management, creating recognized standards and facilitating auditing and monitoring by regulators, and protecting the registration and protection of intellectual property of intangible assets worldwide. Wecan Tokenize (an asset tokenization platform).

- **E.A Juffali & Brothers**, **SAUDI ARABIA:** Through the strategic partnership with SAT (a wholly owned company of E.A Juffali & Brothers), WISeKey will be deploying its cybersecurity services and IoT infrastructure in the Kingdom of Saudi Arabia and support its Vision 2030 economic reform plan, the Kingdom's vision for the future.

Recognitions

- ISO 27001 and ISO 9001 certifications renewal
- VaultIC 420: FIPS CMVP 140- Level2 certification
- VaultIC 184 & MCU APIs: Certification by Sigfox Network
- WebTrust for Certification Authorities, Baseline Requirements and Extended Validation SSL services

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. 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, 2019 were assessed as being under control of the Group and have therefore been fully consolidated.

As of December 31, 2019, 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, 2019, WISeKey had, based on the Class B Shares, a market capitalization of CHF 64,914,315.84.

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, 2019, 175,988 ADSs were outstanding.

None of the other Group companies have securities listed on a stock exchange as of December 31, 2019.

1.1.3 Non-listed Companies Belonging to the WISeKey Group

As of December 31, 2019, the Group structure was as follows:

Group Company Name	Registered Office	Share Capital		% ownership as at December 31, 2019	% ownership as at December 31, 2018	Nature of business
WISeKey SA	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	933,436	95.58%	95.35%	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 (Suisse) SA**	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	100,000	100.0%	100.0%	Dormant
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 KK	3F, 1-9-7 Kanda-Awajicho, Chiyoda-ku, Tokyo, Japan	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey 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%	not incorporated	Research & development
WISeKey Semiconductors GmbH	Riestrasse 16, c/o Design Office 88 North, 80992 Munich, Germany	EUR	25,000	100.0%	not incorporated	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%	not incorporated	Sales & distribution

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

** dormant or in the process of being liquidated

*** 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, 2019

None.

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%, 33⅓%, 50% or 66⅔% 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, 2019. 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 2019, 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.

Name	Number of Shares owned		Total number of voting rights	Percentage of voting rights
	Class A Shares	Class B Shares		
Lock-up group consisting of Carlos Moreira and five additional members	40,021,988	-	40,021,988	65.52%

1.3 Cross-shareholdings

The Company is not aware of any cross-shareholdings.

2 Capital Structure

2.1 Capital

As at December 31, 2019, the Company's statutory share capital amounted to CHF 1,841,424.18, divided into 40,021,988 Class A Shares and 28,824,086 Class B Shares. In addition, as at December 31, 2019 the Company had outstanding 1,228,838 Class B Shares, corresponding to a nominal value of CHF 61,441.90, issued out of the Company's conditional share capital that had not yet been registered with the commercial register. As at December 31, 2019, the total outstanding capital therefore amounted to CHF 1,902,866.08, divided into 40,021,988 Class A Shares and 30,052,924 Class B Shares. All Shares are registered shares (*Namenaktien*) and all Class A Shares and 29,947,884 Class B Shares are issued in form of intermediated securities (*Bucheffekten*) and 105,040 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, 2019, the Company held no Class A Shares and 1,202,191 Class B Shares in treasury.

As at December 31, 2019, the Company had 175,988 ADSs outstanding which were traded on the NASDAQ.

For the increase in share capital out of authorized share capital after December 31, 2019, please refer to item 2.7.3.

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 25, 2020 and thereby increase the Company's share capital, without the approval of the shareholders, in a maximum amount of CHF 444,091.45 through the issuance of up to 8,881,829 new fully paid-in Class B Shares, corresponding to 24.12% of the share capital and 12.90% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2019. An increase in partial amounts is permitted.

After May 25, 2020, 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 2020 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, 2019[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 592,004.50 or up to 11,840,090 new Class B Shares, corresponding to 32.15% of the share capital and 17.20% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2019, without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued:

— up to an amount of CHF 352,692.00 by the issuance of up to 7,053,840 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 239,312.50 by the issuance of up to 4,786,250 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.

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

[1] The Company issued Class B Shares out of the conditional share capital during fiscal year 2019, as further set out under Section 2.3. Only Class B Shares issued out of the conditional share capital up until December 31, 2018 are reflected in the Articles in force as of December 31, 2019.

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 the January 01, 2017, the share capital of the Company has been increased as follows:

- On March 08, 2017, the Company issued 284,198 new Class B Shares out of authorized capital to GEM Investments America LLC as settlement of the CHF 1,200,000.00 fee due for the use of a Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fund LLC SCS. CHF 14,209.90 were contributed to the share capital of WISeKey, and CHF 1,185,790.10 to the capital contribution reserves of the Company.
- On April 03, 2017 the Company amended its Articles by recording the Class B Shares issued out of the conditional share capital of the Company during the financial year 2016. A total number of 3,595,510 Class B Shares were issued out of the Company's conditional share capital during the financial year 2016 at an aggregate issue price of CHF 10,054,716, thereby increasing the share capital by CHF 179,775.50 and the capital contribution reserves by CHF 9,863,690.50.
- On April 03, 2017, the Company issued 1,110,000 new Class B Shares out of authorized capital as partial consideration for the acquisition of WISeKey (Bermuda) Holding Ltd (formerly QV Holdings Ltd), resulting in an increase in share capital by CHF 55,500.00, and a contribution to the capital contribution reserves of the Company of respectively CHF 4,262,400.00.
- On May 31, 2017, the annual General Meeting of shareholders of the Company resolved to increase the Company's authorized share capital to CHF 691,562.40, corresponding to the issuance of up to 13,831,248 Class B Shares, and the Company's conditional share capital to CHF 691,562.40, of which CHF 441,562.40, corresponding to the issuance of up to 8,831,248 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 29, 2017, the Company issued 100,000 new Class B Shares out of authorized capital to GEM Global Yield Fund LLC SCS against the contribution in cash of CHF 279,900.00 in line with the drawdown process within the Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fund LLC SCS. CHF 5,000.00 were contributed to the share capital, and CHF 274,900.00 to the capital contribution reserves of the Company.
- On August 16, 2017, the Company issued 325,000 new Class B Shares out of authorized capital to GEM Global Yield Fund LLC SCS against the contribution in cash of CHF 1,396,575.00 in line with the drawdown process within the Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fund LLC SCS. CHF 16,250.00 were contributed to the share capital, and CHF 1,380,325.00 to the capital contribution reserves of the Company.
- On September 28, 2017, the Company issued 841,069 new Class B Shares out of authorized capital to WISeKey SA Minority Shareholder. On September 27, 2017, the Company entered into several separate contribution-in-kind agreements (the "**Contribution-in-Kind Agreements**") with WISeKey SA Minority Shareholders. Pursuant to the terms of the Contribution-in-Kind Agreements, the WISeKey SA Minority Shareholders have contributed to WISeKey an aggregate of 4,205,350 Subsidiary Shares, corresponding to 4.51% of the Subsidiary Shares, against the issuance by WISeKey of the Share Exchange Shares. The exchange of the Subsidiary Shares acquired by WISeKey through the Contribution-in-Kind Agreements for the Share Exchange Shares has occurred at an exchange ratio of five Subsidiary Shares for one Share Exchange Share (the "**Exchange Ratio**"). The total contribution value of the tendered WISeKey SA shares was determined by reference to the market price on September 28, 2017 on the SIX of the 841,069 WIHN Class B shares issued as consideration. The total net asset value relative to the WISeKey SA shares tendered was CHF 3,566,132.56, of which CHF 42,053.45 were contributed to the Company's share capital, and CHF 3,524,079.11 were contributed to the capital contribution reserves of the Company.
- On September 28, 2017, in order to settle the interests accrued for the month of July 2017 on the Acquisition Line of Credit Agreement ("**Credit Facility**") that WISeKey entered into on January 16, 2017 with the loan provider ExWorks Capital Fund I, LLC ("**ExWorks**"), as amended several times, the Company issued 53,844 new Class B Shares out of authorized capital. The interests accrued for the month of July 2017 amounted to CHF 247,799.22 resulting in an increase in share capital by CHF 2,692.20, and a contribution to the capital contribution reserves of the Company of CHF 245,107.02.
- On September 28, 2017, as full settlement of a short-term loan granted by ExWorks to WISeKey on July 21, 2017, the Company issued 83,333 new Class B Shares out of authorized capital. The short-term loan amounted to CHF 242,729.50 resulting in an increase in share capital by CHF 4,166.65, and a contribution to the capital contribution reserves of the Company of CHF 238,562.85.
- On December 29, 2017, as part of a private investment in public equity transaction, the Company issued 198,298 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 9,914.90, and a contribution to the capital contribution reserves of the Company of CHF 990,085.10.
- On December 29, 2017, 26,276 Class B Shares were issued to Inside Secure SA in connection with an agreement dated December 28, 2017, pursuant to which the Company and Inside Secure SA have agreed that a claim, due by the Company to Inside Secure SA in connection with a convertible loan note agreement dated September 20, 2016, as amended, be paid in the form of Class B Shares. The claim amounted to CHF 111,100.00 resulting in an increase in share capital by CHF 1,313.80, and a contribution to the capital contribution reserves of the Company of CHF 109,786.20.

— On December 29, 2017, the Company issued 400,000 new Class B Shares out of authorized capital to GEM Global Yield Fund LLC SCS against the contribution in cash of CHF 2,228,880.00 in line with the drawdown process within the Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fund LLC SCS. CHF 20,000.00 were contributed to the share capital, and CHF 2,208,880.00 to the capital contribution reserves of the Company.

— On December 29, 2017, the Company amended its Articles and registered a total number of 2,904,998 Class B Shares issued out of its conditional share capital during the period commencing on January 1, 2017 and ending on December 7, 2017. A total number of 2,904,998 Class B Shares were issued out of the Company's conditional share capital during that period at an aggregate issue price of CHF 11,035,350.60, thereby increasing the share capital by CHF 145,249.90 and the capital contribution reserves by CHF 10,890,100.70.

— After December 6, 2017, an additional number of 120,242 Class B Shares that have not yet been recorded in the Articles was issued out of the Company's conditional share capital, thereby increasing the share capital by CHF 6,012.10 and the capital contribution reserves by CHF 558,131.61.

— 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.

— Between January 01, 2019 and December 31, 2019, 1,228,838 Class B Shares that have not yet been recorded in the Articles were issued out of the Company's conditional share capital in connection with the exercise of options, contractual obligations and similar rights granted to employees, Board members, consultants, third parties or shareholders of the WISeKey Group, thereby increasing the share capital by CHF 61,441.90 and the capital contribution reserves by CHF 3,354,000. These 1,228,838 Class B Shares were not yet registered with the commercial register as at December 31, 2019.

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 have 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 holders 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 "**SFF**") 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, 2019. 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 21, 2019 as a basis, which assumed a hypothetical subscription price of CHF 4.35 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, 12,895,320 new Class B Shares, corresponding to a nominal value of CHF 644,766, which represents 35.01% of the share capital and 18.73% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2019. Note that the actual subscription price at which the Company may request GEM to subscribe for Class B Shares under the SFF may be lower or higher than CHF 4.35 (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 (physical settlement) over a three-year period ending March 01, 2021. After several drawdowns made by WISeKey under the SEDA in 2018 and 2019, the remaining amount available for drawdown as at December 31, 2019 is CHF 47,142,077.29. 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 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 21, 2019 as a basis, which assumed a hypothetical subscription price of CHF 2.4738 per new Class B Share, and further assuming that the entire remaining SEDA subscription amount of CHF 47,142,077.29 would be drawn down by the Company, Yorkville would receive, subject to a respective (hypothetical) drawdwon request by the Company, 19,056,543 Class B Shares, corresponding to 27.68% of the total number of voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2019. 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 2.4738 (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 September 28, 2018, WISeKey entered into a convertible loan agreement (the "**Crede Convertible Loan Agreement**") 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 3,000,000 (the "**Crede Convertible Loan**"). The Crede Convertible Loan will mature on September 28, 2020 ("**Maturity**") and bear interest at a yearly rate of 10% ("**Interest**"). The Crede Convertible Loan is to be repaid at 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) 93% of the average of the two lowest daily volume weighted average share prices of a Class B Share, quoted on the SIX Swiss Exchange Ltd 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 anytime before Maturity. Crede effected several conversions in 2019 and the remaining balance of the Crede Convertible Loan as at December 31, 2019 is USD 1,228,899.24. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 21, 2019, as a basis, which assumed a hypothetical conversion price of CHF 2.4738 converted into USD at the relevant exchange rate, and further assuming that the entire remaining amount of the Crede Convertible Loan (USD 1,228,899.24) would be converted in one step, Crede would receive 480,771 Class B Shares, corresponding to 0.70% of the total number of voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2019. 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 2.4738 (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 Agreement, 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, 36,324 Class B Shares, corresponding to 0.05% of the total number of voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2019. 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 exemple used herein.

On June 27, 2019, WISeKey entered into a convertible loan agreement ("**Yorkville Convertible Loan Agreement**") with Yorkville, pursuant to which Yorkville has committed to grant a loan to WISeKey in the amount of USD 3,500,000 (the "**Yorkville Convertible Loan**"). The Yorkville Convertible Loan will mature on August 01, 2020 ("**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 August 01, 2019. 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 2019. As at December 31, 2019 the remaining balance of the Yorkville Convertible Loan is USD 2,237,392.61.

By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 21, 2019 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 2,237,392.61) would be converted in one step, together with all Yorkville Interest to be earned until the

Yorkville Maturity, Yorkville would receive 798,683 Class B Shares, corresponding to 1.16% of the total number of voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2019. 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 December 16, 2019, WISeKey entered into a convertible loan facility agreement (the "**LSI Convertible Loan**") with Long State Investment Ltd., Hong Kong ("**LSI**"), pursuant to which WISeKey has the right, but not the obligation, to draw down loans in tranches of up to CHF 500,000 or, with the consent of LSI, up to (each such drawdown a "**Drawdown**" and the respective drawndown loan amounts the "**Drawdown Amounts**")The LSI Convertible Loan will mature on December 16, 2021 (the "**Commitment Period**") andinterest at a yearly rate of compounded daily and payable by the Company to LSI on each 31 December and each 30 June during the Commitment PeriodAt the request of WISeKey, the interest accrued at such interest payment date may be capitalized and added to the outstanding Drawdown Amounts (the "**Capitalized Interest**").may requestat any time during a period commencing on the SIX Swiss Exchange trading day following the SIX Swiss Exchange trading day on which a drawdown notice is delivered and ending on the 21st SIX Swiss Exchange trading day after the delivery of such drawdown notice (such period the "**Initial Conversion Period**"), the conversion of a portion or all of the relevant Drawdown Amounts into such number of Class B Shares as corresponds to the quotient of (a) the relevant Drawdown amount, and (b) 95% of the higher of (i) the average of the two lowest daily volume-weighted average prices of the Class B Shares, as traded on the SIX Swiss Exchange, during the Initial Conversion Period and (ii) a minimum price of CHF 1.80 per Class B Share (the "**Minimum Price**"). Subject to voluntary repayment by the Company in cash of any Drawdown Amounts that have not been converted by LSI into Class B Shares during the relevant Initial Conversion Period at any time prior to the 21st SIX Swiss Exchange trading day prior to the end of the Commitment Period, any then outstanding Drawdown Amounts (including Capitalized Interest and accrued interest) shall be converted into such number of Class B Shares as corresponds to the quotient of (x) the outstanding Drawdown Amounts (including Capitalized interest and accrued interest) and (y) 95% of the higher of (i) the average of the two lowest daily volume-weighted average prices of the Class B Shares, as traded on the SIX Swiss Exchange, during a period commencing on the 20th SIX Swiss Exchange trading day prior to the end of the Commitment Period and ending at the end of the Commitment Period and (ii) the Minimum Price. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 21, 2019 as a basis, which assumed that (A) the maximum Drawdown Amount of CHF 2,500,000 is made on the first possible day under the LSI Convertible Loan and subsequent Drawdowns of equal amounts are made, in each case, on the earliest possible day up to the maximum amount of CHF 30,000,000, (B) all interest accruable under the Drawdown Amounts is capitalized into Capitalized Interest, (C) no voluntary cash repayments are made by the Company, (D) the entire Drawdown Amounts (including Capitalized Interest) are converted at the end of the Commitment Period, and (E) the applicable conversion price corresponds to the Minimum Price, LSI would receive, subject to a respective (hypothetical) drawdown notice by the Company, 17,071,635 Class B Shares, corresponding to 24.8% of the total number of voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2019. . Note that the exact number of Class B Shares that the Company may issue to LSI in connection with the conversion rights associated with the LSI Convertible Loan 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, 2019, the Company has an aggregate number of 5,309,101 outstanding options and warrants, which entitle the respective holders of such options and warrants to acquire a total of 5,309,101 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), equaling 3.97% of the Company's share capital and 2.13% of the Company's voting rights registered with the commercial register of the Canton of Zug as of December 31, 2019. 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, equalling to 3.97% of the share capital and 2.13% 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, 2019, 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 expires on October 29, 2021. 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 1.11% of the share capital and 0.59% 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, 2019.
- 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 Option 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 1.36% of the share capital and 0.73% 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, 2019.
- As of December 31, 2019, the Company had 2,937,115 options outstanding under the ESOP (as defined below), entitling its holders to acquire up to 2,936,875 Class B Shares:
    - 132,772 options to acquire 132,772 Class B Shares (subscription ratio: 1:1), corresponding to 663,860 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 0.36% and the total voting rights by 0.19%, based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2019.

