WISekey

WISeKey (NASDAQ: WKEY; SIX Swiss Exchange: WIHN) is a leading global cybersecurity company currently deploying large scale digital identity ecosystems for people and objects using Blockchain, AI and IoT respecting the Human as the Fulcrum of the Internet. WISeKey microprocessors secure the pervasive computing shaping today’s Internet of Everything. WISeKey IoT has an install base of over 1.5 billion microchips in virtually all IoT sectors (connected cars, smart cities, drones, agricultural sensors, anti-counterfeiting, smart lighting, servers, computers, mobile phones, crypto tokens etc.). WISeKey is uniquely positioned to be at the edge of IoT as our semiconductors produce a huge amount of Big Data that, when analyzed with Artificial Intelligence (AI), can help industrial applications to predict the failure of their equipment before it happens.

ANNUAL REPORT 2021

WISeKey International Holding Ltd.

Website: WISeKey.com

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CEO LETTER TO STOCKHOLDERS

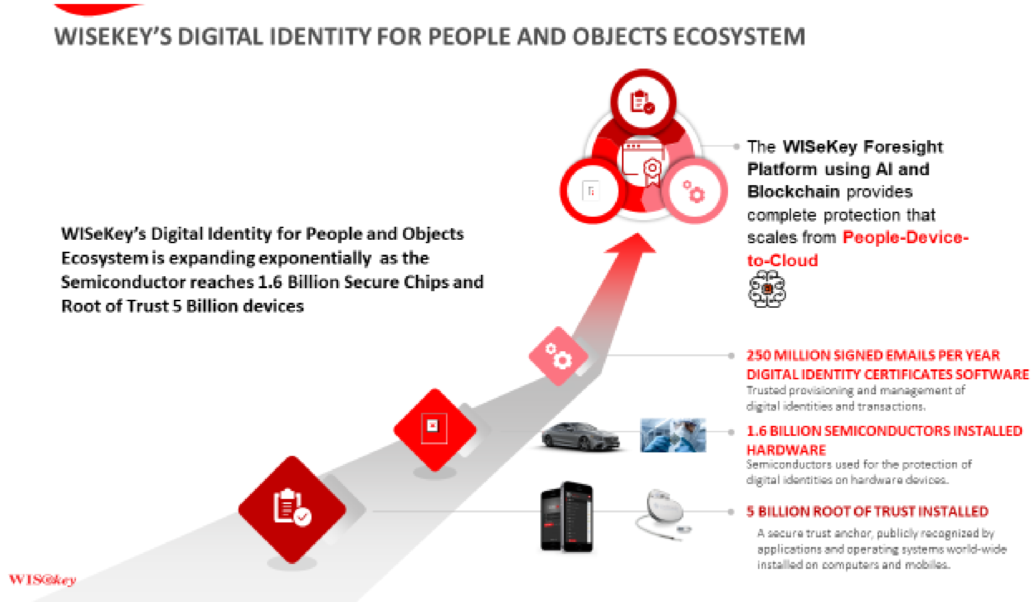
Dear Shareholders:

I am pleased to take this opportunity to summarize our full year 2021 business developments and achievements, as well as provide some insight into the strategic direction of WISeKey for 2022 and beyond.

For the twelve-month period ended December 31, 2021, we reported revenues of $22.3 million, an increase of 51% as compared to full year 2020, driven by revenue generated by new customers, favorable pricing, as well as higher AI revenue which represented 21% of total revenue for 2021.

During 2021, WISeKey reinforced its product offering decentralization strategy by strengthening digital identity and NFT blockchain-based solutions.

This growth is driven by the consolidation of the HIRO AI business as we acquired a controlling interest in arago GmbH (“arago”) in February 2021, and by a resurgence in demand for our IoT semiconductors business. Following a very difficult 2020 where the pandemic heavily impacted demand in the IoT segment, we have seen a return to pre-pandemic levels of demand and more. The US and EMEA were the two largest sources of revenue for the Group.



The restricting factor on our growth and revenue delivery in 2021 was the global supply shortage for the semiconductors that form the base of our IoT products. Like many companies around the world, we were impacted by constraints in the supply of raw materials and this key item limited the bounce in our revenues in 2021.

Although our full year revenue for 2021 was $22.3 million, based on the orders that we have received and the demand from our clients, we had an annual revenue potential of $30 million, had these supply issues not been in place.

As regards operational costs, we continue to invest strongly in research and development, with $7 million R&D expenses in 2021, as we refocused our efforts onto the software components that form the USP for our IoT products.

As we announced, in 2020 we took a strategic decision to invest heavily in our sales team and this is reflected in the $2.8 million increase in our Sales & Marketing expenses for the year 2021. This was mainly due to the hiring of resources in the US market, where we more than doubled our staff. We also strengthened our European sales team in comparison to 2020. These investments have started to bear fruit with our increased order book.

Finally, our G&A costs increased year-over-year largely driven by the consolidation of arago's expenses following the acquisition of a controlling interest, with $4.7 million of total G&A costs directly related to arago. We have spent a lot of time reviewing the expenditure of arago with a view to restructuring, consolidating and optimizing the cost base, as we felt there were quite a number of savings that could be achieved without impacting the performance of the business. Our G&A expenditure were also impacted by legal costs related to the arago acquisition and the subsequent restructuring work that we undertook with the arago business.

A one-off credit in our non-operating income due to fair-value adjustments on the arago transaction resulted in a significantly reduced net loss for 2021. This is largely relating to the two-step structure of the acquisition.

With regards to the balance sheet, we retained a very healthy cash position of $34 million as of December 31, 2021, a position that has been largely sustained through today, and a significantly improved position upon the prior year. This strong cash position allows us to quickly make key strategic investments and also continue to finance our business units whilst we support and develop new revenue streams.

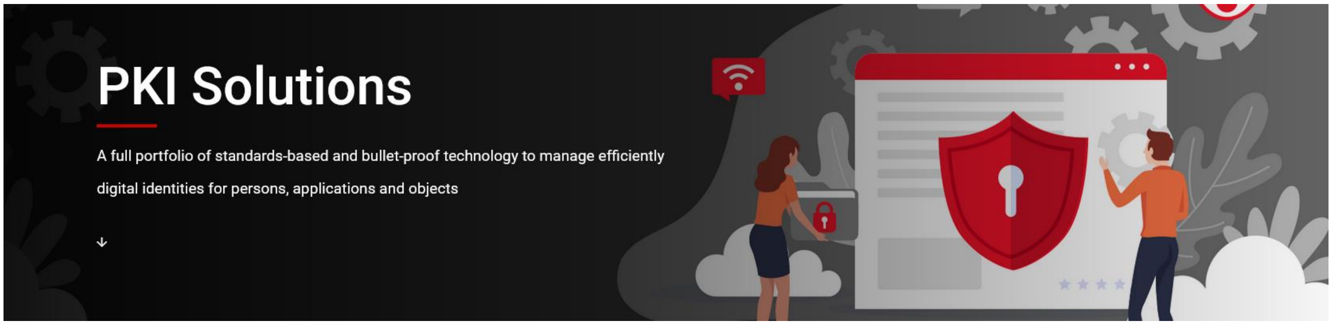
In terms of some operational highlights of the year, we continue to invest in the development of certain key stepping-stones for our future. These include the development of the WISe.ART NFT auction platform in conjunction with CasperLabs, a patent pending product to be added to our extensive patent portfolio, and the launch of the FOSSA Picosatellite as part of the WISeSat venture which will enable us to support Global Decentralized IoT Communications, a project that is moving towards commercial deployment in the second half of 2022.

We have diversified our approach to selling and are building a range of strategic sales and distribution partners. We have signed two partnership arrangements, one covering Europe and India and a second that covering Southern Africa. Our partnership covering a large section of Europe has already generated sales of $1.5 million, with deliveries scheduled for the first and third quarters of 2022 and should lead to recurring revenues. This strategy enables us to tap into larger sales networks and provides access to a larger range of potential clients in markets where we do not currently have the size and scale to expand operations ourselves. We have worked to balance the fee structure on these agreements to ensure that the partner is sufficiently incentivized to sell our products without creating a large, fixed cost base.

Additionally, during the year we invested a total of $13.5 million in arago, including the original acquisition investment, took steps to significantly reduce the arago cost base, as well as repaid historic balances, without impacting the client-facing part of the business.

I would like to finish with some thoughts about 2022 and our expectations for the future. Following a year of significant investment and strategic realignment, we now find ourselves ideally positioned for the future, with future revenues driven by two key Pillars.

The first of these Pillars is our historic "bread and butter" revenue stream … being the IoT and PKI revenues.



Demand for our IoT products has been unprecedented in the last year and has reached a point that we are now sitting on a backlog of non-cancellable purchase orders totaling $33.4 million, and we are currently receiving around $1.0 million of new orders per week.

This is a growth of 500% against the 2020 equivalent position and has given us a great building block that allows our sales team to really focus upon developing prospective clients and new opportunities. We are expecting to see a significant increase in the number of clients served by WISeKey in this sector by 2023 / 2024.

The main constraint on our growth in this sector is the supply-side dynamic, where we are operating against strict quotas allocated by our suppliers. We are in constant negotiation with our supplier to increase our quota, and this is a constantly evolving picture. We have seen this number increase by around 10% in the last two months and we hope to see this number further increase in the future.

One benefit that we have seen from the current market conditions is that we have been approached by many companies who have seen their allocations slashed or even cut completely by some of our large competitors, who have chosen to focus on their biggest clients. These clients have come to WISeKey to receive a more bespoke service, and in turn we have been able to negotiate long-term relationships with them. Just in February we received an order valued at $5.3 million covering a period of two years from one client with a commitment to pay significant premiums for any quantities delivered ahead of time. We believe additional companies will place more value on loyalty and customer service once the market conditions ease and WISeKey is ideally placed to take advantage of this opportunity.

The second pillar for WISeKey's 2022 revenues is the development of WISeART NFT revenue stream.

This is an entirely new platform for which revenues are expected to come on-line in 2022 with the launch of the platform. The revenue streams arising from WISe.ART will be split across two key areas.

First, we will be charging commissions on the sales that are carried out on the WISe.ART platform. This will be a percentage of the total sales and will depend upon multiple factors but, ultimately, will be a relatively straight-forward revenue transaction.

Second, we are offering a white label version of the WISe.ART platform that can be taken by clients that wish to have their own branded platform for auctions and sales. Here we would generate a one-off fee for the platform sale, as well as fees for the set-up and installation, with an ongoing hosting, maintenance and support packages being added with a separate annual fee. Our intention is that, with the hosting still being carried out by WISeKey, commission fees would also apply to the sales on the platform.

We have identified many potential clients with both a backlog of parties interested in placing products for WISe.ART auctions in 2022, and others who are discussing the white label option.

With these two pillars established, a very strong balance sheet, and a return to strong growth that will continue into 2022, we believe that we have positioned WISeKey well to take advantage of several growth opportunities, create new revenue streams and continue its growth organically and through acquisitions.

Respectfully,
Carlos Moreira
Founder and CEO
WISeKey International Holdings

MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FY 2021 Key Financial Milestones:

The key highlights of the year ended December 31, 2021 were:

- **Revenue growth**: 51% increase in revenue to $22.3 million in the year 2021, compared to $14.8 million in 2020.
- **Increase in gross profit margin**: at 41% in 2021, our gross profit margin increased by 10% from 37% in 2020.
- **Strong cash position**: cash and cash equivalents together with restricted cash increased to $34.4 million at December 31, 2021, from $21.8 million at December 31, 2020.
- **M&A activity**: acquisition of a 51% controlling interest in arago GmbH (“arago”), a leading artificial intelligence(“AI”) company.
- **Strong investments in Research & Development** (“R&D”): we continue to support our R&D work with $7.0 million invested during the year to develop new products and create business opportunities in cybersecurity, IoT and AI.
- **Strengthening our Sales and Marketing** (“S&M”) organization: the Group has continued reinforcing its sales and marketing team adding members with significant experience in both the Internet of Things (“IoT”) and Public Key Infrastructure (“PKI”) markets. In 2021, this allowed WISeKey to gain new clients, increase its share in the supply chain of some existing customers, and build a strong pipeline.
- **Development of the WISe.ART NFT auction platform:** an innovative platform where WISeKey adds identification to the emerging NFT trade market, therefore ensuring that NFTs sold on its platform are genuine.

Key Financial Metrics

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

US GAAP (Million US$)	2021	2020
Net sales	22.3	14.8
Gross profit	9.1	5.5
Operating loss as reported	(26.7)	(18.5)
Net (loss)/income	(24.1)	(28.9)
Net (loss)/income attributable to WISeKey as reported	(20.3)	(28.7)

Non-GAAP (Million US$)	2021	2020
EBITDA	(25.7)	(16.9)
Adjusted EBITDA	(20.7)	(15.8)
Total Cash and restricted cash	34.4	21.8

Liquidity and Capital Resources

Cash and cash equivalents together with restricted cash at December 31, 2021 was $34.4 million, compared to $21.8 million at December 31, 2020. This reflects the Group's continued drive to maximize cash reserves and ensure that it has sufficient liquidity to be able to support its operations and investment strategy, such as its investment in arago and the development of its WISe.ART NFT platform.

The Group entered into new funding arrangements with L1 Capital Global Opportunities Master Fund and Anson Investments Master Fund LP during the year and continues to have funding arrangements in place with a fund of Yorkville Advisors Global, LLC. As at December 31, 2021, these facilities provide the opportunity to draw down up to USD 5.0 million, USD 5.5 million, and CHF 45.6 million (USD 50.1 million) respectively. This illustrates the capacity of WISeKey to find funding for its future investment and M&A strategy.

Revenue

For full year 2021, WISeKey's total revenue was $22.3 million, compared to $14.8 million in 2020. This 51% increase in revenue is due to two factors: the consolidation of arago's revenue from February 1, 2021 which added $4.6 million in AI revenue, and an 18% increase in IoT revenue by $2.6 million as the effects of the COVID-19 pandemic dissipate.

This trend reversal on IoT revenue had been planned and we managed our supply chain accordingly. However, our IoT revenue remains artificially 'capped' because of the shortage in semiconductors material, which has forced us to schedule some customer orders for 2022. Based on the orders that we had received and the demand from our clients, our revenue had the potential to reach circa $30M in 2021, had the semiconductors supply issues not been in place.

Revenue by region

Our operations are global in scope, and we generate revenue from selling our products and services across various regions. Our operations in North America now contribute the largest part of our revenues (50%), having surpassed Europe in the last two years.

Our revenue by geographic region for the fiscal years ended December 31, 2021 and 2020 is set forth in the following table:

Net sales by region USD'000	**12 months ended December 31, 2021**		**12 months ended December 31, 2020**	
Switzerland	1,272	6%	592	4%
Rest of EMEA*	7,702	35%	4,321	29%
North America	11,148	50%	8,260	56%
Asia Pacific	2,062	9%	1,526	10%
Latin America	74	0%	80	1%
Total net sales	**22,258**	**100%**	**14,779**	**100%**

* EMEA means Europe, Middle East and Africa

Strong demand for our IoT products in 2022

The above-mentioned semiconductors supply chain shortage remains an important factor in 2022: with a backlog of customer orders totaling $39 million, we have already started scheduling deliveries for 2023. However, we are making every effort to increase supply and shorten delivery times to our customers.

New revenue streams from 2022

WISeKey continues to foster innovation and enrich its product portfolio with new security offerings.

With the launch of its WISeSat constellation, picosatellites manufactured by partner FOSSA, WISeKey will enable the direct connection of satellites to IoT devices for authentication, completing the connection cycle from space to device through secure telecommunication means. This technology allows for identification in remote, low connectivity areas.

The release of the new WISe.ART NFT platform which is secured by WISeKey's various security technologies enabling the authentication of digital identity based NFTs, physical objects as well as digital assets, in a safe end-to-end process, should also support a new revenue stream. WISe.ART provides both a secure marketplace and platform, where NFT buyers and sellers can easily connect their crypto wallets to instantly purchase or list their NFTs for sale. Responding to the needs of buyers and sellers of high-value goods, the WISe.ART platform is developing into a fully-fledged marketplace with its own digital currency, the ability to include curators and multipliers, white-labeling options and custom-made NFT design.

Integration of AI technology

Following the acquisition of a controlling interest in arago, the Group invested significantly to streamline the arago operations on the one side, and to integrate the newly acquired AI technology into our existing products and services and reposition arago's HIRO platform.

Although the Artificial Intelligence of Things ("AIoT") market is predicted to reach $78.3 billion by 2026, many do not understand the full extent of how it will transform communications, applications, content, and commerce1. However, after a year in the Group, the attractiveness of our AIoT offering is currently below WISeKey's expectations, and the integration investment is not bringing the expected results.

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[1] Research and Markets, 'Artificial Intelligence of Things 2021-2026', *Research and Markets*, August 2021

WISeKey management is therefore considering its options, including a potential disengagement of arago.

Gross Profit

Our gross profit increased by 66% to $9.1 million (gross margin of 41%) in the year ended December 31, 2021, in comparison with a gross profit of $5.5 million (gross margin of 37%) in the year ended December 31, 2020. These good results are closely linked to the 51% year-on-year increase in revenue between 2020 and 2021, and our ability to update our pricing strategy to absorb the higher purchase costs caused by the shortage in semiconductor.

Operating Results

The Group's operating loss increased by $8.2 million year on year, going from a $18.5 million operating loss in 2020 to an operating loss of $26.7 million in 2021.

This is mainly due to the consolidation of arago's results since February 1, 2021, with operating expenses totaling $7.2 million for the 11 months to December 31, 2021.

The Group continues to focus on reducing its cost structure and its General and Administrative ("G&A") costs, whilst investing in both its Sales and Marketing operations and R&D of new products such as post-quantum cryptography and the development of its WISe.ART NFT platform.

A more detailed analysis of our operating costs is presented further below.

Net Results

The Group made a net loss of $24.1 million in 2021 in comparison to a net loss of $28.9 million in 2020, hence a net decrease of $4.8 million. The variance was mainly due to the one-off credit of $5.6 million in non-operating income corresponding to the reclassification of the fair value adjustments on the convertible loan with arago at acquisition (see Note 15 of our consolidated financial statements).

We note that the net loss of $7.1 million in 2021 added as a result of the consolidation of arago since February 1, 2021 was offset by the one-off $7 million impairment charge in relation to an investment in Tarmin recorded in 2020.

Consolidated Income Statement

(Million US$)	12 months ended December 2021	2020	Year-on-Year
Net sales	22.3	14.8	51%
Cost of sales	(12.9)	(8.6)	50%
Depreciation of production assets	(0.3)	(0.7)	-59%
Gross profit	**9.1**	**5.5**	**66%**
Other operating income	0.1	0.1	326%
Research & development expenses	(7.0)	(6.0)	17%
Selling & marketing expenses	(10.2)	(7.4)	39%
General & administrative expenses	(18.7)	(10.7)	75%
Total operating expenses	(35.8)	(24.0)	49%
Operating loss	**(26.7)**	**(18.5)**	**44%**
Non-operating income	8.7	1.1	673%
Debt conversion expense	(0.3)	-	n/a
Interest and amortization of debt discount	(1.1)	(0.5)	131%
Non-operating expenses	(4.8)	(11.0)	-56%
Income / (loss) before income tax expense	**(24.2)**	**(28.9)**	**-16%**
Income tax (expense)/recovery	0.1	-	n/a
Income/ (loss), net	**(24.1)**	**(28.9)**	**-17%**
Net income / (loss)	**(24.1)**	**(28.9)**	**-17%**

Analysis of operating income and expenditure

Other operating income

In 2021, the main components of our other operating income consisted of recharges for the use of our premises by OISTE (see Note 42 of our consolidated financial statement as at December 31, 2021) for USD 70,626 and the release of a provision against our research tax credit in France for USD 74,000. In 2020, our other operating income consisted of recharges for the use of our premises by OISTE for USD 43,000.

Research & development expenses

Our R&D expenses include expenses related to the research of new technology, products and applications, as well as their development and proof of concept, and the development of further application for our new and existing products and technology, such as our new WISe.ART NFT platform, 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 increased by USD 1.0 million between 2020 and 2021 and includes a non-cash, stock-based compensation expense of USD 0.5 million. Although we have refocused our R&D efforts, it remains a large part of our operating expenses with USD 5.1 million net of a stock-based compensation spent in the year ended December 31, 2021, representing 15% of total operating expenses net of stock-based compensation. Our Group being technology-driven, the level of our R&D expenses reflects our engagement to act as a leader in new cybersecurity developments and future applications. We expect our R&D expenses to remain a significant portion of our overall expenditure as the Group continues to invest in new products.

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 of USD 10.2 million for the year ended December 31, 2021 included a non-cash, stock-based compensation expense of USD 0.8 million. With a total of USD 9.4 million net of stock-based compensation, our S&M expenses increased by USD 2.3 million in comparison with our 2020 S&M expenses of USD 7.1 million net of stock-based compensation. This increase reflects our continued efforts to build a stronger sales force, with an increased presence in the U.S., to support our revenue growth. We recruited 3 new members for our U.S. sales team in 2021 and doubled the size of our European team by 2 in comparison to 2020.

These investments in sales have started to bear fruit with a backlog of customer orders totaling $39 million at the start of 2022.

General & administrative expenses

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

Our G&A expenses increased by $8 million in 2021 compared with 2020. The increase is due to three main factors: the $4.7 million additional G&A expenses from the consolidation of arago since February 1, 2021, a stock-based compensation of $2.5 million recorded in G&A in comparison with $0.2 million in 2020, an increase by $0.6 million in legal & professional fees of the parent in relation to the acquisition of a controlling interest in arago.

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

Total General & administrative expenses	**12 months ended December 31,**	
(Million US$)	**2021**	**2020**
Staff-related costs	9.3	6.6
Depreciation & amortization classified under G&A	0.6	0.1
Legal & professional fees	3.1	1.9
Rental & general office costs	2.6	1.5
Stock based compensation classified under G&A	2.5	0.2
Non-income tax expense	0.2	0.2
Other G&A Operating Costs	0.4	0.2
Total G&A expenses	**18.7**	**10.7**

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

- Our expansion strategy with potential acquisitions 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.

Outlook for 2023 and beyond

WISeKey's has taken several initiatives to continue growing revenue and strengthen net results.

These initiatives include:

- The launch of the WISe.ART NFT platform in 2021 is expected to provide **new WISe.ART revenue streams** in the shape of commissions on the sales carried out on the platform, and the sale of a white label version of the WISe.ART platform for clients that wish to have their own branded platform for auctions and sales (refer to page 46 for details).
- The launch of the first **WISeSaT PocketQube Satellite** in January 2022 is the result of the investment of WISeKey in FOSSA Systems to integrate their picosatellite technology into the WISeKey IoT Connect & Trust model and improve IoT communication in remote and poor connectivity areas (refer to page 30 for details).
- **New strategic partnerships** to strengthen its position as IoT cybersecurity provider and to develop new use cases based on our established technologies (refer to page 29 for details).
- Investment in **post-quantum cryptography** that are resistant against quantum cryptanalysis so as to anticipate on future cybersecurity threats, working in collaboration with the American National Institute of Standards and Technology (NIST) and the European Union Agency for Cybersecurity (ENISA).
- Planned investment into new equipment to **increase the production volume of semiconductors**.
- Investment in R&D to expand its **patent portfolio** (refer to page 27 and page 50 for details).
- **A renewed focus on our Sales and Marketing department** with the appointment of a new Vice-President of Global Sales, Mr. David Khalifa, who brings over 30 years of sales development experience, in particular in the semiconductor industry.

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 allows 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).”

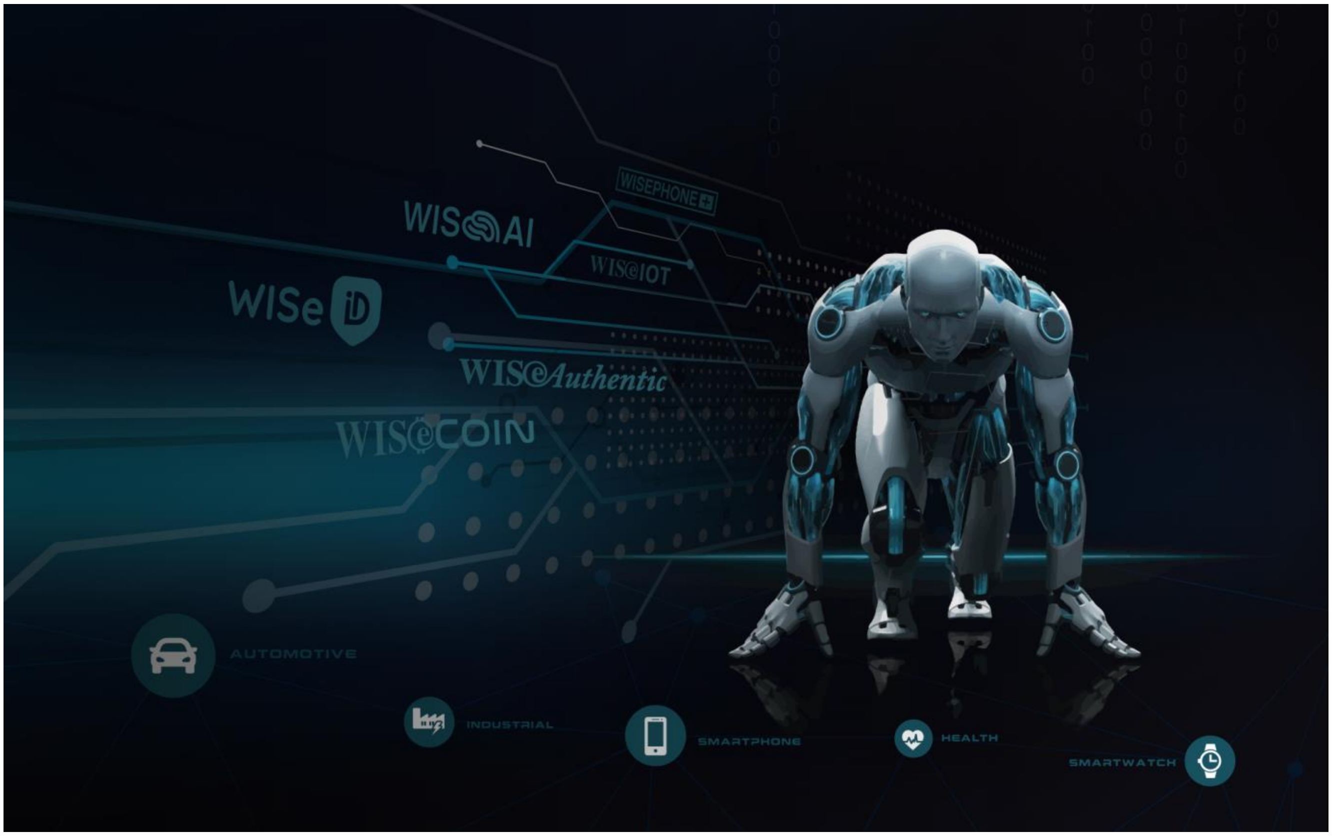
Non-GAAP to GAAP Reconciliations

Financial Reconciliation of GAAP to non-GAAP Results (unaudited)	**12 months to December 31,**	
(Million US$)	**2021**	**2020**
Operating loss as reported	**(26.7)**	**(18.5)**
Non-GAAP adjustments		
Depreciation expense	0.5	1.0
Amortization expense on intangibles	0.5	0.6
EBITDA	(25.7)	(16.9)
Non-GAAP adjustments		
Stock-based compensation	3.8	0.4
Expenses settled in equity	0.1	-
M&A-related legal fees	0.9	0.5
M&A-related professional fees	-	0.1
Listing-related professional fees	0.1	0.1
Adjusted EBITDA	(20.7)	(15.8)

GAAP to Non-GAAP Cash and cash equivalents	**As at December 31,**	
(Million US$)	**2021**	**2020**
Cash and cash equivalents as reported	34.3*	19.7
Restricted cash, current as reported	0.1	2.1
Total Cash and restricted cash	34.4	21.8

*Rounded up

WISEKEY INNOVATING WITH ITS CONNECT & TRUST MODEL



WISeKey is a pure play cybersecurity company, with over 20 years of experience in providing digital trust and cryptographic protection. WISeKey delivers secure semiconductors, digital certificates, digital IDs, as well as SaaS platforms for provenance, lifecycle management, blockchain-driven traceability, and AI-driven incident management.

WISeKey's legacy has become a winning play for the booming IoT cybersecurity market, a portfolio of solutions we call Connect & Trust. WISeKey customers are typically IoT vendors servicing smart buildings, smart cities, smart agriculture, drones, health care monitoring, logistics, and Industry 4.0.

WISeKey has even been able to successfully extend its Connect & Trust model to non-connected objects. Such objects connect through NFC or a plug when needed, and include luxury goods, health care consumables, appliance accessories, cold crypto wallets, and pieces of art.

WISeKey Connect & Trust model closes the entire cybersecurity circle by offering:

Device-id
Inseparably connects a unique digital identity to each object.

Key Vault
Injects secret keys in connected devices, using our tamperproof key generation and key provisioning service.

Lifecycle
Manages the entire lifecycle of its identity and keys using our certified SaaS platform.

Proof
Proves its existence and state, by optionally publishing the unique device-id as an NFT, and by optionally publishing its state changes irrefutably in a permissionless blockchain.

Signed Command & Control
Enables protected command & control and firmware updates using our tamperproof secure signing capabilities.

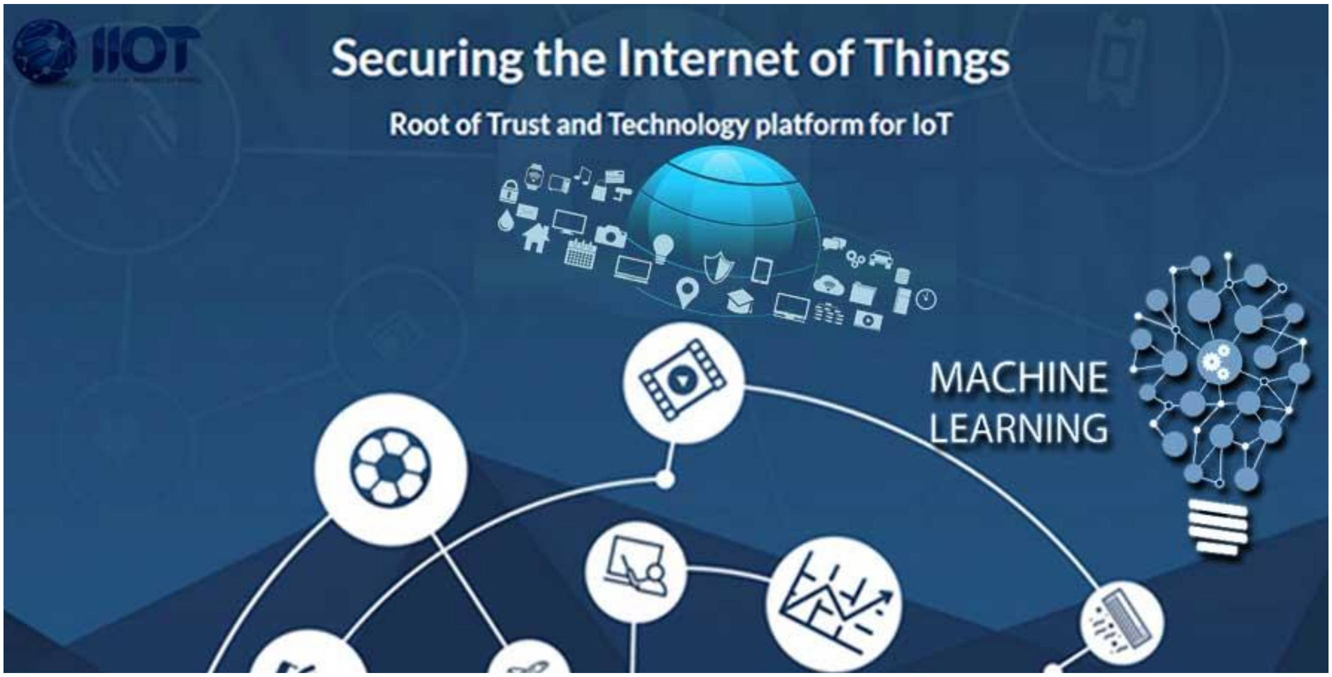
Global Connectivity
Provides global connectivity for low data sensors and actuators, optionally using our global constellation of satellites.

Security Response
Reacts swiftly to contain, isolate, and reinstate a device, in case of a suspected compromise using our AI platform for security response.

The WISeKey Control & Trust portfolio of solutions not only make IoT deployments trustworthy, but they also make secured objects Metaverse-ready. In fact, WISeKey Control & Trust breaks down the boundaries between the physical and digital worlds in a trusted way.

WISEKEY CONNECT & TRUST PROVIDES COMFORT

Building on 20 years in establishing digital trust, WISeKey IoT Connect & Trust offers industry, consumers, and governments the ability to trust the devices and the data of their IoT deployments.



Since WISeKey IoT Connect & Trust adopts the suite of core capabilities required by the American NIST (National Institute of Standards and Technology) and the European ENISA (the European Union Agency for Cybersecurity, formerly European Network and Information Security Agency), WISeKey enables end-customers to comply with regulations and legislation on privacy, critical infrastructure protection and climate neutrality.

Regarding privacy, regulators and legislators are increasingly concerned that individuals may not be able to provide consent for IoT sensors which are permanently collecting behavioral data, to locate the source of inaccurate data, and to be comfortable that uploaded privacy-sensitive data doesn't leak out. WISeKey IoT Connect & Trust addresses those concerns.

Regarding critical infrastructure protection, regulators and legislators are increasingly concerned about security, and command & control of IoT actuators in power grids, telecom systems, public transport, traffic control, water distribution, and energy transport. WISeKey IoT Connect & Trust addresses those concerns.

Regarding climate neutrality, regulators and legislators are increasingly concerned that wrong decisions may be taken using sensor data that is manipulated or coming from rogue IoT devices which could lead to environmental pollution and even poisoning. WISeKey IoT Connect & Trust addresses those concerns.

WISEKEY'S ADDRESSABLE MARKET IS BOOMING

The addressable market for IoT cybersecurity is massive: more than 12 billion IoT devices were connected in 2021. This number is expected to boom and grow to 27 billion units in 2025 [source], with CAGR of 22%.

Although many of the IoT devices currently deployed lack any serious form of security, regulatory and legislative pressure in combination with the rising danger of ransomware and other types of attacks we witnessed in 2021, will force customers to swiftly react and adopt solid security in their IoT devices. In fact, McKinsey [source] stated a number of 'head wind' factors for IoT adoption rates. To cite some of their observations:

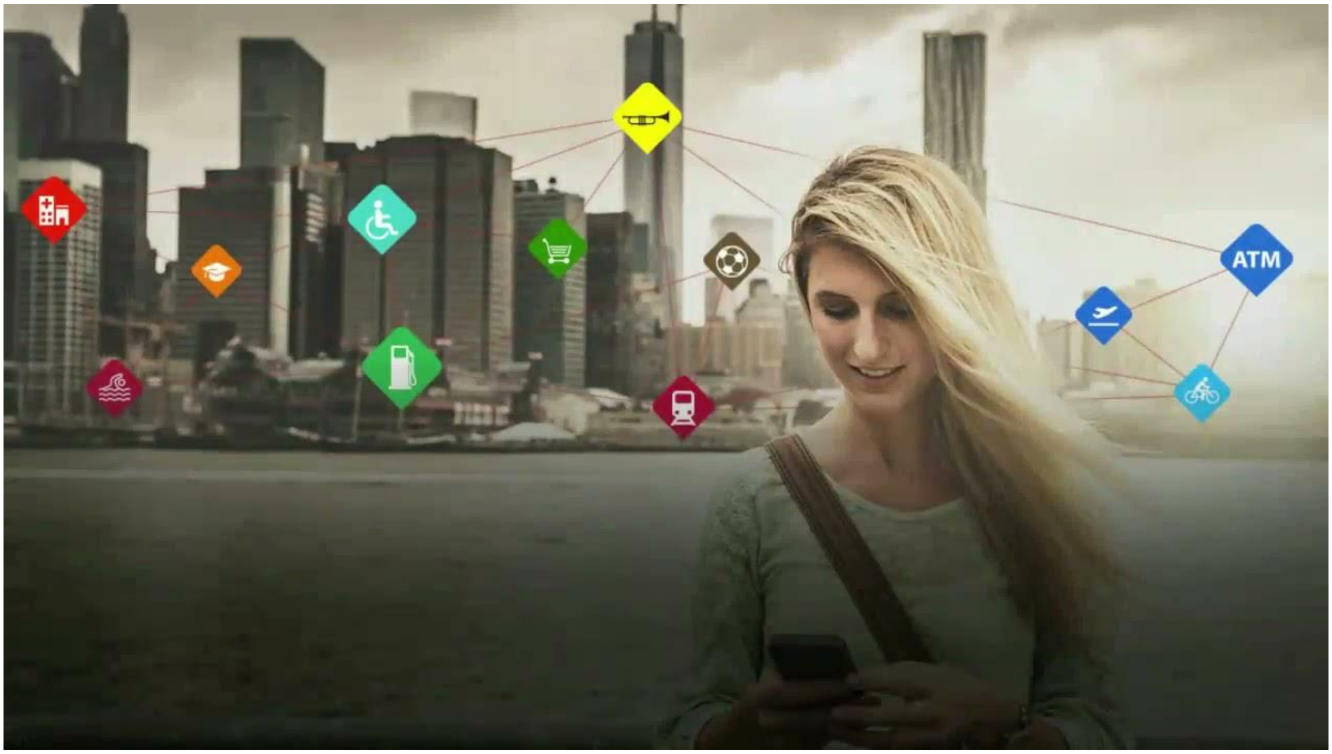
- "Consumers, enterprise customers, and governments are increasingly concerned with IoT cybersecurity because the growing number of connected endpoints offers vulnerable points for hackers to exploit."
- "Companies are grappling with how much privacy customers will give up in return for lower prices or special offers in a retail setting. The COVID-19 pandemic has brought this issue into even sharper relief as governments and citizens attempt to balance public health with individual privacy."
- "Cybersecurity is a cross-cutting headwind to at-scale IoT deployments, so it should be unsurprising that this concern is particularly pronounced in the healthcare space. Not only is the security of the IoT device itself paramount but also that of the underlying data and analytics."

