

WISeKey International Holdings Ltd.

Website: www.wisekey.com

ANNUAL REPORT 2022



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CEO MESSAGE

Letter to Shareholders

Dear Shareholders,

We are pleased to announce the results of our listed company for the period ended December 31, 2022.

We have worked hard to navigate the uncertain and rapidly changing environment, and we are pleased to report that WISeKey has remained financially strong during 2022. The divestiture of arago GmbH had a positive impact on our liquidity, as it reduced cash burn by approximately 40% and allowed us to focus on revenue generating investments.

During the year, we continued to make progress on our strategic initiatives and invest in our future growth. It is likely that technology foundations of WISeKey will continue to advance and play a significant role in many aspects of daily life in 2023. Some areas that may see significant developments in the next few years include AI, virtual and augmented reality, IoT, NFTs, quantum and cybersecurity. There may also be continued progress in fields such as robotics and space low orbit satellites. WISeKey is well positioned to take advantage of the growing demand for these technologies.

It is important to note that technology can have both positive and negative impacts on society, and it is essential to consider the ethical implications of new developments as they arise, which is the foundation of our Company's mission statement.

Moving forward, we expect our total revenue to continue to grow in 2023, driven by a projected revenue growth for the IoT segment of approximately 25%. We believe that due to our large backlog of \$36 million, which we expect to deliver within the next 48 months, our \$100 million pipeline of opportunities, and the significant investments we have made into expanding our salesforce and manufacturing capacity, we are well positioned to continue to gain market share and expand our geographic footprint.

Consolidated revenues for FY 2022 were \$25.6 million including arago, increasing by 15% as compared to \$22.3 million reported for FY 2021. The increase was achieved despite the divestiture of arago and it was mainly due to higher revenues from our semiconductors segment, which reported revenues of \$23.2 million for the year.

Our loss from continuing operations this year is partly due to the strong investment developing SEALSQ's offering into a vertical business now valued by an independent valuation company at \$217 million and which we expect to list on the Nasdaq after a partial spin off in Q2 2023. It is also worth mentioning that our loss



from continuing operations has decreased by 58% from a loss of \$23.5 million in 2021 to \$9.8 million in 2022, which shows the Group's efforts to reduce its cost base despite its investment in the future.

The Group's net loss of \$29.3 million in 2022 is mostly attributable to the \$19.5 million loss on discontinued operations due to the loss-making position of arago, currently in liquidation, and the write-off of the purchase price for the disposal of arago. However, WISeKey holds a priority claim on the HIRO AI technology developed by arago and we believe that the sale of the arago Group has benefited WISeKey significantly because it has removed a part of the business that was a drain on our liquidity, thereby allowing us to dedicate our liquidity to our continuing operations.

As a result, despite these losses, we remain positive about the long-term growth potential of the markets we operate in and will continue to strengthen our business model and build a resilient and sustainable business for the long term.

Since the beginning of 2021, demand for our IoT semiconductor products has been unprecedented and has reached a point where we are now sitting on a solid backlog of purchase orders totaling \$36 million. While supply chain shortages in the semiconductor sector are not expected to continue in this coming year, we are well positioned to continue our growth due to our healthy backlog and growing pipeline of new opportunities which is now over \$100 million.

Our strong backlog has given us a great building block that allows our sales team to focus on new opportunities to expand our customer base and geographic footprint. As a result, we expect to see a significant increase in the number of customers served by WISeKey in this sector by 2023 / 2024.

The company continues to grow and expand, with new technologies, projects and partnerships. We have recently launched a new generation of post quantum semiconductors, which has resulted in a surge of consumer activity, and our hard-working team is very proud of these milestones.

In terms of 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 Polygon and CasperLabs, a product for which we have a patent pending, which would potentially add to our extensive patent portfolio, and the launch of the WISeSat FOSSA picosatellite constellation as part of the WISeSat venture which will enable us to support Global Decentralized IoT Communications, a project that is building towards commercial deployment in the second half of 2023 when we believe our partnership agreement with the Swiss Army will become effective.

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

We are also 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. We would generate a one-off fee for the platform sale, as well as fees for the set-up and installation, with ongoing hosting, maintenance and support packages being added through a separate annual fee.

WISeKey's wholly owned subsidiary SEALSQ Corp. ("SEALSQ") has successfully built a demonstrator unit running two NIST selected Post-Quantum Algorithms, a significant milestone within the implementation of the QUASARS project (for QUAntum resistant Secure ARchitectures). The Post-Quantum engineering team has been able to carry both Kyber and Dilithium CRYSTAL quantum-resistant NIST selected algorithms and the appropriate APIs on the MS6003, a WISeKey Common Criteria EAL5+ Certified secure hardware platform powered by an ARMSC300 core and featuring an USB interface, thus creating the first Quantum-Resistant USB Token demonstrator. This demonstrator marks a substantial milestone for the QUASARS project and takes the team one step closer to achieving their goal of building a Post-Quantum Hardware Security Module and Root-of-Trust.

WISeKey, through SEALSQ, has taken affirmative steps to implement its QUASARS project which we expect to become a major revenue generator in the future. The QUASARS project, is a radically innovative solution, based upon the new WISeKey Secure RISC V platform that is paving the way for the Post Quantum Cryptography era, offering hybrid solutions compliant with ANSSI's ("Agence nationale de la sécurité des systèmes d'information," the National Cybersecurity Agency of France) recommendations. Of note, SEALSQ has received strong support from the French SCS (Secured Communicating Solutions) Cluster for its QUASARS project.

Our cutting-edge QUASARS project is lodged in our Semiconductors Quantum technology company, SEALSQ, dedicated to advancing the field of post-quantum computing, making it accessible to a wide range of industries that are already using our semiconductors, and it is enabling advances in communications, computing, healthcare, military systems, transportation, clean energy, and countless other applications.

Our team of experts in Switzerland, France and the United States have been working tirelessly over the last three years to develop innovative post-quantum solutions that harness the power of quantum mechanics to solve complex problems. Our Post-Quantum solutions include Post-Quantum microchips and devices that can be used in a variety of applications, from Multi-Factor Authentication devices, Home Automation, and IT Network Infrastructure, to Automotive, Industrial Automation and Control Systems.

One example of a Post-Quantum technology is the lattice-based cryptography, a type of public-key cryptography based on the hardness of a mathematical problem called the Shortest Vector Problem (SVP) which is thought to be too difficult for a quantum computer to solve. Lattice-based cryptography can be used for tasks such as digital signatures, key exchange, and encryption.

As you are aware, we have seen significant volatility in the global stock markets which has caused concern for many investors. It is important to keep in mind that short-term market movements are not necessarily indicative of long-term trends and that it is normal for the stock market to experience ups and downs. WISeKey's stock price has also seen the effect of market volatility. Analysts covering our stock have a target price well above our current trading price and we believe that our stock price does not reflect the real value of our business and growth opportunities ahead of us, but we also understand that market fluctuations and other global macro-economic developments remain outside of our control. We encourage our shareholders to stay informed about the progress of WISeKey and reach out to their financial advisor.

We are committed to sharing our results with transparency and clarity. We understand the importance of our shareholders' ongoing support, and so we want to ensure they remain informed of our progress. We remain steadfast in our commitment to produce results that reflect our continued efforts to expand and evolve our business.

I want to take this opportunity to express my gratitude to our shareholders, business partners, clients and also our wonderful team of employees around the globe for the continued support you have shown us over the years. We remain committed to delivering long-term value.

Sincerely,
Carlos Moreira
Chairman & CEO
WISeKey International Holding Ltd

MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FY 2022 Key Financial Milestones:

The key highlights of the year ended December 31, 2022 were:

- **Revenue growth:** 35% increase in revenue to \$23.8 million in the year 2022, compared to \$17.6 million in 2021.
- **Cash position remains strong** with \$20.7 million cash available at December 31, 2022.
- **Increase in semiconductors production capacity:** in 2022, WISeKey initiated a 5-year capital expenditure (“CapEx”) plan to increase its semiconductors volume by up to 80% over the next 5 years. The plan is supported by a \$2 million loan from a third party client for the purpose of increasing production capacity.
- **Cost structure efficiency improvements:** our operating expenses decreased by \$8.1 million and by \$5 million when excluding non-cash stock-based compensation in comparison to 2021, showing our successful efforts to streamline our cost base while still being able to grow our revenue.
- **Strong investments in Research & Development (“R&D”):** we continue to support our R&D work with \$3.9 million invested during the year. In 2022:
 - we initiated our QUASARS project (for QUAntum resistant Secure ARchitectureS), a radical innovative solution paving the way of Post Quantum Cryptography era, and
 - we launched 13 security-IoT hardened low-orbit picosatellites, WISeSat, for our new satellite-based secure IoT connectivity-as-a-service, through which WISeKey provides the satellite platform, launch, integration, ground station services and all the security architecture and components, as part of a turnkey SaaS solution for low-power and secure space-based IoT connectivity, in collaboration with FOSSA Systems S.L. (“FOSSA”).
- **M&A activity:** divestiture of our 51% controlling interest in arago GmbH (“arago”) which freed up liquidity for the continuing operations of WISeKey and had a positive impact on its cash flow forecasts.
- **Strengthening our Sales and Marketing (“S&M”) organization:** the Group has continued reinforcing its sales and marketing team with a new sales director in the U.S.A. and the onboarding of 7 additional sales representatives in the E.U. region, Israel and South Africa and 2 representatives which will cover the Eastern states of the United States.
- **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. The WISe.ART platform now includes over 1000 artworks by over 100 artists worldwide ranging from traditional art, video art to 3 dimensional AI productions.

Key Financial Metrics

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

US GAAP (Million US\$)	2022	2021
Net sales	23.8	17.6
Gross profit	10.1	7.5
Operating loss as reported	(10.4)	(21.2)
Net (loss)/income from continuing operations	(9.8)	(23.5)
Total Cash and restricted cash	20.7	34.2
Non-GAAP (Million US\$)	2022	2021
EBITDA	(9.9)	(20.6)
Adjusted EBITDA	(6.9)	(15.7)

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2022 was \$20.7 million, compared to \$34.2 million at December 31, 2021. The Group has maintained strong cash reserves so as to ensure that it has sufficient liquidity to be able to support its operations and investment strategy.

In 2022, the Group used the funding arrangements with L1 Capital Global Opportunities Master Fund and Anson Investments Master Fund LP set up in 2021 for its cash needs. In particular, WISeKey had to fund arago which was cash flow negative on operating activities, largely as a result of decreasing revenue. As a result, the divestiture of the arago Group has benefited the Company significantly by freeing up liquidity for the continuing operations of WISeKey and had a positive impact on its cash flow forecasts.

The Group had positive working capital of \$14.3 million as at December 31, 2022 and, based on the Group's cash projections for the next 12 months to April 30, 2024, it has sufficient liquidity to fund operations and financial commitments.

Revenue

For full year 2022, WISeKey's total revenue was \$23.8 million, compared to \$17.6 million in 2021. This 35% increase in revenue is mostly driven by the strong demand for our IoT solutions. The shortage in semiconductors' raw material during the COVID-19 pandemic has attracted new customers to WISeKey, particularly those small and medium-sized companies that were not prioritized by competitors due to the relatively smaller size of their orders. The shortage also pushed customers to make long-term commitments so as to secure their supply, which meant that they placed orders for delivery over more than six months, which provided WISeKey with a very secure backlog of orders. Based on this, WISeKey was able to take steps to increase its production capacity in 2022, thereby allowing a growth by 38% or \$6.3 million.

WISeKey has started several projects around its mPKI solutions to refocus its solution offering and support mPKI revenue in future periods.

USD'000	12 months ended	12 months ended	Year-on-Year Variance
	December 31, 2022	December 31, 2021	
IoT segment revenue from external customers	23,298	16,867	38%
mPKI segment revenue from external customers	616	779	-21%
Total revenue	23,814	17,646	35%

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 (57%), while Europe remains our second largest market. With new distribution agreements signed or under negotiation in these 2 regions and the appointment of a new sales director in the U.S.A. in 2022, we expect North America and Europe to remain our largest markets in the short term but we expect to grow our Sales team in Asia in 2023.

Our revenue by geographic region for the fiscal years ended December 31, 2022 and 2021 is set forth in the following table:

Net sales by region	2022		2021	
	USD'000	%	USD'000	%
Europe, Middle East & Africa	7,264	30%	4,821	27%
North America	13,677	57%	10,689	61%
Asia Pacific	2,745	12%	2,062	12%
Latin America	128	1%	74	0%
Total net sales	23,814	100%	17,646	100%

New revenue streams from 2023

WISeKey continues to foster innovation and enrich its product portfolio with new security offerings expected to create new revenue verticals in the Group:

- WISeSat.Space – In 2022, we launched 13 security-IoT hardened low-orbit picosatellites, WISeSat. WISeKey will offer the WISeSat product and services to its IoT clients in a SaaS model building a joint constellation with FOSSA of 88 low-orbit satellites by end of 2024. Allowing both remote and redundant urban IoT communications for companies seeking to securely connect their assets via satellite communication covering large and unserved geographic areas such as maritime, deserts, mountains, etc., at affordable prices. The vision is to drive mass adoption of satellite-enabled IoT through secure interoperable and standardized connectivity using LPWAN technologies such as LoRa or NB-IoT.
- 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.

Gross Profit

Our gross profit increased by 36% to \$10.1 million (gross margin of 42.4%) in the year ended December 31, 2022, in comparison with a gross profit of \$7.4 million (gross margin of 42.0%) in the year ended December 31, 2021. Most of the increase in gross profit is the direct result of the increase in revenue year-on-year.

We note that the shortages in semiconductor components over the last few years has led to an increase in purchasing costs. However, WISeKey's strong working relationships with its customers has allowed us to build these increases into our prices. We have therefore not suffered any decrease in gross profit margin in relation to the supply chain issues in 2022. As shortages are resolved our gross margin may be affected in future periods.

Operating Results

The Group's operating loss decreased by \$10.8 million year on year, going from a \$21.2 million operating loss in 2021 to an operating loss of \$10.4 million in 2022.

This is largely due to a decrease in our total operating expenses by \$8.1 million (and by \$5 million when excluding non-cash stock-based compensation) compared to 2021, from \$28.6 million down to \$20.5 million, evidencing the Group's continued 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, WISeSat and the its WISe.ART NFT platform.

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

Net Results from Continuing Operations

As a result of the above factors, the net loss from continuing operations decreased by 58%, or \$13.7 million, from \$23.5 million in the year ended December 31, 2021 to \$9.8 million in the year ended December 31, 2022. If we exclude the one-off credit of \$3.2 million in relation to the recognition of a deferred tax asset balance, our loss before income tax has decreased by 45% from \$23.5 million in 2021 to \$13 million in 2022.

This positive trend demonstrates WISeKey's ability to generate additional revenue while continuing to streamline its cost base, while also making the strategic investments in R&D and S&M which are required to fuel future growth.

Net Results

With a total loss on discontinued operations of \$19.5 million in 2022 relating to the divestiture of arago, our net loss increased by 21% from \$24.2 million in 2021 to \$29.3 million in 2022. The largest factor in the loss on discontinued operations is the \$15 million loss on disposal of the arago business. The net proceeds of \$25 million from the sale of our 51% ownership WISeKey in arago to a German consortium of investors led by arago's founder through his investment company, OGARA GmbH, have not yet been paid.

Although the disposal of arago increased our net loss, we believe that the sale of the arago Group has benefited the Company significantly as it has removed a part of the business that was loss-making and a drain on our liquidity, thereby allowing us to dedicate our liquidity to our continuing operations.

WISeKey is currently assessing enforcement scenarios to turn its pledge over the arago AI IP into full ownership, allowing WISeKey to integrate the HIRO AI into the WISeKey platform.

Consolidated Income Statement

(Million US\$)	12 months ended December 31,		Year-on-Year Variance
	2022	2021	
Net sales	23.8	17.6	35%
Cost of sales	(13.6)	(9.9)	37%
Depreciation of production assets	(0.1)	(0.3)	-67%
Gross profit	10.1	7.4	36%
Other operating income	2.1	0.2	950%
Research & development expenses	(3.9)	(5.6)	-30%
Selling & marketing expenses	(7.3)	(9.1)	-20%
General & administrative expenses	(11.4)	(14.1)	-19%
Total operating expenses	(20.5)	(28.6)	-28%

(Million US\$)	12 months ended December 31,		Year-on-Year Variance
	2022	2021	
Operating loss	(10.4)	(21.2)	-51%
Non-operating income	3.9	2.5	56%
Debt conversion expense	(0.8)	(0.3)	167%
Interest and amortization of debt discount	(0.2)	(1.1)	-84%
Non-operating expenses	(5.5)	(3.4)	62%
Income / (loss) before income tax expense	(13.0)	(23.5)	-45%
Income tax (expense)/recovery	3.2	-	n/a
Income/ (loss) from continuing operations, net	(9.8)	(23.5)	-58%
Loss on discontinued operations	(19.5)	(0.7)	3027%
Net income / (loss)	(29.3)	(24.2)	21%

Analysis of operating income and expenditure

Other operating income

In 2022, the main components of our other operating income consisted of a one-off credit in relation to the write off of a payable balance of \$1,9 million, and recharges for the use of our premises by OISTE (the Organisation Internationale pour la Sécurité des Transactions Electroniques) for \$0.1 million.

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 decreased by \$1.7 million between 2022 and 2021 and includes a non-cash, stock-based compensation expense of \$0.2 million. Although we have refocused our R&D efforts, it remains a large part of our operating expenses with \$3.7 million net of a stock-based compensation spent in the year ended December 31, 2022, representing 19% 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 and 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 \$7.3 million for the year ended December 31, 2022 included a non-cash, stock-based compensation expense of \$0.3 million. With a total of \$7.0 million net of stock-based compensation, our S&M expenses decreased by \$1.3 million in comparison with our 2021 S&M expenses of \$8.3 million net of stock-based compensation. This decrease reflects our continued efforts to build a stronger sales force, with an increased presence in the U.S., to support our revenue growth.

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 of \$11.5 million for the year ended December 31, 2022 included a non-cash, stock-based compensation expense of \$0.3 million. Net of stock-based compensation, our G&A expenses of \$11.2 million has decreased by \$0.5 million in comparison with the \$11.7 million G&A expense net of stock-based compensation for the year ended December 31, 2021.

Our G&A expenses remain and will remain high due to WISeKey's initiatives to expand our geographical footprint and revenue streams. These initiatives require specific professional expertise and legal advice which contribute to our G&A cost base.

We will continue to challenge our G&A in future periods although increases are anticipated in certain key categories to support our growth and strategic 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 International Holding is transitioning into a new strategic direction that will see it operate as a holding company of several distinctive operational companies covering the full spectrum of WISeKey-related technologies:

the Root of Trust and PKI at WISeKey SA,

semiconductors and Quantum technology with SEALSQ and WISeKey Semiconductors,

Space technology using Picosatellites under WISeSat.Space, and

Trusted Blockchain NFT with WISe.ART Corp.

As a holding company giving strategic directions, WISeKey has taken several initiatives to continue growing revenue and strengthen net results. These initiatives include:

- **New strategic partnerships and investments in sales and marketing** to strengthen its position as IoT cybersecurity provider and to develop new use cases based on our established technologies. Our objective in 2023 is to grow our sales team in Asia with key recruitments in Taiwan, expand our sales force in the U.S., and sign up 5 additional sales representatives and 3 resellers.
- **WISeSat.Space** – building a joint constellation with FOSSA of 88 low-orbit satellites by end of 2024 to drive mass adoption of satellite-enabled IoT through secure interoperable and standardized connectivity using LPWAN technologies such as LoRa or NB-IoT. The WISeSat constellation will enable us to support Global Decentralized IoT Communications, a project that is building towards commercial deployment in the second half of 2023 when we believe our partnership agreement with the Swiss Army will become effective.
- Continued development of the **WISe.ART NFT auction platform** in conjunction with Polygon and CasperLabs, a product for which we have a patent pending, which would potentially add to our extensive patent portfolio. We are starting to bring revenues by charging commissions on the sales that are carried out on the WISe.ART platform which is a percentage of the total sale and depends upon multiple factors. In 2023, WISeKey expects to sign partnerships with Hedera and Italtreasures for an even wider coverage, allowing for significant community growth, collectors' transactions and new NFTs business.
- **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 in **new equipment to increase the production volume of semiconductors** with a 5-year CapEx plan to increase its semiconductors volume by up to 80% over the next 5 years.
- **Investment in R&D** to expand its patent portfolio.

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) (Million US\$)	12 months to December 31,	
	2022	2021
Operating loss as reported	(10.4)	(21.2)
<i>Non-GAAP adjustments</i>		
Depreciation expense	0.4	0.5
Amortization expense on intangibles	0.1	0.1
EBITDA	(9.9)	(20.6)
<i>Non-GAAP adjustments</i>		
Stock-based compensation	0.7	3.8
Expenses settled in equity	0.1	0.1
M&A-related legal fees	1.7	0.9
M&A-related professional fees	0.4	-
Listing-related professional fees	0.1	0.1
Adjusted EBITDA	(6.9)	(15.7)

WISEKEY ROOT OF TRUST & SECURE HARDWARE SIMPLIFY IOT DIGITAL IDENTITY PROVISIONING

Building on more than 20 years in establishing digital trust, WISEkey Digital Identity Provisioning Services offer device manufacturers, solution providers and consumers, the ability to trust the devices and the data of their IoT (Internet of Things) deployments.

The IoT is radically transforming how we work and how we live. However, with this transformation comes increased risk.



For most IoT deployments, a trusted ecosystem of authorized devices and authorized services is the recommended approach. In a trusted ecosystem unauthorized devices or services are not allowed to interact with authorized devices or services. This prevents unauthorized access to the critical services and data of an IoT device.

While mutual authentication is a baseline requirement, devices also need a unique identity. This allows it to perform many different types of cryptographic operations and describes what it is and what it is authorized to do. Public key cryptography plays an important role in device identities. In any implementation of public key cryptography, it is important to have strict ways to create, manage, distribute, and revoke public keys.

Key management is difficult enough when managing even a small number of keys. However, some deployments require a huge number of keys to be generated. Consider an IoT vendor that wants to give a unique cryptographic device identity to each of their IoT devices in the field. One can easily imagine deployments of millions of such devices.

The process of providing a device with an identity is referred to as provisioning. Once manufactured, the device identities need to get from the manufacturing source to the devices and services. There are generally two approaches to provisioning device identities: factory provisioning and cloud-based field provisioning (so-called Zero Touch Provisioning).

Provisioning device identities requires an understanding of the supply chain, manufacturing environment, cryptography and cryptographic hardware. It can be particularly challenging to provision devices for large scale deployments.

WISeKey IoT Security Solution, named INeS[®], addresses these security challenges at each step of the device security lifecycle, providing customers with a means to manage device identity, secure connections, prevent device tampering, and update firmware and settings remotely and securely once in the field.

WISeKey offers a complete, full-service managed PKI that specializes in delivering device identities at scale for trusted ecosystems, for companies that need security and control over all the players in their ecosystem. The solution has been designed to support both factory floor and cloud-based field provisioning, to meet all customer requirements.

What differentiates WISeKey PKI is that it has been designed specifically for IoT and made-for services, unlike traditional PKI, that has been designed for IT products rather than devices. WISeKey has designed technology to authenticate networks via a Certificate Authority such as for Matter[™] or for Wi-SUN[™]. This, in turn, allows for interoperability across devices and platforms.



WISeKey PKI is WebTrust certified. The WebTrust certification covers all areas of the solution; from the people to the process, the infrastructure and solution itself. By using a WebTrust compliant Certificate Authority, customers can be assured that their PKI is being managed correctly.

WISeKey is committed to support alliances and industrial consortiums which design products that meet industry-related standards. For instance, Matter uses comprehensive, strong, easy-to-use, robust, and resilient architecture to build secure IoT devices and make it easy for device manufacturers to implement.

Use Cases

MATTER

Matter is a new single, unified, application-layer connectivity standard designed to enable developers to connect and build reliable, secure IoT ecosystems and increase compatibility among Smart Home and Building devices.

Matter's security requirements include a device attestation certificate, which confirms device authenticity, demonstrates trustworthiness and establishes an authenticated connection with the larger Matter network.

Integrating Matter into a device is fast and easy with WISeKey Root of Trust and INeS®. The lifecycle management solutions speed go-to-market while ensuring devices meet the Matter protocol, regardless of production volume or device use case.

NB: Matter is a protocol developed by the CSA (Connectivity System Alliance)



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.

WISEKEY 2022 STRATEGIC PARTNERSHIPS



WIS@key

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

CSA

WISeKey has become a member of the CSA (Connectivity Standard Alliance). The CSA ignites creativity and collaboration in the IoT, by developing, evolving, and promoting universal open standards -such as Matter, Zigbee - that enable all objects to securely connect and interact.



With this membership, WISeKey roadmap consists of creating a Root of Trust – PKI Certificate Authority, dedicated to the Matter enabled edge devices, and to have it certified by the alliance during the first quarter of 2023. With this initiative would become the only CSA-Matter certified Root player to propose also the provisioning of the Matter identities at semiconductor level, thus simplifying the security journey of its customers.