- The Company has granted 2,145,321 options to employees and Board members of the WISeKey Group. 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 2,145,081 Class B Shares would be issued, thereby causing an increase in share capital by CHF 107,254.05, equaling to 5.82% of the share capital and 3.12% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2019. The exercise price is CHF 0.05. The exercise period of these options is detailed below:
  - 28,609 options, fully vested, with an exercise period of 7 years ending on February 11,2026;
  - 1,967,274 options, fully vested, with an exercise period of 7 years ending on September 26,2026;
  - 94,000 options, fully vested, with an exercise period of 7 years ending on September 26,2026, that were exercised prior to December 31, 2019 but for which the corresponding 94,000 Class B Shares have not yet been created out of conditional capital nor delivered to the beneficiaries; and
  - 55,438 options, fully vested, with an exercise period of 7 years ending on December 23,2026;
- The Company has granted 659,022 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). 653,996 of these options have vested, whilst the remaining 5,026 options are unvested. Once vested, the options can be exercised at any time during the exercise period. If all options were exercised, a total number of 659,022 Class B Shares would be issued, thereby causing an increase in share capital by CHF 32,951.10, equaling to 1.79% of the share capital and 0.96% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2019, and an increase in the capital contribution reserves by CHF 2,594,500. 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 ending on July 05, 2020 and an exercise price of CHF 4.15;
  - 166,667 options, fully vested, with an exercise period of 2 years ending on July 05, 2020 and an exercise price of CHF 4.15;
  - 166,667 options, fully vested, with an exercise period of 1 year ending on July 05, 2020 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 5.5 years ending on June 30, 2025 and an exercise price of CHF 0.05;
  - 5,026 options, vesting on December 31, 2020, 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; and
  - 6,521 options, fully vested, with an exercise period of approximately 14 months ending on January 30, 2021 and an exercise price of CHF 0.05;
  - 23,449 options, fully vested, with an exercise period of 7 years ending on December 23, 2026 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 7.97% of the share capital and 4.27% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2019.

2.7.3 Significant Changes after December 31, 2019

On January 09, 2020, the Company issued 378,788 new Class B Shares out of authorized capital to a private investor, Cecilia Lo, on a non-preemptive righs basis against the contribution in cash of USD 1,000,000.32, 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.

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, 2019, 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	84	2016	2020
David Fergusson	Independent Member and Vice-Chairman of the Board	Audit Committee, Nomination & Compensation Committee	59	2017	2020
Juan Hernández Zayas	Independent Member of the Board	Audit Committee, Strategy Committee	57	2016	2020
Dourgam Kummer	Executive member of the Board (Head M&A)		54	2015	2020
Carlos Moreira	Executive member (CEO) and Chairman of the Board	Strategy Committee	61	2015	2020
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	67	2015	2020

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 president and CEO of "The M&A Advisor", the world's premier think tank for corporate finance, mergers & acquisitions, and restructuring. From London and New York, Mr. Fergusson leads the company's market intelligence, media, event, and consulting services for a global constituency of over 350,000 finance industry professionals. Mr. Fergusson is a sought-after speaker and contributor on the subjects of finance, technology and operational innovation with international media, educational institutions and leadership assemblies. A market expert on the impact of technological innovation on corporations, Mr. Fergusson is also the editor of 5 annual editions of "The Best Practices of the Best Dealmakers" with over 500,000 readers and distribution in over 60 countries. Prior to joining The M&A Advisor in 2010, he conducted over 25 acquisitions as an investor. David Fergusson is the founder of the global Corporate Finance Emerging Leaders program, founding member of the City of London's Guild of Entrepreneurs, a member of British American Business and the Association of Corporate Growth (ACG). In 2013, Mr. Fergusson led the formation of the program. A pioneer in cross border M&A between the United States and China, he was recognized with the 2017 M&A Leadership Award from the China Mergers & Acquisitions Association and is Chairman of the US Chapter of the Asia M&A Association. Mr. Fergusson is a graduate of Kings College School and the University of Guelph where he earned a Bachelor of Arts in Political Studies. Recipient of the 2015 Albert Schweitzer Leadership Award for his work in youth leadership development, David Fergusson is the President of Hugh O'Brien Youth Leadership (HOBY), the world's largest social leadership philanthropic foundation for high school students. He joined the Board of Wisekey in April 2017 and is a director of and advisor to several social innovation initiatives and corporate finance advisory firms.

Juan Hernández Zayas

Juan Hernández Zayas, born in 1962, a Spanish citizen, graduated in Economics and Business Administration in Bilbao in 1987, and obtained an MBA at the LSFT (London). He is a member of the ROAC, the official Spanish College of Chartered Accountants.In 1989 he joined the audit and corporate division of PricewaterhouseCoopers (PwC). He spent seven years at PwC specializing in corporate finance, mergers and takeovers, working with large corporates and multinationals as well as important family groups. In 1995, he moved to the Eguizabal-Paternina Group, one of Spain's leading wine producers, as director of affiliates, responsible for the national and international expansion and coordinating the Eguizabal-Paternina Group's IPO in 1998. In 2001, Juan Hernández Zayas was appointed chief executive officer of the Cosimet-Velasco Group, playing a major role in the company's diversification strategy and in the consolidation of a large industrial holding, with companies involved in several sectors, including steel, real estate, construction and services. In recent years, Juan Hernández Zayas has been focusing on leading development in several new tech and renewable energy entities, based in Spain, in the EU, and South America. Further he serves as a member of the board of directors of Welzia Management SA, Igurco SL., SaltX Technology Holding AB and is the CEO of Grupo TDG SL.

Dourgam Kummer

Dourgam Kummer, born in 1965, a Swiss citizen, held several leading positions in the structured and corporate finance of international companies and financial institutions, in particular André & Cie SA from 1992 to 2001, where he served in management positions in their former USSR and Austria representation offices between 1993 and 1997, before becoming their deputy director at the headquarter in Switzerland. From 2001 to 2005, Dourgam Kummer served as a member of the board of directors and managing director for Bisange SA, a private family office active in equity financing. He joined the board of directors of WISeKey SA in 2005. Mr Kummer was the chief financial officer of WISeKey SA from 2005 until 2011, and its chief operations officer from 2011 to 2015. From 2016 to 2018, Mr. Kummer served as a senior partner at FRACTAL-SWISS AG and a member of their board of directors. Since January 2019, Dourgam Kummer serves as Head Corporate M&A of WISeKey and has therefore become an executive member of the Board. He graduated with honors in company management and finance at "l'Ecole de Cadres" in 1988 in Lausanne and obtained a degree in structured finance in 1998 and in strategic finance in 2006 at the IMD Business School in Lausanne, Switzerland. He is also a member of the IMD alumni club since 1999 and member of the HEC alumni club since 2001.

Carlos Moreira, Chairman

Carlos Moreira, born in 1958, a Swiss citizen, began his career as a United Nations expert on Information Technology, eSecurity 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, he 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 New Champion 2007 to 2016, Vice Chair of the World Economic Forum Global Agenda Council on Illicit Trade 2012/16, founder and board member of Geneva Security Forum SA, member of the Global Clinton Initiative, founder of Geneva Philanthropy Forum, Vice President of Malaga Valley, co-founder of the Association International Mobility AIM, Vice-President of the World Trade Center, Geneva, a commitment holder at the Global Clinton Initiative On Mobile-Banking and Digital Identification for Poverty Alleviation 2007 to 2016, and a member of the World Economic Forum's Partnering Against Corruption Initiative (PACI). Carlos Moreira holds a Bachelor of Science in Business Administration from the University of Málaga, Spain.

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 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 CG-17 of this Report.

3.5.2 Board Committees

The Board has established the following committees:

Strategy Committee

The Strategy Committee currently consists of three members of the Board: Carlos Moreira (Chairman), Juan Hernández Zayas 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: Juan Hernández Zayas (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 two members of the Board: David Fergusson (Chairman) and Philippe Doubre, 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 2019, the Board officially met five 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 twenty minutes.

The Audit Committee meets as often as the business requires. In 2019, the Audit Committee formally met seven times for an average duration of forty-five minutes.

The Nomination & Compensation Committee meets as often as the business requires. In 2019, the Nomination & Compensation Committee met once for an average duration of one hour and ten minutes. The compensation for members of the Board for the period between the 2019 annual General Meeting and the 2020 annual General Meeting, as well as the compensation for members of the Executive Management for the financial year 2020 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 21, 2019 during the annual General Meeting. There were no changes to the Board or to the executive management during the remaining of the fiscal year 2019 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:

Officer	Office	Age as at December 31, 2019
Carlos Moreira	Chief Executive Officer (CEO)	61
Peter Ward	Chief Financial Officer (CFO)	67

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 42 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 21, 2019 approved the maximum amounts of Board and Executive Management compensation for the 2019/2020 Board term and the 2020 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 42 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 2019/2020 Board term and the Executive Management compensation for financial year 2020 at the annual General Meeting held on May 21, 2019. The maximum amount of the Board's compensation for the

2019/2020 Board term is CHF 1 million. The maximum amount of compensation for the Executive Management for financial year 2020 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, 2019, 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, SIX SAG 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 and May 21, 2019. Since December 02, 2015, the responsible lead audit partner is 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 2019 amount to CHF 698,945.59.

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, 2019 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 2019, the Audit Committee and BDO met five 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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1215 Genève 15

To the General Meeting of
WISeKey International Holding AG
General-Guisan-Strasse 6
6300 Zug

Report of the Statutory Auditor on the Audit of the Compensation Report for the year 2019

(for the period from 01.01. to 31.12.2019)

10 March 2020

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1215 Genève 15

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 10 March 2020 of WISeKey International Holding AG for the period from 01 January 2019 to 31 December 2019. 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 2019 to 31 December 2019 of WISeKey International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Geneva, 10 March 2020

BDO Ltd

Christoph Tschumi

Auditor in Charge
Licensed Audit Expert

Philipp Kegele

Licensed Audit Expert

Compensation Report

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, 2019 and 2018.

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 25, 2018, each for a term extending until completion of the next General Meeting. Upon the resignation of Maryla Shingler Bobbio effective November 21, 2019, the Board appointed Juan Hernández Zayas as a successor until the election of the Nomination & Compensation Committee members at the 2020 annual general meeting of the Company. The Nomination & Compensation Committee consists of non-executive members of the Board. As at December 31, 2019, the following members of the Board served on the Nomination & Compensation Committee:

- David Fergusson, Chairman of the Nomination & Compensation Committee
- Philippe Doubre
- Juan Hernández Zayas

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, and Dourgam Kummer, Head of M&A, all executive members, each member of the Board 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.

4.2 Compensation of the Executive Management

The Executive Management compensation for fiscal year 2019 consists of fixed compensation and variable compensation, whereby the ratio of the fixed to the variable compensation ranges from 1:1.5 to 1:4.5. 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 2019

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

Compensation for Carlos Moreira and Peter Ward, who are members of the Executive Management and therefore do not receive separate compensation for their roles as members of the Board, are reflected in the Executive Management section set forth 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 is not a member of the Executive Management and, for that reason, we continue to disclose his compensation in the table below relating to the compensation of the members of the Board. Prior to his employment by 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. This is also included in the tables below.

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.

Compensation of the Board of Directors of WISeKey International Holding AG
for the 12 months ending December 31, 2018

CHF'000 [1]	Function	Board Fee[2]	Additional Fees[3]	Other Stock Based Compensation[4]	Total Compensation
Philippe Doubre	Board Member, NCC[5] Member	74	-	4	78
David Fergusson	Board Member, NCC Chairman, Audit Committee Member	46	-	-	46
Juan Hernandez Zayas	Board Member, Audit Committee Chairman, Strategy Committee Member	82	-	4	86
Thomas Hürlimann	Board Member	23	-	-	23
Dourgam Kummer	Board Member, Vice-Chairman of the Board	72	179	4	255
Maryla Shingler Bobbio	Board Member, NCC Member, Audit Committee Member	74	-	4	78
Total Board Members		**371**	**179**	**16**	**566**

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 for the 2018/2019 Board term is disclosed in application of the accrual-based principle when it has not yet been paid. The cash fee for 2017/2018 and 2018/2019 Board memberships was not paid to all Board members in 2018 and, where applicable, has been accrued in current liabilities on a prorata temporis basis in the 2018 consolidated financial statements.
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 2018, Board members received the options relating to their 2016/2017 Board Term.
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.

We note that the stock-based compensation granted to the members of the Board during fiscal year 2018 and included under Board Fee in the above table relate to board compensation due for fiscal year 2018 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 2018 for board fees, a total amount of CHF 220,000 paid in fiscal year 2018 relates to the compensation of the members of the Board for their board services in fiscal year 2018, CHF 70,000 to their board services in fiscal year 2017, and CHF 81,000 to their Board services in fiscal year 2016.

5.2 Compensation of the members of the Executive Management

The members of the Executive Management during fiscal year 2019 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, 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.

Compensation of the Executive Management of WISeKey International Holding AG
for the 12 months ending December 31, 2018

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	574	324	-	-	155	1,053
Peter Ward	Board Member, Chief Financial Officer	474	268	-	-	119	861
Total Executive Management		**1,048**	**592**	**-**	**-**	**274**	**1,914**

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.

In fiscal year 2018, the entire amount of compensation of the Executive Management corresponded to their 2018 compensation.

6 Loans, credits and other payments

As at December 31, 2019, there were no loans outstanding to members of the Board.

Financial Report

WISeKey International Holding AG

Consolidated Financial Statements

As at December 31, 2019

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

Contents

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To the General Meeting of
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Report on the Audit of the Consolidated Financial Statements 2019

(for the year ended 31 December 2019)

10 March 2020

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To the General Meeting of
Wisekey International Holding AG, Zug

Report on 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 2019 and 31 December 2018 and the related Consolidated Statements of Comprehensive Income / Loss, Consolidated Statements of Changes in Shareholders' Equity (deficit) and Consolidated Statements of Cash Flows for each of the three years in the period ended 31 December 2019, and Notes to the Consolidated Financial Statements.

In our opinion, the Consolidated Financial Statements (pages F-8 to F-53) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019 and 31 December 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2019, 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.

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
Divestiture and Discontinued operations	
The Group divested WISeKey (Bermuda) Holding Ltd and its affiliates ("QuoVadis Group") in the year and reported a gain on disposal of USD 31.1M within income / loss on discontinued operations. The Group needed to assess the transaction in terms of timing, carrying value disposed, consideration received, presentation and classification and expenses occurred resulting from the transactions. This requires judgment. Therefore, and given the size of the transaction, we considered it to be a Key Audit Matter. We refer to Note 37 to the consolidated financial statements for additional disclosure on the Divestiture of the QuoVadis Group.	We verified the date of cease of control. For the carrying value of divested net assets, we gathered convincing supporting evidence. We reconciled the consideration to the sale and purchase agreement and confirmed cash receipts and flow of funds documentation. We verified the resulting journal entries and agreed them to the financial statements. We recalculated the gain on disposal. We assessed any income tax effect from the transaction. We assessed the appropriateness and completeness of the related disclosures in Note 37.
Goodwill - Impairment Considerations	
The Group carries significant goodwill of total USD 8.3M on the consolidated balance sheet. ASC 350 requires the Group to assess whether the fair value of the goodwill is less than the carrying amount. The Group selected to bypass the qualitative assessment and proceeded directly to the quantitative assessment for goodwill relating to the IoT segment and calculated fair value based on the income approach discounting the 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.

Key Audit Matter	How our audit addressed the key audit matter
Loans and line of credit	
The Group settled the Acquisition line for credit agreement with ExWorks Capital Fund I. L.P. (ExWorks) following the sale of QuoVadis. The Group needed to apply judgment to conclude on the accounting of the settlement. On April 4, 2019, the Group signed a Credit agreement with with ExWorks Capital Fund I, L.P. ("ExWorks"). The accounting for debt issuance costs and the assessment of the conversion option required the Group to make judgments and estimates. The Group entered into a short-term Convertible Loan Agreement with YA II PN, Ltd. ("Yorkville loan") assuming the remaining liability of a Yorkville loan that was entered into in prior year. The assessment of the amended convertible loan agreement including an option agreement that was signed as of the same date required judgments and estimates. The Group entered into a Convertible Term Loan Facility Agreement with Long State Investment Limited ("LSI Convertible Facility") where drawdowns are only taking place starting from January 2020 onwards. The accounting for the debt issue costs and the subsequent events disclosure are subject to judgements. Further the Group received six exercise notices of Crede CG III, Ltd. ("Crede") executing the conversion option under the convertible loan agreement already existing at December 31, 2018. The accounting for the conversion option requires estimates and judgments. During 2019, the Group made five drawdowns under the existing Standby Equity Distribution Agreement (SEDA) with YA II PN, Ltd ("Yorkville"). The valuation of shares issued in exchange for the drawdowns is subject to estimates and judgments. We refer to Note 24 to the consolidated financial statements for additional disclosure of the Group's loans and line of credit.	We inspected the underlying legal documents and the Group's accounting memorandums. We assessed the Group's accounting treatment. For the settlement of the Acquisition line for credit agreement with ExWorks we verified the calculation of the outstanding loan principal and the debt discount, we inspected support on the actual settlement and we confirmed the related presentation and disclosure. To test the accounting for the Credit agreement with ExWorks agreement, we verified the valuation and accounting of the conversion option, tested the debt issuance costs and confirmed the balances outstanding at year-end. For the Yorkville loan we assessed the classification as either debt modification or debt extinguishment, tested input data and method used in the accounting for the conversion feature and the accounting for the options. We also verified the accounting for debt issuance costs and confirmed outstanding balances at year-end. We inspected underlying legal documents and confirmed no drawdowns made in the year on the LIS Convertible Facility. For the Crede agreement, the proper accounting for the exercises of the conversion options was assessed. We verified the assumption and the method used in the calculations as well as the correctness of the journal entries. We confirmed outstanding balances at year-end. For the SEDA agreement, we tested the drawdowns made during 2019 on a sample basis. We assessed the appropriateness and completeness of the related disclosures in Note 24.