The global IoT cybersecurity market is expected to grow to more than $50 billion in 2025 [source, source, source], with 33% CAGR.

Our customer base has proven that WISeKey IoT Connect & Trust offers them the right type of response and we expect to be able to grab a significant part of this booming market in the coming years. As an example, Cisco, the world's largest provider of IoT solutions has been a loyal customer of WISeKey and secured already more than 100 million of their IoT devices using WISeKey chips.

We have been able to clearly demonstrate our delivery capabilities in 2021. Since 2020, global chip supply was under stress as a by-product of the COVID-19 pandemic. When economies started to rebound in 2021, the combination of supply chain logistics issues and shortages in raw material kept global chip supply under stress. WISeKey, however, was able to secure large allocations in its supply chain to fulfill customer demand. In fact, WISeKey gained new customers thanks to the constrained delivery these customers faced by their former chip suppliers. Customers openly praised WISeKey's dedication and loyalty to its customers.

WISEKEY WELL POSITIONED TO PARTICIPATE IN PUBLIC INITIATIVES



When the US government enacted its Infrastructure Investment and Jobs Act of $1.2 trillion, WISeKey was approached by companies that worry about security and privacy.

These companies were seeking to participate in funded megaprojects to deploy IoT for power infrastructure, water distribution, airports, road safety, high speed internet and sensors to address climate change and saw IoT cybersecurity not only as necessary but most importantly as a major differentiator in future tenders.

Before the EU parliament enacted its Chips Act of $17 billion, WISeKey already approached current and former EU commissioners and EU directorates, and applied for the EU Industrial Alliance for Processors and Semiconductor Technologies. These organizations confirmed that WISeKey was well-positioned to help the EU to secure its supply of semiconductors and to reduce its dependencies.

To address the booming market of smart cities, WISeKey signed a strategic partnership agreement with Wi-SUN, the IoT alliance specialized in the governmental and utilities secure wireless networks. With this agreement WISeKey became a Certificate Authority approved by the alliance.

WISEKEY INVESTS R&D IN STRATEGIC DOMAINS

Blockchains offer traceability of IoT devices being deployed. Permissionless blockchains make the ledger of deployed IoT devices publicly available. As part of this process, WISeKey provides valuable art pieces with an NFC chip.

WISeKey is becoming a key participant in this ecosystem and has invested substantial resources on its own and through partnerships in blockchain technologies, mining facilities, NFT exchanges and scalable crypto wallets.

Quantum computing may render today's strong cryptographic algorithms vulnerable to cryptanalysis attacks. WISeKey invests in post-quantum cryptography that are resistant against quantum cryptanalysis. The NIST is currently evaluating algorithms in its standardization process [source] of which WISeKey is currently researching the implementation of one of these finalists in its secure elements.

WISeKey is currently working with NIST's National Cybersecurity Center of Excellence (NCCoE) on a reference design for securely onboarding IoT devices. The design will use WISeKey's VaultIC secure element to hold the IoT device's birth certificate, the network credentials, and application credentials. WISeKey will also provide the Certificate Authority that issues the certificates and credentials.

The automotive sector is currently suffering from shortages in chip supply, while vehicles will require more and more IoT embedded devices. WISeKey is investing in an additional secure enclave and adapting the supply chain to obtain automotive grading compliance.

Smart agriculture in vast areas, pipelines in deserts, containers on ocean ships, and climate change monitoring in remote regions, among others, need IoT sensors and actuators that cannot be easily accessed and that may be far away from 4G or 5G networks. WISeKey is investing in a satellite network adopting the full IoT Connect & Trust model. The remote IoT device is uniquely identified that cannot be tampered with, it decrypts and verifies the commands and firm updates it gets, and it encrypts and signs the data before it is transmitted to a ground station via the satellite. WISeKey already launched two satellites and intends to build out a network of 80 satellites to cover most of the planet.

In 2021, WISeKey acquired arago GmbH and their AI SaaS platform called HIRO. WISeKey is currently repositioning HIRO to serve cybersecurity processes known as SOAR (Security Orchestration, Automation and Response).

WISeKey intends to further invest in the HIRO platform to offer:

- Early detection -using a variety of alarm signals from the IoT device and its powerful reasoning, HIRO-for-SOAR autonomously determines whether an attack or infection is imminent.
- Immediate containment when an IoT device is under attack or is suspected to be compromised, HIRO-for-SOAR reacts autonomously in a matter of seconds to isolate the incident.
- Aided response and recovery - after an incident, HIRO-for-SOAR helps the security experts understand the details and extent of the IoT compromise, to collect forensics and to reinstate the IoT device if possible.

WISEKEY 2021 STRATEGIC PARTNERSHIPS

WISeKey entered into strategic partnerships to strengthen its position as IoT cybersecurity provider and to develop new use cases based on our established technologies.

Wi-SUN

Wi-SUN Alliance is a global association made up of utilities, municipalities/local government service providers, and vendors. Its mission is to drive the global proliferation of interoperable wireless solutions for use in smart cities, smart grids and other IoT use cases through the use of open standards from organizations such as IEEE802, IETF, TIA, TTC and ETSI.

As part of its strategy to extend its offer towards Services, WISeKey signed a strategic partnership agreement with Wi-SUN, to become a supplier of certificates. WISeKey certificates will ensure that IoT devices in a for Wi-SUN Field Area Network are uniquely identified and fully authenticated for a robust security architecture.

École des Mines

As part of its R&D program for protecting its secure elements against new generation of attacks, WISeKey signed a partnership agreement with l'École des Mines. With this agreement, WISeKey will onboard for 2 years a post PhD engineer of l'École des Mines – one of the most famous French engineering universities- to build an attack lab specialized in Deep Learning and Post Quantum attacks to develop countermeasures against these new cyberattack threats.

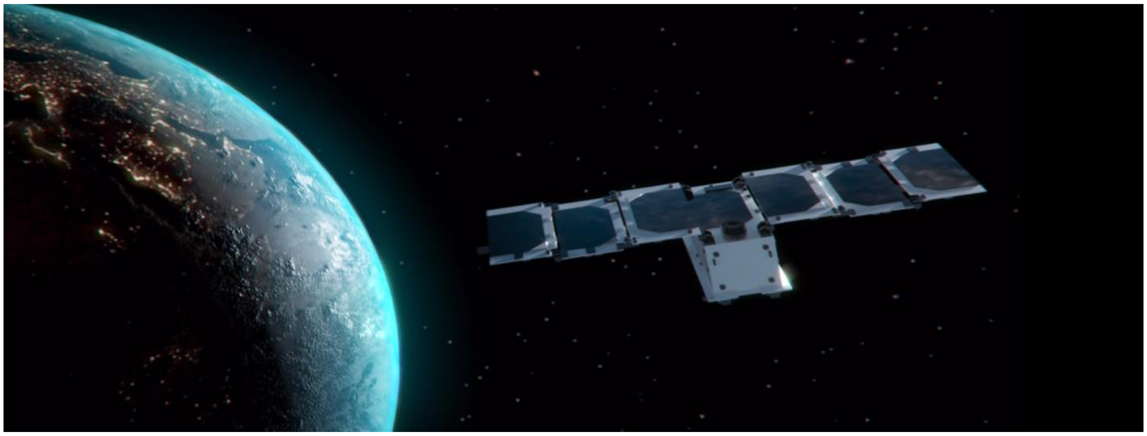
SAP PartnerEdge Program

WISeKey joined the SAP PartnerEdge Program to integrate the OISTE/WISeKey's Managed Cryptographic Root of Trust to secure IoT devices that leverage SAP Leonardo IoT.

FOSSA Systems

WISeKey strategically invested in FOSSA Systems to integrate their picosatellite technology into the WISeKey IoT Connect & Trust model.

WISeSaT PocketQube Satellites now enables all IoT sectors to connect at planetary scale. WISeKey completed in 2021 the installation, in La Línea de la Concepción, of the first WISeSaT satellite ground station.



Drones4Sec

WISeKey co-founded Drones4Sec, the first European Sovereign Federation for public safety and security drones across land, air and marine applications.

Drones4Sec brings together both drone manufacturers, suppliers of components or strategic expertise and software solution providers who orchestrate the deployment of drones or exploit data from drones. In particular, Drones4Sec aims at defining the standards of trust, cybersecurity and data protection demanded by the rising use of security drones.

Trust Protocol Association

WISeKey co-founded the Trust Protocol Association, to establish a new Trust Protocol for the web, by combining strong authentication using the OISTE WISeKey Root of Trust with permissioned blockchain transactions. The association creates an ecosystem of governmental, academic, technology and business partners to facilitate the on-boarding and adaptation of blockchain-based solutions.

Polygon

WISeKey set up a strategic alliance with Polygon, a full-stack Ethereum scaling solution to offer Trusted NFT solutions to the masses. Polygon has become the blockchain of choice for NFTs, NFT marketplaces, and blockchain games. Its ultra-low transaction fees and sustainable Proof-of-Stake consensus mechanism makes Polygon a more practical option for activities such as minting and trading NFTs. Polygon Studios, the Gaming and NFT arm of Polygon already works with most today's top blockchain-based Web 3.0 games and NFT projects, including Decentraland, Opensea, Sandbox, Somnium Space, and Decentral Games.

CasperLabs

WISeKey and CasperLabs are building a marketplace for buying and selling NFTs on the Casper Network. The goal is large-scale deployment of digital identity for people and objects using digital identity, blockchain technology, and AI. With the substantial expected growth of NFTs in 2021 WISeKey is providing enterprises with opportunity to buy and sell digital assets safely. WISeKey's digital identity solution allows for authentication and identification in both physical and virtual environments. Using Casper’s Proof of Stake architecture, each transaction will require a small fraction of the energy expended by traditional, Proof of Work protocols.

Ocean Protocol

WISeKey partnered with Ocean Protocol to launch TrustedNFT.io, a decentralized marketplace for objects of value designed to empower artists, creators, and collectors with a unique solution for the authentication of physical artworks. The trusted NFT marketplace will include non-fungible tokens (NFTs) to represent the physical work, combined with fungible tokens for more fluid price discovery and for staking on physical works.

Ocean has developed powerful decentralized marketplace technology, with a track record in the domain of data assets. By combining Ocean’s marketplace technology with WISeKey Control & Trust and secure chips in the domain of physical art, the TrustedNFT.io enables parts paintings or sculptures to be traded in a trustworthy way.

Universa Blockchain

WISeKey partnered with Universa Blockchain to deepen cooperation at the La Linea Gibraltar 4th Industrial Revolution Center of Excellence (LLG 4IR), intended to advance breakthroughs in air mobility, energy distribution, central bank issued crypto currencies, and Metaverses. Universa Blockchain is a decentralized infrastructure offering an extremely fast and secure blockchain network, smart-contracts, tokenization and data storage services for enterprises and governments.

2021 HIGHLIGHTS

WISEKEY SEMICONDUCTORS 2021 HIGHLIGHTS

As a pure play IoT cybersecurity, WISeKey partners with its IoT customers to provide trust to IoT deployments. Trust that data remains confidential and is not tampered with. Trust that IoT devices remain under strict control and are protected against hostile take-overs. And trust that the IoT infrastructure is protected against rogue devices, rogue users, and rogue software.

The fact that WISeKey is pure play IoT cybersecurity provider enabled it to keep on delivering chips at high quantities, even during the pandemic. For example, WISeKey succeeded to gain significant market share with its existing customers, such as Cisco, and built a very solid backlog of $40 million of firm purchase orders.

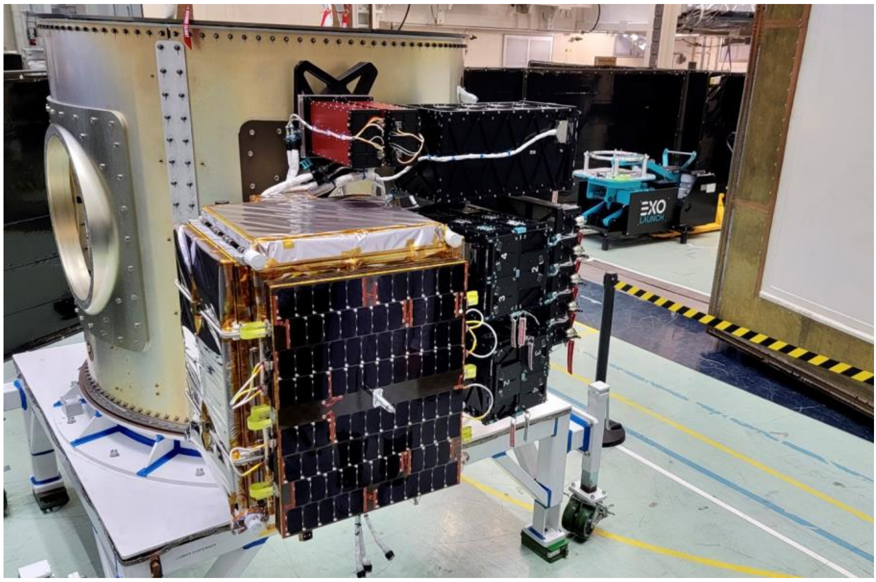
WISeKey has and maintained customers with its innovative IoT Control & Trust portfolio.

Drone aviation

WISeKey secure chips and authentic ID and are used in drones and their controllers to protect the privacy of their video streams and to protect the command & control against hostile take-overs.

Parrot's newly launched ANAFI drones with 4G connection, are equipped with WISeKey's tamperproof VaultIC to secure the data communication between drone and remote controller as well as between drone and cloud storage.

Satellite-based connectivity



WISeKey secure chips and authentic ID are used in sensors, satellites and ground stations to protect against tampering of sensor data from sensor to cloud.

Fossa's newly launched picosatellites and ground sensors drones are equipped with WISeKey's tamperproof VaultIC to secure the data communication between the sensor on the ground or on a vehicle and ground control and the satellite as well as between sensor and cloud storage.

Energy grids

WISeKey secure chips and authentic ID are used in smart meters to protect the integrity and privacy of smart data and to protect against hostile control take-over.

For example, Landis+Gyr smart meters are equipped with WISeKey's tamperproof VaultIC to secure the remote control of the smart meter, as well as to protect the privacy of the data stream produced by the meters.

Medical equipment

WISeKey secure chips and authentic ID are used in medical IoT and medical wearables to protect the integrity and privacy of patient's health data and to protect against hostile manipulations.

For example, Medtronic, world leader provider of medical devices, equips its IoT devices with WISeKey's tamperproof VaultIC.

Smart cities

WISeKey secure chips and authentic ID support the Wireless Smart Ubiquitous Networks standard for interoperable security and trust between IoT devices to build smart cities.

Smart buildings

WISeKey secure chips and authentic ID are used in physical access control, to enable contactless physical access control using Bluetooth and to manage access rights in a flexible, tamperproof way.

For example, Legic offers bluetooth doorlocks equipped with WISeKey secure chips.

Emergency Communications

In the critical communications industry for first responders and public safety heroes, the APCO-P25 phase 2 was developed to set standards for interoperable digital two-way radio products. P25 radios are commonly implemented by dispatch organizations, such as police, fire, ambulance and emergency rescue service, using vehicle-mounted radios combined with handheld walkie-talkie use. The communication is encrypted and American agencies now require NIST FIPS 140-2/3 Level 3 certification to demonstrate tamper proofness of the telecom encryption. WISeKey developed a specific VaultIC version for Land Mobile Radio Systems for US agencies.

Access control

Smartcards are often used to control access and to digitally sign transactions and documents.

For example, HID Global, an ASSA ABLOY company uses WISeKey smart card reader chipset.

Atlantis (Turkey) uses WISeKey smart card reader chipset with deliveries starting in 2022.

Furthermore, Thales (France) uses WISeKey technology for securing the USB dongle protecting and monetizing software licenses with deliveries starting in 2022.

Vaccine protection

The World Health Organization's Director-General, Dr. Tedros Adhanom Ghebreyesus, issued a warning about counterfeit COVID vaccines being sold on the dark web. WISeKey NFC VaultIC tags are now being attached to vaccine packing boxes and trays. Most vials used for vaccines are made of borosilicate glass. This type of glass has remained popular because it is chemically inert. The NFC VaultIC chips can be attached to the seals of vaccine vials, making it possible to track shipments and verify their origins using standard NFC phones put in the proximity of the vials.

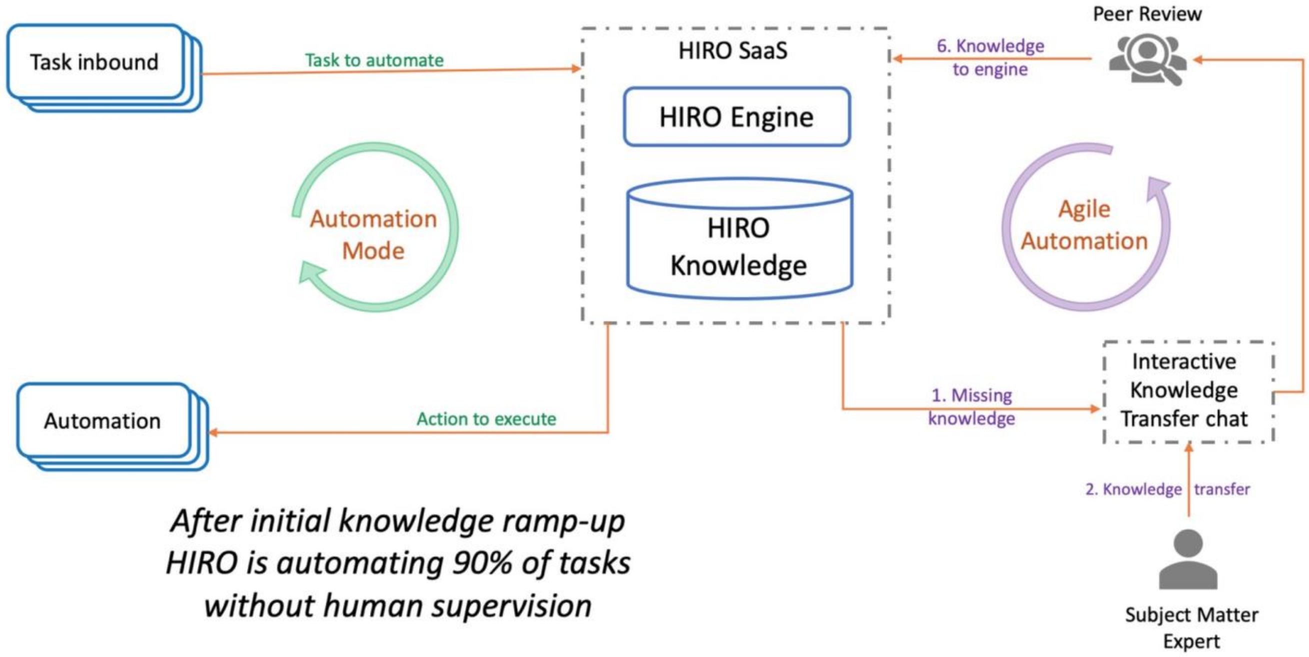
NFC CapSeal

In 2021, WISeKey also reinforced its NFC CapSeal patented technology to apply it to high-end wines and liquors. The CapSeal NFC smart tag detects the opening of exclusive wine and spirits bottles and therefor detects whether the contents of a specific bottle has been compromised. The patented CapSeal NFC smart tag enables the contents of closed bottles to be identified uniquely, a prerequisite for minting NFTs. One of the brands using this chip in 2021 is Yao Family Wines of Napa, a premium winery, that auctioned a bottle of The Chop Cabernet Sauvignon in April alongside a "limited-edition NFT." Another example is Flavien Darius Pommier, who owns Chateau Darius in St Emilion, who sold four NFTs using the chip.

NanoSeal and NFT

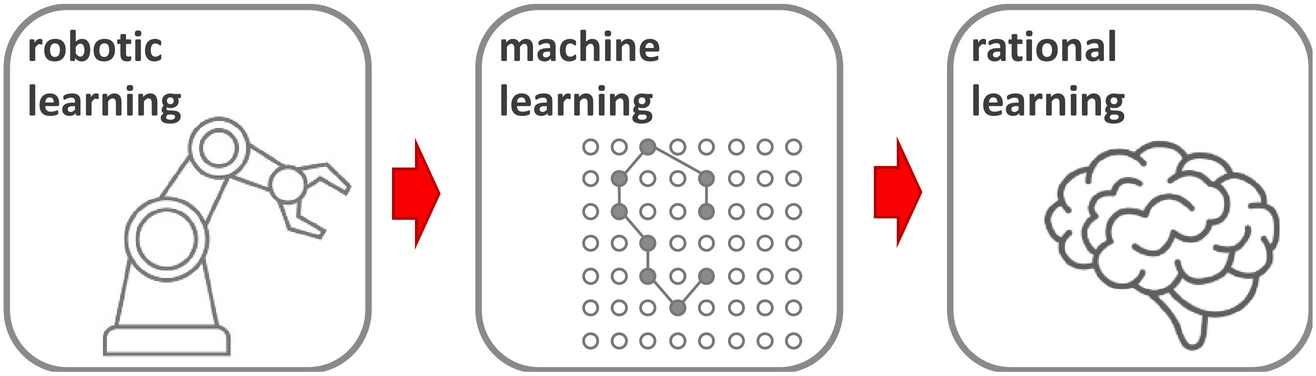
WISeKey is combining the NanoSeal chips with NFT technology, to give non-connected objects a provable digital passport including usage rights. A NanoSeal chip, that bears the WISeID unique identity, is attached to the physical object in a tamperproof way. By minting an NFT of the WISeID and the provenance and rights documents of the object, the rights of the NFT owner are irrefutably connected to the object.

WISEKEY HIRO 2021 HIGHLIGHTS

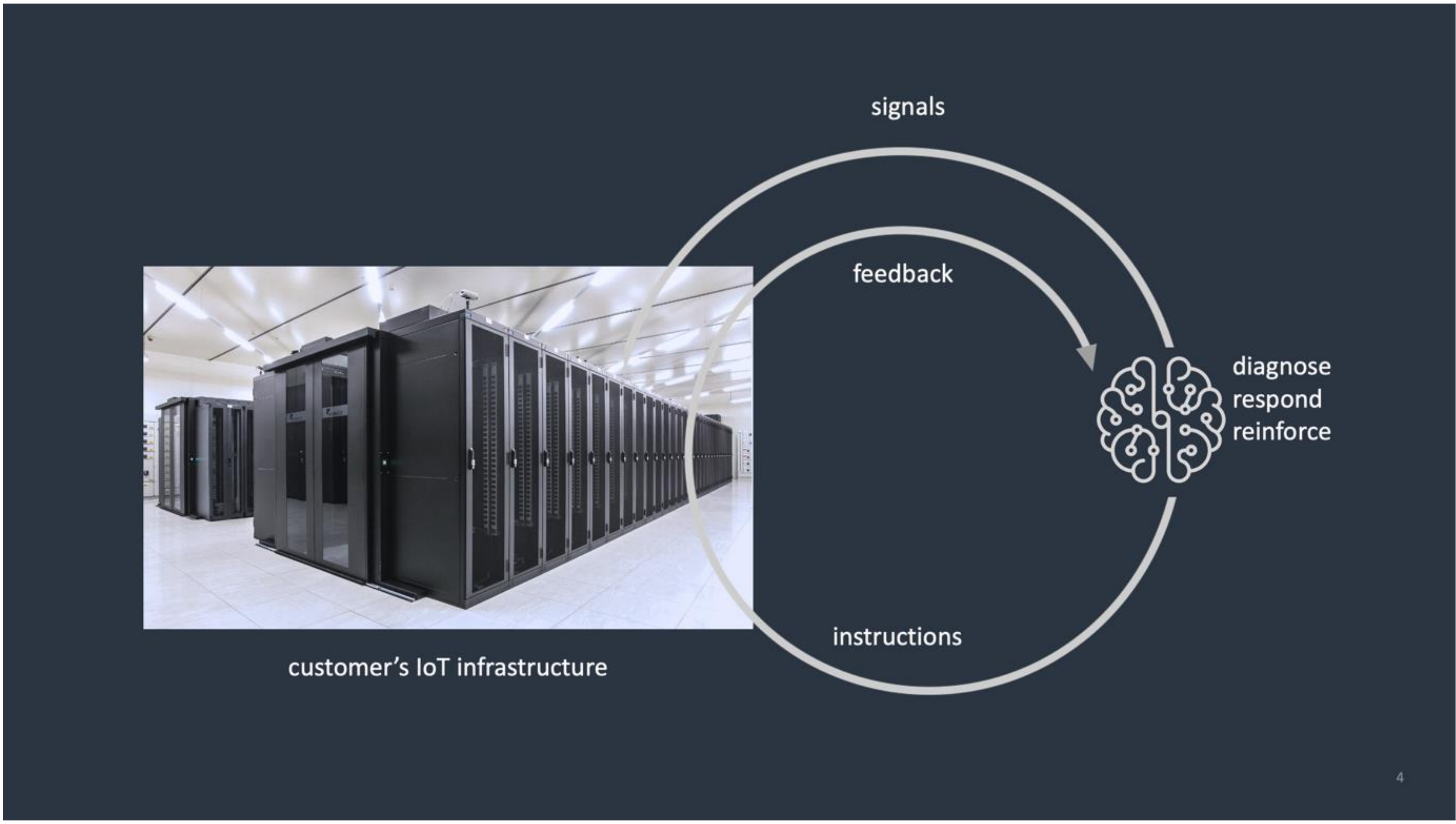


After the acquisition of arago, WISeKey repositioned the HIRO platform. The HIRO platform represents a unique form of AI that mimics human capabilities of continuous learning by applying knowledge in addition to experience. WISeKey now combats cybercrime with the HIRO platform with its innovative cybersecurity automation solution, a domain That Gartner calls “SOAR” for Security Orchestration, Automation and Response.

A first approach to process automation is found in the service desk domain. This domain is called RPA, Robotic Process Automation and RPA vendors offer automation by screen scraping and scripting the routine tasks of service desk operators. The fundamental flaw of RPA for cybersecurity automation is that enterprise applications and IT configurations change continuously, which means that the RPA scripts need to be continuously adapted.



An evolved way of process automation is through ML, Machine Learning. ML for automating tasks uses lots and lots of data collected from events and human responses, and aims to finds patterns that can be reused. The fundamental flaw of RPA for cybersecurity automation is that security incidents are unpredictable as attacks and malware continuously evolve, let alone the risks of zero-day attacks.



The HIRO platform fundamentally addresses the flaws of RPA and ML. Its "rational learning" engine is bootstrapped by capturing the expertise and experience of cybersecurity experts and encoding the desired response in generic knowledge items. The platform then interprets incoming security alerts, determines a response strategy using this initial network of knowledge items, issues commands, and then evaluates the feedback. It retains successful strategies and continuously adapts the network of knowledge items to obtain optimal response.

The "rational learning" model of HIRO provides both swift and adequate response to security incidents, even before they escalate or spread.

In 2021, HIRO platform helped companies like Swisscom, T-systems, Choiceworx, and Mahle to deal with telecom and desktop incidents adequately and rapidly.

WISEKEY TRUST SERVICES 2021 HIGHLIGHTS

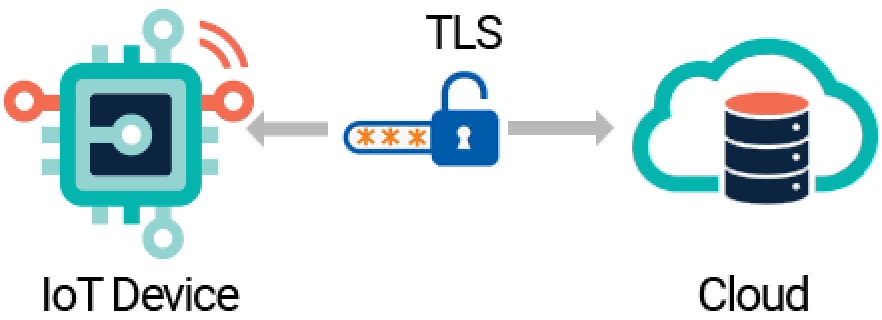
WISeKey evolved its Personal ID platform, WISeID, to facilitate end user adoption:

- New KYC (Know Your Customer) features to automate identity validation. The provision of trusted digital identities requires the validation of the citizen identity of the person creating a WISeID Account. WISeKey automated the process of verifying official ID documents and face recognition, which eliminates the need of human intervention in the process and enables to purchase and validate the identity remotely.
- New WISe.Cloud Service allows the WISeID users to subscribe for secure cloud storage. This service adds capabilities similar to Microsoft OneDrive or Dropbox to the WISeID Account, but offers much stronger security and Swiss privacy.
- New Cloud Signature Service allows WISeID users to digitally sign documents as an added value to their validated WISeID Account. This service is already available to selected customers to dematerialize their corporate or eGovernment services.

WISeID and NFT

WISeKey is combining its WISeID with NFT technology, to offer Self-Sovereign Identity to individuals. Associating attributes of their identity with an NFT, people have sovereignty over their digital identity without a central authority. People can self-declare claims and have those claims independently verified for them, while parties who interact with the identity can rely on those claims in confidence.

IoT Identity



WISeKey, through its Swiss Trust Services business unit, has built a platform and managed services to manage identities of connected IoT devices. WISeKey enhanced this service to support the growing market by:

- Adding new capabilities to integrate its platform with IoT Cloud services such as Amazon's AWS IoT Core and Microsoft's Azure IoT Cloud.
- Adapting the platform to be compliant with industry requirements such as the WI-Sun Alliance, which is opening new business opportunities in Asia.
- Advancing in a seamless integration of the identity provisioning services with our Secure Semiconductors.

Relative to SSL certificates (digital certificates to protect web applications), WISeKey had a "non-compete agreement" with the acquirer of QuoVadis until the end of 2021. WISeKey, through the partnership agreement signed with CrossCert (see "Agreements" section) now resumed the issuance of these certificates. WISeKey developed a new eCommerce portal (the "CertifyID TLS Manager") to allow resellers and end-customers to manage their orders, facilitate and automate the sales and payment process. The market of SSL certificates is expected to be $125 million in 2022 and to double its size by 2026.

Seychelles

WISeKey signed an agreement with the Seychellois Government to deliver its WISeID technology to build a new national platform for digital identity. This project consists of the branding and customization of the WISeID Platform, renamed as SeyID, to deliver a web and mobile App solution for the citizens, visitors, and international merchants, to obtain a digital identity that will enable access to eGovernment portals and other services proposed by the Government, jointly with private initiatives such as eBanking or Tourist services, delivered by authorized partners. The SeyID platform implements all the capabilities of WISeID for automated onboarding using KYC video-identification and the Government will integrate the digital signature services to dematerialize the eGovernment transactions.

CrossCert

WISeKey signed a partnership initiative with the Korean PKI specialist and APAC market leader CrossCert, through its brand "TuringSign." This partnership leverages WISeKey's capabilities to deliver trusted digital certificates through the new "CertifyID TLS Manager" portal. This service was deployed in 2021 in Korea, will aggregate soon Singapore, Hong Kong, Taiwan, Japan, and China during the first phase, and later include the US and Europe, aiming to become a global incumbent player in the SSL certificate market.

WISePIC: Personal Immunity Certificate

WISeKey signed a strategic agreement with eLoop a Swiss Startup to combine WISeID with PIC offering provides a state-of-the-art digital certified immunity and vaccination booklet developed on blockchain. It is fully secured, GDPR compliant and meets international standards (VCI). This is part of WISeKey Health strategy and provides with a variety of services to patients such as on the spot connection with doctors, ect.

WISeID MPKI Services: Billon Group qualified signatures

WISeKey signed an agreement with Billon Group to enable our Managed PKI Services to be integrated with a DLT platform integrating electronic identification processes and digital signatures allows for remote submission of declarations of will and conclusion of contracts in compliance with national regulations and eIDAS. Providing all-in-one technology & services for user authentication and verification as well as advanced digital signatures and the support for qualified signatures for signing documents remotely.

WISeID MPKI Services: Komgo Trading Platform

WISeKey signed an agreement with Komgo to enable the use of Managed PKI Services for strong authentication and digital signature of transaction for Komgo trading platform avoiding cyber-fraud and assuring the genuinely of documents and verification of their origin.

New WISeID Value Added Resellers

In Germany and Switzerland, companies such as CoreBit GmbH, LoRop GmbH and Uditis are reselling personal digital certificates across different territories for strong authentication and secure email services.

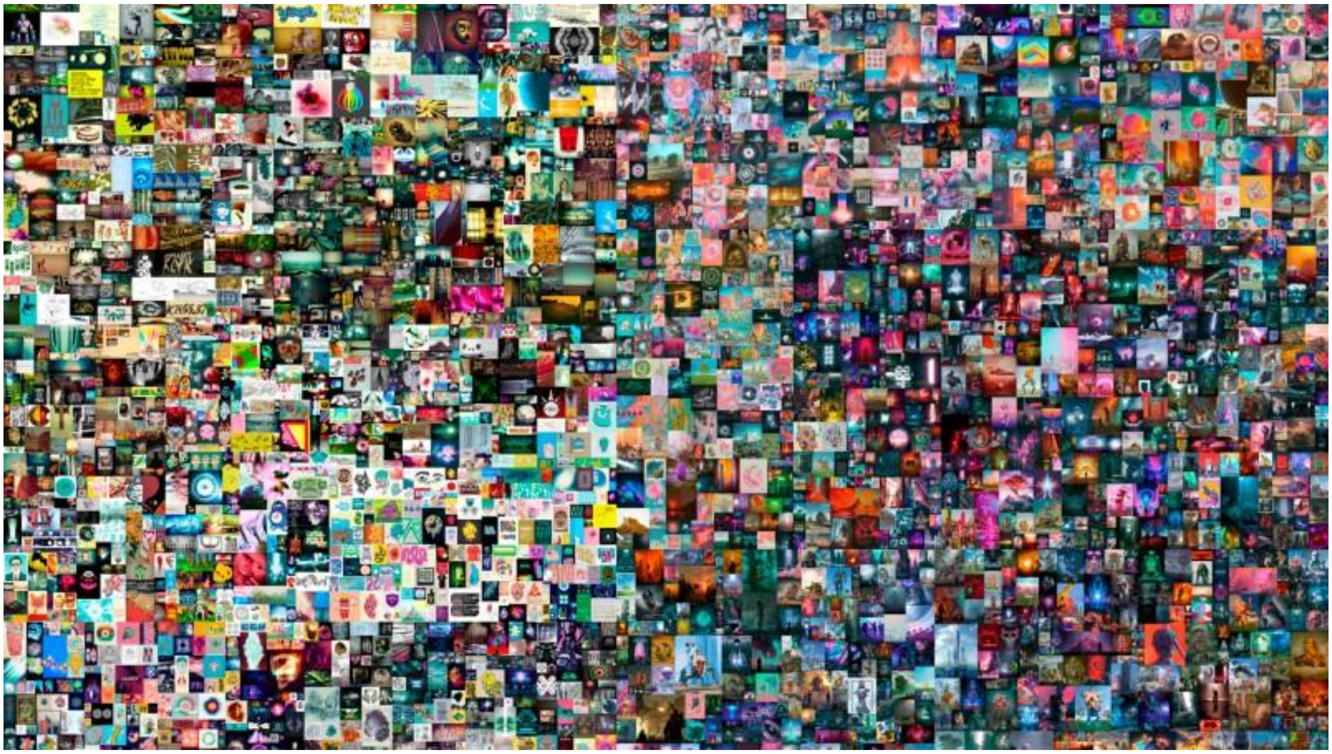
WISE.ART 2021 HIGHLIGHTS

After successfully testing market viability with several successful NFT auctions, WISeKey announced mid 2021 its own platform for trading high–value NFTs from the collectible and luxury space incorporating vetting, provenance, proof of ownership, and follow-on monetization control into the NFTs. The NFT design of the WISe.ART platform ensures that besides an authenticated and signed version of the actual digital asset, an irreversible link to a physical object is set up whenever applicable, in addition to proof of ownership, provenance and a set of contracts describing future use and monetization streams. NFTs and the platform are secured by WISeKey's various security technologies enabling the verification of physical objects as well as digital assets in a safe end-to-end process.

The white-labeling option allows brands to include a part of the WISe.ART platform into their own ecosystems and websites to securely auction, trade and display high-value collectable NFTs, a brand building alternative of the digital world.

Part of the foundation WISeID trusted identity service enables access to the web and mobile applications with strong authentication techniques. WISeID supports online KYC onboarding, OTP, and digital certificate login.

WISe.ART integrates as an option the NFT Trusted NFC Tag equipped with WISeKey VaultIC semiconductors tamper-resistant secure chips with firmware that bring digital security and cryptographic functions to Cold Wallets and other cryptographic-enabled devices, as part of WISeKey's scalable security framework.

