WISeKey International Holding Ltd

ANNUAL REPORT 2015

Innovative Online Trust Solutions to protect People, Objects and Business applications

WISeKey
THE WORLD INTERNET SECURITY COMPANY

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Letter to Shareholders

Long-term vision of WISeKey confirmed – cybersecurity has become a pressing issue globally. WISeKey well positioned in the geopolitical context. Commitment to monetizing on the substantial opportunities. Accelerated pace of innovation. Acquisition of new customers, partners and projects a catalyst for future growth. High outlays to expand the Company's capacities and international footprint.

Dear shareholders,

Having gone public on the SIX Swiss Exchange on 31 March this year we are pleased to look back to our substantial achievements during the financial year 2015 and recent months in the year 2016.

Cybersecurity widely acknowledged as a major threat globally

WISeKey has been a visionary cybersecurity company, identifying the threat from cybersecurity long before the recent developments brought it up as a topic widely covered globally based on various cyber-hacking attacks, including those of the U.S. government. In addition, there is growing concern in securing the large influx of connected devices coming to market, providing the underlying, very favorable market backdrop for WISeKey of substantial anticipated long-term growth in the markets we operate in. Our industry is thus at the brink of a major transformation. The number of connected devices requiring digital identification and security in the world now tops 4 billion and continues to rise rapidly.

WISeKey well positioned geopolitically

Being a Swiss company with its key cryptographic rootkey ("Root Trust") being protected by Switzerland's political, financial and regulatory stability as well as its neutrality, WISeKey is able to benefit from geopolitical developments by offering trusted solutions for today's global security issues. With our secure technology in the fields of cybersecurity, digital identification and authentication of people and objects, WISeKey addresses key markets with its patented products and solutions, providing military-grade security to users. Our technology thus ensures secure authenticated digital communication and data transfer between people as well as between people and objects, both in relation to mobile and fixed line internet transfers.

Securing digital identification

Recent customer identity thefts affecting prominent consumer brands highlight the hazards of personal data exposure. The gap between a person and the authentication of a digital identity leaves billions of people vulnerable to dangers including identity theft and fraud. Historically hardly anything has been built into the architecture of the worldwide web that could verify who you are, so apart from passwords and related identification systems the consumer has been exposed to substantial risks. As there are no international regulations on how to protect consumers, Swiss neutrality is a key asset in ensuring data protection for consumers, enterprises and governments alike. So while abuse is inevitable, privacy laws are a matter of today's geopolitics with the current trends in Europe and the USA – acknowledging that data privacy is a fundamental right and that individuals should control how their personal data is used and by whom – is very supportive for our Swiss based business model.

Monetizing on the substantial opportunities

We have identified key opportunities and invested significant resources over the last years, enabling us to start fully monetizing on them now. With our cryptographic Root of Trust being embedded in more than 2.6 billion desktop and mobile browsers as well as Internet of Things ("IoT") devices, we have created a platform which is agnostic and thus compatible with a wide range of internet and mobile applications and operating systems. It is crypto- and software-based and tailored to address the key cybersecurity requirements of corporate, retail and government customers in the field of cybersecurity, identification and authentication management.

Unique Swiss cryptographic Root of Trust for the Internet of Things market

During 2015, WISeKey has led the industry in reinventing public key infrastructure ("PKI") as a support to cyber resilience. WISeKey is part of 70 companies and government bodies across 15 sectors and 25 countries that have joined forces to create the World Economic Forum's "Partnering for Cyber Resilience" initiative. Together, the leaders of these organizations have signed a set of principles which demonstrate their commitment in taking an integrated, strategic approach to technology risks and opportunities, and in playing their role to provide a resilient digital environment for all. This allows WISeKey to introduce its technology at the highest possible level and increase its revenue on this vertical. As part of this PKI initiative, WISeKey made its cryptographic Root of Trust available to IoT manufacturers and chipmakers, allowing them to add digital certificates on their chips at the hardware level to encrypt the communication and authenticate the devices.

Enhancing security in the Internet of Things market

WISeKey's IoT© technology is an evolution of our Wise Authentic® solution that we have already deployed with several leading luxury brands. In 2015 alone, we announced co-operations with Bulgari, Hublot, Kaspersky Labs and Samsung to implement our technology which is used to identify watches electronically and offer protection against counterfeiting. Today, more than 1 million watches are digitally "tagged". In addition, in 2015, WISeKey and Bulgari launched the first ever intelligent mechanical watch using WISeKey's IoT© technology which allows the watch to execute payments and other transactions without using a mobile phone or other devices connected to the internet. This first ever connected device using a mechanical watch with no batteries is a breakthrough which allows WISeKey technologies to be embedded in all wearables with a market amounting to an estimated USD 1.7 trillion.

Enabling payment capabilities in the Internet of Things market

The rapid growth of the number of connected devices is driving the shift from the current traditional mobile payment method to highly secure transactions from wearable devices using trusted communications and authentication technology. WISeKey's cryptographic Root of Trust and NFCTrusted© technology enable these wearable devices to connect safely and make secure payments and other transactions. In February this year, WISeKey announced a partnership with MasterCard to enable contactless payments of luxury brand watches and wearables. The partnership adds new devices and brands to ongoing MasterCard programs that bring payments to any consumer gadget, accessory or wearable, from fitness bands to refrigerators, and is exemplary of how payments functionality can deliver transformative more value for a variety of device manufacturers, and create safe and convenient shopping experiences for their consumers. With the companies' shared commitment to advance payments security in both the physical and digital worlds, MasterCard will integrate its payments technology with WISeKey's cryptographic Root of Trust for IoT and NFCTrusted© technology solutions, providing consumers with the freedom to securely shop using their favorite watch or wearable, opening the door to additional e-commerce and marketing opportunities. The potential for improved communication with customers can lead to increased customer loyalty and repeat business.

Expanding into the US

In September of 2015, we established our presence with an office in Silicon Valley in order to be closer to our US target customers and establish strategic relationships with major partners. This initiative has led to the signing of a Collaboration Agreement in January 2016, followed by a Definitive Agreement in April 2016 with CenturyLink, Inc., a global communications, hosting, cloud and IT services company. As per the terms of the Definitive Agreement, CenturyLink will resell WISeKey's portfolio of cybersecurity solutions, including its Managed Public Key Infrastructure technology and services, in order to better serve and support the growing number of enterprise and IoT customers in the US and globally. We expect this collaboration with a Fortune 150 US company to significantly expand our reach and ignite our revenue growth in the large US market. WISeKey USA has also assembled a talented group of professionals as members of its board with vast experience and leadership skills in various attractive sectors, including cyber security, technology, financial services, business services, pharmaceuticals, life sciences, military, and governments to guide its expansion in North America. This board is well positioned to share industry trends and insights about market sectors pertinent to WISeKey's unique positioning in the areas of cybersecurity and Internet of Things in the USA.

Financial review

Financial Year 2015 was a transitional year for the WISeKey Group as expected. Despite the distraction due the reorganization of the Group, including the establishment of the Group's new holding company, WISeKey International Holding AG, in December last year and the strategic repositioning of the Group towards a listing on the Swiss Market in Q1 2016, WISeKey's 2015 revenues of USD 2.3 million compared to the FY2014 revenue of USD 3.5 million. It is important to note that, although small, this revenue is mainly generated by cybersecurity IoT sales which is an entirely new revenue model introduced by the Group in 2014/15 and we believe we are currently the only cybersecurity company in the market knowing how to monetize this type of technology. The operating loss was substantially decreased from USD 32.4 million in 2014 to USD 7.5 million in 2015. Being cognizant of the considerable growth opportunities and in anticipation of the listing of our company at the SIX Swiss Exchange at the end of March this year, we raised another USD 7.7 million in equity. In addition, as announced in January 2016, we secured a CHF 60 million equity financing facility from institutional investor Global Emerging Markets ("GEM"), providing the option for WISeKey to issue and sell shares to GEM over the next 5 years of up to CHF 60 million. We thus feel financially well positioned to take advantage of the substantial opportunities based on organic and acquisition-driven growth.

Promising outlook

Having achieved major milestones in 2015 and in the first months of 2016, including the signing of material contracts and co-operation agreements with global customers and strategic partners, WISeKey has secured a significant portion of near-term projected revenues with accounts such as MasterCard, CenturyLink, Bulgari, SAP and Samsung, corresponding to an expected turnover in 2016 of USD 50 – 60 million. The bulk of the projected revenues thus evolve from our WISeAuthentic® and IoT solutions, benefitting from our strategic partnerships to develop and market products and solutions with large corporates. Our most significant growth areas will thus be to provide cybersecurity and secure chip technology to IoT solutions (e.g. for industrial utilities), identity management solutions on mobile devices and mobile security for electronic payment services. In addition, if the opportunity arises, we intend to also grow through acquisitions in order to reduce the time it takes to bring updated and new products to market and expand the reach of the WISeKey cybersecurity platform. All this will require to deploy further high outlays, thereby expanding our Group's capacities and international footprint.

Commitment to create long-term shareholder value

Based on the substantial strategic and operational achievements over the last 12 to 18 months, including the securing of a long-term equity financing facility with GEM, WISeKey feels very well positioned to execute on its clearly defined growth agenda, tapping the substantial opportunities arising from the convergence of cybersecurity and IoT. It is the Group's goal to transform WISeKey over the next few years into a major player in this new high growth, high value digital space, thereby creating long-term shareholder value. Established strategic partnerships and initiatives such as being Vice Chair of the World Economic Forum's "Global Agenda Council on Illicit Trade", bringing together companies severely affected by counterfeiting, underscore our long-term vision and ambition.

We are conscious of our fiduciary duty to our shareholders and that we work hard to fulfill our responsibilities diligently. We will continue to strive to bring our Group to new levels while ensuring that our shareholders start reaping the rewards of their investments.

Finally, I would like to express my sincere gratitude to our employees. We fully acknowledge that ultimately they are the ones driving the success of WISeKey and thus we place great emphasis on retaining and attracting the most talented employees.

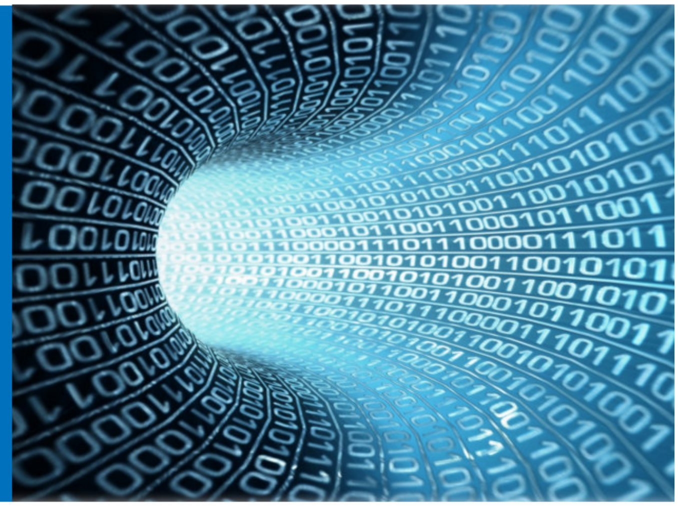
We look forward to a long and prosperous relationship with our employees and you, our shareholders. Our vision for the next few years is to create and extend cyber resilience and provide secure digital identity technology, enriching the freedom and lives of as many as possible. I feel honored to work with the employees of WISeKey, who deliver extraordinary results every day, to make this vision a reality.

Sincerely yours,

Carlos Moreira
Chairman & CEO

CORPORATE REPORT

Corporate Report



Who We Are

As the world-leading Swiss eSecurity company, with over 12 years of innovation and experience, WISeKey presides over physical infrastructures, mobile networks and the web to ensure secure communications, exclusive relationships, protected identities and authenticated transactions.

WISeKey is Swiss based leading cybersecurity company and a World Economic Forum “Global Growth Company”. Working at the forefront of information cybersecurity, identity management, and mobile software services, WISeKey’s mission is to facilitate the global growth of secure electronic transactions by providing individuals, businesses, and governments with advanced technology and services that authenticate and protect digital identity across the full spectrum of personal, business and administrative transactions online. WISeKey has embedded its cryptographic rootkey (“Root of Trust”), providing military-grade security to users, already in over 2.6 billion browsers, sensors, wearables and Internet of Things (“IoT”) devices, providing the basis for substantial growth.

Overview

WISeKey offers digital security technology in the field of cybersecurity, digital identification and authentication of people and objects. We have developed asymmetric encryption methods based on a root of trust (“Root of Trust”) that we believe provide military-grade security to users. Root of Trust is a set of functions in the computing module that is always trusted by the computer's operating system. The Root of Trust serves as separate computing engine controlling the trusted computing platform's cryptographic processor on the desktop, mobile, wearable or IoT device in which it is embedded.

WISeKey's technology ensures secure authenticated digital communication and data transfer between people as well as people and objects, both in relation to mobile and fixed line internet transfers.