Key Audit Matter	How our audit addressed the key audit matter
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.	

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, 10 March 2020

BDO Ltd

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

2. Consolidated Statement of Comprehensive Income/(Loss)

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017	Note ref.
Net sales	22,652	34,280	33,674	29
Cost of sales	(13,196)	(18,319)	(17,870)	
Gross profit	**9,456**	**15,961**	**15,804**	
Other operating income	180	289	1,526	30
Research & development expenses	(6,422)	(5,306)	(5,339)	
Selling & marketing expenses	(7,929)	(5,772)	(4,459)	
General & administrative expenses	(15,789)	(14,232)	(15,401)	
Total operating expenses	**(29,960)**	**(25,021)**	**(23,673)**	
Operating income / (loss)	**(20,504)**	**(9,060)**	**(7,869)**	
Non-operating income	1,918	2,181	762	32
Gain / (loss) on derivative liability	214	-	(98)	6 / 24
Gain / (loss) on debt extinguishment	(233)	-	(556)	24
Interest and amortization of debt discount	(742)	(150)	(543)	24
Non-operating expenses	(3,670)	(2,826)	(1,751)	33
Income / (loss) from continuing operations before income tax expense	**(23,017)**	**(9,855)**	**(10,055)**	
Income tax (expense)/recovery	(13)	(53)	(71)	34
Income/ (loss) from continuing operations, net	**(23,030)**	**(9,908)**	**(10,126)**	
Discontinued operations:				37
Net sales from discontinued operations	1,934	19,412	9,404	
Cost of sales from discontinued operations	(791)	(6,196)	(4,516)	
Total operating and non-operating expenses from discontinued operations	(1,801)	(19,778)	(20,620)	
Income tax (expense)/recovery from discontinued operations	42	205	1,108	
Gain on disposal of a business, net of tax on disposal	31,100	-	-	
Income / (loss) on discontinued operations	**30,484**	**(6,357)**	**(14,624)**	
Net income / (loss)	**7,454**	**(16,265)**	**(24,750)**	
Less: Net income / (loss) attributable to noncontrolling interests	(733)	13	(483)	
Net income / (loss) attributable to WISeKey International Holding AG	**8,187**	**(16,278)**	**(24,267)**	
Earnings per share				
Earnings from continuing operations per share - Basic	(0.64)	(0.29)	(0.34)	36
Earnings from continuing operations per share - Diluted	(0.64)	(0.29)	(0.34)	36
Earnings from discontinued operations per share - Basic	0.84	(0.19)	(0.50)	36
Earnings from discontinued operations per share - Diluted	0.81	(0.19)	(0.50)	36
Earning per share attributable to WISeKey International Holding AG				
Basic	0.23	(0.48)	(0.82)	36
Diluted	0.23	(0.48)	(0.82)	36

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017	*Note ref.*
Other comprehensive income / (loss), net of tax:				
Foreign currency translation adjustments	516	108	1,548	
Net loss arising during period	(2,199)	287	(102)	*28*
Other comprehensive income / (loss)	**(1,683)**	**395**	**1,071**	
Comprehensive income / (loss)	**5,771**	**(15,870)**	**(23,679)**	
Other comprehensive income / (loss) attributable to noncontrolling interests	(127)	(23)	(369)	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	**(1,556)**	**418**	**1,440**	
Comprehensive income / (loss) attributable to noncontrolling interests	(860)	(10)	(851)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	**6,631**	**(15,860)**	**(22,828)**	

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

3. Consolidated Balance Sheet

USD'000	As at December 31, 2019	As at December 31, 2018	*Note ref.*
ASSETS			
Current assets			
Cash and cash equivalents	12,121	9,146	*7*
Restricted cash, current	2,525	618	*8*
Accounts receivable, net of allowance for doubtful accounts	3,770	7,620	*9*
Notes receivable from related parties	-	8	
Inventories	2,787	4,186	*10*
Contract assets	15	-	
Prepaid expenses	690	521	
Deferred charges, current	207	184	
Current assets held for sale	-	8,916	*37*
Other current assets	1,469	919	*11*
Total current assets	**23,584**	**32,118**	
Noncurrent assets			
Restricted cash, noncurrent	2,000	-	*8*
Notes receivable, noncurrent	23	-	*12*
Equity securities, at fair value	756	857	*13*
Deferred income tax assets	6	8	
Deferred tax credits	2,488	2,541	*14*
Property, plant and equipment net of accumulated depreciation	1,801	2,370	*15*
Intangible assets, net of accumulated amortization	600	1,132	*16*
Finance lease right-of-use assets	289	-	
Operating lease right-of-use assets	2,780	-	*17*
Goodwill	8,317	8,317	*18*
Deferred charges, noncurrent	30	214	
Equity securities, at cost	7,000	7,000	*19*
Noncurrent assets held for sale	-	23,744	*37*
Other noncurrent assets	230	152	
Total noncurrent assets	**26,320**	**46,335**	
TOTAL ASSETS	**49,904**	**78,453**	
LIABILITIES			
Current Liabilities			
Accounts payable	10,713	12,917	*21*
Notes payable	4,104	6,797	*22*
Convertible note payable, current	3,226	-	*24*
Deferred revenue, current	89	91	*29*
Current portion of obligations under finance lease liabilities	103	-	*17*
Current portion of obligations under operating lease liabilities	556	-	*17*
Income tax payable	11	9	
Derivative liabilities	44	-	*6*
Current liabilities held for sale	-	14,085	*37*
Other current liabilities	1,304	976	*23*
Total current liabilities	**20,150**	**34,875**	
Noncurrent liabilities			
Convertible note payable, noncurrent	-	23,940	*24*
Deferred revenue, noncurrent	10	9	*29*
Finance lease liabilities, noncurrent	169	-	*17*
Operating lease liabilities, noncurrent	2,223	-	*17*
Employee benefit plan obligation	6,880	4,465	*25*
Other deferred tax liabilities	25	4	
Noncurrent liabilities held for sale	-	8,590	
Other noncurrent liabilities	3	2,595	
Total noncurrent liabilities	**9,310**	**39,603**	
TOTAL LIABILITIES	**29,460**	**74,478**	

USD'000	As at December 31, 2019	As at December 31, 2018	*Note ref.*
Commitments and contingent liabilities			*26*
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	*27*
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	1,475	1,472	*27*
CHF 0.05 par value			
Authorized - 41,066,298 and 41,063,901			
Issued - 28,824,086 and 28,769,797			
Outstanding - 27,621,895 and 26,681,736			
Share subscription in progress	6	-	
Treasury stock, at cost (1,202,191 and 2,088,061 shares held)	(1,288)	(1,139)	*27*
Additional paid-in capital	212,036	201,373	
Accumulated other comprehensive income / (loss)	(1,453)	100	*28*
Accumulated deficit	(189,161)	(197,348)	
Total shareholders'equity (deficit) attributable to WISeKey shareholders	**22,015**	**4,858**	
Noncontrolling interests in consolidated subsidiaries	(1,571)	(883)	
Total shareholders'equity	**20,444**	**3,975**	
TOTAL LIABILITIES AND EQUITY	**49,904**	**78,453**	

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

4. Consolidated Statements of Changes in Shareholders' Equity/(Deficit)

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, 2017	40,021,988	24,590,918	400	1,261	1,661	-	189,152	-	(180,554)	(650)	**9,608**	(883)	**8,725**
Common stock issued[1]	-	1,761,021	-	90	90	-	7,663	-	-	-	**7,753**	-	**7,753**
Options exercised	-	159,461	-	8	8	-	205	-	-	-	**213**	-	**213**
Stock-based compensation	-	-	-	-	-	-	1,660	-	-	-	**1,660**	-	**1,660**
Changes in treasury shares	-	2,000,000	-	100	100	(2,177)	619	-	-	-	**(1,458)**	-	**(1,458)**
Impact of ASU2016-01 on marketable securities	-	-	-	-	-	-	-	-	(375)	375	**-**	-	**-**
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(43)	**(43)**	-	**(43)**
Yorkville SEDA	-	258,397	-	13	13	1,038	606	-	-	-	**1,657**	-	**1,657**
Acquisition of Quo Vadis Group noncontrolling interest	-	-	-	-	-	-	1,101	-	-	-	**1,101**	-	**1,101**
Creation of WISeCoin AG	-	-	-	-	-	-	-	-	-	-	**-**	10	**10**
Crede convertible loan	-	-	-	-	-	-	368	-	-	-	**368**	-	**368**
Net loss	-	-	-	-	-	-	-	-	(16,278)	-	**(16,278)**	13	**(16,265)**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	418	**418**	(23)	**395**
Deemed dividend	-	-	-	-	-	-	-	-	(141)	-	**(141)**	-	**(141)**
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**

1. The articles of association of the Company had not been fully updated as of December 31, 2019 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, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Cash Flows from operating activities:			
Net Income (loss)	7,454	(16,265)	(24,750)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant & equipment	821	1,437	1,376
Amortization of intangible assets	534	2,047	3,645
Interest and amortization of debt discount	783	1,165	1,467
Loss / (gain) on derivative liability	(214)	-	98
Loss on debt extinguishment	1,326	-	7,067
Stock-based compensation	5,414	1,660	2,232
Bad debt expense	99	276	537
Inventory obsolescence impairment	535	284	(2,277)
Deferred tax asset write-off	-	161	132
Loss /(gain) on disposal of property and equipment	-	-	(49)
Income tax expense / (recovery) net of cash paid	(17)	(152)	(1,115)
Release of provision	-	(218)	(1,700)
Other non cash expenses /(income)			
Expenses settled in equity	40	1,685	-
Gain on disposal of a business	(31,100)	-	-
Other	80	-	-
Unrealized and non cash foreign currency transactions	157	(201)	(365)
Changes in operating assets and liabilities, net of effects of businesses acquired			
Decrease (increase) in accounts receivables	1,346	(2,898)	2,591
Decrease (increase) in inventories	1,399	(722)	(480)
Decrease (increase) in other current assets, net	(84)	(4,385)	(45)
Decrease (increase) in deferred research & development tax credits, net	19	279	-
Decrease (increase) in other noncurrent assets, net	(77)	(63)	-
Increase (decrease) in accounts payable	(1,765)	(126)	1,509
Increase (decrease) in deferred revenue, current	25	3,007	1,915
Increase (decrease) in income taxes payable	(362)	349	149
Increase (decrease) in other current liabilities	(217)	1,312	198
Increase (decrease) in deferred revenue, noncurrent	2,247	2,985	2,710
Increase (decrease) in defined benefit pension liability	258	(109)	711
Increase (decrease) in other noncurrent liabilities	(2,592)	-	(487)
Net cash provided by (used in) operating activities	**(13,891)**	**(8,492)**	**(4,931)**
Cash Flows from investing activities:			
Sale / (acquisition) of equity securities	(4,000)	(3,000)	-
Sale / (acquisition) of property, plant and equipment	(293)	(1,244)	(669)
Decrease / (increase) in notes receivables	-	-	(554)
Sale / (acquisition) of a business, net of cash and cash equivalents divested	40,919	-	(11,629)
Net cash provided by (used in) investing activities	**36,626**	**(4,244)**	**(12,852)**

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Cash Flows from financing activities:			
Proceeds from options exercises	3,412	217	36
Proceeds from issuance of Common Stock	1,112	2,904	5,039
Proceeds from convertible loan issuance	2,860	3,000	-
Proceeds from debt	4,030	7,656	20,984
Repayments of debt	(27,631)	(1,001)	(550)
Payments of debt issue costs	(42)	-	-
Repurchase of treasury shares	(1,025)	(900)	-
Net cash provided by (used in) financing activities	**(17,284)**	**11,876**	**25,509**
Effect of exchange rate changes on cash and cash equivalents	41	(200)	(733)
Cash and cash equivalents			
Net increase (decrease) during the period	5,492	(1,060)	6,993
Balance, beginning of period	11,154	12,214	5,221
Balance, end of period	**16,646**	**11,154**	**12,214**
Reconciliation to balance sheet			
Cash and cash equivalents from continuing operations	12,121	9,146	9,583
Restricted cash, current from continuing operations	2,525	618	-
Restricted cash, noncurrent from continuing operations	2,000	-	-
Cash and cash equivalents from discontinued operations	-	1,390	2,631
Balance, end of period	**16,646**	**11,154**	**12,214**
Supplemental cash flow information			
Cash paid for interest, net of amounts capitalized	756	772	250
Cash paid for incomes taxes	12	72	78
Noncash conversion of convertible loans into common stock	1,771	-	-
Restricted cash received for share subscription in progress	5	2,020	-
Issuance of shares in relation to the acquisition of QuoVadis	-	-	4,307
Issuance / (redemption) of redeemable preferred stock	-	(5,021)	4,340
Issuance of common stock to purchase non-controlling interest	-	3,920	3,474
Deemed dividend	-	141	540
Settlement of Carlos Moreira's loan in shares	-	473	-
Payment of SEDA fees in shares	-	(500)	-
Conversion of loan receivable into equity securities	-	-	799
ROU assets obtained from finance lease	321	-	-
ROU assets obtained from operating lease	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 but a net income of USD 7.5 million following the divestiture of WISeKey (Bermuda) Holding Ltd (formerly named QV Holdings Ltd) and its affiliates (together "**QuoVadis**" or the "**QuoVadis Group**") to Digicert Inc, which generated a net cash inflow of USD 37.7 million and allowed WISeKey to repay in full the line of Credit it had contracted with ExWorks Capital Fund I, L.P. ("**ExWorks**") in an amount of USD 25.4 million (see Note 24).

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 from continuing operations of USD 20.5 million and had positive adjusted working capital of USD 3.5 million as at December 31, 2019, calculated as the difference between current assets and current liabilities net of current deferred revenue. Based on the Group's cash projections for the next 12 months to March 31, 2021, it will need approximately USD 2.1 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 2019, the Group secured two loans: (a) a Convertible Loan Agreement (the "**Yorkville Convertible Loan**") with YA II PN, Ltd. a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**") for an amount of USD 3.5 million, with an interest rate of 6% per annum, repayable by August 01, 2020 in monthly instalments starting August 01 2019 either in cash or in WIHN class B Shares, and (b) a credit agreement between WISeCoin AG and ExWorks in an amount of USD 4 million, repayable by April 04, 2020, with an annual interest rate of 10%, secured on the shares of WISeCoin AG with the option to convert principal repayment, interest charges and fees into WISeSecurity Tokens issued by WISeCoin AG.
In 2020 prior to the release of this annual report, WISeKey signed a new convertible loan agreement 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 (see Note 40). The new convertible loan agreement bears an interest rate of 6% per annum payable monthly in arrears and matures on April 30, 2021.This new agreement replaces the existing Yorkville Convertible Loan signed on June 27, 2019. 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. The amount of USD 2.1 million required to fund operations and financial commitments until March 31, 2021 takes into account the net cash inflow of USD 1.7 million from this new convertible loan agreement.
These loans demonstrate the availability of lenders to support the WISeKey Group in its activities and development. See Note 24 for detail on these loans.

On January 19, 2016, the Group had closed a Share Subscription Facility (the "**Share Subscription Facility**", the "**GEM Facility**") with GEM LLC (Global Equity Markets, "**GEM**") which is a CHF 60.0 million facility over 5 years and allows the Group to draw down funds at its option in exchange for WIHN class B shares (see Note 24 for detail). 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 SIX Swiss 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. In year 2019, WISeKey made no drawdowns under the GEM Facility. Therefore, as at December 31, 2019, the outstanding facility available remained CHF 56.1 million.
On February 08, 2018 the Group entered into a Standby Equity Distribution Agreement ("**SEDA**") with Yorkville (see Note 24 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 2018, WISeKey made four drawdowns under the SEDA Facility, for a total amount of CHF 1.7 million. In the year 2019, WISeKey made five drawdowns for CHF 1.1 million. As at

December 31, 2019, the outstanding equity financing available was CHF 47.1 million. On March 04, 2020, the SEDA was extended by 24 months to March 31, 2023.
Both the GEM Facility and the SEDA will be used as a safeguard should there be any difficulties in raising the necessary funds to cover the USD 2.1 million projected cash outflow noted above.

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 that mature within 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 record allowance for doubtful accounts based upon a specific review of all outstanding invoices. We write off a receivable and charge it against its recorded allowance when we have exhausted our collection efforts without success.

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, 2018 and 2017, 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.

Provision for Onerous Contracts

The Group recognizes a provision where the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. It is recorded in Other Liabilities.

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 two defined benefit post retirement plans:

- one that covers all employees working for WISeKey SA in Switzerland, and
- one for the French employees of WISeKey Semiconductors 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.
In accordance with the Group's adoption of ASU 2018-07 from January 01, 2019, the treatment of nonemployee share-based payments, previously subject to ASC 505, was aligned with existing guidance on employee share-based payments in ASC 718. As a result, 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 2019, the Group adopted ASU 2016-02, Leases (Topic 842), which, under its core principle, requires a lessee to recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. The Group also adopted ASU 2018-11, Leases (Topic 842), and ASU 2018-10, Codification improvements to Topic 842, which provides a new transition method and a practical expedient for separating components of a contract intended to reduce costs and ease implementation of the lease standard for financial statement preparers. There have also been some practical expedients provided with the aim of simplifying adoption and the Group has elected to apply these. The practical expedients allow that an entity need not reassess any expired or existing contracts, nor reassess the lease classification for expired or existing leases, nor reassess initial direct costs for existing leases. They must all be applied as a package. Following on from ASU 2018-11, entities are permitted to elect not to restate comparative periods in the period of adoption. The Group has elected to follow this guidance.
As a result of the adoption of ASU 2016-02, the Group, as a lessee, recognized right-of-use assets and related lease liabilities on its balance sheet for all arrangements with terms longer than twelve months from January 01, 2019. In line with the practical expedients, WISeKey did not reassess any expired or existing contracts, nor reassess the lease classification for expired or existing leases, nor reassess initial direct costs for existing leases. The majority of leases held as at January 01, 2019 (the application date) were classified as operating leases in prior periods and should continue to be treated as such. There was no material impact on the Group's results of operations in 2019 upon adoption of the new standard.