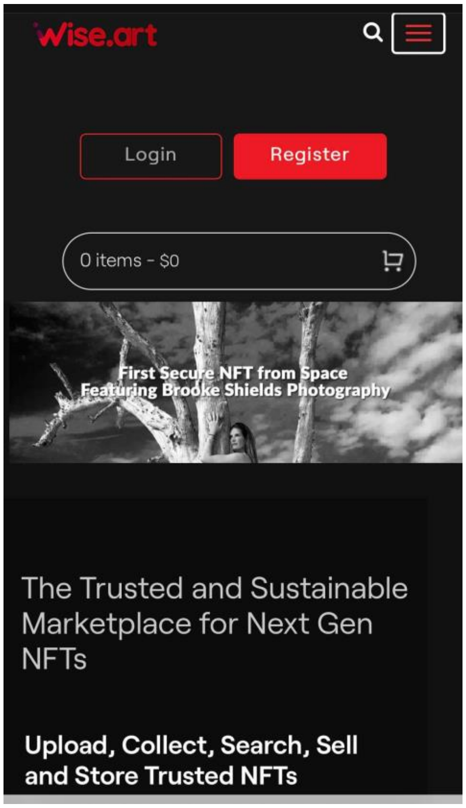


Ecosystem of the WISe.ART platform

WISeKey is developing an ecosystem around its WISe.ART platform, such as:

- WISe.ART's membership of Crypto Climat Accord ensures that NFTs on the WISe.ART platform comply with upcoming ESG regulations and the desire of most collectors to protect the planet. Therefore, WISe.ART in collaboration with the OISTE Foundation supports projects, which allow the tokenization of CO2 savings on an individual level targeting human users of digital products, to capture respective CO2 savings and aggregate, measure, incentivize and ultimately monetize positive CO2 behavior. The opportunity to raise funds for the OISTE action is offered three-fold to the artist (creator), to the collector (buyer) and to WISe.ART with every transaction carried out on the platform.
- WISeKey, Luminaries21.com and OISTE Foundation signed a strategic agreement for the development of a metaverse for world leaders and celebrities, members of Luminaries 21, to create NFTs for Good to promote sustainable causes and create NFTs for the 1091 worldwide leading members of Luminaries 21 such as House of Alba or the Prado Museum.
- Through its partnership with the Chinese Museum of Finance, WISe.ART was selected to auction a historical Jiaozi NFT, the world's first government-issued paper currency created in 1024 and by China Financial Heritage Foundation for future development of 1,000 NFTs jointly operated by the China Museum of Finance and NFT distributors, such as gifts to international financial institutions, museums, and key industry leaders.

- WISe.ART features artwork from artists like Luca Bonfanti (Switzerland), Vika Kova (EU), Marcella Moser (Canada), Mike Nwogugu (USA), and Pedro Sandoval, a Luminaries21 leader (EU), Evan Kareem (USA), Tina Buchholtz (EU), Patrick Hourcade(EU), Jaime Miranda-Bambarén (Peru), Indra Putra (Bali), Leila Fisher (EU), Javier Arrés (SPAIN), Gala Mirissa (EU), Marco Oggian (EU), Óscar Carrasco (EU) and Max Mitenkov (Belarus). Many other artists will be added in the coming weeks/months including Amanda Weasy (USA), Alyaâ Kamel (Switzerland), Alexis Reynaud (Switzerland), Charlotte Qin (China), Vinkii Morito (China), Melinda Infante (Switzerland), to name a few.
- Museum and other major partnerships are being negotiated with IMA (EU), VOMA (UK), ArtBasel (worldwide), NAF (TEFAF NL), ArtNet (worldwide), ArtGeneve (Switzerland), the Venice Biennale etc.
- WISe.ART's communication strategy includes dedicated social media pages opened with a view to grow a significant community of followers and collectors. A series of Webinars were run in 2021 and additional podcasts are being explored for 2022.
- WISe.ART punctual appearances were scheduled including ArtBasel Basel & Miami, Nasdaq Investors' Day as well as several videos prepared for the Nasdaq Tower in Q4 2021.



WISe.ART Marketplace, through technology blockchain provides a secure record of digital operations without the intermediation of third parties, guarantees authenticated and signed versions of these assets, in addition to managing their sale.

The new WISe.ART 2.1 NFT Marketplace version secured by WISeKey is now live and fully operational with over 100 artists loading NFTs to the platform.

The new 2.10 version includes new features providing art collectors and artists both, a secure marketplace and platform where NFT buyers and sellers can easily connect their crypto wallets to instantly purchase or list their NFTs for sale.

WISeKey will join forces at the Crypto Art Island event, which takes place in Gibraltar, from April 29 to May 4, 2022. During the event, some of the world's most innovative NFT art created by leading artists will be auctioned on WISeKey's entrusted NFT platform, WISe.ART.

WISeKey has added the support of Polygon and CasperLabs blockchains, drastically reducing and even eliminating gas fees for creators, buyers and sellers on the WISe.ART marketplace. WISe.ART is working on cross-blockchain support, enabling a truly open data economy with the support of Ethereum, Polygon and CasperLabs and gradually add new chains so to ensure interoperability and scalability as part of WISeKey's overall strategy to act as a leading platform of the Web3.0 revolution

WISEKEY 2021 RECOGNITIONS

As a pure play IoT cybersecurity player, WISeKey aims to achieve very high levels of security and certification for its products, with some of the techniques being patented. WISeKey wants its customer to rely on the tamper proofness of its chips and the audited management of keys and digital certificates.

Patent granted on NanoSealRT

In March 2021, an essential patent was granted to WISeKey for its NanoSealRT by the EU and the Chinese Patent Offices. NanoSealRT is an NFC Forum Type 5 semiconductor chip that works with both Android and IOS 12 devices and reinforces our position as a major Smart Label system provider, in traceability, anti-counterfeiting and consumer engagement applications.

Patent applied on NFT

In November 2021, WISeKey filed a patent application for a method that proves provenance, authenticity, persistence, and long-term value of NFTs. During the minting process, the method ensures that the NFT is not corrupted, incomplete, or ambiguous. The patent covers the method to store crucial information about the minter persistently off-chain, to provide assurance that the minter of the NFT was the originator or possessor of the object at the time of minting or had authority to mint the NFT. This also addresses the longevity of NFT's as it allows the owner of the NFT and their descendants, to discern whether an NFT is authentic, what object the NFT is associated with, and the location of that object, over decades of time.

Certification of VaultIC

The WISeKey VaultIC chips combine a powerful, secure microcontroller with hardware crypto accelerators and secure storage of user-defined sensitive or secret data. Their tamper-resistance is certified against FIPS 140-2 Level 3 criteria, a level not attainable by regular processors found in PCs. The chips are also certified against Common Criteria EAL5+. EAL5 provides customers assurance from security engineering based upon rigorous commercial development practices.

Certification key provisioning

The loading of digital IDs onto the chips at wafer level and at package level, and pairing chips with digital certificates happens through processes and software that are independently ISO27001 certified.

Certification of digital certificates

All digital certificates and digital ids are generated using FIPS 140-2 Level 3 certified Hardware Security Modules, located in WISeKey Common Criteria EAL5+ and ISO27001 certified data centers.

Certification of SSL Trust Services

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

CORPORATE GOVERNANCE REPORT

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

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

1 Group Structure and Significant Shareholders

1.1 Group Structure

1.1.1 Operational Group Structure

The Company is domiciled at General-Guisan-Strasse 6, 6300 Zug, Switzerland, and is the holding company of the WISeKey Group. It has a branch domiciled at Avenue Louis-Casaï 58, 1216 Cointrin, Switzerland, Switzerland. The Group conducts its business through subsidiaries in Europe, North and South America, and Asia. Although not all are wholly owned, all subsidiaries of the Company as of December 31, 2021 were assessed as being under control of the Group and have therefore been fully consolidated.

As of December 31, 2021, the main operating subsidiaries in the Group were WISeKey Semiconductors SAS, domiciled in France, WISeKey SA, domiciled in Switzerland, and arago GmbH, domiciled in Germany.

The Group’s segment reporting separates out the Internet of Things (“IoT”) activities with the manufacture and distribution of chip-based products, the Artificial Intelligence (“AI”) activities arising from the acquisition of arago on February 1, 2021 with artificial intelligence automation services, 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, 2021, WISeKey had, based on the Class B Shares, a market capitalization of CHF 67,018,934.30.

On December 4, 2019, the Company's 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, 2021, 5,786,427 ADSs were outstanding.

None of the other Group companies have securities listed on a stock exchange as of December 31, 2021.

1.1.3 Non-listed Companies Belonging to the WISeKey Group

As at December 31, 2021, the Group structure was as follows:

Group Company Name	Registered Office	Share Capital		% ownership as at December 31, 2021	% ownership as at December 31, 2020	Nature of business
WISeKey SA	Avenue Louis-Casai 58, 1216 Cointrin, Geneva, Switzerland	CHF	933,436	95.75%	95.75%	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	Avenue Louis-Casai 58, 1216 Cointrin, Geneva, Switzerland	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey ELA SL	Calle Rodriguez Arias No 15, Bilbao, Spain	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	20-22 Bedford Row, London WC1R 4JS, United Kingdom	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc[1]	731 James Street, Suite 400, Syracuse, New York 13203-2003, USA	USD	6,500	100% *	100% *	Sales & support
WISeKey India Private Ltd[2]	C-4/5, Lower Ground Floor, Safdarjung Development Area, New Delhi, South Delhi, Delhi, India, 110016	INR	1,000,000	45.9%	45.9%	Sales & support
WISeKey IoT Japan KK	3F, 1-9-7 Kanda-Awajicho, Chiyoda-ku, Tokyo, Japan	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey IoT Taiwan	Hun Tai Centre, 2/F-A, 170 Dunhua North Road, Singshan District, Taipei 10548, Taiwan	TWD	100,000	100.0%	100.0%	Sales & distribution
WISeCoin AG	General-Guisan-Strasse 6, 6300 Zug, Switzerland	CHF	100,000	90.0%	90.0%	Sales & distribution
WISeKey Equities AG	c|o WISeKey International Holding AG, General-Guisan-Strasse 6, 6300 Zug, Switzerland	CHF	100,000	100.0%	100.0%	Financing, Sales & distribution
WISeKey Semiconductors GmbH	Riestrasse 16, c/o Design Office 88 North, 80992 Munich, Germany	EUR	25,000	100.0%	100.0%	Sales & distribution
WISeKey Arabia - Information Technology Ltd	E.A.Juffali& Bros. main office, Al-Andalus, Madina Road, Nour Al-Qoloub St., 21431 Jeddah, Saudi Arabia	SAR	200,000.00	51.0%	51.0%	Sales & distribution
TrusteCoin AG[3]	c|o WISeKey International Holding AG, General-Guisan-Strasse 6, 6300 Zug, Switzerland	CHF	100,000	100.0%	51.0%	Sales & distribution
arago GmbH	Lindleystrasse 8a - 60314 Frankfurt-Main, Germany	EUR	266,808	51.0%	n/a	Process automation using AI, sales and support
arago Da Vinci GmbH[4]	Lindleystrasse 8a - 60314 Frankfurt-Main, Germany	EUR	25,000	51.0%	n/a	Sales & support
arago Technology Solutions Private Ltd[4]	Level 8, Tower 1, Umiya Business Bay, Cessna Business Park, Bangalore 560103, Karnataka, India	INR	100,000	51.0%	n/a	Sales & support
arago US Inc.[4]	41 East 11th Street , 10003 New York, USA	USD	25	51.0%	n/a	Sales & support
WISeKey Vietnam Ltd	29th Floor, East Tower, Hanoi Lotte Center, No 54 Lieu Gia, Cong Vi, Ba Dinh, Ha Noi, Vietnam	VND	689,400,000	95.75%	n/a	R&D

[1] 50% owned by WISeKey SA and 50% owned by WiseTrust SA
[2] 88% owned by WISeKey SAARC which is controlled by WISeKey International Holding AG
[3] Formerly WiseAI AG, 100% owned by WISeKey International Holding AG from August 27, 2021
[4] 100% owned by arago GmbH

1.1.4 Significant Changes to the Group Structure after December 31, 2021

On March 14, 2022, the Group signed Share Purchase and Transfer Agreement to sell its 51% ownership in arago and its affiliates to OGARA GmbH, with Neutrino acting as "Buyer Guarantor". The sale is expected to be completed in the second quarter of 2022. The group subsidiaries making up the arago Group in scope for the sale are arago GmbH, arago Da Vinci GmbH, arago Technology Solutions Private Ltd, and arago US Inc. The completion of the sale is conditional on the consideration being transferred to WISeKey and the shares owned by the Group being transferred to OGARA.

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 ac-quire 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, 2021. 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 2021, including with respect to sale and purchase positions, and then published on the SIX electronic publication platform in accordance with the FMIA and the rules and regulations promulgated thereunder please refer to the search facility of the SIX Disclosure Office at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

	Number of Shares owned		Total number of voting rights	Percentage of voting rights
Name	**Class A Shares**	**Class B Shares**		
Lock-up group consisting of Carlos Moreira and one additional member	40,021,988	-	40,021,988	31.23%

1.3 Cross-shareholdings

The Company is not aware of any cross-shareholdings.

2 Capital Structure

2.1 Capital

As at December 31, 2021, the Company's statutory share capital amounted to CHF 4,806,222.58, divided into 40,021,988 Class A Shares and 88,120,054 Class B Shares. In addition, as at December 31, 2021 the Company had outstanding 529,330 Class B Shares, corresponding to a nominal value of CHF 26,466.50, issued out of the Company's conditional share capital that had not yet been registered with the commercial register. Therefore, as at December 31, 2021, the total outstanding capital therefore amounted to CHF 4,832,689.08, divided into 40,021,988 Class A Shares and 88,649,384 Class B Shares. All Shares are registered shares (*Namenaktien*) and all Class A Shares and 88,561,014 Class B Shares are issued in form of intermediated securities (*Bucheffekten*) and 88,370 Class B Shares are issued in certificated form. The Shares are fully paid and rank economically pari passu with each other. As at December 31, 2021, a total of 33,340,642 Class B Shares were held in the dispo-SIS account, i.e. not as registered shares.

As at December 31, 2021, the Company held no Class A Shares and 7,201,664 Class B Shares in treasury.

As at December 31, 2021, the Company had 5,786,427 ADSs outstanding which were traded on the NASDAQ.

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

2.2 Authorized and Conditional Share Capital

2.2.1 Authorized Share Capital

The Board of Directors of the Company (the “Board”) is authorized to issue new Class B Shares at any time during a period expiring May 25, 2023 and thereby increase the Company's share capital, without the approval of the shareholders, in a maximum amount of CHF 923,460.35 through the issuance of up to 12,327,506 fully paid-in Class B Shares in connection with a possible acquisition by the Company of all shares held by Mr. Hans-Christian Boos, or companies controlled by him, in arago GmbH (AG Frankfurt, HRB 100909) and 6,141,701 new fully paid-in Class B Shares, corresponding to 19.21% of the share capital and 14.41% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2021. An increase in partial amounts is permitted.

After May 25, 2023, authorized share capital will be available to the Board for issuance of additional Class B Shares only if the authorization is reapproved by the Company's shareholders at the 2023 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, 2021[2], 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 1,573,460.35 or up to 31,469,207 new Class B Shares, corresponding to 32.74% of the share capital and 24.56% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2021, without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued:

— up to an amount of CHF 1,258,460.35 by the issuance of up to 25,169,207 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 315,000 by the issuance of up to 6,300,000 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.

At the extraordinary general meeting held on January 28, 2021, the Company's shareholders approved the creation of a conditional share capital that authorized the issuance of new Class A Shares of up to a maximum amount of CHF 120,000 or up to 12,000,000 new Class A Shares, corresponding to 2.50% of the share capital and 9.36% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2021, without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued in connection with the direct or indirect issuance of shares, options or related subscription rights to the members of the Board of Directors of the Company and members of executive management of the group.

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.

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[2] The Company issued Class B Shares out of the conditional share capital during fiscal year 2021 as further set out under Section 2.3. thus reducing the number of Class B Shares issuable under the Company's existing share capital. Only Class B Shares issued out of the conditional share capital up until June 30, 2021 are reflected in the Articles in force as of December 31, 2021.

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

a) such issuance is for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or for new investment projects; or

b) such instruments are issued to strategic investors; or

c) such instruments are issued on national or international capital markets or through a private placement.

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

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

2.3 Changes in Capital

Since January 01, 2019, the share capital of the Company has been increased as follows:

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

— On January 9, 2020, as part of a private investment in public equity transaction, the Company issued 378,788 new Class B Shares out of authorized capital to a private investor, Cecilia Lo, on a non-preemptive rights basis, against the contribution in cash of CHF 972,539.69 resulting in an increase in share capital by CHF 18,939.40, and a contribution to the capital contribution reserves of the Company of CHF 953,600.29.

— On May 6, 2020, the Company amended its Articles to record the issuance out of its conditional capital of a total number of 2,414,939 Class B Shares during the period commencing on January 1, 2019 and ending on April 30, 2020. As a result, the conditional share capital available to the Company was reduced by 2,414,939 Class B Shares or CHF 120,746.95 to CHF 471,257.55, the share capital of the Company was increased by 2,414,939 Class B Shares or CHF 120,746.95 to CHF 1,981,110.53, and the capital contribution reserves were increased by CHF 3,354,000.

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

— On June 10, 2020, the Company issued 3,000,000 new Class B Shares at nominal value out of authorized capital to WISeKey Equities AG against a contribution in cash of CHF 150,000, resulting in an increase in share capital by CHF 150,000.00. No capital contribution reserves were created. The issuance of these 3,000,000 Class B Shares occurred for the sole purpose of creating an advance of Class B Shares for delivery to YA II PN Ltd upon drawdowns 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”), to Crede CG III, Ltd. (“Crede”) in connection with conversions by Crede under the convertible loan agreement entered into by and between Crede and the Company on September 28, 2018, and to Nice & Green SA (“Nice & Green”) in connection with conversions by Nice & Green under the Agreement for the Issuance and Subscription of Convertible Notes entered into by and between Nice & Green SA and the Company on May 18, 2020 (the “Nice & Green Facility”).

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

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

— On April 15, 2021, the Company issued 12,986,037 new Class B Shares at nominal value out of authorized capital to WISeKey Equities AG against a contribution in cash of CHF 649,301.85, resulting in an increase in share capital by CHF 649,301.85. No capital contribution reserves were created. The issuance of these 12,986,037 Class B Shares occurred for the sole purpose of creating an advance of Class B Shares for delivery to GTO pursuant to the GTO Facility, and for further financial instruments falling under the article 38 para. 1 letter b of the Financial Services Act, dated as of 15 June 2018 (“FINSA”) that the Company may enter into after April 15, 2021.

— On April 15, 2021, the Company also amended its Articles to record the issuance out of its conditional capital of a total number of 12,111,328 Class B Shares during the period commencing on December 1, 2020 and ending on April 1, 2021. As a result, the conditional share capital available to the Company was reduced by 12,111,328 Class B Shares or CHF 605,566.40, the share capital of the Company was increased by 12,111,328 Class B Shares or CHF 605,566.40, and the capital contribution reserves were increased by CHF 12,323,695.73.

— On September 30, 2021, the Company issued 15,400,000 new Class B Shares at nominal value out of authorized capital to WISeKey Equities AG against a contribution in cash of CHF 770,000, resulting in an increase in share capital by CHF 770,000. No capital contribution reserves were created. The issuance of these 15,400,000 Class B Shares occurred for the sole purpose of creating an advance of Class B Shares for delivery to L1 Capital Global Opportunities Master Fund (“L1”) pursuant to a convertible facility agreement entered into by and between L1 and the Company on June 29, 2021, as amended on September 27, 2021 (the “L1 Facility”), and to Anson Investments Master Fund LP (“Anson”) pursuant to a convertible facility agreement entered into by and between Anson and the Company on June 29, 2021, as amended on September 27, 2021 (the “Anson Facility”).

— Between April 2, 2021 and December 31, 2021, 529,330 Class B Shares that have not yet been recorded in the Articles as at December 31, 2021, were issued out of the Company's conditional share capital in connection with convertible facilities and the Company’s ESOP as defined below, thereby increasing the share capital by CHF 26,466.50 and the capital contribution reserves by CHF 592,657.85. These 529,330 Class B Shares were not yet registered with the commercial register as at December 31, 2021.

2.4 Shares and Participation Certificates

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

Articles. The following matters require approval by a majority of the par value of the Shares represented at the general meeting (each Class A Share having a par value of CHF 0.01 per share and each Class B Share having a par value of CHF 0.05 per share):

— electing the Company's auditor;

— appointing an expert to audit the Company's business management or parts thereof;

— adopting any resolution regarding the instigation of a special investigation; and

— adopting any resolution regarding the initiation of a derivative liability action.

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

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

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

2.5 Dividend-Right Certificates

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

2.6 Limitations on Transferability and Nominee Registrations

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

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

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

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

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

Each holder of Class A Shares has entered into an agreement (each such agreement a "Shareholder Agreement") with the Company, pursuant to which such holder of Class A Shares has given the undertaking vis-à-vis the Company not to (i) directly or indirectly offer, sell, transfer or grant any option or contract to purchase, purchase any option or contract to sell, grant instruction rights with respect to or otherwise dispose of, or (ii) solicit any offers to purchase, otherwise acquire or be entitled to, any of his/her/its Class A Shares or any right associated therewith (collectively a “Transfer”), except if such Transfer constitutes a “Permitted Trans-fer”, 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 February 8, 2018, the Company entered into the SEDA (as amended) with YA II PN, Ltd., George Town, Cayman Islands, a fund managed by Yorkville Advisors Global LLC ("Yorkville"). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50,000,000 in exchange for Class B Shares over a three-year period ending March 1, 2021. Based on an amendment dated March 4, 2020, the three-year period was extended by two years, now ending on March 31, 2023. After several drawdowns made by WISeKey under the SEDA in 2018, 2019, 2020 and 2021, and resulting in the issuance of an aggregate 2,416,797 Class B Shares, the remaining amount available for drawdown as at December 31, 2021 is CHF 45,643,955.15. Provided that a sufficient number of Class B Shares is provided through the share lending mechanism provided for in the SEDA , the Company has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5,000,000 by drawdown, subject to certain exceptions and limitations (including the exception that a drawdown request by WISeKey shall in no event cause the aggregate number of Class B Shares held by Yorkville to reach or exceed 4.99% of the total number of shares registered with the commercial register of the Canton of Zug). The sub-scription 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 November 4, 2021 as a basis, which assumed a hypothetical subscription price of CHF 1.03 (rounded) (i.e. CHF 1.11 discounted by 7% in accordance with the terms of the SEDA) per new Class B Share, and further assuming that the entire remaining SEDA subscription amount of CHF 45,643,955.15 would be drawn down by the Company, Yorkville would receive, subject to a respective (hypothetical) drawdown request by the Company, 44,215,785 Class B Shares, corresponding to a nominal value of CHF 2,210,789.25, which represents 46.00% of the share capital and 34.51% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2021. Note that the actual subscription price at which the Company may request Yorkville to subscribe for or purchase Class B Shares under the SEDA may be lower or higher than CHF 1.03 (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 May 18, 2020, WISeKey entered into the Nice & Green Facility with Nice & Green SA, pursuant to which WISeKey has the right to draw down up to a maximum of CHF 10,000,000 in up to 25 tranches, each of which is divided into 25 convertible notes (the “Nice & Green Convertible Notes”), during a commitment period of 24 months commencing on May 20, 2020. The Nice & Green Convertible Notes do not bear interest. Subject to a cash redemption right of WISeKey, the Nice & Green Convertible Notes are mandatorily convertible into Class B Shares within a period of 12 months from issuance of the respective Nice & Green Convertible Notes (the “Nice & Green Conversion Period”). Conversion takes place upon request by Nice & Green during the Nice & Green Conversion Period, but in any case no later than at the expiry of the Nice & Green Conversion Period, at a conversion price of 95% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the ten trading days preceding the relevant conversion date. WISeKey made several drawdowns in 2020 under the Nice & Green Facility and the remaining amount available for drawdown as at December 31, 2021 is CHF 1,083,111. In 2020, Nice & Green requested to con-vert all Nice & Green Convertible Notes issued in 2020, resulting in the issuance of 8,688,469 Class B Shares to Nice & Green. Therefore, as at December 31, 2021, there were no Nice & Green Convertible Notes outstanding. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on November 4, 2021 as a basis, which assumed a hypothetical con-version price of CHF 1.05 (rounded) (i.e. CHF 1.11, discounted by 5%, in accordance with the terms of the Nice & Green Facility) per Class B Share, and further assuming that the entire remaining amount of the Nice & Green Facility (CHF 1,083,111) would be drawn down and immediately converted in one step, Nice & Green would receive 1,027,132 Class B Shares, corresponding to a nominal value of CHF 51,356.60, which represents 1.07% of the share capital and 0.80% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2021. Note that the exact number of Class B Shares that the Company may issue to Nice & Green in connection with the conversion rights associated with the Nice & Green Facility may be lower or higher (depending on the market conditions prevailing at the relevant time) than in the example used herein.

On 29 June 2021, WISeKey entered into the L1 Facility with L1, as amended on September 27, 2021, pursuant to which L1 com-mitted to grant loans, in several tranches and in the form of convertible notes (the “L1 Convertible Notes”), to WISeKey up to a maximum amount of USD 22,000,000, subject to certain conditions, over a period of 24 months. The L1 Convertible Notes bear interest at a rate of 6% per annum (“L1 Interest”). Subject to a cash redemption right of WISeKey, the L1 Convertible Notes are mandatorily convertible into Class B Shares within a period of 24 months from issuance of the respective L1 Convertible Notes (the “L1 Conversion Period”), extendable under certain conditions by a maximum of 6 months (the “L1 Maximum Conversion Period”). Conversion takes place upon request by L1 during the L1 Conversion Period, but in any case no later than at the expiry of the L1 Maximum Conversion Period. The conversion price applied to the principal amount of the L1 Convertible Notes and accrued interest, converted into CHF at the relevant exchange rate, will be (1) the lower of (i) 95% of the lowest volume weighted average price of a Class B Share on the SIX Swiss Exchange during the five trading days preceding the relevant conversion date and (ii), depending on the tranche, a fixed conversion price ranging from CHF 4 to CHF 7.50, for the tranches subscribed under the original agreement, and (2) 90% of the lowest volume weighted average price of a Class B Share on the SIX Swiss Exchange during the ten trading days preceding the relevant conversion date for the tranches subscribed under the amendment dated September 27, 2021. WISeKey made several loan subscriptions in 2021 under the L1 Facility and the remaining amount available for loans as at December 31, 2021 is USD 5,000,000. In 2021, L1 requested to convert L1 Convertible Notes issued in 2021 for a total amount of USD 13,500,000, resulting in the issuance of 11,858,831 Class B Shares to L1. Therefore, as at December 31, 2021, the amount of L1 Convertible Notes outstanding was USD 3,500,000. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 31, 2021 as a basis, which assumed a hypothetical conversion price of (i) CHF 0.7733 per Class B Share for the amounts outstanding under the original agreement (i.e. CHF 0.814, discounted by 5%, in accordance with the terms of the L1 Facility) and (ii) CHF 0.7326 per Class B Share for the amounts outstanding under the amendment dated September 27, 2021 (i.e. CHF 0.814, discounted by 10%, in accordance with the terms of the L1 Facility), and further assuming that (a) the entire remaining amount of the L1 Facility (USD 5,000,000) would be subscribed for and converted, (b) all outstanding L1 Convertible Notes (USD 3,500,000) would be converted, (c) all L1 Interest to be earned until the end of the respective L1 Conversion Periods of each L1 Convertible Note would be converted, and (d) the applicable exchange rate is CHF 0.9210 for USD 1.00, L1 would receive 11,659,816 Class B Shares, corresponding to a nominal value of CHF 582,990.80, which represents 12.13% of the share capital and 9.10% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2021. Note that the exact number of Class B Shares that the Company may issue to L1 in connection with the conversion rights associated with the L1 Facility may be lower or higher (depending on the market conditions prevailing at the relevant time) than in the example used herein.

On 29 June 2021, WISeKey entered into the Anson Facility with Anson, as amended on September 27, 2021, pursuant to which Anson com-mitted to grant loans, in several tranches and in the form of convertible notes (the “Anson Convertible Notes”), to WISeKey up to a maximum amount of USD 22,000,000, subject to certain conditions, over a period of 24 months. The Anson Convertible Notes bear interest at a rate of 6% per annum (“Anson Interest”). Subject to a cash redemption right of WISeKey, the Anson Convertible Notes are mandatorily convertible into Class B Shares within a period of 24 months from issuance of the respective Anson Convertible Notes (the “Anson Conversion Period”), extendable under certain conditions by a maximum of 6 months (the “Anson Maximum Conversion Period”). Conversion takes place upon request by Anson during the Anson Conversion Period, but in any case no later than at the expiry of the Anson Maximum Conversion Period. The conversion price applied to the principal amount of the Anson Convertible Notes and accrued interest, converted into CHF at the relevant ex-change rate, will be (1) the lower of (i) 95% of the lowest volume weighted average price of a Class B Share on the SIX Swiss Exchange during the five trading days preceding the relevant conversion date and (ii), depending on the tranche, a fixed conversion price ranging from CHF 4 to CHF 7.50, for the tranches subscribed under the original agreement, and (2) 90% of the lowest volume weighted average price of a Class B Share on the SIX Swiss Exchange during the ten trading days preceding the relevant conversion date for the tranches subscribed under the amendment dated September 27, 2021. WISeKey made several loan subscriptions in 2021 under the Anson Facility and the remaining amount available for loans as at December 31, 2021 is USD 5,500,000. In 2021, Anson requested to convert Anson Convertible Notes issued in 2021 for a total amount of USD 9,800,000, resulting in the issuance of 8,228,262 Class B Shares to Anson. Therefore, as at December 31, 2021, the amount of Anson Convertible Notes outstanding was USD 6,700,000. By way of illustration, using the Company's disclosure on the SIX Disclosure Platform made on December 31, 2021 as a basis, which assumed a hypothetical conversion price calculated on the basis of the closing price of the Class B Shares on December 1, 2021 (CHF 0.892) as follows: (i) CHF 0.8474 per Class B Share for the amounts outstanding under the original agreement (i.e. CHF 0.892, discounted by 5%, in accordance with the terms of the Anson Facility) and (ii) CHF 0.8028 per Class B Share for the amounts outstanding under the amendment dated September 27, 2021 (i.e. CHF 0.892, discounted by 10%, in accordance with the terms of the Anson Facility), and further assuming that (a) the entire remaining amount of the Anson Facility (USD 5,500,000) would be subscribed for and converted, (b) all outstanding Anson Convertible Notes (USD 6,700,000) would be converted, (c) all Anson Interest to be earned until the end of the respective Anson Conversion Periods of each Anson Convertible Note would be converted, and (d) the applicable exchange rate is CHF 0.9118 for USD 1.00, Anson would receive 16,655,238 Class B Shares, corresponding to a nominal value of CHF 832,761.90, which represents 17.33% of the share capital and 13.00% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2021. Note that the exact number of Class B Shares that the Company may issue to Anson in connection with the conversion rights associated with the Anson Facility may be lower or higher (depending on the market conditions prevailing at the relevant time) than in the example used herein.

2.7.2 Options, Warrants and Similar Instruments

As of December 31, 2021, the Company has an aggregate number of 13,627,822 outstanding options and warrants, which entitle the respective holders of such options and warrants to acquire a total of 13,627,822 Class B Shares:

— On September 28, 2018, the Company signed a Warrant 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 Warrant Agreement originally expired on October 29, 2021 but an amendment signed on September 18, 2020 extended the warrant to October 29, 2023. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants 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, equaling to 0.42% of the share capital and 0.32% of the voting rights, calculated based on the share cap-ital of the Company registered with the commercial register of the Canton of Zug as of December 31, 2021.

— On June 27, 2019, the Company signed a Warrant Agreement with Yorkville whereby it granted Yorkville the right to ac-quire up to 500,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 3.00 subject to adjustment in case of specific events. The Warrant Agreement expires on June 27, 2022. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would in-crease by CHF 1,475,000 and the share capital by CHF 25,000, equaling to 0.52% of the share capital and 0.39% 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, 2021.

— On August 7, 2020, the Company signed a Warrant Agreement with Crede whereby it granted Crede the right to acquire up to 1,675,885 Class B Shares (subscription ratio: 1:1) at an exercise price originally set at CHF 1.65 but revised down to CHF 1.375 as per an amendment signed on September 18, 2020. The Warrant Agreement expires on September 14, 2023. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 2,220,547.63 and the share capital by CHF 83,794.25, equaling to 1.74% of the share capital and 1.31% 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, 2021.

— On December 8, 2020, WISeKey entered into a Warrant Agreement with GTO pursuant to which WISeKey is required to issue in favor of GTO warrants in a number equal to 15% of each tranche issued by WISeKey under the GTO Facility, di-vided by the exercise price which is the higher of (i) 120% of the five trading day volume weighted average prices of a Class B Share on the SIX Swiss Exchange over the five trading days on the SIX Swiss Exchange immediately preceding the subscription request to issue the relevant tranche and (ii) CHF 1.50. Warrants were granted upon issuance of the relevant tranche as follows.

- On December 9, 2020, following the first subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 75,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.50. The warrants expire on December 09, 2025. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 108,750 and the share capital by CHF 3,750, equaling to 0.08% of the share capital and 0.06% 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, 2021.

- On December 21, 2020, following the second subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 175,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.50. The warrants expire on December 21, 2025. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 253,750 and the share capital by CHF 8,750, equaling to 0.18% of the share capital and 0.14% 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, 2021.

- On December 24, 2020, following the third subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 216,000 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.50. The warrants expire on December 24, 2025. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 313,200 and the share capital by CHF 10,800, equaling to 0.22% of the share capital and 0.17% 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, 2021.

- On February 19, 2021, following the fourth subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 458,332 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 1.584. The warrants expire on February 19, 2026. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 703,081.29 and the share capital by CHF 22,916.60, equaling to 0.48% of the share capital and 0.36% 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, 2021.

- On March 24, 2021, following the fifth subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 102,599 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 2.193. The warrants expire on March 24, 2026. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 219,869.66 and the share capital by CHF 5,129.95, equaling to 0.11% of the share capital and 0.08% 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, 2021.

- On March 31, 2021, following the sixth subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 187,188 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 2.404. The warrants expire on March 31, 2026. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 440,640.55 and the share capital by CHF 9,359.40, equaling to 0.19% of the share capital and 0.15% 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, 2021.

- On May 3, 2021, following the seventh subscription of GTO Convertible Notes, the Company granted GTO a warrant to acquire up to 105,042 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 2.142. The warrants expire on May 3, 2026. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 219,747.86 and the share capital by CHF 5,252.10, equaling to 0.11% of the share capital and 0.08% 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, 2021.

— On June 29, 2021, WISeKey entered into a Warrant Agreement with Anson pursuant to which WISeKey is required to issue in favor of Anson warrants in a number equal to 25% of the principal amount of each tranche issued by WISeKey under the Anson Facility, divided by the volume-weighted average price of a Class B Share on the SIX Swiss Exchange of the trading day immediately preceding the tranche closing date. The exercise price is the higher of (a) 1.5 times the five-trading day volume-weighted average price of a Class B Share on the SIX Swiss Stock Exchange immediately preceding the tranche closing date and (b) CHF 5.00. Warrants were granted upon issuance of the relevant tranche as follows:

- On June 29, 2021, following the first subscription of Anson Convertible Notes, the Company granted Anson a warrant to acquire up to 1,817,077 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on June 29, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 8,994,531.15 and the share capital by CHF 90,853.85, equaling to 1.89% of the share capital and 1.42% 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, 2021.

- o On September 28, 2021, following the second subscription of Anson Convertible Notes, the Company granted An-son a warrant to acquire up to 476,486 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on September 28, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 2,358,605.70 and the share capital by CHF 23,824.30, equaling to 0.50% of the share capital and 0.37% 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, 2021.

- o On October 27, 2021, following the third subscription of Anson Convertible Notes, the Company granted Anson a warrant to acquire up to 528,359 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on October 27, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 2,615,377.05 and the share capital by CHF 26,417.95, equaling to 0.55% of the share capital and 0.41% 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, 2021.

— On June 29, 2021, WISeKey entered into a Warrant Agreement with L1 pursuant to which WISeKey is required to issue in favor of L1 warrants in a number equal to 25% of the principal amount of each tranche issued by WISeKey under the L1 Facility, divided by the volume-weighted average price of a Class B Share on the SIX Swiss Exchange of the trading day immediately preceding the tranche closing date. The exercise price is the higher of (a) 1.5 times the five-trading day volume-weighted average price of a Class B Shares on the SIX Swiss Stock Exchange immediately preceding the tranche closing date and (b) CHF 5.00. Warrants were granted upon issuance of the relevant tranche as follows.

- o On June 29, 2021, following the first subscription of L1 Convertible Notes, the Company granted L1 a warrant to ac-quire up to 1,817,077 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on June 29, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 8,994,531.15 and the share capital by CHF 90,853.85, equaling to 1.89% of the share capital and 1.42% 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, 2021.

- o On September 28, 2021, following the second subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 173,267 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on September 27, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 857,671.65 and the share capital by CHF 8,663.35, equaling to 0.18% of the share capital and 0.14% 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, 2021.

- On October 20, 2021, following the third subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 207,726 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on October 20, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 1,028,243.70 and the share capital by CHF 10,386.30, equaling to 0.22% of the share capital and 0.16% 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, 2021.

- On October 27, 2021, following the fourth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 384,261 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on October 27, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 1,902,091.95 and the share capital by CHF 19,213.05, equaling to 0.40% of the share capital and 0.30% 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, 2021.

- On November 5, 2021, following the fifth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 209,287 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on November 5, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 1,035,970.65 and the share capital by CHF 10,464.35, equaling to 0.22% of the share capital and 0.16% 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, 2021.