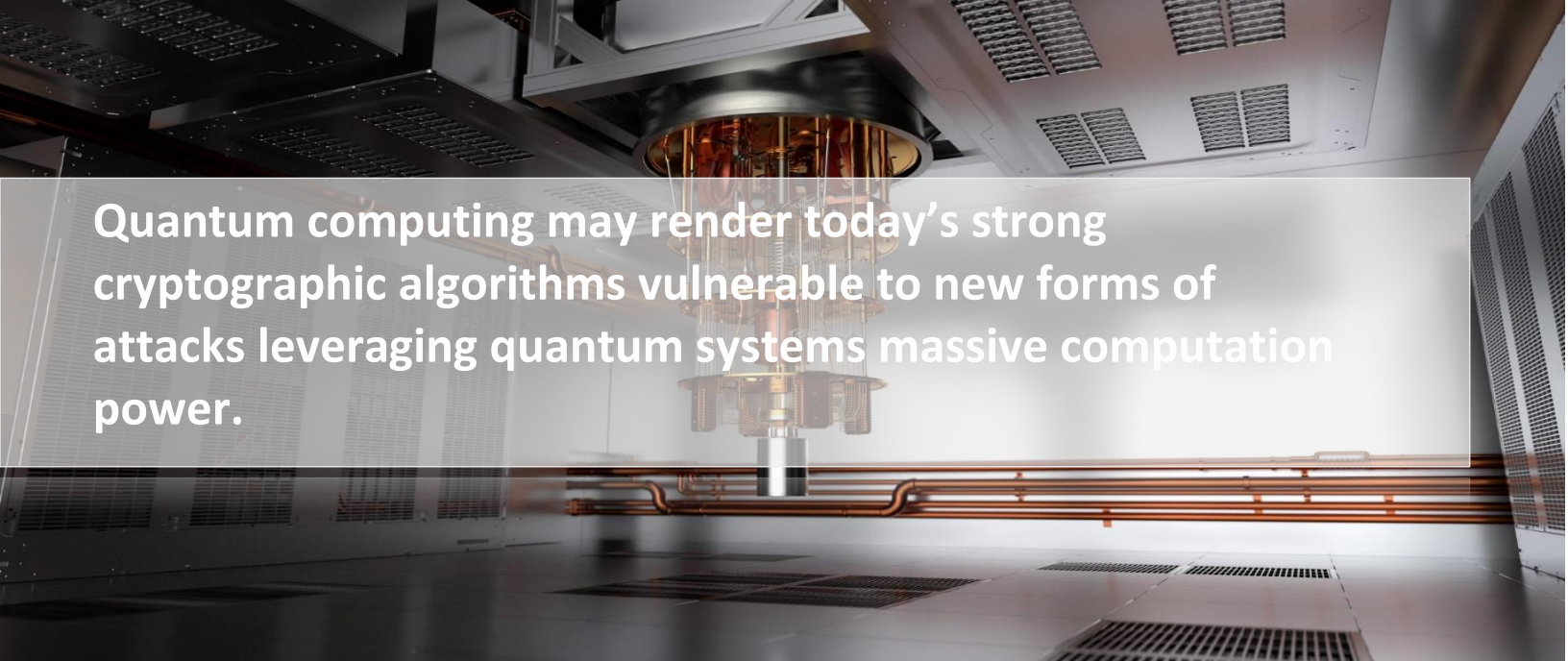
École des Mines



As part of its QUASAR program, for developing a new generation of secure element supporting Post Quantum Cryptography (algorithms capable to resist to the Quantum computer new threats), WISeKey has renewed its partnership agreement with l'École des Mines. With this agreement, WISeKey has onboarded for 2 years a post PhD engineer of l'École des Mines – one of the most famous French engineering universities - to port the NIST selected PostQuantum algorithms (Crystals Kyber and Crystals Dilithium) onto our chips and build the countermeasures against these new cyberattack threats.

WISEKEY INVESTS R&D IN POST QUANTUM COMPUTING AND OTHER STRATEGIC DOMAINS

QUASARS Project



Quantum computing may render today's strong cryptographic algorithms vulnerable to new forms of attacks leveraging quantum systems massive computation power.

Existing public-key cryptography is based on the difficulty of factoring and calculating elliptic curve discrete logarithms. Quantum systems can develop unbelievable calculation power, and will thus be able to decrypt widely used asymmetric security protocols, such as the commonly used RSA or elliptical curve algorithms that protect billions of IoT devices today. It is mandatory to start working on post-quantum cryptography before current cryptosystems become obsolete!

A NIST published report from April 2016 cites experts that acknowledge the possibility of quantum technology to render the commonly used RSA algorithm insecure by 2030. In December 2016 NIST initiated a standardization process by announcing a call for proposals. Efforts focus on public-key cryptography, namely digital signatures and key encapsulation mechanisms. The competition is now in its third round (out of four) and many algorithms have been discarded. NIST hopes to publish the standardization documents by 2024 or earlier.

WISeKey has Created a fully owned subsidiary named SEALSQ Corp. (www.sealsq.com) with the purpose to roll-out the QUASARS project.

WISeKey partners with academic research and industry (through its new subsidiary SEALSQ) on several candidates for cryptography systems that will both withstand quantum computer capabilities, while still working with existing protocols.

QUASARS Project aims at building a post-quantum Root-of-Trust and Hardware Security Module able to run the new algorithms that will be selected by the NIST initiative, and still compliant with all other security requirements from the French ANSSI and Common Criteria EAL5+ label.

The final platform will be the new WISeKey RISC V Platform, but the team has already taken steps to successfully run two of the Crystals Algorithms (Kyber and Dilithium) appointed by the NIST on the existing MS 6003 secure hardware platform. (<https://www.sealsq.com/about/research-innovation/quantum-proof-cryptography#PQCDemoVideo>)



Quantum Innovation

SEAL SQ is developing the next generation of secure chips that will resist attacks based on quantum systems massive computation power.

WISEKEY SEMICONDUCTORS 2022 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.



WISeKey partners with its IoT customers to provide trust to IoT deployments. Trust that data remains confidential and is not tampered with.

Continuing to gain market share

The fact that WISeKey is pure play IoT cybersecurity provider enabled it to keep on delivering chips at high quantities, even during the year 2022 which was again a year of global capacity shortage of the semiconductor industry. WISeKey succeeded in gaining a significant market share with its existing customers, such as Cisco and Thales.

Expanding sales and marketing channels

WISeKey launched in 2022 a program to grow its sales channels, with the recruitment of sales representatives and resellers. It results from this program the onboarding of 7 additional representatives in the E.U. region (UK, Italy Benelux, France), in Israel and South Africa and 2 representatives which will cover the Eastern states of the United States. The program continues in 2023, with an objective of 5 additional representatives and 3 resellers.

Launching new products

WISeKey has launched in 2022 a new Vault-IC product: the Vault-IC 408, which embeds state of the art security resistance defined by the US NIST FIPS 140-3 Level3 standard. It does implement a new Random Number Generator developed by WISeKey which has successfully passed the NIST SP800-90B (Entropy Sources for Random Bit Generation) certification standard. This new chip is already in Design-WIN phase with multiple customers of WISeKey such as TOSHIBA and LANDYS & GYR

WISeKey has developed an off-the-shelf Vault-IC Secure Element version: Vault-IC 405, that is designed specifically to serve as a P25 cryptographic module, enabling the Land Mobile Radio (LMR) to achieve FIPS140 certification. This positions WISeKey with a clear competitive advantage on the growing Secure Radio market. Increasingly, police, military and government agencies are requiring FIPS 140-2 level 2 and 3 certification levels for the radios used during field ops. Designing and certifying a cryptographic module for FIPS140 is challenging, time consuming and expensive. In many cases the certification can take up to or over 2 years. The Vault-IC being pre-certified, this design approach is an ideal solution to expand LMR manufacturers' Total Available Market into FIPS140 Levels 2&3 opportunities with shorter time to market and reduced costs since The Vault-IC Secure Element provides a simple, short release cycle, and less-expensive design for FIPS140 certified LMRs. WISeKey already signed one contract with a large manufacturer in 2022 and several other leading LMR manufacturers in the US are considering onboarding the product in their upcoming designs for 2023 and 2024.

Partnerships

WISeKey has been selected as a collaborator by NIST for the NCCoE Trusted IoT Device Network-Layer Onboarding and Lifecycle Management Consortium project. For this project, WISeKey is working with NIST and other industrial companies to define recommended practices for performing trusted network-layer onboarding, which will aid in the implementation and use of trusted onboarding solutions for IoT devices at scale.

WISeKey continues to address new customers and applications with its innovative product portfolio.

The Challenge: Protecting physical access.

Controlling physical access to sensitive premises is becoming more and more important for both private and public infrastructures. Today's connected solutions feature ID-cards, mobile phones, key fobs or the like to identify and manage each user's access and privileges.

The Solution: MS6001 & WISEKEY Trust services.

The secure ARM SC300 microcontroller MS6001 provides the bedrock for keyless entry systems.

When provisioned with an identity and integrated in an electronic lock, its tamper resistance, memory size and integrated cryptographic algorithms allow our customers to develop stand-alone systems that are capable of autonomously authenticating the access-credentials a person presents to the lock.



The Challenge: Protecting remote logical access.

To access online data and services, simple passwords or even two factor authentication (OTP, TOTP, SMS) are not considered secure enough by government agencies and data experts. To be considered strong, authentication must use a possession factor incorporating a qualified or certified safety component and be based on cryptographic mechanisms.

The FIDO-Alliance, backed by Appl, Microsoft and Google has come up with the FIDO authentication scheme, a USB dongle that contains all access credentials for participating websites. This dongle is obviously capable of executing complex cryptographic algorithms and keeping the required secrets safe from tampering.

The Solution: FIDO USB dongles built on MS6003.



WISEKEY secure microcontroller MS6003 with integrated USB interface and optional identity provisioning gives our customers the possibility of easily implementing certified solutions for authentication on the web, such as FIDO Keys.



The Challenge: Authenticate users.

Be it for physical access control, or access to data on a computer or cloud service, or access to medical records for a patient, solutions are built on the use of physical ID-cards. These cards, containing the credentials of the user, need to be read or programmed to allow the required access to the resource.

The Solution: The SCR family of card readers.

The SCR family of card readers are provided as hardware platforms alone or with integrated third-party applications, allowing customers to quickly build smart card readers without requiring custom development.

Based on 8/16-bit RISC processors, WISEKey's Smart Card Reader chips are EMV-CO compliant and equipped with DC/DC for a wide compatibility with smart cards.

**The Challenge: Authentication between two remote devices.**

In use cases like Qi3 Wireless chargers, drone to controller pairing, P25 radio communication, or Wireless Sensor Networks (WSNs) devices need to authenticate each other, encrypt and trust the exchanged data to prevent counterfeiting and attacks like man-in-the-middle, spoofing or impersonation. For instance, when a drone is in flight, the command and control must be trusted and the data from the onboard camera and sensors must remain confidential and uncorrupted. The drone must trust the controller and the base station must trust the data from the drone.

The Solution: WISEKEY Device-to-Device remote Authentication.

INes CMS allows to create and manage an identity for each device. Devices are personalized with their ID using Vault-I-Trust SaaS services.



The WISEKEY Vault IC 408 embedded in the devices protects the keys and certificates and executes all the cryptographic operations required by mutual device authentication.



VaultIC 408 can be personalized for any specific use-case and is NIST certified FIPS140-2 Level 2 and 3, and FIPS 140-3 to ensure not only the highest level of security but also fast time-to market and full compliance of your products with market regulations.

The Challenge: Prevent the use of fake consumables.

Fake consumables (Batteries, Toner Cartridges, E-cigarettes..) represent a revenue loss of billions of dollars every year to manufacturers, cause injuries to consumers, damage host devices and undermine brands reputation. Indeed, consumables' authenticity is not easy to check reliably, and traditional physical methods have proven their limits.

The Solution: WISEKEY Device-to-Host "self-authentication".



Digital security based on cryptography and electronic signatures offers a robust way to check a consumable's authenticity. When affixed to the consumable, the Vault IC secure element acts as an ID Card that will be automatically checked by the host device before allowing any action.

The combination of Vault-IC 18X secure hardware module, trusted identity generation, provisioning, and flexible design customization services is ideally suited to defend your products and Brand.

Read the full Application Note on our Battery authentication solution.

The Challenge: Fights against counterfeit products.

Luxury consumer goods like Watches, Leather, Spirits and Fashion amount for most of the fake goods seized products value. Beyond sales loss, it's hurting the most valuable asset for this industry: the brand image. Brand owners need to fight counterfeit products, but also to restore the trust bond with their consumers.

The Solution: CONNECTED & SMART PACKAGING

There is a way to protect from counterfeiting while enabling brands to engage consumers in a more personal way, reaping a new kind of marketing benefits.

WISEKEY delivers a new level of brand protection by combining the most secure anti-counterfeiting solution on the market, with exciting customer engagement possibilities in a single, easy to use package.

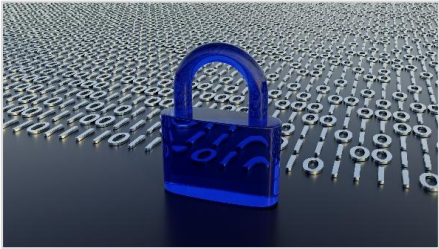


The Challenge: Encrypting the data & protecting keys.

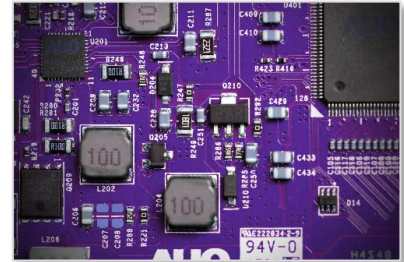
Among the common attacks are stealing the data and holding it for ransom, publicly exposing the data, covertly using the data to attack the owner, corrupting the data, or crippling the products and/or services of the owner (especially in the case of IoT networks). Data encryption and safe encryption-key storage is the last-standing and most critical digital security layer.

The Solution: WISEKey Secure Microcontrollers

Data can be efficiently encrypted/decrypted using WISEKEY secure platforms like MS600X series or the VaultIC secure elements family.



They can safely store keys and encrypt data using NIST validated hardware algorithms like AES, ECC or RSA. They have built-in physical protection mechanisms designed to defend against external tamper, bypass physical attacks and more.



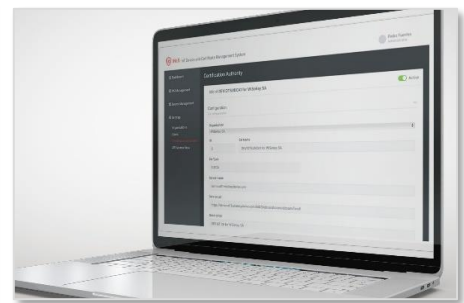
The Challenge: Ensure Data exchange only occurs among legitimate user/devices/applications.

Data is more exposed to threats when being transmitted or processed: it can be stolen, altered or substituted via spoofing and man-in-the-middle techniques. Ubiquitous IoT devices, sensors and actuators communicating among themselves and with a cloud or private network are often the target, but also data being exchanged between different internal parts of a device or closed system (PC, factories, cars).

The Solution: WISEKEY device identity framework.

WISEKEY provides trusted Digital-IDs and SaaS services to provision them securely into devices to enable mutual authentication and secure protocols like TLS.

WISEKEY also provides Certificate Lifetime Management software (INeS) so trusted device identities can be centrally and securely managed through time.



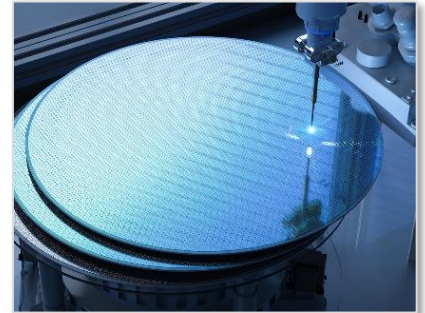
The Challenge: IoT supply chain complexity.

It is not easy for special facilities to be set up within the factory environment that are accessible to limited personnel to do the key injection. But increasingly, organizations are concerned about untrusted factory environments, especially by third parties in low cost geographies, where not all factory floor workers can be trusted to have access to sensitive keying material.

The Solution: WISEKEY secure Element provisioning (VaultiTrust).

To sidestep these various problems, the best choice for key injection is the Secure Element supplier, because they are the ones best equipped to establish a silicon-based root of trust and can perform key injection as part of a secure manufacturing process.

With the combination of VaultiTrust secure provisioning services, WISEKEY is ideally suited to simplify your supply chain.

**The Challenge: Manual provisioning identities in the field.**

Deploying IoT devices in a large-scale environment that includes different technologies (NB-IoT, LTE-M, LoRa, Zigbee, Thread, Bluetooth Low Energy, Wi-Fi) is becoming a significant challenge. Also, the challenge is the cost of people and travel and the effort required to configure each IoT device based on the functionalities of the sensors and actuators. For example, it can take an hour per IoT device to provision the devices in the field. In addition, manual installation is extremely error-prone, where 80 to 90 percent of the downtime is attributed to human error.

The Solution: Making the shift to Zero Touch.

The Zero-Touch methodology is currently used in the IoT industry to address many device provisioning challenges. The process is typically applied in the second level (provision) and third level (configure) of IoT device life-cycle management.

The main goal is to eliminate the manual provisioning process in a more extensive IoT network deployment by configuring the IoT devices automatically. Zero Touch will generate new business opportunities and revenue.

WISESAT 2022 HIGHLIGHTS

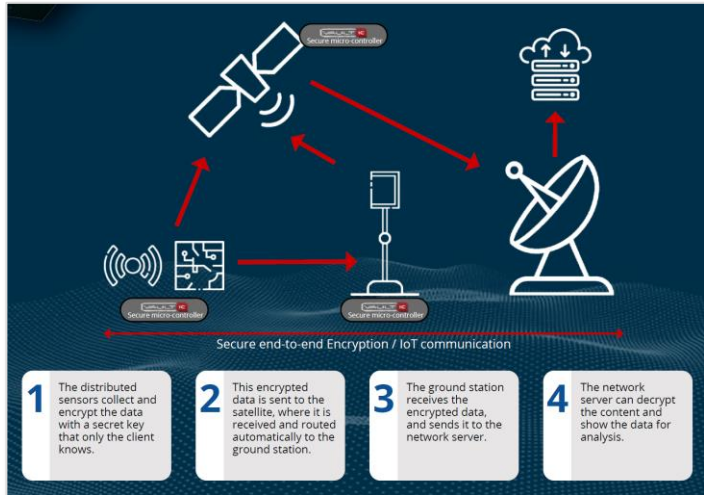


WISEKey strategically invested in FOSSA Systems in 2021 to integrate their picosatellite technology into the **WISEKey IoT Connect & Trust model.**

WISEKey will offer the WISESat product and services to its IoT clients in a SaaS model building a joint constellation with FOSSA of 88 low-orbit satellites by end of 2024. Allowing both remote and redundant urban IoT communications for companies seeking to securely connect their assets via satellite communication covering large and unserved geographic areas such as maritime, deserts, mountains, etc., at affordable prices. The vision is to drive mass adoption of satellite-enabled IoT through secure interoperable and standardized connectivity using LPWAN technologies such as LoRa or NB-IoT.

WISEKey Trust and Security solutions offer unique integration into an end-to-end platform that communicates in real-time with the WISESat Satellites by ensuring the authenticity, confidentiality, and integrity of the devices, objects, data and transactions.

WISEKey's INeS platform uses state-of-the-art cryptographic algorithms to meet the highest standards for issuing, managing, and validating digital credentials for IoT devices and now those to be connected with WISESat Satellite.



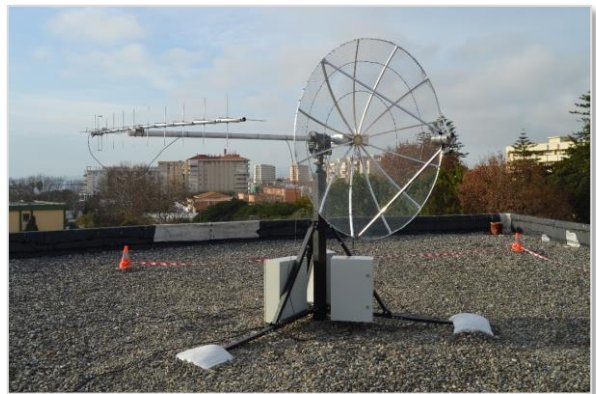
This platform is scalable to support environments for hundreds of millions of devices and sensors equipped with WISeKey Semiconductors, and able to remotely collect data from the field and transmit to the backend.

Additionally, INeS features Entity Management (any custom attributes such as identities, group, type, role, and life cycle), Message Security Policy Management, and Business Rules Management.

Interfacing via the cloud and connecting devices and applications, INeS is capable of remotely identifying credentials and controlling activation, deactivation, revocation, renewal, and secure provisioning.

WISeSat PocketQube Satellites now enable all IoT sectors to connect at planetary scale. See WISeSat Satellites in orbit live: <https://wisesat.wisekey.com/?tags=WISeSat>

WISeSat completed the installation, in La **Línea de la Concepción**, of the first WISeSat satellite ground station.

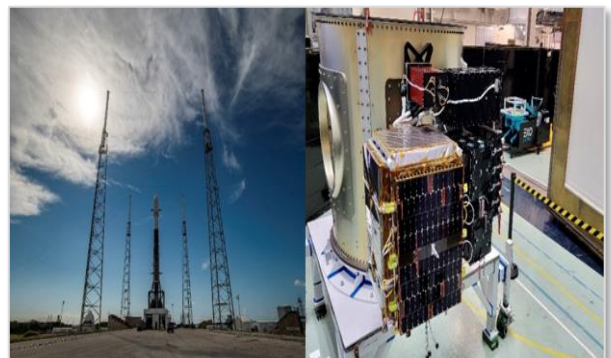


WISeSat 1st Constellation

WISeKey successfully launched its First IoT Picosatellites WISeSat-1 and WISeSat-2 on January 13, 2022, with SpaceX Transporter 3 Rideshare Mission Aboard a Falcon 9 Vehicle. kickstarting WISeSat, a brand-new-offering-satellite-based secure IoT connectivity-as-a-service.

WISeSat offers the satellite platform, launch, integration, ground station services and the all the security architecture and components, as part of a turnkey SaaS solution for low-power and secure space-based IoT connectivity.

This reduces the complexity and cost of the communication link for the end customer and sets the benefits of space technology and embedded security within the reach of every IoT business.





Mobile World Congress

First Secure NFT from Space Featuring Brooke Shields Photography. Through the WISeSat constellation WISeKey will enable the direct connection of satellites to IoT devices for NFT authentication, completing the connection cycle from space to device through secure telecommunication means.

The space based NFT ecosystem assures personal and secure authentication capabilities through the combination of its global WISeSat constellation and the WISe.ART NFT Trusted Marketplace.

WISeSat FOSSA Secured Satellites

Creating one of the largest European IoT constellations in history, in cooperation with FOSSA Systems, WISeKey has launched 7 new **WISeSat FOSSA** secured satellites has increased to 13 the WISeSat-ready constellation in orbit, becoming the Swiss-Spanish satellite operator with the largest constellation.

The WISeSat Satellite is a security-IoT hardened FOSSASAT-2E picosatellite designed to further drive down satellite costs for IoT applications. These WISeSat ready platforms will enable secure and robust IoT connectivity and space-enabled services for assets in remote locations and applications such as maritime shipment, emergency locators, agriculture or farming.



Swiss Armed Forces

We signed a Partnership Agreement to Cooperate in the Development of Space Related Activities. This partnership between WISeKey and the Swiss Armed Forces aims to establish the foundation for the development of new capacities in the field of data security, interconnection of objects or communication links based on a constellation of small low-orbit satellites.

WISeKey in cooperation with FOSSA System has launched 13 low-orbit picosatellites aboard SpaceX Transporter Rideshare 3 mission and plans to create a constellation of 88 additional low-orbit satellites by end of 2024.

Smart Agro

WISeSat Satellite communication for secure IoT connectivity using low-power sensors IoT deployed for Smart Agriculture projects.

For example, ODIN Solutions selected WISeSat for its SmartAgro project enabling secure satellite communication for IoT sensors deployed to analyze the state of the field, the plants and everything related to management.



Smart Farming

WISeSat Satellite IoT connectivity using picosatellites and low-power sensors deployed for Smart Farming. For example, EPRINSA selected WISeSat for its SmartFarming project enabling satellite communication with IoT sensors to trace and assure animal welfare.

Air Inspection & Surveillance

Combination of WISeSat satellite communication, drones and IoT low-power sensors with the aim to answer the needs of secure communication on areas not well covered by other channels.

For example, Gibraldrone selected WISeSat for its projects of air inspections of warehouses and ships as well as for forest fires with the guarantee of data protection between terrestrial sensors and drones



WISe.ART 2022 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.

wise.art

The Trusted and Sustainable Marketplace for Next Gen NFTs



It is a multichain marketplace with access to most transacted cryptocurrencies via the Coinbase exchange. WISE.ART is also compliant with bank transfer and credit card transactions.

WISE.ART is a vetted and secured NFT marketplace offering both digital and “phygital” packages for art pieces, collectibles, and digital identification certificates. Compliant with Swiss LMA Regulations, all users are required to register for a WISEID profile to access the platform.

Artists / creators / vendors are verified and approved by the vetting committee (composed of a minimum of three experts in their respective fields).

WISE.ART is a means of communication increasing networks in new fields like the arts, philanthropy, sustainability, travel, sports, and luxury lifestyle industries.

A physical experimental space, the Metaverse NFT Factory, is planned to become a state-of-art hub for cultural encounters.

It is planned to offer the above proven services in exclusive WEB03 environments as soon as available in 2023. The aim is to remain in pole position in the innovation race. WISE.ART’ s R&D is currently testing and designing state-of-the-art tailor-made spaces on demand.

WISE.ART’ s communication strategy includes dedicated social media pages opened with a view to grow a significant community of followers and collectors. 2 series of four webinars were run in 2022, multiple press releases were issued, Newsletters and personal attendance at all major international art and technology innovation events throughout the year. Monthly videos were prepared for projection on the Nasdaq Tower in 2022.

Collectors / customers are verified and registered, prior to being given access to the platform.