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 recast to reflect the application of the new standard to all comparative periods presented. Financial statements for the year ended December 31, 2018 have not been restated.
The Group's disclosures regarding its leasing activities have been expanded to enable users of our consolidated financial statements to better understand the impact from leasing. Information regarding our adoption of ASU 2016-02 and its impact on the Group's consolidated financial statements and related disclosures is provided in Note 4 in the Leases subsection and in Note 17.

In 2019, the Group adopted ASU 2018-07, Compensation-Stock Compensation, which supersedes most of the prior accounting guidance on nonemployee share-based payments, and instead aligns it with existing guidance on employee share-based payments in ASC 718. As a result, nonemployee share-based payment transactions were measured by estimating the fair value of the equity instruments that an entity is obligated to issue and the measurement date is consistent with the measurement date for employee share-based payment awards. WISeKey was required to measure these nonemployee awards at fair value as of the beginning of the fiscal year of adoption. Because all costs were recognized in 2018, there was no impact on the Group results of operations or financial condition in 2019 upon adoption of the new standard.

New FASB Accounting Standard to be adopted in the future:

In August 2018, The FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*.
Summary: ASU 2018-13 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; and for non-public entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

The following disclosure requirements were modified in Topic 820:

- In lieu of a rollforward for Level 3 fair value measurements, a non-public entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

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. In addition, the amendments eliminate at a minimum from the phrase "an entity shall disclose at a minimum" to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements.

Effective Date: The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 2018-13 and delay adoption of the additional disclosures until their effective date.
The Group 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 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 April 2019**,** The FASB issued Accounting Standards Update (ASU) No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, Codification improvements:*
Summary: ASU 2019-04 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.
Effective Date: The amendments related to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is generally 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 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.

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 2019, 2018 and 2017, and the clients whose trade accounts receivable balances were 10% or higher than the respective total consolidated trade accounts receivable balance for fiscal years 2019 and 2018:

	Revenue concentration (% of total net sales)			Receivables concentration (% of total accounts receivable)	
	Year to December 31, 2019	Year to December 31, 2018	Year to December 31, 2017	As at December 31, 2019	As at December 31, 2018
IoT operating segment					
Multinational electronics contract manufacturing company	12%	8%	7%	19%	12%
International luxury watch company	6%	2%	3%	13%	4%
International packaging solutions, technology and chips	11%	3%	3%	0%	3%
International aduio software and hardware solutions company	2%	0%	0%	11%	0%

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, 2019 Carrying amount	Fair value	As at December 31, 2018 Carrying amount	Fair value	Fair value level	Note ref.
Amortized costs fair value measurements						
Accounts receivable	3,770	3,770	7,620	7,620	3	9
Notes receivable from related parties	-	-	8	8	3	40
Notes receivable, noncurrent	23	23	-	-	3	12
Equity securities, at cost	7,000	7,000	7,000	7,000	3	19
Accounts payable	10,713	10,713	12,917	12,917	3	21
Notes payable	4,104	4,104	6,797	6,797	3	22
Convertible note payable, current	3,226	3,226	-	-	3	24
Convertible note payable, noncurrent	-	-	23,940	23,940	3	24
Recurring fair value measurements						
Equity securities, at fair value	756	756	857	857	1	13
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.
- 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.
- Convertible note payable current and noncurrent- carrying amount approximated fair value.
- Equity securities, at fair value - fair value remeasured as at reporting period.

Derivative liabilities, current - fair value remeasured as at reporting

Derivative liabilities

In 2019, the Group held one derivative instrument which was measured at estimated fair value on a recurring basis and linked to embedded conversion option in the Yorkville Convertible Loan signed on June 27, 2019 (see Note 24).
The convertible note has a maturity date of August 01, 2020. It contains a conversion option into WIHN Class B shares at the election of the holder, which may be exercised at each monthly repayment date, 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 24.
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.
The hosting debt instrument was 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, 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.

In 2019, WISeKey made five repayments in cash of the Yorkville Convertible Loan, resulting in the following gain or loss on derivative:

- On August 15, 2019, WISeKey repaid USD 237,392 of the principal.
- On September 01, 2019, WISeKey repaid USD 69,847 of the principal.
- On September 17, 2019, WISeKey repaid USD 195,173 of the principal.
- On October 10, 2019, WISeKey repaid USD 249,999 of the principal.
- On November 07, 2019, WISeKey repaid USD 410,196 of the principal.

The derivative component was measured at fair value at the reporting date at USD 43,655, all in current derivative liabilities. Therefore, for the year ended December 31, 2019, WISeKey recorded in the income statement, a net gain on derivative of USD 213,780 and a net debt discount amortization expense of USD 468,265.

Derivative liabilities	**USD'000**
Balance as at December 31, 2017	-
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

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 8. Restricted cash

Restricted cash as at December 31, 2019 is made up of:

- USD 4.5 million of the consideration for the sale of QuoVadis which is held in an escrow account, and to be released in an amount of up to USD 2.5 million on January 16, 2020 and the remaining amount on January 16, 2021 (see Note 37 for further details and Note 40 Subsequent events), and
- A balance of CHF 24,073 (USD 24,874) on the liquidity account funded by WISeKey in relation to the services provided by a market maker from August 10, 2018 until June 25, 2019.

As at December 31, 2018, the liquidity account had a balance of CHF 607,502, i.e. USD 617,796 at the reporting exchange rate. The carrying amounts approximate fair value due to the short maturities of these instruments. As part of the contract, WISeKey funded a liquidity account with CHF 1,000,000 on August 24, 2018.

Note 9. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	**As at December 31, 2019**	**As at December 31, 2018**
Trade accounts receivable	3,643	7,607
Allowance for doubtful accounts	(25)	(4)
Accounts receivable from other related parties	119	1
Other accounts receivable	33	16
Total accounts receivable net of allowance for doubtful accounts	**3,770**	**7,620**

Note 10. Inventories

Inventories consisted of the following:

USD'000	**As at December 31, 2019**	**As at December 31, 2018**
Raw materials	636	1,342
Work in progress	2,151	2,844
Total inventories	**2,787**	**4,186**

In the years ended December 31, 2019, 2018 and 2017, the Group recorded inventory obsolescence charges in the income statement of respectively USD 26,249, USD 90,567 and USD 2,537 on raw materials, and USD 508,938, USD 193,213 and USD 2,274,710 on work in progress.

Note 11. Other current assets

Other current assets consisted of the following:

USD'000	As at December 31, 2019	As at December 31, 2018
Value-Added Tax Receivable	1,449	858
Advanced payment to suppliers	7	53
Deposits, current	9	4
Other currrent assets	4	4
Total other current assets	**1,469**	**919**

Note 12. Notes receivable, noncurrent

As at December 31, 2019, the noncurrent notes receivable consisted of a loan to an employee for CHF 21,780 (USD 22,504). From April 01, 2019, WISeKey has agreed to lend CHF 2,420 per month to an employee over a period of 24 months, at 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.
As at December 31, 2018, the noncurrent notes receivable balance was nil.

Note 13. 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, 2019, the fair value was recalculated using the closing market price on the XETRA of EUR 0.306 (USD 0.3435) and amounted to USD 755,802. The difference of USD 101,068 from the fair value at December 31, 2018 was accounted for in the income statement as a non-operational expense.

Note 14. Deferred tax credits

Deferred tax credits consisted of the following:

USD'000	As at December 31, 2019	As at December 31, 2018
Deferred research & development tax credits	2,487	2,505
Deferred other tax credits	1	36
Total deferred tax credits	**2,488**	**2,541**

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, 2019, and 2018, the receivable balance in respect of these Research tax credits was respectively of USD 1,934,539 and USD 2,505,264 for WISeKey Semiconductors SAS, and USD 552,067 and USD nil 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 and is shown under noncurrent deferred tax assets in line with ASU 2015-17.

Note 15. Property, plant and equipment

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

USD'000	As at December 31, 2019	As at December 31, 2018
Machinery & equipment	4,029	3,815
Office equipment and furniture	2,505	2,469
Computer equipment and licences	1,069	1,056
Total property, plant and equipment gross	7,603	7,340
Accumulated depreciation for:		
Machinery & equipment	(2,508)	(1,828)
Office equipment and furniture	(2,270)	(2,169)
Computer equipment and licences	(1,024)	(973)
Total accumulated depreciation	(5,802)	(4,970)
Total property, plant and equipment from continuing operations, net	**1,801**	**2,370**
Depreciation charge from continuing operations for the year	821	855

No depreciation expense was recorded in cost of sales on the face of the income statement for the years 2019, 2018 and 2017.
The depreciation charge from continuing operations for the year 2017 was USD 894,328.

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, 2019	As at December 31, 2018
Trademarks	130	128
Patents	2,281	2,281
License agreements	10,758	10,615
Other intangibles	6,152	6,070
Total intangible assets gross	19,321	19,094
Accumulated amortization for:		
Trademarks	(129)	(126)
Patents	(1,683)	(1,175)
License agreements	(10,757)	(10,591)
Other intangibles	(6,152)	(6,070)
Total accumulated amortization	(18,721)	(17,962)
Total intangible assets from continuing operations, net	**600**	**1,132**
Amortization charge from continuing operations for the year	534	460

The amortization charge from continuing operations for the year 2017 was USD 1,690,931.

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:

Year	USD'000
2020	600
Total intangible assets, net	**600**

Note 17. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. As at December 31, 2019, WISeKey holds one finance lease for IT equipment in our datacenter, 6 operating leases, and 9 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 2019, 2018, and 2017 we recognized rent expenses associated with our leases as follows:

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Finance lease cost:			
Amortization of right-of-use assets	31	-	-
Interest on lease liabilities	8	-	-
Operating lease cost:			
Fixed rent expense	567	561	481
Short-term lease cost	63	61	54
Net lease cost	**669**	**622**	**535**
Lease cost - Cost of sales	-	-	-
Lease cost - General & administrative expenses	669	622	535
Net lease cost	**669**	**622**	**535**

In the years 2019 and 2018, we had the following cash and non-cash activities associated with our leases:

USD'000	As at December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	47
Operating cash flows from operating leases	550
Financing cash flows from finance leases	8
Non-cash investing and financing activities :	
Net lease cost	669
Additions to ROU assets obtained from:	
New finance lease liabilities*	321
New operating lease liabilities*	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, 2019, future minimum annual lease payments were as follows:

Year	USD'000 Operating	USD'000 Short-term	USD'000 Finance	USD'000 Total
2020	578	13	114	**705**
2021	540	-	114	**654**
2022	370	-	57	**427**
2023	294	-	-	**294**
2024 and beyond	1,337	-	-	**1,337**
Total future minimum operating and short-term lease payments	**3,119**	**13**	**285**	**3,417**
Less effects of discounting	(340)	**-**	(13)	**(353)**
Less effects of practical expedient	-	(13)	-	**(13)**
Lease liabilities recognized	**2,779**	**-**	**272**	**3,051**

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

Year	USD'000
2020	705
2021	654
2022	427
2023	294
2024 and beyond	1,337
Total future minimum operating and short-term lease payments	**3,417**

As of December 31, 2019, the weighted-average remaining lease term was 2.5 years for our finance lease and 6.83 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, 2019 was 3.82%.

Note 18. Goodwill

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 01, 2019, 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, 2019, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2019.
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.

USD'000	IoT Segment	mPKI Segment	Total
Goodwill balance as at December 31, 2017	**8,317**	**-**	**8,317**
Goodwill acquired during the year	-	-	-
Impairment losses	-	-	-
As at December 31, 2018			
Goodwill	8,317	-	8,317
Accumulated impairment losses	-	-	-
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**

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

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 24). 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, 2019, we performed a qualitative assessment to consider potential impairment indicators and did not identify impairment indicators. Therefore, no impairment loss was recorded in 2019. We also made reasonable efforts to identify any observable transactions of identical or similar investments of Tarmin, but did not identify any transaction requiring an adjustment to the carrying value of the Tarmin Warrant as at December 31, 2019. Therefore, the carrying value of the Tarmin Warrant as at December 31, 2019 was USD 7,000,000.

Note 20. 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 21. Accounts payable

The accounts payable balance consisted of the following:

USD'000	As at December 31, 2019	As at December 31, 2018
Trade creditors	5,482	6,995
Factors or other financial institutions for borrowings	888	934
Accounts payable to Board Members	117	239
Accounts payable to other related parties	2	292
Accounts payable to underwriters, promoters, and employees	2,229	2,185
Other accounts payable	1,995	2,272
Total accounts payable	**10,713**	**12,917**

Accounts payable to Board Members are made up of accrued board fees and a payable balance of CHF 2,245 (USD 2,320) to Dourgam Kummer relating to unpaid business expenses (see note 40 for detail).
Accounts payable to other related parties are made up of a CHF 2,196 (USD 2,269) payable to a related party of Carlos Moreira (see note 40 for detail).

Accounts payable to employees consist primarily of holiday, bonus and 13th month accruals across WISeKey.

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 22. Notes payable

Notes payable consisted of the following:

USD'000	As at December 31, 2019	As at December 31, 2018
Short-term loan	4,021	6,718
Short-term loan from shareholders	82	79
Total notes payable	**4,103**	**6,797**

As at December 31, 2019, the current notes payable balance was made up of:

- a USD 4,021,472 short-term loan with ExWorks. See detail in Note 24.
- short-term loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 82,268 at closing rate (USD 79,122 as at December 31, 2018). 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 1.62% per annum as at December 31, 2019 and 2018.

Note 23. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2019	As at December 31, 2018
Value-Added Tax Payable	706	422
Other tax payable	65	91
Customer contract liability, current	255	142
Other current liabilities	278	321
Total other current liabilities	**1,304**	**976**

Note 24. 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, nor in 2019.

Therefore, as at December 31, 2019 the outstanding facility available is CHF 56,094,645.

Acquisition line of credit agreement with ExWorks Capital Fund I, L.P

On January 16, 2017 the Group signed an acquisition line of credit agreement with ExWorks Capital Fund I, L.P. (the "**ExWorks Line of Credit**") headquartered in the USA, is an international, import and export finance company that offers financing solutions to businesses utilizing its own capital as well as by leveraging its Delegated Authority granted by both the SBA and ExIm Bank. A first amendment was subsequently signed on February 06, 2017, a second amendment on March 31, 2017, a third amendment on July 21, 2017, a fourth amendment on August 10, 2017, a fifth amendment on September 19, 2017, a sixth amendment on February 5, 2018, a seventh amendment on March 30, 2018, an eighth amendment on June 20, 2018, a ninth amendment on July 24, 2018, a tenth amendment on August 17, 2018, and an eleventh amendment on September 27, 2018.

As of December 31, 2018, under the ExWorks Line of Credit as amended, the Group may borrow up to USD 22,646,437, including a loan of up to USD 4,000,000 to support the launch of WISeKey's WISeCoin setup. Borrowings under the ExWorks Line of Credit bear interest payable monthly at 1%. The maturity date of the arrangement is January 16, 2020 with an option to extend maturity to January 16, 2021 for a fee equal to 12% of the outstanding loan at the time WISeKey exercises the extension option. Under current terms, ExWorks can elect to have part of or all of the principal loan amount and interests paid either in cash or in WIHN class B shares at a conversion price of USD 4.74 per share.

Under the terms of the ExWorks Line of Credit, the Group is required to not enter into agreements that would result in restriction on liens, reserved restriction on indebtedness, 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 or asset transfer other than sale of assets in the ordinary course of business. Furthermore, the Group is required to maintain its existence and pay all taxes and other liabilities, provide ExWorks with periodical accounting reports and the detail of any material litigation, comply with applicable laws, meet the financial covenants set in the line of credit agreement in terms of average cash on hand and minimum ending cash on hand. The Group has complied with the line of credit covenants in the 12 months to December 31, 2018.

As at December 31, 2018, borrowings under the ExWorks Line of Credit are secured by (i) the grant of options to ExWorks exercisable for up to 1,075,000 WIHN class B registered shares, par value CHF 0.05, at an exercise price of CHF 3.15; (ii) 100% of the shares in QuoVadis Trustlink Schweiz AG; (iii) any cash bank account of the Group held in Switzerland; (iv) 100% of the shares in WISeKey USA; (v) 100% of the shares in WISeKey Singapore; (vi) 100% of the shares held by the Group in WISeKey SAARC Ltd; and (vii) all shares owned by WISeKey (Bermuda) Holding Ltd in each of its subsidiaries.

The ExWorks Line of Credit can be up-sized / syndicated at the same terms for up to an additional USD 10,000,000 by way of adding co-lender(s) or selling a participation interest.

The line of credit was initially recognized as a revolving credit falling under ASC 480, and, in line with ASU 2015-15 the commitment fee and debt issuance costs totaling USD 3,165,880 were capitalized as deferred charges to be amortized over the duration of the contract. These deferred charges included the fair value of an option agreement signed by both parties on February 06, 2017, granting ExWorks the option to acquire up to 1,075,000 WIHN class B shares at an exercise price of CHF 3.15, exercisable in a maximum of four separate exercises, between June 28, 2017 and February 06, 2020. The option agreement exercisable for up to 1,075,000 WIHN class B shares was fair valued at grant for an amount of USD 2,173,395 using the Black-Scholes model and the market price of WIHN class B shares on the date of grant, February 06, 2017, of CHF 4.04. The option agreement was assessed as equity instrument. The credit entry from the recognition of the option agreement fair value was booked in APIC.