Our authentication and identification cybersecurity technology and platform is:

- based on a cryptographic rootkey (“Root of Trust”) which:

  (1) is embedded in over 2.6 billion desktop browsers, mobile browsers and IoT devices;

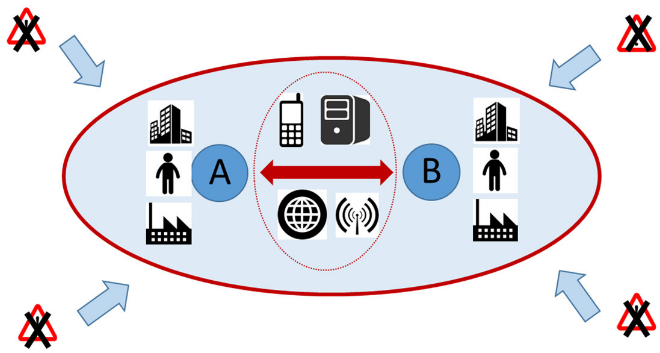
  (2) is owned by the International Organization for Secure Electronic Transactions (“OISTE”), a member of the United Nations’ Economic and Social Council (“ECOSOC”), acting as a trusted third party and not-for-profit entity in charge of ensuring that the Root of Trust remains neutral and trusted, and located in Switzerland as an independent, neutral jurisdiction;

  (3) OISTE has exclusively licensed to us for use and development of technologies and processes based on its exclusive independent trust model;

- platform agnostic and compatible with a wide range of internet and mobile applications and operating systems; and

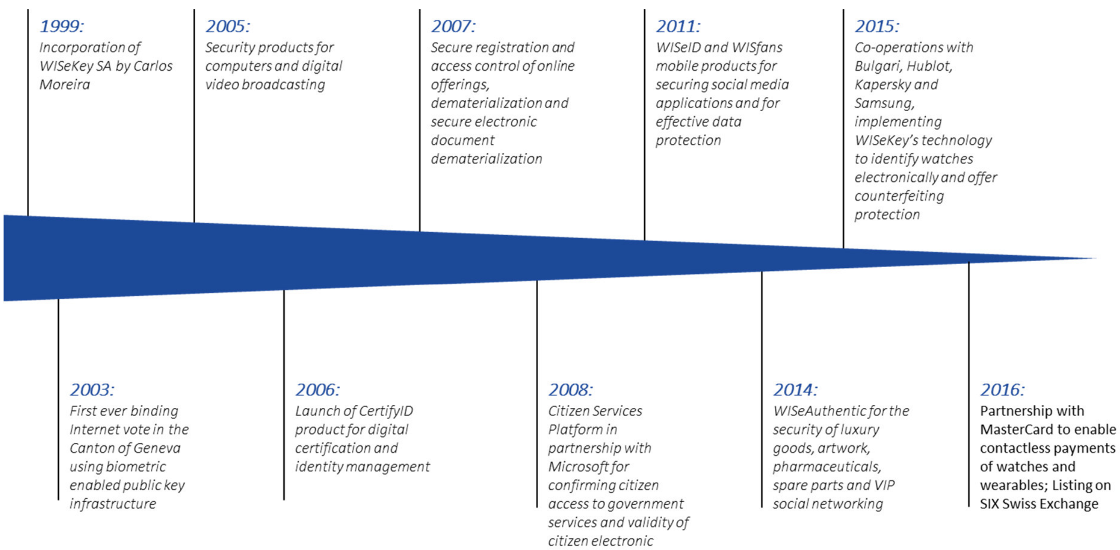
- crypto and software-based and tailored to address the key cybersecurity requirements of corporate, retail and government customers in the field of cybersecurity, identification and authentication management.

WISeKey’s entire offering circles around a technological software platform that we believe ensures secure communication between “A” (a person, a device, an object or an entity) and “B” (a person, a device, an object or an entity) based on an encrypted authentication process that also offers protection against intrusion from the outside.



Key Milestones

Selected key milestone achievements of WISeKey have been:



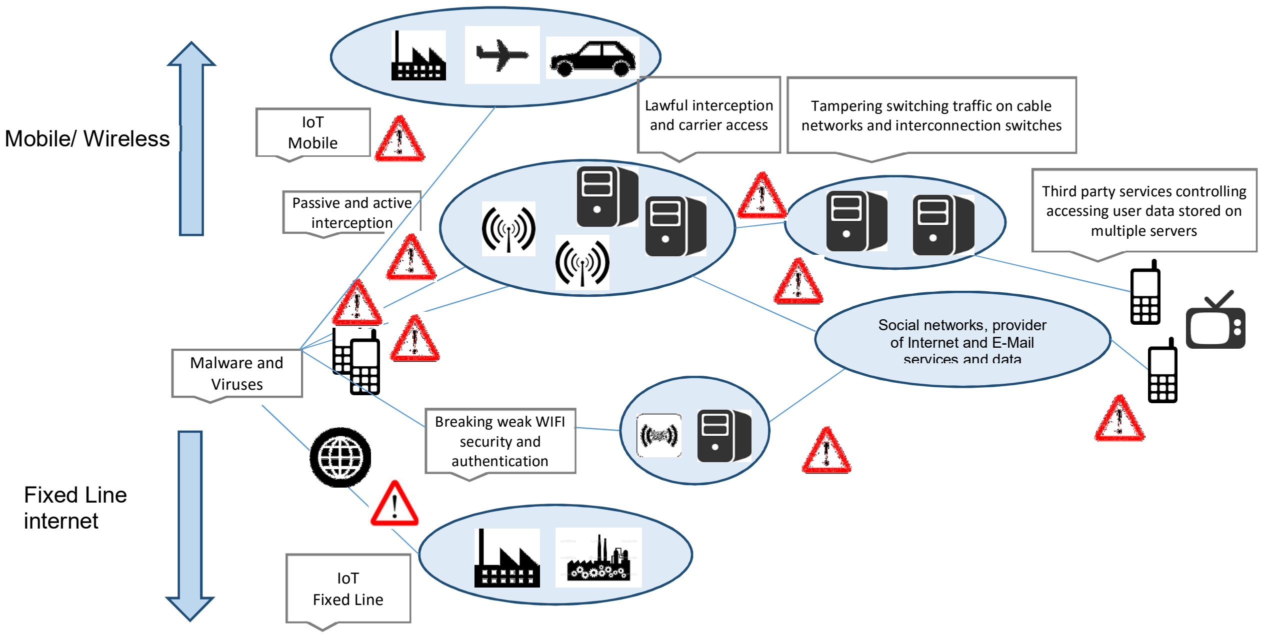
- In 2005, we began marketing security products for computers and digital video broadcasting.
- In 2006, we launched our CertifyID® product for digital certification and identity management.
- In 2007, we continued to grow our family of security products with solutions for secure registration and access control of online offerings and dematerialization for secure electronic documents.
- In 2008, we launched our citizen services platform in connection with a partnership with Microsoft Corporation for confirming citizen access to government services and validity of electronic IDs.
- Between 2010 and 2012, we began marketing our WISeID® and Social ID Fans® (now marketed as WISfans®) mobile products for securing social media applications and effective data protection. Over the last two years, we have developed and started marketing and deploying our WISeAuthentic® product for security of luxury goods, artwork, pharmaceuticals, spare parts and VIP social networking with over 1 million luxury watches already digitally certified with our technology.

- In 2014, WISeKey registered a patent in Switzerland on IoT allowing WISeKey to become an identity platform for people, assets and objects.
- In 2015, WISeKey announced co-operations with Bulgari, Kapersky, Samsung and Hublot to implement the technology used to identify watches electronically and offer protection against counterfeiting.
- In 2016, WISeKey announced a partnership with MasterCard to enable contactless payments on select luxury brand watches and wearables. The partnership adds new devices and brands to ongoing MasterCard programs to bring payments to any consumer gadget, accessory or wearable – from fitness bands to refrigerators.
- In addition, WISeKey is in discussions with various large corporates for a potential deployment of WISeKey's technology in the context of critical infrastructure projects.

Market Environment

Cybersecurity, digital identification and authentication of people and objects, which involves protecting both data and people, is a rapidly growing sector due to the multiplicity of threats, notably cybercrime and online industrial espionage.

Security threats in today's fixed line internet and mobile network



The Center for Strategic and International Studies, a Washington, D.C.-based think-tank, estimated in 2015 the annual global cost of digital crime and intellectual property theft at $575 billion.

The report highlights four findings:

1) The cost of cybercrime will continue to increase as more business functions move online and more companies and consumers around the world connect to the internet.

2) Losses from the theft of intellectual property will increase as emerging countries improve their ability to make use of it to manufacture competing goods.

3) Cybercrime is a tax on innovation and slows down the pace of global innovation by reducing the rate of return to innovators and investors.

4) Governments need to start undertaking serious and systematic efforts to collect and publish data on cybercrime to help the public and private sector make better choices about risk and policy.

We believe that these factors will translate into higher investments and revenues in cybersecurity products and create a relevant market opportunity for us and our cybersecurity offering. Forbes / Tech (2015) underpin this conclusion by estimating the market for cybersecurity solutions to grow at a compound annual growth rate ("CAGR") of 18% from $75 billion in 2015 to $170 billion in 2020.North

America and Europe are expected to be the leading cybersecurity revenue contributors, according to a report from TechSci Research. However, also Asia-Pacific is rapidly emerging as a potential market for cyber security solution providers, driven by emerging economies such as China, India and South-East Asian countries, wherein, rising cyber espionage by foreign countries is inducing the need for safeguarding cyber space.

Awareness of the Topic

Businesses and governments are under relentless attack from cyber criminals, intelligence agencies, industrial spies and saboteurs, terrorists, foreign states, politicized hacking groups and others. The ingenuity, ruthlessness and sophistication of the perpetrators seemingly know no bounds.

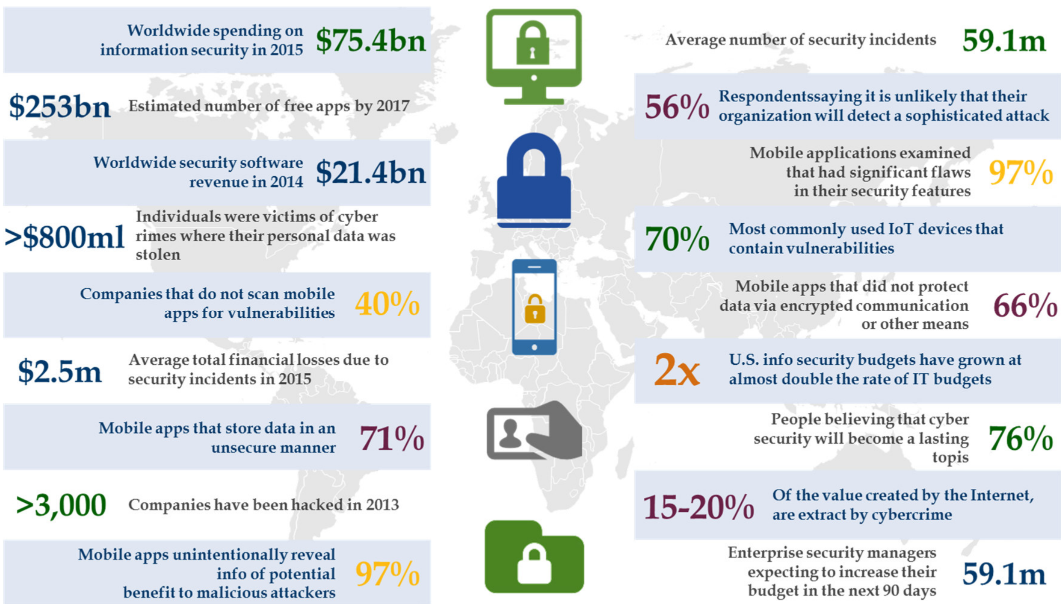
Business and political leaders need to rise to the challenge but many are failing to do so due to lack of understanding of cybersecurity and technology related topics. Even those who have implemented cyber defense strategies incorporating the latest procedures and technologies, are discovering these to be often inadequate and not designed to target the right issues. Security is still being breached. Federal, state and other public sector initiatives designed to protect businesses in cyberspace have so far struggled to make an impact, however, this is changing.

With cybercrime increasing rapidly, international organizations, governments, companies, academics and stakeholders start to understand that it is time to have a serious movement towards developing what will succeed today's internet by creating a bottom-up change in human interactions with the internet across the globe, driven by hundreds of thousands of technologists, experts, and business leaders to create THE trusted internet.