The WISE.ART marketplace, through technology blockchain provides a secure record of digital operations with or without the intermediation of third parties, guarantees authenticated & signed versions of these assets, in addition to managing their sale. The new WISE.ART 2.1 NFT Marketplace version.

Casa de Alba Foundation



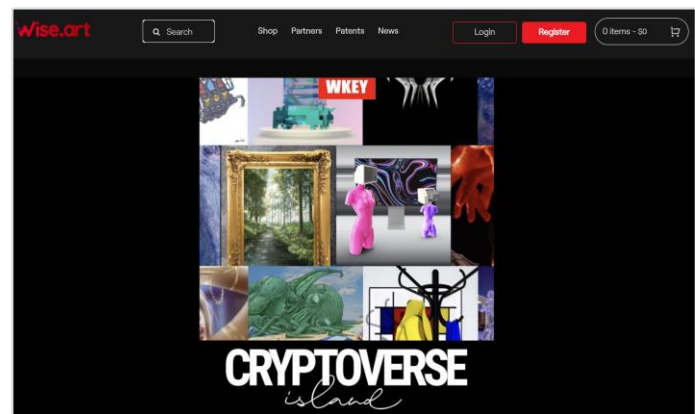
Casa de Alba Foundation selected WISEKey's WISE.ART NFT Market Place and Luminaries21 for the Digital Transformation of one the Best Private Collections of Cultural Heritage NFT.

This new venture from Casa de Alba Foundation will commence with one of Christoph Columbus's letters, part of the Foundation's collection appraised at over one hundred million dollars by Christie's.

Cryptoverse Island event

WISEKey joined forces at the unique Cryptoverse Island event, which took 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 were offered for sale on WISEKey's entrusted NFT platform, WISE.ART.

CryptoVerse Island, a collective of international digital artists building bridges between the physical world as we know it and digital space. With successful phygital exhibitions in Sevilla, Malaga and Madrid, artists are rewarded with recognition and visibility on the WISE.ART platform.



UNICEF

WISE.ART's artists donated a collection of art pieces to be minted in aid of the [Lost Children of Ukraine](#) at the early onset of the war. (Isagus: TChBr #002)



Exclusive NFT minted from space



WISe.ART scheduled punctual appearances at several events including ArtGeneve, ArtBasel Basel, Paris & Miami, the Venice Biennale, BRAFA, TEFAF, a Davos Week which was postponed to May 2022 due to the pandemic.

WISeKey was invited to Nasdaq Investors' Day and Opening Bell. An exclusive NFT was minted with WISe.ART from space for actress Brooke Shield on the same day.

ONUART

ONUART, a UN entity supporting Human Rights causes through all art mediums including music & art selected WISe.ART as its official NFT marketplace.



WISe.ART launched its first AI NFT at the Concert for Humanity with Gregory Sokolov.

WISe.ART minted an NFT from the opening of the Human Rights Concert at The Human Rights Hall in its 2021 and 2022 editions.



The Antonio Banderas Foundation and Starlight Foundation

The Antonio Banderas Foundation and Starlight Foundation joined forces with WISe.ART to raise funds during the Starlight Gala for the constructions of schools in remote areas of Mexico. Over USD 250'000.- were raised during the evening.

Duran Subastas

Duran Subastas joined forces to offer works by WISe.ART's very own Pedro Sandoval on auction in their Madrid premises while the digital link was established with the digital version and minted on the blockchain. The NFT sold for USD 75'000.- was the Marilyn with Cheetas.



Le Japon à Deux Pas event

"Le Japon à Deux Pas", an annual event organized partly by the Japanese Mission to the United Nations in Geneva promoted traditional Japanese arts and crafts and created the first Kintsugi glass NFTs with artist [Takuo Matsazuwa](#) as well as Kinkarakawa Urushi works on leather by Hiroko Fujioka.



Featuring over 1000 artworks by over 100 artists

WISe.ART features over 1000 artworks by over 100 artists worldwide ranging from traditional art, video art to 3 dimensional AI productions. More than half are linked to physical pieces which can be shipped anywhere in the world. Trackable chips signaling changes in temperature, humidity, movement, or shock can be applied for safer logistics and reduced insurance costs.



Partnerships with museums - Chinese Museum of Finance

Museum and other major partnerships are being negotiated such as the IMA (EU), Centre Pompidou (EU), Casa de Alba (EU), Bodmer Foundation (CH), Centre Contemporain de la Photographie (CHF), Opera Gallery (multinational), Demeritte's (CH), Rudolf Budja (USA/EU), ArtGeneve (CH/EU) and many more in the pipeline.

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.



The 2022 WISE.ART Excellence Awards



WISE.ART NFT Excellence Awards

The 2022 WISE.ART Excellence Awards were announced during the Swiss Night at the Davos Week last May. The winners were selected for their significant impact in the industries of new technologies according to global SDGs, creativity, innovation and philanthropical impact. And the Winners were:

The Nominees are:

Mayte Espinola - Artist- Patron and founder of Grupopor Arte y Cultura

Gunter Pauli - Director, ZERI and initiator of the blue economy concept

Fernando Fitz-James - Vice President Fundación Casa de Alba & Duke of Huéscar

Andrés Salvador Habsburgo-Lorena Chairman of the Maria Nóbrega International Foundation

Pedro Sandoval - creator of the PENTA ABSTRACTIONISM

Mons. Lucio Adrián Ruiz- Head Office of the Vatican Internet Service, Direction of Telecommunication, Vatican

Juan Carlos Sainz-Borgo Professor and Dean at University for Peace (UPEACE)

Wang Wei, China Metaverse , Founding Chairman of China Mergers and Acquisitions Association (CMAA)



Development of the WISe.ART phase 3.0

The new 2.1 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.

Development of the WISe.ART phase 3.0 has begun and we expect a fully operational brand new marketplace by the end of 2023 with additional blockchain possibilities and functionalities making our unique marketplace even more user-friendly.

WISeKey has added the support of Ethereum, 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.

Joint Venture - PreciousMetalVerse.com

In 2023, WISeKey expects to sign partnerships with Hedera and Italtreziosi for an even wider coverage, allowing for significant community growth, collectors' transactions and new NFTs business.

Trusted NFTs backed by Gold and our Precious Metals Platform, Italtreziosi and WISe.ART sign an MoU to establish a Joint Venture PreciousMetalVerse.com using WISe.ART. Italtreziosi, one of the main operators in the production, refine and trade of precious metals, production and trade of investment gold based to offer Trusted NFTs that are backed by gold and have offsets carbon attached using WISeKey technologies.



The TrustedNFT Gold tokens represent ownership over physical gold bars that are stored in a vault in Switzerland and Italy. Each TrustedNFT Gold represents an underlying bar of gold, with both the token and the physical bar of gold sharing a unique digital identity, which uses a patented method for digital inscription on the blockchain.

WISEKEY 2022 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.



Certification of VaultIC

WISeKey VaultIC chips combine a powerful, secure microcontroller with hardware crypto accelerators and secure storage of user-defined sensitive or secret data.

The Vault-IC 405 was certified against FIPS 140-2 Level 3

The Vault-IC 408 was certified against the FIPS SP800 -90B ESV (Entropy Source Validation) program.

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.

COMPENSATION REPORT



Phone +41 22 322 24 24
Fax +41 22 322 24 00
www.bdo.ch

BDO Ltd
Rte. De Meyrin 123
Case postale 150
1215 Genève 15

To the general meeting of

WISeKey International Holding AG

General-Guisan-Strasse 6
6300 Zug

Report on the Audit of the Remuneration Report according to Art. 14-16 VegüV

(for the period from 01.01.2022 to 31.12.2022)

April 28, 2023

BDO Ltd, a limited company under Swiss law, incorporated in Zurich, forms part of the international BDO Network of independent member firms.



Phone +41 22 322 24 24
Fax +41 22 322 24 00
www.bdo.ch

BDO Ltd
Rte. De Meyrin 123
Case postale 150
1215 Genève 15

REPORT OF THE STATUTORY AUDITOR

To the general meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of WISeKey International Holding AG (the Company) for the year ended December 31, 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked «audited» on pages 47 to 49 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the accompanying Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

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

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

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked «audited» in the Remuneration Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

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

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

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

Board of directors' Responsibilities for the Remuneration Report

The board of directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The board of directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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Phone +41 22 322 24 24
Fax +41 22 322 24 00
www.bdo.ch

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Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Geneva, April 28, 2023

BDO Ltd

Philipp Kegele
Auditor in Charge
Licensed Audit Expert

ppa. Sascha Gasser
Licensed Audit Expert

Enclosures
Remuneration 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, 2022 and 2021.

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 51.

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 June 24, 2022, 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, 2022, the following members of the Board served on the Nomination & Compensation Committee:

- David Fergusson, Chairman of the Nomination & Compensation Committee
- Cristina Dolan
- 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, and Peter Ward, CFO, the Company's Executive Management members, and Hans-Christian Boos, CTO, appointed on January 28, 2021 and who did not stand for re-election at the last General Meeting held on June 24, 2022, each member of the Board generally receives an annual compensation consisting of:

- For the Board term ended on June 24, 2022:
 - 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.
- For the Board term started on June 24, 2022:
 - A board fee in cash in an amount of CHF 50,000 provided that they attend each of the pre-scheduled quarterly board meetings. Should they not meet this minimum attendance criterion, the board fee payable in cash would be reduced by 50% to CHF 25,000;
 - Equity-based compensation equivalent to CHF 75,000 granted in options exercisable for Class B Shares at an exercise price of CHF 0.05 provided that they attend each of the pre-scheduled quarterly board meetings. Should they not meet this minimum attendance criterion, the board fee payable in equity would be reduced by 50% to CHF 37,500; and
 - Committee Chairs are entitled to an incremental compensation of CHF 25,000, payable CHF 10,000 in cash and CHF 15,000 in options exercisable for Class B Shares at an exercise price of CHF 0.05, provided that they hold and attend a minimum of four committee meetings in addition to those required by third parties for compliance purposes (e.g., auditors) during the 12-month calendar period.

4.2 Compensation of the Executive Management

The Executive Management compensation for fiscal year 2022 consists of fixed compensation and variable compensation, whereby the ratio of the fixed to the variable compensation ranges from 1:0.5 to 1:3. The fixed and the variable compensation are composed of the following elements:

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

The annual base compensation of each member of the Executive Management is set to reflect his role and responsibilities within the Company and the WIS@key Group in general, his experience, his skill set and his representative functions for the Company. It is paid in cash, typically monthly, over a thirteen-month period. The thirteenth-month compensation is paid in December of each year, together with the twelfth month base

compensation. Base compensation is reviewed annually by the Board and adjusted as necessary based on performance and industry standards.

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

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

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

5. Compensation for the fiscal year 2022

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 and did not stand for re-election at the last General Meeting on June 24, 2022. During his time as member of the Board, Mr. Boos was employed by arago GmbH, a company in which WISeKey held a controlling interest between February 1, 2021 and June 24, 2022, and which was consolidated in the financial statements of the Company from February 1, 2021 until June 24, 2022. Because of his employment with arago GmbH, Mr. Boos did not receive a separate compensation for his role as member of the Board between January 28, 2021 and June 24, 2022. Mr. Boos was 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.

**Compensation of the Board of Directors of WISeKey International Holding AG
for the 12 months ending December 31, 2022 (audited)**

CHF'000 ¹	Function	Board Fee ²	Additional Fees ³	Other Stock Based Compensation ⁴	Total Compensation
	María Pía Aqueveque Jabbaz	32	-	-	32
	Hans-Christian Boos ⁶	-	151	-	151
	Cristina Dolan	64	-	-	64
	Philippe Doubre ⁷	26	-	34	60
	David Fergusson	65	-	-	65
	Jean-Philippe Ladisa	51	-	-	51
	Eric Pellaton	83	-	-	83
	Total Board Members	321	151	34	506

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 2022, Board members received their full cash compensation up until December 31, 2022.

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.

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 2022, some option grant agreements relating to fiscal year 2022 were not signed by Directors. As such they are not deemed granted and are not accounted for in the financial statements of fiscal year 2022 and are not included in the above table.

The recognition of the compensation in options on a grant-basis as opposed to an accrual-based principle 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.

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 until divestiture, i.e. for the period from January 1, 2022 to June 24, 2022.

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

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

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 principle 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.

5.2 Compensation of the members of the Executive Management

The members of the Executive Management during fiscal year 2022 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, 2022 (audited)**

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	801	601	-	275	261	1,938
Peter Ward	Board Member, Chief Financial Officer	644	483	-	220	91	1,438
Total Executive Management		1,445	1,084	-	495	352	3,376

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 2022, equity stock options were granted in relation to the Executive Management compensation approved and voted for the fiscal year.

5 Other compensation includes pension contributions, employer social charges, lump-sum expenses and parking charges paid by the Company.

**Compensation of the Executive Management of WISeKey International Holding AG
for the 12 months ending December 31, 2021 (audited)**

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.

6. Loans, credits and other payments

As at December 31, 2022, there were no loans outstanding to members of the Board.

7. 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 2022 and in relation to fiscal year 2022 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 2022 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, 2022, however the actual grant amount may differ significantly on the date the options are deemed granted.

- The option agreement sent to Mr. David Fergusson for the equity compensation of the full year 2022 was not signed. Based on the market price of a Class B Share on December 31, 2022, the grant would represent an estimate expense of CHF 45,651.
- The option agreement sent to Mr. Jean-Philippe Ladisa for the equity compensation of the full year 2022 was not signed. Based on the market price of a Class B Share on December 31, 2022, the grant would represent an estimate expense of CHF 45,651.
- The option agreement sent to Ms. María Pía Aqueveque Jabbaz for the equity compensation of the period from June 24, 2022 to December 31, 2022 was not signed. Based on the market price of a Class B Share on December 31, 2022, the grant would represent an estimate expense of CHF 36,356.

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 June 29, 2022 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, 2022 were assessed as being under control of the Group and have therefore been fully consolidated.

As of December 31, 2022, the main operating subsidiaries in the Group were WISeKey Semiconductors SAS, domiciled in France, and WISeKey SA, domiciled in Switzerland.

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

1.1.2 Listed Companies

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

CH0314029270). As of December 31, 2022, WISEKey had, based on the Class B Shares, a market capitalization of CHF 21,123,133.08.

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, 2022, 3,238,843 ADSs were outstanding.

None of the other Group companies have securities listed on a stock exchange as of December 31, 2022.

1.1.3 Non-listed Companies Belonging to the WISEKey Group

As at December 31, 2022, the Group structure was as follows:

Group Company Name	Registered Office	Share Capital	% ownership as at December 31, 2022	% ownership as at December 31, 2021	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, Artarpark 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, Saitdarjung 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. Juffai & 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
WISE.Art AG ³	c/o WISEKey International Holding AG, General-Guisan-Strasse 6, 6300 Zug, Switzerland	CHF 100,000	100.0%	100.0%	Sales & distribution
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%	95.75%	R&D
SEALSQ Corp.	Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands	USD 100	100.0%	n/a	Sales & support
WISEKey (Gibraltar) Limited	Madison Building, Midtown, Queensway, Gibraltar GX11 1AA, Gibraltar	GBP 100	100.0%	n/a	Sales & support
Trust Protocol Association	Avenue Louis-Casai 58, 1216 Cointrin, Geneva, Switzerland	CHF -	100.0%	100.0%	Association cofounded by WISEKey Equities AG involved in Internet security

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 TrusteCoin AG, formerly WiseAI AG, 100% owned by WISEKey International Holding AG from August 27, 2021

⁴ Formerly SEAL (BV) Corp.

1.1.4 Significant Changes to the Group Structure after December 31, 2022

On March 30, 2023, the Company announced that the U.S. registration statement on Form F-1 (the "Registration Statement") pursuant to the Securities Act of 1933 filed by its wholly owned subsidiary, SEALSQ Corp ("SEALSQ") with the U.S. Securities and Exchange Commission ("SEC") had been declared effective on March 29, 2023. The Registration Statement was filed to effect a partial spin-off of SEALSQ, which currently acts as the holding company for WISEKey's semiconductor business. SEALSQ is in the process of applying to have its Ordinary Shares listed on the Nasdaq Global Market under the ticker symbol "LAES".

At the extraordinary general meeting held on April 27, 2023 (the "EGM"), WISEKey' shareholders approved a dividend distribution of 20% of SEALSQ's outstanding Ordinary Shares to holders of WISEKey Class B Shares, including holders of WISEKey ADSs, and to holders of WISEKey Class A Shares (the "Spin-Off Distribution"). WISEKey will initially retain 100% ownership of SEALSQ's Class F Shares, the other category of shares issued

by SEALSQ. The transaction is expected to be completed around the beginning of the second quarter of 2023 and remains subject to the applicable approvals and conditions to the transaction being satisfied or waived, including but not limited to, the approval of the listing of SEALSQ's Ordinary Shares on the Nasdaq Global Market. More information about the Spin-Off Distribution is available in the Registration Statement and in an information brochure, which may be accessed on the Company's website at <https://www.wisekey.com/company/investors/>. Hard copies of these documents are available upon request free of charge. Please contact our Corporate Secretary at +41 (22) 594 3000 or at lcati@equityny.com.

1.2 Significant Shareholders

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

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

The table below sets out, to the knowledge of the Company, beneficial owners holding 3% or more of the voting rights of the Company as disclosed on the SIX disclosure platform on December 31, 2022. 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 2022, including with respect to sale and purchase positions, and then published on the SIX electronic publication platform in accordance with the FMIA and the rules and regulations promulgated thereunder please refer to the search facility of the SIX Disclosure Office at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

Name	Number of Shares owned		Total number of voting rights	Percentage of voting rights
	Class A Shares	Class B Shares		
Lock-up group consisting of Carlos Moreira and one additional member	40,021,988	-	40,021,988	28.52%
Tibor Somlo		5,003,014	5,003,014	3.57%

1.3 Cross-shareholdings

The Company is not aware of any cross-shareholdings.

2 Capital Structure

2.1 Capital

As at December 31, 2022, the Company's statutory share capital amounted to CHF 5,414,945.78, divided into 40,021,988 Class A Shares and 100,294,518 Class B Shares. In addition, as at December 31, 2022 the Company had outstanding 26,040,010 Class B Shares, corresponding to a nominal value of CHF 1,302,000.50, issued out of the Company's conditional share capital that had not yet been registered with the commercial register. Therefore, as at December 31, 2022, the total outstanding capital therefore amounted to CHF 6,716,946.28, divided into 40,021,988 Class A Shares and 126,334,528 Class B Shares. All Shares are registered shares (*Namenaktien*) and all Class A Shares and 126,246,158 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, 2022, a total of 44,144,820 Class B Shares were held in the dispo-SIS account, i.e. not as registered shares.

As at December 31, 2022, the Company held no Class A Shares and 457,264 Class B Shares in treasury.

As at December 31, 2022, the Company had 3,238,843 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 June 24, 2024 and thereby increase the Company's share capital, without the approval of the shareholders, in a maximum amount of CHF 1,250,000 through the issuance of up to 25,000,000 new fully paid-in Class B Shares, corresponding to 23.08% of the share capital and 17.82% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2022. An increase in partial amounts is permitted.

After June 24, 2024, authorized share capital will not be available to the Board for issuance of additional Class B Shares. On January 1, 2023, a new corporate law became effective. Under the new corporate law, the instrument of the authorized share capital has been replaced by the instrument of the capital band. Under the capital band, the Board may be authorized to increase or decrease the share capital by up to 50%

of the registered share capital. In order for the Board to continue to have authority to issue additional Class B Shares, the current authorized share capital will need to be replaced with the capital band by December 31, 2024. Any introduction of a capital band will require shareholder approval.

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, 2022¹, 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 2,605,000 or up to 52,100,000 new Class B Shares, corresponding to 48.11% of the share capital and 37.13% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2022, without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued:

- up to an amount of CHF 2,300,000 by the issuance of up to 46,000,000 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 305,000 by the issuance of up to 6,100,000 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.

As at December 31, 2022, the Articles provided for a conditional share capital that authorized the issuance of new Class A Shares of up to a maximum amount of CHF 100,000 or up to 10,000,000 new Class A Shares, corresponding to 1.85% of the share capital and 7.13% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2022, 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.

¹ The Company issued Class B Shares out of the conditional share capital during fiscal year 2022 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 May 11, 2022 are reflected in the Articles in force as of December 31, 2022.

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 1, 2020, the share capital of the Company has been increased as follows:

- 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 and March 3, 2022 (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”).
- On May 12, 2022, the Company amended its Articles to record the issuance out of its conditional capital of a total number of 12,174,464 Class B Shares during the period commencing on April 2, 2021 and ending on May 11, 2022. As a result, the conditional share capital available to the Company was reduced by 12,174,464 Class B Shares or CHF 608,723.20, the share capital of the Company was increased by 12,174,464 Class B Shares or CHF 608,723.20, and the capital contribution reserves were increased by CHF 4,814,138.38.
- On June 24, 2022, at the Company's 2022 Annual General Meeting, shareholders approved (i) the Company's authorized share capital in an amount of up to CHF 1,250,000, corresponding to the issuance of up to 25,000,000 Class B Shares and (ii) the Company's conditional share capital authorizing the issuance of new Class B Shares in an amount of up to CHF 2,605,000, of which CHF 2,300,000, corresponding to the issuance of up to 46,000,000 Class B Shares, is reserved for Rights-Bearing Obligations, and CHF 305,000, corresponding to the issuance of up to 6,100,000 Class B Shares, is reserved for the issuance of Class B Shares or Rights-Bearing Obligations granted to directors, officers, employees and/or advisors of the Company. At the Company's 2022 Annual General Meeting, shareholders further approved the Company's conditional share capital authorizing the issuance of new Class A Shares in an amount of up to CHF 100,000, corresponding to the issuance of up to 10,000,000 Class A Shares.
- Between May 12, 2022 and December 31, 2022, 26,040,010 Class B Shares that have not yet been recorded in the Articles as at December 31, 2022, 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 1,302,000.50 and the capital contribution reserves by CHF 3,067,660.17. These 26,040,010 Class B Shares were not yet registered with the commercial register as at December 31, 2022.

2.4 Shares and Participation Certificates

For information regarding the total number, nominal value, and types of Shares of the Company, please see item no. 2.1. All of the Shares are fully paid in. Each Share carries one vote at a general meeting of shareholders, irrespective of the difference in par value of Class A Shares (CHF 0.01 per Share) and Class B Shares (CHF 0.05 per Share). This means that, relative to their respective per share contribution to the Company's capital, the holder of the Class A Shares has a greater relative per share voting power than the holders of the Class B Shares for matters that require approval on the basis of a specified majority of shares present at a meeting of shareholders. Shareholders' resolutions and elections (including elections of

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

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

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

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

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

2.5 Dividend-Right Certificates

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

2.6 Limitations on Transferability and Nominee Registrations

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

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

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

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

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

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

2.7 Convertible Bonds and Options

2.7.1 Convertible Bonds and Equity-Linked Instruments

On 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, 2022 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 subscription or purchase price will be 93% of the relevant market price at the time of each drawdown, determined by reference to a ten-day trading period following the drawdown request by WISEKey. By way of illustration, using Yorkville's disclosure of March 10, 2022 published by the Company on the SIX Disclosure Platform as a basis, which assumed a hypothetical subscription price of CHF 0.53 (rounded) (i.e. CHF 0.57 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, 86,104,428 Class B Shares, corresponding to a nominal value of CHF 4,305,221.40, which represents 79.51% of the share capital and 61.36% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2022. 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 0.53 (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 29 June 2021, WISEKey entered into the L1 Facility with L1, as amended on September 27, 2021 and March 3, 2022, pursuant to which L1 committed 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) for the tranches subscribed under the original agreement, 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 and (2) for the tranches subscribed under the amendments dated September 27, 2021 and March 3, 2022, 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. WISEKey made several loan subscriptions in 2021 and 2022 under the L1 Facility and the amount available for loans has been fully utilized as at December 31, 2022. 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. In 2022, L1 requested to convert L1 Convertible Notes issued in 2021 and 2022 for a total amount of USD 7,100,000, resulting in the issuance of 29,225,645 Class B Shares to L1. As at December 31, 2022, the amount of L1 Convertible Notes outstanding was USD 1,400,000 corresponding to

L1 Convertible Notes subscribed under the amendment dated March 3, 2022. By way of illustration, using L1's disclosure of November 2022 published by the Company on the SIX Disclosure Platform as a basis, which assumed a hypothetical conversion price of CHF 0.16578 per Class B Share for the amounts outstanding under the L1 Facility (i.e. CHF 0.1842, discounted by 10%, in accordance with the terms of the L1 Facility), and further assuming that (a) all outstanding L1 Convertible Notes (USD 1,400,000) would be converted, (b) all L1 Interest to be earned until the end of the respective L1 Conversion Periods of each L1 Convertible Note would be converted, and (c) the applicable exchange rate is CHF 0.9546 for USD 1.00, L1 would receive 9,035,753 Class B Shares, corresponding to a nominal value of CHF 451,787.65, which represents 8.34% of the share capital and 6.44% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2022. 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 committed 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 exchange rate, will be (1) for the tranches subscribed under the original agreement, 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 and (2) for the tranches subscribed under the amendment dated September 27, 2021, 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. WISeKey made several loan subscriptions in 2021 under the Anson Facility and the remaining amount available for loans as at December 31, 2022 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. In 2022, Anson requested to convert Anson Convertible Notes issued in 2021 for a total amount of USD 6,700,000, resulting in the issuance of 14,351,699 Class B Shares to Anson. Therefore, as at December 31, 2022, the amount of Anson Convertible Notes outstanding was USD nil. By way of illustration, using Anson's disclosure of October 12, 2022 published by the Company on the SIX Disclosure Platform as a basis, which assumed a hypothetical conversion price calculated on the basis of the closing price of the Class B Shares on October 3, 2022 (CHF 0.17 rounded) of CHF 0.1615 per Class B Share (i.e. CHF 0.17, discounted by 5%, in accordance with the original 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, and (b) all Anson Interest to be earned until the end of the respective Anson Conversion Periods of each Anson Convertible Note would be converted, Anson would receive 37,641,604 Class B Shares, corresponding to a nominal value of CHF 1,882,080.20, which represents 34,76% of the share capital and 26.83% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2022. 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, 2022, the Company has an aggregate number of 21,247,641 outstanding options and warrants, which entitle the respective holders of such options and warrants to acquire a total of 21,247,641 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 0.38% of the share capital and 0.29% 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, 2022.
- 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 1.55% of the share capital and 1.19% 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, 2022.
- On December 8, 2020, WISeKey entered into a Warrant Agreement with GTO pursuant to which WISeKey was required to issue in favor of GTO warrants in a number equal to 15% of each tranche issued by WISeKey under the GTO Facility, divided by the exercise price which is the higher of (i) 120% of the five trading day volume weighted average prices of 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 0.07% of the share capital and 0.05% 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, 2022.