However, the fifth amendment on September 19, 2017 introduced an option to convert payments of the full or partial amounts of principal loan, interests and fees in WIHN class B shares. The introduction of the conversion option was assessed to be a substantial modification of terms for the existing contract and therefore, in line with ASC 470-50-40-6, was accounted for like an extinguishment. As a result, all fees and debt issuance costs, including the option agreement, previously capitalized were fully amortized into the income statement in 2017, the old debt was written off, and the new debt was accounted for at fair value. This gave rise to a USD 6,511,421 loss on extinguishment in 2017 made up of total amendment fees of USD 700,000, the unamortized portion of the commitment fee and debt issuance costs totaling USD 2,199,502 (of which USD 1,467,746 related to the option agreement), and the fair value of the conversion option introduced for USD 4,087,519 calculated using the Black-Scholes model and the market price of WIHN class B shares as at the date of the fifth amendment of CHF 4.10 (USD 4.26 at historical rate).

As at December 31, 2017, there were no unamortized debt discount/premium or debt issuance costs. The conversion option was assessed as an equity instrument which did not require bifurcation from its debt host. The credit entry from the recognition of the conversion option fair value was booked in APIC.

The sixth amendment signed on February 05, 2018 extended maturity of the loans to January 16, 2020 (instead of January 15, 2019), reduced the monthly interest rate to 1% (instead of 1.5%), and introduced a clause whereby cash repayments are restricted in time. The amendment fee was USD 1,890,000.

The seventh amendment signed on March 30, 2018, granted an extension of USD 4m to the maximum loan amount to be used for “Other Approved Business Purpose”. The amendment fee was USD 400,000. As at December 31, 2018 WISeKey has drawn USD 3,995,575 from this extended facility to fund the creation of WISeCoin AG.

Both the sixth and seventh amendments were analyzed as debt modification and accounted for under ASC 470-50-40-14. Total debt issue costs of USD 2,290,000 were recorded as debt discounts and amortized over the duration of the credit line.

The eighth, ninth and tenth amendments did not give rise to any debt modification or debt extinguishment accounting.

With the eleventh amendment on September 27, 2018 ExWorks removed liens on some intellectual property of the Group in exchange for WISeKey purchasing from ExWorks a 22% warrant in Tarmin (see note 19) for a total purchase price of USD 7,000,000 made up of a USD 3,000,000 cash payment made on October 05, 2018 and a USD 4,000,000 promissory note payable on March 31, 2019. The amendment fee was USD 250,000. 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.

In line with ASC 470-50, we compared the present value of the new debt per the eleventh amendment to the present value of the old debt under the tenth amendment and concluded that the difference was below the 10% threshold. The eleventh amendment was analyzed as a debt modification and accounted for under ASC 470-50-40-14. Total debt issue costs of USD 2,540,000 were recorded as debt discounts and amortized over the duration of the credit line.

As at December 31, 2018, outstanding borrowings were USD 22,642,012 and unamortized debt discount USD 1,375,374.

On January 16, 2019, WISeKey repaid in cash all outstanding amounts: USD 22,618,226 of principal, USD 120,654 of accrued interests, and USD 2,595,000 of accrued fees.

For the period starting January 01, 2019 to January 16, 2019, WISeKey recorded a total debt amortization charge of USD 49,822. Therefore the unamortized debt discount as at January 16, 2019 amounted to USD 1,325,552.

The repayment of the loan was assessed as a debt extinguishment in line with ASC 405-20-40-1. As a result, the unamortized debt discount of USD 1,325,552 was expensed as loss on debt extinguishment in the income statement. Because most of the principal loan balance related to the acquisition credit line for the purchase of QuoVadis in 2017, and in application of ASC 205-20-45-6 to 205-20-45-8 after the signature of the SPA to sell QuoVadis, WISeKey further elected to apply ASC 205-20-45-8 and to allocate interest to the discontinued operations based on the debt that can be identified as specifically attributed to the operations of QuoVadis. As a result USD 1,092,783 out of the USD 1,325,552 total loss on debt extinguishment was recorded under discontinued operations and presented as a separate line item in the income / (loss) on discontinued operations presented in Note 37. The remaining USD 232,769 loss on debt extinguishment attributable to continuing operations is showing as a separate line item on the face of the income statement.

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 over a three-year period ending March 01, 2021. 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 five-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 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 2019, WISeKey made the following drawdowns:

- On January 08, 2019 one drawdown for CHF 250,000 (USD 245,125 at historical rate) in exchange for 97,125 WIHN class B shares issued out of treasury share capital.
- On August 15, 2019 one drawdown for CHF 250,000 (USD 256,187 at historical rate) in exchange for 120,250 WIHN class B shares issued out of treasury share capital.
- On September 17, 2019 one drawdown for CHF 199,999 (USD 202,520 at historical rate) in exchange for 84,281 WIHN class B shares issued out of treasury share capital.
- On October 10, 2019 one drawdown for CHF 249,999 (USD 249,999 at historical rate) in exchange for 111,012 WIHN class B shares issued out of treasury share capital.
- On November 07, 2019 one drawdown for CHF 157,933 (USD 157,933 at historical rate) in exchange for 78,146 WIHN class B shares issued out of treasury share capital.

The amortization charge for the capitalized fee recognized in APIC amounted to USD 183,631 for the year to December 31, 2019 and the remaining deferred charge balance was USD 214,322 made up of USD 184,134 current and USD 30,188 noncurrent.
As at December 31, 2019 the outstanding equity financing available was CHF 47,142,077.

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 dissolution effect. The events triggering anti-dissolution 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 dissolution 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.

As at December 31, 2019, WISeKey had repaid USD 1,162,607 and the principal amount outstanding was USD 2,337,393 with an unamortized debt discount of USD 275,296.
For the year 2019, the Group recorded in the income statement a net debt discount amortization expense of USD 468,265.

Convertible Loan with Crede CG III, Ltd

On September 28, 2018 the Group closed a Convertible Loan Agreement (the "**Crede Convertible Loan**") with Crede CG III ("**Crede**"), Ltd 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. As at December 31, 2018 the full amount of USD 3 million remained outstanding and accrued interest of USD 50,833 were recognized in the income statement.

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 2019, Crede issued six exercise notices, resulting in the following conversions:

- On January 03, 2019 for 30,000 WHIN class B shares delivered on January 08, 2019 for a conversion of USD 73,559.
- On January 15, 2019 for 100,000 WHIN class B shares delivered on January 17, 2019 for a conversion of USD 265,099.
- On February 19, 2019 for 100,000 WHIN class B shares delivered on February 26, 2019 for a conversion of USD 279,525.
- On June 24, 2019 for 100,000 WHIN class B shares delivered on July 01, 2019 for a conversion of USD 208,755.
- On September 03, 2019 for 300,000 WHIN class B shares delivered on September 09, 2019 for a conversion of USD 640,934.
- On December 03, 2019 for 150,000 WHIN class B shares delivered on December 09, 2019 for a conversion of USD 303,228.

As at December 31, 2019, the principal amount outstanding was USD 1,228,899, and the unamortized debt discount USD 64,971.
For the year 2019, the Group recorded in the income statement a net debt discount amortization expense of USD 114,103. In line with ASC 470-20-50-5, as at December 31,2019, the amount by which the instrument's if-converted value exceeds its principal amount is USD 318,270.

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 2019, WISeKey recorded a total debt discount amortization charge of USD 151,343 and an unamortized debt discount of USD 8,657 remained as at December 31, 2019.

As at December 31, 2019, outstanding borrowings were USD 4,030,129.

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).

As at December 31, 2019, debt issue costs corresponding to CHF 22,230 in legal fees were recorded in the income statement by WISeKey to execute the LSI Convertible Facility. Also, per the terms of the LSI Convertible Facility, WISeKey owes LSI a CHF 10,000 expense allowance and a commitment fee payable in 400,000 WIHN class B shares, which were not yet settled as at December 31, 2019 and are expected to be settled in January 2020. The debt issue costs and commitment fee will be recorded as a debt discount proportionately to each drawdown. However, as at December 31, 2019, 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 22,230 as a deferred asset to be amortized on a straight-line basis over the access period of the LSI Convertible Facility.

As at December 31, 2019 the outstanding LSI Convertible Facility available was CHF 30 million.

Note 25. Employee benefit plans

Defined benefit post-retirement plan

The Group maintains three pension plans: one maintained by WISeKey SA covering its employees in Switzerland, and one maintained by WISeKey Semiconductors SAS as well as one maintained 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, 2019 is based on annual personnel costs and assumptions as of December 31, 2019.

Personnel Costs USD'000	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Wages and Salaries	11,161	9,738	8,698
Social security contributions	2,813	2,974	2,647
Net service costs	281	372	361
Other components of defined benefit plans, net	132	140	143
Total	**14,387**	**13,224**	**11,849**

					As at December 31,				
Assumptions	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**	**2017**	**2017**	**2017**
	France	**Switzerland**	**India**	**France**	**Switzerland**	**India**	**France**	**Switzerland**	**India**
Discount rate	0.70%	0.25%	7.30%	1.50%	0.80% - 0.90%	7.72%	1.31%	0.60% - 0.70%	6.90%
Expected rate of return on plan assets	n/a	1.50%	n/a	n/a	1.50% - 2%	n/a	n/a	1.50% - 2%	n/a
Salary increases	3%	1.50%	9%	3%	0.5% - 1.50%	9%	3%	0.5% - 1.50%	3%

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, 2019 the Group's accumulated benefit obligation amounted to USD 16,815,840

Reconciliation to Balance Sheet start of year		
USD'000		
Fiscal year	**2019**	**2018**
Fair value of plan assets	(8,275)	(7,789)
Projected benefit obligation	12,740	12,374
Surplus/deficit	**4,465**	**4,585**
Opening balance sheet asset/provision (funded status)	**4,465**	**4,585**
Reconciliation of benefit obligation during the year		
Projected benefit obligation at start of year	12,740	12,374
Net Service cost	412	372
Interest expense	107	86
Plan participant contributions	216	180
Net benefits paid to participants	1,377	(88)
Actuarial losses/(gains)	2,487	(37)
Currency translation adjustment	227	(148)
Projected benefit obligation at end of year	**17,566**	**12,740**
Reconciliation of plan assets during year		
Fair value of plan assets at start of year	(8,275)	(7,789)
Employer contributions paid over the year	(347)	(293)
Plan participant contributions	(216)	(180)
Net benefits paid to participants	(1,401)	88
Interest income	(123)	(116)
Return in plan assets, excl. amounts included in net interest	(136)	(56)
Currency translation adjustment	(188)	71
Fair value of plan assets at end of year	**(10,686)**	**(8,275)**
Reconcilation to balance sheet end of year		
Fair value of plan assets	(10,686)	(8,275)
Defined benefit obligation - funded plans	17,566	12,740
Surplus/deficit	**6,880**	**4,465**
Closing balance sheet asset/provision (funded status)	**6,880**	**4,465**
Estimated amount to be amortized from accumulated OCI into NPBC over next fiscal year		
Net loss (gain)	283	88
Unrecognized transition (asset)/obligation	0	0
Prior service cost/(credit)	61	62

USD'000			
Fiscal year	**2019**	**2018**	**2017**
Amounts recognized in accumulated OCI			
Net loss (gain)	4,258	1,964	2,187
Unrecognized transition (asset)/obligation	0	0	0
Prior service cost/(credit)	300	357	423
Deficit	**4,558**	**2,321**	**2,609**

Movement in Funded Status
USD'000

Fiscal year	**2019**	**2018**	**2017**
Opening balance sheet liability (funded status)	**4,465**	**4,585**	**3,810**
Net Service cost	412	372	361
Interest cost/(credit)	107	86	71
Expected return on Assets	(123)	(116)	(93)
Amortization on Net (gain)/loss	88	108	103
Amortization on Prior service cost/(credit)	62	62	61
Currency translation adjustment	(2)	1	0
Total Net Periodic Benefit Cost/(credit)	**544**	**512**	**504**
Actuarial (gain)/loss on liabilities due to experience	1,056	272	743
Actuarial gain/loss on liab. from changes to fin. assump	1,431	(309)	1
Actuarial (gain)/loss on liab. from changes to demo. assump	0	1	0
Return in plan assets, excl. amounts included in net interest	(136)	(56)	(299)
Amortization on Net (gain)/loss	(88)	(108)	(103)
Amortization on Prior service cost/(credit)	(62)	(62)	(61)
Currency translation adjustment	(2)	(0)	(3)
Total gain/loss recognized via OCI	**2,200**	**(262)**	**279**
Employer contributions paid in the year	(371)	(293)	(250)
Total cashflow	**(371)**	**(293)**	**(250)**
Currency translation adjustment	43	(77)	242
Closing balance sheet liability (funded status)	**6,880**	**4,465**	**4,585**
Reconciliation of Net Gain / Loss			
Amount at beginning of year	1,964	2,187	1,852
Amortization during the year	(86)	(109)	(103)
Asset (gain) / loss	(136)	(56)	(299)
Liability (gain) / loss	2,487	(37)	744
Currency translation adjustment	29	(21)	16
Amount at year-end	**4,258**	**1,964**	**2,187**
Reconciliation of prior service cost/(credit)			
Amount at beginning of year	357	423	479
Amortization during the year	(62)	(62)	(61)
Currency translation adjustment	5	(4)	5
Amount at year-end	**300**	**357**	**423**

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**
2020	19	1,337
2021	-	348
2022	142	344
2023	-	366
2024	7	1,958
2025-2029	202	2,955

The Group expects to make contributions of approximately $346,023 in 2020.

Note 26. 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 27. Stockholders' equity

WISeKey International Holding AG	**As at December 31, 2019**		**As at December 31, 2018**	
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	1,475,000	400,186	1,472,276
Per Articles of association and Swiss capital categories				
Authorized Capital - Total number of authorized shares	-	8,881,829	-	8,881,829
Conditional Share Capital - Total number of conditional shares	-	11,840,090	-	11,894,379
Total number of fully paid-in shares	40,021,988	28,824,086	40,021,988	28,769,797
Per US GAAP				
Total number of authorized shares	40,021,988	41,066,298	40,021,988	41,063,901
Total number of fully paid-in issued shares	40,021,988	28,824,086	40,021,988	28,769,797
Total number of fully paid-in outstanding shares	40,021,988	27,621,895	40,021,988	26,681,736
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	1,475,000	400,186	1,472,276
Total share capital (in USD)	**1,875,186**		**1,872,462**	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	1,202,191	-	2,088,061
Treasury share capital (in USD)	-	1,288,591	-	1,138,596
Total treasury share capital (in USD)	**-**	**1,288,591**	**-**	**1,138,596**

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 year to December 31, 2019 and 2018 respectively, WISeKey purchased a total of 593,824 and 2,729,657 treasury shares at an average purchase price of USD 2.75 and USD 0.96 per share, and sold a total of 1,479,694 and 641,596 treasury shares at an average sale price of USD 2.40 and USD 2.92 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. Aa at December 31, 2019, WISeKey's treasury share balance included 90,500 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 28. Accumulated other comprehensive income

USD'000		
Accumulated other comprehensive income as at December 31, 2017		**(650)**
Total net foreign currency translation adjustments	131	
Total defined benefit pension adjustment	287	
Total unrealized loss on securities reclassified to accumulated deficit	375	
Total adjustment from liquidation of group companies	(43)	
Total Other comprehensive income/(loss), net		750
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 unrealized loss on securities reclassified to accumulated deficit		
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)**

Note 29. 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 35 - 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.
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		**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
IoT Segment										
Payment at one point in time:										
Secure chips	Upon delivery	20,504	29,404	30,435	-	-	-	20,504	29,404	30,435
Total IoT segment revenue		**20,504**	**29,404**	**30,435**	**-**	**-**	**-**	**20,504**	**29,404**	**30,435**
mPKI Segment										
Certificates	Upon issuance	-	-	-	172	338	716	172	338	716
Licenses and integration	Upon delivery	1,976	4,538	808	-	-	-	1,976	4,538	808
SaaS, PCS and hosting	Quarterly or yearly	-	-	-	-	-	1,715	-	-	1,715
Total mPKI segment revenue		**1,976**	**4,538**	**808**	**172**	**338**	**2,431**	**2,148**	**4,876**	**3,239**
Total Revenue		**22,480**	**33,942**	**31,243**	**172**	**338**	**2,431**	**22,652**	**34,280**	**33,674**

For the years ended December 31, 2019, 2018, and 2017 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, 2019**	**12 months ended December 31, 2018**	**12 months ended December 31, 2017**
IoT Segment			
Switzerland	708	1,171	3,090
Rest of EMEA	7,508	10,695	9,748
North America	9,547	15,165	12,714
Asia Pacific	2,503	2,257	3,649
Latin America	238	116	1,234
Total IoT segment revenue	**20,504**	**29,404**	**30,435**
mPKI Segment			
Switzerland	1,428	1,341	1,539
Rest of EMEA	539	3,428	1,594
North America	144	-	-
Asia Pacific	1	49	15
Latin America	36	58	91
Total mPKI segment revenue	**2,148**	**4,876**	**3,239**
Total Net sales	**22,652**	**34,280**	**33,674**

*EMEA includes Europe, Africa and Middle-east

Contract assets, deferred revenue and contract liability

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

USD'000	As at December 31, 2019	As at December 31, 2018
Trade accounts receivables		
Trade accounts receivable - IoT segment	2,843	4,871
Trade accounts receivable - mPKI segment	800	2,736
Total trade accounts receivables	**3,643**	**7,607**
Contract assets	15	-
Total contract assets	**15**	**-**
Contract liabilities - current	255	-
Contract liabilities - noncurrent	2	-
Total contract liabilities	**257**	**-**
Deferred revenue		
Deferred revenue - mPKI segment	92	100
Deferred revenue - IoT segment	7	-
Total Deferred revenue	**99**	**100**
Revenue recognized in the year from amounts included in the deferred revenue of the mPKI segment at the beginning of the year	83	297

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, 2019, approximately USD 355,997 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, 2019		USD'000
	2020	344
	2021	12
Total remaining performance obligation		**356**

Note 30. Other operating income

Other operating income consisted of the following:

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Other operating income from related parties	140	-	88
Other operating income - other	40	289	1,438
Total other operating income	**180**	**289**	**1,526**

In the year 2019, 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.