- On December 21, 2021, following the sixth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 287,345 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on December 21, 2024. The warrants can be exercised at any time during the exercise period, either in full, or in part. If the warrants were exercised in full, the capital contribution reserves would increase by CHF 1,422,357.75 and the share capital by CHF 14,367.25, equaling to 0.30% of the share capital and 0.22% 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, 2021.

— As of December 31, 2021, the Company had 3,823,644 options outstanding under the ESOP (as defined below), entitling its holders to acquire up to 3,823,644 Class B Shares:

- o 16,269 options to acquire 16,269 Class B Shares (subscription ratio: 1:1), corresponding to 81,345 options granted by WISeKey SA to employees of WISeKey SA under the WISeKey SA employee share ownership plan and assumed by the Company with effect as of the Initial Listing, as amended (exercise period: September 26, 2026, exercise ratio: 1:1, exercise price per option: CHF 0.05, vesting: all options have vested). Assuming that all options are exercised, the share capital of the Company would be increased by CHF 813.45 or 0.02% and the total voting rights by 0.01%, based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2021.

- o The Company has granted 3,255,333 options to employees and Board members of the WISeKey Group. Each option is exercisable to purchase one Class B Share (subscription ratio: 1:1). 3,138,667 of these options have vested, whilst the remaining 116,666 options are unvested. Once vested and subject to specific terms, the options can be exercised at any time during the exercise period. The exercise price is CHF 0.05. If all options were exercised, a total number of 3,255,333 Class B Shares would be issued, thereby causing an increase in share capital by CHF 162,766.65, equaling to 3.39% of the share capital and 2.54% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2021. The exercise period of these options is detailed below:

  - 28,369 options, fully vested, with an exercise period of 7 years ending on February 11, 2026;
  - 1,078,220 options, fully vested, with an exercise period of 7 years ending on September 26, 2026;
  - 37,210 options, fully vested, with an exercise period of 7 years ending on December 23, 2026;
  - 33,334 options, fully vested, with an exercise period of 7 years ending on November 10, 2026;
  - 16,666 options, vesting on November 10, 2022, with an exercise period of 7 years ending on November 10, 2026;
  - 11,094 options, fully vested, with an exercise period of 7 years ending on April 23, 2027;
  - 15,339 options, fully vested, with an exercise period of 7 years ending on August 23, 2027;
  - 25,325 options, fully vested, with an exercise period of 7 years ending on November 16, 2027;

- 34,531 options, fully vested, with an exercise period of 7 years ending on December 23, 2027;
- 10,921 options, fully vested, with an exercise period of 7 years ending on May 4, 2028;
- 11,462 options, fully vested, with an exercise period of 7 years ending on August 9, 2028;
- 8,569 options, fully vested, with an exercise period of 7 years ending on October 18, 2028;
- 1,813,065 options, fully vested, with an exercise period of 7 years ending on November 24, 2028;
- 33,000 options, vesting on May 1, 2022, with an exercise period of 7 years ending on May 1, 2028;
- 33,000 options, vesting on May 1, 2023, with an exercise period of 7 years ending on May 1, 2028;
- 34,000 options, vesting on May 1, 2024, with an exercise period of 7 years ending on May 1, 2028;
- 17,211 options, fully vested, with an exercise period of 7 years ending on October 18, 2028;
- 14,017 options, fully vested, with an exercise period of 7 years ending on December 12, 2028.

o The Company has granted 552,042 options to persons providing consultancy, advisory and other services to WISeKey in connection with business development activities. Each option is exercisable to purchase one Class B Share (subscription ratio: 1:1). All options are fully vested. Once vested, the options can be exercised at any time during the exercise period. If all options were exercised, a total number of 552,042 Class B Shares would be issued, thereby causing an increase in share capital by CHF 27,602.10, equaling to 0.57% of the share capital and 0.43% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2021, and an increase in the capital contribution reserves by CHF 2,127,866.35. The exercise prices, vesting date and exercise period of these options are detailed below:

- 166,666 options, fully vested, with an exercise period of 3 years, later extended to 5 years ending on July 05, 2022, and an exercise price of CHF 4.15;
- 166,667 options, fully vested, with an exercise period of 2 years, later extended to 4 years ending on July 05, 2022, and an exercise price of CHF 4.15;

- 166,667 options, fully vested, with an exercise period of 1 year, later extended to 3 years ending on July 05, 2022, and an exercise price of CHF 4.15;
- 10,000 options, fully vested, with an exercise period of 7 years ending on April 08, 2025, and an exercise price of CHF 5.00;
- 5,000 options, fully vested, with an exercise period of 3 years ending on May 07, 2022, and an exercise price of CHF 0.05;
- 4,000 options, fully vested, with an exercise period of 3 years ending on November 21, 2022, and an exercise price of CHF 0.05;
- 10,000 options, fully vested, with an exercise period of 7 years ending on August 20, 2027, and an exercise price of CHF 0.05;
- 6,521 options, fully vested, with an exercise period of approximately 1 year ending on September 29, 2022, and an exercise price of CHF 2.30;
- 6,521 options, fully vested, with an exercise period of approximately 1 year ending on October 30, 2022, and an exercise price of CHF 2.15;
- 5,000 options, fully vested, with an exercise period of 3 years ending on December 2, 2023, and an exercise price of CHF 0.05;
- 5,000 options, fully vested, with an exercise period of 3 years ending on October 4, 2024, and an exercise price of CHF 0.05.

Assuming that all options granted under the ESOP are exercised, the aggregate number of Class B Shares issuable upon exercise of the options amounts to 3.98% of the share capital and 2.98% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2021.

As of December 31, 2021, the Company has an aggregate number of 9,818,000 outstanding options on Class A Shares granted to employees of the WISeKey Group in 2021, which entitle the respective holders of such options to acquire a total of 9,818,000 Class A Shares. Each option is exercisable to purchase one Class A Share (subscription ratio: 1:1) at an exercise price of CHF 0.01. All options have vested with an exercise period of 7 years ending on November 24, 2028. If all options were exercised, a total number of 9,818,000 Class A Shares would be issued, thereby causing an increase in share capital by CHF 98,180, equal-ing to 2.04% of the share capital and 7.66% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2021.

2.7.3 Significant Changes after December 31, 2021

None.

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, 2021, 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
Carlos Moreira	Executive member (CEO) and Chairman of the Board	Strategy Committee	63	2015	2022
Hans-Christian Boos	Executive member of the Board	None	49	2021	2022
Philippe Doubre	Independent Member of the Board	Nomination & Compensation Committee	86	2016	2022
David Fergusson	Independent Member	Audit Committee, Nomination & Compensation Committee	61	2017	2022
Jean-Philippe Ladisa	Independent Member of the Board	Audit Committee	58	2020	2022
Eric Pellaton	Independent Member of the Board	Nomination & Compensation Committee	62	2020	2022
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	69	2015	2022

Carlos Moreira, Chairman

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

Carlos Moreira is a member of the UN Global Compact, member of the World Economic Forum's Global Agenda Council, founding member of the World Economic Forum for Global Growth Companies, World Economic Forum ("WEF") New Champion 2007 to 2016, Vice Chair of the World Economic Forum Global Agenda Council on Illicit Trade 2012/15, member of the Selection Commit-tee for the WEF Growth

Companies, founder and board member of Geneva Security Forum SA, member of the New York Forum, founding member of the "Comité de Pilotage Project E-Voting" of the Geneva Government, member of The Blockchain Research Institute, founder of the Blockchain Center of Excellence in 2019, member of Blockchain Advisory Board of the Government of Mexico, and founding member of TrustValley. Mr. Moreira was also a member of the WEF Global Agenda Council on the Future of IT Software & Services in 2014-2016. Mr. Moreira is also a member of the foundation board of the OISTE Foundation.

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

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

Hans-Christian Boos

Hans-Christian Boos, born in 1972, a German citizen, is the founder and CEO of arago GmbH, a leading artificial intelligence ("AI") company that helps businesses automate their IT processes through intelligent automation. Mr. Boos oversees AI strategy and product development, helping to establish the Company at the forefront of artificial intelligence, and continues ongoing research in AI, while guiding arago's technology applications in business. Mr. Boos serves as member of the board of directors of OK2Roam based in the United Kingdom since 2020, as a board advisor for SEKAI based in Malta since 2021, as adviser to the Federal Government of Germany since 2017 and to Alpha Invest Capital based in Luxembourg since 2018. Mr. Boos also serves as curator of the Deutsche Telekom Stiftung since 2020. An expert in graph theory and decision systems, Hans-Christian Boos studied computer sciences at ETH Zurich, Switzerland, as well as at the Technical University of Darmstadt, Germany. Mr. Boos did research in U.S. and European institutions and was awarded the John F. Kennedy National Leadership Award in 2003 for exceptional achievements in the IT sector.

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 and board member of the World Trade

Point Federation 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. Mr. Doubre also held several senior positions in the banking and finance industry, including Vice President and General Cashier of American Express Paris, and General Manager of the Overseas Development Bank between 1967 and 1970.

David Fergusson

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

Jean-Philippe Ladisa

Jean-Philippe Ladisa, born in 1963, a Swiss and Italian citizen, has over thirty years' experience in audit, accounting, financial analysis, corporate/personal taxation, payroll and HR in Switzerland. Mr. Ladisa graduated in audit from ExpertSuisse in Switzerland, and as a chartered accountant from the Autorité de Surveillance des Réviseurs in Switzerland. Jean-Philippe Ladisa started his career managing audit and accounting mandates of small and medium-sized Swiss companies in the construction, trade and services sectors with BFB Sociétés Fiduciaires in Switzerland from 1982 to 1993. From 1993, Mr. Ladisa joined Fiduciaire Wuarin & Chatton SA, an audit and accounting firm in Switzerland, first as a director then as a partner and executive board member. Mr. Ladisa serves as an expert in auditing, tax reporting, advisory for natural and legal persons, application of conventions to avoid double taxation and business valuation with the Geneva Court. As part of his duties for Fiduciaire Wuarin & Chatton SA, Mr. Ladisa also holds non-executive directorships in several Swiss firms: Studio Peyo SA since 1998, Tradimmo SA since 2003, Placim SA since 2004, Umoov SA since 2006, Malou SA since 2007, Gastronomic Events Sàrl since 2011, Palmat SA since 2013, JKM Sàrl since 2015, JLR Concept Sàrl since 2017, and Mood Studio Sàrl since 2018. In the course of 2022, Mr. Ladisa plans to resign from his non-executive positions in Mood Studio Sàrl, Tradimmo SA and Umoov SA in order to ensure compliance with the Articles regarding the maximum number of board positions.

Eric Pellaton

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

Peter Ward

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

3.2 Other Activities and Vested Interests

See item 3.1 above.

3.3 Permitted Activities

The Articles limit the number of mandates in the supreme governing bodies and the executive management of legal entities that are registered in the Swiss commercial register or a foreign equivalent register outside the Company to ten (10) mandates for members of the Board and five (5) mandates for members of the Executive Management (as defined below). Mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits are not subject to these limitations. How-ever, 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 seven directors.

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

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

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

3.5 Internal Organizational Structure

3.5.1 Allocation of Tasks Within the Board

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

The Board is entrusted with the ultimate direction of the Company, the definition of its strategy and the supervision of management. The Board's non-transferable and irrevocable duties further include issuing the necessary directives, determining the organization, organizing the accounting system, the financial controls and the financial planning and appointing, supervising and removing the persons entrusted with the management and representation of the Company.

Furthermore, the Board's duties include the responsibility for the preparation of the management report and the General Meeting, the carrying out of shareholders' resolutions and the notification to the judge in case of over-indebtedness of the Company.

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

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

In accordance with Swiss law, the Articles and the organizational regulations (the "Organizational Regulations"), the Board has delegated the Company's Executive Management to the chief executive officer of the Company (the "CEO"), who is supported by the other members of the Executive Management. In the Company's current structure, the positions of Chairman and CEO are held by the same person. The Organizational Regulations may be accessed over the weblinks referenced on page 92 of this Report.

3.5.2 Board Committees

The Board has established the following committees:

Strategy Committee

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

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

Audit Committee

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

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

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

— the quality, adequacy and scope of external audits;

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

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

— the performance of the internal audit.

Nomination & Compensation Committee

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

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

3.5.3 Working Methods of the Board and its Committees

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

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

The Board meets as often as the business requires, at least four times a year, hence an average quarterly frequency. The Board meetings can be held at the Company's place of incorporation, over the phone, or at such other place as the Chairman may determine from time to time. In 2021, 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 four minutes. Individual attendance to Board meetings was as follows:

Name	Number of Board meetings attended in 2021 (out of 5)
Carlos Moreira	5
Hans-Christian Boos	3
Philippe Doubre	5
David Fergusson	4
Jean-Philippe Ladisa	5
Eric Pellaton	5
Peter Ward	5

The Audit Committee meets as often as the business requires. In 2021, the Audit Committee formally met six times for an average duration of forty minutes.

The Nomination & Compensation Committee meets as often as the business requires. In 2021, the Nomination & Compensation Committee met three times for an average duration of forty-four minutes. The compensation for members of the Board for the period between the 2021 annual General Meeting and the 2022 annual General Meeting, as well as the compensation for members of the Executive Management for the financial year 2022 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 25, 2021, during the annual General Meeting. There were no changes to the Board or to the executive management during the remaining of the fiscal year 2021 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.

3.8 NASDAQ Diversity Rules

On August 6, 2021, the Securities and Exchange Commission (the "SEC") approved new listing standards of the NASDAQ regarding director diversity.

Board Diversity Matrix as of December 31, 2021				
Country of Principal Executive Offices	Switzerland			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	7			
Part I: Gender Identity	**Female**	**Male**	**Non-Binary**	**Did Not Disclose Gender**
Directors	-	7	-	-
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction[1]	6			
LGBTQ+	-			
Did Not Disclose Demographic Background	1			

[1] As a Swiss company, we have assessed the criterion of underrepresented individuals relying on the data made available by the Swiss Federal Statistical Office (https://www.bfs.admin.ch/bfs/en/home.html). In particular, we have used the distribution of the national languages (https://www.bfs.admin.ch/bfs/en/home/statistics/population/languages-religions/languages.html) to analyze the diversity of our Board in relation to the language representation in Switzerland.

In our current Board, four directors are domiciled in Switzerland, two are domiciled in the United States, and one is domiciled in Germany. The nationalities of our directors include Swiss, American, British, Canadian, German and Italian. In addition, one of our directors self-identifies as Hispanic.

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, 2021
Carlos Moreira	Chief Executive Officer (CEO)	63
Peter Ward	Chief Financial Officer (CFO)	69

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 94 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 25, 2021, approved the maximum amounts of Board and Executive Management compensation for the 2021/2022 Board term and the 2022 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 94 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 or Class A 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 2021/2022 Board term and the Executive Management compensation for financial year 2022 at the annual General Meeting held on May 25, 2021. The maximum amount of the Board’s compensation for the 2021/2022 Board term is CHF 750,000. The maximum amount of compensation for the Executive Management for financial year 2022 is CHF 5 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, 2021, 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 maxi-mum 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 maxi-mum partial amounts taking into account all relevant factors and submits such amounts for approval to the same General Meeting, to an extraordinary General Meeting or to the next annual General Meeting for retrospective approval.

6 Shareholders' Participation Rights

6.1 Voting Rights Restrictions and Representation

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

— the election of the Company's auditor;

— the appointment of an expert to audit the Company's business management or parts thereof;

— any resolution regarding the instigation of a special investigation; and

— any resolution regarding the initiation of a liability action.

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

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

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

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

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

6.2 Supermajority Requirements

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

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

— the amendment to or the modification of the purpose of the Company;

— the creation or cancellation of shares with privileged voting rights;

— the restriction on the transferability of shares or cancellation thereof;

— the restriction on the exercise of the right to vote or the cancellation thereof;

— an authorized or conditional increase in the share capital;

— an increase in the share capital through (i) the conversion of capital surplus, (ii) a contribution in kind, or for purposes of an acquisition of assets, or (iii) a grant of special privileges;

— the limitation on or withdrawal of pre-emptive rights;

— a change in the registered office of the Company;

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

— the dissolution of the Company.

6.3 Convocation of the General Meeting

6.3.1 Notice

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

6.3.2 Extraordinary General Meetings

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

6.4 Inclusion of Items on the Agenda

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

6.5 Entries in the Share Register

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

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

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

6.6 Significant Changes after December 31, 2021

None.

7 Change of Control and Defence Measures

7.1 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.

7.2 Clauses on Changes of Control

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

8 Auditors

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

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

The Company's auditor is BDO SA (BDO), Route de Meyrin 123, 1219 Châtelaine, Switzerland. BDO has been the auditor since the Company's incorporation on December 02, 2015, and has been re-elected at the ordinary General Meetings on May 31, 2017, May 25, 2018, May 21, 2019, May 15, 2020 and May 25, 2021. Since December 2, 2015, the responsible lead audit partner is M. Christoph Tschumi. In accordance with article 730a para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

8.2 Auditing Fees

The auditing fees (net of VAT) invoiced to the Company by BDO in fiscal year 2021 amount to CHF 634,692.

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, 2021 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 2021, the Audit Committee and BDO met six 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/

10 Quiet periods

For members of the Board, members of the Executive Management and employees directly reporting to them, including their respective staff, trading or performing other transactions in any securities of the Company, including, but not limited to, option or conversion rights or any other financial instruments whose price is dependent to a degree of more than 33 1/3% on the shares of the Company (collectively the “Relevant Securities”) is prohibited from trading or otherwise dealing in any Relevant Securities during the following regular Restricted Periods, regardless of whether such member is in possession of insider information or not:

a) the period starting 20 SIX Swiss Exchange trading days prior to the end of any half yearly reporting period of the Company and ending one (1) full trading day following the respective public release (semi-annual results);

b) the period starting 30 SIX Swiss Exchange trading days prior to the end of any yearly reporting period of the Company and ending one (1) full trading day following the respective public release (annual results);

c) the period starting 10 SIX Swiss Exchange trading days before any public earnings release of the Company and ending one (1) full trading day following the public release; and

d) the period starting 30 SIX Swiss Exchange trading days prior to the first public release of an offering memorandum for an issue of Relevant Securities and ending one (1) full trading day following the public release.

Members of the Board and the Executive Management and employees directly reporting to them may only make transaction in Relevant Securities if they obtained clearance in advance from another pre-defined member of the Board or Executive Management.

COMPENSATION REPORT

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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of WISeKey International Holding AG, Zug

As statutory auditor, we have audited the accompanying Compensation Report dated 13 April 2022 of WISeKey International Holding AG for the period from 01 January 2021 to 31 December 2021. 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 2021 to 31 December 2021 of WISeKey International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Geneva, 13 April 2022

BDO Ltd

Christoph Tschumi	Philipp Kegele
Auditor in Charge Licensed Audit Expert	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, 2021 and 2020.

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 52.

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, 2021, each for a term extending until completion of the next General Meeting. The Nomination & Compensation Committee consists of non-executive members of the Board. As at December 31, 2021, the following members of the Board served on the Nomination & Compensation Committee:

— David Fergusson, Chairman of the Nomination & Compensation Committee

— Philippe Doubre

— Eric Pellaton

3.2 Approval of Compensation at the General Meeting

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

— the maximum aggregate amount of compensation of the members of the Board for the period up until the following General Meeting, and

— the maximum aggregate amount of compensation of the members of the Executive Management for the next fiscal year commencing after the General Meeting on which the compensation is voted on.

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

4 Compensation Components

4.1 Compensation of the Board

With the exception of Carlos Moreira, Chairman and CEO, Peter Ward, CFO, the Company's Executive Management members, and Dourgam Kummer, former Head of M&A who resigned effective November 30, 2020, and Hans-Christian Boos, CTO, appointed on January 28, 2021, each member of the Board generally receives an annual compensation consisting of:

— A board fee in cash in an amount of CHF 42,000 for Committee Chairs and CHF 32,000 for all other Directors; and

— Equity-based compensation equivalent to CHF 63,000 for Committee Chairs and CHF 48,000 for all other Directors, granted in options exercisable for Class B Shares at an exercise price of CHF 0.05.

4.2 Compensation of the Executive Management

The Executive Management compensation for fiscal year 2021 consists of fixed compensation and variable compensation, whereby the ratio of the fixed to the variable compensation ranges from 1:0.5 to 1:3. The fixed and the variable compensation are composed of the following elements:

— Fixed Compensation and Other Benefits:

- o Annual base compensation, and
- o Pension and other social charges and contributions;

— Variable Compensation:

- o Annual incentive award
- o 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.

We note that the equity stock options included in the Executive package were approved by the Board and included in the remuneration voted by the General Meeting for each of the fiscal years 2017 to 2020. However, they were not actually granted in prior periods. In 2021, the Board approved the grant of all equity stock options due to the Executive Management for the fiscal years 2017 to 2020. Section 5.2 of this report provides additional detail on these grants.

5 Compensation for the fiscal year 2021

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

5.1 Compensation of the members of the Board

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

Hans-Christian Boos was appointed as an executive member of the Board on January 28, 2021. He is employed by arago GmbH, a company in which WISeKey acquired a controlling interest in January 2021 and that was consolidated in the financial statements from February 1, 2021, and therefore does not receive a separate compensation for his role as member of the Board. Mr. Boos is not a member of the Executive Management and, for that reason, his compensation as an employee of arago GmbH is not disclosed in the table in section 5.2 below.

Dourgam Kummer became an executive member of the Board from January 2019 when he was employed by WISeKey as Head of M&A, and therefore stopped receiving a separate compensation for his role as member of the Board. However, Mr. Kummer was not a member of the Executive Management, and, for that reason, his compensation is disclosed in the table below relating to the compensation of the members of the Board. Mr. Kummer resigned from the Board effective November 30, 2020.

Compensation of the Board of Directors of WISeKey International Holding AG
for the 12 months ending December 31, 2021

CHF'000 [1]	Function	Board Fee[2]	Additional Fees[3]	Other Stock Based Compensation[4]	Total Compensation
Hans-Christian Boos[6]	Board Member	-	325	-	325
Philippe Doubre[7]	Board Member, NCC[5] Member	64	-	100	164
David Fergusson	Board Member, NCC Chairman, Audit Committee Member	71	-	-	71
Jean-Philippe Ladisa	Board Member, Audit Committee Chairman	94	-	-	94
Eric Pellaton	Board Member, NCC Member	77	-	-	77
Total Board Members		**306**	**325**	**100**	**731**

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 2021, Board members received their full cash compensation up until December 31, 2021.
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.
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 earned 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.
Options are deemed granted in line with US GAAP standards when both parties, WISeKey and the Director, have acknowledged the grant. Per company practice, this is materialized by the signature of the option grant agreement. In 2021, some option grant agreements relating to fiscal year 2021 were not signed by Directors. As such they are not deemed granted and are not accounted for in the financial statements of fiscal year 2021 and are not included in the above table.

5 Nomination & Compensation Committee

6 The amount disclosed under Additional Fees for Mr. Boos relates to his compensation as employee of arago GmbH, as recorded in the consolidated financial statements of the WISeKey Group since the acquisition of a controlling interest into arago GmbH, i.e. for the period from February 1, 2021 to December 31, 2021.

7 The amount disclosed under Other Stock Based Compensation for Mr. Doubre relates to consulting services rendered to WISeKey.

Section 7.1 below provides additional detail on the option grant agreements relating to fiscal year 2021 that are not accounted for in the above compensation table.

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

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

1 Board members are remunerated in Swiss Francs (CHF).

2 Board fees can be paid in a mix of cash and options.
The cash fee voted by the Board as remuneration to Board Members is disclosed in application of the accrual-based principle if not paid as at the end of the reporting period. In 2020, Board members received their full cash compensation up until December 31, 2020.
Compensation in options on WIHN Class B Shares is disclosed in the period it was granted, regardless of whether it relates to Board fees from prior financial periods. The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date. In 2020, Board members received the options relating to the following Board Term: 2019/2020 and 2020/2021 up until December 31, 2020.
The recognition of the compensation in options on a grant-basis as opposed to an accrual-based principe may generate differences between the amount of Board fees earned in a fiscal period and the amount of Board fees actually paid in respect of that period, at a later stage.
The amount of Board fees includes employer social charges paid by the Company.

3 Additional fees relate to services other than Board duties rendered to the Company.

4 Other stock based compensation refers to stock based compensation for services other than Board services.
The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date.

5 Nomination & Compensation Committee

6 The amount disclosed under Additional Fees for Mr. Kummer relates to his compensation as employee of WISeKey for the period from January 01, 2020 to November 30, 2020.

5.2 Compensation of the members of the Executive Management

The members of the Executive Management during fiscal year 2021 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, 2021

CHF'000 [1]	Function	Base Salary [2]	Annual Incentive	Additional Fees [3]	Stock Based Compensation [4]	Other Compensation [5]	Total Compensation
Highest Paid Executive							
Carlos Moreira	Chairman of the Board, Chief Executive Officer	780	791	-	1,506	2,478	5,555
Peter Ward	Board Member, Chief Financial Officer	585	380	-	1,811	147	2,923
Total Executive Management		**1,365**	**1,171**	**-**	**3,317**	**2,625**	**8,478**

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.
In 2021, equity stock options were granted in relation to the Executive Management compensation approved and voted for prior fiscal years, but that were never granted in prior periods. Detailed explanations are provided below this table.
5 Other compensation includes pension contributions, employer social charges, lump-sum expenses and parking charges paid by the Company.
In 2021, Other compensation also included the payment in cash of equity stock options due in relation to prior periods and to 2021. Detailed explanations are provided below this table.

We note that the compensation of the Executive Management disclosed in the above table for fiscal year 2021 included equity stock options and other compensation in relation to fiscal years 2017 to 2020. Indeed, as detailed in above section 4.2, WISeKey's Executive package includes equity stock options in its variable compensation. For each of the fiscal years 2017 to 2021, the number of equity stock options on Class B Shares included in the Executive package were approved by the Board and included in the remuneration package voted by the General Meeting. However, the approved equity stock options were not actually granted in prior periods.

In 2021, the Board approved the grant of all equity stock options on Class B Shares due to the Executive Management for the fiscal years 2017 to 2021, the conversion of a percentage of these options on Class B Shares into options on Class A Shares, and the conversion of one third of the options on Class B Shares due to Mr. Carlos Moreira for each fiscal year between 2017 and 2021 into a payment in cash. The conversion price for the cash payment was the yearly volume-weighted average price of a Class B Share per Bloomberg as at December 31 of the relevant year. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the grant date in line with US GAAP standards.

Section 7.2 below provides additional detail on the allocation of the stock-based compensation and cash payment into the relevant fiscal year for the period 2017-2020.

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

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

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

6 Loans, credits and other payments

As at December 31, 2021, there were no loans outstanding to members of the Board.

7 Unaudited supplemental information on compensation of the members of the Executive Management

7.1 Unaudited supplemental information on compensation of the members of the Board

We note that the following option agreements sent to members of the Board during fiscal year 2021 and in relation to fiscal year 2021 were not signed by the respective director and therefore not deemed granted in line with US GAAP standards. As such, these were not recorded in our audited consolidated financial statements for fiscal year 2021 and are not included in the Board fee disclosed in the table presented in section 5.1. We provide below the estimated value of these ungranted options based on the market price of a Class B Share on December 31, 2021, however the actual grant amount may differ significantly on the date the options are deemed granted.

— The option agreements sent Mr. David Fergusson for the full year 2021 were not signed. Based on the market price of a Class B Share on December 31, 2021, the grant would represent an estimate expense of CHF 23,266.

— The option agreement sent Mr. Philippe Doubre for the period from October 1, 2021 to December 31, 2021 was not signed. Based on the market price of a Class B Share on December 31, 2021, the grant would represent an estimate expense of CHF 8,212.

— The option agreement sent Mr. Eric Pellaton for the period from October 1, 2021 to December 31, 2021 was not signed. Based on the market price of a Class B Share on December 31, 2021, the grant would represent an estimate expense of CHF 5,948.

7.2 Unaudited supplemental information on compensation of the members of the Executive Management

As mentioned in above section 5.2, in 2021, equity stock options were granted to the members of the Executive Management in relation to fiscal years 2017 to 2020. This unaudited section is aiming to provide additional detail on this grant and, in particular, the allocation of the income statement charge to the fiscal period which each portion of the grant relates to, including the portion of the equity stock options due that was converted into a cash payment.

As detailed in above section 4.2, the Executive package includes equity stock options in its variable compensation. For each of the fiscal years 2017 to 2021, the equity stock options on Class B Shares included in the Executive package were approved by the Board and included in the remuneration package voted by the General Meeting. However, the approved equity stock options were not actually granted in prior periods.

In 2021, the Board approved the grant of all equity stock options on Class B Shares due to the Executive Management for the fiscal years 2017 to 2021, the conversion of a percentage of these options on Class B Shares into options on Class A Shares, and the conversion of one third of the options on Class B Shares due to Mr. Carlos Moreira for each fiscal year into a payment in cash. The conversion price for the cash payment was the yearly volume-weighted average price of a Class B Share per Bloomberg as at December 31 of the relevant year. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the grant date in line with US GAAP standards.

The following table provides details on the compensation amounts settled in 2021, that relate to prior fiscal years.

Compensation of the Executive Management of WISeKey International Holding AG allocated by fiscal year

CHF'000 [1]	Remuneration for the fiscal year disclosed in prior remuneration reports	Out-of-period adjustments[2]	Equity stock options granted in 2021 in relation to prior years[3]	Equity stock options in relation to prior years converted into a cash payment in 2021	Total Compensation
Fiscal Year 2021					
Carlos Moreira	5,555	(3,235)	n/a	n/a	2,320
Peter Ward	2,923	(1,448)	n/a	n/a	1,475
Total Executive Management for Fiscal Year 2021	**8,478**	**(4,683)**	**n/a**	**n/a**	**3,795**
Maximum aggregate amount of compensation of the members of the Executive Management voted by the General Meeting for Fiscal Year 2021					**6,000**
Fiscal Year 2020					
Carlos Moreira	3,521	-	301	202	4,024
Peter Ward	1,159	-	362	-	1,521
Total Executive Management for Fiscal Year 2021	**4,680**	**-**	**663**	**202**	**5,545**
Maximum aggregate amount of compensation of the members of the Executive Management voted by the General Meeting for Fiscal Year 2020					**6,000**
Fiscal Year 2019					
Carlos Moreira	3,591	(1,566)	301	352	2,678
Peter Ward	3,021	(1,390)	362	-	1,993
Total Executive Management for Fiscal Year 2019	**6,612**	**(2,956)**	**663**	**352**	**4,671**
Maximum aggregate amount of compensation of the members of the Executive Management voted by the General Meeting for Fiscal Year 2019					**5,500**
Fiscal Year 2018					
Carlos Moreira	1,053	-	301	461	1,815
Peter Ward	861	-	362	-	1,223
Total Executive Management for Fiscal Year 2018	**1,914**	**-**	**663**	**461**	**3,038**
Maximum aggregate amount of compensation of the members of the Executive Management voted by the General Meeting for Fiscal Year 2018					**4,500**
Fiscal Year 2017					
Carlos Moreira	976	-	301	1,016	2,293
Peter Ward	940	-	362	-	1,302
Total Executive Management for Fiscal Year 2017	**1,916**	**-**	**663**	**1,016**	**3,595**
Maximum aggregate amount of compensation of the members of the Executive Management voted by the General Meeting for Fiscal Year 2017					**3,000**

1 The executive management members are remunerated in Swiss Francs (CHF).

2 In 2021, the Out-of-period adjustment represents the full grant value of the equity stock options granted, and the cash paid following the conversion of part of the equity stock options, included in the compensation package of the Executive Management approved for fiscal years 2017 to 2020.
In 2019, in line with the remuneration report of the period, the stock-based compensation granted to the members of the Executive Management during fiscal year 2019 was a compensation for services rendered by the Executive Management in fiscal years 2015 and 2016.

3 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.

FINANCIAL REPORT

WISeKey International Holding Ltd

Consolidated Financial Statements

As at December 31, 2021

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

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1. Report of the Statutory Auditor

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 2021 and 31 December 2020 and the related Consolidated Statements of Comprehensive Income / Loss, Consolidated Statements of Changes in Shareholders' Equity and Consolidated Statements of Cash Flows for each of the three years in the period ended 31 December 2021, and Notes to the Consolidated Financial Statements.

In our opinion, the Consolidated Financial Statements (pages F-8 to F-62) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021 and 31 December 2020, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December, in accordance with U.S. generally accepted accounting

principles and comply with Swiss law.

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

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

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

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

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition ASC 606	
The Group generates revenues from the sale of semiconductor secure chips, digital certificates, Software as a Service (SaaS), Software license, post contract customer support (PCS), implementation and integration of multiple element cybersecurity solutions and from providing benefits of artificial intelligence through knowledge automation. We considered revenue recognition to be a key audit matter because erroneous revenue recognition is a presumed increased risk that has a significant impact on the consolidated financial statements including disclosures. In addition, the Group re-evaluated its revenue accounting policy as part of the acquisition of arago GmbH, which involved judgment and estimates. We refer to Note 4 and Note 33 to the consolidated financial statements for the Group's disclosure on the nature of its major revenue sources and method for accounting.	We evaluated the related accounting policy adopted by the Group for compliance with US GAAP. We walked through the Group's process and controls over the different steps from contract identification to revenue recognition. We challenged management's assessment over the identification of the contract, identifying the performance obligation, determining the transaction price, allocating the transaction price to the performance obligations, the timing and the amount of revenue recognition. We tested a sample of revenue contracts for compliance with ASC 606. We assessed the appropriateness of the related disclosures in Note 4 and Note 33.

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Key Audit Matter	How our audit addressed the key audit matter
Business Combination - Acquisition of arago GmbH	
On February 1, 2021 the Group acquired 51% of arago GmbH's share capital. The Group determined this to be a business combination to be accounted for under the acquisition method in accordance with ASC 805 "Business Combinations". The business combination had a significant impact on the Group's consolidated financial statements. In addition, the recognition, measurement and identification of assets acquired and liabilities assumed and including non-controlling interest is inherently judgmental. Thus, we considered this area to be a key audit matter. We refer to Note 15 to the consolidated financial statements for the Group's disclosures of the business combination.	In evaluating the Group's acquisition accounting, we challenged the Group's assessment as to whether the transaction is a business combination. We evaluated the acquisition date through observation of documents to verify as of which date the closing conditions were met. With the assistance of an internal valuation specialist, we assessed the model applied and key assumptions used by the Group to determine the fair value of the assets acquired and liabilities assumed (purchase price allocation). Furthermore, we evaluated the weighted average costs of capital (WACC) based on the current financing situation of the Group and the current economic environment. We performed procedures to verify completeness of liabilities and contingent liabilities assumed as of acquisition date. We verified the significant input data and methodological approach in calculating the fair value of the put option exercised in the business combination. Finally, we assessed the appropriateness and completeness of the related disclosures in Note 15.

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Key Audit Matter	How our audit addressed the key audit matter
Goodwill - Impairment Considerations	
The Group carries goodwill of total USD 30.8M on the consolidated balance sheet. ASC 350 requires the Group to assess whether the fair value of the respective reporting unit is less than its carrying amount. The Group selected to bypass the qualitative assessment and proceeded directly to the quantitative assessment of the relating reporting unit Internet of Things (mainly consisting of Semiconductor) by calculating the fair value based on the income approach using discounted expected future cash flows. Due to the significant impact of goodwill on the consolidated financial statements and due to the significant estimates of management involved we consider this area to be a key audit matter. We refer to Note 20 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. We inspected Group's assessment on impairment consideration for appropriateness. Semiconductor goodwill: 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 in prior year, we tested the accuracy and appropriateness of the model used and verified that the model remained unchanged in the current year. Arago goodwill: On the arago reporting unit, we also compared the carrying value of the reporting unit to a sales price indicated by a potential buyer on a signed term sheet and confirmed funds available to the potential buyer. We assessed the appropriateness of the accuracy and completeness of the related disclosures in Note 20.

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Key Audit Matter	How our audit addressed the key audit matter
New loans and lines of credits	
The Group enters into different financing facilities and loan agreements on a regular basis and needs to assess the accounting treatment. The facilities and loan agreements can either be equity or liability classified, might result in debt modification or extinguishment accounting, can come with embedded financial instruments to be assessed for bifurcation. Further, related discounts and effective interest rates, deferrals and fair values need to be recorded. Finally, drawdowns and settlements need to be accounted for. The classification of the transactions and the accounting was complex, the underlying calculation required judgment and estimates and there was a significant impact on the consolidated financial statements. Therefore, we considered it to be a Key Audit Matter. We refer to Note 27 to the consolidated financial statements for additional disclosure of the Group's loans and line of credit.	We tested the drawdowns on a sample basis agreeing them back to the underlying legal documents and verifying the resulting journal entries for correctness. We obtained detailed accounting memorandums from the Group and assessed management's conclusion on liability or equity classification, tested for debt modifications and extinguishments, assessed embedded financial instruments for bifurcation, verified fair value calculation models used, assessed input data, substantiated debt issuance costs and tested deferrals. In additional we directly confirmed outstanding balances with the counterparty. We also assessed the appropriateness of the accuracy and completeness of the related disclosures in Note 27.