- 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 0.16% of the share capital and 0.12% 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, 2022.
- 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 0.20% 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, 2022.
- 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 0.42% of the share capital and 0.33% 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, 2022.
- 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 0.09% of the share capital and 0.07% 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, 2022.
- 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 0.17% of the share capital and 0.13% 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, 2022.

- 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 0.10% of the share capital and 0.07% 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, 2022.
- 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 1.68% of the share capital and 1.29% 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, 2022.
 - On September 28, 2021, following the second subscription of Anson Convertible Notes, the Company granted Anson 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 0.44% of the share capital and 0.34% 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, 2022.
 - 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 0.49% of the share capital and 0.38% 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, 2022.
- On June 29, 2021, WISeKey entered into a Warrant Agreement with L1 pursuant to which WISeKey was 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.

- On June 29, 2021, following the first subscription of L1 Convertible Notes, the Company granted L1 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 1.68% of the share capital and 1.29% 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, 2022.
- 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 0.16% of the share capital and 0.12% 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, 2022.
- 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 0.19% 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, 2022.
- 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 0.35% of the share capital and 0.27% 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, 2022.
- 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 0.19% 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, 2022.

- 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 0.27% of the share capital and 0.20% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2022.
- On March 7, 2022, following the seventh subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 457,927 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on March 7, 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 2,266,738.65 and the share capital by CHF 22,896.35, equaling to 0.42% of the share capital and 0.33% 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, 2022.
- On April 14, 2022, following the eighth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 280,439 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on April 14, 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 1,388,173.05 and the share capital by CHF 14,021.95, equaling to 0.26% of the share capital and 0.20% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2022.
- On July 12, 2022, following the ninth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 987,755 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on July 12, 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 4,889,387.25 and the share capital by CHF 49,387.75, equaling to 0.91% of the share capital and 0.70% 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, 2022.
- On October 7, 2022, following the tenth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 1,216,216 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on October 7, 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 6,020,269.20 and the share capital by CHF 60,810.80, equaling to 1.12% of the share capital and 0.87% 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, 2022.
- On November 16, 2022, following the eleventh subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 908,746 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on November 16, 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 4,498,292.70 and the share capital by CHF 45,437.30, equaling to 0.84% of the share capital and 0.65% 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, 2022.

- On December 23, 2022, following the twelfth subscription of L1 Convertible Notes, the Company granted L1 a warrant to acquire up to 1,060,626 Class B Shares (subscription ratio: 1:1) at an exercise price of CHF 5.00. The warrants expire on December 23, 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 5,250,098.70 and the share capital by CHF 53,031.30, equaling to 0.98% of the share capital and 0.76% 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, 2022.
- As of December 31, 2022, the Company had 7,031,754 options outstanding under the ESOP (as defined below), entitling its holders to acquire up to 7,031,754 Class B Shares:
 - 16,269 options to acquire 16,269 Class B Shares (subscription ratio: 1:1), corresponding to 81,345 options granted by WISeKey SA to employees of WISeKey SA under the WISeKey SA employee share ownership plan and assumed by the Company with effect as of the Initial Listing, as amended (exercise period: 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, 2022.
 - The Company has granted 6,978,964 options to employees and Board members of the WISeKey Group. Each option is exercisable to purchase one Class B Share (subscription ratio: 1:1). 6,891,964 of these options have vested, whilst the remaining 87,000 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 6,978,964 Class B Shares would be issued, thereby causing an increase in share capital by CHF 348,948.20, equaling to 6.44% of the share capital and 4.97% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2022. 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;
 - 942,725 options, fully vested, with an exercise period of 7 years ending on September 26, 2026;
 - 50,000 options, fully vested, with an exercise period of 7 years ending on November 10, 2026;
 - 37,210 options, fully vested, with an exercise period of 7 years ending on December 23, 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;

- 33,000 options, fully vested, 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;
 - 16,897 options, fully vested, with an exercise period of 7 years ending on May 4, 2028;
 - 17,734 options, fully vested, with an exercise period of 7 years ending on August 9, 2028;
 - 22,828 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;
 - 28,902 options, fully vested, with an exercise period of 7 years ending on December 12, 2028;
 - 6,600 options, vesting on July 1, 2023, with an exercise period of 7 years ending on July 1, 2029;
 - 6,600 options, vesting on July 1, 2024, with an exercise period of 7 years ending on July 1, 2029;
 - 6,800 options, vesting on July 1, 2025, with an exercise period of 7 years ending on July 1, 2029;
 - 3,814,945 options, fully vested, with an exercise period of 7 years ending on December 13, 2029.
- The Company has granted 36,521 options to persons providing consultancy, advisory and other services to WIS@key 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 36,521 Class B Shares would be issued, thereby causing an increase in share capital by CHF 1,826.05, equaling to 0.03% of the share capital and 0.03% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2022, and an increase in the capital contribution reserves by CHF 50,999.83. The exercise prices, vesting date and exercise period of these options are detailed below:
- 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;
 - 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;
 - 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;
 - 6,521 options, fully vested, with an exercise period of approximately 1 year ending on July 30, 2023 and an exercise price of CHF 0.28.

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 6.49% of the share capital and 5.01% of the voting rights of the Company registered with the commercial register of the Canton of Zug on December 31, 2022.

As of December 31, 2022, the Company has an aggregate number of 9,818,000 outstanding options on Class A Shares granted to employees of the WIS@key 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, equaling to 1.81% of the share capital and 7.00% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2022.

2.7.3 Significant Changes after December 31, 2022

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, 2022, 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	64	2015	2023
María Pía Aqueveque Jabbaz	Independent Member of the Board		45	2022	2023
Cristina Dolan	Independent Member of the Board	Audit Committee, Nomination & Compensation Committee	61	2022	2023
David Fergusson	Independent Member of the Board	Audit Committee, Nomination & Compensation Committee	62	2017	2023
Jean-Philippe Ladisa	Independent Member of the Board	Audit Committee	59	2020	2023
Eric Pellaton	Independent Member of the Board	Nomination & Compensation Committee	63	2020	2023
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	70	2015	2023

Carlos Moreira, Chairman

Carlos Moreira, born in 1958, a Swiss citizen, began his career as a United Nations expert on CyberSecurity and Trust Models, working for the International Labor Organization (ILO), the United Nations (UN), United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and

International Trade Centre (ITC), the World Bank, the United Nations Development Programme (UNDP) and the Economic and Social Commission for Asia and the Pacific (ESCAP) from 1983 to 1998. A recognized early-stage pioneer in the field of digital identity, Mr. Moreira was also Adjunct Professor of the Graduate School of Engineering Royal Melbourne Institute of Technology (RMIT) from 1995 to 1999 and Head of the Trade Efficiency Lab at the Graduate School of Engineering at RMIT. In 1999, Carlos Moreira founded the Geneva-based online data security firm WISeKey SA.

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

María Pía Aqueveque Jabbaz

María Pía Aqueveque Jabbaz, born in 1977, a Chilean citizen based in Rome, Italy, is the Executive Managing Director of Maqueveq & Co, an advisory firm dedicated to innovation strategy for digital asset projects, since 2018. She has recently been featured as one of the global TOP 100 Women in the Future in Metaverse & Web3.0 and Bloomberg Línea named her as one of the Crypto Leaders in Latin America in 2021.

Ms. Aqueveque served as board member for the pension fund administrator company AFP Uno (Chile) between November 2018 and February 2021 and as board member of Olidata, a listed IoT company in Italy, between May 2019 and May 2021. She has been an advisor to public and private financial organizations on

public policy and the regulation and implementation of digital assets and deep technologies. She has served as a consultant for private banks, multilateral investment banking and governments, including the World Bank, the Presidency of the Republic and the Ministry of Finance of Chile, the Inter-American Development Bank, the Central American Bank for Economic Integration, and many others.

She holds an undergraduate degree in Economic and Administrative Sciences from the Pontifical Catholic University of Chile, a Magister in Public Policy from the University of Chile, a Master in FinTech and Financial Innovation from Three Points & Polytechnic University of Catalonia, Spain, and a Diploma in Investments and Financial Markets from the University of Chile. Throughout her career, she has collaborated with research departments of financial and academic organizations such as the Association of Mutual Fund Administrators and INTELIS, Center of the Economics Department of Universidad Chile dedicated to Innovation and Entrepreneurship.

María Pía Aqueveque Jabbaz is a recognized international public speaker and contributing author of the book “21st CENTURY FORESIGHT, understanding mega trends and the new globalization to build futures from Strategic Foresight” (“Prospectiva del siglo XXI: Entender las mega-tendencias y la nueva globalización, para construir futuros desde la Prospectiva Estratégica”) published in 2022. Since 2023, she has served as professor of the MBA course “The web 3.0 and metaverse: disruption and prospective in business strategy” of the Pontifical Catholic University of Chile. In 2010 she taught “Industrial Organization” at the Business School of the Adolfo Ibáñez University in Chile. She has also been invited as guest lecturer on Blockchain and Crypto-assets by the University of Bocconi in Italy, the University of San Andrés in Argentina, the EGADE-Monterrey Institute of Technology in México, and the Pontifical Catholic University of Chile among many others.

Ms. Aqueveque is a frequent contributor to major media organizations, and she has led the Chilean chapter of the 30% Club since 2019.

Cristina Dolan

Cristina Dolan, born in 1961 in New York City, a United States citizen, is a Cyber Security Executive. She is an award-winning engineer, entrepreneur and author that spend her entire career in variety of executive roles within the technology industry. Prior to joining RSA in 2021 where she heads up Global Alliances, she advised several cyber security companies including Crayonic and Cytegit (acquired by Mastercard). Recently she co-authored a book, “Transparency in ESG and the Sustainable Economy, Capturing Opportunities through Data” and several articles including the World Economic Forum article ‘Cybersecurity should be treated as an ESG Issue’ and the Forbes article ‘Cybersecurity Is A Global Threat To Democracy, Yet Not Well Understood.’ Honors include being named on lists of most influential and impactful women in technology, and numerous awards for service and entrepreneurialism. The student coding competition, Dream it. Code it. Win it, which she founded and led from 2014 to 2016, as the Board Chair of the MIT Enterprise Forum of New York, won numerous awards including the MIT Harold E. Lobdell Distinguished Service Award, Trader Magazine Charitable Works Award and four Stevie awards for best organization and leadership. The

competition sponsor, Fiverr, celebrated her as a 'Do-er' in their global campaigns. As an advocate of computer science education, her TED talk 'Just Solve It', addresses the value of being an engineer and solutionist to create opportunities and has over 933K views. As a blockchain pioneer since 2014, she founded several companies including Additum, a value-based healthcare company based in Spain, and iXledger which specialized in cyber insurance. The MIT Center for International Studies Starr Forum: Bitcoin and the Global Economy talk she gave in April of 2016, was one of the program's most popular talks. From 2009 to 2016, Cristina held several roles at Tradingscreen, an award winning institutional multi-asset financial trading platform, including product management for content, data, chat and communications products and global head of corporate marketing. In 2000, Cristina was recruited by venture backed Wordstream, as CEO, of the MIT-Harvard spinout focused on multilingual translations utilizing computational linguistics and machine learning, where she commercialized the software. OneMain, a company she co-founded in 1998, was acquired by Earthlink in 2000 after a highly successful IPO that surpassed Amazon's and eBay's Respective IPOs. As OneMain's Geographic Communities Division President and Chief Strategic alliances officer, she launched and built the cornerstone Geographic Communities, which were profitable when launched. Cristina held executive roles at IBM and Oracle leading consultative selling at strategic accounts within the communications and financial verticals. At Hearst and Disney, she led technology and software development for the launch of the first consumer websites, which were built on time and within budget. As an MIT alumna, she served as President of the MIT Club of New York, Chair of the MIT Enterprise Forum, MIT Enterprise Forum Global Board, MIT Selection Committee, MIT Media Lab 30th Anniversary Committee and was invited as a keynote to the MIT Women's Un-Conference March 2018. In addition, she served on the alumnae board at Convent of the Sacred Heart and received the Global Leadership Alumna Award. She earned a Master of Media Arts and Science from the MIT Media Lab, U.S.A., and also holds a Master of Computer Science Engineering and Bachelor of Electrical Engineering from Manhattan College in New York, U.S.A. Cristina is bilingual, fluent in her native language, English, and Spanish.

David Fergusson

David Fergusson, born in 1960, a Canadian citizen, is the Executive Managing Director - M&A, for Generational Equity, the largest volume middle-market M&A investment banking advisory firm in North America. Based in New York, he also heads the company's Technology Practice Group and Cross Border Practice Group. Prior to joining Generational Equity in 2018, he was most recently the CEO and President of The M&A Advisor, where he led global think tank services: market intelligence publishing, media, event and consulting, for the firm's constituency of over 350,000 finance industry professionals, from their offices in New York and London. As a partner in Paradigm Capital Management, Mr. Fergusson conducted over 25 acquisitions as an investor. A pioneer in cross border mergers and acquisitions between the United States and China, he was recognized with the 2017 M&A Leadership Award and the 2019 Lifetime Achievement Award from the China Mergers & Acquisitions Association and is Co-Chairman of the Global M&A Council of 18 member countries. Mr. Fergusson is a respected speaker on the subjects of financial services and corporate transformation and social innovation at prominent educational institutions including Cambridge, Columbia, Harvard, MIT and Cornell; a participant in leadership assemblies including the Vatican, World Economic Forum at Davos, World Bank and the International Monetary Fund; and a frequent contributor to

major media organizations. He is also the editor of 5 annual editions of the mergers and acquisitions handbook - "The Best Practices of The Best Dealmakers" series with a readership of more than 500,000 in over 60 countries. Mr. Fergusson is also the co-author of the bestselling book "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, Canada, and the University of Guelph in Canada, where he earned a Bachelor of Arts in Political Studies.

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, Malou SA since 2007, Gastronomique Events Sàrl since 2011, Palmat SA since 2013, JKM Sàrl since 2015, and JLR Concept Sàrl since 2017. In 2022 Mr. Ladisa resigned from two non-executive positions and, in the course of 2023, Mr. Ladisa plans to resign from his non-executive positions in Tradimmo 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 internet/video/audio information through the power line, and in Seyonics (Switzerland), a company specialized in Nano liter dispensing system (syringe), where, in both cases, he has been acting as investor and advisor since 2003; in

Visage Pro USA, a company involved in skin care products with organic cream ranging from anti-aging to burn issues, where he was a partner and investor between 2005 and 2018; and in Solar Rain 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. However, no member of the Board or the Executive Management may hold more than ten (10) such mandates.

3.4 Elections and Terms of Office

The Articles provide that the Board consists of a minimum of three and a maximum of 12 directors. The Board currently consists of 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 91 of this annual 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 three members of the Board: Jean-Philippe Ladisa (Chairman), Cristina Dolan 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), Cristina Dolan 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, but generally on a monthly basis. 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 2022, 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 fifteen minutes. Individual attendance to Board meetings was as follows:

Name	Number of Board meetings attended in 2022	Out of a total number of Board meeting since election of
Carlos Moreira	12	12
María Pía Aqueveque Jabbaz	7	7
Cristina Dolan	7	7
David Fergusson	12	12
Jean-Philippe Ladisa	12	12
Eric Pellaton	12	12
Peter Ward	12	12

The Audit Committee meets as often as the business requires. In 2022, the Audit Committee formally met three times for an average duration of forty minutes.

The Nomination & Compensation Committee meets as often as the business requires. In 2022, the Nomination & Compensation Committee met once for a duration of twenty minutes. The compensation for members of the Board for the period between the 2022 annual General Meeting and the 2023 annual General Meeting, as well as the compensation for members of the Executive Management for the financial year 2023 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 June 24, 2022 during the annual General Meeting. There were no changes to the Board or to the executive management during the remaining of the fiscal year 2022 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 approved new listing standards of the NASDAQ regarding director diversity.

Board Diversity Matrix as of December 31, 2022				
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	2	5	-	-
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction ¹	7			
LGBTQ+	-			
Did Not Disclose Demographic Background	-			

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, three directors are domiciled in Switzerland, three are domiciled in the United States, and one is domiciled in Italy. The nationalities of our directors include Swiss, American, British, Canadian, Chilean 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, 2022
Carlos Moreira	Chief Executive Officer (CEO)	64
Peter Ward	Chief Financial Officer (CFO)	70

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 on page 40 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 June 24, 2022 approved the maximum amounts of Board and Executive Management compensation for the 2022/2023 Board term and the 2023 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 40 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 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 2022/2023 Board term and the Executive Management compensation for financial year 2023 at the annual General Meeting held on June 24, 2022. The maximum amount of the Board's compensation for the 2022/2023 Board term is CHF 1.5 million. The maximum amount of compensation for the Executive Management for financial year 2023 is CHF 6 million.

5.2 Rules Related to Compensation in the Articles

5.2.1 Principles Applicable to Compensation

Non-Executive Members of the Board

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

Executive Members of the Board and Executive Management

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

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

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

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

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

As at December 31, 2022, the Company had no loan outstanding to members of the Board of Directors.

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

5.2.3 Vote on Pay at the General Meeting of Shareholders

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

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

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

6 Shareholders' Participation Rights

6.1 Voting Rights Restrictions and Representation

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

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

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

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

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

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

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

6.2 Supermajority Requirements

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

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

- the amendment to or the modification of the purpose of the Company;
- the consolidation of shares;
- a share capital increase 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 shareholders' pre-emptive rights;
- the creation of a conditional capital or of a capital range;
- the restriction on the transferability of shares or cancellation thereof;
- the creation or cancellation of shares with privileged voting rights;
- a change of the currency in which the share capital is denominated;
- the introduction of a casting vote for the Chairman at the general meeting;
- the introduction of a provision in the Articles allowing general meetings to be held abroad;
- the delisting of the shares;
- a change in the registered office of the Company;
- the introduction of an arbitration clause in the Articles; 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 (under the new Swiss corporate law effective as of January 1, 2023, the threshold has been lowered to 5% of the shares or voting rights; the lower threshold applies as of 1 January 2025 or, if earlier, upon an amendment of the Articles to that effect), 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 (under the new Swiss corporate law effective as of January 1, 2023, the threshold has been lowered to 0.5% of the shares or voting rights; the lower threshold applies as of 1 January 2025 or, if earlier, upon an amendment of the Articles to that effect) 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, 2022

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 other than the memorandum and articles of association of SEALSQ as detailed below. 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.

The memorandum and articles of association of SEALSQ, whose ordinary shares are listed on the NASDAQ and in which we retain 100% ownership of SEALSQ's Class F Shares, par value of US\$0.05 per share ("**Class F Shares**") and 80% of SEALSQ's ordinary shares, US\$0.01 par value per share ("**Ordinary Shares**"), provide that, in the event of a change of control (being the acquisition by any person or entity, alone or jointly, of more than 50% of the voting rights of any Class F Shareholder which is a corporate entity), as determined by SEALSQ's board of directors, the Class F Shares owned by such Class F Shareholder will be subject to a mandatory redemption by SEALSQ in exchange for the issuance of new Ordinary Shares at a ratio of five (5) Ordinary Shares for each one (1) Class F Share redeemed. A change in the control of WISeKey would trigger this provision as they are the only corporate entity holding F Shares. Upon completion of a mandatory redemption, the remaining Class F Shareholders, who are likely to be members of SEALSQ's board of directors

and senior management, would hold shares with 49.99% of the Company's voting power. The mandatory redemption of Class F Shares in exchange for new Ordinary Shares would result in a dilution of the per share voting power of the holders of our Ordinary Shares.

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, May 25, 2021 and June 24, 2022. Since June 1, 2022, the responsible lead audit partner is Mr. Philipp Kegele. 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 2022 amount to CHF 942,819.

8.3 Additional Fees

In fiscal year 2022, BDO charged the Company an additional fee of CHF 5,923 for a VAT analysis on a potential future revenue stream.

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, 2022 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 WIS@key, 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 2022, the Audit Committee and BDO met three 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 transactions in Relevant Securities if they obtained clearance in advance from another pre-defined member of the Board or Executive Management.

FINANCIAL REPORT

WISeKey International Holding Ltd

Consolidated Financial Statements

As at December 31, 2022

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

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1. Report of the Statutory Auditor

STATUTORY AUDITOR'S REPORT

To the general meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of WISeKey International Holding AG and its subsidiaries (the Group), which comprise the Consolidated Balance Sheets as at December 31, 2022 and 31 December 2021 and the related Statements of Comprehensive Income / Loss, Consolidated Statements of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows for each of the three years in the period ended 31 December 2022, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages F-7 to F-53) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and 31 December 2021 and its consolidated financial performance and its consolidated cash flows for each of the three years then ended in accordance with U.S. generally accepted accounting principles (US GAAP) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent with respect to the Group in accordance with Swiss law 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.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 the Key Audit Matter was addressed in the audit

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.

We considered revenue recognition to be a key audit matter because revenue recognition is complex and has a significant impact on the consolidated financial statements including disclosures.

We refer to Note 4 and Note 31 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 and evaluated 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, classifying 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 31.

Divestiture and Discontinued operations

The Group divested arago GmbH and its affiliates ("arago Group") in the year and reported a loss on disposal of USD 15M within income / (loss) on discontinued operations. The Group needed to assess the transaction in terms of timing, carrying value disposed, underlying consideration, recoverability of the purchase price, presentation and classification and expenses occurred resulting from the transactions. This requires judgment.

Therefore, and given the size of the transaction, we considered it to be a Key Audit Matter.

We refer to Note 14 to the consolidated financial statements for additional disclosure on the Divestiture of the arago Group.

We evaluated the design and implementation of controls around significant unusual transactions.

We verified the date of cease of control.

For the carrying value of divested net assets, we gathered convincing supporting evidence.

We reconciled the consideration with the sale and purchase agreement and assessed the company's conclusion on the recoverability of the purchase price.

We verified the resulting journal entries and agreed them to the financial statements.

We recalculated the loss on disposal.

We assessed the appropriateness and completeness of the related disclosures in Note 14.

Key Audit Matter

How the Key Audit Matter was addressed in the audit

Goodwill - Impairment Considerations

The Group carries goodwill of total USD 8.3M on the consolidated balance sheet.

ASC 350 requires the Group to assess whether the fair value of the respective reporting unit is less than its carrying amount.

The Group selected to bypass the qualitative assessment and proceeded directly to the quantitative assessment of the relating reporting unit Internet of Things (mainly consisting of Semiconductor) by calculating the fair value based on the income approach using discounted expected future cash flows.

Due to the significant impact of goodwill on the consolidated financial statements and due to the significant estimates of management involved we consider this area to be a key audit matter.

We refer to Note 19 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.

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 expert, we tested the accuracy and appropriateness of the model.

We assessed the appropriateness and completeness of the related disclosures in Note 19.

Key Audit Matter

How the Key Audit Matter was addressed in the audit

Valuation Deferred Income Tax Asset

On the face of the balance sheet the Group presents Deferred Income Tax Assets amounting to USD 3.2M.

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 prepared for consolidation purposes.

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.

Pursuant to ASC 740 a valuation allowance must be established for deferred tax assets when it is more likely than not that they will not be realized.

The Deferred Tax Asset is material to the financial statements, management used significant estimates and it required a high amount of auditor attention. Therefore, we consider this area to be a key audit matter.

Note 36 provides additional information on the Deferred Income Tax Asset.

We assessed the appropriateness and accuracy of the Group's identification and support of the deferred tax assets for both, temporary differences and tax loss carry forwards.

We confirmed the accuracy of the Group's calculation of the deferred tax assets.

We agreed our independent calculation of the deferred tax assets to the calculation prepared by the client.

We challenged managements' assessment performing an independent three-year cumulative result test.

We tested the estimation for the need for an amount of valuation allowance for deferred tax assets verifying negative and positive evidence available supporting the availability of future taxable profits.

We evaluated the budgeting approach.

We challenged management's analysis around the key drivers of cash flow projections.