In 2019, the Group recorded gains of respectively USD 23,387 and USD 16,538 on the liquidation of its subsidiaries WISeKey Italia s.r.l. and WISeKey Singapore Pte Ltd, classified as other operating income.

Note 31. 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 AG 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, 2017, the Group granted a total of 782,012 options exercisable on WISeKey International Holding AG's class B shares. Each warrant is exercisable into one class B share.

The warrants granted consist of:

- 159,996 warrants with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2017;
- 23,016 warrants with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2017;
- 265,666 warrants with immediate vesting granted to external advisors, none of which had been exercised as of December 31, 2017.
- 166,667 warrants vesting on July 05, 2018
- 166,667 warrants vesting on July 05, 2019

The warrants granted were valued at grant date using the Black-Scholes model. Unexercised warrants to external advisers at December 31, 2017 were revalued to their fair value at December 31, 2017 using the same model.

In the 12 months to December 31, 2018, the Group granted a total of 851,131 options exercisable on 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 WISeKey International Holding AG's 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.

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 2019, a total charge of USD 5,414,487 was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant, in relation to options:

- USD 5,475,763 for options granted to employees and Board members;
- USD 178,983 for options granted to nonemployees; and
- a credit of USD 240,259 in relation to the forfeiture following the sale of QuoVadis of a total of 333,905 options granted to former employees, out of which 79,256 had vested and 254,649 remained unvested at the date of forfeiture. In line with ASU 2016-09, the compensation cost previously recognized in relation to unvested forfeited options were reversed to the income statement upon forfeiture. This resulted in a credit to the income statement of USD 240,259. There was no credit recorded for the forfeiture of vested options.

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

Assumption	December 31, 2019	December 31, 2018	December 31, 2017
Dividend yield	None	None	None
Risk-free interest rate used (average)	1.00%	1.00%	1.00%
Expected market price volatility	51.59% - 56.86%	46.11% - 58.22%	57.88%
Average remaining expected life of stock options (years)	3.01	3.10	3.37

As a result of the entry into force of ASU 2018-07 and its transitional guidance, unvested options to external advisers which were previously revalued to their fair value at reporting date, are no longer revalued in 2019.

Unvested options to employees as at December 31, 2019 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, 2019 and 2018.

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, 2017	**333,334**	**1.78**
Granted	851,131	3.67
Vested	(753,097)	3.22
Non-vested forfeited or cancelled	-	-
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**

As at December 31, 2019, there was a USD 10,652 unrecognized compensation expense related to non-vested stock option-based compensation arrangements. Non-vested stock options outstanding as at December 31, 2019 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, 2019 and 2018.

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 at December 31, 2017	**731,772**	**3.61**	**2.59**	**(1,149,461)**
Of which vested	398,438	3.07	2.65	(410,792)
Of which non-vested	333,334	-	-	-
Granted	851,131	1.56	-	-
Exercised or converted	(213,750)	0.98	-	238,614
Forfeited or cancelled	(26,334)	0.05	-	-
Expired	-	-	-	-
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	-	-	

Summary of stock-based compensation expenses

Stock-based compensation expenses USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
In relation to Employee Stock Option Plans (ESOP)	5,386	1,278	2,147
In relation to non-ESOP Option Agreements	28	382	85
Total	**5,414**	**1,660**	**2,232**

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, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Research & development expenses	786	121	-
Selling & marketing expenses	1,269	571	466
General & administrative expenses	3,359	967	1,765
Total	**5,414**	**1,660**	**2,232**

Note 32. Non-operating income

Non-operating income consisted of the following:

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Foreign exchange gain	1,761	1,664	687
Financial income	74	85	31
Interest income	-	-	2
Other	83	432	42
Total non-operating income from continuing operations	**1,918**	**2,181**	**762**

Note 33. Non-operating expenses

Non-operating expenses consisted of the following:

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Foreign exchange losses	2,401	1,984	477
Financial charges	341	104	1,120
Interest expense	643	244	-
Other components of defined benefit plans, net	132	140	143
Other	153	354	11
Total non-operating expenses from continuing operations	**3,670**	**2,826**	**1,751**

Note 34. Income taxes

The components of income before income taxes are as follows:

Income / (Loss) USD'000	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Switzerland	(19,179)	(11,428)	(24,363)
Foreign	(3,838)	(4,989)	(1,424)
Less discontinued operations	-	6,562	15,732
Income/(loss) before income tax	**(23,017)**	**(9,855)**	**(10,055)**

Income taxes relating to the Group are as follows:

Income taxes USD'000	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Switzerland	(42)	328	(293)
Foreign	13	(479)	(744)
Less discontinued operations	42	205	1,108
Income tax expense	**13**	**53**	**71**

Deferred income tax assets/(liabilities) USD'000	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Switzerland	-	134	307
Foreign	6	708	134
Less discontinued operations	-	(834)	(399)
Deferred income tax assets/(liabilities)	**6**	**8**	**42**

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, 2019	As at December 31, 2018	As at December 31, 2017
Net income/(loss) from continuing operations before income tax	(23,017)	(9,855)	(10,055)
Statutory tax rate	24%	24%	24%
Expected income tax (expense)/recovery	5,524	2,365	2,433
Income tax (expense)/recovery	(13)	(53)	(71)
Change in valuation allowance	(2,129)	4,228	(4,487)
Permanent Difference	0	(9)	(344)
Change in expiration of tax loss carryforwards	(3,395)	(6,584)	2,397
Income tax (expense) / recovery	**(13)**	**(53)**	**(71)**

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, 2019	As at December 31, 2018	As at December 31, 2017
Stock-based compensation	-	9	344
Defined benefit accrual	1,100	1,272	1,289
Tax loss carry-forwards	11,264	10,606	14,888
Deferred Income tax liability	-	(1,356)	(1,476)
Deferred tax asset from acquisition	-	477	477
Other temporary adjustments	-	2,426	1,396
Less discontinued Operations	-	(3,196)	(2,418)
Valuation allowance	(12,358)	(10,230)	(14,458)
Deferred tax assets / (liabilities)	**6**	**8**	**42**

As of December 31, 2019, 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, 2019

USD'000	USA	Switzerland	Spain	France	UK	India	Total
2020	-	441	-	860	31	-	1,332
2021	-	8,123	206	-	2	-	8,331
2022	-	6,519	1,197	1,121	2	-	8,839
2023	-	6,877	1,227	5,170	-	-	13,274
2024	-	4,041	-	-	-	-	4,041
2025	-	9,789	-	-	-	378	10,167
2026	-	5,376	-	-	-	290	5,666
2027	-	-	-	-	-	443	443
2028	91	-	-	-	-	-	91
2029	9	-	23	-	-	-	32
2030	2	-	23	-	-	-	25
2031	54	-	69	-	-	-	123
2032	89	-	79	-	-	-	168
2033	-	-	181	-	-	-	181
2034	-	-	141	-	-	-	141
2035	247	-	-	-	-	-	247
2036	-	-	-	-	-	-	-
2037	159	-	-	-	-	-	159
2038	-	-	-	-	-	-	-
2039	221	-	-	-	-	-	221
2040	-	-	-	-	-	-	-
Total operating loss carry-forwards / Year of expiration if applicable to jurisdiction							
	872	**41,166**	**3,146**	**7,151**	**35**	**1,111**	**53,481**

The following tax years remain subject to examination:

Significant jurisdictions	Open years
Switzerland	2015 - 2018
USA	2016 - 2018
France	2017 - 2019
Spain	2016 - 2019
Japan	2019
Taiwan	2018 - 2019
India	2018 - 2019
UK	2018 - 2019

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, 2018, WISeKey Semiconductors SAS had recorded a USD 90,831 tax provision which was neither utilized nor released and is therefore included in the USD 118,294 tax provision as at December 31, 2019.

The Group has no unrecognized tax benefits.

Note 35. 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,	2019			2018			2017		
USD'000	IoT	mPKI	Total	IoT	mPKI	Total	IoT	mPKI	Total
Revenues from external customers	20,504	2,148	22,652	29,404	4,876	34,280	30,435	3,239	33,674
Intersegment revenues	344	6,169	6,513	725	2,563	3,288	209	1,496	1,705
Interest revenue	36	38	74	37	167	204	-	-	-
Interest expense	29	695	724	275	2,608	2,883	224	20	244
Depreciation and amortization	1,298	57	1,355	1,299	16	1,315	1,542	1,043	2,585
Segment income /(loss) before income taxes	130	(22,837)	(22,707)	(1,232)	(8,466)	(9,698)	4,214	(14,188)	(9,974)
Profit / (loss) from intersegment sales	16	294	310	35	122	157	10	71	81
Income tax recovery /(expense)	-	(13)	(13)	2	(55)	(53)	109	(180)	(71)
Other significant non cash items									
Share-based compensation expense	-	5,414	5,414	-	1,660	1,660	-	2,232	2,232
Gain/(loss) on derivative liability	-	214	214	-	-	-	-	(98)	(98)
Interest and amortization of debt discount and expense	-	742	742	-	150	150	-	(543)	(543)
Segment assets	15,794	29,919	45,713	19,082	52,675	71,757	19,578	33,590	53,168

12 months to December 31,	2019 USD'000	2018 USD'000	2017 USD'000
Revenue reconciliation			
Total revenue for reportable segment	29,165	37,568	35,379
Elimination of intersegment revenue	(6,513)	(3,288)	(1,705)
Total consolidated revenue	22,652	34,280	33,674
Loss reconciliation			
Total profit / (loss) from reportable segments	(22,707)	(9,698)	(9,974)
Elimination of intersegment profits	(310)	(157)	(81)
Loss before income taxes	(23,017)	(9,855)	(10,055)

As at December 31,	2019 USD'000	2018 USD'000	2017 USD'000
Asset reconciliation			
Total assets from reportable segments	45,713	71,757	53,168
Elimination of intersegment receivables	(6,794)	(6,430)	(6,414)
Elimination of intersegment investment and goodwill	10,985	(19,533)	(10,907)
Total assets held for sale from discontinued operations	-	32,659	31,309
Consolidated total assets	**49,904**	**78,453**	**67,156**

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	2019	2018	2017
Switzerland	2,137	2,512	4,629
Rest of EMEA*	8,046	14,122	11,342
North America	9,691	15,165	12,714
Asia Pacific	2,504	2,306	3,664
Latin America	274	175	1,325
Total Net sales from continuing operations	**22,652**	**34,280**	**33,674**

* EMEA includes Europe, Africa and the Middle-East

Property, plant and equipment, net of depreciation, by region	As at December 31,	As at December 31,
USD'000	2019	2018
Switzerland	44	57
Rest of EMEA*	1,742	2,289
North America	1	1
Asia Pacific	14	23
Total Property, plant and equipment, net of depreciation	**1,801**	**2,370**

* EMEA includes Europe, Africa and the Middle-East

Note 36. 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	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Net income / (loss) attributable to WISeKey International Holding AG (USD'000)	8,187	(16,278)	(24,267)
Effect of potentially dilutive instruments on net gain (USD'000)	335	N/A	N/A
Net income / (loss) attributable to WISeKey International Holding AG after effect of potentially dilutive instruments (USD'000)	8,522	N/A	N/A
Shares used in net earnings / (loss) per share computation:			
Weighted average shares outstanding - basic	36,079,000	33,904,659	29,505,629
Effect of potentially dilutive equivalent shares	1,399,458	N/A	N/A
Weighted average shares outstanding - diluted	37,478,458	N/A	N/A
Net earnings / (loss) per share			
Basic weighted average loss per share attributable to WIHN (USD)	0.23	(0.48)	(0.82)
Diluted weighted average loss per share attributable to WIHN (USD)	0.23	(0.48)	(0.82)

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	2019	2018	2017
Total stock options	-	1,342,819	731,772
Warrants	-	2,942,374	2,534,127
Redeemable preferred stock		-	860,000
Total convertible instruments	-	6,821,804	3,922,438
Total number of shares from dilutive vehicles with anti-dilutive effect	**-**	**11,106,997**	**8,048,337**

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

Dilutive vehicles	2019	2018	2017
Total stock options	2,327,115	-	-
Warrants	-	-	-
Redeemable preferred stock		-	-
Total convertible instruments	693,230	-	-
Total number of shares from dilutive vehicles	**3,020,345**	**-**	**-**

Note 37. Divestiture and Discontinued operations

Classification as discontinued operations of the QuoVadis Group

On December 21, 2018 the Group signed a sale and purchase agreement (the "**SPA**") to sell WISeKey (Bermuda) Holding Ltd and its affiliates to Digicert Inc, excluding the ISTANA product line. The group subsidiaries making up the QuoVadis Group in scope for the sale were WISeKey (Bermuda) Holding Ltd, QuoVadis Trustlink Schweiz AG, WISeKey (UK) Ltd, QuoVadis Trustlink BVBA, QuoVadis Trustlink BV, QV BE BV, QuoVadis Trustlink GmbH, QuoVadis Services Ltd, and QuoVadis Ltd.
The completion of the sale was conditional on: (i) the release of liens on QuoVadis companies held by ExWorks; (ii) consent from Edmund Gibbons Ltd, the joint venture partner holding 49% of QuoVadis Services Ltd; (iii) consent from the Bermuda Monetary Authority; and (iv) consent from the Regulatory Authority in Bermuda (the "**RAB**") (the "**RAB Consent**") to the change in ultimate beneficial ownership of QuoVadis Services Ltd, being the entity holding the Communications Operating Licence in Bermuda. The SPA states that should the RAB Consent not have been obtained when the other completion conditions are satisfied, WISeKey or Digicert Inc may require to complete the

transaction except for QuoVadis Services Ltd, in which case the transfer of ownership of all QuoVadis entities to Digicert Inc would occur except for the shares held by WISeKey (Bermuda) Holding Ltd in QuoVadis Services Ltd which would be transferred to WISeKey International Holding AG until the RAB Consent is obtained.

We assessed the SPA under ASC 205 and concluded that the operation met the requirement to be classified as held for sale and as such qualifies as a discontinued operation from the date of the SPA, December 21, 2018. In line with ASC 205-20-45-3A and ASC 205-20-45-10 respectively, we reported the results of the discontinued operations as a separate component of income for the years 2019, 2018, and 2017 and we classified their assets and liabilities separately as held for sale in the balance sheet for the year to December 31, 2018.
No gain or loss on classification as held for sale was recorded in 2018.

The table below shows the reconciliation of the major classes of line items constituting income / (loss) on discontinued operations to the income / (loss) on discontinued operations reported in discontinued operations in the income statement:

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Net sales from discontinued operations	1,934	19,412	9,404
Cost of sales from discontinued operations	(791)	(6,196)	(4,516)
Gross profit	**1,143**	**13,216**	**4,888**
Other operating income	-	28	-
Research & development expenses	(121)	(2,801)	(2,047)
Selling & marketing expenses	(142)	(2,826)	(1,795)
General & administrative expenses	(337)	(10,509)	(6,544)
Non-operating income	36	62	7
Non-operating expenses	(103)	(2,676)	(2,772)
Gain / (loss) on debt extinguishment	(1,093)	-	(6,511)
Interest and amortization of debt discount	(41)	(1,056)	(958)
Gain on disposal of a business	31,100	-	-
Total operating and non-operating expenses from discontinued operations	**29,299**	**(19,778)**	**(20,620)**
Income / (loss) from discontinued operations before income tax	**30,442**	**(6,562)**	**(15,732)**
Income tax (expense) / recovery from discontinued operations	42	205	1,108
Income / (loss) on discontinued operations	**30,484**	**(6,357)**	**(14,624)**
Less: Net income on discontinued operations attributable to noncontrolling interests	58	309	82
Net income / (loss) on discontinued operations attributable to WISeKey International Holding AG	**30,426**	**(6,666)**	**(14,706)**

The depreciation charge from discontinued operations for the years 2018 and 2017 was respectively USD 581,757 and USD 481,467. In line with ASC 205, the depreciation of property, plant and equipment from discontinued operations stopped on the day that they qualified as held for sale. As a result, we did not record any depreciation charge from discontinued operations for the year 2019.
The amortization charge from discontinued operations for the years 2018 and 2017 was respectively USD 1,587,895 and USD 1,953,606. In line with ASC 205, the amortization of intangible assets from discontinued operations stopped on the day that they qualified as held for sale. As a result, we did not record any amortization charge from discontinued operations for the year 2019.