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Report on other legal and regulatory requirements

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

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

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

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

Geneva, 13 April 2022

BDO Ltd

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

2. Consolidated Statements of Comprehensive Income/(Loss)

	12 months ended December 31,			Note
USD'000	**2021**	**2020**	**2019**	***ref.***
Net sales	22,258	14,779	22,652	*33*
Cost of sales	(12,869)	(8,578)	(12,871)	
Depreciation of production assets	(301)	(736)	(325)	
Gross profit	**9,088**	**5,465**	**9,456**	
Other operating income	183	43	180	*34*
Research & development expenses	(7,007)	(6,012)	(6,422)	
Selling & marketing expenses	(10,226)	(7,355)	(7,929)	
General & administrative expenses	(18,726)	(10,673)	(15,789)	
Total operating expenses	**(35,776)**	**(23,997)**	**(29,960)**	
Operating loss	**(26,688)**	**(18,532)**	**(20,504)**	
Non-operating income	8,638	1,127	1,918	*36*
Debt conversion expense	(325)	-	-	
Gain on derivative liability	-	44	214	*6*
Gain / (loss) on debt extinguishment	-	-	(233)	
Interest and amortization of debt discount	(1,057)	(458)	(742)	*27*
Non-operating expenses	(4,755)	(11,079)	(3,670)	*37*
Loss before income tax expense	**(24,187)**	**(28,898)**	**(23,017)**	
Income tax income / (expense)	93	(9)	(13)	
Loss from continuing operations, net	**(24,094)**	**(28,907)**	**(23,030)**	
Discontinued operations:				
Net sales from discontinued operations	-	-	1,934	
Cost of sales from discontinued operations	-	-	(791)	
Total operating and non-operating expenses from discontinued operations	-	-	(1,801)	
Income tax recovery from discontinued operations	-	-	42	
Gain on disposal of a business, net of tax on disposal	-	-	31,100	
Income / (loss) on discontinued operations	**-**	**-**	**30,484**	
Extraordinary item, net of $xx tax	-	-	-	
Cumulative effects of changes in accounting principles	-	-	-	
Net income / (loss)	**(24,094)**	**(28,907)**	**7,454**	
Less: Net income / (loss) attributable to noncontrolling interests	(3,754)	(248)	(733)	
Net income / (loss) attributable to WISeKey International Holding AG	**(20,340)**	**(28,659)**	**8,187**	
Earnings per share from continuing operations				
Basic	(0.34)	(0.68)	(0.64)	*40*
Diluted	(0.34)	(0.68)	(0.64)	*40*
Earnings from discontinued operations per share - Basic	-	-	0.84	*40*
Earnings from discontinued operations per share - Diluted	-	-	0.81	*40*
Earning per share attributable to WISeKey International Holding AG				
Basic	(0.28)	(0.67)	0.23	*40*
Diluted	(0.28)	(0.67)	0.23	*40*

USD'000	12 months ended December 31, 2021	2020	2019	Note ref.
Other comprehensive income / (loss), net of tax:				
Foreign currency translation adjustments	(1,534)	1,729	516	
Change in unrealized gains related to available-for-sale debt securities	1,965	5,385	-	11
Defined benefit pension plans:				29
Net gain (loss) arising during period	1,572	1,189	(2,199)	
Reclassification adjustments	(7,350)	-	-	
Other comprehensive income / (loss)	**(5,347)**	**8,303**	**(1,683)**	
Comprehensive income / (loss)	**(29,441)**	**(20,604)**	**5,771**	
Other comprehensive income / (loss) attributable to noncontrolling interests	186	(95)	(127)	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	**(5,533)**	**8,398**	**(1,556)**	
Comprehensive income / (loss) attributable to noncontrolling interests	(3,567)	(343)	(860)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	**(25,874)**	**(20,261)**	**6,631**	

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

3. Consolidated Balance Sheets

USD'000	As at December 31, 2021	As at December 31, 2020	*Note ref.*
ASSETS			
Current assets			
Cash and cash equivalents	34,249	19,650	*7*
Restricted cash, current	110	2,113	*8*
Accounts receivable, net of allowance for doubtful accounts	3,261	2,900	*9*
Notes receivable from employees and related parties	68	37	*10*
Available-for-sale debt security	-	9,190	*11*
Inventories	2,710	2,474	*12*
Prepaid expenses	1,435	649	
Deferred charges, current	-	836	
Other current assets	677	814	*13*
Total current assets	**42,510**	**38,663**	
Noncurrent assets			
Notes receivable, noncurrent	190	183	*14*
Deferred income tax assets	6	3	
Deferred tax credits	848	1,312	*16*
Property, plant and equipment net of accumulated depreciation	587	1,000	*17*
Intangible assets, net of accumulated amortization	9,186	9	*18*
Finance lease right-of-use assets	171	246	*19*
Operating lease right-of-use assets	3,706	2,502	*19*
Goodwill	30,841	8,317	*20*
Deferred charges, noncurrent	-	169	
Equity securities, at cost	501	-	*21*
Equity securities, at fair value	1	301	*22*
Other noncurrent assets	258	176	*23*
Total noncurrent assets	**46,295**	**14,218**	
TOTAL ASSETS	**88,805**	**52,881**	
LIABILITIES			
Current Liabilities			
Accounts payable	16,448	13,099	*24*
Notes payable	6,249	4,115	*25*
Convertible note payable, current	-	5,633	*27*
Deferred revenue, current	487	302	*33*
Current portion of obligations under finance lease liabilities	55	119	*19*
Current portion of obligations under operating lease liabilities	950	601	*19*
Income tax payable	11	3	
Other current liabilities	552	1,105	*26*
Total current liabilities	**24,752**	**24,977**	
Noncurrent liabilities			
Bonds, mortgages and other long-term debt	458	646	*27*
Convertible note payable, noncurrent	9,049	3,710	*27*
Deferred revenue, noncurrent	100	19	*33*
Finance lease liabilities, noncurrent	-	67	*19*
Operating lease liabilities, noncurrent	2,878	1,901	*19*
Indebtedness to related parties, noncurrent	2,395	-	*28*
Employee benefit plan obligation	4,769	6,768	*29*
Deferred income tax liability	2,906	-	*38*
Other deferred tax liabilities	62	38	
Other noncurrent liabilities	57	329	
Total noncurrent liabilities	**22,674**	**13,478**	
TOTAL LIABILITIES	**47,426**	**38,455**	

USD'000	As at December 31, 2021	As at December 31, 2020	Note ref.
Commitments and contingent liabilities			30
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	31
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	4,685	2,490	31
CHF 0.05 par value			
Authorized - 138,058,468 and 63,234,625			
Issued - 88,120,054 and 47,622,689			
Outstanding - 80,918,390 and 42,839,554			
Share subscription in progress	-	1	
Treasury stock, at cost (7,201,664 and 4,783,135 shares held)	(636)	(505)	31
Additional paid-in capital	268,199	224,763	
Accumulated other comprehensive income / (loss)	1,407	6,940	32
Accumulated deficit	(238,160)	(217,820)	
Total shareholders'equity attributable to WISeKey shareholders	**35,895**	**16,269**	
Noncontrolling interests in consolidated subsidiaries	5,484	(1,843)	
Total shareholders'equity	**41,379**	**14,426**	
TOTAL LIABILITIES AND EQUITY	**88,805**	**52,881**	

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

4. Consolidated Statements of Changes in Shareholders' Equity

USD'000	Number of common shares Class A	Number of common shares Class B	Common Share Capital Class A	Common Share Capital Class B	Total share capital	Treasury Shares	Additional paid-in capital	Share subscription in progress	Accumulated deficit	Accumulated other comprehensive income / (loss)	**Total stockholders' equity**	Non controlling interests	**Total equity**
As at December 31, 2019	40,021,988	28,824,086	400	1,475	1,875	(1,288)	212,036	6	(189,161)	(1,453)	**22,015**	(1,571)	**20,444**
Common stock issued[1]	-	8,261,363	-	448	448	-	-	-	-	-	**448**	-	**448**
Options exercised[1]	-	2,537,240	-	126	126	-	-	-	-	-	**126**	-	**126**
Stock-based compensation	-	-	-	-	-	-	393	(5)	-	-	**388**	-	**388**
Changes in treasury shares	-	8,000,000	-	441	441	(439)	-	-	-	-	**2**	-	**2**
Yorkville SEDA	-	-	-	-	-	1,252	(228)	-	-	-	**1,024**	-	**1,024**
Crede convertible loan	-	-	-	-	-	517	2,007	-	-	-	**2,524**	-	**2,524**
LSI convertible loan	-	-	-	-	-	20	1,242	-	-	-	**1,262**	-	**1,262**
Nice & Green loan	-	-	-	-	-	106	8,749	-	-	-	**8,855**	-	**8,855**
GTO facility	-	-	-	-	-	23	593	-	-	-	**616**	-	**616**
Change in Ownership in WISeKey SA	-	-	-	-	-	-	(29)	-	-	(5)	**(34)**	71	**37**
Share buyback program	-	-	-	-	-	(696)	-	-	-	-	**(696)**	-	**(696)**
Net loss	-	-	-	-	-	-	-	-	(28,659)	-	**(28,659)**	(248)	**(28,907)**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	8,398	**8,398**	(95)	**8,303**
As at December 31, 2020	40,021,988	47,622,689	400	2,490	2,890	(505)	224,763	1	(217,820)	6,940	**16,269**	(1,843)	**14,426**
Common stock issued[1]	-	-	-	-	-	-	(154)	-	-	-	**(154)**	-	**(154)**
Options exercised[1]	-	30,497	-	2	2	-	2	(1)	-	-	**3**	-	**3**
Stock-based compensation	-	-	-	-	-	-	3,783	-	-	-	**3,783**	-	**3,783**
Changes in treasury shares	-	28,386,037	-	1,528	1,528	(1,528)	-	-	-	-	**-**	-	**-**
Yorkville SEDA	-	-	-	-	-	250	160	-	-	-	**410**	-	**410**
Crede convertible loan	-	3,058,358	-	174	174	56	3,512	-	-	-	**3,742**	-	**3,742**
GTO Facility	-	9,022,473	-	491	491	259	14,620	-	-	-	**15,370**	-	**15,370**
L1 Facility	-	-	-	-	-	645	12,387	-	-	-	**13,032**	-	**13,032**
Anson Facility	-	-	-	-	-	453	9,126	-	-	-	**9,579**	-	**9,579**
Change in Ownership within the Group	-	-	-	-	-	-	-	-	-	-	**-**	(26)	**(26)**
Acquisition of Arago Group	-	-	-	-	-	-	-	-	-	-	**-**	10,921	**10,921**
Share buyback program	-	-	-	-	-	(266)	-	-	-	-	**(266)**	-	**(266)**
Net loss	-	-	-	-	-	-	-	-	(20,340)	-	**(20,340)**	(3,754)	**(24,094)**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	(5,533)	**(5,533)**	186	**(5,347)**
As at December 31, 2021	40,021,988	88,120,054	400	4,685	5,085	(636)	268,199	-	(238,160)	1,407	**35,895**	5,484	**41,379**

1. The articles of association of the Company had not been fully updated as of December 31, 2021 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

	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Cash Flows from operating activities:			
Net Income (loss)	(24,094)	(28,907)	7,454
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant & equipment	513	988	821
Amortization of intangible assets	481	604	534
Impairment charge	-	7,000	-
Debt conversion expense	325		
Interest and amortization of debt discount	1,057	458	783
Loss / (gain) on derivative liability	-	(44)	(214)
Loss on debt extinguishment	-	-	1,326
Stock-based compensation	3,783	393	5,414
Bad debt expense	18	24	99
Inventory obsolescence impairment	-	457	535
Income tax expense / (recovery) net of cash paid	(131)	9	(17)
Release of provision	-	(52)	-
Other non cash expenses /(income)			
Expenses settled in equity	146	14	40
Gain on disposal of a business	-	-	(31,100)
Unrealized gains related to available-for-sale debt securities recorded in the income statement after acquisition of arago	(5,553)	-	
Unrealized and non cash foreign currency transactions	172	800	157
Other	300	455	80
Changes in operating assets and liabilities, net of effects of businesses acquired			
Decrease (increase) in accounts receivables	207	870	1,346
Decrease (increase) in inventories	(236)	313	1,399
Decrease (increase) in other current assets, net	737	46	(84)
Decrease (increase) in deferred research & development tax credits, net	464	1,176	19
Decrease (increase) in other noncurrent assets, net	1,805	53	(77)
Increase (decrease) in accounts payable	2,061	2,386	(1,765)
Increase (decrease) in deferred revenue, current	(723)	213	25
Increase (decrease) in income taxes payable	8	(8)	(362)
Increase (decrease) in other current liabilities	(2,370)	(199)	(217)
Increase (decrease) in deferred revenue, noncurrent	81	9	2,247
Increase (decrease) in defined benefit pension liability	(570)	66	258
Increase (decrease) in other noncurrent liabilities	(272)	326	(2,592)
Net cash provided by (used in) operating activities	**(21,791)**	**(12,550)**	**(13,891)**
Cash Flows from investing activities:			
Sale / (acquisition) of equity securities	(476)	-	(4,000)
Sale / (acquisition) of property, plant and equipment	(36)	(52)	(293)
Sale of a business, net of cash and cash equivalents divested	-	-	40,919
Acquisition of a business, net of cash and cash equivalents acquired	(2,013)	(3,845)	-
Net cash provided by (used in) investing activities	**(2,525)**	**(3,897)**	**36,626**
Cash Flows from financing activities:			
Proceeds from options exercises	4	68	3,412
Proceeds from issuance of Common Stock	226	2,194	1,112
Proceeds from convertible loan issuance	44,362	22,053	2,860
Proceeds from debt	-	646	4,030
Repayments of debt	(5,276)	(2,344)	(27,631)
Payments of debt issue costs	(2,341)	-	(42)
Repurchase of treasury shares	-	(1,135)	(1,025)
Net cash provided by (used in) financing activities	**36,975**	**21,482**	**(17,284)**
Effect of exchange rate changes on cash and cash equivalents	(63)	82	41
Cash and cash equivalents and restricted cash			
Net increase (decrease) during the period	12,596	5,117	5,492
Balance, beginning of period	21,763	16,646	11,154
Balance, end of period	**34,359**	**21,763**	**16,646**

USD'000	12 months ended December 31, 2021	2020	2019
Reconciliation to balance sheet			
Cash and cash equivalents	34,249	19,650	12,121
Restricted cash, current	110	2,113	2,525
Restricted cash, noncurrent	-	-	2,000
Balance, end of period	**34,359**	**21,763**	**16,646**
Supplemental cash flow information			
Cash paid for interest, net of amounts capitalized	490	250	756
Cash paid for incomes taxes	-	46	12
Noncash conversion of convertible loans into common stock	43,704	12,946	1,771
Restricted cash received for share subscription in progress	-	1	5
ROU assets obtained from operating lease	2,375	544	3,768
ROU assets obtained from finance lease	-	-	321

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. In 2021, the Group entered the field of Artificial Intelligence (“AI”) with the acquisition of arago GmbH.
The Group leads a carefully planned vertical integration strategy through acquisitions of companies in the industry. The strategic objective is to provide integrated services to its customers and also achieve cross-selling and synergies across WISeKey. Through this vertical integration strategy, WISeKey anticipates being able to generate profits in the near future.

Note 2. Future operations and going concern

The Group experienced a loss from operations in this reporting period. Although the WISeKey Group does anticipate being able to generate profits in the near future, this cannot be predicted with any certainty. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern.
The Group incurred a net operating loss of USD 26.7 million and had positive working capital of USD 17.8 million as at December 31, 2021, calculated as the difference between current assets and current liabilities. Based on the Group’s cash projections for the next 12 months to April 30, 2023, it has sufficient liquidity 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.

On February 08, 2018 the Group entered into a Standby Equity Distribution Agreement (“**SEDA**”) with Yorkville (see Note 27 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. On March 04, 2020, the SEDA was extended by 24 months to March 31, 2023. In the year 2021, WISeKey made one drawdown for CHF 363,876 (USD 380,568 at historical rate). As at December 31, 2021, the outstanding equity financing available was CHF 45,643,955.

On May 18, 2020, the Group entered into an Agreement for the Issuance and Subscription of Convertible Notes (the “**Nice & Green Facility**”) with Nice & Green SA (“**Nice & Green**”) (see Note 27 for detail.) Pursuant to the Nice & Green Facility, Nice & Green commits to subscribe for up to CHF 10.0 million of interest-free convertible notes, over a two-year period. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares within a period of 12 months from issuance. In year 2021, WISeKey made no subscription. As at December 31, 2021, the outstanding Nice & Green Facility available was CHF 1,083,111 (USD 1,187,876) and there were no unconverted outstanding loan amounts.

On June 29,2021, WISeKey entered into an Agreement for the Subscription of up to $22M Convertible Notes (the “**L1 Facility**”) with L1 Capital Global Opportunities Master Fund (“**L1**”), pursuant to which L1 commits to grant a loan to WISeKey for up to a maximum amount of USD 22 million divided into tranches of variable sizes, during a commitment period of 24 months ending June 28, 2023. The initial tranche was agreed in the L1 Facility agreement as USD 11 million to be funded on June 29, 2021 (the “**L1 Initial Tranche**”). On September 27, 2021, WISeKey and L1 signed the First Amendment to the Subscription Agreement (the “**L1 First Amendment**”), pursuant to which, for the remaining facility, WISeKey has the right to request L1 to subscribe for four “accelerated” note tranches of up to USD 2,750,000 each or any other amount agreed between the parties (the “**L1 Accelerated Tranches**”), at the date and time determined by WISeKey during the commitment period, subject to certain conditions. In 2021, WISeKey made five subscriptions under the L1 Facility for a total of USD 6 million L1 Accelerated Tranches, in addition to the L1 Initial Tranche of USD 11 million. As at December 31, 2021, the outstanding L1 Facility available was USD 5 million. Convertible notes in an aggregate amount of USD 3.5 million remained unconverted.

On June 29,2021, WISeKey entered into an Agreement for the Subscription of up to $22M Convertible Notes (the “**Anson Facility**”) with Anson Investments Master Fund LP (“**Anson**”), pursuant to which Anson commits to grant a loan to WISeKey for up to a maximum amount of USD 22 million divided into tranches of variable sizes, during a commitment period of 24 months ending June 28, 2023. The initial tranche was agreed in the Anson Facility agreement as USD 11 million to be funded on June 29, 2021 (the “**Anson Initial Tranche**”). On September 27, 2021, WISeKey and Anson signed the First Amendment to the Subscription Agreement, pursuant to which, for the remaining facility, WISeKey has the right to request Anson to subscribe for four “accelerated” note tranches of up to USD 2,750,000 each or any other amount agreed between the parties (the “**Anson Accelerated Tranches**”), at the date and time determined by WISeKey during the commitment period, subject to certain conditions. In 2021, WISeKey made two subscriptions under the Anson Facility for a total of USD 5.5 million Anson

Accelerated Tranches, in addition to the Anson Initial Tranche of USD 11 million. As at December 31, 2021, the outstanding Anson Facility available was USD 5.5 million. Convertible notes in an aggregate amount of USD 6.7 million remained unconverted.

The SEDA, the Nice & Green Facility, the L1 Facility and the Anson Facility will be used as a safeguard should there be any additional cash requirements not covered by other types of funding.

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

Note 3. Basis of presentation

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

Acquisition of arago

On February 1, 2021, the Company acquired arago GmbH, a private German company, and its affiliates (together, "**arago**" or the "**arago Group**"). arago is a leader in artificial intelligence automation. arago aims to provide the benefits of artificial intelligence to enterprise customers globally through knowledge automation. arago uses modern technologies such as inference and machine learning in order to automatically operate the entire IT stack – from heterogeneous environments to individual applications.

The assets, liabilities and results of arago have been consolidated in the Group's financial statements from the acquisition date of February 1, 2021.

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.

General Principles of Business Combinations

The Company uses the acquisition method to account for business combination, in line with ASC Topic 805-10 Business Combinations. Subsidiaries acquired or divested in the course of the year are included in the consolidated financial statements respectively as of the date of purchase, and up to the date of sale. The consideration for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company.
Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed.

Use of Estimates

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

Foreign Currency

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Allowance for Doubtful Accounts

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

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives which range from 1 to 5 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.
Intangible assets with indefinite lives are not amortized but are subject to annual reviews for impairment.

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.
In line with ASC 830, the goodwill balance is recorded in the functional currency of the acquired business and translated at each period end with the exchange rate impact booked into other comprehensive income.

Equity Securities

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

Available-for-sale debt securities

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

Revenue Recognition

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

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

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

Contract Assets

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

Deferred Revenue

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

Contract Liability

Contract liability consists of either:

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

Sales Commissions

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

Cost of Sales and Depreciation of Production Assets

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. This amortization is disclosed separately under depreciation of production assets on the face of the income statement.

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 three defined benefit post retirement plans:

- one that covers all employees working for WISeKey SA in Switzerland,
- one that covers all employees working for WISeKey International Holding Ltd in Switzerland, 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.

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 WIHN Class B Shares. When the effects are not antidilutive, diluted earnings per share is calculated using the weighted-average outstanding WIHN Class B Shares and the dilutive effect of stock options as determined under the treasury stock method.

Segment Reporting

Following the acquisition of arago, our chief operating decision maker, who is also our Chief Executive Officer, requested changes in the information that he regularly reviews for purposes of allocating resources and assessing budgets and performance. As a result, beginning in fiscal year 2021, we report our financial performance based on a new segment structure described in 09. There was no restatement of prior periods due to changes in reported segments.

Recent Accounting Pronouncements

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

As of January 1, 2021, the Group adopted ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans, which* modifies 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. 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. There was no material impact on the Group's results upon adoption of the standard.

As of January 1, 2021, The Group also adopted ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (the ASU), 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, which 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; 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; Enacted changes in tax laws in interim periods.

There was no material impact on the Group's results upon adoption of the standard.

As of January 1, 2021, the Group also adopted ASU 2020-01, Investments- Equity securities (Topic 321), Investments – equity method and joint ventures (Topic 323), and derivatives and hedging (topic 815), which provides additional guidance as a result of the adoption of ASU 2016-01, which added Topic 321, Investments – Equity Securities and provided an entity with the option to measure certain equity securities without a readily determinable fair value at cost, minus impairment. ASU 2020-01 amended the current guidance. In particular, the FASB clarified that entities seeking to apply the measurement alternative found in Topic 321 should first consider whether there are observable transactions that would require the reporting entity to either apply or discontinue the equity method of accounting in accordance with Topic 323. With respect to certain forward contracts and purchase options, the FASB explained an entity should not consider whether the underlying securities would be accounted for under Topic 323, or the fair value option found in Topic 825 upon the settlement of the contract or purchase option. Entities should instead consider the characteristics of these contracts and options based on the guidance found in 815-10-15-141 to determine the appropriate accounting treatment.
There was no material impact on the Group's results upon adoption of the standard.

As of January 1, 2021, the Group also adopted ASU 2020-10, Codification improvements, which further clarify and improve the Codification by codifying all guidance that requires or provides the option for an entity to disclose information within the footnotes. This clarification is meant to reduce the likelihood of a preparer missing required disclosure requirements. While the amendments do not introduce new topics or subtopics or change existing GAAP, all entities should review the changes found in the ASU to assess the impact it may have on their financial reporting requirements.
There was no material impact on the Group's results upon adoption of the standard.

New FASB Accounting Standard to be adopted in the future:

In August 2020, the FASB issued Accounting Standards Update (ASU) no 2020-06, 'Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.

Summary: ASU 2020-06 simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas.
Effective Date: ASU No. 2020-06 is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the standard will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption will be permitted.
The Company expects to adopt all 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 May 2021, The FASB has issued Accounting Standards Update (ASU) No. 2021-04, Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options — a consensus of the FASB Emerging Issues Task Force.
Summary: The ASU provides a principles-based framework to determine whether an issuer should recognize the modification or exchange as an adjustment to equity or an expense. This Update is to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this Update affect all entities that issue freestanding written call options that are classified in equity.
Effective Date: ASU No. 2021-04 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted.
The Company expects to adopt all the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

In October 2021, The FASB has issued Accounting Standards Update (ASU) No. 2021-08, Business Combinations (topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.
Summary: The ASU amends ASC 805 to "require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination." Under current GAAP, an acquirer generally recognizes such items at fair value on the acquisition date. ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606 (meaning the acquirer should assume it has entered the original contract at the same date and using the same terms as the acquiree). This new ASU applies to contract assets and contract liabilities acquired in a business combination and to other contracts that directly/indirectly apply the requirements of ASC 606.
Effective Date: ASU No. 2021-08 is effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. An entity should apply the amendments prospectively to business combinations occurring on or after the effective dates. Early adoption is permitted.
The Company expects to adopt all 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 November 2021, The FASB has issued Accounting Standards Update (ASU) No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance.
Summary: The ASU provides an update to increase the transparency of government assistance including the disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. ASC 832 requires the following disclosures in the notes, information about the nature of the transactions, the accounting policies used to account for the transactions, and balance sheet and income statement affected by the transactions. The duration, commitments, provisions, and other contingencies are required to disclose.
Effective Date: ASU No. 2021-10 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted.
The Company expects to adopt all 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 2021, 2020 or 2019, and the clients whose trade accounts receivable balances were 10% or higher than the respective total consolidated trade accounts receivable balance for fiscal years 2021 and 2020:

	Revenue concentration (% of total net sales) 12 months ended December 31,			Receivables concentration (% of total accounts receivable) As at December 31,	
	2021	2020	2019	2021	2020
IoT operating segment					
Multinational electronics contract manufacturing company	10%	18%	12%	13%	14%
International packaging solutions, technology and chips	1%	8%	11%	0%	2%

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.

	As at December 31, 2021		As at December 31, 2020			
USD'000	Carrying amount	Fair value	Carrying amount	Fair value	Fair value level	Note ref.
Nonrecurring fair value measurements						
Accounts receivable	3,261	3,261	2,900	2,900	3	9
Notes receivable from employees and related parties	68	68	37	37	3	10
Notes receivable, noncurrent	190	190	183	183	3	14
Equity securities, at cost	501	501	-	-	3	21
Accounts payable	16,448	16,448	13,099	13,099	3	24
Notes payable	6,249	6,249	4,115	4,115	3	25
Bonds, mortgages and other long-term debt	458	458	646	4,115	3	27
Convertible note payable, current	-	-	5,633	5,633	3	27
Convertible note payable, noncurrent	9,049	9,049	3,710	3,710	3	27
Indebtedness to related parties, noncurrent	2,395	2,395	-	-	3	28
Recurring fair value measurements						
Available-for-sale debt security	-	-	9,190	9,190	1	11
Equity securities, at fair value	1	1	301	301	1	22

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

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

Derivative liabilities

In 2021, the Group held one derivative instrument which was measured at estimated fair value on a recurring basis and linked to the conversion option originally embedded in the convertible loan signed with YA II PN, Ltd., a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**") on June 27, 2019 (the "**First Yorkville Convertible Loan**") and modified on March 04, 2020 when WISeKey entered into a new convertible loan agreement with Yorkville (the "**Second Yorkville Convertible Loan**") (see Note 27).

The Second Yorkville Convertible Loan had a maturity date of April 30, 2021. It contained a conversion option into WIHN Class B shares at the election of the Yorkville covering any amount outstanding (principal and/or interests) that may be settled. The exercise price was set at CHF 3.00 with antidilution provision adjustments as further described in Note 27.

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

In 2020, WISeKey made several repayments in cash of the First Yorkville Convertible Loan and the Second Yorkville Convertible Loan, which did not result in any gain or loss on derivative because the derivative was fair valued at USD nil at all repayment and reporting dates.

In the six months to June 30, 2021, WISeKey made four repayments in cash of the Second Yorkville Convertible Loan as per below. These repayments did not result in any gain or loss on derivative because the derivative was fair valued at USD nil at all repayment and reporting dates.

- On January 4, 2021, WISeKey repaid USD 250,000 of the principal.
- On January 29, 2021, WISeKey repaid USD 250,000 of the principal.
- On February 28, 2021, WISeKey repaid USD 250,000 of the principal.
- On April 15, 2021, WISeKey repaid USD 373,438 of the principal.
- On June 30, 2021, WISeKey repaid the remaining principal balance of USD 569,541 in full.

As a result, the loan was fully repaid as at December 31, 2021.

The derivative component was measured at fair value at December 31, 2021 at USD nil.
In the year ended December 31, 2021, WISeKey recorded in the income statement, a net gain on derivative of USD nil and a net debt discount amortization expense of USD 82,560.

Derivative liabilities	**USD'000**
Balance as at December 31, 2019	44
Fair value of the derivative instrument (conversion option)	-
Gain on derivative recognized as a separate line in the statement of loss	(44)
Balance as at December 31, 2020	-
Fair value of the derivative instrument (conversion option)	-
Gain on derivative recognized as a separate line in the statement of loss	-
Balance as at December 31, 2021	-

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks.

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

Note 8. Restricted cash

Restricted cash as at December 31, 2021 relates to the capital subscription of a new group entity which had not yet been incorporated as at December 31, 2021.

Note 9. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at December 31, 2021	As at December 31, 2020
Trade accounts receivable	3,078	2,608
Allowance for doubtful accounts	(68)	(42)
Accounts receivable from shareholders	-	14
Accounts receivable from other related parties	129	95
Accounts receivable from underwriters, promoters, and employees	5	1
Other accounts receivable	117	224
Total accounts receivable net of allowance for doubtful accounts	**3,261**	**2,900**

As at December 31, 2021, accounts receivable from other related parties consisted of a receivable from OISTE in relation to the facilities and personnel hosted by WISeKey SA on behalf of OISTE. (see Note 42).

Note 10. Notes receivable from employees

As at December 31, 2021, the notes receivable from employees and related parties consisted of a loan to an employee for CHF 61,818 (USD 67,798). The loan bears an interest rate of 0.5% per annum. The loan and accrued interest were initially to be repaid in full on or before December 31, 2021, extended to December 31, 2022. In exchange for the loan, the employee has pledged the 60,000 ESOP options that he holds on WIHN Class B Shares (see Note 35).

Note 11. Available-for-sale debt security

Convertible Loan with arago

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

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

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

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

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

On January 18, 2021, WIHN exercised its right to convert the loan into 51% of arago's share capital and 51% of the voting rights associated with arago's share capital, calculated on a fully diluted basis, taking into consideration the impact of any unexercised share options or other capital instruments convertible into or exchangeable or exercisable for arago shares.
The acquisition date was February 1, 2021 (see Note 14 for details). As at February 1, 2021, WIHN had funded CHF 3.4 million out of the CHF 5 million convertible loan:

- CHF 1,000,000 on August 12, 2020;
- CHF 1,000,000 on September 21, 2020;
- CHF 600,000 on November 20, 2020;
- CHF 400,000 on December 01, 2020;
- CHF 400,000 on December 22, 2020 out of which arago returned EUR 300,000 (CHF 324,708 at historical rate) unrequired funds on December 30, 2020; and
- EUR 300,000 on January 04, 2021;

The fair value of the arago Third Convertible Loan was measured as at February 1, 2021 as USD 11,166,432 for the business combination accounting. The loan fair value was included in the consideration paid for the acquisition and, in line with ASC 320-10-40-2, the total amount of CHF 6,546,964 (USD 7,349,602 at historical rate) recorded in other comprehensive income, representing the unrealized gain up to the date of acquisition, was reversed into non-operating income. The remaining CHF 1,600,000 (USD 1,796,155 at historical rate) cash payment part of the CHF 5 million cash consideration was settled after February 1, 2021 but was already taken into account as at February 1, 2021 in the fair value measurement of the Third Convertible Loan; it was therefore recorded in the income statement in non-operating income as a deduction from the unrealized gain reversed into non-operating income. As a result, a net income of CHF 4,946,964 (USD 5,553,447 at historical rate) was recorded in non-operating income in relation to fair value adjustment on the Third Convertible Loan. See Note 15 for details on the business combination accounting.

The following table sets forth the changes in the balance of the convertible debt investment for the years ended December 31, 2019, 2020 and 2021.

Available-for-sale debt security	**USD'000**
Balance as at December 31, 2019	-
Available-for sale debt security acquired in the year	3,805
Change in unrealized gains related to available-for-sale debt securities recorded in other comprehensive income	5,385
Balance as at December 31, 2020	9,190
Change in unrealized gains related to available-for-sale debt securities recorded in other comprehensive income	1,965
Foreign currency effect on debt security held in Swiss Francs	11
Conversion of available-for-sale debt security in the period	(11,166)
Balance as at December 31, 2021	-

Note 12. Inventories

Inventories consisted of the following:

USD'000	**As at December 31, 2021**	**As at December 31, 2020**
Raw materials	950	543
Work in progress	1,760	1,931
Total inventories	**2,710**	**2,474**

In the years ended December 31, 2021, 2020 and 2019, the Group recorded inventory obsolescence charges in the income statement of respectively USD 57,302, USD 156,188 and USD 26,249 on raw materials, and USD 404,509, USD 301,215 and USD 508,938 on work in progress.

Note 13. Other current assets

Other current assets consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Value-Added Tax Receivable	359	762
Advanced payment to suppliers	220	43
Deposits, current	97	5
Other currrent assets	1	4
Total other current assets	**677**	**814**

Note 14. Notes receivable, noncurrent

Notes receivable, noncurrent consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Long-term receivable from, and loan, to shareholders	187	144
Long-term receivable from, and loan to, other related parties	3	39
Total notes receivable, noncurrent	**190**	**183**

As at December 31, 2021, noncurrent notes receivable were made up of:

- several loans to employees who are shareholders in relation to the outstanding employee social charges and tax deducted at source for the exercise of their ESOP options (see Note 35). These loans do not bear interest. The total loan amount as at December 31, 2021 was CHF 170,226 (USD 186,692).
- a loan to an employee that is not a shareholder in relation to the outstanding employee social charges for the exercise of their ESOP options (see Note 35). This loan does not bear interest. The total loan amount as at December 31, 2021 was CHF 3,322 (USD 3,643).

Note 15. Business combinations

Acquisition of arago GmbH

On February 1, 2021 the Company acquired 51% of the fully diluted share capital of arago GmbH, a private German company, and its affiliates (together, "**arago**" or the "arago Group"). arago is a leader in artificial intelligence automation. arago aims to provide the benefits of artificial intelligence to enterprise customers globally through knowledge automation. arago uses modern technologies such as inference and machine learning in order to automatically operate the entire IT stack – from heterogeneous environments to individual applications.

The assets, liabilities and results of arago have been consolidated in the Company's financial statements from the acquisition date of February 1, 2021.

The major classes of assets and liabilities acquired by WISeKey at fair value on the date of acquisition are as follows:

Consolidated Balance Sheet - arago group	**Opening balance As at February 1,**
USD'000	**2021**
ASSETS	
Current assets	
Cash and cash equivalents	243
Restricted cash, current	70
Accounts receivable, net of allowance for doubtful accounts	568
Convertible note receivable from WISeKey	1,808
Prepaid expenses	464
Other current assets	117
Total current assets	**3,270**
Noncurrent assets	
Property, plant and equipment net of accumulated depreciation	37
Intangible assets, net of accumulated amortization	10,108
Operating lease right-of-use assets	78
Equity securities, at cost	55
Goodwill	-
Deferred tax assets	8
Total noncurrent assets	**10,286**
TOTAL ASSETS	**13,556**
LIABILITIES	
Current Liabilities	
Accounts payable	1,288
Notes payable	3,712
Convertible loan with WISeKey	-
Deferred revenue	909
Current portion of obligations under operating lease liabilities	53
Other current liabilities	1,816
Total current liabilities	**7,778**
Noncurrent liabilities	
Bonds, mortgages and other long-term debt	4,296
Operating lease liabilities, noncurrent	25
Deferred tax liabilities	3,235
Total noncurrent liabilities	**7,556**
TOTAL LIABILITIES	**15,334**
TOTAL NET ASSETS	**(1,778)**

The consideration of USD 22,253,087 for the acquisition of arago was made up of the following components:

- The arago Third Convertible Loan fair valued at USD 11,166,432 converted at the date of acquisition (see Note 11 for detail).
- A cash payment of USD 165,160 corresponding to the nominal value at the date of acquisition of the 136,072 arago shares, par value EUR 1.00, acquired.
- A noncontrolling interest corresponding to the 49% of arago's share capital, fair valued at USD 10,921,495 based on the fair value calculation of a 51% interest in arago performed to remeasure the arago Third Convertible Loan at the date of acquisition of February 1, 2021. The minority shareholders could put their non-controlling interest to the Group within five years (the "**Put Option**"). As the Put Option is only settleable in WISeKey Class B Shares it was determined not to be a redeemable non-controlling interest and was recorded in permanent equity and presented as noncontrolling interests in consolidated subsidiaries on the consolidated balance sheet.

The actual cash paid as part of the consideration amounted to CHF 5 million (USD 5,612,985 at the closing rate on the date of acquisition) and USD 165,160 for the nominal value of the arago shares acquired, hence a total cash disbursement of USD 5,778,145, spread across the years ended December 31, 2020 (USD 3,452,298) and 2021 (USD 2,325,847).

Goodwill calculation	**USD'000**	**USD'000**
Consideration		
Fair value of the convertible loan	11,166	
Payment of nominal value of arago shares	165	
NCI put option	10,922	
Total consideration		**22,253**
Net assets acquired		
Total net assets of arago group at acquisition	(1,778)	
Total net assets acquired		**(1,778)**
Goodwill at acquisition		**24,031**

The goodwill arising from the acquisition of arago is USD 24,031,436. In line with ASC 830, the goodwill balance was recorded in Euros, the functional currency of the acquired business. The Group does not apply pushdown accounting. Therefore, a goodwill of EUR 19,799,052 (using the exchange rate at acquisition) was recorded in the Group's balance sheet and is translated using the closing rate at each reporting period. See Note 20.

The table below shows the reconciliation of the total consideration for the acquisition of arago to the cash flows from the acquisition of a business, net of cash and cash equivalents acquired disclosed in the Cash Flows from investing activities of the unaudited Consolidated Statements of Cash Flows.