We assessed the appropriateness and completeness of the related disclosures in Note 36.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements, the compensation report and our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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 provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation



Phone +41 22 322 24 24
Fax +41 22 322 24 00
www.bdo.ch

BDO Ltd
Rte. De Meyrin 123
Case postale 150
1215 Genève 15

of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, the standards of the PCAOB and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Geneva, April 28, 2023

BDO Ltd

Philipp Kegele
Auditor in Charge
Licensed Audit Expert

ppa. Sascha Gasser
Licensed Audit Expert

2. Consolidated Statements of Comprehensive Income/(Loss)

USD'000	12 months ended December 31,			Note ref.
	2022	2021	2020	
Net sales	23,814	17,646	14,779	31
Cost of sales	(13,588)	(9,893)	(8,578)	
Depreciation of production assets	(132)	(301)	(736)	
Gross profit	10,094	7,452	5,465	
Other operating income	2,073	183	43	32
Research & development expenses	(3,862)	(5,618)	(6,012)	
Selling & marketing expenses	(7,275)	(9,111)	(7,355)	
General & administrative expenses	(11,466)	(14,066)	(10,673)	
Total operating expenses	(20,530)	(28,612)	(23,997)	
Operating loss	(10,436)	(21,160)	(18,532)	
Non-operating income	3,937	2,509	1,127	34
Debt conversion expense	(827)	(325)	-	
Gain on derivative liability	-	-	44	
Interest and amortization of debt discount	(168)	(1,057)	(458)	26
Non-operating expenses	(5,551)	(3,426)	(11,079)	35
Loss before income tax expense	(13,045)	(23,459)	(28,898)	
Income tax income / (expense)	3,238	(13)	(9)	36
Loss from continuing operations, net	(9,807)	(23,472)	(28,907)	
Discontinued operations:				14
Net sales from discontinued operations	1,805	4,612	-	
Cost of sales from discontinued operations	(978)	(2,976)	-	
Total operating and non-operating expenses from discontinued operations	(5,274)	(2,364)	-	
Income tax recovery from discontinued operations	25	106	-	
Loss on disposal of a business, net of tax on disposal	(15,026)	-	-	
Income / (loss) on discontinued operations	(19,448)	(622)	-	
Net income / (loss)	(29,255)	(24,094)	(28,907)	
Less: Net income / (loss) attributable to noncontrolling interests	(1,780)	(3,754)	(248)	
Net income / (loss) attributable to WISeKey International Holding AG	(27,475)	(20,340)	(28,659)	
Earnings per share from continuing operations				
Basic	(0.09)	(0.33)	(0.68)	38
Diluted	(0.09)	(0.33)	(0.68)	38
Earnings per share from discontinued operations				
Basic	(0.17)	(0.01)	-	38
Diluted	(0.17)	(0.01)	-	38
Earning per share attributable to WISeKey International Holding AG				
Basic	(0.24)	(0.28)	(0.67)	38
Diluted	(0.24)	(0.28)	(0.67)	38

USD'000	12 months ended December 31,			Note ref.
	2022	2021	2020	
Other comprehensive income / (loss), net of tax:				
Foreign currency translation adjustments	(1,434)	(1,534)	1,729	
Change in unrealized gains related to available-for-sale debt securities	-	1,965	5,385	
Reclassifications out of the OCI arising during period	1,156	-	-	14
Defined benefit pension plans:				27
Net gain (loss) arising during period	2,934	1,572	1,189	
Reclassification adjustments		(7,350)		
Other comprehensive income / (loss)	2,656	(5,347)	8,303	
Comprehensive income / (loss)	(26,599)	(29,441)	(20,604)	
Other comprehensive income / (loss) attributable to noncontrolling interests	(964)	187	(95)	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	3,620	(5,534)	8,398	
Comprehensive income / (loss) attributable to noncontrolling interests	(2,744)	(3,567)	(343)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	(23,855)	(25,874)	(20,261)	

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

3. Consolidated Balance Sheets

USD'000	As at December 31, 2022	As at December 31, 2021	Note ref.
ASSETS			
Current assets			
Cash and cash equivalents	20,706	34,201	7
Restricted cash, current	108	110	8
Accounts receivable, net of allowance for doubtful accounts	2,573	2,979	9
Notes receivable from employees and related parties	67	68	10
Inventories	7,510	2,710	11
Prepaid expenses	831	1,198	
Current assets held for sale	-	689	14
Other current assets	1,380	555	12
Total current assets	33,175	42,510	
Noncurrent assets			
Notes receivable, noncurrent	64	190	13
Deferred income tax assets	3,295	1	36
Deferred tax credits	694	848	15
Property, plant and equipment net of accumulated depreciation	842	573	16
Intangible assets, net of accumulated amortization	98	105	17
Finance lease right-of-use assets	-	171	18
Operating lease right-of-use assets	2,289	2,941	18
Goodwill	8,317	8,317	19
Equity securities, at cost	472	501	20
Equity securities, at fair value	1	1	21
Noncurrent assets held for sale	-	32,391	14
Other noncurrent assets	249	256	22
Total noncurrent assets	16,321	46,295	
TOTAL ASSETS	49,496	88,805	
LIABILITIES			
Current Liabilities			
Accounts payable	13,401	14,786	23
Notes payable	4,196	4,206	24
Deferred revenue, current	174	92	31
Current portion of obligations under finance lease liabilities	-	55	18
Current portion of obligations under operating lease liabilities	592	595	18
Income tax payable	57	11	
Current liabilities held for sale	-	4,567	14
Other current liabilities	409	440	25
Total current liabilities	18,829	24,752	
Noncurrent liabilities			
Bonds, mortgages and other long-term debt	1,850	458	26
Convertible note payable, noncurrent	1,267	9,049	26
Deferred revenue, noncurrent	23	100	30
Operating lease liabilities, noncurrent	1,727	2,468	18
Employee benefit plan obligation	1,759	4,769	27
Other deferred tax liabilities	8	62	
Noncurrent liabilities held for sale	-	5,712	14
Other noncurrent liabilities	8	56	
Total noncurrent liabilities	6,642	22,674	
TOTAL LIABILITIES	25,471	47,426	

USD'000	As at December 31, 2022	As at December 31, 2021	Note ref.
Commitments and contingent liabilities			28
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	29
CHF 0.01 par value			
Authorized - 50,021,988 and 40,021,988 shares			
Issued and outstanding - 40,021,988 and 40,021,988 shares			
Common stock - Class B	5,334	4,685	29
CHF 0.05 par value			
Authorized - 177,419,580 and 138,058,468			
Issued - 100,294,518 and 88,120,054			
Outstanding - 99,837,254 and 80,918,390			
Treasury stock, at cost (457,264 and 7,201,664 shares held)	(371)	(636)	29
Additional paid-in capital	280,597	268,199	
Accumulated other comprehensive income / (loss)	5,935	1,407	30
Accumulated deficit	(265,635)	(238,160)	
Total shareholders' equity attributable to WISeKey shareholders	26,260	35,895	
Noncontrolling interests in consolidated subsidiaries	(2,235)	5,484	
Total shareholders' equity	24,025	41,379	
TOTAL LIABILITIES AND EQUITY	49,496	88,805	

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				Common Share Capital			Total share capital	Treasury Shares	Additional paid-in capital	Share subscription progress	Accumulated deficit	Accumulated other comprehensive income / (loss)	Total stockholders' equity	Non controlling interests	Total equity
	Class A	Class B	Class A	Class B	Class A	Class B	1									
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)	-	(20,340)			
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			
Common stock issued ¹	-	-	-	-	-	-	(80)	-	-	-	(80)	-	(80)			
Options exercised ¹	-	171,942	-	9	9	-	16	-	-	-	25	-	25			
Stock-based compensation	-	-	-	-	-	-	744	-	-	-	744	-	744			
Changes in treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-			
L1 Facility	-	3,678,608	-	197	197	175	5,424	-	-	-	5,796	-	5,796			
Anson Facility	-	8,323,914	-	443	443	193	5,783	-	-	-	6,419	-	6,419			
Production capacity investment loan	-	-	-	-	-	-	511	-	-	-	511	-	511			
NCI cancellation TrusteCoin	-	-	-	-	-	-	-	-	-	-	-	8	8			
Disposal of Arago entities	-	-	-	-	-	-	-	-	-	908	(4,983)	-	(4,075)			
Share buyback program	-	-	-	-	-	(103)	-	-	-	-	(103)	-	(103)			
Net income	-	-	-	-	-	-	-	-	(27,475)	-	(27,475)	(1,780)	(29,255)			
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	3,620	-	3,620	(964)	2,656			
As at December 31, 2022	40,021,988	100,294,518	400	5,334	5,734	(371)	280,597	-	(265,635)	5,935	26,260	(2,235)	24,025			

1. The articles of association of the Company had not been fully updated as of December 31, 2022 with the shares issued out of conditional capital.

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

5. Consolidated Statements of Cash Flows

USD'000	12 months ended December 31,		
	2022	2021	2020
Cash Flows from operating activities:			
Net Income (loss)	(29,255)	(24,094)	(28,907)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant & equipment	446	513	988
Amortization of intangible assets	156	481	604
Write-off loss / (gain)	1,333	-	-
Impairment charge	-	-	7,000
Debt conversion expense	827	325	-
Interest and amortization of debt discount	168	1,057	458
Loss / (gain) on derivative liability	-	-	(44)
Stock-based compensation	744	3,783	393
Bad debt expense	4	18	24
Inventory obsolescence impairment	554	-	457
Increase (decrease) in defined benefit pension liability, net of unrealized gains and losses	13	(570)	66
Income tax expense / (recovery) net of cash paid	(3,268)	(131)	9
Other non cash expenses /(income)			
Expenses settled in equity	85	146	14
Loss on disposal of a business	15,026	-	-
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	1,378	172	800
Other	-	300	455
Changes in operating assets and liabilities, net of effects of businesses acquired			
Decrease (increase) in accounts receivables	227	207	870
Decrease (increase) in inventories	(5,354)	(236)	313
Decrease (increase) in other current assets, net	(621)	737	46
Decrease (increase) in deferred research & development tax credits, net	154	464	1,176
Decrease (increase) in other noncurrent assets, net	8	1,805	53
Increase (decrease) in accounts payable	137	2,061	2,386
Increase (decrease) in deferred revenue, current	(34)	(723)	213
Increase (decrease) in income taxes payable	45	8	(8)
Increase (decrease) in other current liabilities	210	(2,370)	(199)
Increase (decrease) in deferred revenue, noncurrent	(77)	81	9
Increase (decrease) in other noncurrent liabilities	(50)	(272)	326
Net cash provided by (used in) operating activities	(17,144)	(21,791)	(12,550)
Cash Flows from investing activities:			
Sale / (acquisition) of equity securities	-	(476)	-
Sale / (acquisition) of property, plant and equipment	(303)	(36)	(52)
Sale of a business, net of cash and cash equivalents divested	(181)	-	-
Acquisition of a business, net of cash and cash equivalents acquired	-	(2,013)	(3,845)
Net cash provided by (used in) investing activities	(484)	(2,525)	(3,897)
Cash Flows from financing activities:			
Proceeds from options exercises	16	4	68
Proceeds from issuance of Common Stock	-	226	2,194
Proceeds from convertible loan issuance	4,820	44,362	22,053
Proceeds from debt	2,000	-	646
Repayments of debt	(2,246)	(5,276)	(2,344)
Payments of debt issue costs	(303)	(2,341)	-
Repurchase of treasury shares	(102)	-	(1,135)
Net cash provided by (used in) financing activities	4,185	36,975	21,482
Effect of exchange rate changes on cash and cash equivalents	(102)	(63)	82
Cash and cash equivalents and restricted cash			
Net increase (decrease) during the period	(13,545)	12,596	5,117
Balance, beginning of period	34,359	21,763	16,646
Balance, end of period	20,814	34,359	21,763

USD'000	12 months ended December 31,		
	2022	2021	2020
Reconciliation to balance sheet			
Cash and cash equivalents	20,706	34,201	19,650
Restricted cash, current	108	110	2,113
Cash and cash equivalents from discontinued operations	-	48	-
Balance, end of period	20,814	34,359	21,763
Supplemental cash flow information			
Cash paid for interest, net of amounts capitalized	53	490	250
Cash paid for incomes taxes	6	-	46
Noncash conversion of convertible loans into common stock	13,800	43,704	12,946
Restricted cash received for share subscription in progress	-	-	1
Net effects of business acquired and disposed of (noncash)	2,831	-	-
Purchase of equity securities	-	476	-
ROU assets obtained from operating lease	29	2,375	544

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 ecosystem. WISeKey generates digital identities from its current products and services in Cybersecurity Services, IoT (Internet of Things), Digital Brand Management and Mobile Security. In the first half of 2022, the Group decided to divest its Artificial Intelligence (“**AI**”) segment and sell arago GmbH in order to refocus on its core operations.

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 10.4 million and had positive working capital of USD 14.3 million as at December 31, 2022, 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, 2024, 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 8, 2018 the Group entered into a Standby Equity Distribution Agreement (“**SEDA**”) with YA II PN, Ltd., 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 50.0 million in exchange for WIHN Class B Shares over a three-year period. Provided that a sufficient number of WIHN 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 WIHN Class B Shares are issued out of authorized share capital) or purchase (if the WIHN Class B Shares are delivered out of treasury) WIHN Class B Shares worth up to CHF 5.0 million by drawdown, subject to certain exceptions and limitations. On March 4, 2020, the SEDA was extended by 24 months to March 31, 2023. In the year 2022, WISeKey did not make any drawdown on the facility. As at December 31, 2022, the outstanding equity financing available for drawdown until March 31, 2023 was CHF 45,643,955.

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.

On September 27, 2021, WISeKey and Anson signed the First Amendment to the Subscription Agreement (the “**Anson First Amendment**”), 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. After three subscriptions in 2021, WISeKey did not make any subscription under the Anson Facility in 2022. As at December 31, 2022, the outstanding Anson Facility available was USD 5.5 million.

The SEDA 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.

Divestiture of arago

On March 14, 2022, the Group signed a Share Purchase and Transfer Agreement (the “SPTA”) to sell its 51% ownership in arago GmbH and its affiliates (together “arago” or the “arago Group”) to OGARA GmbH, with Neutrino Energy Property GmbH & Co. acting as “Buyer Guarantor”, who signed on March 16, 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 purchase price set in the SPTA was EUR 25,527,955.30 (USD 26,827,022 at historical closing rate on June 23, 2022). The completion of the sale was conditional on the consideration being transferred to WISeKey and the shares owned by the Group being transferred to OGARA GmbH.

The sale was completed on June 24, 2022, when the shares owned by WISeKey in arago were transferred to OGARA GmbH as WISeKey issued a waiver to accept a delayed payment of the consideration, because of the high cash burn rate of arago.

We assessed the SPTA under ASC 205 and concluded that the operation met the requirement to be classified as held for sale because of the strategic shift represented by the sale of the Group’s AI (Artificial Intelligence) segment and that arago qualifies as discontinued operations from the date of the SPTA, March 16, 2022.

In line with ASC 205-20-45-3A and ASC 205-20-45-10 respectively, we reported the results of the discontinued operations as a separate component of income for the years ending December 31, 2020, December 31, 2021, and December 31, 2022, and we classified their assets and liabilities separately as held for sale in the balance sheet for the year to December 31, 2021.

Per ASC 830-30-40-1, upon the divestiture of arago, WISeKey’s USD 1,245,896 accumulated translation adjustment loss in relation to arago was removed from accumulated comprehensive income/(loss) in the balance sheet and recorded in the income statement as part of the loss on disposal of a business, net of tax on disposal. Additionally, an amount of USD 1,156,401 of currency translation adjustments in relation to arago in WISeKey’s accounts in the year ended December 31, 2022 was recorded directly in the income statement as part of the loss on disposal of a business, net of tax on disposal.

The loss on disposal of a business recorded in the reporting period is USD 15,025,611 shown as a separate line within discontinued operations in the income statement.

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 Group 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 Group.

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, judgments 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 3 to 10 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.

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.

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 *pro rata 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 noncurrent. 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 noncurrent. 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 divestiture 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 2022, we report our financial performance based on a new segment structure described in Note 37. There was no restatement of prior periods due to changes in reported segments.

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

As of January 1, 2022, the Group adopted Accounting Standards Update (ASU) 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.

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.

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

As of January 1, 2022, the Group also adopted ASU 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.

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. The ASU 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 the ASU affect all entities that issue freestanding written call options that are classified in equity.

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

As of January 1, 2022, the Group also adopted ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance.

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 be disclosed.

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 October 2021, The FASB issued 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 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 Group 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 2022, 2021 or 2020, and the clients whose trade accounts receivable balances were 10% or higher than the respective total consolidated trade accounts receivable balance for fiscal years 2022 and 2021:

	Revenue concentration (% of total net sales) 12 months ended December 31,			Receivables concentration (% of total accounts receivable) As at December 31,	
	2022	2021	2020	2022	2021
IoT operating segment					
Multinational electronics contract manufacturing company	14%	10%	18%	30%	13%
International equipment and software manufacturer	5%	8%	9%	11%	0%

Note 6. Fair value measurements

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

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

USD'000	As at December 31, 2022		As at December 31, 2021		Fair value level	Note ref.
	Carrying amount	Fair value	Carrying amount	Fair value		
<i>Nonrecurring fair value measurements</i>						
Accounts receivable, net of allowance for doubtful accounts	2,573	2,573	2,979	2,979	3	9
Notes receivable from employees and related parties	67	67	68	68	3	10
Notes receivable, noncurrent	64	64	190	190	3	13
Equity securities, at cost	472	472	501	501	3	20
Accounts payable	13,401	13,401	14,786	14,786	3	23
Notes payable	4,196	4,196	4,206	4,206	3	24
Bonds, mortgages and other long-term debt	1,850	1,850	458	458	3	26
Convertible note payable, noncurrent	1,267	1,267	9,049	9,049	3	26
<i>Recurring fair value measurements</i>						
Equity securities, at fair value	1	1	1	1	1	21

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

- Accounts receivable, net of allowance for doubtful accounts – carrying amount approximated fair value due to their short-term nature.
- Notes receivable from employees and 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.
- Bonds, mortgages and other long-term debt – carrying amount approximated fair value
- Convertible note payable, noncurrent – carrying amount approximated fair value.
- Equity securities, at fair value – fair value remeasured as at reporting period.

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 8. Restricted cash

Restricted cash as at December 31, 2022 relates to the capital subscription of a new group entity which had not yet been incorporated as at December 31, 2022.

Note 9. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at December 31, 2022	As at December 31, 2021
Trade accounts receivable	2,463	2,820
Allowance for doubtful accounts	(64)	(68)
Accounts receivable from other related parties	171	129
Accounts receivable from underwriters, promoters, and employees	-	5
Other accounts receivable	3	93
Total accounts receivable, net of allowance for doubtful accounts	2,573	2,979

As at December 31, 2022, accounts receivable from other related parties consisted of a receivable from OISTE in relation to the facilities and personnel hosted by WISeKey SA and WISeKey International Holding AG on behalf of OISTE (see Note 40).

Note 10. Notes receivable from employees and related parties

As at December 31, 2022, the notes receivable from employees and related parties consisted of:

- a loan to an employee of CHF 61,818 (USD 66,872). 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 33).

Note 11. Inventories

Inventories consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Raw materials	4,523	950
Work in progress	2,987	1,760
Total inventories	7,510	2,710

In the years ended December 31, 2022, 2021 and 2020, the Group recorded inventory obsolescence charges in the income statement of respectively USD 204,211, USD 57,302 and USD 156,188 on raw materials, and USD 349,623, USD 404,509 and USD 301,215 on work in progress.

Note 12. Other current assets

Other current assets consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Value-Added Tax receivable	352	359
Advanced payment to suppliers	1,025	220
Deposits, current	3	5
Other current assets	-	1
Total other current assets	1,380	555

Note 13. Notes receivable, noncurrent

Notes receivable, noncurrent consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Long-term receivable from, and loan, to shareholders	60	187
Long-term receivable from, and loan to, other related parties	4	3
Total notes receivable, noncurrent	64	190

As at December 31, 2022, 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 33). These loans do not bear interest. The total loan amount as at December 31, 2022 was CHF 55,879 (USD 60,447).
- 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 33). This loan does not bear interest. The total loan amount as at December 31, 2022 was CHF 3,322 (USD 3,594).

Note 14. Divestiture and discontinued operations***Classification as discontinued operations of 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", who signed on March 16, 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 was conditional on the consideration being transferred to WISeKey and the shares owned by the Group being transferred to OGARA GmbH.

We assessed the SPTA under ASC 205 and concluded that the operation met the requirement to be classified as held for sale because of the strategic shift represented by the sale of the Group's AI segment and that arago qualifies as discontinued operations from the date of the SPTA, March 16, 2022. In line with ASC 205-20-45-3A and ASC 205-20-45-10 respectively, we reported the results of the discontinued operations as a separate component of income for the years ending December 31, 2022, December 31, 2021 and December 31, 2020, and we classified their assets and liabilities separately as held for sale in the balance sheet for the year to December 31, 2021. No gain or loss on classification as held for sale was recorded in 2021.

The table below shows the reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations to the total assets and liabilities classified as held for sale and presented separately in the balance sheet as at December 31, 2021.

USD'000	As at December 31, 2021
ASSETS	
Current assets	
Cash and cash equivalents	48
Trade accounts receivable	258
Other accounts receivable	24
Prepaid expenses	237
Other current assets	122
Total current assets held for sale	689
Noncurrent assets	
Deferred income tax assets	5
Property, plant and equipment net of accumulated depreciation	15
Intangible assets, net of accumulated amortization	9,081
Operating lease ROU assets	766
Goodwill	22,524
Total noncurrent assets held for sale	32,391
TOTAL ASSETS HELD FOR SALE	33,080
LIABILITIES	
Current liabilities	
Trade creditors	1,189
Other accounts payable	473
Notes payable	2,044
Deferred revenue, current	396
Operating leases	355
Other current liabilities	110
Total current liabilities held for sale	4,567
Noncurrent liabilities	
Indebtedness to related parties, noncurrent	2,395
Operating leases	411
Deferred income tax liability	2,906
Total noncurrent liabilities held for sale	5,712
TOTAL LIABILITIES HELD FOR SALE	10,279

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

USD'000	12 months ended December 31,	
	2022	2021
Net sales from discontinued operations	1,805	4,612
Cost of sales from discontinued operations	(978)	(2,976)
Gross profit from discontinued operations	827	1,636
Research & development expenses	(574)	(1,389)
Selling & marketing expenses	(329)	(1,115)
General & administrative expenses	(2,293)	(4,660)
Non-operating income	1,076	6,129
Non-operating expenses	(3,154)	(1,329)
Loss on disposal of a business	(15,026)	-
Total operating and non-operating expenses from discontinued operations	(20,300)	(2,364)
Income / (loss) from discontinued operations before income tax	(19,473)	(728)
Income tax (expense) / recovery from discontinued operations	25	106
Income / (loss) on discontinued operations	(19,448)	(622)
Less: Net income on discontinued operations attributable to noncontrolling interests	(1,531)	-
Net income / (loss) on discontinued operations attributable to WISeKey International Holding AG	(17,917)	(622)

The depreciation charge from discontinued operations for the year ended December 31, 2021 was USD 21,680. In line with ASC 205, the depreciation of property, plant and equipment from discontinued operations stopped on the day that they qualified as held for sale, i.e., March 16, 2022. The depreciation charge from discontinued operations recorded in the year ended December 31, 2022 was USD 3,528.

The amortization charge from discontinued operations for the year ended December 31, 2021 was USD 408,728. In line with ASC 205, the amortization of intangible assets from discontinued operations stopped on the day that they qualified as held for sale. As a result, we did not record any amortization charge from discontinued operations after March 16, 2022. The amortization charge from discontinued operations recorded in the year ended December 31, 2022 was USD 86,880.

In the previous annual report, the results of the discontinued operations were included in the AI segment.

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

USD'000	12 months ended December 31,	
	2022	2021
Net cash provided by (used in) operating activities	(1,733)	(3,567)
Net cash provided by (used in) investing activities	-	-
Net cash provided by (used in) financing activities	1,795	3,153

There were no significant operating and investing noncash items from discontinued operations for the years ended December 31, 2022 and 2021.

Divestiture of the arago Group

The sale was completed on June 24, 2022, when the shares owned by WISeKey in arago were transferred to OGARA GmbH as WISeKey issued a waiver to accept a delayed payment of the consideration. WISeKey issued that waiver because of the high cash burn rate of arago.

Per ASC 830-30-40-1, upon the divestiture of arago, WISeKey's USD 1,245,896 accumulated translation adjustment loss in relation to arago was removed from accumulated comprehensive income/(loss) in the balance sheet and recorded in the income statement as part of the loss on disposal of a business, net of tax on disposal. Additionally, an amount of USD 1,156,401 of currency translation adjustments in relation to arago in WISeKey's accounts in the year ended December 31, 2022 was recorded directly in the income statement as part of the loss on disposal of a business, net of tax on disposal.

The purchase price set in the SPTA was EUR 25,527,955.30 (USD 26,827,022 at historical closing rate on June 23, 2022). As at December 31, 2022, the purchase price had not yet been paid to WISeKey. In line with ASC 326-20, we have considered the characteristics of the receivable with OGARA GmbH and have assessed that there is a significant risk over the collectability of the purchase price. Therefore, we have recorded credit losses for the full purchase price amount of EUR 25,527,955.30 (USD 26,827,022). This has led to a loss on divestiture recorded in the reporting period of USD 15,025,611 shown as a separate line within discontinued operations in the income statement.

WISeKey did not have any other continuing involvement with the arago Group, OGARA GmbH or Neutrino Energy Property GmbH & Co. after it had been deconsolidated, other than to plan the payment of the purchase price. OGARA GmbH or Neutrino Energy Property GmbH & Co. were not and are not a related party of WISeKey, and neither the arago Group nor OGARA GmbH or Neutrino Energy Property GmbH & Co. are related parties to WISeKey after the deconsolidation.