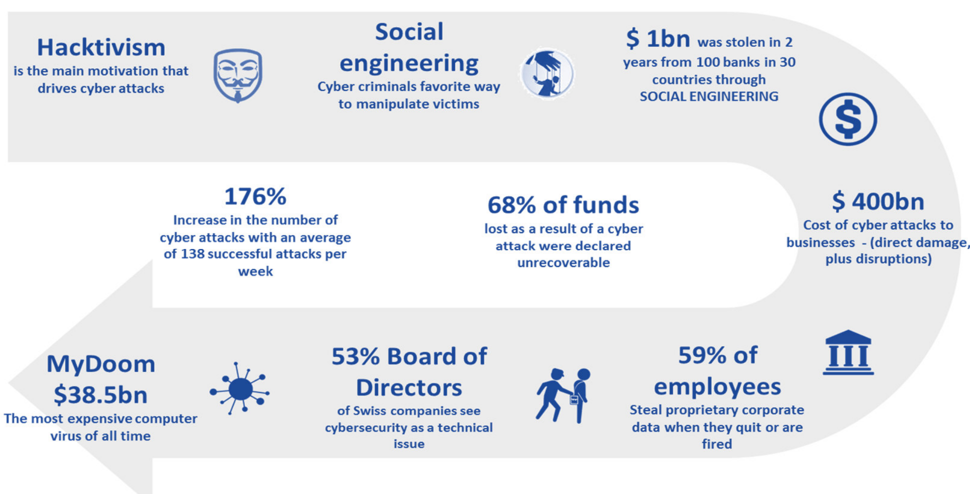
As threats continue to mount internationally, understanding, managing and protecting data and identities have moved to the top of the 'to-do' list for CEOs, board of directors and government leaders. Organizations are responding by allocating an increasingly higher portion of their budgets and recruiting companies like ours to protect them. Increasingly, they are adopting innovative technologies like IoT which when combined with "Big Data" analytics and advanced dual factor authentication, can reduce cyber-risks and improve cybersecurity programs.

Cybersecurity at a Glance

Cybersecurity is a key aspect to ensure business continuity. The growing number and types of threats affect directly the ability of companies to perform adequately in the new on-line markets. Knowing and addressing the potential risks is a must.



9 surprising facts about cybersecurity



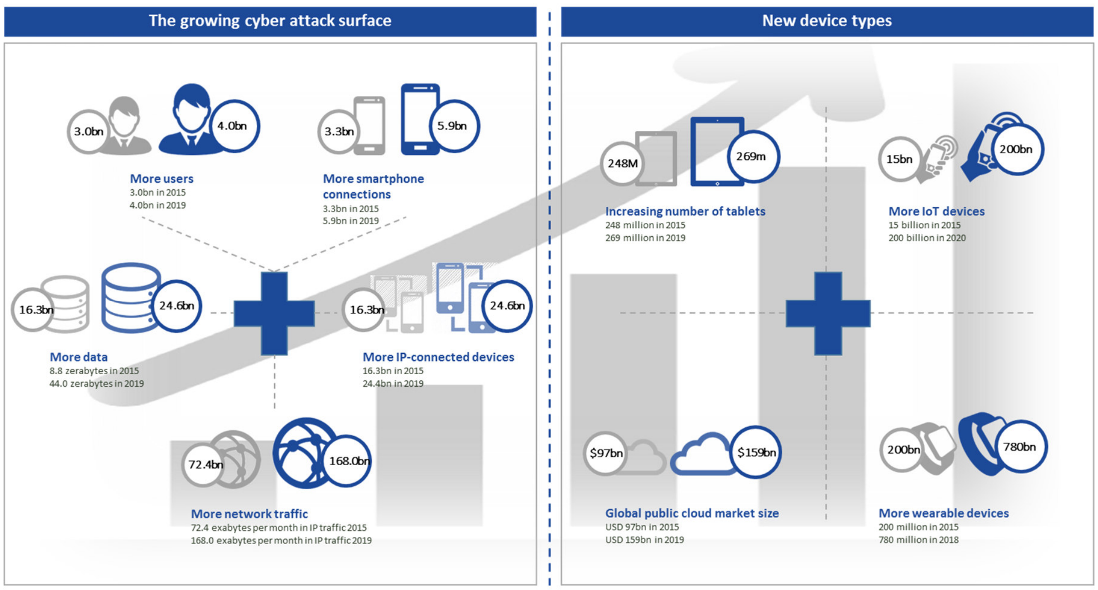
Growing Investments in Cybersecurity

Investors have understood the significant potential of providing solutions to today's growing cyberattack threats.

Investments in cybersecurity startups have taken off. Driven by CEO and board-level demand for promising technology aimed at protecting corporate networks and sensitive data, financial and venture-capital firms are providing significant funds for cybersecurity companies each year. In 2014, venture-capital firms completed 56 deals worth a hefty $1.2 billion, according to investment tracking firm CB Insights. In 2015, the industry is on track to pay out a similar amount, albeit in a smaller number of deal.

Solutions for the Growing Cyberattack Surface

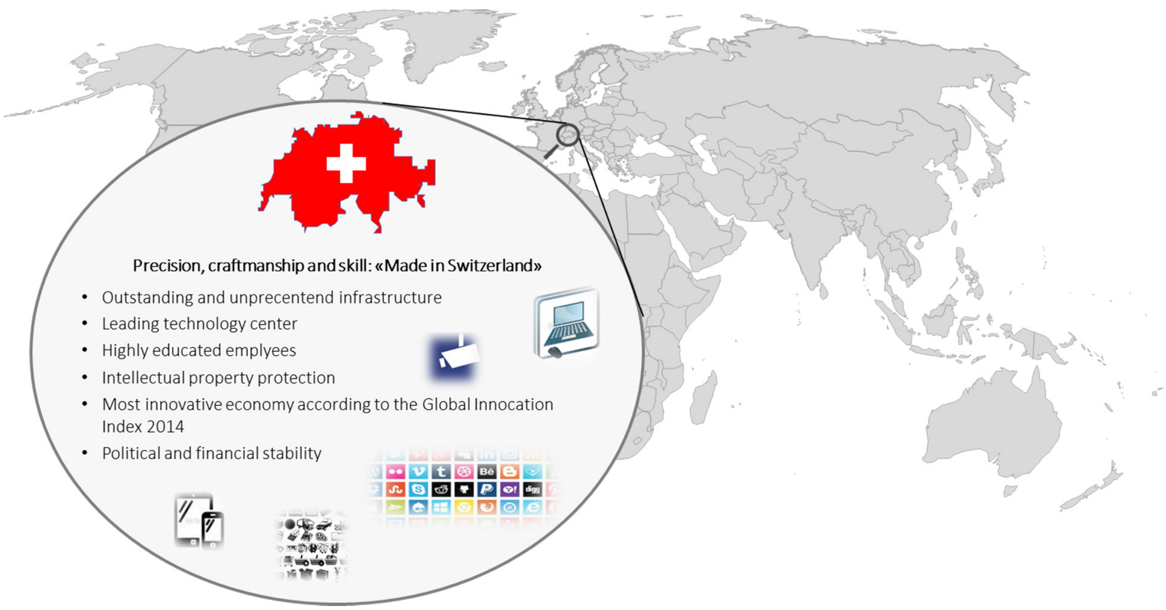
As the number of connected devices continues to expand, collecting and exchanging huge amounts of data along the way, the need for strong Internet of Things security services becomes increasingly important for businesses and consumer devices. One of the conclusions of WISeKey's research is that as billions of people around the world have grown increasingly distrustful of the internet, the urgent necessity for a new model that can offer trust and security has emerged. The fundamental right to privacy is at stake and if users begin to abandon the internet because of security concerns, the multitude of recent positive developments in digital communications will be lost. All kinds of applications, including social networks and also companies and governments that rely on cloud computing, will be negatively affected.



Products such as WISeKey's WISeID can protect users against this threat as the main objective is to protect your personally identifiable information ("PII") and its associated content, which can be used to identify, contact, locate or even trace a person. Personal data, which includes videos and pictures, collected by WISeID, always stays under the user's control on their mobile phone or device. The PII is never communicated to third parties and never leaves the user's control. Users can generate strong passwords, store them securely, and log on directly to the real website. WISeID provides users with a secure, easy to use, encrypted place to store all personal data, PII, usernames, passwords, PINs, credit cards, loyalty cards, social security number, notes, photos, documents, and more. The user-friendly interface also allows users to log on to websites quickly and securely from the application, securing all data with strong 256-bit AES encryption algorithm keys.

Cybersecurity Made in Switzerland

WISeKey leverages the position of Switzerland as a neutral country to design and commercialize a cybersecurity platform solution providing secure digital identification and electronic transactions. The offering is complemented by adding secure cloud services from bunkers in the Swiss Alps to store the personal data generated by users and enterprises using the service.



As the first e-security company in the world to offer decentralized, so called Trust Models and public key infrastructure ("PKI") architecture, WISeKey allows data ecosystems to be federated via a unique digital identity that makes users interact while maintaining control of their personal data. With this new "Personal Cloud" alternative the days are gone of huge centralized clouds and ID meta systems with no respect for personal data. The trend WISeKey helps to create is motivating users and enterprises to develop Personal Clouds which move the gravity center back to the users who retake control of their personal data. They benefit from leveraging local data centers and trust models through digital identification technologies which provide trusted and secure services while maintaining neutrality and independency.

The WISeKey Personal Cloud project is integrated into WiseID.com and was revealed this year at the 2016 World Economic Forum at Davos.

WISeKey's WISeID offers a secured vault to protect personally identifiable information ("PII"). Protecting people's PII is important to avoid impersonation and identity theft. The personal data users save in WISeID always stays under their personal control, is encrypted with strong keys derived from a password they choose and only they know, and is never communicated to third parties.

A video on Bloomberg TV demonstrates how WISeKey uses mountain bunkers in the Swiss Alps to store personal data directly from users' desktops:
[http://www.bloomberg.com/video/zone-of-mobile-privacy-secured-in-the-swiss-alps-pDXsw7qdRkKk95koRT4~hw.html.](http://www.bloomberg.com/video/zone-of-mobile-privacy-secured-in-the-swiss-alps-pDXsw7qdRkKk95koRT4~hw.html)

Business Activities

WISeKey has divided its solutions into three business areas: Cybersecurity Services, Internet of Things / Digital Brand Management ("DBM") and Mobile Security. Each of these business areas consists of a number of products already on the market (see the graph below) and products under development, such as a WISeID IoT BlockChain, that we believe will enable the Group to grow further.

Cybersecurity Services

- Protects digital communications & data with personal, corporate and server (SSL) digital certificates.
- Protects corporate data with trusted archiving, invoicing & more.

WISeSecurity

IoT / Digital Brand Management

- Digital Item ID.
- Ensures the authenticity of goods, online and physically, from the supply chain to the end user.

WISeAuthentic

NFCTrusted

Mobile Security

- Digital Personal ID.
- Protects privacy by securing mobile phone communications, data, and transactions.

WISWATCH

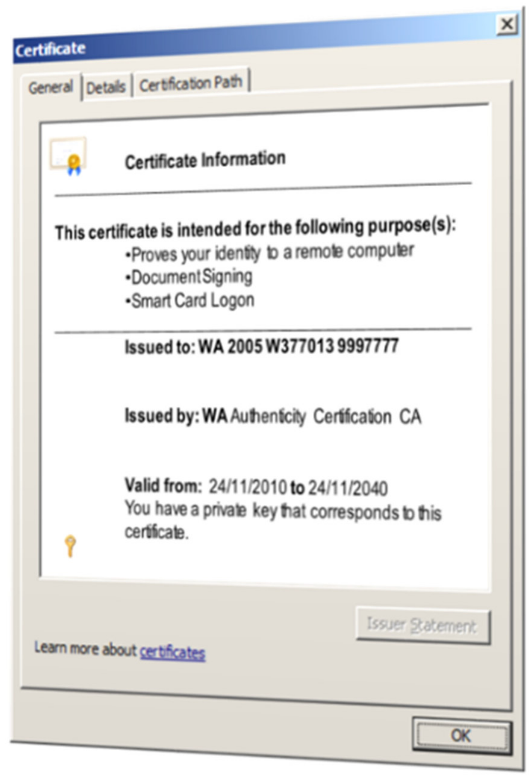
WISeid

Cybersecurity Services

We launched our online trust solutions product family of Cybersecurity Services in 1999 to provide trusted IDs for persons and servers. We currently offer CertifyID and WISecurity within this product family

CertifyID – Digital Identity

Our CertifyID product uses our trusted root hierarchy and proprietary technology to secure a person's digital identity. Users follow a rigorous validation process to set up their account. The WISeKey CertifyID can be used to create digital signatures and as proof of identity in high significant value transactions and interactions such as e-voting, healthcare, payment and clouds. CertifyID adds value to an organization by securing data, permitting secure messaging and by reducing paper needs.



WISecurity – Digital Certificates

Our WISecurity product protects online communications and data with personal, corporate and server digital certificates. Our technology provides dematerialization solutions such as a secure archiving system that certifies the existence in time of sensitive data (such as contracts), and e-signature based invoicing services.

IoT/Digital Brand Management

Our IoT and DBM family of products provides digital authentication for luxury products such as luxury watches, high-end glasses, smart phones and designer clothes. Manufacturers of these products can use our WISeAuthentic® product to reduce counterfeiting and certify the authenticity of their products. Brand protection has become a strategic focus of WISeKey as advanced counterfeiting continues to challenge organizations.