Reconciliation of the total consideration to the cash flow statement	**USD'000**	**USD'000**
Total consideration		**(22,253)**
Deduction of non-cash elements of the total consideration		
Fair value of the conversion option	5,553	
Fair value of the NCI put option	10,922	
Total non-cash elements of the total consideration		**16,475**
Deduction of cash paid in the year 2020		**3,452**
Deduction of cash and cash equivalent acquired		**313**
Cash flow from the acquisition of a business, net of cash and cash equivalents acquired		**(2,013)**

For the period started on the date of acquisition of February 1, 2021 until the end of the reporting period on December 31, 2021, the revenue of arago recorded in the consolidated income statement was USD 4.6 million, and arago's net loss was USD 7.1 million.

The Group has concluded that disclosure of comparative financial statements required by ASC 805-10-50-h is impracticable. In line with ASC 250-10-45-9, retrospective application for the comparative financial statements requires significant estimates of amounts, and it is impossible to distinguish objectively information about those estimates that provides evidence of circumstances that existed on the date(s) at which those amounts would be recognized, measured, or disclosed under retrospective application. It is also impossible for management to distinguish objectively information that would have been available when the financial statements for that prior period were issued. We further note that there are no audited financial statements for the arago Group for that period.

Note 16. Deferred tax credits

Deferred tax credits consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Deferred research & development tax credits	847	1,311
Deferred other tax credits	1	1
Total deferred tax credits	**848**	**1,312**

WISeKey Semiconductors SAS is eligible for research tax credits provided by the French government (see Note 4 Summary of significant accounting policies). As at December 31, 2021 and 2020, the receivable balances in respect of these research tax credits owed to the Group were respectively USD 846,808 and USD 1,310,685. The credit is deductible from the entity's income tax charge for the year or payable in cash the following year, whichever event occurs first.

Note 17. Property, plant and equipment

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

USD'000	As at December 31, 2021	As at December 31, 2020
Machinery & equipment	3,940	3,925
Office equipment and furniture	3,239	2,900
Computer equipment and licences	2,208	1,171
Total property, plant and equipment gross	9,387	7,996
Accumulated depreciation for:		
Machinery & equipment	(3,685)	(3,290)
Office equipment and furniture	(2,948)	(2,573)
Computer equipment and licences	(2,167)	(1,133)
Total accumulated depreciation	(8,800)	(6,996)
Total property, plant and equipment, net	**587**	**1,000**
Depreciation charge for the year ended December 31,	513	988

The depreciation charge from continuing operations for the year 2019 was USD 821,466.

In 2021, WISeKey did not identify any events or changes in circumstances indicating that the carrying amount of any asset may not be recoverable. As a result, WISeKey did not record any impairment charge on Property, plant and equipment in the year 2021.

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 18. Intangible assets

Intangible assets and future amortization expenses consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Intangible assets not subject to amortization:		
Trademarks	2,190	-
Cryptocurrencies	100	-
Intangible assets subject to amortization:		
Trademarks	137	142
Patents	2,281	2,281
License agreements	11,326	11,626
Other intangibles	13,814	6,641
Total intangible assets gross	29,848	20,690
Accumulated amortization for:		
Trademarks	(137)	(142)
Patents	(2,281)	(2,281)
License agreements	(11,321)	(11,617)
Other intangibles	(6,923)	(6,641)
Total accumulated amortization	(20,662)	(20,681)
Total intangible assets subject to amortization, net	6,896	9
Total intangible assets, net	**9,186**	**9**
Amortization charge for the year to December 31,	481	604

The amortization charge from continuing operations for the year 2019 was USD 534,155.

Trademarks not subject to amortization are made up of a balance of USD 2,189,508 for the trademark acquired with arago on February 1, 2021. The trademark was valued using the relief-from-royalty approach at acquisition and determined to have an indefinite useful life. In line with ASC 830, the trademark balance was recorded in Euros, the functional currency of the acquired business. The Group does not apply pushdown accounting. Therefore, a trademark balance of EUR 1,924,587 (using the exchange rate at acquisition) was recorded in the Group's balance sheet and is translated using the closing rate at each reporting period.

Other intangibles include a balance of USD 7,284,614 for the technology acquired with arago on February 1, 2021. The technology was valued using the relief-from-royalty approach at acquisition. In line with ASC 830, the other intangibles relating to technology balance was recorded in Euros, the functional currency of the acquired business. The Group does not apply pushdown accounting. Therefore, another intangibles balance of EUR 6,403,206 (using the exchange rate at acquisition) was recorded in the Group's balance sheet and is translated using the closing rate at each reporting period. The balance is amortized over the estimated remaining useful life of 17 years. An amortization charge of EUR 345,300 (USD 408,615 at average rate) was recorded for the year ended December 31, 2021, and the carrying amount for the technology acquired with arago was EUR 6,057,906 (USD 6,891,783 at closing rate). Foreign exchange differences arising from these translations are recorded in other comprehensive income in line with ASC 830.

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 17 years

Future amortization charges are detailed below:

Future estimated aggregate amortization expense Year		USD'000
	2022	433
	2023	430
	2024	429
	2025	429
	2026	429
	2027 and beyond	4,746
Total intangible assets subject to amortization, net		**6,896**

Note 19. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. As at December 31, 2021, WISeKey holds one finance lease for IT equipment in our datacenter, sixteen operating leases, and one short-term leases. The short-term leases 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 2021, 2020, and 2019 we recognized rent expenses associated with our leases as follows:

USD'000	12 months ended December 31, 2021	12 months ended December 31, 2020	12 months ended December 31, 2019
Finance lease cost:			
Amortization of right-of-use assets	68	66	31
Interest on lease liabilities	7	12	8
Operating lease cost:			
Fixed rent expense	1,079	602	567
Short-term lease cost	7	22	63
Net lease cost	**1,161**	**702**	**669**
Lease cost - Cost of sales	-	-	-
Lease cost - General & administrative expenses	1,161	702	669
Net lease cost	**1,161**	**702**	**669**

In the years 2021 and 2020, we had the following cash and non-cash activities associated with our leases:

USD'000	As at December 31, 2021	As at December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	114	106
Operating cash flows from operating leases	964	632
Financing cash flows from finance leases	7	12
Non-cash investing and financing activities :		
Net lease cost	1,161	702
Additions to ROU assets obtained from:		
New finance lease liabilities	-	-
New operating lease liabilities	2,375	544

As at December 31, 2021, future minimum annual lease payments were as follows:

Year	USD'000 Operating	USD'000 Short-term	USD'000 Finance	USD'000 Total
2022	1,038	2	61	**1,101**
2023	972	1	-	**973**
2024	657	-		**657**
2025	592	-	-	**592**
2026 and beyond	1,016	-	-	**1,016**
Total future minimum operating and short-term lease payments	**4,275**	**3**	**61**	**4,339**
Less effects of discounting	(447)	-	(6)	(453)
Less effects of practical expedient	-	(3)	-	(3)
Lease liabilities recognized	**3,828**	**-**	**55**	**3,883**

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

Year	USD'000
2022	1,101
2023	973
2024	657
2025	592
2026 and beyond	1,016
Total future minimum operating and short-term lease payments	**4,339**
Less effects of discounting	(456)
Lease liabilities recognized	**3,883**

As of December 31, 2021, the weighted-average remaining lease term was 0.5 years for our finance lease and 4.00 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, 2021 was 3.26%.

Note 20. Goodwill

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 1, 2021, 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 1, 2021, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2021.

Goodwill of EUR 19,799,052 (USD 24,031,436 at acquisition) arose as a result of the acquisition by the Group of arago whose functional currency is the Euro (see Note 15 Business combinations). In line with ASC 830, the goodwill balance was recorded in Euros, the functional currency of the acquired business. At closing rate, the goodwill relating to arago was translated at USD 22,524,411, hence a currency translation expense of USD 1,507,025 was recorded in the financial year 2021.

Impairment reviews have been conducted for 2 items of goodwill allocated to 2 reporting units ("**RU**") relating to the acquisition of WISeKey Semiconductors SAS in 2016 and arago in 2021. 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. For each RU, fair value is higher than its carrying value. Both the WISeKey Semiconductors SAS and arago RUs have a negative carrying amount.

USD'000	IoT Segment	AI Segment	Total
Goodwill balance as at December 31, 2019	**8,317**	**-**	**8,317**
Goodwill acquired during the year	-	-	-
Impairment losses	-	-	-
As a December 31, 2020			
Goodwill	8,317	-	8,317
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2020	**8,317**	**-**	**8,317**
Goodwill acquired during the year	-	24,031	24,031
Currency translation adjustment	-	(1,507)	(1,507)
Impairment losses	-	-	-
As a December 31, 2021			
Goodwill	8,317	24,031	32,348
Accumulated currency translation adjustments	-	(1,507)	(1,507)
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2021	**8,317**	**22,524**	**30,841**

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 21. Equity securities, at cost

Warrant agreement in Tarmin

On September 27, 2018 WISeKey purchased a warrant agreement in Tarmin Inc. from ExWorks as part of the eleventh amendment of the ExWorks Credit Agreement (see Note 25). As a result, WISeKey entered into a warrant agreement with Tarmin Inc ("**Tarmin**") (the "**Tarmin Warrant**"), a private Delaware company, leader in data & software defined infrastructure to acquire 22% of common stock deemed outstanding at the time of exercise. The warrant may be exercised in parts or in full, at an exercise price of USD 0.01 per share at nominal value USD 0.0001. The purchase price of the Tarmin Warrant was USD 7,000,000, of which USD 3,000,000 was paid in cash on October 05, 2018 and the remaining USD 4,000,000 was paid on April 08, 2019.
The Tarmin Warrant was assessed as an equity investment without a readily determinable fair value and we elected the measurement at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer as permitted by ASU 2016-01. As such, the Tarmin Warrant was initially recognized on the balance sheet at USD 7,000,000. In 2020, we recorded an impairment loss of the full USD 7,000,000 carrying value of the Tarmin Warrant. Therefore, the carrying value of the Tarmin Warrant as at December 31, 2021 was USD nil.

Investment in FOSSA SYSTEMS s.l.

On April 08, 2021, WISeKey E.L.A. s.l. invested EUR 440,000 (USD 475,673 at historical rate) to acquire 15% of the share capital of FOSSA SYSTEMS s.l. ("**FOSSA**"), a Spanish aerospace company providing picosatellites for Low Earth Orbit (LEO) services as a vertically integrated service: from design to launch and operations.
The FOSSA investment 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 FOSSA investment was initially recognized on the balance sheet at EUR 440,000 (USD 475,673 at historical rate).
As at December 31, 2021, we performed a qualitative assessment to consider potential impairment indicators. We made reasonable efforts to identify any observable transactions of identical or similar investments, but did not identify any such transaction. Therefore, no impairment loss was recorded in the year to December 31, 2021, and the carrying value of the FOSSA investment as at December 31, 2021 was EUR 440,000 (USD 500,566 at closing rate).

Note 22. 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, 2021, the fair value was recalculated using the closing market price on the Frankfurt Stock Exchange of EUR 0.0005 (USD 0.0006) and amounted to USD 1,251. The difference of USD 300,050 from the fair value at December 31, 2020 (USD 301,301) was accounted for in the income statement as a non-operational expense.

Note 23. 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 24. Accounts payable

The accounts payable balance consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Trade creditors	7,031	4,608
Factors or other financial institutions for borrowings	26	178
Accounts payable to Board Members	2,802	1,580
Accounts payable to other related parties	189	172
Accounts payable to underwriters, promoters, and employees	2,999	2,985
Other accounts payable	3,401	3,576
Total accounts payable	**16,448**	**13,099**

As at December 31, 2021, accounts payable to Board Members are made up of accrued salaries and bonus of CHF 2,555,032.97 (USD 2,802,171) payable to Carlos Moreira (see Note 42 for detail).
As at December 31, 2021, accounts payable to other related parties are made up of a CHF 172,320 (USD 188,988) payable to OISTE (see Note 42 for detail).

Accounts payable to underwriters, promoters and employees consist primarily of payable balances to employees in relation to holidays, 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 25. Notes payable

Notes payable consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Short-term loan	6,165	4,030
Short-term loan from shareholders	84	85
Total notes payable	**6,249**	**4,115**

As at December 31, 2021, the current notes payable balance was made up of:

- a USD 4,030,000 short-term loan with ExWorks (see detail in Note 27), and
- a EUR 1,796,302 (USD 2,043,564) loan with Harbert European Specialty Lending Company II S.à r.l. entered into by arago in 2018 and included in the liabilities acquired on February 1, 2021 (see Note 15).
- a CHF 83,600 (USD 91,686) current portion of the Covid loans with UBS (see Note 27).

As at December 31, 2021, the short-term loan from shareholders was made up of loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 83,932 at closing rate (USD 84,721 as at December 31, 2020). These loans do not bear interests. See Note 42 for detail.

The weighted–average interest rate on current notes payable, excluding loans from shareholders at 0%, was respectively 10% and 10% per annum as at December 31, 2021 and 2020.

Note 26. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2021	As at December 31, 2020
Value-Added Tax payable	137	312
Other tax payable	88	137
Customer contract liability, current	128	367
Other current liabilities	199	289
Total other current liabilities	**552**	**1,105**

Note 27. Loans and line of credit

Standby Equity Distribution Agreement with YA II PN, Ltd.

On February 8, 2018 WISeKey entered into a Standby Equity Distribution Agreement ("**SEDA**") with YA II PN, Ltd., a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**"). Under the terms of the SEDA as amended, Yorkville has committed to provide WISeKey, upon a drawdown request by WISeKey, up to CHF 50,000,000 in equity financing originally over a three-year period ending March 01, 2021, now over a period of five years ending March 31, 2023 in line with the amendment signed by the parties on March 04, 2020. Provided that a sufficient number of Class B Shares is provided through share lending, WISeKey has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5,000,000 by drawdown, subject to certain exceptions and limitations (including the exception that a drawdown request by WISeKey shall in no event cause the aggregate number of Class B Shares held by Yorkville to meet or exceed 4.99% of the total number of shares registered with the commercial register of the Canton of Zug). The purchase price will be 93% of the relevant market price at the time of the drawdown, determined by reference to a ten-day trading period following the draw down request by WISeKey.

The instrument was assessed under ASC 815 as an equity instrument. WISeKey paid a one-time commitment fee of CHF 500,000 (USD 524,231 at historical rate) on April 24, 2018 in 100,000 WIHN Class B Shares. In line with ASU 2015-15 the commitment fee was capitalized as deferred charges to be amortized over the original duration of the contract as a reduction of equity.
In 2018, WISeKey made 4 drawdowns for a total of CHF 1,749,992 (USD 1,755,378 at historical rate) in exchange for a total of 540,539 WIHN Class B Shares issued out of authorized share capital or treasury share capital.
In 2019, WISeKey made 5 drawdowns for a total of CHF 1,107,931 (USD 1,111,764 at historical rate) in exchange for a total of 490,814 WIHN Class B Shares issued out of treasury share capital.
In 2020, WISeKey made 6 drawdowns for a total of CHF 1,134,246 (USD 1,208,569 at historical rate) in exchange for a total of 889,845 WIHN Class B Shares issued out of treasury share capital.

In 2021, WISeKey made one drawdown on April 15, 2021 for CHF 363,876 (USD 380,568 at historical rate) in exchange for 219,599 WIHN Class B Shares issued out of treasury share capital.

The amortization charge for the capitalized fee recognized in APIC amounted to USD 30,188 for the year 2021. As at December 31, 2021, the deferred charge balance was fully amortized.
As at December 31, 2021, the outstanding equity financing available was CHF 45,643,955.

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 1, 2019 in monthly cash instalments starting in November 2018. The loan bore 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 were paid at inception.
The debt instrument was assessed as a term debt. A discount of USD 160,000 was recorded at inception and was 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 the First Yorkville Convertible Loan, a Convertible Loan Agreement with Yorkville to borrow USD 3,500,000 repayable by August 1, 2020 in monthly instalments starting in August 1, 2019 either in cash or in WIHN Class B Shares. The loan bore 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 was exercisable at the election of Yorkville at each monthly repayment date, covering any amount outstanding, be it principal and/or accrued interests. The initial exercise price was set at CHF 3.00 per WIHN Class B Share but could be adjusted as a result of specific events so as to prevent any dilutive effect. The events triggering anti-dilution adjustments were: (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 First Yorkville Convertible Loan, on June 27, 2019, an unpaid balance of USD 500,000 remained on the Yorkville Loan and was rolled into the First Yorkville Convertible 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 May1, 2019.
In line with ASC 470-50, we compared the present value of the new debt (the First 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 First 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 First Yorkville Convertible Loan was assessed as a hybrid instrument, being a debt instrument with an equity-linked component (the conversion option). Per ASC 815-10, the embedded conversion option met the definition of a derivative and was accounted for separately, thereby creating a debt discount.
The derivative liability component (the conversion option) was fair valued using a binomial lattice model, building in quoted market prices of WIHN Class B Shares, and inputs such as time value of money, volatility, and risk-free interest rates. It was valued at inception at USD 257,435, and was allocated between current and noncurrent on a prorata temporis basis according to the monthly repayment schedule. The derivative component will be revalued at fair value at each reporting date in line with ASC 815-15-30-1.

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

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

On March 4, 2020, WISeKey entered into the Second Yorkville Convertible Loan with Yorkville to borrow USD 4,000,000 repayable by April 30, 2021 in monthly instalments starting on March 30, 2020 either in cash or in WIHN class B Shares. The loan bore an interest rate of 6% per annum payable monthly in arrears. Total fees of USD 68,000 were paid in monthly instalments over the life of the loan.
The conversion option into newly issued or existing WIHN Class B Shares was exercisable at the election of Yorkville at any time until all amounts were repaid in full, covering any amount outstanding, be it principal and/or accrued interests. The initial exercise price was set at CHF 3.00 per WIHN Class B Share but could be adjusted as a result of specific events so as to prevent any dilution effect. The events triggering anti-dilution adjustments were: (a) increase of capital by means of capitalization of reserves, profits or premiums by distribution of WIHN Shares, or division or consolidation of WIHN Shares, (b) issue of WIHN shares or other securities by way of conferring subscription or purchase rights, (c) spin-offs and capital distributions other than dividends, and (d) dividends.

At the date of inception of the Second Yorkville Convertible Loan on March 4, 2020, an unpaid balance of USD 2,300,000 and an unamortized debt discount of USD 104,469 remained on the Yorkville Convertible Loan.
Per ASC 470-50, we compared the present value of the new debt (the Second Yorkville Convertible Loan) to the present value of the old debt (the Yorkville Convertible Loan) using the net method and concluded that the difference was below the 10% threshold. Therefore, the Second Yorkville Convertible Loan was analyzed as a debt modification and accounted for under ASC 470-50-40-14.

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

In 2020, WISeKey's repayments amounted to a total of USD 2,307,021.

In the year to December 31, 2021, WISeKey repaid the full remaining balance of the loan of USD 1,692,979 and recorded in the income statement a net gain/loss on derivative of USD nil and a net debt discount amortization expense of USD 82,560. As at December 31, 2021, the outstanding balance of the loan, and the carrying balances of the loan, the unamortized debt discount and the derivative component measured at fair value were USD nil. No conversion rights were exercised in 2021.

Credit Agreement with ExWorks Capital Fund I, L.P

On April 4, 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 4, 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. As at December 31, 2020, the debt discount was fully amortized.

As at December 31, 2021, the loan had not been repaid and the outstanding borrowings were USD 4,030,000, meaning that the loan is past due under the terms of the credit agreement with ExWorks. The Company is currently in negotiation with ExWorks regarding a potential sale of its investment in Tarmin, a Company in which ExWorks is also a significant shareholder (see Note 21). It is the view of the management of the Company that the sale of the investment in Tarmin and the repayment of the credit agreement are codependent and therefore the loan will be repaid at such time as the investment is sold. ExWorks continues to charge interest on the loan at the rate of 10% p.a. and has not launched any formal recovery proceedings as of the date of this report.

Credit Agreement with Long State Investment Limited

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

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

In 2020 and 2021, WISeKey did not make any drawdowns under the LSI Convertible Facility.

The amortization charge for the capitalized costs and fee recognized in APIC amounted to CHF 372,473 (USD 407,559) for the year to December 31, 2021 and the deferred charge balance was fully amortized as at December 31, 2021.
The LSI Convertible Facility expired on December 16, 2021.

Loan Agreements with UBS SA

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

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

During the year to December 31, 2021, WISeKey repaid CHF 70,000 out of the loans. Therefore, as at December 31, 2021, the outstanding balance on the loans was CHF 501,500 (USD 550,008).

Credit Agreement with Nice & Green SA

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

Due to Nice & Green's option to convert the loan in part at any time before maturity, and as there is no limit on the number of shares to be delivered, the Nice & Green Facility was assessed as a share-settled debt instrument with an embedded put option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the Nice & Green Facility will be accounted for as a liability measured at cost for each term loan (corresponding to each drawdown).
Per the terms of the Nice & Green Facility, WISeKey pays to Nice & Green, in cash, a commitment fee of 5% of the amount of each subscription which will be recorded as a debt discount against each subscription (principal). Nice & Green also undertake to pay to WISeKey an incentive fee equal to 10% of the positive difference between the net capital gain and the net capital loss generated by Nice & Green on the sales of WIHN Class B Shares. The incentive fee income is recorded in the income statement in other non-operating income.

In 2020, WISeKey subscribed for a total of CHF 8,916,889 (USD 9,693,283 at historical rate) which was fully converted in the year 2020.
As at December 31, 2020, the outstanding Nice & Green Facility available was CHF 1,083,111 (USD 1,224,832) and there were no unconverted outstanding loan amounts.

During the year to December 31, 2021 the Group did not make any subscription under the Nice & Green Facility. Therefore, as at December 31, 2021 the outstanding Nice & Green Facility available was CHF 1,083,111 (USD 1,187,876) and there were no unconverted outstanding loan amounts.

Convertible Loan with Crede CG III, Ltd

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

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

In 2020, Crede issued two exercise notices under the Crede Convertible Loan, resulting in conversions for a total of 769,333 WIHN Class B Shares for a total conversion of USD 784,880.

In 2021, Crede issued two exercise notices under the Crede Convertible Loan, resulting in the following conversions:

- On January 4, 2021, for 1,000,000 WIHN Class B Shares delivered on January 6th, 2021 for a conversion of USD 1,038,627.
- On February 16, 2021, for 3,058,358 WIHN Class B Shares delivered on February 17th, 2021 for a conversion of USD 3,176,493.

The loan was fully converted with the last conversion on February 16, 2021. Therefore, there was no outstanding balance on this loan as at December 31, 2021.
For the year 2021, the Group recorded a net debt discount amortization expense in the income statement of USD 30,082.

Credit Agreement with GLOBAL TECH OPPORTUNITIES 8

On December 08, 2020, WISeKey entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**GTO Facility**") with GLOBAL TECH OPPORTUNITIES 8 ("**GTO**"), Grand Cayman, Cayman Islands, pursuant to which GTO commits to grant a loan to WISeKey for up to a maximum amount of CHF 15.5 million divided into tranches of variable sizes, during a commitment period of 18 months ending June 09, 2022. The dates and amounts of the first 3 tranches were agreed in advance in the GTO Facility agreement; for the remaining facility, GTO has the right to request the subscription of 2 tranches, all other tranches are to be subscribed for by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes of CHF 10,000 each that do not bear interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares within a period of 12 months from issuance (the "**GTO Conversion Period**"). Conversion takes place upon request by GTO during the GTO Conversion Period, but in any case no later than at the expiry of the GTO Conversion Period, at a conversion price of the higher of (i) CHF 0.05 and (ii) 97% of the average of the 5 lowest closing volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 20 trading days preceding the relevant conversion date.

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

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

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

In 2020, WISeKey subscribed for a total of CHF 4,660,000 (USD 5,240,772 at historical rate).

During the year ended December 31, 2021, the Group made a total of four subscriptions for a total of CHF 10,840,000 (USD 11,872,396 at historical rate) under the terms of the GTO Facility. Per the terms of the GTO Facility, WISeKey issued GTO with 458,332 warrants on WIHN Class B Shares at an exercise price of CHF 1.584, 102,599 warrants at an exercise price of CHF 2.193, 187,188 warrants at an exercise price of CHF 2.40, and 105,042 warrants at an exercise price of CHF 2.142. The warrant agreements were all assessed as equity instruments and were fair valued at grant at an aggregate amount of CHF 924,956 (USD 1,011,033) using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant. For each subscription, the fair value of the debt was calculated using the discounted cash flow method then, applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host and the credit entry was booked in APIC. The cumulated fair value of the debt for the four subscriptions was CHF 10,452,997 (USD 11,448,534), with a cumulated debt discount of CHF 886,538 (USD 970,929).

During the year ended December 31, 2021, GTO converted a total of CHF 14,750,000 (USD 16,188,524 at historical rates), resulting in the delivery of a total of 13,328,694 WIHN Class B Shares. A debt discount charge of CHF 23,656 (USD 25,884) and deferred charges in the amount of CHF 70,604 (USD 77,255) were amortized to the income statement, and unamortized debt discounts totaling CHF 1,634,628 (USD 1,792,739) were booked to APIC on conversions as per ASC 470-02-40-4.

As at December 31, 2021, the GTO Facility had been fully utilized, there were no unconverted convertible notes outstanding, the debt discount was fully amortized, and the deferred charge balance was CHF nil.

Credit Agreement with L1 Capital Global Opportunities Master Fund

On June 29,2021, WISeKey entered into the L1 Facility, an Agreement for the Subscription of up to USD 22M Convertible Notes with L1 Capital, pursuant to which L1 commits to grant a loan to WISeKey for up to a maximum amount of USD 22 million divided into tranches of variable sizes, during a commitment period of 24 months ending June 28, 2023. The L1 Initial Tranche was agreed in the L1 Facility agreement as USD 11 million to be funded on June 29, 2021. For the remaining facility, WISeKey has the right to request L1 to subscribe for four additional note tranches of USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes of USD 100,000 each that bear interest of 6% per annum. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares within a period of 24 months from issuance (the "**L1 Conversion Period**"). Conversion takes place upon request by L1 during the L1 Conversion Period, but in any case no later than at the expiry of the L1 Conversion Period. Each calendar month, L1 can request conversion of up to 12.5% of the principal amount of all issued tranches at a conversion price of 95% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date, and , should L1 wish to convert more than 12.5% of the principal amount of all issued tranches in a calendar month, the conversion price for the additional converted amounts is set at the higher of (i) the Fixed Conversion price applicable to relevant tranche, and (ii) 95% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date (the "**Original L1 Conversion Price**").

Due to L1's option to convert the loan in part or in full at any time before maturity, the L1 Facility was assessed as a share-settled debt instrument with an embedded put option. In line with ASC 480-10-55-43 and ASC 480-10-55-44, because the value that L1 will predominantly 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 L1 Facility was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Debt issue costs made up of legal expenses of USD 36,745, a commission of USD 802,500 to the placement agent, a fee of USD 220,000 to L1 representing 2% of the principal value of the initial tranche, and a subscription fee of USD 220,000 to L1 representing 2% of the principal value of the initial tranche payable in WIHN Class B Shares were due upon issuance of the Initial Tranche and recorded as a debt discount against the L1 Initial Tranche principal amount. The subscription fee was paid in 145,953 WIHN Class B Shares and was fair valued at CHF 183,901 (USD 200,871) based on the market value of the shares at issuance. Upon subscription of each subsequent tranche under the L1 Facility, debt issue costs corresponding to the fair value of the L1 subscription fee payable in WIHN Class B Shares representing 2% of the principal value of the subscribed funds and an L1 fee representing 2% of the principal value of the subscribed funds will be recorded as a debt discount against each tranche.

On September 27, 2021, WISeKey and L1 entered into the L1 First Amendment, pursuant to which WISeKey has the right to request L1 to subscribe for four L1 Accelerated Tranches of between USD 1 million and USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. The terms and conditions of the L1 Accelerated Tranches issued under the L1 First Amendment remain the same as the terms and conditions of the L1 Facility except for the conversion price of the L1 Accelerated Tranches which is set at 90% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date, regardless of the conversion amount (the "**New L1 Conversion Price**").

In line with ASC 470-50-15-3, the New L1 Conversion Price under the L1 First Amendment was assessed as a change to the conversion privileges provided in the L1 Facility for the purpose of inducing conversion, whereby the New L1 Conversion Price provides a reduction of the Original L1 Conversion Price and results in the issuance of additional WIHN Class B Shares, which is governed by ASC 470-20-40. Therefore, in line with ASC 470-20-40-16 and ASC 470-20-40-17, for conversions of L1 Accelerated Tranches, we recognize the fair value of the additional shares delivered by applying the New L1 Conversion Price in comparison with the Original L1 Conversion Price as an expense to the income statement classified as debt conversion expense.

Additionally, per the terms of the L1 Facility, upon each tranche subscription under the L1 Facility and the L1 First Amendment, WISeKey will grant L1 the option to acquire WIHN Class B Shares at an exercise price of the higher of (a) 1.5 times the 5-trading day volume-weighted average price of the WIHN Class B Shares on the SIX Swiss Stock Exchange immediately preceding the tranche closing date and (b) CHF 5.00. The number of warrants granted at each tranche subscription is calculated as 25% of the principal amount of each tranche divided by the volume-weighted average price of the trading day immediately preceding the tranche closing date. Each warrant agreement has a 3-year exercise period starting on the relevant subscription date. In line with ASC 470-20-25-2, for each subscription, the proceeds from the convertible notes with a detachable warrant were allocated to the two elements based on the relative fair values of the debt instrument without the warrant and of the warrant at time of issuance. When assessed as an equity instrument, the warrant agreement is fair valued at grant using the Black-Scholes model and the market price of WIHN Class B Shares on the date of the subscription. The fair value of the debt is calculated using the discounted cash flow method.

During the year to December 31, 2021, WISeKey made a total of six subscriptions under the L1 Facility and the L1 First Amendment as follows:

- The L1 Initial Tranche for convertibles notes in the amount of USD 11 million was issued on June 29, 2021. The funds were received on July 1, 2021. On June 29, 2021, in line with the terms of the L1 Facility, WISeKey issued L1 with 1,817,077 warrants on WIHN Class B Sharess at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 296,208 using the Black-Scholes model and the market price of WIHN Class B Sharess on the date of grant of CHF 1.39. The fair value of the debt was calculated using the discounted cash flow method as USD 11,354,678. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 279,660, and the credit entry was booked in APIC.
- On September 28, 2021, an L1 Accelerated Tranche for convertibles notes in the amount USD 1 million. The funds were received on September 30, 2021. On September 28, 2021, in line with the terms of the L1 Facility, WISeKey issued L1 with 173,267 warrants on WIHN Class B Sharess at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 35,462 using the Black-Scholes model and the market price of WIHN Class B Sharess on the date of grant of CHF 1.25. The fair value of the debt was calculated using the discounted cash flow method as USD 1,077,265. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 31,869, and the credit entry was booked in APIC.
- On October 20, 2021, an L1 Accelerated Tranche for convertibles notes in the amount USD 1 million. The funds were received on October 21, 2021. On October 20, 2021, in line with the terms of the L1 Facility, WISeKey issued L1 with 207,726 warrants on WIHN Class B Sharess at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 33,877 using the Black-Scholes model and the market price of WIHN Class B Sharess on the date of grant of CHF 1.12. The fair value of the debt was calculated using the discounted cash flow method as USD 1,077,408. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 30,485, and the credit entry was booked in APIC.
- On October 27, 2021, an L1 Accelerated Tranche for convertibles notes in the amount USD 2 million. The funds were received on October 28, 2021. On October 27, 2021, in line with the terms of the L1 Facility, WISeKey issued L1 with 384,261 warrants on WIHN Class B Sharess at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 62,777 using the Black-Scholes model and the market price of WIHN Class B Sharess on the date of grant of CHF 1.12. The fair value of the debt was calculated using the discounted cash flow method as USD 2,154,556. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 56,624, and the credit entry was booked in APIC.
- On November 5, 2021, an L1 Accelerated Tranche for convertibles notes in the amount USD 1 million. The funds were received on November 9, 2021. On November 5, 2021, in line with the terms of the L1 Facility, WISeKey issued L1 with 209,287 warrants on WIHN Class B Sharess at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 29,792 using the Black-Scholes model and the market price of WIHN Class B Sharess on the date of grant of CHF 1.075. The fair value of the debt was calculated using the discounted cash flow method as USD 1,077,708. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 26,900, and the credit entry was booked in APIC.
- On December 21, 2021, an L1 Accelerated Tranche for convertibles notes in the amount USD 1 million. The funds were received on December 22, 2021. On December 21, 2021, in line with the terms of the L1 Facility, WISeKey issued L1 with 287,345 warrants on WIHN Class B Sharess at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 21,756 using the Black-Scholes model and the market price of WIHN Class B Sharess on the date of grant of CHF 0.814. The fair value of the debt was calculated using the discounted cash flow method as USD 1,077,404. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 19,793, and the credit entry was booked in APIC.

During the year ended December 31, 2021, L1 converted a total of USD 8.2 million out of the L1 Initial Tranche and USD 5.3 million out of the L1 Accelerated Tranches, resulting in the delivery of a total of 11,858,831 WIHN Class B Sharess. A debt discount charge of USD 185,528 was amortized to the income statement, a debt conversion expense of USD 325,424 was recorded in the income statement, and unamortized debt discounts totaling USD 1,376,983 were booked to APIC on conversions as per ASC 470-02-40-4.

As at December 31, 2021, the outstanding L1 Facility available was USD 5 million. Convertible notes in an aggregate amount of USD 3.5 million remained unconverted and the unamortized debt discount balance was USD 388,403, hence a carrying value of USD 3,111,597 as at December 31, 2021.

Credit Agreement with Anson Investments Master Fund LP

On June 29,2021, WISeKey entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**Anson Facility**") with Anson Investments Master Fund LP ("**Anson**"), pursuant to which Anson commits to grant a loan to WISeKey for up to a maximum amount of USD 22 million divided into tranches of variable sizes, during a commitment period of 24 months ending June 28, 2023. The initial tranche was agreed in the Anson Facility agreement as USD 11 million to be funded on June 29, 2021. For the remaining facility, WISeKey has the right to request Anson to subscribe for four additional note tranches of USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes of USD 100,000 each that bear interest of 6% per annum. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares within a period of 24 months from issuance (the "Anson Conversion Period"). Conversion takes place upon request by Anson during the Anson Conversion Period, but in any case no later than at the expiry of the Anson Conversion Period. Each calendar month, Anson can request conversion of up to 12.5% of the principal amount of all issued tranches at a conversion price of 95% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date, and, should Anson wish to convert more than 12.5% of the principal amount of all issued tranches in a calendar month, the conversion price for the additional converted amounts is set at the higher of (i) the Fixed Conversion price applicable to relevant tranche, and (ii) 95% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date (the "**Original Anson Conversion Price**").

Due to Anson's option to convert the loan in part or in full at any time before maturity, the Anson Facility was assessed as a share-settled debt instrument with an embedded put option. In line with ASC 480-10-55-43 and ASC 480-10-55-44, because the value that Anson will predominantly 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 Anson Facility was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Debt issue costs made up of legal expenses of USD 4,197, a commission of USD 802,500 to the placement agent, a fee of USD 220,000 to Anson representing 2% of the principal value of the initial tranche, and a subscription fee of USD 220,000 to Anson representing 2% of the principal value of the initial tranche payable in WIHN Class B Shares were due upon issuance of the Anson Initial Tranche and recorded as a debt discount against the Anson Initial Tranche principal amount. The subscription fee was paid in 145,953 WIHN Class B Shares and was fair valued at CHF 183,901 (USD 200,871) based on the market value of the shares at issuance. Upon subscription of each subsequent tranche under the Anson Facility, debt issue costs corresponding to the fair value of the Anson subscription fee payable in WIHN Class B Shares representing 2% of the principal value of the subscribed funds and an Anson fee representing 2% of the principal value of the subscribed funds will be recorded as a debt discount against each tranche.

On September 27, 2021, WISeKey and Anson entered into the Anson First Amendment, pursuant to which WISeKey has the right to request Anson to subscribe for four Anson Accelerated Tranches of between USD 1 million and USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. The terms and conditions of the Anson Accelerated Tranches issued under the Anson First Amendment remain the same as the terms and conditions of the Anson Facility except for the conversion price of the Anson Accelerated Tranches which is set at 90% of the lowest daily volume-weighted average price of a Class B Share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date, regardless of the conversion amount (the "**New Anson Conversion Price**").

In line with ASC 470-50-15-3, the New Anson Conversion Price under the Anson First Amendment was assessed as a change to the conversion privileges provided in the Anson Facility for the purpose of inducing conversion, whereby the New Anson Conversion Price provides a reduction of the Original Anson Conversion Price and results in the issuance of additional WIHN Class B Shares, which is governed by ASC 470-20-40. Therefore, in line with ASC 470-20-40-16 and ASC 470-20-40-17, for conversions of Anson Accelerated Tranches, we recognize the fair value of the additional shares delivered by applying the New Anson Conversion Price in comparison with the Original Anson Conversion Price as an expense to the income statement classified as debt conversion expense.