Note 15. Deferred tax credits

Deferred tax credits consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Deferred research & development tax credits	692	847
Deferred other tax credits	2	1
Total deferred tax credits	694	848

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, 2022 and 2021, the receivable balances in respect of these research tax credits owed to the Group were respectively USD 692,314 and USD 846,808. 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 16. Property, plant and equipment

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

USD'000	As at December 31, 2022	As at December 31, 2021
Machinery & equipment	4,132	3,902
Office equipment and furniture	2,944	2,899
Computer equipment and licences	1,558	1,162
Total property, plant and equipment gross	8,634	7,963
<i>Accumulated depreciation for:</i>		
Machinery & equipment	(3,707)	(3,650)
Office equipment and furniture	(2,703)	(2,614)
Computer equipment and licences	(1,382)	(1,126)
Total accumulated depreciation	(7,792)	(7,390)
Total property, plant and equipment, net	842	573
Depreciation charge from continuing operations for the period ended December 31,	443	491

The depreciation charge from continuing operations for the year 2020 was USD 988,207.

In 2022, 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 2022.

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

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

Note 17. Intangible assets

Intangible assets and future amortization expenses consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
<i>Intangible assets not subject to amortization:</i>		
Cryptocurrencies	96	100
<i>Intangible assets subject to amortization:</i>		
Trademarks	136	137
Patents	2,281	2,281
License agreements	11,195	11,326
Other intangibles	6,393	6,469
Total intangible assets gross	20,101	20,313
<i>Accumulated amortization for:</i>		
Trademarks	(136)	(137)
Patents	(2,281)	(2,281)
License agreements	(11,193)	(11,321)
Other intangibles	(6,393)	(6,469)
Total accumulated amortization	(20,003)	(20,208)
Total intangible assets subject to amortization, net	2	5
Total intangible assets, net	98	105
Amortization charge from continuing operations for the year ended December 31,	69	73

The amortization charge from continuing operations for the year 2020 was USD 604,011.

Intangible assets not subject to amortization are made up of a balance of USD 96,164 in cryptocurrencies acquired in the normal course of business to allow the Group to make purchases in cryptocurrencies. The cryptocurrency balance was initially recorded at cost. The Group did not identify any impairment factors in the year ended December 31, 2022. Therefore, no impairment losses were recorded in the year ended December 31, 2022 and the balance as at December 31, 2022 remains USD 96,164.

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: 3 to 10 years

Future amortization charges are detailed below:

Future estimated aggregate amortization expense Year	USD'000
2023	2
2024	-
2025	-
Total intangible assets subject to amortization, net	2

Note 18. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. As at December 31, 2022, WISeKey holds nine operating leases, and one short-term lease. 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.

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 2022, 2021, and 2020 we recognized rent expenses associated with our leases as follows:

USD'000	12 months ended December 31, 2022	12 months ended December 31, 2021	12 months ended December 31, 2020
<i>Finance lease cost:</i>			
Amortization of right-of-use assets	33	68	66
Interest on lease liabilities	1	7	12
<i>Operating lease cost:</i>			
Fixed rent expense	587	695	602
Short-term lease cost	2	7	22
Net lease cost from continuing operations	623	777	702
Lease cost - Cost of sales	-	-	-
Lease cost - General & administrative expenses	623	777	702
Net lease cost from continuing operations	623	777	702

In the years 2022 and 2021, we had the following cash and non-cash activities associated with our leases:

USD'000	As at December 31, 2022	As at December 31, 2021
<i>Cash paid for amounts included in the measurement of lease liabilities:</i>		
Operating cash flows from finance leases	61	114
Operating cash flows from operating leases	610	580
Financing cash flows from finance leases	1	7
<i>Non-cash investing and financing activities :</i>		
Net lease cost	623	777
<i>Additions to ROU assets obtained from:</i>		
New finance lease liabilities	-	-
New operating lease liabilities	56	1,197

As at December 31, 2022, future minimum annual lease payments were as follows:

Year	USD'000 Operating	USD'000 Short-term	USD'000 Finance	USD'000 Total
2023	604	1	-	605
2024	584	-	-	584
2025	575	-	-	575
2026	530	-	-	530
2027 and beyond	442	-	-	442
Total future minimum operating and short-term lease payments	2,735	1	-	2,736
Less effects of discounting	(416)	-	-	(416)
Less effects of practical expedient	-	(1)	-	(1)
Lease liabilities recognized	2,319	-	-	2,319

As of December 31, 2022, the weighted-average remaining lease term was 5.04 years for operating leases. At the start of the reporting period, the Group had a finance lease that was terminated during the year.

For our former 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, 2022 was 3.21%.

Note 19. Goodwill

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 1, 2022, 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, 2022, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2022.

Impairment reviews have been conducted for the goodwill allocated to the reporting unit ("RU) relating to the acquisition of WISeKey Semiconductors SAS in 2016. Fair value has been determined based on the income approach. Cash flows have been projected over 5 years

from the date of the assessment and have been discounted at the pre-tax weighted average cost of capital. Fair value is higher than its carrying value. The WISeKey Semiconductors SAS RU has a negative carrying amount.

USD'000	IoT Segment	Total
Goodwill balance as at December 31, 2020	8,317	8,317
Goodwill acquired during the year	-	-
Impairment losses	-	-
As a December 31, 2021		
Goodwill	8,317	8,317
Accumulated impairment losses	-	-
Goodwill balance as at December 31, 2021	8,317	8,317
Goodwill acquired during the year	-	-
Impairment losses	-	-
As a December 31, 2022		
Goodwill	8,317	8,317
Accumulated impairment losses	-	-
Goodwill balance as at December 31, 2022	8,317	8,317

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

Note 20. Equity securities, at cost

Investment in FOSSA SYSTEMS s.l.

On April 8, 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, 2022, 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, 2022, and the carrying value of the FOSSA investment as at December 31, 2022 was EUR 440,000 (USD 472,222 at closing rate).

Warrant agreement in Tarmin

On September 27, 2018, WISeKey purchased a warrant agreement in Tarmin Inc. ("**Tarmin**") from ExWorks Capital Fund I, L.P. ("**ExWorks**"). As a result, WISeKey entered into a warrant agreement with Tarmin Inc (the "**Tarmin Warrant**"), a private Delaware company, leader in data and 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 million.

The Tarmin Warrant was assessed as an equity investment without a readily determinable fair value, initially recognized on the balance sheet at USD 7 million. In 2020, we recorded an impairment loss of the full USD 7 million then carrying value of the Tarmin Warrant. Therefore, the carrying value of the Tarmin Warrant as at December 31, 2022 is USD nil.

Note 21. 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, 2022, the fair value was recalculated using the closing market price on the Frankfurt Stock Exchange of EUR 0.0005 (USD 0.0005) and amounted to USD 1,180. The difference of USD 71 from the fair value at December 31, 2021 (USD 1,251) was accounted for in the income statement as a non-operational expense.

Note 22. 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 23. Accounts payable

The accounts payable balance consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Trade creditors	5,207	5,842
Factors or other financial institutions for borrowings	-	26
Accounts payable to Board Members	353	2,802
Accounts payable to other related parties	70	189
Accounts payable to underwriters, promoters, and employees	3,918	2,845
Other accounts payable	3,853	3,082
Total accounts payable	13,401	14,786

As at December 31, 2022, accounts payable to Board Members are made up of accrued bonus of CHF 326,014.70 (USD 352,670) payable to Carlos Moreira (see Note 40 for detail).

As at December 31, 2022, accounts payable to other related parties are made up of a CHF 64,620 (USD 69,903) payable to OISTE (see Note 40 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 24. Notes payable

Notes payable consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Short-term loan	4,121	4,122
Short-term loan from shareholders	75	84
Total notes payable	4,196	4,206

As at December 31, 2022, the current notes payable balance was made up of:

- a USD 4,030,000 short-term loan with ExWorks (see detail in Note 26), and
- a CHF 83,800 (USD 90,652) current portion of the Covid loans with UBS (see Note 26).

As at December 31, 2022, the short-term loan from shareholders was made up of loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 75,038 at closing rate (USD 83,932 as at December 31, 2021). These loans do not bear interests. See Note 40 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, 2022 and December 31, 2021.

Note 25. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2022	As at December 31, 2021
Value-Added Tax payable	-	19
Other tax payable	108	85
Customer contract liability, current	105	128
Other current liabilities	196	208
Total other current liabilities	409	440

Note 26. 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 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 1, 2021, now over a period of five years ending March 31, 2023 in line with the amendment signed by the parties on March 4, 2020. Provided that a sufficient number of WIHN 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 WIHN Class B Shares are issued out of authorized share capital) or purchase (if the WIHN Class B Shares are delivered out of treasury) WIHN 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 WIHN 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 capitalized fee recognized in APIC was fully amortized as of December 31, 2021.

In the year to December 31, 2022, there were no drawdowns made under the SEDA. As at December 31, 2022, the outstanding equity financing available was CHF 45,643,955.

Credit Agreement with ExWorks Capital Fund I, L.P

On April 4, 2019 WiSeCoin AG (“WiSeCoin”), an affiliate of the Group, 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 was April 4, 2020 therefore all outstanding balances are classified as current liabilities in the balance sheet. ExWorks can elect to have part or of 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 was 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 Group. Under certain circumstances, additional security may be granted over the intellectual property rights of WiSeCoin.

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, 2022, 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 Group has been in contact with ExWorks regarding a potential sale of its investment in Tarmin, a company in which ExWorks is also a significant shareholder (see Note 20). It is the view of the management of the Group 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.

Loan Agreements with UBS SA

On March 26, 2020, two members of the Group, WISeKey International Holding Ltd and WISeKey SA, 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 have started since 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 Group. In particular, the Group 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 years to December 31, 2021 and 2022, WISeKey repaid, respectively, CHF 70,000 and CHF 83,800 out of the loans. Therefore, as at December 31, 2022, the outstanding balance on the loans was CHF 417,700 (USD 451,852).

Credit Agreement with L1 Capital Global Opportunities Master Fund

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**"). 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 WIHN 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 WIHN 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 First Amendment to the Subscription Agreement (the "**L1 First Amendment**"), pursuant to which WISeKey has the right to request L1 to subscribe for four "accelerated" note tranches of between USD 1 million and 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. 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**”).

On March 3, 2022, WISeKey and L1 entered into the Second Amendment to the Subscription Agreement (the “**L1 Second Amendment**”), pursuant to which, for the remaining facility of USD 5 million, WISeKey has the right to request L1 to subscribe for five “additional accelerated” note tranches (the “**L1 Additional Accelerated Tranches**”) of between USD 1 million and USD 5 million each or any other amount agreed between the parties, up until March 2, 2024, subject to certain conditions. 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 of the L1 Additional Accelerated Tranches which is 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 and L1 Additional 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 for a total of USD 17 million under the L1 Facility and the L1 First Amendment. Per the terms of the L1 Facility, WISeKey issued L1 with a total of 3,078,963 warrants on WIHN Class B Shares at an exercise price of CHF 5. The warrant agreements were all assessed as equity instruments and were fair valued at grant at an aggregate amount of USD 479,872 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 six subscriptions was USD 17,819,019, with a cumulated debt discount in relation to warrants of USD 445,331.

In 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 Shares. 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.

During the year ended December 31, 2022, WISeKey made six subscriptions under the L1 Facility and the L1 Second Amendment as follows:

- On March 4, 2022, an L1 Additional Accelerated Tranche for convertibles notes in the amount USD 1 million. The funds were received on March 7, 2022. On March 4, 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. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD 9,881 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 0.481. The fair value of the debt was calculated using the discounted cash flow method as USD 1,077,895. 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 9,084, and the credit entry was booked in APIC.
- On April 14, 2022, an L1 Additional Accelerated Tranche for convertibles notes in the amount USD 500'000. The funds were received on April 20, 2022. On April 14, 2022, in line with the terms of the L1 Facility, WISeKey issued L1 with 280,439 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 2,975 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 0.4295. The fair value of the debt was calculated using the discounted cash flow method as USD 538,515. 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 2,747, and the credit entry was booked in APIC.
- On July 12, 2022, an L1 Additional Accelerated Tranche for convertibles notes in the amount USD 1,000'000. The funds were received on July 13, 2022. On July 12, 2022, in line with the terms of the L1 Facility, WISeKey issued L1 with 987,755 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 nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 0.258. The fair value of the debt was calculated using the discounted cash flow method as USD 1,077,182.
- On October 6, 2022, an L1 Additional Accelerated Tranche for convertibles notes in the amount USD 1,000'000. The funds were received on October 7, 2022. On October 6, 2022, in line with the terms of the L1 Facility, WISeKey issued L1 with 1,216,216 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 nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 0.201. The fair value of the debt was calculated using the discounted cash flow method as USD 991,385.

- On November 15, 2022, an L1 Additional Accelerated Tranche for convertibles notes in the amount USD 700'000. The funds were received on November 16, 2022. On November 15, 2022, in line with the terms of the L1 Facility, WISeKey issued L1 with 908,746 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 nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 0.1752. The fair value of the debt was calculated using the discounted cash flow method as USD 693,669.
- On December 22, 2022, an L1 Additional Accelerated Tranche for convertibles notes in the amount USD 800'000. The funds were received on December 23, 2022. On December 22, 2022, in line with the terms of the L1 Facility, WISeKey issued L1 with 1,060,626 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 nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 0.172. The fair value of the debt was calculated using the discounted cash flow method as USD 792,592.

During the year ended December 31, 2022, L1 converted a total of USD 2,8 million out of the L1 Initial Tranche, and USD 4.3 million out of the L1 Accelerated Tranches and L1 Additional Accelerated Tranches, resulting in the delivery of a total of 29,225,645 WIHN Class B Shares. A debt discount charge of USD 87,795 was amortized to the income statement, a debt conversion expense of USD 366,116 was recorded in the income statement, and unamortized debt discounts totaling USD 304,019 were booked to APIC on conversions as per ASC 470-02-40-4.

As at December 31, 2022, the outstanding L1 Facility available was USD nil. Convertible notes in an aggregate amount of USD 1,400,000 remained unconverted and the unamortized debt discount balance was USD 133,471, hence a carrying value of USD 1,266,529.

Credit Agreement with Anson Investments Master Fund LP

On June 29, 2021, WISeKey entered into the Anson Facility, an Agreement for the Issuance and Subscription of Convertible Notes 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**"). 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 WIHN 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 WIHN 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 Anson Initial Tranche, and a subscription fee of USD 220,000 to Anson representing 2% of the principal value of the Anson 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 subscription fee payable in WIHN Class B Shares representing 2% of the principal value of the subscribed funds and a 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 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 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 ended December 31, 2021, WISeKey made a total of three subscriptions for a total of USD 16.5 million under the Anson Facility and the Anson First Amendment. Per the terms of the Anson Facility, WISeKey issued Anson with a total of 2,821,922 warrants on WIHN Class B Shares at an exercise price of CHF 5. The warrant agreements were all assessed as equity instruments and were fair valued at grant at an aggregate amount of USD 480,046 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 three subscriptions was USD 17,000,080, with a cumulated debt discount in relation to warrants of USD 453,095.

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. 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.

During the year ended December 31, 2022, WISeKey did not make any new subscriptions under the Anson Facility.

During the year ended December 31, 2022, Anson converted a total of USD 1.2 million out of the Anson Initial Tranche, and USD 5.5 million out of the Anson Accelerated Tranches, resulting in the delivery of a total of 14,351,699 WIHN Class B Shares. A debt discount charge of USD 79,707 was amortized to the income statement, a debt conversion expense of USD 460,956 was recorded in the income statement, and unamortized debt discounts totaling USD 222,195 were booked to APIC on conversions as per ASC 470-02-40-4.

As at December 31, 2022 the outstanding Anson Facility available was USD 5.5 million, there were no unconverted convertible notes outstanding and the unamortized debt discount balance was USD nil.

Production Capacity Investment Loan Agreement

In November 2022, WISeKey Semiconductors SAS entered into a loan agreement with a third party client to borrow funds for the purpose of increasing their production capacity. Under the terms of the Agreement, the client has lent to WISeKey Semiconductors SAS a total of USD 2,000,000. The loan will be reimbursed by way of a volume rebate against future sales volumes from the WISeKey Semiconductors group to the client during the period from July 1, 2023, through to December 31, 2025. The volume rebate is based upon quarterly sales volumes in excess of a base limit on a yearly projected basis. Any amount still outstanding as at December 31, 2025 falls due for repayment on this date. The loan does not bear any interest and there were no fees or costs attributed to the loan.

An unamortized debt discount totaling USD 511,128 was calculated and booked to APIC in 2022. WISeKey has not repaid any amount as at December 31, 2022, and no debt discount charge was recorded to the income statement in 2022. The amortization of the debt discount will start in 2023.

Therefore, as at December 31, 2022, the loan balance was USD 2,000,000 and the unamortized debt discount balance was USD 511,128, leaving a carrying value of USD 1,488,872.

Note 27. 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, 2022 is based on annual personnel costs and assumptions as of December 31, 2022.

Personnel Costs	As at December 31,	As at December 31,	As at December 31,
USD'000	2022	2021	2020
Wages and Salaries	12,401	12,208	12,145
Social security contributions	3,123	3,320	3,230
Net service costs	422	671	646
Other components of defined benefit plans, net	14	(78)	248
Total	15,960	16,121	16,268

Assumptions	2022		As at December 31,		2020	
	France	Switzerland	2021	2021	France	Switzerland
Discount rate	3.65%	2.25%	0.75%	0.33%	0.30%	0.15%
Expected rate of return on plan assets	n/a	3.00%	n/a	1.50%	n/a	1.50%
Salary increases	3%	1.50%	3%	1.50%	3%	1.50%

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's asset allocation.

As at December 31, 2022 the Group's accumulated benefit obligation amounted to USD 11,665,000.

Reconciliation to Balance Sheet start of year

USD'000

Fiscal year	2022	2021	2020
Fair value of plan assets	(12,169)	(12,332)	(10,686)
Projected benefit obligation	16,938	19,100	17,566
Surplus/deficit	4,769	6,768	6,880
Opening balance sheet asset/provision (funded status)	4,769	6,768	6,880
Reconciliation of benefit obligation during the year			
Projected benefit obligation at start of year	16,938	19,100	17,566
Net Service cost	213	263	436
Interest expense	52	29	50
Plan participant contributions	98	153	141
Net benefits paid to participants	(2,225)	(278)	(8)
Prior service costs	0	(123)	(698)
Actuarial losses/(gains)	(2,892)	(1,407)	(74)
Curtailment & Settlement	0	(194)	0
Reclassifications	0	0	(2)
Currency translation adjustment	(317)	(605)	1,689
Projected benefit obligation at end of year	11,867	16,938	19,100
Reconciliation of plan assets during year			
Fair value of plan assets at start of year	(12,169)	(12,332)	(10,686)
Employer contributions paid over the year	(190)	(263)	(244)
Plan participant contributions	(98)	(153)	(141)
Net benefits paid to participants	2,201	162	(22)
Interest income	(157)	(177)	(167)
Return in plan assets, excl. amounts included in net interest	82	224	(29)
Currency translation adjustment	223	370	(1,043)
Fair value of plan assets at end of year	(10,108)	(12,169)	(12,332)
Reconciliation to balance sheet end of year			
Fair value of plan assets	(10,108)	(12,169)	(12,332)
Defined benefit obligation - funded plans	11,867	16,938	19,100
Surplus/deficit	1,759	4,769	6,768
Closing balance sheet asset/provision (funded status)	1,759	4,769	6,768
Estimated amount to be amortized from accumulated OCI into NPBC over next fiscal year			
Net loss (gain)	152	270	286
Unrecognized transition (asset)/obligation	0	0	0
Prior service cost/(credit)	(28)	(12)	61
Amounts recognized in accumulated OCI			
Net loss (gain)	(338)	2,651	4,237
Unrecognized transition (asset)/obligation	0	0	0
Prior service cost/(credit)	(503)	(537)	(440)
Deficit	(841)	2,114	3,797

Movement in Funded Status**USD'000**

Fiscal year	2022	2021	2020
Opening balance sheet liability (funded status)	4,769	6,768	6,880
Net Service cost	213	263	436
Interest cost/(credit)	52	29	50
Expected return on Assets	(157)	(177)	(167)
Amortization on Net (gain)/loss	152	270	284
Amortization on Prior service cost/(credit)	(28)	(12)	61
Settlement / curtailment cost / (credit)	0	(194)	0
Currency translation adjustment	(5)	6	20
Total Net Periodic Benefit Cost/(credit)	227	185	684
Actuarial (gain)/loss on liabilities due to experience	109	(342)	(72)
Actuarial gain/loss on liab. from changes to fin. assump	(3,001)	(420)	0
Actuarial (gain)/loss on liab. from changes to demo. assump	0	(645)	0
Return in plan assets, excl. amounts included in net interest	82	224	(29)
Prior service cost/(credit)	0	(123)	(698)
Amortization on Net (gain)/loss	(152)	(270)	(284)
Amortization on Prior service cost/(credit)	28	12	(61)
Currency translation adjustment	0	(8)	(45)
Total gain/loss recognized via OCI	(2,934)	(1,572)	(1,189)
Employer contributions paid in the year + Cashflow required to pay benefit payments	(214)	(379)	(274)
Total cashflow	(214)	(379)	(274)
Currency translation adjustment	(89)	(233)	669
Reclassification	0	0	(2)
Closing balance sheet liability (funded status)	1,759	4,769	6,768
Reconciliation of Net Gain / Loss			
Amount at beginning of year	2,651	4,237	4,258
Amortization during the year	(152)	(270)	(284)
Asset (gain) / loss	82	224	(29)
Liability (gain) / loss	(2,892)	(1,407)	(72)
Reclassifications	0	0	(2)
Currency translation adjustment	(27)	(133)	366
Amount at year-end	(338)	2,651	4,237
Reconciliation of prior service cost/(credit)			
Amount at beginning of year	(537)	(440)	300
Amortization during the year	28	12	(61)
Prior service costs for the current period	0	(123)	(698)
Currency translation adjustment	6	14	19
Amount at year-end	(503)	(537)	(440)

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	France	Switzerland
USD'000		
2023	26	369
2024	8	363
2025	29	2,070
2026	50	498
2027	49	561
2028 to 2032	331	2,737

The Group expects to make contributions of approximately USD 221,000 in 2023.

There are no plan assets expected to be returned to the employer during the 12-month period following December 31, 2022.

Note 28. Commitments and contingencies**Lease commitments**

The future payments due under leases are shown in Note 18.

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 29. Stockholders' equity

Stockholders' equity consisted of the following:

WISeKey International Holding Ltd	As at December 31, 2022		As at December 31, 2021	
	Class A Shares	Class B Shares	Class A Shares	Class B Shares
Share Capital				
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	5,334,177	400,186	4,685,301
<i>Per Articles of association and Swiss capital categories</i>				
Authorized Capital - Total number of authorized shares	-	25,000,000	-	18,469,207
Conditional Share Capital - Total number of conditional shares ⁽¹⁾	10,000,000	52,100,000	12,000,000	31,469,207
Total number of fully paid-in shares	40,021,988	100,294,518	40,021,988	88,120,054
<i>Per US GAAP</i>				
Total number of authorized shares	50,021,988	177,419,580	40,021,988	138,058,468
Total number of fully paid-in issued shares ⁽¹⁾	40,021,988	100,294,518	40,021,988	88,120,054
Total number of fully paid-in outstanding shares ⁽¹⁾	40,021,988	99,837,254	40,021,988	80,918,390
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	5,334,177	400,186	4,685,301
Total share capital (in USD)	5,734,363		5,085,487	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	457,264	-	7,201,664
Treasury share capital (in USD)	-	370,744	-	636,436
Total treasury share capital (in USD)	-	370,744	-	636,436

(1) Conversions of conditional capital that were not registered with the commercial register as of December 31, 2022 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, 2022 and 2021 respectively, WISeKey purchased a total of 135,360 and 28,668,037 treasury shares at an average purchase price of USD 0.74 and USD 0.07 per share, and sold a total of 6,879,860 and 26,249,508 treasury shares at an average sale price of USD 0.63 and USD 1.17 per share.

Share buyback program

On July 9, 2019, the Group started a share buyback program on the SIX Swiss Exchange to buy back Class B Shares up to a maximum 10% 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 ended on July 8, 2022.

As at December 31, 2022, WISeKey's treasury share balance included 135,360 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 share 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 30. Accumulated other comprehensive income

USD'000	
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
Total net foreign currency translation adjustments	(470)
Total defined benefit pension adjustment	2,934
Total reclassification adjustments under ASC 830-30-40-1	2,402
Total other reclassification adjustments	(338)
Total other comprehensive income/(loss), net	4,528
Accumulated other comprehensive income as at December 31, 2022	5,935

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

Note 31. 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 37 - 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).

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-shelf 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.

Product and services	Nature, timing of satisfaction of performance obligations and significant payment terms
	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 USD'000	Typical payment	At one point in time			Over time			Total		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
IoT Segment										
Secure chips	Upon delivery	23,198	16,867	14,317	-	-	-	23,198	16,867	14,317
Total IoT segment revenue		23,198	16,867	14,317	-	-	-	23,198	16,867	14,317
mPKI Segment										
Certificates	Upon issuance	-	-	-	111	153	175	111	153	175
Licenses and integration	Upon delivery	107	607	287	149	-	-	256	607	287
SaaS, PCS and hosting	Quarterly or yearly	-	-	-	249	19	-	249	19	-
Total mPKI segment revenue		107	607	287	509	172	175	616	779	462
Total Revenue from continuing operations		23,305	17,474	14,604	509	172	175	23,814	17,646	14,779

For the years ended December 31, 2022, 2021, and 2020 the Group recorded no revenues related to performance obligations satisfied in prior periods.