WISeKey considered guidance on allocation of interest to discontinued operations per ASC 205-20-45-6 to 205-20-45-8. In the year 2017, the Group secured an acquisition line of credit agreement with ExWorks with an annual interest rate of 12% (see note 24 for detail). The purpose of this line of credit was the acquisition of the QuoVadis group which was completed on April 03, 2017. Although the debt and interest on debt will not be assumed by Digicert Inc nor is required to be repaid upon disposal, we have assessed that the amount of debt and related interest contracted for the acquisition of the QuoVadis Group is not directly attributable to or related to other operations of WISeKey, and elected to allocate those interests relating to the debt to acquire QuoVadis to discontinued operations. We reviewed the method of allocation based on net assets proposed under ASC 205-20-45-7 and considered that such allocation would not provide meaningful results because it would spread the interest onto other operations of the entity to which the interest is not directly attributable or related. Therefore, WISeKey further elected to apply ASC 205-20-45-8 and to allocate interest to the discontinued operations based on the debt that can be identified as specifically attributed to the operations of QuoVadis.
The interest amounts allocated to and included in discontinued operations were respectively USD 1,233,324, USD 3,602,553 and USD 9,903,009 for the years 2019, 2018 and 2017.

In previous annual and interim reports, the results of the discontinued operations were included in the mPKI segment.

The table below shows the total operating, investing and financing cash flows of the discontinued operation:

USD'000	12 months ended December 31, 2019	12 months ended December 31, 2018	12 months ended December 31, 2017
Net cash provided by (used in) operating activities	783	(6,164)	(6,526)
Net cash provided by (used in) investing activities	-	1,245	(440)
Net cash provided by (used in) financing activities	-	3,678	18,592

There were no significant operating and investing noncash items from discontinued operations in the years 2019, 2018 and 2017.

Divestiture of the QuoVadis Group

The sale was completed on January 16, 2019, when all QuoVadis entities except QuoVadis Services Ltd were transferred to Digicert Inc. The transfer of ownership of QuoVadis Services Ltd was conditional on receiving the consent from the Regulatory Authority in Bermuda (the "**RAB**") (the "**RAB Consent**") to the change in ultimate beneficial ownership of QuoVadis Services Ltd, being the entity holding the Communications Operating Licence in Bermuda. The RAB Consent was obtained in February 2019 and the transfer of ownership of QuoVadis Services Ltd from WISeKey to Digicert Inc. was effective on February 28, 2019. We assessed the SPA under ASC 810-10-40-6 and concluded that the terms and conditions of the SPA met the definition to account for the sale as a single transaction effective on January 16, 2019.

The purchase price set in the SPA was USD 45,000,000 to be split USD 40,500,000 at completion of the sale and USD 4,500,000 to be paid into an escrow account used for the settlement of any post-completion claims and released in an amount up to USD 2,500,000 on the first anniversary of the completion and the remaining amount on the second anniversary of completion. The net purchase price of USD 35,839,960 paid to WISeKey was adjusted for the following items: (a) all accounts payable items and other liability items due for payment on or before December 31, 2018 were paid in full; (b) the QuoVadis Group companies was transferred free of indebtedness including any loan with WISeKey; and (c) the equivalent of USD 4,000,000 in cash in aggregate was retained in the bank accounts of the QuoVadis companies.
ISTANA-related contracts and rights were transferred to WISeKey SA prior to December 31, 2018.
The table below shows the reconciliation of the cash inflow from divestiture presented in the consolidated statement of cash flows to the net purchase price:

USD'000	
Net cash inflow from divestiture	**40,919**
Less:	-
Payment of all accounts payable items and other liability items due for payment on or before December 31, 2018	(6,541)
Debt repayment	(869)
Plus:	
Net assets divested	2,331
Net purchase price	**35,840**

The gain from divestiture recorded in the reporting period is USD 31,099,632, shown as a separate line within discontinued operations in the income statement.

WISeKey did not have any involvement with the QuoVadis Group or Digicert Inc after it had been deconsolidated. Digicert Inc was not and is not a related party of WISeKey, and neither the QuoVadis Group nor Digicert Inc are related parties to WISeKey after the deconsolidation.

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, 2019	% ownership as at December 31, 2018	Nature of business
WISeKey SA	Switzerland	1999	CHF	933,436	95.58%	95.35%	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 (Suisse) SA**	Switzerland	2002	CHF	100,000	100.0%	100.0%	Dormant
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 KK	Japan	2017	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey 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%	not incorporated	Research & development
WISeKey Semiconductors GmbH	Germany	2019	EUR	25,000	100.0%	not incorporated	Sales & distribution
WISeKey Arabia - Information Technology Ltd	Saudi Arabia	2019	SAR	200,000.00	51.0%	not incorporated	Sales & distribution

* 50% owned by WISeKey SA and 50% owned by WiseTrust SA
** dormant or in the process of being liquidated
*** 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, 2019	Receivables as at December 31, 2018	Payables as at December 31, 2019	Payables as at December 31, 2018	Net expenses to in the year ended December 31, 2019	Net expenses to in the year ended December 31, 2018	Net expenses to 2017	Net income from in the year ended December 31, 2019	Net income from in the year ended December 31, 2018	Net income from 2017
1 Carlos Moreira	-	8	-	-	-	-	12	-	209	-
2 Maryla Shingler-Bobbio	-	-	-	-	123	80	-	-	-	3
3 Philippe Doubre	-	-	40	54	114	80	-	-	-	-
4 Juan Hernández Zayas	-	-	37	62	165	88	-	-	-	-
5 Thomas Hürlimann	-	-	16	24	63	24	-	-	-	-
6 Dourgam Kummer	-	-	2	68	52	264	81	-	-	-
7 David Fergusson	-	-	22	31	161	47	224	-	-	-
8 Roman Brunner	-	-	-	418	426	242	-	87	-	-
9 Anthony Nagel	-	-	-	-	5	164	-	58	-	-
10 Harald Steger	-	-	-	-	-	445	-	-	-	-
11 Don Tapscott	-	-	-	200	-	394	-	-	-	-
12 Wei Wang	-	-	-	-	-	187	-	10	-	-
13 OISTE	119	-	-	92	219	221	219	140	-	88
14 Todd Ruppert	-	-	-	-	-	353	-	-	-	-
15 Edmund Gibbons Limited	-	-	-	451	479	173	130	36	434	431
16 Terra Ventures Inc	-	-	33	31	-	-	-	-	-	-
17 SAI LLC (SBT Ventures)	-	-	33	32	-	-	-	-	-	-
18 GSP Holdings Ltd	-	-	17	16	-	-	-	-	-	-
19 Indian Potash Limited	-	-	-	-	-	-	-	-	42	-
20 ACXIT Capital	-	-	-	-	-	-	1,302	-	696	-
21 Philippe Gerwill	-	-	-	-	14	-	-	-	-	-
22 Related parties of Carlos Moreira	-	-	2	-	360	-	-	-	-	-
23 Thomas J. Egger	-	-	-	-	-	-	129	-	-	-
Total	119	8	202	1,479	2,181	2,762	2,097	331	1,381	522

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey. A short-term receivable in an amount of CHF 7,713.14 (USD 7,844) from Carlos Moreira was outstanding as at December 31, 2018, made up of short-term cash advances to Carlos Moreira for his travel expenses. This short-term receivable was cleared in 2019 when expense claims were processed.
A credit of CHF 204,633 (USD 209,314) was recorded in the income statement in 2018 in relation to a loan of 322,900 WIHN class B shares from Carlos Moreira to WISeKey on September 25, 2018. The equivalent of 100,000 WIHN class B shares was repaid by WISeKey in cash at market price CHF 3.22 per share, hence a repayment of CHF 322,000 on November 13, 2018, and the remaining 222,900 WIHN class B shares were delivered back to M. Moreira on December 28, 2018 as full and final repayment of the loan. The credit recorded in the income statement correspond to the accounting revaluation of the loan at market price at each transaction date, there was and will not be any cash paid to Carlos Moreira for this credit entry.

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. Ms. Shingler Bobbio resigned from WISeKey's Board on November 21, 2019. The expenses recorded in the income statement in the year to December 31, 2019 relate to her Board fees.

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 payable to Philippe Doubre as at December 31, 2019 and expenses recorded in the income statement in the year to December 31, 2019 relate to his Board fee.

4. Juan Hernandez-Zayas is a Board member of the Group, and member of the Group's audit committee and the strategy committee, as well as a shareholder. The payable to Juan Hernandez-Zayas as at December 31, 2019 and expenses recorded in the income statement in the year to December 31, 2019 relate to his Board fees.

5. Thomas Hürlimann is a former Board member of the Group. Mr. Hürlimann did not seek reelection at the Group's last Annual General Meeting on May 21, 2019. The payable to Thomas Hürlimann as at December 31, 2019 and expenses recorded in the income statement in the year to December 31, 2019 relate to his Board fees.

6. Dourgam Kummer is a Board member of the Group, as well as a shareholder. Since January 2019, Dourgam Kummer serves as Head of M&A of WISeKey and has therefore become an executive member of the Board. The payable to Dourgam Kummer as at December 31, 2019 relates to unpaid business expenses. The expenses recorded in the income statement in the year to December 31, 2019 relate to his Board fees up until December 31, 2018.

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 payable to David Fergusson as at December 31, 2019 and expenses recorded in the income statement in the year to December 31, 2019 relate to his Board fees.

8. Roman Brunner is the former Chief Revenue Officer of the Group and a shareholder. He entered into a loan agreement with WISeKey (Bermuda) Holding Ltd in 2007 and has made loans to WISeKey (Bermuda) Holding Ltd of varying amounts since 2004. The loan carried an interest rate of 5% per annum and had no fixed repayment date. Upon the divestiture of the QuoVadis Group on January 16, 2019, WISeKey repaid in full the loan from Mr. Brunner in an amount of USD 418,832.

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

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

11. 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.

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

13. 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, 2019 and income recorded in the income statement in the year to December 31, 2019 relate to the facilities and personnel hosted by WISeKey SA on behalf of OISTE. In the year 2019, WISeKey SA invoiced OISTE CHF 138,610 (USD 139,506).
The expenses relating to OISTE recognized in 2019 are made up of license and royalty fees for the year 2019 under the contract agreement with WISeKey SA.

14. Todd Ruppert is a former investor in WISeKey.

15. Edmund Gibbons Limited had a 49% shareholding in QuoVadis Services Ltd which was 51% owned by WISeKey until the divestiture of the QuoVadis Group on January 16, 2019. QuoVadis Services Ltd had issued a promissory note to Edmund Gibbons Limited for USD 450,000 outstanding as at December 31, 2018. The note was non-interest bearing. Upon the divestiture of the QuoVadis Group on January 16, 2019, WISeKey repaid in full the loan from Edmund Gibbons Limited in an amount of USD 450,134.

16. 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.

17. 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.

18. 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.

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

20. ACXIT Capital Partners, an international corporate finance and investment advisory firm, has provided advisory services to WISeKey since 2014.

21. Philipp Gerwill is an external consultant for the group. On November 21, 2019, WISeKey granted options to Philipp Gerwill which were valued using the Black-Scholes model and the market price of the WIHN class B shares at grant. The stock-based expense recorded in 2019 was USD 14,197.

22. Two immediate family members of Carlos Moreira are employed by WISeKey SA and WISeKey USA respectively. 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 356,096 recorded in the income statement in 2019. The payable as at December 31, 2019 relates to unpaid business expenses.
Additionally, one other immediate family member of Carlos Moreira has access to WISeKey's facilities for a cost of CHF 2,760 (USD 2,778) per annum, whilst another immediate family member was remunerated CHF 1,204 (USD 1,212) for services provided to WISeKey in January 2019.

23. Thomas J. Egger is a former Board member of the Group, and former member of the Group's audit committee, as well as a shareholder.

Note 40. Subsequent events

Capital increase

On January 09, 2020, the Company made an Authorised Share Capital increase by issuing 378,788 WIHN Class B shares against an investment of USD 1,000,000.32 from a private fund.

Crede Convertible Loan

On January 09, 2020 Crede exercised a conversion in the amount of USD 259,436 in exchange for 150,000 WIHN class B shares issued out of treasury share capital.

Release of restricted cash

On January 16, 2020, as per the terms of the SPA relating to the sale of WISeKey (Bermuda) Holding Ltd and its affiliates to Digicert Inc,, USD 2.5 million of the consideration retained on an escrow account was released to WISeKey.

LSI Convertible Facility

In January 2020, WISeKey:

- paid an additional CHF 24,527 legal fees qualifying as debt issue costs, and
- transferred the 400,000 WIHN class B shares owed as commitment fee to LSI out of treasury stock.

Extension of share buyback program

On February 03, 2020, WISeKey announced that its Board of Directors had approved the expansion of its existing WIHN class B share buyback program to include its recently NASDAQ-listed ADSs. Class B shares or ADSs repurchased under the buyback program will be used, as previously announced, for potential future M&A transactions and in addition for (1) WISeKey's existing employee share incentive program, (2) convertible loans entered into by WISeKey and (3) on demand equity lines available to WISeKey.

Extension of the SEDA

On March 04, 2020, WISeKey signed with Yorkville the extension of the SEDA agreement for a further 24 months, until March 31, 2023.

New facility with Yorkville

On March 04, 2020, WISeKey executed with Yorkville a new convertible loan agreement for a total amount of USD 4 million repayable in monthly instalments starting March 30, 2020. This new USD 4 million agreement replaces the existing Yorkville Convertible Loan signed on June 27, 2019 and the USD 2,337,393 remaining balance under the Yorkville Convertible Loan was rolled over into the new agreement. The new convertible loan agreement bears an interest rate of 6% per annum payable monthly in arrears and matures on April 30, 2021.Yorkville has the right to convert the outstanding loan amount or any portion thereof, and any accrued interest, into class B shares at an initial conversion price of CHF 3.00, subject to customary adjustments.

Options granted under WISeKey ESOP

After December 31, 2019 a total of 54,000 options were granted under the Group's ESOP.

WISeKey International Holding AG

Statutory Financial Statements

As at December 31, 2019

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To the General Meeting of
WISeKey International Holding AG
General-Guisan-Strasse 6
6300 Zug

Report of the Statutory Auditor on the Financial Statements for the year 2019

(for the year ended 31.12.2019)

10 March 2020

Phone +41 22 322 24 24
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BDO Ltd
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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 2019, and the income statement, and notes for the year then ended.

In our opinion the financial statements (pages F58 – F73) as at December 31, 2019 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.

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 relating to future expected cash flows, net asset values and fair values based on the Company's market capitalization of each significant subsidiary applied in performing the valuation.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of intercompany loans	
The Company carries an intercompany loan balance in the amount of CHF 10 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 based on the net asset values as well as future expected cash flows and fair values based on the Company's market capitalization of the corresponding subsidiaries with regards to the collectability of the receivable amount.

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.

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, 10 March 2020

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 31st December 2019

ASSETS	2019 CHF	Note ref:	2018 CHF
Current Assets			
Cash and bank deposits	7,287,874		2,782,942
Short-term restricted cash	2,419,545	4	-
Short-term intercompany receivables	2,586,201	5	10,419,980
Other receivables	161,724		233,728
Prepaid expenses	340,283		111,536
Intercompany accrued income and interests	34,778	5	866,004
Total Current Assets	12,830,406		14,414,191
Non-current Assets			
Long-term restricted cash	1,935,636	4	-
Investments in subsidiaries, net	23,245,479	6	46,873,178
Other investment	7,608,374	7	7,719,486
Intercompany loans	9,959,277	8	19,760,455
Total Capital Assets	42,748,767		74,353,119
Total Non-current Assets	42,748,767		74,353,119
TOTAL ASSETS	55,579,172		88,767,310

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

WISeKey International Holding A.G., Zug

Balance Sheet as at 31st December 2019

LIABILITIES AND SHAREHOLDERS' EQUITY	2019 CHF	Note ref:	2018 CHF
Current Liabilities			
Trade payables	121,099		490,989
Intercompany accounts payable	942,093	9	4,457,698
Short-term loan - interest bearing	3,451,522		2,686,368
Short-term loan - non-interest bearing	-	12	3,926,884
Intercompany short-term loans payable - interest bearing	-	10	912,439
Intercompany short-term loans payable	-	10	3,260,168
Payable to related parties - non-interest bearing	-	11	418,642
Accrued liabilities	686,005		607,725
Intercompany accrued liabilities	55,973		-
Total Current Liabilities	5,256,692		16,760,913
Non-Current Liabilities			
Long term loans - interest bearing	-		25,214,740
Long-term accrued liabilities	-	13	2,454,112
Total Non-Current Liabilities	-		27,668,853
Total Liabilities	5,256,692		44,429,766
Shareholders' Equity			
Share Capital	1,841,424	14	1,838,710
Capital Contribution Reserves *	62,053,218		58,143,211
Reserve for Treasury Shares held by subsidiaries	37,355	15	88,855
Treasury Shares held by WISeKey International Holdings AG	(1,220,465)	15	(1,015,563)
Accumulated Deficit	(14,666,168)	16	(8,347,465)
Net Profit / (Loss) for the Period	2,277,115	16	(6,370,203)
Total Shareholders' Equity	50,322,480		44,337,544
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	55,579,172		88,767,310

*: this amount of capital contribution reserves is subject to the approval of the Swiss Federal Tax Administration. For further information, see also note 16.1 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

	2019 CHF	Note ref:	2018 CHF
INCOME			
Other Income	38,857		145,498
Management Fee Income	2,196,062		5,425,907
Gain on sale of investment	11,556,302	19	-
	13,791,221		5,571,405
OPERATING EXPENSES			
Office Expenses	(20,425)		(25,238)
Insurances	(303,188)		(201,940)
Travel & Accommodation	(2,929)		(15,217)
Consultancy and Professional Services	(3,333,263)	20	(2,718,060)
Marketing	(338,690)		(501,158)
Management Fees and Intercompany Charges	(3,810,500)	21	(2,170,184)
Other Operating Expenses	-		(164,628)
Valuation Adjustments on Loans and Investments	(5,539,696)	22	160,750
FINANCIAL COSTS AND FINANCIAL INCOME			
Foreign Exchange Gain/(Loss)	21,375		(33,232)
Other Financial Charges	(218,269)		(573,703)
Financial Charges on Loan	(486,577)	23	(4,931,625)
Interest Income	612,630	24	396,200
Interest Expense	(5,443)		(36,699)
Profit on sale of Treasury Shares	2,247,746	15	50,679
Loss on sale of Treasury Shares	(239,029)	15	(305,648)
PRIOR PERIOD COSTS			
Prior period expenditure	(59,092)		-
NON-OPERATIONAL COSTS AND INCOME			
Non-Operating Losses	(38,778)	25	(954,264)
Non-Operating Gains	21	26	82,038
PROFIT/(LOSS) BEFORE TAXES	2,277,115		(6,370,523)
Taxes	-		320
PROFIT/(LOSS) FOR THE YEAR	2,277,115		(6,370,203)

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 did not have any full time employees during the year or at December 31, 2019.