WISeAuthentic® for Digital Brand Management

WISeAuthentic® offers a digital certificate of authenticity for luxury or other valuable items, to protect them against counterfeiting. It is based on the principle of the traditional paper-based certificate, but instead of using a forgeable piece of paper, a non-duplicable digital certificate is stored on a cryptographic smart chip embedded into a branded SmartCard. This allows manufacturers or resellers of luxury goods to prove the authenticity of the items to their customers, and of course, for the customers to prove it to authorities and third parties, even over the Internet. WISeKey has recently signed a memorandum of understanding with Samsung to make available its cryptographic Root of Trust to Samsung IoT and near field communication ("NFC") chips allowing Samsung IoT to add asymmetric keys and digital certificates on their chips at the hardware level to encrypt the communication and authenticate the devices.

NFC Technology Development

During 2015 WISeKey has reinforced its offerings with NFC technology in order to better "empower brands, consumers, distributors, governments and vendors to distinguish genuine goods from illegal imitations." Foremost among these developments is the employment of NFC tags, using different form factors other than standard smartcards, which can be embedded into products across markets, from consumer goods to manufacturing. Along with supporting WISeAuthentic® encryption technology, these tags allow the authentication of genuine products for the life of the item, control the grey market, provide easier sales monitoring, and create a direct marketing channel between the brand and the consumer.

The new technology developed by WISeKey with the name NFCTrusted® extends the previous WISeAuthentic® authentication platform for example used by Hublot. The NFC card acts as the watches passport provided in every watch box. Using the NFC card together with an App, the owner of a Hublot watch can check its authenticity online, download manuals and at the same time register on the Hublotista Club (https://vip.hublot.com). This private and secure community club is dedicated to Hublot customers, offering privileges such as exclusive previews, information and invitations.More than 850 points of sale across the world are now equipped with the system that enables them to read and activate these new NFCTrusted® Cards. The Hublot NFCTrusted® card incorporates a cryptographically secure WISeKey digital certificate stored in its secure element to prove authenticity of a watch or an official approved retailer. The certificate issuance operation is carried out by Hublot during the manufacturing process of NFC personalized cards.

In the boutiques, when a customer selects a model, the seller is identified by the system as one of the brand's approved retailers, using their own retailer NFCTrusted® card which connects directly to the WISeAuthentic® transaction platform hosted at Hublot's headquarters in Switzerland. Activation of the international warranty can then take place in front of the customer.

In 2015, WISeKey also established a strategic project signed with the Bulgari Group, enabling Bulgari to move into the digital era by offering the first ever mechanical watch able to connect to the internet that can be used as authentication device to open the Bulgari vault mobile application, a portable application where the customer may store securely all digital valuable goods and save the data into a Swiss located encrypted cloud. This value added service is proposed under a subscription model to the entire Bulgari ecosystem. Further it also enables Bulgari to assure secure strong authentication and secure communication amongst its clients, employees and business partners.

NFC Technology Integrated in a None Digital Watch – WIS.WATCH concept

WIS.WATCH, a revolutionary technology mutation has been created by WISeKey for a completely new way of interaction between a human being and a watch allowing the watch to become the key to the smartphone. First watch that sends a secure digital identity via NFC to the WISeID app and activates the login process on the smartphone.

WIS.WATCH connects instantly with the user's smartphone and launches WISeID to protect his personally identifiable information ("PII"). The cryptographic key that is stored on the watchcan then be used for many other applications such as unlocking doors and electronic locks at home and at work.

Thanks to WISeKey ID NFC technology, the WIS.WATCH can be used as a unique personal key identifier and trusted device to access the user's smartphone, applications, and personal data and the secured cloud storage. WIS.WATCH and WISeID together offer a unique experience of interconnected objects and strengthens the security while simplifying the user experience. With WIS.WATCH connected to personal data, documents and passwords remain safe and can also be securely encrypted and saved in the cloud.

The combination of WIS.WATCH and WISeID app allows to securely backup any data online. Should the smartphone of the user ever be stolen or lost, the data is protected since after several failed login attempts all data will be erased. The data can be restored from a secure cloud store into a new smartphone or desktop.

NFC Technology Integrated in the First Intelligent Mechanical Luxury Watch – Bulgari Diagono MagnEsium

Launched during the World Economic Forum in Davos in 2015 the WIS.WATCH concept attracted the attention of Bulgari CEO Jean-Christophe Babin, leading to joint development of the Bulgari Diagono MagnEsium, the first intelligent mechanical luxury watch.

The combination of Diagono MagnEsium intelligent watch and the Bulgari Vault app allows users to securely backup their data online using WISeKey cybersecurity technologies and data storage in the Swiss Alps.

With virtually limitless applications provided to a number of verticals, the Diagono MagnEsium intelligent watch using this unique secure wearable technology offers a huge value proposition to all Bulgari ecosystem members.

"*The new Diagono MagnEsium intelligent watch perfectly embodies Bulgari's duality in the landscape of luxury watchmaking with its Italian origins, epitomized by Leonardo da Vinci, both a scientist and an artist, and allowing Bulgari to fuse in a unique way contemporary and edgy timeless Italian design together with the best of Swiss watchmaking mechanical know-how and the most advanced Swiss technologies such as the one of WISeKey. While some brands might place smart disposable or obsolescent gadgets watches we propose are luxury timeless watches*!" commented Jean-Christophe Babin.

WISeKey is predicting that secure wearable devices such as the Diagono MagnEsium intelligent will move to the gravity centre from application-centric to personal centric models where users will retake the control of their personal data.

"*Gone are the days of using so many physical and digital credentials and keys to open doors, with the Diagono MagnEsium your key is on the watch and always with you. The trend WISeKey has launched this year at Baselworld in cooperation with Bulgari via the joint project is a special version of Bulgari Vault based on WISeID Personal Clouds designed to develop a Bulgari Trusted Ecosystem*", said Carlos Moreira, Founder, chairman and CEO of WISeKey.

Youtube videos:
BULGARI DIAGONO MAGNESIUM CONCEPT WATCH:
https://www.youtube.com/watch?v=GAyKfPOYwws&feature=youtu.be

BULGARI UNLOCKS THE FUTURE:
https://www.youtube.com/watch?v=76q2cNRt03o

Mobile Security

The WISeKey Mobile Security product family provides individuals with digital personal IDs to protect their privacy while using mobile phones, tablets, laptops and other devices that make use of any cloud and are connected to the internet. This family of products can also be used by organizations to identify their customers and interact with them in order to add value to their brand and customize their marketing efforts. WISeKey launched its Mobile Security line of products in 2012 to meet the increasing demand for mobile applications. WISeKey's products in this product family include WISeID and WISfans.

WISeID – Secured Personal Data

WISeID protects personal data by giving users encrypted, portable storage for sensitive data which is then easily accessed by the user with secure credentials. WISeID requires a multi-factor authentication process which includes strong password generation, dot pattern recognition and biometric face authentication. WISeKey protects an individual's identity as the user accesses various sites, provides personal information or makes purchases on the internet. WISeID also streamlines online activity by storing passwords for users so that they do not need to continually provide passwords to other applications. WISeID currently has thousands of paid downloads and more than 150,000 freemium downloads. The product is currently available on Android, iOS, Windows and Mac OS/X operating systems and can be synced with multiple mobile devices, tablets and computers. Large organizations can use WISeID to bring mobile applications to their consumer base. Such features include mobile payments for a bank's customers or direct interactions between a sports club's players and their fans. This allows enterprises to interact with and monetize large pools of otherwise unidentifiable users.

WISeID offers:

- Secure and powerful password management
- Protected sign on to websites
- Safe security: 256 bit AES, PBKDF2 encryption keys
- Personal Cloud solution: Keeps an encrypted backup of the user's data in a protected datacenter in Switzerland
- Syncs data between devices
- Works on multiple devices: iPhone®, iPad®, Android, Mac and Windows PCs, Kindle

WISfans – CRM Enrichment

WISfans© system developed by WISekey.com keeps fans engaged on and off the field through a digital 'clubhouse' ecosystem that taps into sport franchise's fanbase, centralizes and curates the massive amount of content (blogs, match reports, videos, photos, fan-supported social campaigns,Twitter, Facebook and sports forums), and injects ongoing exclusive additional content provided by the team and its players. Fans can also click through to ticketing, merchandise purchase, and sponsor sites. The platform also continually folds in new cutting-edge digital perks for fans to try such as facial biometric comparisons with the teams' star players. They also provide backend analytics and CRM club marketing teams in turn leverage towards engagement and growth.

The WISfans© ORACLE TEAM USA app is exemplary of the value add of WISeKey's WISfans applications – it is designed to give fans a unique mobile experience, facilitating full interaction with the U.S team. The app allows fans to follow social posts from the sailors and the team, providing even those without social media accounts means to engage in real-time interaction with their favourite crew members.

The app leverages the team's worldwide fan ecosystem (such as Facebook, Twitter, and Instagram through videos, photos, blogs, sponsor-supported social campaigns, etc.), and generates exciting, interactive and relevant content via a secure mobile app, with fun digital features such as biometric resemblance comparisons to Oracle Team USA sailors, and an events timeline.

WISeKey Strategy

New Product Families

WISeKey is currently deploying large scale Internet of Things digital identities for wearables using its trusted Near Field Communications ("NFC") technology. This technology integrates wearable technology with secure authentication and identification, in both physical and virtual environments, and empowers wearable devices such as smart watches, bands, ear-pods, jewellery, eyeglasses, contact lenses, etc. to become transactional devices. Embedding digital certificates into wearables with WISeID NFCTrusted© tags, using the WISeKey public key infrastructure ("PKI") and the OISTE global rootkey, enables consumers to interact securely with nearly any IoT object or transactions in a trusted way.

NFCTrusted© authentication tags can incorporate a WISeKey cryptographically secure digital certificate to prove authenticity. NFCTrusted© tags can be embedded in virtually any product, piece of equipment or common household item, and users can verify authenticity with an NFC-enabled smartphone, watch, connected device or other mobile device. This technology not only optimizes security and convenience, but also eliminates the need for special readers or other equipment for tag authentication by using proof of presence. The combination of trust and convenience opens the door for the use of WISeKey's NFCTrusted© tags in diverse markets to support a variety of IoT applications.

Sharing Information and Data Analysis

By combining IoT with "Big Data" analytics, more powerful computing systems and a culture of sharing information across borders, the best security services have done excellent jobs in keeping populations safe.

Some European nations have been slower to adopt these high standards, placing a higher value on privacy than on security. It is unfortunate but true that the days of individual privacy are numbered. To remain secure, it is vital that the details of citizens' lives, their movements, transactions, online activities and personal data are open to scrutiny. This is the only way that those with malign intentions, such as terrorists, can be identified and thwarted in advance.

The smart security service does not defend against theoretical attacks, it anticipates attacks, compiling huge databases using cloud technology to map the likely activities of potential terrorists. Similar intelligent use of data helps energy companies repair pipelines before they break, keep urban traffic moving and prevents diseases. The Fourth Industrial Revolution will lead to huge advances across all business disciplines.

In September of 2015, WISeKey's opened an office in Silicon Valley and signed a reseller agreement with CenturyLink, a global communications, hosting, cloud and IT services company. CenturyLink offers a suite of Managed Security Services and solutions to US government entities and companies globally. CenturyLink will be integrating WISeKey Managed PKI ("MPKI") solutions with its offering and selling it to major global companies and US government agencies. The combined offering will provide CenturyLink's customers with a one-stop shop solution for their managed security needs from a world class, trusted global company.

With the new partnership with CenturyLink WISeKey is able to provide its technology to Top 500 companies in USA via a MPKI platform designed to meet the requirements of clients that do not wish to host their certification authority within their own data centre. CenturyLink provides the infrastructure and WISeKey the technology.

The MPKI's internal design features ensure integrity, constant availability and key confidentiality. It is a service-based solution that is hosted and maintained in the WISeKey data centre infrastructure in Switzerland. All core components are shared with other clients using the data centre without decreasing the security of the solution or its manageability by the client. The benefit of this solution is that it offers very high security and availability without the need for the client to install, operate and maintain a physical and technological infrastructure, nor have staff versed in the operation of such an infrastructure. Further collaboration with other security service companies are expected, including in Asia, to expand WISeKey's international footprint.

Strategic Relationship with OISTE

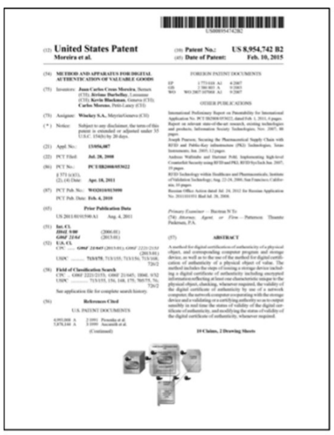
The cryptographic rootkey "Root of Trust" used by WISeKey is owned by the International Organization for Secure Electronic Transactions ("OISTE"), a member of the United Nations' Economic and Social Council ("ECOSOC"), acting as a trusted third party and non-for-profit entity in charge of ensuring that the Root of Trust remains neutral and trusted, and located in Switzerland as an independent, neutral jurisdiction. The name of the Root of Trust is OISTE/WISeKey, as shown in all mayor current browsers that embed the rootkey. Two members of the three member foundation board of OISTE are members of the Board of Directors of WISeKey. Members of the foundation board of OISTE are appointed by the Public Authorizing Authority ("PAA"), whose members are international organizations, governments and large corporations that use the OISTE/WISeKey Root of Trust. OISTE has received special consultative status from ECOSOC promoting a "Switzerland on the internet" to provide net cloud neutrality. OISTE has granted WISeKey a perpetual license to exclusively use the cryptographic rootkey and develop technologies and processes based on OISTE's "Trust Model". The perpetual license agreement can only be terminated under limited circumstances, including if WISeKey were to move from the Trust Model developed by OISTE and/or changing the location of the Root of Trust from Switzerland to another country.