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

Net sales by region USD'000	12 months ended December 31,		
	2022	2021	2020
IoT Segment			
Switzerland	751	406	278
Rest of EMEA	6,026	3,721	4,228
North America	13,609	10,631	8,217
Asia Pacific	2,745	2,062	1,526
Latin America	67	47	68
Total IoT segment revenue	23,198	16,867	14,317
mPKI Segment			
Switzerland	253	596	314
Rest of EMEA	234	98	93
North America	68	58	43
Asia Pacific	-	-	-
Latin America	61	27	12
Total mPKI segment revenue	616	779	462
Total Net sales from continuing operations	23,814	17,646	14,779

*EMEA means Europe, Middle East and Africa

Contract assets, deferred revenue and contract liability

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

USD'000	As at December 31, 2022	As at December 31, 2021
Trade accounts receivables		
Trade accounts receivable - IoT segment	2,269	2,655
Trade accounts receivable - mPKI segment	194	165
Total trade accounts receivables	2,463	2,820
Contract assets	-	-
Total contract assets	-	-
Contract liabilities - current	105	128
Contract liabilities - noncurrent	8	57
Total contract liabilities	113	185
Deferred revenue		
Deferred revenue - mPKI segment	197	192
Deferred revenue - IoT segment	-	-
Total deferred revenue	197	192
Revenue from continuing operations recognized in the period from amounts included in the deferred revenue at the beginning of the year	209	290

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, 2022, approximately USD 310,000 is expected to be recognized from remaining performance obligations for mPKI and IoT 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, 2022 (USD'000)	Total
2023	279
2024	31
Total remaining performance obligation from continuing operations	310

Note 32. Other operating income

USD'000	12 months ended December 31,		
	2022	2021	2020
Accounts payable write-off	1,899	-	-
Other operating income from related parties	66	71	43
Other operating income - other	108	112	-
Total other operating income from continuing operations	2,073	183	43

The accounts payable write-off relates to a liability recorded in 2013 by WISeKey Semiconductors SAS which the creditor in insolvency can no longer claim.

In the year 2022, 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 40).

Note 33. 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, 2020, the Group granted a total of 467,617 options exercisable in WIHN Class B Shares. Each option is exercisable into one WIHN 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 WIHN 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.

In the 12 months to December 31, 2022, the Group granted a total of 4,054,980 options exercisable in WIHN Class B Shares. Each option is exercisable into one WIHN Class B Share.

The options granted consisted of:

- 3,864,188 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2022;
- 164,271 options with immediate vesting granted to Board members, all of which had been exercised as of December 31, 2022;
- 6,600 options vesting on July 1, 2023 granted to employees;
- 6,600 options vesting on July 1, 2024 granted to employees;
- 6,800 options vesting on July 1, 2025 granted to employees;
- 6,521 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2022;

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

There was no grant of options on WIHN Class A Shares in the year ended December 31, 2022.

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 year ended December 31, 2022, a total charge of USD 744,431 was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant, in relation to options:

- USD 743,740 for options granted to employees and Board members; and
- USD 691 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, 2022	December 31, 2021	December 31, 2020
Dividend yield	None	None	None
Risk-free interest rate used (average)	1.00%	1.00%	1.00%
Expected market price volatility	69.58 - 87.74%	61.33 - 99.64%	37.61% - 65.38%
Average remaining expected life of stock options on WIHN Class B Shares (years)	4.25	4.31	3.43
Average remaining expected life of stock options on WIHN Class A Shares (years)	2.40	3.40	n/a

Unvested options to employees as at December 31, 2022 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, 2022 and 2021.

Non-vested options	Options on WIHN Class B Shares		Options on WIHN Class A Shares	
	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, 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
Granted	4,054,980	0.17	-	-
Vested	(4,084,646)	0.18	-	-
Non-vested forfeited or cancelled	-	-	-	-
Non-vested options as at December 31, 2022	87,000	0.75	-	-

As at December 31, 2022, there was a USD 30,226 unrecognized compensation expense related to non-vested stock option-based compensation arrangements. Non-vested stock options outstanding as at December 31, 2022 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, 2022 and 2021.

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, 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	-	-	-
Granted	4,054,980	0.05	-	-
Exercised or converted	(312,828)	0.05	-	39,661
Forfeited or cancelled	-	-	-	-
Expired	(522,042)	4.36	-	-
Outstanding as at December 31, 2022	7,031,754	0.06	6.10	887,345
Of which vested	6,944,754	0.06	6.11	878,378
Of which non-vested	87,000	-	-	-

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, 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
Granted	-	-	-	-
Outstanding as at December 31, 2022	9,818,000	0.01	5.90	248,950
Of which vested	9,818,000	0.01	5.90	248,950

Summary of stock-based compensation expenses

Stock-based compensation expenses from continuing operations USD'000	12 months ended December 31,		
	2022	2021	2020
In relation to Employee Stock Option Plans (ESOP)	743	3,761	363
In relation to non-ESOP Option Agreements	1	22	30
Total	744	3,783	393

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

Stock-based compensation expenses from continuing operations USD'000	12 months ended December 31,		
	2022	2021	2020
Research & development expenses	177	485	6
Selling & marketing expenses	280	820	209
General & administrative expenses	287	2,478	178
Total	744	3,783	393

Note 34. Non-operating income

Non-operating income consisted of the following:

USD'000	12 months ended December 31,		
	2022	2021	2020
Foreign exchange gain	3,813	2,379	839
Financial income	9	-	8
Interest income	5	9	16
Other	110	121	264
Total non-operating income from continuing operations	3,937	2,509	1,127

Note 35. Non-operating expenses

Non-operating expenses consisted of the following:

USD'000	12 months ended December 31,		
	2022	2021	2020
Foreign exchange losses	3,618	2,146	2,195
Financial charges	56	158	104
Interest expense	565	893	685
Other components of defined benefit plans, net	14	(78)	248
Impairment of equity securities at cost	-	-	7,000
Accounts receivable write-off	1,282	-	-
Other	16	307	847
Total non-operating expenses from continuing operations	5,551	3,426	11,079

The accounts receivable write-off relates to a debt that WISeKey paid on behalf of arago GmbH in 2022. In line with the recoverability assessment performed on the purchase price of arago (see Note 14), management believes that there is a significant risk around this receivable from arago and has recorded a credit loss in the full amount of the debt.

Note 36. Income taxes

The components of income before income taxes are as follows:

Income / (Loss) USD'000	12 months ended December 31,		
	2022	2021	2020
Switzerland	16,314	(14,756)	(22,277)
Foreign	(3,269)	(8,703)	(6,621)
Income/(loss) before income tax from continuing operations	(13,045)	(23,459)	(28,898)

Income taxes relating to the Group are broken down as follows:

Income taxes USD'000	12 months ended December 31,		
	2022	2021	2020
Switzerland	-	-	-
Foreign	3,238	(13)	(9)
Income tax income / (expense) from continuing operations	3,238	(13)	(9)

The difference between the income tax recovery (expense) at the Swiss statutory rate compared to the Group's income tax recovery (expense) as reported is reconciled below::

USD'000	12 months ended December 31,		
	2022	2021	2020
Net income/(loss) from continuing operations before income tax	(13,045)	(23,459)	(28,898)
Statutory tax rate	14%	14%	14%
Expected income tax (expense)/recovery	1,825	3,282	4,043
Change in valuation allowance	(3,129)	(2,849)	(631)
Change in tax loss carryforwards	5,760	(341)	(3,411)
Add back loss carryforwards used for the debt remission by WISeKey Semiconductors SAS	1,342	-	-
Permanent Difference	(2,560)	(105)	(10)
Income tax (expense) / recovery from continuing operations	3,238	(13)	(9)

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 income tax assets/(liabilities) USD'000	As at December 31, 2022	As at December 31, 2021
Switzerland	-	-
Foreign	3,295	1
Deferred income tax assets/(liabilities)	3,295	1

Deferred tax assets and liabilities USD'000	As at December 31, 2022	As at December 31, 2021
Stock-based compensation	-	92
Defined benefit accrual	161	748
Tax loss carry-forwards	20,759	14,999
Add back loss carryforwards used for the debt remission by WISeKey Semiconductors SAS	1,342	-
Valuation allowance	(18,967)	(15,838)
Deferred tax assets / (liabilities)	3,295	1

As of December 31, 2022, 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, 2022

USD'000	USA	Switzerland	Spain	France	UK	India	Vietnam	Saudi Arabia	Gibraltar	Total
2023	-	9,710	197	14,396	28	-	-	24	4	24,359
2024	-	5,594	1,144	-	2	-	-	39	-	6,779
2025	-	10,248	1,173	-	1	78	-	-	-	11,500
2026	-	6,048	-	-	1	312	-	-	-	6,361
2027	-	20,921	-	-	2	240	3	-	-	21,166
2028	-	25,803	-	-	1	146	-	-	-	25,950
2029	-	51,751	-	-	-	72	-	-	-	51,823
2030	-	-	-	-	-	54	-	-	-	54
2031	-	-	22	-	-	29	-	-	-	51
2032	21	-	22	-	-	-	-	-	-	43
2033	-	-	66	-	-	-	-	-	-	66
2034	-	-	76	-	-	-	-	-	-	76
2035	247	-	86	-	-	-	-	-	-	333
2036	-	-	176	-	-	-	-	-	-	176
2037	159	-	98	-	-	-	-	-	-	257
2038	-	-	155	-	-	-	-	-	-	155
2039	220	-	165	-	-	-	-	-	-	385
2040	90	-	-	-	-	-	-	-	-	90
2041	-	-	-	-	-	-	-	-	-	-
2042	45	-	-	-	-	-	-	-	-	45
Total operating loss carry-forwards / Year of expiration if applicable to jurisdiction	782	130,075	3,380	14,396	35	931	3	63	4	149,669

The following tax years remain subject to examination:

Significant jurisdictions	Open years
Switzerland	2017 - 2022
USA	2021 - 2022
France	2020 - 2022
Spain	2018 - 2022
Japan	2022
Taiwan	2022
India	2022
Germany	2021 - 2022
UK	2017 - 2022
Arabia	2022
Vietnam	2022
Gibraltar	2022

As at December 31, 2022, WISeKey Semiconductors SAS had recorded a USD 39,901 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 37. Segment information and geographic data

The Group has two segments: Internet of Things (“IoT”, previously referred to as “Semiconductors”), and managed Public Key Infrastructure (“mPKI”, previously referred to as “Others”). The Group’s chief operating decision maker, who is its Chief Executive Officer, reviews financial performance according to these two segments (three in prior period, with the AI segment) for purposes of allocating resources and assessing budgets and performance.

The IoT segment encompasses the design, manufacturing, sales and distribution of microprocessors operations.

The mPKI segment includes all operations relating to the provision of secured access keys, authentication, signing software, certificates and digital security applications.

12 months to December 31, USD'000	2022			2021			2020		
	IoT	mPKI	Total	IoT	mPKI	Total	IoT	mPKI	Total
Revenues from external customers	23,198	616	23,814	16,867	779	17,646	14,317	462	14,779
Intersegment revenues	-	1,931	1,931	128	2,506	2,634	-	6,786	6,786
Interest revenue	10	5	15	1	54	55	8	59	67
Interest expense	4	572	576	30	976	1,006	12	707	718
Depreciation and amortization	408	104	512	470	94	564	1,501	91	1,592
Segment income/(loss) before income taxes	4,589	(17,542)	(12,953)	(1,302)	(22,032)	(23,334)	(2,038)	(26,537)	(28,575)
Profit/(loss) from intersegment sales	-	92	92	6	119	125	-	323	323
Income tax recovery/(expense)	3,251	(12)	3,238	-	(13)	(13)	-	(9)	(9)
Other significant non cash items									
Share-based compensation expense	-	744	744	-	3,783	3,783	-	393	393
Gain on derivative liability	-	-	-	-	-	-	-	44	44
Interest and amortization of debt discount and expense	-	168	168	-	1,057	1,057	-	458	458
Segment assets	29,145	53,713	82,858	11,377	89,410	100,787	11,031	40,327	51,358

Revenue and Loss reconciliations USD'000	12 months ended December 31,		
	2022	2021	2020
Revenue reconciliation			
Total revenue for reportable segment	25,745	20,280	21,565
Elimination of intersegment revenue	(1,931)	(2,634)	(6,786)
Total consolidated revenue	<u>23,814</u>	<u>17,646</u>	<u>14,779</u>
Loss reconciliation			
Total profit/(loss) from reportable segments	(12,953)	(23,334)	(28,575)
Elimination of intersegment profits	(92)	(125)	(323)
Loss before income taxes	<u>(13,045)</u>	<u>(23,459)</u>	<u>(28,898)</u>

Asset reconciliation USD'000	As at December 31,	
	2022	2021
Total assets from reportable segments	82,858	100,787
Elimination of intersegment receivables	(6,112)	(10,253)
Elimination of intersegment investment and goodwill	(27,250)	(34,809)
Total assets held for sale from discontinued operations	-	33,080
Consolidated total assets	<u>49,496</u>	<u>88,805</u>

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 USD'000	12 months ended December 31,		
	2022	2021	2020
Switzerland	1,004	1,002	592
Rest of EMEA*	6,260	3,819	4,321
North America	13,677	10,689	8,260
Asia Pacific	2,745	2,062	1,526
Latin America	128	74	80
Total net sales from continuing operations	23,814	17,646	14,779

* EMEA means Europe, Middle East and Africa

Property, plant and equipment, net of depreciation, by region USD'000	As at December 31,	As at December 31,
	2022	2021
Switzerland	231	85
Rest of EMEA*	608	481
North America	1	1
Asia Pacific	2	6
Total Property, plant and equipment, net of depreciation	842	573

* EMEA means Europe, Middle East and Africa

Note 38. Earnings/(Loss) per share

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

Gain / (loss) per share	12 months ended December 31,		
	2022	2021	2020
Net gain / (loss) attributable to WISeKey International Holding AG (USD'000)	(27,475)	(20,340)	(28,659)
Effect of potentially dilutive instruments on net gain (USD'000)	n/a	n/a	n/a
Net income / (loss) attributable to WISeKey International Holding AG after effect of potentially dilutive instruments (USD'000)	n/a	n/a	n/a
Shares used in net gain / (loss) per share computation:			
Weighted average shares outstanding - basic	112,402,975	71,642,457	42,785,300
Effect of potentially dilutive equivalent shares	n/a	n/a	n/a
Weighted average shares outstanding - diluted	112,402,975	n/a	n/a
Net gain / (loss) per share			
Basic weighted average loss per share attributable to WIHN (USD)	(0.24)	(0.28)	(0.67)
Diluted weighted average loss per share attributable to WIHN (USD)	(0.24)	(0.28)	(0.67)

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, 2022 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	2022	2021	2020
Total stock options	6,762,559	3,171,936	1,333,434
Total convertible instruments	8,686,533	14,754,955	20,369,716
Total number of shares from dilutive vehicles with anti-dilutive effect	15,449,092	17,926,891	21,703,150

Note 39. Legal proceedings

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

Note 40. 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		Nature of business
				as at December 31, 2022	as at December 31, 2021	
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
WISe.Art AG ³	Switzerland	2020	CHF 100,000	100.0%	100.0%	Sales & distribution
WISeKey Vietnam Ltd	Vietnam	2021	VND 689,400,000	95.75%	95.75%	R&D
SEALSQ Corp.	British Virgin Islands	2022	USD 100	100.0%	n/a	Sales & support
WISeKey (Gibraltar) Limited	Gibraltar	2022	GBP 100	100.0%	n/a	Sales & support
Trust Protocol Association	Switzerland	2019	CHF -	100.0%	100.0%	Association cofounded by WISeKey Equities AG involved in Internet security

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 TrusteCoin AG, formerly WiseAI AG, 100% owned by WISeKey International Holding AG from August 27, 2021

⁴ Formerly SEAL (BVI) Corp.

Related party transactions and balances

Related Parties (in USD '000)	Receivables as at		Payables as at		Net expenses to			Net income from		
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	in the year ended December 31,			in the year ended December 31,		
	2022	2021	2022	2021	2022	2021	2020	2022	2021	2020
1 Carlos Moreira	-	-	353	2,802	-	-	-	-	-	-
2 Philippe Doubre	-	-	-	-	63	179	86	-	-	-
3 David Fergusson	-	-	-	-	68	78	119	-	-	-
4 Eric Pellaton	-	-	-	-	87	92	42	-	-	-
5 Jean-Philippe Ladisa	-	-	-	-	53	68	61	-	-	-
6 Maria Pia Aqueveque Jabbaz	-	-	-	-	34	2	1	-	-	-
7 Cristina Dolan	-	-	-	-	67	-	1	-	-	-
8 Hans-Christian Boos	-	-	2,395	-	158	125	-	-	-	-
9 Juan Hernández Zayas	-	-	-	-	-	-	52	-	-	-
10 Nicolas Ramseier	-	-	-	-	1	-	-	-	-	-
11 Philippe Gerwill	-	-	-	-	-	10	-	-	-	-
12 Geoffrey Lipman	-	-	-	-	-	8	-	-	-	-
13 Don Tapscott	-	-	-	-	-	-	8	-	-	-
14 OISTE	171	129	70	189	252	350	374	157	71	32
15 Terra Ventures Inc	-	-	30	33	-	-	-	-	-	-
16 GSP Holdings Ltd	-	-	13	17	-	-	-	-	-	-
17 SAI LLC (SBT Ventures)	-	-	30	34	-	-	-	-	-	-
18 Related parties of Carlos Moreira	-	-	-	-	200	224	223	-	-	-
Total	171	129	496	5,470	983	1,136	968	157	71	32

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey. A short-term payable in an amount of CHF 326,014.70 (USD 352,670) to Carlos Moreira was outstanding as at December 31, 2022, made up of accrued bonuses.

2. Philippe Doubre is a former Board member of the Group, and former 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, 2022 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, 2022 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, 2022 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, 2022 relate to his Board fee.
6. Maria Pia Aqueveque Jabbaz is a Board member of the Group and former member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2022 relate to her Board fee.
7. Cristina Dolan is a Board member of the Group, and member of the Group's audit committee and nomination & compensation committee. The expenses recorded in the income statement in the year to December 31, 2022 relate to her Board fee.
8. Hans-Christian Boos is the managing director of arago GmbH and, until WISeKey divested it, the former minority shareholder of arago GmbH through two personal companies, Aquilon Invest GmbH and OGARA GmbH. A shareholder of OGARA GmbH, the company that purchased WISeKey's minority interest in arago, he was one of the beneficial owners benefitting from the purchase of WISeKey's 51% controlling interest in arago. Mr. Boos is also a former Board member of the Group.
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 period ended June 24, 2022, a repayment of EUR 158,137 was made under the loan, and an interest charge of EUR 63,162 (USD 69,109) was recorded in the consolidated income statement of WISeKey.
The "Put Option" granted to Aquilon Invest GmbH and OGARA GmbH in 2020 for the remaining 49% share capital of arago in exchange for 12,327,506 WIHN Class B Shares was terminated with the divestiture of arago on June 24, 2022.
9. Juan Hernandez-Zayas is a former Board member of the Group.
10. Nicolas Ramseier is a member of the Group's advisory committee. The expenses recorded in the income statement in the year to December 31, 2022, relate to his advisory committee fee.
11. Philipp Gerwill is a former member of the Group's advisory committee.
12. Geoffrey Lipman is a former member of the Group's advisory committee.
13. Don Tapscott is a former 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.
14. 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, 2022 and income recorded in the income statement in the year to December 31, 2022 relate to the facilities and personnel hosted by WISeKey SA and WISeKey International Holding AG on behalf of OISTE. In the year 2022, WISeKey SA invoiced OISTE CHF 51,066 (USD 53,529), and WISeKey International Holding AG invoiced OISTE CHF 98'994 (USD 103,768).
The payable to OISTE as at December 31, 2022 and expenses relating to OISTE recognized in 2022 are made up of license and royalty fees for the year 2022 under the contract agreement with WISeKey SA.
15. 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.
16. 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 2, 2017. The loan is non-interest bearing and has no set repayment date.
17. SAI LLC, doing business as SBT Ventures, is a former shareholder in WISeKey SAARC Ltd. SAI LLC granted a GBP 25,000 loan to WISeKey SAARC Ltd on January 25, 2017. The loan is non-interest bearing and has no set repayment date.
18. 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 191,214 (USD 200,434) recorded in the income statement in 2022.

Note 41. Subsequent events***Loan Agreements with UBS SA***

On January 19, 2023, WISeKey International Holding Ltd repaid CHF 185,800 as full and final settlement of the Covid loan it had contracted with UBS SA.

Anson Facility

On January 24, 2023, WISeKey and Anson entered into the Anson Second Amendment, pursuant to which WISeKey has the right to request Anson to subscribe for eleven Anson Additional Accelerated Tranches for a total aggregate amount of up to USD 5.5 million, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. The total aggregate amount of the Anson facility remains USD 22 million. The terms and conditions of the Anson Additional Accelerated Tranches issued under the Anson Second Amendment remain the same as the terms and conditions of the Anson Facility except for the conversion price which is that set under the Anson First Amendment.

After December 31, 2022, WISeKey made two subscriptions under the Anson Second Amendment for an aggregate amount of USD 1.5 million.

After December 31, 2022, Anson issued two conversion notices in an amount of USD 500,000 in exchange for the delivery of 2,599,620 WIHN Class B Shares.

L1 Facility

After December 31, 2022, L1 issued a total of five conversion notices, resulting in the aggregated conversion of USD 900,000 and the delivery of 5,700,622 WIHN Class B Shares.

Options granted under WISeKey ESOP

After December 31, 2022, a total of 268,535 options were granted under the Group's ESOP.

Shareholders' approval of an extraordinary dividend in kind in the form of shares in SEALSQ

On April 27, 2023, at WISeKey's Extraordinary General Meeting, WISeKey's shareholders approved the distribution of 20% of the outstanding ordinary shares, par value USD 0.01, in SEALSQ Corp. ("**SEALSQ**"), a wholly-owned subsidiary of the Group, to be made in the form of a special dividend in kind (the "**Special Dividend**") out of the WISeKey International Holding AG's capital contribution reserves booked in its statutory standalone financial statements as of December 31, 2021. The declaration and distribution of the Special Dividend shall be subject to certain conditions.

Note 42. 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 Group 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 Group 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. The Group 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 Group'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. In 2022, the impact upon the Group has been limited and we remain confident that we are able to fulfil all current client orders.

The Group 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 Group continues to review its costs and suspended its share buy-back programs in order to reduce the cash burn. The Group has applied for, and received, support under the schemes announced by the Swiss government. Currently the Group remains able to meet its commitments and does not foresee any significant challenges in the near future. The Group 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 Group is not able to predict.

Note 43. Impacts of the war in Ukraine

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. There has been an abrupt change in the geopolitical situation, with significant uncertainty about the duration of the conflict, changing scope of sanctions and retaliation actions including new laws.

WISeKey does not have any operation or customer in Russia, Belarus or Ukraine, and, as such, does not foresee any direct impact of the war on its operations.

However, the war has also contributed to an increase in volatility in currency markets, energy prices, raw material and other input costs, which may impact WISeKey's supply chain in the future.

As at December 31, 2022, the Group has assessed the consequences of the war for its financial disclosures and considered the impacts on key judgements and significant estimates, and has concluded that no changes were required. WISeKey will continue to monitor these areas of increased risk for material changes.

WISeKey International Holding AG

Statutory Financial Statements

As at December 31, 2022



Phone +41 22 322 24 24
Fax +41 22 322 24 00
www.bdo.ch

BDO Ltd
Rte. De Meyrin 123
Case postale 150
1215 Genève 15

STATUTORY AUDITOR'S REPORT

To the general meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WISeKey International Holding AG (the Company) - which comprise the Balance Sheet as at December 31, 2022, the Income Statement for the period and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages F-58 to F-73) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How the Key Audit Matter was addressed in the audit
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Valuation of Investments in subsidiaries

The Company carries investments in subsidiaries in the amount of CHF 22.2 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 refer to Note 6 to the statutory financial statements for the Company's disclosure on the investments in subsidiaries.

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 and net asset values.

We assessed the appropriateness and completeness of the related disclosures in Note 6.

Valuation of intercompany loans

The Company carries an intercompany loan balance in the amount of CHF 1.4 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 refer to Note 8 to the statutory financial statements for the Company's disclosure on the investments in subsidiaries.

We assessed the financial solvency of each corresponding subsidiary based on the net asset values as well as future expected cash flows.