Additionally, per the terms of the Anson Facility, upon each tranche subscription under the Anson Facility and the Anson First Amendment, WISeKey will grant Anson the option to acquire WIHN Class B Shares at an exercise price of the higher of (a) 1.5 times the 5-trading day volume-weighted average price of the WIHN Class B Shares on the SIX Swiss Stock Exchange immediately preceding the tranche closing date and (b) CHF 5.00. The number of warrants granted at each tranche subscription is calculated as 25% of the principal amount of each tranche divided by the volume-weighted average price of the trading day immediately preceding the tranche closing date. Each warrant agreement has a 3-year exercise period starting on the relevant subscription date. In line with ASC 470-20-25-2, for each subscription, the proceeds from the convertible notes with a detachable warrant were allocated to the two elements based on the relative fair values of the debt instrument without the warrant and of the warrant at time of issuance. When assessed as an equity instrument, the warrant agreement is fair valued at grant using the Black-Scholes model and the market price of WIHN Class B Shares on the date of the subscription. The fair value of the debt is calculated using the discounted cash flow method.

During the year to December 31, 2021, WISeKey made a total of three subscriptions under the Anson Facility and the Anson First Amendment as follows:

- The Anson Initial Tranche for convertibles notes in the amount of USD 11 million was issued on June 29, 2021. The funds were received on June 29, 2021. On June 29, 2021, in line with the terms of the Anson Facility, WISeKey issued Anson with 1,817,077 warrants on WIHN Class B Shares at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 296,208 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 1.39. The fair value of the debt was calculated using the discounted cash flow method as USD 11,354,678. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 279,660, and the credit entry was booked in APIC.

- On September 28, 2021, an Anson Accelerated Tranche for convertibles notes in the amount USD 2.75 million. The funds were received on September 28, 2021. On September 28, 2021, in line with the terms of the Anson Facility, WISeKey issued Anson with 476,486 warrants on WIHN Class B Shares at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 97,520 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 1.25. The fair value of the debt was calculated using the discounted cash flow method as USD 2,822,613. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 91,838, and the credit entry was booked in APIC.
- On October 27, 2021, an Anson Accelerated Tranche for convertibles notes in the amount USD 2.75 million. The funds were received on October 28, 2021. On October 27, 2021, in line with the terms of the Anson Facility, WISeKey issued Anson with 528,359 warrants on WIHN Class B Shares at an exercise price of CHF 5.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 86,318 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 1.12. The fair value of the debt was calculated using the discounted cash flow method as USD 2,822,789. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 81,597, and the credit entry was booked in APIC.

During the year ended December 31, 2021, Anson converted a total of USD 9.8 million out of the Anson Initial Tranche, resulting in the delivery of a total of 8,228,262 WIHN Class B Shares. There was no conversion out of the Anson Accelerated Tranches. A debt discount charge of USD 248,449 was amortized to the income statement, and unamortized debt discounts totaling USD 1,182,876 were booked to APIC on conversions as per ASC 470-02-40-4. There was no debt conversion expense recorded in the income statement in the year ended December 31, 2021

As at December 31, 2021, the outstanding Anson Facility available was USD 5.5 million. Convertible notes in an aggregate amount of USD 6.7 million remained unconverted and the unamortized debt discount balance was USD 762,858, hence a carrying value of USD 5,937,142 as at December 31, 2021.

Note 28. Indebtedness to related parties, noncurrent

On May 27, 2020, Aquilon Invest GmbH entered into a loan agreement with arago GmbH for an amount of EUR 1,918,047.09. Aquilon Invest GmbH, a company wholly-owned by the Managing Director of arago GmbH, Hans- Christian Boos, is a minority shareholder of arago GmbH. The loan carries an interest rate of 6% per annum payable annually in arrears. The loan matures on May 26, 2025 but arago GmbH may repay it in part or in full at any time before maturity.
As at December 31, 2021, the balance of the loan and accrued interests due by arago GmbH to Hans-Christian Boos as ultimate beneficiary was EUR 2,105,407 (USD 2,395,219).

Note 29. Employee benefit plans

Defined benefit post-retirement plan

The Group maintains three pension plans: one maintained by WISeKey SA and one by WISeKey International Holding Ltd, both covering its employees in Switzerland, as well as one maintained by WISeKey Semiconductors SAS 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 their obligations to employees in terms of retirement benefits, is limited to a lump sum payment based on remuneration and length of service, determined for each employee. The plan is not funded.

The pension liability calculated as at December 31, 2021 is based on annual personnel costs and assumptions as of December 31, 2021.

Personnel Costs	As at December 31,	As at December 31,	As at December 31,
USD'000	2021	2020	2019
Wages and Salaries	12,208	12,145	11,161
Social security contributions	3,320	3,230	2,813
Net service costs	671	646	281
Other components of defined benefit plans, net	(78)	248	132
Total	**16,121**	**16,268**	**14,387**

				As at December 31,			
Assumptions	**2021**	**2021**	**2020**	**2020**	**2019**	**2019**	**2019**
	France	**Switzerland**	**France**	**Switzerland**	**France**	**Switzerland**	**India**
Discount rate	0.75%	0.33%	0.30%	0.15%	0.70%	0.25%	7.30%
Expected rate of return on plan assets	n/a	1.50%	n/a	1.50%	n/a	1.50%	n/a
Salary increases	3%	1.50%	3%	1.50%	3%	1.50%	9%

For WISeKey SA and WISeKey International Holding Ltd's funded plans, 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 2021, Min LPP is 1.0% hence an assumption of 1.5%.

As at December 31, 2020 the Group's accumulated benefit obligation amounted to USD 16,452,000.

Reconciliation to Balance Sheet start of year **USD'000** **Fiscal year**	**2021**	**2020**	**2019**
Fair value of plan assets	(12,332)	(10,686)	(8,275)
Projected benefit obligation	19,100	17,566	12,740
Surplus/deficit	**6,768**	**6,880**	**4,465**
Opening balance sheet asset/provision (funded status)	**6,768**	**6,880**	**4,465**
Reconciliation of benefit obligation during the year			
Projected benefit obligation at start of year	19,100	17,566	12,740
Net Service cost	263	436	412
Interest expense	29	50	107
Plan participant contributions	153	141	216
Net benefits paid to participants	(278)	(8)	1,377
Prior service costs	(123)	(698)	0
Actuarial losses/(gains)	(1,407)	(74)	2,487
Curtailment & Settlement	(194)	0	0
Reclassifications	0	(2)	0
Currency translation adjustment	(605)	1,689	227
Projected benefit obligation at end of year	**16,938**	**19,100**	**17,566**
Reconciliation of plan assets during year			
Fair value of plan assets at start of year	(12,332)	(10,686)	(8,275)
Employer contributions paid over the year	(263)	(244)	(347)
Plan participant contributions	(153)	(141)	(216)
Net benefits paid to participants	162	(22)	(1,401)
Interest income	(177)	(167)	(123)
Return in plan assets, excl. amounts included in net interest	224	(29)	(136)
Currency translation adjustment	370	(1,043)	(188)
Fair value of plan assets at end of year	**(12,169)**	**(12,332)**	**(10,686)**
Reconcilation to balance sheet end of year			
Fair value of plan assets	(12,169)	(12,332)	(10,686)
Defined benefit obligation - funded plans	16,938	19,100	17,566
Surplus/deficit	**4,769**	**6,768**	**6,880**
Closing balance sheet asset/provision (funded status)	**4,769**	**6,768**	**6,880**
Estimated amount to be amortized from accumulated OCI into NPBC over next fiscal year			
Net loss (gain)	270	286	283
Unrecognized transition (asset)/obligation	0	0	0
Prior service cost/(credit)	(12)	61	61

Amounts recognized in accumulated OCI			
Net loss (gain)	2,651	4,237	4,258
Unrecognized transition (asset)/obligation	0	0	0
Prior service cost/(credit)	(537)	(440)	300
Deficit	**2,114**	**3,797**	**4,558**

Movement in Funded Status USD'000 Fiscal year	2021	2020	2019
Opening balance sheet liability (funded status)	**6,768**	**6,880**	**4,465**
Net Service cost	263	436	412
Interest cost/(credit)	29	50	107
Expected return on Assets	(177)	(167)	(123)
Amortization on Net (gain)/loss	270	284	88
Amortization on Prior service cost/(credit)	(12)	61	62
Settlement / curtailment cost / (credit)	(194)	0	0
Currency translation adjustment	6	20	(2)
Total Net Periodic Benefit Cost/(credit)	**185**	**684**	**544**
Actuarial (gain)/loss on liabilities due to experience	(342)	(72)	1,056
Actuarial gain/loss on liab. from changes to fin. assump	(420)	0	1,431
Actuarial (gain)/loss on liab. from changes to demo. assump	(645)	0	0
Return in plan assets, excl. amounts included in net interest	224	(29)	(136)
Prior service cost/(credit)	(123)	(698)	0
Amortization on Net (gain)/loss	(270)	(284)	(88)
Amortization on Prior service cost/(credit)	12	(61)	(62)
Currency translation adjustment	(8)	(45)	(2)
Total gain/loss recognized via OCI	**(1,572)**	**(1,189)**	**2,200**
Employer contributions paid in the year + Cashflow required to pay benefit payments	(379)	(274)	(371)
Total cashflow	**(379)**	**(274)**	**(371)**
Currency translation adjustment	(233)	669	43
Reclassification	0	(2)	0
Closing balance sheet liability (funded status)	**4,769**	**6,768**	**6,880**

Reconciliation of Net Gain / Loss			
Amount at beginning of year	4,237	4,258	1,964
Amortization during the year	(270)	(284)	(86)
Asset (gain) / loss	224	(29)	(136)
Liability (gain) / loss	(1,407)	(72)	2,487
Reclassifications	0	(2)	0
Currency translation adjustment	(133)	366	29
Amount at year-end	**2,651**	**4,237**	**4,258**

Reconciliation of prior service cost/(credit)			
Amount at beginning of year	(440)	300	357
Amortization during the year	12	(61)	(62)
Prior service costs for the current period	(123)	(698)	0
Currency translation adjustment	14	19	5
Amount at year-end	**(537)**	**(440)**	**300**

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 2.

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

Period USD'000	France	Switzerland
2022	25	1,862
2023	28	410
2024	7	1,986
2025	23	504
2026	52	498
2027 to 2031	420	2,757

The Group expects to make contributions of approximately $263,000 in 2022.

There are no plan assets expected to be returned to the employer during the 12-month period following December 31, 2021.

Note 30. Commitments and contingencies

Lease commitments

The future payments due under leases are shown in Note 19.

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 31. Stockholders' equity

Stockholders' equity consisted of the following:

WISeKey International Holding Ltd	As at December 31, 2021		As at December 31, 2020	
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	4,685,301	400,186	2,490,403
Per Articles of association and Swiss capital categories				
Authorized Capital - Total number of authorized shares	-	18,469,207	-	7,808,906
Conditional Share Capital - Total number of conditional shares(1)	12,000,000	31,469,207	-	7,804,030
Total number of fully paid-in shares	40,021,988	88,120,054	40,021,988	47,622,689
Per US GAAP				
Total number of authorized shares	40,021,988	138,058,468	40,021,988	63,234,625
Total number of fully paid-in issued shares(1)	40,021,988	88,120,054	40,021,988	47,622,689
Total number of fully paid-in outstanding shares(1)	40,021,988	80,918,390	40,021,988	42,839,554
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	4,685,301	400,186	2,490,403
Total share capital (in USD)	**5,085,487**		**2,890,589**	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	7,201,664	-	4,783,135
Treasury share capital (in USD)	-	636,436	-	505,154
Total treasury share capital (in USD)	**-**	**636,436**	**-**	**505,154**

(1) Conversions of conditional capital that were not registered with the commercial register as of December 31, 2021 are not deducted from the total number of conditional shares, i.e. the number shown is as if the issues had not taken place.

In the years to December 31, 2021 and 2020 respectively, WISeKey purchased a total of 28,668,037 and 8,458,273 treasury shares at an average purchase price of USD 0.07 and USD 0.15 per share, and sold a total of 26,249,508 and 4,877,329 treasury shares at an average sale price of USD 1.17 and USD 0.99 per share.

Share buyback program

On July 09, 2019, the Group started a share buyback program on the SIX Swiss Exchange to buy back WIHN Class B Shares up to a maximum 10.0% of the share capital and 5.35% of the voting rights. In compliance with Swiss Law, at no time will the group hold more than 10% of its own registered shares. The share buyback program will end on July 08, 2022 but WISeKey may terminate the buyback program early.
As at December 31 ,2021, WISeKey's treasury share balance included 282,000 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 32. Accumulated other comprehensive income

USD'000		
Accumulated other comprehensive income as at December 31, 2019		**(1,453)**
Total net foreign currency translation adjustments	1,824	
Total change in unrealized gains related to available-for-sale debt securities	5,385	
Total defined benefit pension adjustment	1,189	
Total adjustment from change in Ownership	(5)	
Total other comprehensive income/(loss), net		8,393
Accumulated other comprehensive income as at December 31, 2020		**6,940**
Total net foreign currency translation adjustments	(1,720)	
Total change in unrealized gains related to available-for-sale debt securities	1,965	
Total defined benefit pension adjustment	1,572	
Total reclassification adjustments	(7,350)	
Total other comprehensive income/(loss), net		(5,533)
Accumulated other comprehensive income as at December 31, 2021		**1,407**

There is no income tax expense or benefit allocated to other comprehensive income.

Note 33. 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 39 - 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, but may also be sold 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).

- AI Segment

The AI Segment of the Group generates revenues from providing benefits of artificial intelligence to enterprise customers globally through knowledge automation. The company uses modern technologies such as inference and machine learning in order to automatically operate the entire IT stack – from heterogeneous environments to individual applications. Products and services are sold principally separately, but may also be sold 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), the revenue can be recognized upon completion of the set-up (e.g. installation of software) or a specific period of time (e.g. maintenance and support).

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 for 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		2021	2020	2019	2021	2020	2019	2021	2020	2019
IoT Segment										
Secure chips	Upon delivery	16,867	14,317	20,504	-	-	-	16,867	14,317	20,504
Total IoT segment revenue		**16,867**	**14,317**	**20,504**	**-**	**-**	**-**	**16,867**	**14,317**	**20,504**
mPKI Segment										
Certificates	Upon issuance	-	-	-	153	175	172	153	175	172
Licenses and integration	Upon delivery	606	287	1976	-	-	-	606	287	1,976
SaaS, PCS and hosting	Quarterly or yearly	-	-	-	20	-	-	20	-	-
Total mPKI segment revenue		**606**	**287**	**1,976**	**173**	**175**	**172**	**779**	**462**	**2,148**
AI Segment										
SaaS, PCS and hosting	Quarterly or yearly	-	-	-	4,612	-	-	4,612	-	-
Total AI segment revenue		**-**	**-**	**-**	**4,612**	**-**	**-**	**4,612**	**-**	**-**
Total Revenue		**17,473**	**14,604**	**22,480**	**4,785**	**175**	**172**	**22,258**	**14,779**	**22,652**

For the years ended December 31, 2021, 2020, and 2019 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	**12 months ended December 31,**		
USD'000	**2021**	**2020**	**2019**
IoT Segment			
Switzerland	406	278	708
Rest of EMEA	3,721	4,228	7,508
North America	10,631	8,217	9,547
Asia Pacific	2,062	1,526	2,503
Latin America	47	68	238
Total IoT segment revenue	**16,867**	**14,317**	**20,504**
mPKI Segment			
Switzerland	596	314	1,428
Rest of EMEA	98	93	539
North America	58	43	144
Asia Pacific	-	-	1
Latin America	27	12	36
Total mPKI segment revenue	**779**	**462**	**2,148**
AI Segment			
Switzerland	270	-	-
Rest of EMEA	3,883	-	-
North America	459	-	-
Total AI segment revenue	**4,612**	**-**	**-**
Total Net sales	**22,258**	**14,779**	**22,652**

Contract assets, deferred revenue and contract liability

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

USD'000	**As at December 31, 2021**	**As at December 31, 2020**
Trade accounts receivables		
Trade accounts receivable - IoT segment	2,655	2,227
Trade accounts receivable - mPKI segment	164	381
Trade accounts receivable - AI segment	259	-
Total trade accounts receivables	**3,078**	**2,608**
Contract assets	-	-
Total contract assets	**-**	**-**
Contract liabilities - current	128	367
Contract liabilities - noncurrent	57	23
Total contract liabilities	**185**	**390**
Deferred revenue		
Deferred revenue - mPKI segment	192	171
Deferred revenue - IoT segment	-	150
Deferred revenue - AI segment	395	-
Total deferred revenue	**587**	**321**
Revenue recognized in the period from amounts included in the deferred revenue of the mPKI and IoT segments at the beginning of the year	290	84

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, 2021, approximately USD 772,000 is expected to be recognized from remaining performance obligations for mPKI, IoT and AI contracts. We expect to recognize revenue for these remaining performance obligations during the next two years approximately as follows:

Estimated revenue from remaining performance obligations as at December 31, 2021 (USD'000)		Total
	2022	615
	2023	157
Total remaining performance obligation		**772**

Note 34. Other operating income

	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Other operating income from related parties	71	43	140
Other operating income - other	112	-	40
Total other operating income	**183**	**43**	**180**

In the year 2021, 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 (see Note 42).

Note 35. Stock-based compensation

Employee stock option plans

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

Grants

In the 12 months to December 31, 2019, the Group granted a total of 2,292,539 options exercisable in WIHN Class B Shares. Each option is exercisable into one Class B Share.
The options 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 options granted were valued at grant date using the Black-Scholes model.

In the 12 months to December 31, 2020, the Group granted a total of 467,617 options exercisable in WIHN Class B Shares. Each option is exercisable into one Class B Share.
The options granted consisted of:

- 279,017 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2020;
- 5,381 options with immediate vesting granted to employees and Board members, all of which had been exercised as of December 31, 2020;
- 16,667 options vesting on November 10, 2021 granted to employees;
- 16,666 options vesting on November 10, 2022 granted to employees;
- 33,334 options vesting on June 30, 2021 granted to employees;
- 33,333 options vesting on June 30, 2022 granted to employees;
- 33,333 options vesting on June 30, 2023 granted to employees;

- 16,323 options with immediate vesting granted in exchange for WISeKey SA shares, all of which had been exercised as of December 31, 2020; and
- 33,563 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2020.

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

In the 12 months to December 31, 2021, the Group granted a total of 2,029,821 options exercisable in WIHN Class B Shares. Each option is exercisable into one Class B Share.
The options exercisable in WIHN Class B Shares granted consisted of:

- 1,883,544 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2021;
- 16,714 options with immediate vesting granted to employees and Board members, all of which had been exercised as of December 31, 2021;
- 33,000 options vesting on May 1, 2022 granted to employees;
- 33,000 options vesting on May 1, 2023 granted to employees;
- 34,000 options vesting on May 1, 2024 granted to employees;
- 23,042 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2021;
- 6,521 options with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2021.

In the 12 months to December 31, 2021, the Group also granted a total of 9,818,000 options exercisable in WIHN Class A Shares with immediate vesting to employees and Board members, none of which had been exercised as of December 31, 2021. Each option is exercisable into one Class A Share.

All options 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, using the market price of a WIHN Class B Share. Expected volatility is based on historical volatility of WIHN Class B Shares.
In the fiscal year 2021, a total charge of USD 3,783,314 was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant, in relation to options:

- USD 3,761,150 for options granted to employees and Board members; and
- USD 22,164 for options granted to nonemployees.

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

Assumption	December 31, 2021	December 31, 2020	December 31, 2019
Dividend yield	None	None	None
Risk-free interest rate used (average)	1.00%	1.00%	1.00%
Expected market price volatility	61.33 - 99.64%	37.61% - 65.38%	51.59% - 56.86%
Average remaining expected life of stock options on WIHN Class B Shares (years)	4.31	3.43	3.01
Average remaining expected life of stock options on WIHN Class A Shares (years)	3.40	n/a	n/a

Unvested options to employees as at December 31, 2021 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, 2021 and 2020.

	Options on WIHN Class B Shares		Options on WIHN Class A Shares	
Non-vested options	Number of shares under options	Weighted-average grant date fair value (USD)	Number of shares under options	Weighted-average grant date fair value (USD)
Non-vested options as at December 31, 2019	**5,026**	**3.65**	**-**	**-**
Granted	467,617	1.08	-	-
Vested	(339,310)	1.01	-	-
Non-vested forfeited or cancelled	-	-	-	-
Non-vested options as at December 31, 2020	**133,333**	**1.20**	**-**	**-**
Granted	2,029,821	0.95	9,818,000	0.19
Vested	(1,946,488)	0.98	(9,818,000)	0.19
Non-vested forfeited or cancelled	(100,000)	1.05	-	-
Non-vested options as at December 31, 2021	**116,666**	**1.28**	**-**	**0.19**

As at December 31, 2021, there was a USD 54,690 unrecognized compensation expense related to non-vested stock option-based compensation arrangements. Non-vested stock options outstanding as at December 31, 2021 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 tables summarize the Group's stock option activity for the years ended December 31, 2021 and 2020.

Options on WIHN Class B Shares	**WIHN Class B Shares under options**	**Weighted-average exercise price (USD)**	**Weighted average remaining contractual term (in years)**	**Aggregate intrinsic value (USD)**
Outstanding as at December 31, 2019	**2,843,115**	**0.99**	**5.19**	**3,693,941**
Of which vested	2,838,089	1.00	5.19	3,682,672
Of which non-vested	5,026	-	-	-
Granted	467,617	1.48	-	-
Exercised or converted	(1,214,402)	1.57	-	2,046,219
Forfeited or cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as at December 31, 2020	**2,096,330**	1.48	**4.44**	**554,377**
Of which vested	1,962,997	1.57	4.31	329,716
Of which non-vested	133,333	-	-	-
Granted	2,029,821	0.15	-	-
Exercised or converted	(78,944)	0.05	-	61,125
Forfeited or cancelled	(112,000)	0.05	-	-
Expired	(123,563)	4.79	-	-
Outstanding as at December 31, 2021	**3,811,644**	0.71	**5.28**	**2,468,898**
Of which vested	3,694,978	0.69	5.25	2,455,994
Of which non-vested	116,666	-	-	-

Options on WIHN Class A Shares	**WIHN Class A Shares under options**	**Weighted-average exercise price (USD)**	**Weighted average remaining contractual term (in years)**	**Aggregate intrinsic value (USD)**
Outstanding as at December 31, 2019	**-**	**-**	**-**	**-**
Granted	-	-	-	-
Outstanding as at December 31, 2020	**-**	**-**	**-**	**-**
Granted	9,818,000	0.01	-	-
Outstanding as at December 31, 2021	**9,818,000**	**0.01**	**6.90**	**1,520,393**
Of which vested	9,818,000	0.01	6.90	1,520,393

Summary of stock-based compensation expenses

Stock-based compensation expenses	**12 months ended December 31,**		
USD'000	**2021**	**2020**	**2019**
In relation to Employee Stock Option Plans (ESOP)	3,761	363	5,386
In relation to non-ESOP Option Agreements	22	30	28
Total	**3,783**	**393**	**5,414**

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

Stock-based compensation expenses	12 months ended December 31,		
USD'000	2021	2020	2019
Research & development expenses	485	6	786
Selling & marketing expenses	820	209	1,269
General & administrative expenses	2,478	178	3,359
Total	**3,783**	**393**	**5,414**

Note 36. Non-operating income

Non-operating income consisted of the following:

	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Foreign exchange gain	2,955	839	1,761
Financial income	-	8	74
Interest income	9	16	-
Fair value adjustments on convertible loan with arago	5,553	-	-
Other	121	264	83
Total non-operating income	**8,638**	**1,127**	**1,918**

The fair value adjustments on convertible loan with arago relates to the treatment of unrealized gain on the arago Third Convertible Loan upon acquisition of arago (see Note 11). In line with ASC 320-10-40-2, upon acquiring arago on February 1, 2021 (see Note 15), the unrealized gain of CHF 6,546,964 (USD 7,349,602 at historical rate) from the fair value adjustments of the arago Third Convertible Loan recorded in other comprehensive income up to the date of acquisition was reversed into other non-operating income (see Note 11). Additionally, the CHF 1.6 million (USD 1,796,155 at historical rate) cash paid for the acquisition of arago after the acquisition date was recorded as a deduction to other non-operating income because this amount was already included in the fair value of the arago Third Convertible Loan. As a result, a net income of CHF 4,946,964 (USD 5,553,447 at historical rate) was recorded in non-operating income in relation to fair value adjustment on the Third Convertible Loan.

Note 37. Non-operating expenses

Non-operating expenses consisted of the following:

	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Foreign exchange losses	2,893	2,195	2,401
Financial charges	202	104	341
Interest expense	1,431	685	643
Other components of defined benefit plans, net	(78)	248	132
Impairment of equity securities at cost	-	7,000	-
Other	307	847	153
Total non-operating expenses	**4,755**	**11,079**	**3,670**

Non-operating expenses – Other include a USD 300,050 expense for the fair value adjustment of the investment in OpenLimit as at December 31, 2021 (see Note 22).

Note 38. Income taxes

The components of income before income taxes are as follows:

Income / (Loss)	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Switzerland	(14,756)	(22,277)	(19,179)
Foreign	(9,431)	(6,621)	(3,838)
Income/(loss) before income tax	**(24,187)**	**(28,898)**	**(23,017)**

Income taxes relating to the Group are as follows:

Income taxes	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Switzerland	-	-	(42)
Foreign	(93)	9	13
Less discontinued operations	-	-	42
Income tax expense / (income)	**(93)**	**9**	**13**

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

Deferred income tax assets/(liabilities)	As at December 31,	As at December 31,
USD'000	**2021**	**2020**
Foreign	(2,900)	3
Deferred income tax assets/(liabilities)	**(2,900)**	**3**

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

	12 months ended December 31,		
USD'000	**2021**	**2020**	**2019**
Net income/(loss) from continuing operations before income tax	(24,187)	(28,898)	(23,017)
Statutory tax rate	14%	14%	24%
Expected income tax (expense)/recovery	3,384	4,043	5,524
Income tax (expense)/recovery	93	(9)	(13)
Change in valuation allowance	(24,710)	(631)	(2,129)
Permanent Difference	(92)	(1)	0
Change in expiration of tax loss carryforwards	21,418	(3,411)	(3,395)
Income tax (expense) / recovery	**93**	**(9)**	**(13)**

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	As at December 31,	As at December 31,
USD'000	**2021**	**2020**
Stock-based compensation	92	1
Defined benefit accrual	748	1,089
Tax loss carry-forwards	36,859	12,655
Net deferred income tax asset /(liability)	(2,900)	-
Deferred tax liability on change in unrealized gains related to available-for-sale debt securities	-	(753)
Valuation allowance	(37,699)	(12,989)
Deferred tax assets / (liabilities)	**(2,900)**	**3**

As of December 31, 2021, 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, 2021

USD'000	USA	Switzerland	Spain	France	UK	Germany	India	Saudi Arabia	Total
2022	-	6,920	209	4,849	32	8,977	-	24	21,011
2023	-	9,789	1,213	8,887	2	11,237	-	-	31,128
2024	-	5,671	1,244	-	1	11,128	-	-	18,044
2025	-	10,372	-	-	1	9,165	353	-	19,891
2026	-	6,181	-	-	2	7,958	271	-	14,412
2027	-	16,105	-	-	-	8,498	164	-	24,767
2028	91	25,920	-	-	-	6,407	90	-	32,508
2029	9	-	-	-	-	-	178	-	187
2030	2	-	23	-	-	-	-	-	25
2031	54	-	24	-	-	-	-	-	78
2032	89	-	70	-	-	-	-	-	159
2033	-	-	80	-	-	-	-	-	80
2034	-	-	91	-	-	-	-	-	91
2035	829	-	187	-	-	-	-	-	1,016
2036	1,932	-	104	-	-	-	-	-	2,036
2037	1,584	-	165	-	-	-	-	-	1,749
2038	3,186	-	-	-	-	-	-	-	3,186
2039	5,441	-	-	-	-	-	-	-	5,441
2040	90	-	-	-	-	-	-	-	90
2041	886	-	-	-	-	-	-	-	886
Total operating loss carry-forwards / Year of expiration if applicable to jurisdiction									
	14,193	**80,958**	**3,410**	**13,736**	**38**	**63,370**	**1,056**	**24**	**176,785**

The following tax years remain subject to examination:

Significant jurisdictions	**Open years**
Switzerland	2016 - 2021
USA	2019 - 2021
France	2019 - 2021
Spain	2018 - 2021
Japan	2017 - 2021
Taiwan	2021
India	2021
Germany	2019 - 2021
UK	2016 - 2021
Arabia	2021
Vietnam	2021

As at December 31, 2021, WISeKey Semiconductors SAS had recorded a USD 47,368 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.

The Group has no unrecognized tax benefits.

Note 39. Segment information and geographic data

The Group has three segments: Internet of Things ("**IoT**", previously referred to as "Semiconductors"), Artificial Intelligence ("AI") arising from the acquisition of arago on February 1, 2021, 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 three segments (two in prior periods) for purposes of allocating resources and assessing budgets and performance.
The IoT segment encompasses the design, manufacturing, sales and distribution of microprocessors operations. The AI segment encompasses the development, design, implementation and customization of knowledge automation technology and processes, using AI. 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,	2021				2020			2019		
USD'000	IoT	AI	mPKI	Total	IoT	mPKI	Total	IoT	mPKI	Total
Revenues from external customers	16,867	4,612	779	22,258	14,317	462	14,779	20,504	2,148	22,652
Intersegment revenues	128	-	3,109	3,237	-	6,786	6,786	344	6,169	6,513
Interest revenue	1	-	54	55	8	59	67	36	38	74
Interest expense	30	537	976	1,543	12	707	718	29	695	724
Depreciation and amortization	470	430	94	994	1,501	91	1,592	1,298	57	1,355
Segment income /(loss) before income taxes	(1,302)	(6,283)	(16,448)	(24,033)	(2,038)	(26,537)	(28,575)	130	(22,837)	(22,707)
Profit / (loss) from intersegment sales	6	-	148	154	-	323	323	16	294	310
Income tax recovery /(expense)	-	106	(13)	93	-	(9)	(9)	-	(13)	(13)
Other significant non cash items										
Share-based compensation expense	-	-	3,783	3,783	-	393	393	-	5,414	5,414
Gain/(loss) on derivative liability	-	-	-	-	-	44	44	-	214	214
Interest and amortization of debt discount and expense	-	-	1,057	1,057	-	458	458	-	742	742
Segment assets	11,377	10,552	109,445	131,374	11,031	40,327	51,358	15,794	29,919	45,713

12 months to December 31,	2021	2020	2019
	USD'000	USD'000	USD'000
Revenue reconciliation			
Total revenue for reportable segment	25,495	21,565	29,165
Elimination of intersegment revenue	(3,237)	(6,786)	(6,513)
Total consolidated revenue	22,258	14,779	22,652
Loss reconciliation			
Total profit / (loss) from reportable segments	(24,033)	(28,575)	(22,707)
Elimination of intersegment profits	(154)	(323)	(310)
Loss before income taxes	(24,187)	(28,898)	(23,017)

As at December 31,	2021	2020
	USD'000	USD'000
Asset reconciliation		
Total assets from reportable segments	131,374	51,358
Elimination of intersegment receivables	(19,217)	(10,515)
Elimination of intersegment investment and goodwill	(23,352)	12,038
Consolidated total assets	**88,805**	**52,881**

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	12 months ended December 31,		
USD'000	2021	2020	2019
Switzerland	1,272	592	2,137
Rest of EMEA*	7,702	4,321	8,046
North America	11,148	8,260	9,691
Asia Pacific	2,062	1,526	2,504
Latin America	74	80	274
Total net sales	**22,258**	**14,779**	**22,652**

*EMEA means Europe, Middle East and Africa

Property, plant and equipment, net of depreciation, by region	As at December 31,	As at December 31,
USD'000	**2021**	**2020**
Switzerland	85	37
Rest of EMEA*	495	953
North America	1	1
Asia Pacific	6	9
Total Property, plant and equipment, net of depreciation	**587**	**1,000**

*EMEA means Europe, Middle East and Africa

Note 40. Earnings/(Loss) per share

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

	12 months ended December 31,		
Earnings / (loss) per share	**2021**	**2020**	**2019**
Net income / (loss) attributable to WISeKey International Holding AG (USD'000)	(20,340)	(28,659)	8,187
Effect of potentially dilutive instruments on net gain (USD'000)	N/A	N/A	335
Net income / (loss) attributable to WISeKey International Holding AG after effect of potentially dilutive instruments (USD'000)	N/A	N/A	8,522
Shares used in net earnings / (loss) per share computation:			
Weighted average shares outstanding - basic	71,642,457	42,785,300	36,079,000
Effect of potentially dilutive equivalent shares	N/A	N/A	1,399,458
Weighted average shares outstanding - diluted	N/A	N/A	37,478,458
Net earnings / (loss) per share			
Basic weighted average loss per share attributable to WIHN (USD)	(0.28)	(0.67)	0.23
Diluted weighted average loss per share attributable to WIHN (USD)	(0.28)	(0.67)	0.23

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. Therefore, basic and diluted net loss per share was the same for the year ended December 31, 2021 due to the Group's net loss position.

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	2021	2020	2019
Total stock options	3,171,936	1,333,434	-
Warrants	-	-	-
Total convertible instruments	14,754,955	20,369,716	-
Total number of shares from dilutive vehicles with anti-dilutive effect	**17,926,891**	**21,703,150**	**-**

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

Dilutive vehicles	2021	2020	2019
Total stock options	-	-	2,327,115
Warrants	-	-	-
Total convertible instruments	-	-	693,230
Total number of shares from dilutive vehicles	**-**	**-**	**3,020,345**

Note 41. Legal proceedings

We are currently not party to any legal proceedings and claims that is not provided for in our financial statements.

Note 42. 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, 2021	% ownership as at December 31, 2020	Nature of business
WISeKey SA	Switzerland	1999	CHF	933,436	95.75%	95.75%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	France	2010	EUR	1,298,162	100.0%	100.0%	Chip manufacturing, sales & distribution
WiseTrust SA	Switzerland	1999	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey ELA SL	Spain	2006	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	U.K.	2016	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc[1]	U.S.A	2006	USD	6,500	100% *	100% *	Sales & support
WISeKey India Private Ltd[2]	India	2016	INR	1,000,000	45.9%	45.9%	Sales & support
WISeKey IoT Japan KK	Japan	2017	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey IoT Taiwan	Taiwan	2017	TWD	100,000	100.0%	100.0%	Sales & distribution
WISeCoin AG	Switzerland	2018	CHF	100,000	90.0%	90.0%	Sales & distribution
WISeKey Equities AG	Switzerland	2018	CHF	100,000	100.0%	100.0%	Financing, Sales & distribution
WISeKey Semiconductors GmbH	Germany	2019	EUR	25,000	100.0%	100.0%	Sales & distribution
WISeKey Arabia - Information Technology Ltd	Saudi Arabia	2019	SAR	200,000.00	51.0%	51.0%	Sales & distribution
TrusteCoin AG[3]	Switzerland	2020	CHF	100,000	100.0%	51.0%	Sales & distribution
arago GmbH	Germany	1995	EUR	266,808	51.0%	n/a	Process automation using AI, sales and support
arago Da Vinci GmbH[4]	Germany	2007	EUR	25,000	51.0%	n/a	Sales & support
arago Technology Solutions Private Ltd[4]	India	2017	INR	100,000	51.0%	n/a	Sales & support
arago US Inc.[4]	U.S.A	2015	USD	25	51.0%	n/a	Sales & support
WISeKey Vietnam Ltd	Vietnam	2021	VND	689,400,000	95.75%	n/a	R&D

[1] 50% owned by WISeKey SA and 50% owned by WiseTrust SA

[2] 88% owned by WISeKey SAARC which is controlled by WISeKey International Holding AG

[3] Formerly WiseAI AG, 100% owned by WISeKey International Holding AG from August 27, 2021

[4] 100% owned by arago GmbH

Related party transactions and balances

Related Parties (in USD'000)	Receivables as at December 31, 2021	Receivables as at December 31, 2020	Payables as at December 31, 2021	Payables as at December 31, 2020	Net expenses to in the year ended December 31, 2021	Net expenses to in the year ended December 31, 2020	Net expenses to in the year ended December 31, 2019	Net income from in the year ended December 31, 2021	Net income from in the year ended December 31, 2020	Net income from in the year ended December 31, 2019
1 Carlos Moreira	-	-	2,802	1,580	-	-	-	-	-	-
2 Philippe Doubre	-	-	-	-	179	86	114	-	-	-
3 David Fergusson	-	-	-	-	78	119	161	-	-	-
4 Eric Pellaton	-	-	-	-	92	42	-	-	-	-
5 Jean-Philippe Ladisa	-	-	-	-	68	61	-	-	-	-
6 Hans-Christian Boos	-	-	2,395	-	125	-	-	-	-	-
7 Juan Hernández Zayas	-	-	-	-	-	52	165	-	-	-
8 Thomas Hürlimann	-	-	-	-	-	-	63	-	-	-
9 Dourgam Kummer	-	14	-	-	-	-	52	-	-	-
10 Maryla Shingler-Bobbio	-	-	-	-	-	-	123	-	-	-
11 Roman Brunner	-	-	-	-	-	-	426	-	-	87
12 Anthony Nagel	-	-	-	-	-	-	5	-	-	58
13 Maria Pia Aqueveque Jabbaz	-	-	-	-	2	1	-	-	-	-
14 Philippe Gerwill	-	-	-	-	10	-	14	-	-	-
15 Geoffrey Lipman	-	-	-	-	8	-	14	-	-	-
16 Don Tapscott	-	-	-	-	-	8	-	-	-	-
17 Cristina Dolan	-	-	-	-	-	1	-	-	-	-
18 Wei Wang	-	-	-	-	-	-	-	-	-	10
19 OISTE	129	95	189	172	350	374	219	71	32	140
20 Indian Potash Limited	-	-	-	-	-	-	-	-	-	-
21 Terra Ventures Inc	-	-	33	33	-	-	-	-	-	-
22 Edmund Gibbons Limited	-	-	-	-	-	-	479	-	-	36
23 GSP Holdings Ltd	-	-	17	18	-	-	-	-	-	-
24 SAI LLC (SBT Ventures)	-	-	34	34	-	-	-	-	-	-
25 Related parties of Carlos Moreira	-	-	-	-	224	223	360	-	-	-
Total	**129**	**109**	**5,470**	**1,837**	**1,136**	**968**	**2,195**	**71**	**32**	**331**

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey. A short-term payable in an amount of CHF 2,555,032.97 (USD 2,802,171) to Carlos Moreira was outstanding as at December 31, 2021, made up of accrued salary and bonus.