Intellectual Property and Research & Development

Intellectual Property and Patents

WISeKey generally protects its intellectual property, including its rootkey technology, through trade secrets and confidentiality agreements and technical certificates. Its products make use of our public key infrastructure (“PKI”) technology and its rootkey. PKI is a secure, encrypted digital certificate, often embedded in a chip and then associated with a person or object. This chip is stored in a contact smartcard, token or in the object itself using a near field communication (“NFC”) chip, so that the identity or authenticity of a person or object can be verified over networks at any time.

WISeKey also protects its intellectual property through patents, including two issued patents in Switzerland (with several patents pending in various jurisdictions) and a patent in the United States and more recently in Canada. Our Swiss patents relate to the verification and authentication of IoT valuable objects on the internet when connecting with each other or to the cloud. We have applied for patent protection of this technology among others also in Australia and Singapore. Registered trademarks and domain names are also important to maintaining the value of WISeKey’s business.


United States Patent

US 8,954,742 B2

- USA > Patent Granted


CERTIFICATE OF GRANT OF PATENT

- Singapore > Patent Granted


Urkunde · Certificat · Certificato

699 083

- Switzerland > Patent Granted

AVIS D'ACCEPTATION/NOTICE OF ALLOWANCE

- Canada > Patent Granted

Research & Development

In 2013, WISeKey launched a research & development laboratory in Vietnam, which is operated through a number of independent contractors. The laboratory plays a key role for WISeKey's research and development of digital products and supports its strategy to further expand in the Asian region. The lab has been instrumental in developing and deploying WISeKey technology, such as Hublotista.com, the Bulgari Vault, WISeID, WISfans and WIS.WATCH. We intend to further increase the role of our research and development in Vietnam and are currently working on the further development of mobile applications and social media products.

Product Development with Kaspersky Lab

The WISeID Kaspersky Lab Security collaboration adds value to WISeKey's WISeID offering as it provides advanced anti-malware functionalities, ensures protection of mobile devices against various threats and enables secure communication. WISeID Kaspersky Lab's cyber resilience edition locks personal data such as account usernames and passwords, credit card numbers and access PINs into a secure personal data organizer, creating accountable identities for online activity while the data itself remains protected in a secure cloud vault. Without mobile security software, users are vulnerable to various security threats. The WISeID Kaspersky Lab Security includes Kaspersky Mobile Security SDK, a robust and proven solution for protecting mobile phones against these security threats. SDK's inclusion in the app delivers advanced security features like web and network protection, device protection and risk detection to smartphones, offering users an effective layer of self-defense.

WISeID Kaspersky Lab Security with built-in Kaspersky Mobile Security SDK is available for iPhone, iPad, Android, Mac OSX, Windows and Kindle.

WISeID Blockchain

As a field still in development, the usage of distributed trust models such as the blockchain – mostly known by being the technology basis for the well-known cryptocurrency BITCOIN – represent a disruptive approach against the traditional trust models based in roots of trust operated by third parties, like it is the case in the traditional PKI approach. WISeKey, instead of denying these new challenges, is devoting R&D resources to ensure the conviviality of both technologies, apparently incompatible. The result of such efforts will bring new technologies and business opportunities for projects where the traditional, centric-based approach is no longer valid, as is the case in certain financial or IoT projects.

Customers, Marketing and Distribution

Cybersecurity Services

We sell our Cybersecurity Services product family to resellers and directly to governments, corporations and consumers. Our resellers are companies already established in the IT security sector, such as system integrators, internet service providers or others, including companies like ZyTrust S.A. and, most recently, CenturyLink, Inc. These resellers sell our products to corporations and consumers and can be engaged to help with installation. Direct sales to corporations and consumers are mainly conducted through our online merchant website, which allows immediate credit card payments.

Sales of our online trust solutions are made based on the number of cloud accounts, e-IDs or transactions, based on a branded service fee or based on a monthly or annual fee. Organizations who install online trust solutions products on their company software are billed based on the software purchased and the volume of contracted services. Enterprise mobile security products are billed based on the numbers of devices that get installed with the solution. There is an upfront set-up cost and a recurring revenue stream for service as needed. For web security, the product is purchased with managed service fees and setup & software fees.

Examples of Cybersecurity Services projects for select customers include:

eGovernment Services to Citizens of the Seychelles

WISeKey has been selected by the government of the Seychelles as a partner to supply technology and expertise on public key infrastructures (“PKI”), digital signatures and its usage in electronic transactions. WISeKey, with its unique offering of know-how and geo-political neutrality, can ensure the government of the Seychelles the independency of its trusted services, allowing the issuance of digital identities to its citizens.

Public key infrastructures and all the derived applications for authentication, digital signatures and encryption are indisputably the most secure technologies to ensure the protection of personal identities and documents.

Transactions protected with digital signatures substitute the traditional manuscript signatures on paper in a more efficient way and provide the same legal validity, while dramatically reducing the costs for the governments and citizens, thereby universalizing the access to citizen services.

e-identity Platform for the Kingdom of Jordan

In collaboration with Microsoft, WISeKey has been engaged by the Kingdom of Jordan, providing secure authentication and digital signatures in governmental services. The project includes a full national PKI scheme that will regulate the use of digital certificates in Jordan, for public and private services. This project, developed in collaboration with Microsoft, is an example of the value that WISeKey can bring by elevating a technology deployment project to a new level. WISeKey was selected by Microsoft to ensure that the national PKI they were deploying would be compliant with the industry standards, and relied on WISeKey’s expertise and methodology to achieve this goal.

IoT and Digital Brand Management

WISeKey sells its DBM product family to luxury product manufacturers, such as luxury watch manufacturers, and retailers. The product manufacturers then install the WISeKey protective product and sell the pre-installed product to either retailers or consumers. Our customers in this product family include well/known luxury brands such as Bulgari, Tag Heuer, Hublot and Dior S.A. which are charged based on the number of products they wish to authenticate.

Dior
BVLGARI
HUBLOT

WISeKey currently markets its DBM products to luxury brands, however, intends to begin marketing these products also to manufacturers in the pharmaceutical and aeronautics sectors.

An example of an IoT and Digital Brand Management project for a select customer includes:

Bulgari Diagono MagnEsium Wrist Vault

Diagono MagnEsium Bulgari's Diagono MagnEsium Wrist Vault is proof of concept for WISeKey's offering. Developed as "the first intelligent luxury watch" by Bulgari in co-operation with WISeKey it uses a cryptographic chip inside the case to hold personal data. An invisible antenna, also mounted within the watch, can then connect with a smartphone using near field communication to transmit a digital certificate securely from the Bulgari Vault application previously downloaded on to an iOS or Android smartphone. Only the owner of the watch has access to the data, which will be stored with "banking-level" security. The idea is that the watch can be used for everything, from storing codes to transmitting payments and even remotely opening car doors. NFC is a very secure form of data transfer because it works only when the paired devices are close together. In the event of the phone being lost or stolen, any data – which will be stored on a cloud inside a Swiss military bunker – can be instantly destroyed, but later retrieved by the rightful owner using an encrypted back-up in the watch.

Mobile Security

For the sale of WISeKey's Mobile Security products, including its WISeID and WISfans products, WISeKey has entered into strategic partnerships with various companies so that they can install WISeKey's solutions on their products for the benefits of users. Specifically, WISeKey has a strategic partnerships and collaborative relationships with Microsoft Corporation and has sold its WISfans product to a number of professional sports teams, including Real Madrid, Barcelona, SFV ASF Swiss Nati, Bilbao Basket, Vasco da Gama and Oracle Team USA.

WISeID generates revenue based on the number of subscribers to its premium offerings. Customers can use WISeID for free and can take advantage of premium features through purchases within the applications or through annual subscriptions.

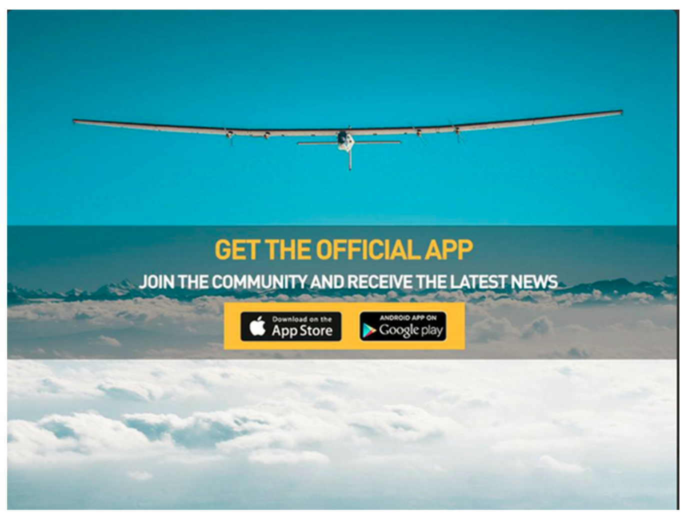
WISfans generates advertising revenue based on the number of applications downloaded, the value of the brand partner, the number of ad impressions, push notifications and other mobile analytics. WISeKey enters into agreements with companies to provide the application for free to consumers and revenue is generated through active use of WISeKey's application by fans or customers.

An example of Mobile Security projects for a select customer includes:

Solar Impulse App

The WISfans© mobile app developed for Solar Impulse is the first app that allows you to connect to the sky, allowing the Solar Impulse community to follow each stage of the first round-the-world solar flight, including live flight telemetry streaming

The interactive technology connects followers around the world with the pilots, thus allowing people to send messages from around the world.



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

WISeKey International Holding Ltd (**WISeKey** or the **Company**) has prepared this Corporate Governance Report (the **Report**) in accordance with the SIX Swiss Exchange Ltd (**SIX**) Directive of September 1, 2014 on Information Relating to Corporate Governance (the **Directive**).

The Company was incorporated on December 2, 2015, with the purpose of becoming the holding company of the WISeKey group of companies (the **Group**). As of December 31, 2015, the Company was still a privately held corporation without any activity.

After December 31, 2015, the Company executed several share capital increases, carried out a general amendment of its articles of association (the **Articles**) and introduced a dual share structure, as a result of which the Company's share capital is now divided into registered shares with a par value of CHF 0.01 each (the **Class A Shares**) and registered shares with a par value of CHF 0.05 each (the **Class B Shares**). The holding structure of the Company was only put in place shortly before the Company's listing of its Class B Shares on the SIX on March 31, 2016 (the **Initial Listing**).

As a result, the Company's corporate governance has significantly changed as of the date of this Report, compared to the situation as of December 31, 2015. The Company believes that the situation of the Company as of December 31, 2015 is no longer relevant from a corporate governance perspective. Accordingly, as agreed with SIX Exchange Regulation, this Report only reflects the situation of the Company as of March 31, 2016, taking into account any subsequent changes as of the last practicable date before the publication of the Company's Annual Report 2015 to the extent relevant from a corporate governance perspective.

1. Group Structure and Significant Shareholders

1.1. Group Structure

WISeKey, with registered office in Zug, Canton of Zug, Switzerland, is a holding company incorporated under the laws of Switzerland whose Class B Shares are listed on the SIX (Ticker: WIHN; Security No.: 31402927; ISIN: CH0314029270). As of closing at the SIX Swiss Exchange on March 31, 2016 WISeKey's Class B Shares had a market capitalization of CHF 86 million.

The Company's share capital amounts to CHF 1,133,639.48 and is divided into 40,021,988 shares with a nominal value of CHF 0.01 each (**Class A Shares**) and 14,668,392 shares with a nominal value of CHF 0.05 each (**Class B Shares**, and collectively with the Class A Shares the **Shares**). For more information on the capital structure, please see item 2.1 below.

The WISeKey Group consists of the Company and the non-listed subsidiaries listed in Annex 1, all of which are fully consolidated in the combined-consolidated financial statements as of December 31, 2015. The main operating company is WISeKey SA, Meyrin, Switzerland.

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 SIX of such acquisition or disposal in writing.

The table below sets forth the persons or entities known to the Company as of March 31, 2016 to hold beneficially 3% or more of the Company's share capital registered in the commercial register of the Canton of Zug, to hold convertible instruments and/or options that entitle the holder of such rights to acquire or dispose of Shares in an amount that the above threshold is exceeded.

Each Share carries one vote at a general meeting of shareholders of the Company (a **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.