We assessed the appropriateness and completeness of the related disclosures in Note 8.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

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

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



Phone +41 22 322 24 24
Fax +41 22 322 24 00
www.bdo.ch

BDO Ltd
Rte. De Meyrin 123
Case postale 150
1215 Genève 15

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

Responsibilities 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed carry forward of the accumulated losses complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Geneva, April 28, 2023

BDO Ltd

Philipp Kegele
Auditor in Charge
Licensed Audit Expert

ppa. Sascha Gasser
Licensed Audit Expert

<u>ASSETS</u>	<u>2022</u>	<u>Note ref:</u>	<u>2021</u>
	<u>CHF</u>		<u>CHF</u>
<u>Current Assets</u>			
Cash and bank deposits	11,437,227		25,879,305
Short-term intercompany receivables	1,050,292	4	4,975,429
Amounts receivable from employees, net	25,759	5	144,195
Other receivables	130,169		134,635
Prepaid expenses	230,667		555,821
Intercompany accrued income and interests	748,623	4	372,262
	<hr/>		<hr/>
<u>Total Current Assets</u>	13,622,737		32,061,646
<u>Non-current Assets</u>			
Investments in subsidiaries, net	22,226,451	6	28,514,396
Other investment	1,091	7	1,141
Intercompany loans	1,413,835	8	25,017,903
	<hr/>		<hr/>
<u>Total Capital Assets</u>	23,641,377		53,533,440
	<hr/>		<hr/>
<u>Total Non-current Assets</u>	23,641,377		53,533,440
	<hr/>		<hr/>
<u>TOTAL ASSETS</u>	<u>37,264,114</u>		<u>85,595,086</u>

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

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>2022</u>	<u>Note ref:</u>	<u>2021</u>
	<u>CHF</u>		<u>CHF</u>
<u>Current Liabilities</u>			
Trade payables	1,038,987		598,546
Intercompany accounts payable	206,245	9	2,561,571
Short-term loan - non-interest bearing	37,200	10	37,200
Other payables	1,087,784	11	3,063,107
Accrued liabilities	2,123,827	12	1,979,006
Intercompany accrued liabilities	-		77,488
	<hr/>		<hr/>
<u>Total Current Liabilities</u>	4,494,043		8,316,917
<u>Non-Current Liabilities</u>			
Long term loans - interest bearing	1,294,187		9,300,411
Long term loans - non-interest bearing	148,600	12	185,800
	<hr/>		<hr/>
<u>Total Non-Current Liabilities</u>	1,442,787		9,486,211
	<hr/>		<hr/>
<u>Total Liabilities</u>	5,936,829		17,803,128
<u>Shareholders' Equity</u>			
Share Capital	5,414,946	14	4,806,223
Capital Contribution Reserves *	92,143,270		83,557,168
Reserve for Treasury Shares held by subsidiaries	1,995	15	345,983
Treasury Shares held by WISeKey International Holdings AG	(338,440)	15	(243,082)
Accumulated Deficit	(20,330,345)	16	(27,857,326)
Net Profit / (Loss) for the Period	(45,564,140)	16	7,182,993
	<hr/>		<hr/>
<u>Total Shareholders' Equity</u>	31,327,285		67,791,958
	<hr/>		<hr/>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>37,264,114</u>		<u>85,595,086</u>

*: this amount of capital contribution reserves is subject to the approval of the Swiss Federal Tax Administration. For further information, see also note 13.1 to the financial statements.

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

Income Statement for the Period

	<u>2022</u>		<u>2021</u>
	<u>CHF</u>	<u>Note ref:</u>	<u>CHF</u>
<u>INCOME</u>			
Other Income	99,392		67,961
Management Fee Income	2,320,605		2,145,393
	<hr/>		<hr/>
	2,419,996		2,213,353
<u>OPERATING EXPENSES</u>			
Salaries and Personnel Costs	(4,604,716)		(6,550,997)
Office Expenses	(7,101)		(9,725)
Insurances	(387,462)		(539,220)
Travel & Accommodation	(39,753)		(48,733)
Consultancy and Professional Services	(3,309,231)	19	(2,170,565)
Marketing	(117,562)		(116,466)
Management Fees and Intercompany Charges	(1,228,523)	20	(1,166,041)
Valuation Adjustments on Loans and Investments	(26,743,072)	21	(7,625,411)
Loss on Sale of Investment	(14,317,016)	22	-
<u>FINANCIAL COSTS AND FINANCIAL INCOME</u>			
Foreign Exchange (Loss)/Gain	(1,167,917)		177,618
Other Financial Charges	(31,721)		(44,926)
Financial Charges on Loan	(624,585)	23	(3,802,536)
Interest Income	909,992		735,742
Interest Expense	(2,175)		(11,915)
Profit on Sale of Treasury Shares	3,784,886	17	26,375,108
<u>PRIOR PERIOD COSTS</u>			
Prior Period Expenditure	(2,000)		(3,102)
<u>NON-OPERATIONAL COSTS AND INCOME</u>			
Non-Operating Losses	(96,181)	24	(229,189)
	<hr/>		<hr/>
<u>(LOSS)/PROFIT BEFORE TAXES</u>	(45,564,140)		7,182,993
Taxes	-		-
	<hr/>		<hr/>
<u>(LOSS)/PROFIT FOR THE YEAR</u>	<u>(45,564,140)</u>		<u>7,182,993</u>

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

Note 1. Background and Operations

WISeKey International Holding A.G. (the “Company” or “WISeKey”), 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 10 full-time employees at December 31, 2022 (2021: 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 Company 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 1, 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 Depositary Shares (“ADSs”), on a US exchange. On December 4, 2019, having received approval from both the SEC and NASDAQ, the Company commenced trading of ADSs 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 Artificial Intelligence for the purpose of Knowledge Automation. As part of the deal, the Company also acquired the subsidiary operations in America and India. On March 14, 2022, the Company signed a Share Purchase and Transfer Agreement to sell its 51% ownership in arago GmbH and its affiliates (together “arago” or the “arago Group”) to OGARA GmbH, with Neutrino Energy Property GmbH & Co. acting as “Buyer Guarantor”, who signed on March 16, 2022. The completion of the sale was conditional on the consideration being transferred to WISeKey and the shares owned by the Company being transferred to OGARA GmbH. The sale was completed on June 24, 2022, when the shares owned by WISeKey in arago were transferred to OGARA GmbH as WISeKey issued a waiver to accept a delayed payment of the consideration, because of the high cash burn rate of arago.

Note 2. Future Operations

The Company made a loss from operations in this reporting period, which was due to the disposal of arago GmbH and provisions made against receivables due from subsidiary companies. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

The Company made a loss of CHF 45,564,140 (2021: profit of CHF 7,182,993) and had net current assets of CHF 9,128,694 as at December 31, 2022. 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 8, 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. The Company made no drawdowns in the year 2022. In the year 2021, WISeKey made one drawdown under the Yorkville Facility, for a total amount of CHF 363,876. As at December 31, 2022 the outstanding equity financing available was CHF 45,643,955.15.

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. On September 27, 2021, WISeKey and Anson signed the First Amendment to the Subscription Agreement (the “Anson First Amendment”), 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. After three subscriptions in 2021, WISeKey did not make any subscription under the Anson Facility in 2022. As at December 31, 2022, the outstanding Anson Facility available was USD 5.5 million.

The SEDA and the Anson Facilities will be used as a safeguard should there be any additional cash requirements not covered by other types of funding.

Based on the Company’s cash projections for the next 12 months to April 30, 2024, it has sufficient liquidity to fund operations and financial commitments. Management therefore 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 recognized 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. Short-term intercompany receivables and accrued income

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

Note 5. 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 agreed to defer payment until such point as the employees have sold the shares, as long as they remain employed by the Company.

Note 6. Investments in subsidiaries, net

Cost CHF	Ownership/Vo ting interests %	Net value of the investment as at 31.12 2022	Ownership/Vo ting interests %	Net value of the investment as at 31.12 2021
WISeKey SA <i>Geneva, Switzerland</i>	95.75%	-	95.75%	7,947,016
WISeTrust SA <i>Geneva Switzerland</i>	100%	4,102,244	100%	4,102,244
WISeKey Semiconductors SAS <i>Meyreuil, France</i>	100%	17,870,959	100%	11,000,000
WISeKey SAARC Ltd <i>London, United Kingdom</i>	51%	-	51%	64,966
WISeCoin AG <i>Zug, Switzerland</i>	90%	-	90%	-
WISeKey Equities AG <i>Zug, Switzerland</i>	100%	100,000	100%	100,000
WISeKey Semiconductors GmbH <i>Munich, Germany</i>	100%	27,916	100%	27,916
WISe.Art AG (formerly TrusteCoin AG) <i>Zug, Switzerland</i>	100%	100,000	100%	100,000
arago GmbH <i>Frankfurt, Germany</i>		-	51%	5,147,137
WISeKey Arabia - Information Technology <i>Jeddah, Saudi Arabia</i>	51%	25,116	51%	25,116
WISeKey (Gibraltar) Limited <i>Gibraltar</i>	100%	121		-
SEALSQ Corp. <i>British Virgin Islands</i>	100%	95		-
Total		22,226,451		28,514,396

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 Company. 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, 2022 is not impaired.

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 March 14, 2022, the Company signed a Share Purchase and Transfer Agreement to sell its 51% ownership in arago GmbH and its affiliates (together "arago" or the "arago Group") to OGARA GmbH, with Neutrino Energy Property GmbH & Co. acting as "Buyer Guarantor", who signed on March 16, 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 was conditional on the consideration being transferred to WISeKey and the shares owned by the Company being transferred to OGARA GmbH. The sale was completed on June 24, 2022, when the shares owned by WISeKey in arago were transferred to OGARA GmbH as WISeKey issued a waiver to accept a delayed payment of the consideration, because of the high cash burn rate of arago.

WISeKey International Holding AG and WISeKey Semiconductors SAS entered into a Capital Increase Agreement on December 15, 2022 whereby an amount of EUR 7 million (CHF 6,870,959 at the prevailing rate of exchange) owed to WISeKey International Holding AG by WISeKey Semiconductors SAS was converted into a capital contribution by way of an offset with the outstanding debt under the Revolving Credit Agreement and the loans resulting from the above-mentioned debt transfers. Under the terms of this agreement, the investment in WISeKey Semiconductors SAS was increased by EUR 7 million (CHF 6,870,959) and the balance owed to WISeKey International Holding AG was reduced by an equivalent amount.

Note 7. Other Investments

	Ownership / Voting interests %	Carrying value of the investment as at 31.12 2022	Ownership / Voting interests %	Carrying value of the investment as at 31.12 2021
CHF				
OpenLimit AG <i>Baar, Switzerland</i>	8.4%	1,091	8.4%	1,141
Tarmin Inc. <i>Delaware, USA</i>		-		-
Total		1,091		1,141

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 5, 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 8. Intercompany loans

The Company has extended multiple loans to its subsidiary undertakings. These bear an interest rate of 2.5% (2021: 3.0%) per annum.

Note 9. Intercompany accounts payable

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

Note 10. 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 started 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 11. Other payables

The Other Payables relate to salary related payments that were due as at December 31, 2022.

Note 12. Accrued liabilities

The accrued liabilities include a provision for accrued vacation not yet taken by the employees.

Note 13. Payable to Pension Funds

The Company has a net payable of CHF 8'851 as at December 31, 2022 (CHF 19'894 at December 31, 2021) toward its pension funds.

Note 14. Share Capital

The Company has 2 classes of shares in its share capital, Class "A" shares with a nominal value of CHF 0.01 per share and Class "B" shares with a nominal value of CHF 0.05 per share. Both classes of share have the same voting rights, namely 1 share, 1 vote. Only the Class "B" shares are listed on the International Reporting Standard of the SIX Stock Exchange.

On December 4, 2019, the Companies' American Depositary Shares 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, 2022, 5,786,427 (2021: 5,786,427) ADSs were outstanding.

	31 December 2022		31 December 2021	
	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	126,334,528	6,316,726	88,649,384	4,432,469
Total Share Capital	166,356,516	6,716,946	128,671,372	4,832,689
Issued Share Capital	166,356,516	6,716,946	128,671,372	4,832,689
Authorised Share Capital, not issued, Class "B" Shares	25,000,000	1,250,000	18,469,207	923,460
Conditional Share Capital Class "A" Shares	10,000,000	100,000	12,000,000	600,000
Conditional Share Capital Class "B" Shares	26,085,052	1,304,253	30,939,877	1,546,994

14.1 Movement of share capital

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

Movements in shareholders' equity in 2022 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, 2022, the capital contribution reserves have yet to be approved by the Swiss Tax authorities.

14.2 Conditional share capital

The share capital may be increased in an amount not to exceed CHF 1,304,253 with a nominal value of CHF 0.05 per share and CHF 100,000 with a nominal value of CHF 0.01 per share.

Its use is limited to 3 categories, namely:

- up to an amount of CHF 1,007,466.15 by the issuance of up to 20,149,323 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");

- up to an amount of CHF 296,786.45 by the issuance of up to 5,935,729 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; and
- up to an amount of CHF 100,000.00 by the issuance of up to 10,000,000 fully paid-in Class A Shares with a nominal value of CHF 0.01 in connection 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.

14.3 Authorised share capital, not issued

The Board of Directors is authorized, at any time until June 24, 2024, to increase the share capital in an amount not to exceed CHF 1,250,000.00 through the issuance of up to 25,000,000 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, and
- for raising capital in a fast and flexible manner which could only be achieved with great difficulty without exclusion of the pre-emptive rights of the existing shareholders.

14.4 Significant shareholders

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

Each Class A share and each Class B share carries one vote at a general meeting of shareholders of the Company and, as such, the number of shares held by each person or entity set forth below is equal to the number of voting rights held by such person or entity.

The table below sets out, to the knowledge of the Company, beneficial owners holding 3% or more of the voting rights of the Company as disclosed on the SIX disclosure platform on December 31, 2022. 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 2022, 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	28.52%
Tibor Somlo	--	5,003,014	--	--	5,003,014	3.57%

Note 15. Reserve for Treasury Shares

During the year, the Company and its subsidiary undertaking, WISeKey Equities SA, acquired Treasury Shares for various purposes. These Treasury shares came from various sources. A summary of the Treasury Shares acquired is as follows:

- On July 9, 2019, the Company started a share buyback program to buy back the Company's class B shares up to a maximum of 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, 2022, the Company held 417,360 (December 31, 2021: 282,000) Ordinary 'B' shares purchased through the share and ADS buyback program.
- WISeKey Equities SA, a subsidiary of the Company, holds Ordinary 'B' shares purchased at nominal value for the purpose of fulfilling exercise notices under option agreements, SEDA drawdowns and other such arrangements. 6,879,760 (2021: 25,808,645) were sold for the purpose of settling conversions and fees relating to the Nice & Green SA, Long State Investment Ltd, Global Tech Opportunities 8 and Crede CG III, Ltd convertible loan facilities and drawdowns under the SEDA. At December 31, 2022, there remained 39,904 Ordinary 'B' shares held by WISeKey Equities SA (December 31, 2021: 6,919,664)

Treasury shares held by subsidiaries	Number of shares	Reserve for treasury shares held by subsidiaries as at 31.12.2022 (CHF)	Number of shares	Reserve for treasury shares held by subsidiaries as at 31.12.2021 (CHF)
January 1	6,919,664	345,983	4,342,272	217,114
Number of shares purchased / sold, reserves transferred	(6,879,760)	(343,988)	2,577,392	128,870
December 31	39,904	1,995	6,919,664	345,983

WISeKey Equities SA purchased no treasury shares during 2022 (2021: 28,386,037 with an average purchase price of CHF 0.05 per share.) Treasury share sales totaled 6,879,760 (2021: 25,808,645) with an average sale price of CHF 0.05 per share (2021: 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 31.12.2022 (CHF)	Number of shares	Cost of treasury shares held by WIHN as at 31.12.2021 (CHF)
January 1	282,000	243,082	440,863	318,344
Number of shares purchased / sold, reserves transferred	135,360	95,359	(158,863)	(75,262)
December 31	417,360	338,440	282,000	243,082

Treasury share purchases by the Company during 2022 totaled 7,015,120 (2021: 26,090,645) with an average purchase price of CHF 0.06 per share (2021: 0.06.) Treasury share sales totaled 6,879,760 (2021: 26,249,508) with an average sale price of CHF 0.60 per share (2021: 1.07.) During the year, the Company recognized profits of CHF 3,784,886 (2021: 26,375,108) on the sale of Treasury Shares.

Total Treasury shares	Number of shares	Total reserve for treasury shares as at 31.12.2022 (CHF)	Number of shares	Total reserve for treasury shares as at 31.12.2021 (CHF)
January 1	7,201,664	589,065	4,783,135	535,458
Number of shares purchased / sold, reserves transferred	(6,744,400)	(248,629)	2,418,529	53,607
December 31	457,264	340,435	7,201,664	589,065

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 Company during 2022 totaled 135,360 (2021: 28,668,037) with an average purchase price of CHF 0.70 per share (2021: CHF 0.06.) Treasury share sales totaled 6,879,760 (2021: 26,249,508) with an average sale price of CHF 0.60 per share (2021: CHF 1.07.)

Note 16. Movements in reserves

Accumulated deficit	Accumulated deficit as at 31.12.2022	Accumulated deficit as at 31.12.2021
CHF		
January 1	(20,674,333)	(27,728,456)
T transfer to reserve for treasury shares	343,988	(128,870)
Net (loss)/gain for the period	(45,564,140)	7,182,993
December 31	(65,894,485)	(20,674,333)

Due to the decrease (2021: increase) in the balance of Treasury Shares held by WISeKey Equities SA (see note 15), a subsidiary undertaking of the Company, CHF 343,988 has been transferred to (2021: CHF 128,870 transferred from) the Accumulated Deficit into the Reserve for Treasury Shares held by Subsidiaries.

Note 17. Guarantees to Related Parties

On May 10, 2022, the Company signed a written agreement to subordinate its claims against WISeKey SA for an amount of CHF 15,000,000 until such time as the liabilities of WISeKey SA are covered by its assets.

On February 22, 2023, the Company signed a written guarantee in favor of WISeKey SA for the value of investments in and long-term receivables owed by certain subsidiaries of WISeKey SA.

On February 22, 2023, 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 February 22, 2023, 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 18. Shares & Options held by Board of Directors and Executive Management

	Class A shareholding	ADS	Class B shareholding			% of voting rights	Name of the Related Party Transaction
			Own name	ADS Equivalent	Total		
Maria Pia AQUEVEUE JABBAZ	-	-	-	-	-	0.0%	
Cristina DOLAN	-	-	-	-	-	0.0%	
David FERGUSSON	-	-	1,000	-	1,000	0.0%	
Jean-Philippe LADISA	-	-	66,988	-	66,988	0.0%	
Carlos CREUS MOREIRA	39,836,513	10,000	1,150,528	100,000	1,250,528	29.3%	
Eric PELLATON	-	10,000	190,000	100,000	290,000	0.2%	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, 2022 were as follows:

	Class A Options	Class B Options
Maria Pia AQUEVEUE JABBAZ	-	-
Cristina DOLAN	-	213,859
David FERGUSSON	-	94,256
Jean-Philippe LADISA	-	-
Carlos MOREIRA	5,454,500	2,411,271
Eric PELLATON	-	294,370
Peter WARD	4,363,500	3,169,105

Note 19. Consultancy and Professional Services

Costs incurred under Consultancy and Professional Services in the year includes CHF 759,387 (2021: nil) of legal costs and CHF 256,000 (2021: nil) relating to the partial spin-off distribution of a subsidiary company, CHF 459,461 (2021: CHF 451,823) of legal costs and CHF 22,000 (2021: CHF 112,482) of accountancy fees relating to merger and acquisition activity, a further CHF 182,514 (2021: CHF 202,065) of legal fees relating to reporting and compliance, and CHF 108,777 (2021: CHF 87,808) of fees relating to the Company's registration on the NASDAQ.

Note 20. Management Fees and Intercompany Charges

Costs incurred under Management Fees and Intercompany Charges in the year includes CHF 1,161,648 (2021: CHF 930,931) relating to management fees charged by its subsidiary undertaking, WISeKey SA, for salaries and associated costs incurred on behalf of the parent company.

Note 21. Valuation Adjustments on Loans and Investments

Following reviews of the carrying value of its Intercompany Loans and Investments in 2019, 2020 and 2021, the Company decided to make a valuation adjustment to reduce the carrying value of its Loans and Investments with WISeCoin AG and WISeKey India Pte Limited. Following a review in 2022, the Company decided to make a valuation adjustment to reduce the carrying value of its Loans and Investments with WISeKey SA and WISeKey SAARC Limited, whilst also increasing the valuation adjustment to include further amounts owed by WISeCoin AG and WISeKey India. These were all due to the uncertainty surrounding the recoverability of these balances.

During the prior 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 has retained the right to receive repayment of these amounts when WISeKey Semiconductors SAS returns to profitability.

Further, the charge includes the decrease in the value of the investment held in OpenLimit AG (see note 7.)

Note 22. Loss on Sale of Investment

During the year the Company disposed of its investment in arago GmbH for total proceeds including the repayment of balances due to the Company by arago GmbH of EUR 25,527,955 (CHF 26,219,406 at the historic rate of exchange on the day of disposal.) As of the end of the year the sale proceeds had not been paid and so the Company decided to make a provision against the value of these proceeds leading to an overall loss on the sale of the investment.

Note 23. Financial Charges on Loan

During the prior year the Company arranged financing facilities with L1 Capital Global Opportunities Master Fund and Anson Investments Master Fund LP. The overall fees reduced in the current year as the Company reduced the amount subscribed under these facilities in comparison to the prior year.

Note 24. Non-Operating Losses

The non-operating loss incurred relates to stamp duties payable on the issuance of additional share capital.

Note 25. Subsequent Events

Loan agreements with UBS SA

On January 19, 2023, the Company repaid CHF 185,800 as full and final settlement of the Covid loan it had contracted with UBS SA.

L1 Capital Global Opportunities Master Fund Facility

In 2023, L1 Capital Global Opportunities Master Fund issued a total of five conversion notices, resulting in the following conversions after December 31, 2022:

On January 4, 2023 for 664,474 WIHN class B shares delivered on January 5, 2023 for a conversion of CHF 93,026.

On January 11, 2023 for 1,319,311 WIHN class B shares delivered on January 13, 2023 for a conversion of CHF 183,704.

On January 13, 2023 for 1,992,073 WIHN class B shares delivered on January 18, 2023 for a conversion of CHF 278,890.

On January 16, 2023 for 1,237,582 WIHN class B shares delivered on January 18, 2023 for a conversion of CHF 185,637.

On February 9, 2023 for 487,182 WIHN class B shares delivered on February 9, 2023 for a conversion of CHF 92,565.

Anson Investments Master Fund LP Facility

On January 31, 2023, the Company and Anson signed the Anson First Amendment, pursuant to which, for the remaining facility, WISeKey has the right to request Anson to subscribe for up to eleven "accelerated" note tranches of up to USD 500,000 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.

In 2023, the Company made two further subscriptions under the terms of the Anson Facility. On February 3, 2023, the Company subscribed for convertible notes in the amount of USD 500,000. The funds were received on February 7, 2023. On March 1, 2023, the Company subscribed for convertible notes in the amount of USD 1,000,000. The funds were received on March 2, 2023. In line with the terms of the Anson Facility, the Company issued Anson with 1,468,858 warrants on WIHN class B shares at an exercise price of CHF 5.00, and the Company also paid a subscription fee of 116,758 WIHN class B shares.

In 2023, Anson Investments Master Fund LP issued a total of two conversion notices, resulting in the following conversion after December 31, 2022:

On February 7, 2023, for 1,029,502 WIHN class B shares delivered on February 10, 2023, for a conversion of CHF 185,310.

On April 17, 2023, for 1,570,118 WIHN class B shares delivered on April 18, 2023, for a conversion of CHF 266,920.

Options granted under WISeKey ESOP

After December 31, 2022, a total of 268,535 options were granted under the Company's ESOP.

Shareholders' approval of an extraordinary dividend in kind in the form of shares in SEALSQ

On April 27, 2023, at WISeKey's Extraordinary General Meeting ("EGM"), WISeKey's shareholders approved the distribution of 20% of the outstanding ordinary shares, par value USD 0.01, in SEALSQ Corp., a wholly-owned subsidiary of the Company, to be made in the form of a special dividend in kind (the "Special Dividend") out of WISeKey International Holding AG's capital contribution reserves booked in its statutory standalone financial statements as of December 31, 2021. The declaration and distribution of the Special Dividend shall be subject to certain conditions.

Note 26. 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. 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. In 2022, the impact upon the Company has been limited and we remain confident that we are 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. 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.

Note 27. Impact of the war in Ukraine

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. There has been an abrupt change in the geopolitical situation, with significant uncertainty about the duration of the conflict, changing scope of sanctions and retaliation actions including new laws.

WISeKey does not have any operation or customer in Russia, Belarus or Ukraine, and, as such, does not foresee any direct impact of the war on its operations. However, the war has also contributed to an increase in volatility in currency markets, energy prices, raw material and other input costs, which may impact WISeKey's supply chain in the future.

As at December 31, 2022, the Company has assessed the consequences of the war for its financial disclosures and considered the impacts on key judgements and significant estimates, and has concluded that no changes were required. WISeKey will continue to monitor these areas of increased risk for material changes

P. Ward

Chief Financial Officer

C. Moreira

Chairman and Chief Executive Officer

Proposed appropriation of the accumulated losses (in CHF)

This proposed appropriation is made as of April 28, 2023.

	31/12/2022
Net loss for the year	(45,564,140)
Transfer from the reserve for treasury shares	343,988
Loss carried forward from previous years	<u>(20,674,333)</u>
Total loss to be carried forward	(65,894,485)
Statutory capital reserve	
Reserves from capital contribution for tax purposes*	78,767,769
Other reserves from capital contribution	13,375,501
Distribution on the Statutory capital reserve**	(1,787,096)
Transfer within the Statutory capital reserve***	
from Reserve from capital contribution for tax purposes	76,980,673
to Other reserves from capital contribution	(76,980,673)
Total Statutory capital reserve carried forward	90,356,174

* As of the date of the signed audit report on the statutory financial statements this amount was subject to the approval of the Swiss Federal Tax Administration.

** The distribution, which was approved at the EGM on April 27, 2023, will take the form of a dividend-in-kind, distributing 20% of the Ordinary Shares of SEALSQ Corp. to the shareholders of the Company, which is equivalent to 10% of the total shareholding of SEALSQ Corp. The valuation has been calculated as the proportionate value of these shares based upon the Book Value of the investment in SEAL BVI Corp as at the date of the EGM.

***The Board of Directors proposes to release the "Reserve from capital contribution for tax purposes" as shown in the 2022 Statutory Financial Statements to "Other reserves from capital contribution" in an amount equal to the difference between the market value and the book value of the distribution on the "Statutory capital reserve" stated above. The total amount shall be capped at an amount of CHF 76,980,673 or such higher or lower amount as has been approved by the Swiss Federal Tax Administration.

The Board of Directors proposes that the balance sheet loss be carried forward.