2. Philippe Doubre is a Board member of the Group, and member of the Group's nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2021 relate to his Board fee and compensation for additional services to WISeKey during the year.

3. David Fergusson is a Board member of the Group, and member of the Group's audit committee and nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2021 relate to his Board fee.

4. Eric Pellaton is a Board member of the Group, and member of the Group's nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2021 relate to his Board fee.

5. Jean-Philippe Ladisa is a Board member of the Group, and member of the Group's audit committee. The expenses recorded in the income statement in the year to December 31, 2021 relate to his Board fee.

6. Hans-Christian Boos is the managing director of arago GmbH and a minority shareholder of arago GmbH through two personal companies. One of his wholly-owned personal companies, Aquilon Invest GmbH entered into a loan agreement with arago GmbH for an amount of EUR 1,918,047 prior to the acquisition of arago by WISeKey. The loan bears interest at a rate of 6% per annum. As at December 31, 2021, the balance of the loan and accrued interests due by arago GmbH to Hans- Christian Boos as ultimate beneficiary was EUR 2,105,407 (USD 2,395,219). In the 11 months to December 31, 2021 since the acquisition of arago, an interest charge of EUR 105,895 (USD 125,312) was recorded in the consolidated income statement of WISeKey.
In view of the acquisition of a controlling interest in arago, the Company entered into the "arago Third Convertible Loan Agreement" on November 18, 2020 with arago GmbH and its shareholders, Aquilon Invest GmbH and OGARA GmbH both wholly owned by Hans-Christian Boos, whereby WISeKey intended to acquire 51% of arago's fully diluted share capital against (i) an investment of CHF 5 million, and (ii) a guarantee on arago's existing indebtedness. The arago Third Convertible Loan Agreement documents the intention of the Company to extend a "Put Option" to Aquilon Invest GmbH and OGARA GmbH for the remaining 49% share capital of arago in exchange for 12,327,506 WIHN Class B Shares. The shares have been reserved in the Company's authorized share capital.
On April 29, 2021, WISeKey entered into an "Equity Financing Mechanism", as amended on July 28, 2021 and January 24, 2022, with arago GmbH and Mr. Boos whereby the parties agree that the Company will finance the operations of arago. Under the Equity Financing Mechanism, should arago or its minority shareholders not be able to repay the amounts loaned by WISeKey, the Company will have the right to request that (1) arago's shareholder Hans-Christian Boos' right to receive 12,327,506 WIHN Class B Shares upon exercise of the Put Option held by Aquilon Invest GmbH and OGARA GmbH will be reduced by such number of WIHN Class B Shares as corresponds to the quotient of (i) the Equity Financing Mechanism amount due to WISeKey, converted into Swiss francs, divided by (ii) a Conversion Price based on the market price of a WIHN Class B Share at the relevant period; and (2) Mr. Boos, through his companies, Aquilon Invest GmbH and OGARA GmbH, will transfer to WISeKey shares in arago GmbH in the same proportion as the reduction in the Put Option right.
As at December 2021, Mr. Boos, through Aquilon Invest GmbH and OGARA GmbH, had not exercised the Put Option and WISeKey had not exercised its right to convert the amounts loaned to arago into arago shares and a reduction of the Put option.

7. Juan Hernandez-Zayas is a former Board member of the Group.

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

9. Dourgam Kummer is a former Board member of the Group.

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

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

12. Anthony Nagel is the former Chief Operations Officer of the QuoVadis Group which WISeKey divested in 2019.

13. Maria Pia Aqueveque Jabbaz is a member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2021 relate to her advisory committee fee.

14. Philipp Gerwill is a member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2021 relate to his advisory committee fee.

15. Geoffrey Lipman is a member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2021 relate to his advisory committee fee.

16. 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.

17. Cristina Dolan is a former member of the Group's advisory committee.

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

19. 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. Two members of the Board of Directors of WISeKey are also members 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, 2021 and income recorded in the income statement in the year to December 31, 2021 relate to the facilities and personnel hosted by WISeKey SA on behalf of OISTE. In the year 2021, WISeKey SA invoiced OISTE CHF 64,546 (USD 70,626).
The payable to OISTE as at December 31, 2021 and expenses relating to OISTE recognized in 2021 are made up of license and royalty fees for the year 2021 under the contract agreement with WISeKey SA.

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

21. 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.

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

23. 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.

24. 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.

25. Two immediate family members of Carlos Moreira are employed by WISeKey SA. In line with ASC 850-10-50-5, transactions involving related parties cannot be presumed to be carried out on an arm's-length basis. The aggregate employment remuneration of these two immediate family members amounted to CHF 205,114 (USD 24,435) recorded in the income statement in 2021.

Note 43. Subsequent events

L1 Facility

On March 1, 2022, WISeKey and L1 entered into the L1 Second Amendment, pursuant to which WISeKey has the right to request L1 to subscribe for five L1 Additional Accelerated Tranches for a total aggregate amount of up to USD 5 million, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. The total aggregate amount of the L1 facility remains USD 22 million. The terms and conditions of the L1 Additional Accelerated Tranches issued under the L1 Second Amendment remain the same as the terms and conditions of the L1 Facility except for the conversion price which is that set under the L1 Second Amendment.
After December 31, 2021, WISeKey made one subscription under the L1 Second Amendment for USD 1 million. The funds were received on March 7, 2022.
After December 31, 2021, L1 issued a total of ten conversion notices, resulting in the aggregated conversion of USD 2,600,000 and the delivery of 4,569,997 WIHN Class B Shares.

Anson Facility

After December 31, 2021, Anson issued a total of five conversion notices, resulting in the aggregated conversion of USD 3,250,000 and the delivery of 5,170,339 WIHN Class B Shares.

Options granted under WISeKey ESOP

After December 31, 2021, a total of 10,805 options were granted under the Group's ESOP.

Share Purchase and Transfer Agreement in relation to the arago Group

On March 14, 2022, the Group signed a Share Purchase and Transfer Agreement to sell its 51% ownership in arago and its affiliates to OGARA GmbH, with Neutrino Energy Property GmbH & Co. acting as "Buyer Guarantor". The sale is expected to be completed in the second quarter of 2022. The group subsidiaries making up the arago Group in scope for the sale are arago GmbH, arago Da Vinci GmbH, arago Technology Solutions Private Ltd, and arago US Inc. The completion of the sale is conditional on the consideration being transferred to WISeKey and the shares owned by the Group being transferred to OGARA.

Note 44. Business Update Related to COVID-19

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

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

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

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

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

WISeKey International Holding AG

Statutory Financial Statements

As at December 31, 2021

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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 2021, and the income statement, and notes for the year then ended.

In our opinion the financial statements (pages F-67 to F-84) as at December 31, 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investments in subsidiaries	
The Company carries investments in subsidiaries in the amount of CHF 28.5 million on the balance sheet. Investments are valued individually at acquisition costs less impairment. The valuation of investments involves judgment in the projections and assumptions used, which are sensitive to the expected future market developments that could affect the profitability of these entities. We focused on this area due to the degree of management's judgment involved, its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the Company's impairment considerations and valuation for all significant investments for reasonableness. We evaluated key assumptions used in the valuations relating to future expected cash flows, net asset values and fair values based on the allocation of the Company's market capitalization to each significant subsidiary. We compared the carrying value of a significant component to a sales price indicated by a potential buyer on a signed term sheet and confirmed funds available to the potential buyer.
Valuation of intercompany loans	
The Company carries an intercompany loan balance in the amount of CHF 25 million on the balance sheet. We focused on this area due to its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the financial solvency of each corresponding subsidiary based on the net asset values as well as future expected cash flows and for selected subsidiaries to the fair values based on the allocation of the Company's market capitalization. We compared the carrying value of a significant component to a sales price indicated by a potential buyer on a signed term sheet and confirmed funds available to the potential buyer.

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.

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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, 13 April 2022

BDO Ltd

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

WISeKey International Holding A.G., Zug

Balance Sheet as at December 31, 2021

ASSETS	2021 CHF	Note ref:	2020 CHF
Current Assets			
Cash and bank deposits	25,879,305		13,946,014
Short-term restricted cash	-	4	1,768,588
Short-term intercompany receivables	4,975,429	5	3,374,363
Amounts receivable from employees, net	144,195	6	122,885
Other receivables	134,635		205,937
Prepaid expenses	555,821		136,326
Intercompany accrued income and interests	372,262	5	126,809
Total Current Assets	32,061,646		19,680,922
Non-current Assets			
Convertible loans - interest bearing	-	7	3,075,292
Investments in subsidiaries, net	28,514,396	8	23,293,142
Other investment	1,141	9	266,438
Intercompany loans	25,017,903	10	15,143,187
Total Capital Assets	53,533,440		41,778,060
Total Non-current Assets	53,533,440		41,778,060
TOTAL ASSETS	85,595,086		61,458,982

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

WISeKey International Holding A.G., Zug

Balance Sheet as at December 31, 2021

LIABILITIES AND SHAREHOLDERS' EQUITY	2021 CHF	Note ref:	2020 CHF
Current Liabilities			
Trade payables	598,546		599,531
Intercompany accounts payable	2,561,571	11	1,277,130
Short-term loans - interest bearing	-		5,224,497
Short-term loan - non-interest bearing	37,200	12	3,980,000
Other payables	3,063,107	13	2,000,146
Accrued liabilities	1,979,006	14	2,247,638
Intercompany accrued liabilities	77,488		77,488
Total Current Liabilities	8,316,917		15,406,430
Non-Current Liabilities			
Long term loans - interest bearing	9,300,411		-
Long term loans - non-interest bearing	185,800	12	223,000
Total Non-Current Liabilities	9,486,211		223,000
Total Liabilities	17,803,128		15,629,430
Shareholders' Equity			
Share Capital	4,806,223	15	2,781,354
Capital Contribution Reserves *	83,557,168		70,877,886
Reserve for Treasury Shares held by subsidiaries	345,983	16	217,114
Treasury Shares held by WISeKey International Holdings AG	(243,082)	16	(318,344)
Accumulated Deficit	(27,857,326)	17	(12,568,811)
Net Profit / (Loss) for the Period	7,182,993	17	(15,159,645)
Total Shareholders' Equity	67,791,958		45,829,553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	85,595,086		61,458,982

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

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

WISeKey International Holding A.G., Zug

Income Statement for the Period

	2021 CHF	Note ref:	2020 CHF
INCOME			
Other Income	67,961		-
Management Fee Income	2,145,393		2,391,890
	2,213,353		2,391,890
OPERATING EXPENSES			
Salaries and Personnel Costs	(6,550,997)		(6,233,462)
Office Expenses	(9,725)		(5,489)
Insurances	(539,220)		(391,248)
Travel & Accommodation	(48,733)		(6,674)
Consultancy and Professional Services	(2,170,565)	20	(1,627,323)
Marketing	(116,466)		(259,828)
Management Fees and Intercompany Charges	(1,166,041)	21	(535,911)
Valuation Adjustments on Loans and Investments	(7,625,411)	22	(9,806,796)
FINANCIAL COSTS AND FINANCIAL INCOME			
Foreign Exchange (Loss)/Gain	177,618		(403,808)
Other Financial Charges	(44,926)		(64,425)
Financial Charges on Loan	(3,802,536)	23	(1,610,958)
Interest Income	735,742		539,659
Interest Expense	(11,915)		(420)
Profit on Sale of Treasury Shares	26,375,108	16	3,572,488
Loss on Sale of Treasury Shares	-	16	(823,727)
PRIOR PERIOD COSTS			
Prior Period Expenditure	(3,102)		1,210
NON-OPERATIONAL COSTS AND INCOME			
Non-Operating Losses	(229,189)	24	(99,371)
Non-Operating Gains	-	25	204,547
(LOSS)/PROFIT BEFORE TAXES	7,182,993		(15,159,645)
Taxes	-		-
(LOSS)/PROFIT FOR THE YEAR	7,182,993		(15,159,645)

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

Note 1. Background and Operations

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

The Company had 9 full-time employees at December 31, 2021 (2020: 9.)

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 2019, 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.

On February 1, 2021, the Company acquired 51% of the share capital of arago GmbH, a German company engaged in the use of Articial Intelligence for the purpose of Knowledge Automation. As part of the deal, the Company also acquired the subsidiary operations in America and India.

Note 2. Future Operations

The Company made a profit from operations in this reporting period, which was due to the profit on the sale of Treasury Shares. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

The Company made a profit of CHF 7,182,993 (2020: loss of CHF 15,159,645) and had net current assets of CHF 23,781,929 as at December 31, 2021. 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.

On February 08, 2018 the Company entered into a Standby Equity Distribution Agreement ("**SEDA**") with a fund managed by Yorkville Advisors Global, LLC ("**Yorkville**"). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50m in exchange for Class B Shares over a three-year period. During the year, the Company signed an amendment to extend the agreement for a further two-year period through to February 2023. Provided that a sufficient number of Class B Shares is provided through share lending, the Company has the right to make drawdowns under the SEDA, at its discretion, by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5m per drawdown, subject to certain exceptions and limitations. In the year 2021, WISeKey made one drawdown under the Yorkville Facility, for a total amount of CHF 363,876. As at December 31, 2021 the outstanding equity financing available was CHF 45,643,955.15.

On May 18, 2020, the Company entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**Nice & Green Facility**") with Nice & Green SA. Pursuant to the Nice & Green Facility, Nice & Green SA commits to subscribe for up to CHF 10.0 million of Convertible Notes over a two-year period. The Nice & Green Facility allows the Company to subscribe for funds based upon 60% of the traded volume of the WIHN class B share on the SIX Swiss Stock Exchange over the five SIX Swiss Exchange trading days preceding the subscription date. Nice & Green then provides the funding in exchange for Convertible Notes which are exchangeable for newly issued or existing WIHN Class B shares at Nice & Green's request. In the year 2021, WISeKey made no drawdowns under this facility. As at December 31, 2021 the outstanding facility available was CHF 1,083,111.

Based on the Group's cash projections for the next 12 months to April 30, 2023, it has sufficient liquidity to fund operations and financial commitments.. The SEDA, the Nice & Green Facility and the L1 and Anson Facilities will be used as a safeguard should there be any additional cash requirements not covered by other types of funding. Based on this, Management believe it is correct to present these figures on a going concern basis.

Note 3. Significant accounting policies

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

As WISeKey International Holding AG prepares consolidated financial statements under a recognized accounting standard (US GAAP), it has elected in these statutory 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 in the prior year represented the final instalment of the proceeds of the sale of the QuoVadis group. Under the terms of the share purchase agreement, these funds were to be held in an Escrow account until the second anniversary of the sale. The first instalment, which was due on the first anniversary date, was received on January 23, 2020. The second payment was received in full, with no post-completion claims, on January 29, 2021.

Note 5. Short-term intercompany receivables and accrued income

As the Ultimate Parent Company of the Group, WISeKey International Holding AG incurs costs that are for the benefit of other companies within the Group. The Company raises invoices to its subsidiary undertakings for the recharge of these costs.

Note 6. Amounts receivable from employees, net

During the year, certain employees exercised share options awarded to them under the Company's Employee Share Ownership Plan. This exercise gave rise to certain taxes and social charges due by the employee to the Company. As the employees have lock-out periods that restricts when they can sell the shares, the Company has agreed to defer payment until such point as the employees have sold the shares, as long as they remain employed by the Company.

Note 7. Convertible loans receivable

During the prior year, the Company entered into three Convertible Loan Agreements with arago GmbH, a technology company engaged in the use of artificial intelligence to enable knowledge automation in the operations of its clients. The first and second Convertible Loan Agreements were terminated and ultimately replaced by the third Convertible Loan Agreement. Under the terms of the agreement, the Company agreed to lend CHF 5,000,000 to arago GmbH with the right to convert this loan into a 51% participation in arago GmbH. As at December 31, 2020, the Company had advanced an amount of CHF 3,400,000 under the Convertible Loan Agreement. The loan was converted under the terms of the third Convertible Loan Agreement on 1 February 2022.

The loan bore interest at a rate of 5% per annum with the interest being included in the conversion amount upon the Company requesting such Conversion.

Note 8. Investments in subsidiaries, net

Cost CHF	Ownership/ Voting interests %	Net value of the investment as at 31.12 2021	Ownership/ Voting interests %	Net value of the investment as at 31.12 2020
WISeKey SA *Geneva, Switzerland*	**95.58%**	7,947,016	95.35%	7,947,016
WISeTrust SA *Geneva Switzerland*	**100%**	4,102,244	100%	4,102,244
WISeKey Semiconductors SAS *Meyreuil, France*	**100%**	11,000,000	100%	11,000,000
WISeKey SAARC Ltd *London, United Kingdom*	**51%**	64,966	51%	64,966
WISeCoin AG *Zug, Switzerland*	**90%**	-	90%	-
WISeKey Equities AG *Zug, Switzerland*	**100%**	100,000	100%	100,000
WISeKey Semiconductors GmbH *Munich, Germany*	**100%**	27,916	100%	27,916
TrusteCoin AG (formerly WISeAI AG) *Zug, Switzerland*	**100%**	100,000	51%	51,000
arago GmbH *Frankfurt, Germany*	**51%**	5,147,137		-
WISeKey Arabia - Information Technology *Jeddah, Saudi Arabia*	**51%**	25,116		-
Total		**28,514,396**		**23,293,142**

Management has reviewed the carrying value of the investments in the Company's subsidiaries and has determined that the carrying values remain appropriate.

In assessing the potential impairment of the investments, the Company considers the net asset value, the expected cash-flows that will be generated by each of these investments and the market capitalization of the Group. Management believes that, on the basis of this and other than as set out in note 24, the carrying value of these investments as at December 31, 2021 is not impaired.

On September 11, 2020, the Company acquired 51% of the issued share capital of WISeAI AG, a newly incorporated company registered in Zug, Switzerland for a total consideration of CHF 51,000. The company was established with arago GmbH for the purpose of the research and development, production, sales, operation, maintenance and service of AI-based knowledge automation and data platforms or other hardware and software infrastructures, as well as corresponding technologies in particular in the real-time cybersecurity and automation areas, as well as the promotion of innovation and digital transformation in a highly secure environment. On June 23, 2021, WISeAI AG's name was changed to TrusteCoin AG. On August 27, 2021, the Company acquired the remaining 49% of the issued share capital of TrusteCoin AG.

On February 1, 2021, the Company acquired 51% of the issued share capital of arago GmbH, a company registered in Frankfurt, Germany for a total consideration of CHF 5,147,137. Arago GmbH is a technology company engaged in the use of artificial intelligence to enable knowledge automation in the operations of its clients.

On December 22, 2019, the Company established a 51% share in the issued share capital of WISeKey Arabia – Information Techology, a new Joint Venture incorporated in Jeddah, Saudia Arabia. On May 14, 2021, upon the opening of the bank account of WISeKey Arabia – Information Technology, the Company made a payment of SAR 102,000 (equivalent to CHF 25,116 at historic rates) as its initial investment in the share capital of the Company. The Joint Venture has been created to support the business development activities of the Company in the Kingdom of Saudi Arabia.

Note 9. Other Investments

CHF	Ownership /Voting interests %	Carrying value of the investment as at 31.12 2021	Ownership/ Voting interests %	Carrying value of the investment as at 31.12 2020
OpenLimit AG *Baar, Switzerland*	**8.4%**	1,141	8.4%	266,438
Tarmin Inc. *Delaware, USA*		-		-
Total		**1,141**		**266,438**

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 and a leader in data & software defined infrastructure, to acquire 22% of common stock deemed outstanding at the time of exercise. The warrant may be exercised in parts or in full, at an exercise price of USD 0.01 per share at nominal value USD 0.0001. The purchase price of the Tarmin Warrant was USD 7,000,000 (CHF 6,876,895), of which USD 3,000,000 (CHF 2,950,011) was paid in cash on October 05, 2018, and the remaining USD 4,000,000 (CHF 3,926,884) was paid on March 31, 2019. Tarmin Inc. is a privately held company and the investment is carried at cost less any provision for impairment. Following a review of the valuation of the investment in December 2020, although there were positive indicators on the business performance of Tarmin, management identified a deterioration in the earnings performance and liquidity position of Tarmin. As a result, management determined that the carrying value of this investment should be fully impaired.

Note 10. Intercompany loans

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

Note 11. Intercompany accounts payable

Intercompany accounts payable includes charges payable to the Company's subsidiary undertaking, WISeKey SA, for management fees charged and costs incurred on behalf of the Company.

Note 12. Short- and Long-term loan – non-interest bearing

On March 26, 2020, the Company entered into an Agreement to borrow funds under the Swiss Government supported COVID-19 Credit Facility (the "Covid loans") with UBS SA. Under the terms of the Agreement, UBS has lent the Company CHF 223,000. The loan is repayable in full by March 30, 2028, as amended, being the eighth anniversary of the date of deposit of the funds by UBS. Semi-annual repayments will start from March 31, 2022 and will be spread on a linear basis over the remaining term. The full repayment of the loans is permitted at any time. The interest rate is determined by Swiss COVID-19 Law and currently carries an interest rate of 0%. There were no fees or costs attributed to the loan.

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

Note 13. Other payables

The Other Payables relate to salary related payments that were due as at December 31, 2021.

Note 14. Accrued liabilities

The accrued liabilities include a provision for accrued vacation not yet taken by the employees transferred from WISeKey SA.

Note 15. 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, 2021, 5,786,427 (2020: 1,436,545) ADSs were outstanding.

	31 December 2021		31 December 2020	
	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	88,649,384	4,432,469	47,622,689	2,381,134
Total Share Capital	128,671,372	4,832,689	87,644,677	2,781,354
Issued Share Capital	128,671,372	4,832,689	87,644,677	2,781,354
Authorised Share Capital, not issued, Class "B" Shares	18,469,207	923,460	7,808,906	390,445
Conditional Share Capital Class "A" Shares	12,000,000	120,000	-	-
Conditional Share Capital Class "B" Shares	30,939,877	1,546,994	7,444,464	372,223

15.1 Movement of share capital

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

Movements in shareholders’ equity in 2021 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, 2021, the capital contribution reserves have yet to be approved by the Swiss Tax authorities.

15.2 Conditional share capital

The share capital may be increased in an amount not to exceed CHF 1,666,994 with a nominal value of CHF 0.05 per share.

Its use is limited to 3 categories, namely:

- up to an amount of CHF 1,234,416.20 by the issuance of up to 24,688,324 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 312,577.65 by the issuance of up to 6,251,553 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.

- Up to an amount of CHF 120,000.00 by the issuance of up to 12,000,000 fully paid-in Class A Shares with a nominal value of CHF 0.01 in correction with the issuance of Class A 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

15.3 Authorised share capital, not issued

The Board of Directors is authorized, at any time until May 25, 2023, to increase the share capital in an amount not to exceed CHF 923,460.35 through the issuance of up to 18,469,207 fully paid in Class B 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, for 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 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 for 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

15.4 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 ⅓%, 50% or 66 ⅔% 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, 2021. 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 2021, 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 one additional individual	40,021,988	--	--	--	40,021,988	31.10%

Note 16. 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:

- 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, 2021, there were no Ordinary 'B' shares held relating to those purchased by Kepler Cheuvreux on the Company's behalf (December 31, 2020: 11,319.)

- On July 9, 2019, the Company started a share buyback program to buy back the Company's class B shares up to a maximum 10.0% of the share capital and 5.35% of the voting rights. On July 29, 2020, the Company extended its share buyback program to include the purchase of ADS. In compliance with Swiss Law, at no time will WISeKey hold more than 10% of its own registered shares. At December 31, 2021, the Company held 282,000 (December 31, 2020: 245,445) Ordinary 'B' shares purchased through the share and ADS buyback program. No (December 31, 2020: 184,099) Ordinary 'B' shares were held by YA II PA ("Yorkville") on our behalf for the purpose of settling drawdowns under the Yorkville SEDA.

- WISeKey Equities SA, a subsidiary of the Company, purchased 28,386,037 Ordinary 'B' shares at nominal value for the purpose of fulfilling exercise notices under option agreements, SEDA drawdowns and other such arrangements. 25,808,645 (2020: 4,404,828) were sold for the purpose of settling conversions and fees relating to the Nice & Green, Long State Investments, Global Tech Opportunities 8 and Crede Convertible Loan facilities and drawdowns under the Yorkville SEDA. At December 31, 2021, there remained 6,919,664 Ordinary 'B' shares held by WISeKey Equities SA (December 31, 2020: 4,342,272.)

Treasury shares held by subsidiaries	**Number of shares**	**Reserve for treasury shares held by subsidiaries as at 31.12.2021 (CHF)**	Number of shares	Reserve for treasury shares held by subsidiaries as at 31.12.2020 (CHF)
January 1	**4,342,272**	**217,114**	747,100	37,355
Number of shares purchased / sold, reserves transferred	**2,577,392**	**128,870**	3,595,172	179,759
December 31	**6,919,664**	**345,983**	4,342,272	217,114

WISeKey Equities SA purchased 28,386,037 treasury shares during 2021 (2020: 8,000,000) with an average purchase price of CHF 0.05 per share. Treasury share sales totaled 25,808,645 (2020: 4,404,828) with an average sale price of CHF 0.05 per share (2020: CHF 0.05 per share.)

Treasury shares held by WISeKey International Holding AG (WIHN)	**Number of shares**	**Cost of treasury shares held by WIHN as at 31.12.2021 (CHF)**	Number of shares	Cost of treasury shares held by WIHN as at 31.12.2020 (CHF)
January 1	**440,863**	**318,344**	455,091	1,220,465
Number of shares purchased / sold, reserves transferred	**(158,863)**	**(75,262)**	(14,228)	(902,121)
December 31	**282,000**	**243,082**	440,863	318,344

Treasury share purchases by the Company during 2021 totaled 26,090,645 (2020: 4,863,101) with an average purchase price of CHF 0.06 per share (2020: 0.21.) Treasury share sales totaled 26,249,508 (2020: 4,877,329) with an average sale price of CHF 1.07 per share (2020: 0.93.) During the year, the Company recognized profits of CHF 26,375,108 (2020: 3,572,488) on the sale of Treasury Shares and losses of CHF nil (2020: CHF 823,727) on the sale of Treasury Shares.

Total Treasury shares	**Number of shares**	**Total reserve for treasury shares as at 31.12.2021 (CHF)**	Number of shares	Total reserve for treasury shares as at 31.12.2020 (CHF)
January 1	**4,783,135**	**535,458**	1,202,191	1,257,820
Number of shares purchased / sold, reserves transferred	**2,418,529**	**53,607**	3,580,944	(722,362)
December 31	**7,201,664**	**589,065**	4,783,135	535,458

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 2021 totaled 28,668,037 (2020: 8,458,273) with an average purchase price of CHF 0.06 per share (2020: CHF 0.14.) Treasury share sales totaled 26,249,508 (2020: 4,877,329) with an average sale price of CHF 1.07 per share (2020: CHF 0.93.)

Note 17. Movements in reserves

Accumulated deficit **CHF**	**Accumulated deficit as at 31.12.2021**	**Accumulated deficit as at 31.12.2020**
January 1	**(27,728,456)**	(12,389,053)
Transfer to reserve for treasury shares	**(128,870)**	(179,758)
Net gain/(loss) for the period	**7,182,993**	(15,159,645)
December 31	**(20,674,333)**	(27,728,456)

Due to the increase in the balance of Treasury Shares held by WISeKey Equities SA (see note 15), a subsidiary undertaking of the Company, CHF 128,870 has been transferred from (2020: CHF 179,758) the Accumulated Deficit into the Reserve for Treasury Shares held by Subsidiaries.

Note 18. Guarantees to Related Parties

On November 18, 2020, the Company signed a letter of comfort to Harbert European Speciality Lending Company II, S.à.r.l., an investment and financing company that has purchased bearer bonds in arago GmbH, for the value of the outstanding principal amount on the Bonds. Under the terms of this letter, the Company committed to ensure that arago GmbH has sufficient financial means in order to fulfil all its present and future payment obligations under the Bonds when due and payable.

On November 19, 2020, the Company signed a letter of comfort to arago GmbH confirming that it will provide such funds as are necessary to safeguard the continued existence of arago GmbH.

On June 09, 2021, the Company signed a written agreement to subordinate its claims against WISeKey SA for an amount of CHF 10,000,000 until such time as the liabilities of WISeKey SA are covered by its assets.

On January 28, 2022, 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 January 28, 2022, the Company provided a letter of comfort to its subsidiary WISeKey SA. The Company confirmed that it will provide financial and other support to WISeKey SA for at least the next 24 months and thereafter for the foreseeable future.

On January 28, 2022, 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 24 months and thereafter for the foreseeable future.

Note 19. Shares & Options held by Board of Directors and Executive Management

	Class A shareholding	ADS	Class B shareholding			% of voting rights	
			Own name	ADS Equivalent	Total		Name of the Related Party Transaction
Hans-Christian BOOS	-	-	-	-	-	0.0%	
Philippe DOUBRE	-	-	166,719	-	166,719	0.2%	
David FERGUSSON	-	-	1,000	-	1,000	0.0%	
Jean-Philippe LADISA	-	-	41,926	-	41,926	0.0%	
Carlos CREUS MOREIRA	39,836,513	-	687,623	-	687,623	46.0%	
Eric PELLATON	-	20,000	190,000	100,000	290,000	0.3%	ADSs and B shares held by NRJ SA
Peter WARD	185,475	-	30,643	-	30,643	0.2%	

The share options held by the Board of Directors and Executive Management as at December 31, 2021 were as follows:

	Class A Options	Class B Options
Hans-Christian BOOS	-	-
Philippe DOUBRE	-	204,315
David FERGUSSON	-	63,644
Jean-Philippe LADISA	-	25,062
Carlos MOREIRA	5,454,500	575,765
Eric PELLATON	-	31,027
Peter WARD	4,363,500	1,700,700

Note 20. Consultancy and Professional Services

Costs incurred under Consultancy and Professional Services in the year includes CHF 451,823 (2020: CHF 7,845) of legal costs and CHF 112,482 (CHF: nil) of accountancy fees relating to merger and acquisition activity, a further CHF202,065 (2020: CHF193,200) of legal fees relating to reporting and compliance, and CHF 87,808 (2020: CHF 142,059) 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 930,931 (2019: CHF 535,911) relating to management fees charged by its subsidiary undertaking, WISeKey SA, for salaries and associated costs incurred on behalf of the parent company.

Note 22. Valuation Adjustments on Loans and Investments

Following reviews of the carrying value of its Intercompany Loans and Investments in 2019 and 2020, the Company decided to make a valuation adjustment to reduce the carrying value of its Loans and Investments with WISeCoin AG. A further review carried out in 2021 resulted the Company deciding to amend this valuation adjustment to include further amounts owed by WISeCoin AG as at 31 December 2021 and also to reduce the carrying value of its amounts receivable from WISeKey India. These were all due to the uncertainty surrounding the recoverability of these balances.

During the year, the Company agreed to forgive part of the loans due to it from its subsidiary, WISeKey Semiconductors SAS. This was due to historic losses made by WISeKey Semiconductors SAS with a significant amount of this being as a result of the impact of the COVID-19 pandemic on the Company's revenues. The Company expects WISeKey Semiconductors SAS to return to profitability in the foreseeable future. For this reason the Company has retained the right to receive repayment of these amounts when WISeKey Semiconductors SAS returns to profitability.

Following a review in 2020 of the valuation of the investment in Tarmin, although there are positive indicators on the business performance, management had identified a deterioration in the earnings performance and liquidity position of Tarmin. Therefore, as a result, management assessed that the asset should be fully impaired.

Further, the charge includes the decrease in the value of the investment held in OpenLimit AG (see note 8.)

Note 23. Financial Charges on Loan

During the year the Company arranged new financing facilities with L1 Capital Global Opportunities Master Fund and Anson Investments Master Fund LP. As a result of increased liquidity in the Company's shares on the SIX Swiss Exchange, the Company was able to drawdown higher amounts under these facilities than in previous years and, as a result, there was an increase in the fees incurred.

Note 24. Non-Operating Losses

The non-operating loss incurred relates to stamp duties payable on the issuance of additional share capital.

Note 25. Non-Operating Gains

The Non-operating gains recognized during the prior year relate to an incentive fee received from Nice & Green SA based upon a share of the gains they make upon sale of shares in the Company.

Note 26. Subsequent Events

L1 Capital Global Opportunities Master Fund Facility

In 2022, the Company made one further subscription under the terms of the L1 Facility. On March 04, 2022, the Company subscribed for convertible notes in the amount of USD1,000,000. The funds were received on March 07, 2022. In line with the terms of the L1 Facility, WISeKey issued L1 with 457,927 warrants on WIHN class B shares at an exercise price of CHF 5.00, and WISeKey also paid a subscription fee of 36,434 WIHN class B shares.

In 2022, L1 Capital Global Opportunities Master Fund issued a total of ten conversion notices, resulting in the following conversions after December 31, 2021:

On January 10, 2022 for 388,799 WIHN class B shares delivered on January 10, 2022 for a conversion of CHF 276,047.

On January 24, 2022 for 452,293 WIHN class B shares delivered on January 24, 2022 for a conversion of CHF 275,899.

On January 31, 2022 for 635,087 WIHN class B shares delivered on February 01, 2022 for a conversion of CHF 374,701.

On February 01, 2022 for 314,698 WIHN class B shares delivered on February 02, 2022 for a conversion of CHF 185,672.

On February 16, 2022 for 482,171 WIHN class B shares delivered on February 17, 2022 for a conversion of CHF 279,659.

On February 28, 2022 for 779,109 WIHN class B shares delivered on March 01, 2022 for a conversion of CHF 373,972.

On March 08, 2022 for 662,071 WIHN class B shares delivered on March 09, 2022 for a conversion of CHF 278,070.

On March 09, 2022 for 640,455 WIHN class B shares delivered on March 10, 2022 for a conversion of CHF 281,800.

On March 14, 2022 for 215,314 WIHN class B shares delivered on March 15, 2022 for a conversion of CHF 94,738.

On March 18, 2022 for 893,275 WIHN class B shares delivered on March 22, 2022 for a conversion of CHF 375,176.

Anson Investments Master Fund LP Facility

In 2022, Anson Investments Master Fund LP issued a total of seven conversion notices, resulting in the following conversions after December 31, 2021:

On January 11, 2022 for 645,836 WIHN class B shares delivered on January 12, 2022 for a conversion of CHF 463,562.

On January 13, 2022 for 889,291 WIHN class B shares delivered on January 14, 2022 for a conversion of CHF 640,290.

On January 31, 2022 for 836,161 WIHN class B shares delivered on February 01, 2022 for a conversion of CHF 468,250.

On February 01, 2022 for 1,243,001 WIHN class B shares delivered on February 02, 2022 for a conversion of CHF 696,081.

On February 28, 2022 for 1,558,050 WIHN class B shares delivered on March 02, 2022 for a conversion of CHF 747,864.

On March 18, 2022 for 1,580,677 WIHN class B shares delivered on March 22, 2022 for a conversion of CHF 663,884.

On March 29, 2022 for 2,157,011 WIHN class B shares delivered on March 30, 2022 for a conversion of CHF 949,085.

Options granted under WISeKey ESOP

After December 31, 2021, a total of 10,805 options were granted under the Group’s ESOP.

Share Purchase and Transfer Agreement in relation to the arago Group

On March 14, 2022, the Company signed a Share Purchase and Transfer Agreement to sell its 51% ownership in arago and its affiliates to OGARA GmbH, with Neutrino Energy Property GmbH & Co. acting as "Buyer Guarantor". The sale is expected to be completed in the second quarter of 2022. The group subsidiaries making up the arago Group in scope for the sale are arago GmbH, arago Da Vinci GmbH, arago Technology Solutions Private Ltd, and arago US Inc. The completion of the sale is conditional on the consideration being transferred to WISeKey and the shares owned by the Group being transferred to OGARA.

Conflict in Ukraine

The business of certain of the Company's subsidiaries depends on our current and prospective customers' ability and willingness to spend money in security applications, and on our suppliers' ability to source key components and material, which are both in turn dependent upon the overall economic health.

Negative economic conditions have been seen globally with the COVID-19 pandemic which caused some our customers to delay their orders in the year 2020 in particular and a global shortage in semiconductors' material sourcing which will continue in the short-term future. Further economic uncertainties are brought on by the conflict between Russia and Ukraine which started in 2022 which may also affect the sourcing of certain materials. Although the group does not have any customer exposure in Eastern Europe, nor any significant supply chain dependencies, the overall economic impact of this conflict is still unknown. Many customers and prospects of the Company's subsidiaries are manufacturers of electronic devices. Our business depends on their ability to produce their devices. If they encounter shortages in the supply of crucial components, they will slow down the production and thus also reduce their orders of WISeKey semiconductors to avoid idle stocks in their just in time provisioning.

As a result of the overall impact of COVID-19, political tensions, conflicts and other conditions resulting from financial and credit market fluctuations, there could be a decrease in corporate spending on information security software. Continuing economic challenges may cause our customers to re-evaluate decisions to purchase our solution or to delay their purchasing decisions, which could adversely impact our results of operations.

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