Shareholder	Purchase Position for Class A Shares		Purchase Position for Class B Shares		Sale Position for Class B Shares	% of Share Capital Registered in the Commercial Register	% of Voting Rights
	No. of Class A Shares Held	Other Purchase Positions (Options | Warrants)	No. of Class B Shares Held	Other Purchase Positions (Options | Warrants)			
Group (referred to as the **Class A Shareholder Group**) [1] consisting of: Fernando Chico-Pardo (Mexico City, Mexico) Philippe Doubre (Rolle, VD, Switzerland) Thomas J. Egger (Bursinel, VD, Switzerland) Juan Hernandez Zayas (Bilbao, Spain) Gary Gauba (San Jose, CA, United States) Dr. Franz Humer (Erlenbach, ZH, Switzerland) Brian Kronenberger (Phonix, AZ, USA) Dourgam Kummer (Vuarrens, VD, Switzerland) Carlos Moreira (Bernex, GE, Switzerland) Georgette Mosbacher (New York, NY, USA) Maryla Shingler Bobbio (Carouge, GE, Switzerland)	40,021,988			- - [2]	- -	35.30%	73.18%

Shareholder	Purchase Position for Class A Shares		Purchase Position for Class B Shares		Sale Position for Class B Shares	% of Share Capital Registered in the Commercial Register	% of Voting Rights
	No. of Class A Shares Held	Other Purchase Positions (Options | Warrants)	No. of Class B Shares Held	Other Purchase Positions (Options | Warrants)			
Peter Ward (Thônex, GE, Switzerland)							
Carlos Moreira (Bernex, GE, Switzerland)	- - [3]		2,583,298		- -	11.39%	4.72%
GEM Global Yield Fund LLC SCS, Luxembourg, Luxembourg			100,000	7,459,127 [4]		33.34%	13.82%
			Total Purchase Position Class B Shares: 7,559,127				
WISeKey International Holding Ltd (Zug, ZG, Switzerland)					9,135,118 [5] / [6]	40.29%	16.70%

1 Each holder of Class A Shares has entered into an agreement with the Company, according to which such holder has given the undertakings 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. Some exceptions to such transfer restrictions apply. Each holder of Class A Shares 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 The Class B Shares held by members of the Class A Shareholder Group are not included in the Class A Shareholder Group, as the group relates to separate agreements entered into by each member of the Class A Shareholder Group with WISeKey International Holding Ltd in relation to Class A Shares only. Class B Shares held by a member of the Class A Shareholder Group are not affected by these separate agreements.

3 Carlos Moreira's purchase position for Class A Shares is included in the Class A Shareholder Group. Class B Shares held by Carlos Moreira are not included in the Class A Shareholder Group, please refer to note 1 for further explanations.

4 On January 19, 2016, the Company committed to issue to GEM Global Yield Fund LLC SCS, 412f Route d'Esch, 2086 Luxembourg, Luxembourg, and GEM Investments America, LLC, East 62nd Street 10065 New York, NY, USA (the latter being beneficially owned by GEM Global Yield Fund LLC SCS) (collectively referred to as **GEM**), a warrant according to which GEM has the right to subscribe for 1,459,127 Class B Shares, equaling 6.43% of the Company's share capital and 2.67% of the Company's voting rights. The subscription price corresponds to 120% of the volume-weighted average price of all transactions executed on the SIX during the first trading day of the Class B Shares on the SIX. The warrant expires on March 31, 2021. The warrant can be exercised any time before the expiry date.
On January 19, 2016, GEM also entered into a share subscription facility agreement (the **SFF**) with the Company, according to which GEM has granted the Company the right, at any date after the date on which the Class B Shares are listed on the SIX (American style option), during the period expiring on the earlier of (1) January 19, 2021 and (2) the date on which GEM has subscribed for Class B Shares with an aggregate subscription price of CHF 60 million (exercise period), to request GEM, in one or several steps, to subscribe for Class B Shares up to an aggregate subscription amount of CHF 60 million. The subscription/exercise price for each subscription request of the Company corresponds to 90% of the average of the closing bid prices for Class B Shares on the SIX (as adjusted for variations) as reported by Bloomberg during the respective pricing period.
The disclosure in the table above (as it relates to the SFF) is based on assumed average closing bid prices on the SIX of CHF 10, *i.e.* the reference price under the SFF of CHF 10. A subscription price below CHF 10 requires the consent of the Company. On March 29, 2016, the SIX Disclosure Office granted GEM and the Company (in relation to its corresponding sale position for Class B Shares as per the table above, *see* note 5 below) an exemption (the **Exemption**) from the requirement that the number of Class B Shares and the voting rights percentage interest associated with the rights under the SFF be calculated on the basis of the lowest possible subscription price for Class B Shares, which, under the SFF, would be equal to the par value of Class B Shares. Such a disclosure would not have contributed to the transparency of the shareholder structure of the Company. Pursuant to the Exemption, GEM and the Company (in relation to its corresponding sale position for Class B Shares as per the table above, *see* note 5 below) are required to update the disclosure of their respective purchase position and sale position at each month end (for the first time on April 30, 2016) if and to the extent that the average closing price quoted on the SIX during the preceding month deviates 50% or more from the subscription price last disclosed on the SIX disclosure platform. Note that notwithstanding the disclosure herein on the basis of assumed average closing bid prices on the SIX of CHF 10, the actual subscription price at which GEM

may be requested to subscribe for Class B Shares under the SFF by the Company may be lower than CHF 10, and accordingly, the voting rights interest that GEM may acquire upon subscription for Class B Shares under the SFF may therefore be higher than as per the disclosure table above.

5 6,000,000 Class B Shares relate to the sale position arising as a consequence of the entry by the Company into the SFF, which corresponds to GEM's purchase position, as further described in note 4 above. For purposes of this sale position, the same assumptions have been applied as for GEM's purchase position described in note 4 above.

6 The Company's sale position relates in addition to the rights under the SFF to the following:

(1) On January 19, 2016, the Company committed to issue to GEM a warrant according to which GEM has the right to subscribe for 1,459,127 Class B Shares, equaling 6.43% of the Company's share capital and 2.67% of the Company's voting rights. The subscription price corresponds to CHF 8.85432. For further details, see note 4 above.

(2) The Company is the sponsor of the WISeKey share ownership plan (the **WISeKey Share Ownership Plan**) pursuant to which it has issued 1,416,912 options rights (all of which have vested) for the acquisition of 283,379 Class B Shares to members of WISeKey's management and WISeKey employees (*subscription ratio*: five options confer a right to one Class B Share; *exercise price*: CHF 0.05; *exercise period:* December 31, 2022; *exercise type:* American style);

(3) The Company has issued 1,124,320 options rights and warrants for the acquisition of 1,124,320 Class B Shares to persons providing consultancy, advisory and other services to WISeKey in connection with WISeKey's business development activities (the **Consultancy Rights**) (*subscription ratio*: one option confers a right to one Class B Share; *exercise price*: CHF 0.05; *exercise period*: for 180,987 Consultancy Rights at any time until March 5, 2017, for 510,000 Consultancy Rights at any time until December 31, 2017, for 333,333 Consultancy Rights at any time until January 30, 2018 and for 100,000 Consultancy Rights at any time until July 14, 2024; *exercise type:* American style; and

(4) The Company has granted 268,292 warrants (the **Warrants**) to strategic investors in connection with an authorized share capital increase in which they subscribed to Class B Shares at an issue price of CHF 5 and where preferential subscription rights of shareholders were withdrawn and allotted to the strategic investors to enable the Company to raise capital in a fast and flexible manner and thus achieve the listing of its Class B Shares on the SIX. The 268,292 warrants are exercisable to purchase an equal number of Class B Shares at par value CHF 0.05. The exercise period of the warrants is three months, commencing on the date of the issuance of the warrants, *i.e.*, March 31, 2016. The warrant can be exercised at any time during the exercise period (American style).

Overall, as of the date of this Listing Prospectus, the WISeKey Share Ownership Plan, the Consultancy Rights and the Warrants thus relate to 1,675,991 Class B Shares, 7.39% of the Company's registered share capital and 3.06% of the Company's voting rights. The underlying security in relation to the WISeKey Share Ownership Plan, the Consultancy Rights and the Warrants are Class B Shares (either out of ordinary capital, conditional share capital, authorized share capital or by delivery of treasury shares).

All disclosures reported by the Company on the SIX significant shareholder disclosure platform may be found on the website of SIX Swiss Exchange Ltd at: https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

1.3. Cross-shareholdings

The Company is not aware of any cross-shareholdings.

2. Capital Structure

2.1. Capital

As of March 31, 2016, the Company's share capital amounts to CHF 1,133,639.48 and is divided into 40,021,988 Class A Shares and 14,668,392 Class B Shares.

All Shares are registered shares (Namenaktien) and, except for 556,868 Class B shares, which have been issued in certificated form, issued in form of intermediated securities (Bucheffekten). The Shares are fully paid and rank economically *pari passu* with each other.

2.2. Authorized and Conditional Share Capital

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 March 16, 2018 and thereby increase the Company's share capital, without the approval of the shareholders, by a maximum amount of approximately 41.2% of the Company's share capital registered in the commercial register, corresponding to a maximum amount of CHF 466,742.35 or up to 9,334,847 new Class B Shares. After the expiration of the initial period, and each subsequent two-year period, authorized share capital will be available to the Board for issuance of additional Class B Shares only if the authorization is reapproved by the Company's shareholders.

According to the Company's authorized share capital, the Board determines the time of the issuance, the issuance 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, 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 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 (i) for issuing new shares if the issue price of the new shares is determined by reference to the market price; (ii) 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; (iii) or 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; (iv) or for purposes of national and international offerings of shares for the purpose of increasing the free float or to meet applicable listing requirements; (v) for purposes of the participation of strategic partners; (vi) or for an over-allotment option ("*greenshoe*") being granted to one or more financial institutions in connection with an offering of shares; (vii) or for the participation of directors, officers, employees, contractors, consultants of, or other persons providing services to the Company or a Group company; (viii) or 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.

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).

Conditional Share Capital

The Articles provide for a conditional share capital that authorizes the issuance of new Class B Shares of up to a maximum amount of 47.1% of the share capital registered in the commercial register, corresponding to a maximum amount of CHF 533,460.60 or up to 10,669,212 new Class B Shares without obtaining additional shareholder approval. The additional shares may be issued:

— up to an amount of CHF 373,422.40 by the issuance of up to 7,468,448 fully paid-in Class B Shares through the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by or of any member of the Group (the **Rights-Bearing Obligations**); or

— up to an amount of CHF 160,038.20 by the issuance of up to 3,200,764 fully paid-in Class B Shares in connection with the issuance of Class B Shares, options or other share-based awards to members of the Board, employees, contractors, consultants or other persons providing services to a member of the Group.

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

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

— 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

— such instruments are issued to strategic investors; or

— 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 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

In March 2016, shortly before the date of the Initial Listing, the Company has carried out the following capital increases:

— On March 2, 2016, the Company acquired the entire equity interest of WISeTrust SA against the issuance of 30,021,988 new Class A Shares, thus increasing the share capital of the Company from CHF 100,000 to CHF 400,219.88. The equity interest of WISeTrust SA was contributed at the book value of WISeTrust SA as per December 31, 2015. CHF 300,219.88 were contributed to the share capital of WISeKey, and CHF 3,802,024.12 to the capital contribution reserves of the Company.

— To settle the offer submitted by the Company on February 17, 2016 to all holders of WISeKey SA shares for the exchange of five WISeKey SA shares for one Class B Share in the Company (the **Exchange Offer**), WISeKey issued on March 21, 2015 13,234,027 new Class B Shares against the contribution in kind of all WISeKey SA shares tendered into the Exchange Offer. As of March 21, 2016, 90.4% of WISeKey SA shares were tendered into the Exchange Offer. The total contribution value of the tendered WISeKey SA shares was determined by reference to the net asset value of WISeKey SA. The total net asset value relative to the WISeKey SA shares tendered was CHF 1,051,392.50, of which CHF 661,701.35 were contributed to the Company's share capital, and CHF 389,691.15 were contributed to the capital contribution reserves of the Company.

— In a financing round that took place immediately prior to the date of the Initial Listing on March 30, 2016, the Company issued a total of 1,434,365 Class B Shares against a contribution in cash. 100,000 of these Class B Shares were issued in an ordinary share capital increase, carried out concurrently with the settlement of the Exchange Offer, at an issue price of CHF 10, and 1,334,365 of these Class B Shares were issued out of authorized share capital at an issue price of CHF 5.

2.4. Shares and Participation Certificates

All of the Shares are fully paid in. Each Class A Share and each Class B Share carry one vote. 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 General Meeting:

— 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.

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.

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

Transfer of Shares

The Company's share register is maintained by SIS SAG 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 Class A Shares may submit an application to the Company and request that he/she/it be registered as a shareholder with voting rights, provided such person expressly declares to the Company that he/she/it has acquired and holds such Class A Shares in his/her/its own name and for his/her/its own account.

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

2.7. Convertible Bonds and Options

Convertible Bonds and Similar Instruments

The Company has no outstanding convertible bonds or similar instruments.