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 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 profit from operations in this reporting period, which was due to the gain on the sale of QuoVadis. Although this was a one-off event and unlikely to recur in 2020, the Company does anticipate being able to maintain reduced operating losses 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 profit of CHF 2,277,115 (2018: loss of CHF 6,370,203) and had net current asset of CHF 7,573,713 as at December 31, 2019. 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 January 19, 2016, the Company had closed a Share Subscription Facility with GEM LLC (Global Equity Markets, "**GEM**", the Share Subscription Facility, "**the GEM Facility**") which is a CHF 60m facility over 5 years and allows the Company 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 SIX Swiss 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. In the year 2019, WISeKey made no drawdowns under the GEM Facility. Therefore, as at December 31, 2019 the outstanding facility available remained CHF 56,094,645.

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, subsequently extended to a five-year period. 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 2019, WISeKey made five drawdowns under the GEM Facility, for a total amount of CHF 1,107,930. As at December 31, 2019 the outstanding equity financing available was CHF 47,142,077.

Based on the Company's cash projections for the next 12 months to February 28, 2021, it will not need external financing to fund operations and financial commitments in addition to the aforementioned facilities. These will be used as a safeguard should there be any difficulties in raising the necessary equity to cover the cash requirements of the Company during the year to 31 December 2020 and beyond. Based on the foregoing, 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 ten percent of the proceeds due upon completion 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 first and second anniversaries of the sale. On the anniversary date, the amount due, net of any post-completion claims, will be transferred to the Company's bank account. The first payment was received in full, with no post-completion claims, on January 23, 2020.

Note 5. Short-term intercompany receivables

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. Investments in subsidiaries, net

Cost CHF	Ownership /Voting interests %	Gross value of the investment as at 31.12 2019	Ownership /Voting interests %	Gross value of the investment as at 31.12 2018
WISeKey SA *Geneva, Switzerland*	**95.58%**	7,947,016	95.35%	7,818,025
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 Singapore Pte Ltd *Singapore*	**0%**	-	100%	P.M.
WISeKey SAARC Ltd *London, United Kingdom*	**51%**	64,966	51%	64,966
WISeKey KK *Tokyo, Japan*	**0%**	-	100%	9,011
WISeKey International Holding Ltd *Tapei, Taiwan*	**100%**	3,337	100%	3,337
WISeKey Bermuda Ltd (formerly QuoVadis Holding Ltd) *Hamilton, Bermuda*	**0%**	-	100%	23,685,594
WISeCoin SA *Zug, Switzerland*	**90%**	-	90%	90,000
WISeKey Equities SA *Zug, Switzerland*	**100%**	100,000	100%	100,000
WISeKey Semiconductors GmbH *Munich, Germany*	**100%**	27,916		
Total		**23,245,479**		**46,873,178**

Management has reviewed the carrying value of the investments in the Company's subsidiaries and has adjusted the value of the investments as needed (see note 22 for further details.)

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 capitalisation. Management believes that, on the basis of this, the carrying value of these investments as at December 31, 2019 is not impaired.

During the year, 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.

Note 7. Other Investments

CHF	Ownership /Voting interests %	Carrying value of the investment as at 31.12 2019	Ownership /Voting interests %	Carrying value of the investment as at 31.12 2018
OpenLimit AG *Baar, Switzerland*	**8.4%**	731,479	8.4%	842,591
Tarmin Inc. *Delaware, USA*		6,876,895		6,876,895
Total		**7,608,374**		**7,719,486**

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. At December 31, 2019, management believes that the carrying value of this investment is not impaired.

Note 8. Intercompany loans

The Company has extended multiple loans to its subsidiary undertakings. These bear an interest rate of 3% per annum.

Note 9. 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 10. Intercompany short-term loans payable

At December 31, 2019, the Company has no further Intercompany loans payable.

At December 31, 2018, the Company had multiple loans payable to its subsidiary undertakings, each made on a short-term basis. The loans carried interest rates between 0% and 3% p.a. and all were repaid on January 16, 2019 upon completion of the sale of WISeKey (Bermuda) Holding Limited.

Note 11. Payable to related parties – non-interest bearing

At December 31, 2019, the company had no balances payable to related parties.

At December 31, 2018, the balances payable to related parties represent accruals for fees of CHF 221,975 payable to the Members of the Board of the Company and a balance of CHF 196,667 payable to the Blockchain

Research Institute (the "BRI"), a division of The Tapscott Group Inc. The founder of The Tapscott Group Inc., Don Tapscott, is a Member of the WISeKey Group's Advisory Committee.

Note 12. Short-term loan, non-interest bearing

At December 31, 2018, the Short-term loan represented the balance due on March 31, 2019 under the agreement to purchase warrants in Tarmin Inc. as set out in Note 9. This balance was settled and the Company has no further Non-interest bearing short-term loans payable as at December 31, 2019.

Note 13. Long-term accrued liabilities

At December 31, 2018, the balance held under long-term accrued liabilities represented fees due upon the repayment of the acquisition line of credit provided by ExWorks Capital Fund I, L.P. The line of credit was repaid upon completion of the sale of the QuoVadis group of companies and therefore the liability was extinguished. There are no further long-term accrued liabilities as at December 31, 2019.

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, 2019, 175,988 ADSs were outstanding.

	31 December 2019		31 December 2018	
	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	28,824,086	1,441,204	28,769,797	1,438,490
Total Share Capital	68,846,074	1,841,424	68,791,785	1,838,710
Issued Share Capital	68,846,074	1,841,424	68,791,785	1,838,710
Authorised Share Capital, not issued	8,881,829	444,091	8,881,829	444,091
Conditional Share Capital	11,840,090	592,005	11,894,379	594,719

14.1 Movement of share capital

The movements of the changes in shareholders' equity are explained further here.

Movements in shareholders' equity in 2019 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, 2019, 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 592,004.50 with a nominal value of CHF 0.05 per share.

Its use is limited to 2 categories, namely:

- up to an amount of CHF 352,692.00 by the issuance of up to 7,053,840 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 239,312.50 by the issuance of up to 4,786,250 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 444,091.45 through the issuance of up to 8,881,829 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, 2019. 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 2019, 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	65.52%

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 25th September 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 Yorkville 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, 2019, there were 314,647 Ordinary 'B' shares held relating to those purchased by Kepler Cheuvreux on the Company's behalf (December 31, 2018: 270,203.)

- 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. In compliance with Swiss Law, at no time will WISeKey hold more than 10% of its own registered shares. At December 31, 2019, the Company held 90,500 Ordinary 'B' shares purchased through the share buyback program. A further 49,944 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,

- WISeKey Equities SA, a subsidiary of the Company, purchased 2,000,000 Ordinary 'B' shares at nominal value for the purpose of fulfilling exercise notices under option agreements, SEDA drawdowns and other such arrangements. 222,900 of these were sold to WISeKey International Holding AG for the purpose of repaying the aforementioned loan of shares of M Moreira and 1,030,000 were sold for the purpose of settling conversions against the Crede Convertible Loan and drawdowns under the Yorkville SEDA. At December 31, 2019, there remained 747,100 Ordinary 'B' shares held by WISeKey Equities SA (December 31, 2018: 1,777,100.)

Treasury shares held by subsidiaries **CHF**	**Number of shares**	**Reserve for treasury shares held by subsidiaries as at 31.12.2019**	Number of shares	Reserve for treasury shares held by subsidiaries as at 31.12.2018
January 1	**1,777,100**	**88,855**	-	-
Number of shares purchased / sold, reserves transferred	**(1,030,000)**	**(51,500)**	1,777,100	88,855
December 31	**747,100**	**37,355**	1,777,100	88,855

No treasury share purchases were made by subsidiaries during 2019 (2018: 2,000,000 with an average purchase price of CHF 0.05 per share.) Treasury share sales totaled 1,030,000 (2018: 222,900) 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) **CHF**	**Number of shares**	**Treasury shares held by WIHN as at 31.12.2019**	Number of shares	Treasury shares held by WIHN as at 31.12.2018
January 1	**310,961**	**1,015,563**	-	-
Number of shares purchased / sold, reserves transferred	**144,130**	**204,902**	310,961	1,015,563
December 31	**455,091**	**1,220,465**	310,961	1,015,563

Treasury share purchases by the Company during 2019 totaled 1,623,824 (2018: 729,657) with an average purchase price of CHF 1.03 per share (2018: 3.39.) Treasury share sales totaled 1,479,694 (2018: 418,696) with an average sale price of CHF 2.38 per share (2018: 2.83.) During the year, the Company recognized profits of CHF 2,247,746 (2018: 50,679) on the sale of Treasury Shares and losses of CHF 239,029 (CHF 305,648) on the sale of Treasury Shares.

Total Treasury shares **CHF**	**Number of shares**	**Total reserve for treasury shares as at 31.12.2019**	Number of shares	Total reserve for treasury shares as at 31.12.2018
January 1	**2,088,061**	**1,104,418**	-	-
Number of shares purchased / sold, reserves transferred	**(885,870)**	**153,402**	2,088,061	1,104,418
December 31	**1,202,191**	**1,257,820**	2,088,061	1,104,418

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 593,824 (2018: 2,729,657) with an average purchase price of CHF 2.73 per share (2018: CHF 0.94.) Treasury share sales totaled 1,479,694 (2018: 641,596) with an average sale price of CHF 2.38 per share (2018: CHF 2.81.)

The number of treasury shares held by the Company and its subsidiaries meet the definitions and requirements of the Swiss Code of Obligations, Article 659b.

Note 16. Movements in reserves

Accumulated deficit **CHF**	**Accumulated deficit as at 31.12.2019**	**Accumulated deficit as at 31.12.2018**
January 1	**(14,717,668)**	(8,258,610)
Transfer from/(to) reserve for treasury shares	**51,500**	(88,855)
Net gain/(loss) for the period	**2,277,115**	(6,370,203)
December 31	**(12,389,053)**	(14,717,668)

Due to the reduction (2018: increase) in the balance of Treasury Shares held by WISeKey Equities SA (see note 16), a subsidiary undertaking of the Company, CHF 51,500 (2018: CHF 88,885 removed) has been 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 February 12, 2020, 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 February 12, 2020, 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	Class B shareholding			% of voting rights	
		Own name	Related Party Transaction	Total		Name of the Related Party Transaction
Dourgam KUMMER	**626,085**	42,600	-	**42,600**	**1.0%**	
Peter WARD	**-**	30,643	-	**30,643**	**0.0%**	
Juan HERNANDEZ ZAYAS	**-**	25,646	1,989,090	**2,014,736**	**2.9%**	Veliba Sectec
Philippe DOUBRE	**701,695**	26,380	-	**26,380**	**1.0%**	
Carlos MOREIRA	**38,694,208**	222,900	-	**222,900**	**55.5%**	
David FERGUSSON	**-**	1,000	-	**1,000**	**0.0%**	

The share options held by the Board of Directors and Executive Management as at December 31, 2019 were as follows:

	Class B Options
Dourgam KUMMER	**112,000**
Peter WARD	**573,400**
Juan HERNANDEZ ZAYAS	**18,468**
Philippe DOUBRE	**36,313**
Carlos MOREIRA	**693,184**
David FERGUSSON	**29,266**

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 The balance in this account represents the profit made on the disposal of this investment.

Note 20. Consultancy and Professional Services

Costs incurred under Consultancy and Professional Services in the year includes CHF 998,566 (2018: CHF 1,255,388) of legal costs and CHF 861,915 (2018: CHF 311,495) 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 148,802 (CHF: nil) of fees relating to the Company's registration on the NASDAQ.

Note 21. Management Fees and Intercompany Charges

Costs incurred under Management Fees and Intercompany Charges in the year includes CHF 3,633,688 (2018: CHF 1,737,847) 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 increased year on year due to exceptional bonuses paid relating to the disposal of the QuoVadis group of companies and the profit made upon this disposal as well as an increase in the proportion of time spent by employees supporting the activities of the Company during the year, in particular due to significant events such as the placement of the Company's shares on the NASDAQ.

Note 22. Valuation Adjustments on Loans and Investments

Following a review of the carrying value of its Intercompany Loans and Investments, the Company decided to make a valuation adjustment to reduce the carrying value of its Loans and Investments with WISeCoin AG. This is due to the uncertainty surrounding the recoverability of these balances.

Further, this includes the write-off of balances due from WISeKey Singapore Pte Ltd upon liquidation, the loss made upon the sale of WISeKey KK to WISeKey Semiconductors SAS and the decrease in the value of the investment held in OpenLimit AG (see note 8.)

In the prior year, the balance related to the increase in the value of the investment held in OpenLimit AG (see note 8)

Note 23. Financial Charges on Loan

Following sale of the QuoVadis group of companies, the Company was able to settle, in full, the Exworks Credit Facility. This had previously carried interest at rates of 18% and 12% and fees of CHF 2’385,641 (USD 2,540,000) had been incurred in the prior year on amendments made to the facility. The loan was settled in full on January 16, 2019 so the current year only includes interest for 16 days on this facility. This has led to a significant reduction in the overall cost relating to financial charges on loans in the current year.

Note 24. Interest Income

Interest income received relates to the loans advanced to the subsidiary companies of the Group and is charged at a rate of 3%. The income has increased as a result of the interest charged on the loan extended to WISeCoin AG following repayment of the ExWorks Credit Facility on January 16, 2019.

Note 25. Non-Operating Losses

The non-operating loss incurred relates to stamp duties payable on the issuance of additional share capital. In addition, in the prior year, it includes a provision for a balance due from a former shareholder and a charge incurred upon the assignment of a debt held by its subsidiary undertaking, WISeKey Semiconductors, which was settled by the Company through an issuance of additional shares.

The balance from a former shareholder relates to Todd Ruppert, who was a shareholder on May 12, 2016 when the Group extended a loan to him of CHF 345,570 which matured on September 30, 2017. The loan bore no interest. In 2018, the Group assessed the recoverability of the loan and provided for the full balance to the income statement, hence a charge of CHF 345,570 incurred in the prior year. WISeKey will continue its efforts to recover the full amount.

Note 26. Non-Operating Gains

The Non-operating gains recognized during the prior year related to a gain made on the loan of Treasury Shares to the Company.

Note 27. Subsequent Events

Creation of branch

The Company registered a branch on 12 July 2019 with its seat in Meyrin, Geneva. On 1 January 2019, certain employees were transferred from WISeKey SA to be employed by the branch. These employees largely perform group level functions and had previously been primarily engaged on activities for the Company or the Group.

Capital increase

On January 09, 2020, the Company made an Authorised Share Capital increase by issuing 378,788 WIHN Class B shares against an investment of USD 1,000,000.32 from a private fund.

Crede Convertible Loan

On January 09, 2020 Crede exercised a conversion in the amount of USD 259,436 in exchange for 150,000 WIHN class B shares issued out of treasury share capital.

Release of restricted cash

On January 16, 2020, as per the terms of the SPA relating to the sale of WISeKey (Bermuda) Holding Ltd and its affiliates to Digicert, USD 2.5 million of the consideration retained on an escrow account was released to WISeKey.

LSI Convertible Facility

In January 2020, WISeKey:

- paid an additional CHF 24,527 legal fees qualifying as debt issue costs, and

- transferred the 400,000 WIHN class B shares owed as commitment fee to LSI out of treasury stock.

Extension of share buyback program

On February 03, 2020, WISeKey announced that its Board of Directors had approved the expansion of its existing WIHN class B share buyback program to include its recently NASDAQ-listed ADSs. Class B shares or ADSs repurchased under the buyback program will be used, as previously announced, for potential future M&A transactions and in addition for (1) WISeKey's existing employee share incentive program, (2) convertible loans entered into by WISeKey and (3) on demand equity lines available to WISeKey.

Options granted under WISeKey ESOP

After December 31, 2019 a total of 54,000 options were granted under the Group's ESOP.

Yorkville SEDA extension

On March 04, 2020, WISeKey signed with Yorkville the extension of the SEDA agreement for a further 25 months, until March 31, 2023.

Yorkville Convertible Loan Agreement

On March 04, 2020, WISeKey executed with Yorkville a new convertible loan agreement for a total amount of USD 4 million repayable in monthly instalments starting March 30, 2020. This new USD 4 million agreement replaces the existing Yorkville Convertible Loan signed on June 27, 2019 and the USD 2,337,393 remaining balance under the Yorkville Convertible Loan was rolled over into the new agreement. The new convertible loan agreement bears an interest rate of 6% per annum payable monthly in arrears and matures on April 30, 2021.Yorkville has the right to convert the outstanding loan amount or any portion thereof, and any accrued interest, into class B shares at an initial conversion price of CHF 3.00, subject to customary adjustments.

P. Ward	**C. Moreira**
Chief Financial Officer	Chairman and Chief Executive Officer