Options, Warrants and Similar Instruments

The Company has an aggregate number of 9,135,118 outstanding options and warrants, which entitle the respective holders of such options and warrants to acquire a total of 9,135,118 Class B Shares:

— The Company has assumed all 1,416,912 outstanding options granted to employees of WISeKey SA under the WISeKey SA employee share ownership plan (referred herein as the **WISeKey Share Ownership Plan**). The Company has amended the WISeKey Share

Ownership Plan so that holders of options that were granted thereunder and are unexercised and outstanding (each such option a **WISeKey Option**) will upon exercise of each WISeKey Option receive one Class B Share, *i.e.*, a total of 283,379 Class B Shares at an exercise price of CHF 0.05 each (exercise period: December 31, 2022; exercise type: American style).

— The Company has granted 268,292 warrants to strategic investors in connection with the share capital increase out of the authorized share capital of March 30, 2016. The 268,292 warrants are exercisable to purchase an equal number of Class B Shares at par value CHF 0.05. The exercise period of the warrants is three months, commencing on the date of the issuance of the warrants, *i.e.*, March 31, 2016. The warrants can be exercised at any time during the exercise period.

— On January 19, 2016, the Company committed to issue to GEM Global Yield Fund LLC SCS, 412f Route d'Esch, 2086 Luxembourg, Luxembourg, and GEM Investments America, LLC, East 62nd Street 10065 New York, NY, USA (the latter being beneficially owned by GEM Global Yield Fund LLC SCS; collectively referred to as **GEM**), a warrant according to which GEM has the right to subscribe for 1,459,127 Class B Shares, equaling 6.43% of the Company's share capital and 2.67% of the Company's voting rights. The subscription price corresponds to CHF 8.85432. The warrant expires on March 31, 2021. The warrants can be exercised at any time during the exercise period.

— On January 19, 2016, GEM entered into a share subscription facility agreement (the **SFF**) with the Company, according to which GEM has granted the Company the right, at any date after the date on which the Class B Shares are listed on the SIX, during the period expiring on the earlier of January 19, 2021 and the date on which GEM has subscribed for Class B Shares with an aggregate subscription price of CHF 60 million (exercise period), to request GEM, in one or several steps, to subscribe for Class B Shares up to an aggregate subscription amount of CHF 60 million. The subscription/exercise price for each subscription request of the Company corresponds to 90% of the average of the closing bid prices for Class B Shares on the SIX (as adjusted for variations) as reported by Bloomberg during the respective pricing period. Assuming an average closing bid price on the SIX of CHF 10 per Class B Share, 6,000,000 Class B Shares relate to the sale position arising as a consequence of the entry by the Company into the SFF, which corresponds to GEM's purchase position. For further information, please refer to footnotes 4 and 5 to item 1.2 above.

— The Company has issued 1,124,320 options rights and warrants for the acquisition of 1,124,320 Class B Shares to persons providing consultancy, advisory and other services to WISeKey in connection with WISeKey's business development activities (the **Consultancy Rights**) (subscription ratio: one option confers a right to one Class B Share; exercise price: CHF 0.05; exercise period: for 180,987 Consultancy Rights at any time until March 5, 2017, for 510,000 Consultancy Rights at any time until December 31, 2017, for 333,333 Consultancy Rights at any time until January 30, 2018 and for 100,000 Consultancy Rights at any time until July 14, 2024; exercise type: American style).

3. Board of Directors

3.1. Members of the Board of Directors

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

Name	Function	Committee Membership	Age	Initial Election	Term of Office Expires at AGM
Philippe Doubre	Independent Member of the Board	Compensation and Nomination Committee	81	2016	2017
Thomas J. Egger	Independent Member of the Board	Audit Committee	56	2016	2017
Juan Hernandez Zayas	Independent Member of the Board	Audit Committee, Strategy Committee	53	2016	2017
Dr. Franz Humer	Independent member and vice-Chairman of the Board	Compensation and Nomination Committee, Strategy Committee	70	2016	2017
Dourgam Kummer	Member of the Board, previously executive member (CFO and then COO of WISeKey SA)	Compensation and Nomination Committee	51	2015	2017
Carlos Moreira	Executive member (CEO) and Chairman of the Board	Strategy Committee	57	2015	2017

Name	Function	Committee Membership	Age	Initial Election	Term of Office Expires at AGM
Maryla Shingler Bobbio	Independent member of the Board	Audit Committee, Compensation and Nomination Committee	53	2016	2017
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	64	2015	2017

Philippe Doubre

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

Thomas J. Egger

Thomas J. Egger, born in 1960, a Swiss citizen, has been serving as the chief executive officer of Parkview Ltd, a Multi-Family Office, based in Geneva since June 2012. At Parkview Ltd, he focuses on Swiss, European and Latin American entrepreneur families. He holds a BA from Zurich Business School. Thomas J. Egger began his career in 1976 with an apprenticeship/business school at Swiss Bank Corporation, predecessor to today's UBS, where he last acted as senior advisor/managing director, UBS Wealth Management for Latin America and the Iberian Peninsula. During his career at UBS, he has worked in the Wealth Management and Investment Bank in Zurich, New York, Caracas, Stamford and Geneva. His experience includes dealing with private clients, entrepreneurs, private, state & central banks, as well as government agencies in many different countries. From 1999 – 2003, Thomas J. Egger built up and led the global UBS Sports & Entertainment initiative.

Juan Hernandez Zayas

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

Dr. Franz Humer, Vice-Chairman

Dr. Franz Humer, born in 1946, has Austrian and Swiss citizenship. He obtained a PhD in Law from Innsbruck University and an MBA from INSEAD in Fontainebleau. He started as a management consultant in Zurich before joining Schering Plough in 1973 and then Glaxo Holdings in 1981, where he was appointed managing director of Glaxo Pharmaceuticals UK Ltd in 1987. He was elected to the board of directors in 1989 and became chief operating director worldwide operations (excluding USA) in 1992. Dr. Franz Humer joined Roche in 1995 as Head of the Pharmaceuticals Division and member of the board of directors, became chief executive officer in 1998 and in April 2001 chairman of the board of directors and chief executive officer. From March 2008 until March 2014 he was chairman of the board of directors of Roche Holding Ltd. Dr. Franz Humer joined the board of directors of Diageo, the world's leading spirits company in 2005 and became its chairman in 2008. He is also chairman of the board of directors of the International Centre for Missing and Exploited Children and the Humer Foundation. He is an independent director with Citigroup Inc., Chugai Pharmaceuticals Ltd (Japan), Bial Pharmaceuticals (Portugal), Kite Pharma (a biotech company in Los Angeles) and a member of the International Advisory Board of Allianz SE.

Dourgam Kummer

Dourgam Kummer, born in 1965, a Swiss citizen, held several leading positions in the structured and corporate finance of international companies and financial institutions, in particular André & Cie SA, where he served in management positions in their former USSR and Austria representation offices. From 2001 to 2005, Dourgam Kummer served on the board of directors for Bisange SA and was a managing director. He joined the board of directors of WISeKey SA in 2005 and was its chief financial officer from 2005 until 2011. From 2011 to 2015 he was chief operations officer at WISeKey SA. Since 2007, he has served on WISeKey SA's board of directors. Since January 2016, he has been a senior partner at FRACTAL-SWISS AG and FounderTrust SA and on the board of directors of both companies. He graduated with honors in company management and finance at "l'école de Cadre" in 1988 in Lausanne and obtained a degree on structured finance in 1998 and in strategic finance in 2006 at IMD. He is also a member of the IMD alumni club since 1999 and member of the HEC alumni club since 2001.

Carlos Moreira, Chairman

Carlos Moreira, born in 1959, a Swiss citizen, began his career as a United Nations expert on Information Technology, eSecurity and Trust Models, working for the International Labor Organization (ILO), the United Nations (UN), United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTC) and International Trade Centre (ITC), the World Bank, the United Nations Development Programme (UNDP) and the Economic and Social Commission for Asia and the Pacific (ESCAP) from 1983 to 1998. A recognized early stage pioneer in the field of digital identity, he was also Adjunct Professor of the Graduate School of Engineering Royal Melbourne Institute of Technology (RMIT) from 1995 to 1999 and Head of the Trade Efficiency Lab at the Graduate School of Engineering at RMIT. In 1999, Carlos Moreira founded the Geneva-based online data security firm WISeKey SA.

Carlos Moreira is a member of the UN Global Compact, member of the World Economic Forum's Global Agenda Council, founding member of the World Economic Forum for Global Growth Companies, World Economic Forum New Champion 2007 to 2016, Vice Chair of the World Economic Forum Global Agenda Council on Illicit Trade 2012/16, founder and board member of Geneva Security Forum SA, member of the Global Clinton Initiative, founder of Geneva Philanthropy Forum, Vice President Malaga Valley, co-founder of the Association International Mobility AIM, Vice-President of the World Trade Center, Geneva, a commitment holder at the Global Clinton Initiative On Mobile-Banking and Digital Identification for Poverty Alleviation 2007 to 2016, and a member of the World Economic Forum's Partnering Against Corruption Initiative (PACI). Carlos Moreira holds a Bachelor of Science in Business Administration from the University of Málaga, Spain.

Maryla Shingler Bobbio

Maryla Shingler Bobbio, born in 1963, a UK citizen, is founder and managing director of the Argentum Group. Born in Poland, she moved to England where she qualified as an English Solicitor. She worked for a number of well established law firms in London, including Linklaters, Beachcrofts and Charles Russell where she specialized in private client tax planning and trusts. She continued her career by focusing on offshore tax planning for international high-net worth clients and worked for three years as an in-house legal counsel for Rathbones plc in London before relocating to head their Legal Department in Geneva for 2 years. Maryla Shingler Bobbio moved on to become a director of a small private trust company before deciding to utilize her international legal skills, expertise and contacts to establish the Argentum Group SA in 2005. She is a full Member of the Society of Trust and Estate Practitioners (STEP) and holds a current English Solicitor Practising Certificate. Until December 2014 she served on the supervisory Board of Budev BV, a Dutch Healthcare R&D company.

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 and Isotis, both in field and headquarters position. He has worked in the UK, 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. He began his tenure with WISeKey SA in 2008 as finance director and has been Chief Financial Officer and a member of the Board since 2012.

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 four (4) mandates for members of the Executive Management. 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 eight 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 ordinary General Meeting.

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

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

3.5. Internal Organizational Structure

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 overindebtedness 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 Board has delegated the Group'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 Group's current structure, the positions of Chairman and CEO are held by the same person.

Board Committees

The Board has established the following committees:

Strategy Committee

The strategy committee (the **Strategy Committee**) currently consists of four members of the Board: Carlos Moreira (Chairman), Dr. Franz Humer, Juan Hernandez Zayas and Peter Ward. None of the members of the Strategy Committee, except Carlos Moreira and Peter Ward, are a member of the Executive Management. The Chairman and the other members of the Strategy Committee are appointed by the Board.

The Strategy Committee develops the strategy of the Group 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 Group and assesses the impact of changes in the environment of the Group.

Audit Committee

The audit committee (the **Audit Committee**) currently consists of three members of the Board: Juan Hernandez Zayas (Chairman), Thomas J. Egger and Maryla Shingler Bobbio. 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 and the Group's accounting policies, financial reporting and disclosure controls and procedures;

— the quality, adequacy and scope of external audits;

— the Company's and the Group'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.

Compensation and Nomination Committee

The compensation and nomination committee (the **Compensation and Nomination Committee**) currently consists of four members of the Board: Dr. Franz Humer (Chairman), Philippe Doubre, Dourgam Kummer and Maryla Shingler Bobbio, all of whom are non-executive and, except Dourgam Kummer, independent. The members of the Compensation and Nomination 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 Compensation and Nomination Committee is appointed by the Board.

The Compensation and Nomination Committee sets the requirements and principles for selecting nominees to the Board and prepares the election of new members of the Executive Management and their terms of employment. The Compensation and Nomination Committee also 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 Compensation and Nomination 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.

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.

The Board meets as often as the business requires, at least four times a year. The Board meetings can be held at the Company's place of incorporation or at such other place as the Chairman may determine from time to time.

3.6. Definition of Areas of Responsibility

The tasks assumed by the Board are described under item 3.5 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 Group in accordance with the organizational regulations of the Company.

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 Group 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 Group 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 Group; and (iii) information regarding all issues which may affect the supervisory or control function of the Board, including the internal control system.

4. Executive Management

4.1. Members of the Executive Management

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

Officer	Office	Age
Carlos Moreira	Chief Executive Officer (CEO)	57
Peter Ward	Chief Financial Officer (CFO)	64
Carlos Moreno	Vice President for Digital Brand Management	52

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

Carlos Moreno

Carlos Moreno is Vice President for digital brand management of WISeKey and has served in this role since 2009. He joined WISeKey in 1996 as sales director for Switzerland. Carlos Moreno has more than 20 years of experience in sales engineering, sales management, branch management and business development. He has worked on strategic projects for both national and multinational companies in the public, financial and industrial sectors throughout his career at Uniface, Compuware and BMC Software. He has held executive roles in the areas of people management, sales coaching, market analysis and the establishment and implementation of account plans. In his role at WISeKey, he oversees commercial relationships with strategic customers and partners and drives market analysis and go-to-market strategies. He also contributes to product management and the design of solutions and architectures in projects related to Digital Brand Management in the evolution of WISeKey's product offerings.

4.2. Other Activities and Vested Interests

See items 3.1 and 4.1 above.

4.3. Permitted Activities

See item 3.3 above.

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

Since the Company's Class B Shares were not listed on the SIX on December 31, 2015, the Federal Ordinance Against Excessive Compensation at Public Companies was not applicable to the Company with respect to financial year 2015. The Federal Ordinance Against Excessive Compensation at Public Companies will be applicable to the Company for the first time in relation to the compensation of the members of the Board for their 2017 – 2018 term and the Executive Management for the financial year 2018.

The Annual General Meeting held on March 21, 2016 approved the maximum amounts of Board and Executive Management compensation for the 2016/17 Board term and the 2017 financial year, respectively (see "*Compensation Approved by the General Meeting*" under this item 5.1 for further details).

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

Principles and Elements of Compensation

The Company has currently adopted the WISeKey Share Ownership Plan, which authorizes the Board to grant, at its discretion, options for the purchase of Class B Shares to employees, members of the Board and members of the Executive Management.[1] 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.

The Company assumed the WISeKey Share Ownership Plan from WISeKey SA, the Company's predecessor prior to the listing of the Company's Class B Shares on the SIX. The plan has therefore originally been designed with a view to the needs of a privately held company. The Company

[1] As of March 31, 2016, 1,416,912 options to acquire a total amount of 283,379 Class B Shares (originally 1,416,912 shares of WISeKey SA with a par value of CHF 0.01 each) were granted to key employees of the Group under the WISeKey Share Ownership Plan.

is currently reviewing the WISeKey Share Ownership Plan and intends to amend it where required or appropriate to address the requirements and exigencies of a public company.

Although the definitive compensation policy of the Company continues to be subject to review by the Company's Compensation and Nomination 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, we are 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 be paid in cash, in Class B Shares or options or other instruments entitling its holder to acquire Class B Shares.

— Long term incentive compensation is expected to be awarded in Class B Shares or share units with ratable vesting over a longer period so as to provide a direct correlation of realized pay to shareholder value.

Procedure for Determining Compensation

The Compensation and Nomination 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 Compensation and Nomination 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 Compensation and Nomination 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 2016/2017 Board term and the Executive Management compensation for financial year 2017 at the annual General Meeting held on March 21, 2016. The maximum amount of the Board's compensation for 2016/2017 is CHF 1 million. The maximum amount of compensation for the Executive Management for financial year 2017 is CHF 3 million.

5.2 Rules Related to Compensation in the Articles

General

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.

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, Group 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 Compensation and Nomination 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 Compensation and Nomination 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.

Credits and Loans

Under the Articles, the Company or companies controlled by it may not grant any loans to members of the Board or the Executive Management.

Post-Retirement Benefits beyond Occupational Pension

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 any such pension benefits may not exceed 50% of the base salary in the financial year immediately preceding the retirement.

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

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

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

6.2. Supermajority Requirements

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

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

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

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

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

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

— an authorized or conditional increase in the share capital;

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

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

— a change in the registered office of the Company;

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

— the dissolution of the Company.

6.3. Convocation of the General Meeting

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.

Extraordinary General Meetings

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

6.4. Inclusion of Items on the Agenda

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

6.5. Entries in the Share Register

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

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

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

7. Change of Control and Defence Measures

7.1. 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 group of acquirers exceeding the threshold of $33^{1/3}$% of the voting rights of the Company will not be required to make a takeover bid to acquire all the other Class B Shares.

7.2. Clauses on Changes of Control

The Company is not aware of any agreements containing change of control clauses. The WISeKey Share Ownership Plan stipulated, with respect to its predecessor WISeKey SA, the group 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. As explained under item 5.1 above, the Company is currently reviewing and amending the WISeKey Share Ownership Plan; the change of control clauses will currently not apply with respect to the Company. Please refer to item 5.1 above for further information regarding the WISeKey Share Ownership Plan.

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 2, 2015, and has been re-elected at the ordinary General Meeting on March 21, 2016. Since December 2, 2015, the responsible lead audit partner is Christoph Tschumi. In accordance with article 730a para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

8.2. Auditing Fees

The auditing fees charged to the Group by BDO from January 1st, 2015 through April 29, 2016 amount to CHF 471,244 (CHF 239,088 for financial year 2015, and a further CHF 232,156 until the date of this Report).

8.3. Additional Fees

BDO has not charged the Company any additional fees.

8.4. Information Instruments Pertaining to the External Audit

The supervision of the external audit is to be exercised by the Audit Committee and by the full Board of Directors (see also the duties and functions as described under item 3.5 above). For the December 31, 2015 audit, the supervision of the external audit has been exercised by the two Board of Directors.

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

9. Information Policy

The Company releases its annual financial results in the form of a business report. Its 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 four 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.

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).

Annex 1

Entity	Ownership (%)	Share Capital	Currency
WISeKey SA	90.9%	894,173.71	CHF
WISeTrust SA	100%	680,000	CHF
WISeKey Suisse SA	100%	100,000	CHF
WISeKey ELA SL	100%	4,000,000	EUR
WISeKey USA Inc.	100%*	6,500	USD
WISeKey France SAS (in the process of being closed)	100%	37,000	EUR
WISeKey BR BV (in the process of being closed)	50%	771,359	EUR
WISeKey Italia SRL (in the process of being closed)	50%	10,000	EUR

* 50% direct ownership and 50% through WISeTrust SA

FINANCIAL REPORT

INDEX TO FINANCIAL STATEMENTS

Audited Combined Consolidated Financial Statements of WISeKey SA and WISeTrust SA for the years ended 31 December 2015 and 2014.

Audited Combined Consolidated Financial Statements of WISeKey SA and WISeTrust SA for the years ended 31 December 2015 and 2014

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BDO Ltd
Case postale 24
Rte de Meyrin 123
1219 Genève Châtelaine

Auditor's Report on the combined and consolidated financial statements to the Board of Directors of WISeKey SA and WISeTrust SA in Meyrin, Switzerland

We have audited the accompanying combined and consolidated financial statements of WISeKey SA and WISeTrust SA, which comprise the balance sheet as at December 31, 2015 and 2014 and the statements of comprehensive loss, statements of stockholders' deficit, statements of cash flows and notes (pages F-4 to F-32) for the years then ended.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards and US generally accepted auditing standards (US GAAS). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the combined and consolidated financial statements for the years ended December 31, 2015 and 2014 comply with accounting principles generally accepted in the United States of America.

Genève Châtelaine, 30 April 2016

BDO Ltd

Christoph Tschumi
Licensed Audit Expert

ppa. Peter Wu

Combined Consolidated Statements of Comprehensive Loss

In USD	Year ended December 31, 2015	2014
Revenues	2’287’151	3’465’327
Cost of sales	(820’169)	(1’347’276)
Gross profit	**1’466’982**	**2’118’051**
Research and development	(645’122)	(2’055’703)
General and administrative	(4’504’032)	(14’735’281)
Sales and marketing	(1’340’387)	(17’931’763)
Loss on impairment	(1’559’762)	-
Loss from operations	**(6’582’321)**	**(32’604’696)**
Interest income	13’975	462
Interest expenses	(49’415)	(24’971)
Other income (expenses), net	224’578	(68’534)
Loss on investments in associated companies	(49’881)	(145’788)
Result before taxes	**(6’443’064)**	**(32’843’527)**
Income taxes	(20’760)	(300)
Net loss	**(6’463’824)**	**(32’843’827)**
Net foreign currency translation adjustments	(210’294)	681’246
Pension adjustment	(262’181)	(1’547’551)
Other comprehensive income (loss), net	(472’475)	(866’305)
Total comprehensive loss	**(6’936’299)**	**(33'710'132)**
Weighted average number of outstanding shares (basic)	74’749’043	69'099'240
Weighted average number of outstanding shares (diluted)	74’749’043	69'099'240
Basic loss per share	(0.09)	(0.48)
Diluted loss per share	(0.09)	(0.48)

Combined Consolidated Balance Sheets

In USD	As at December 31, 2015	As at December 31, 2014
ASSETS		
Cash and cash equivalents	460’363	475'025
Trade receivables, net of allowances for doubtful accounts	355’442	243'531
Receivables from shareholders	18’429	53'401
Receivables from related parties	47’930	-
Inventories	3'201	4'022
Prepaid expenses and other current assets	132’560	230'818
Total current assets	**1’017’925**	**1'006'797**
Property, plant and equipment, net	16’568	42'757
Intangible assets, net	21’971	1'778'145
Deposits	57’150	57'323
Total non-current assets	**95’969**	**1'878'225**
TOTAL ASSETS	**1’113’614**	**2'885'022**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	957’999	742'678
Other current liabilities	1’517’212	2'571'730
Notes and other accounts payable to shareholders	30’259	260’337
Deferred revenues	431’855	358'533
Total current liabilities	**2’937’325**	**3’933’278**
Pension liabilities	2’958’114	2'517'450
Total non-current liabilities	**2’958’114**	**2'517'450**
Stockholders’ deficit		
WISeKey SA	794'002	638'584
Common stock, par value of CHF 0.01 per share; as at December 31, 2015, 15'229'457 shares authorized and 88’041’294 shares issued and outstanding; as at December 31, 2014, 15'712'155 shares authorized and 73'405'506 shares issued and outstanding, respectively		
WISeTrust SA	459'221	459'221
Common stock, par value of CHF 1'000 per share; as at December 31, 2015 and 2014: 680 shares issued and outstanding;		
Additional paid-in capital	115’615’951	109'680’791
Treasury shares	(2’106’280)	(1'735'879)
Accumulated deficit	(119’698’814)	(113'234'991)
Accumulated other comprehensive income	154’095	626'568
Total stockholders' deficit	**(4’781’825)**	**(3'565'706)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**1’113’614**	**2'885'022**

Combined Consolidated Statements of Stockholders' Deficit

In USD	WISEKEY SA - COMMON STOCK		WISETRUST SA - COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	ACCUMULATED DEFICIT	OTHER ACCUMULATED COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' DEFICIT
	NB. SHARES	AMOUNT	NB. SHARES	AMOUNT					
Balance at December 31, 2013	68'338'973	585'707	680	459'221	79'294'077	(1'755'630)	(80'391'163)	1'492'874	(314'914)
Common stock issued	5'066'533	52'877			2'767'773				2'820'650
Stock-based compensation					27'526'781				27'526'781
Sales / (acquisition) of treasury shares,net					92'161	19'748			111'908
Other comprehensive income (loss), net								(866'305)	(866'305)
Net loss							(32'843'827)		(32'843'827)
Balance at December 31, 2014	73'405'506	638'584	680	459'221	109'680'791	(1'735'882)	(113'234'990)	626'570	(3'565'706)
Common stock issued	14'635'788	155'418			508'962				664'380
Stock-based compensation					1'419'463				1'419'463
Sales / (acquisition) of treasury shares,net					4'006'735	(370'398)			3'636'337
Other comprehensive income (loss), net								(472'475)	(472'475)
Net loss							(6'463'824)		(6'463'824)
Balance at December 31, 2015	88'041'294	794'002	680	459'221	115'615'951	(2'106'280)	(119'698'814)	154'095	(4'781'825)

Combined Consolidated Statements of Cash Flows

In USD	Year ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	(6'463'824)	(32'843'827)
Adjustments to reconcile net income to net cash provided by operating activities:	-	-
Amortization of intangible assets	281'500	608'047
Impairment on intangible assets	1'599'762	-
Depreciation of property, plant & equipment	26'938	61'234
Change in pension liability	238'246	(119'602)
Stock-based compensation	1'419'463'	27'526'781
Loss on investments in associated companies	49'882	145'788
Financial result	-	24'565
Other, net	79'214	(85'517)
Changes in operating assets & liabilities, net of effects from acquisitions:		
Decrease (increase) in trade receivables	(111'911)	(141'893)
Decrease (increase) in inventories	821	5'869
Decrease (increase) in prepaid expenses and other assets	98'259	(41'814)
Increase (decrease) in payables and other liabilities	215'321	83,266
Increase (decrease) in other current liabilities	(1'054'518)	1'609'819
Increase (decrease) in deferred revenues	73'322	261'950
Unrealized exchange difference	-	-
Interest paid	-	(24'954)
Interest received	-	213
Net cash used for operating activities	**(3'587'523)**	**(2'930'074)**
Cash flows from investing activities:		
Purchase of intangible assets	-	(59'660)
Increase in receivables from related parties	(47'930)	-
Change in receivable from shareholders	34'972	(49'427)
Net cash used for investing activities	**(12'958)**	**(109'087)**
Cash flows from financing activities:		
Increase (decrease) in notes and other accounts payable to shareholders	30'259	411'010
Proceeds from issuance of common stock	381'410	2'560'311
Acquisitions /sales of treasury shares	3'174'150	101'647
Net cash provided by financing activities	**3'585'819**	**3'072'968**
Net (decrease) increase in cash and cash equivalents	**(14'662)**	**33'807**
Cash and cash equivalents at beginning of period	475'025	441'219
Cash and cash equivalents at end of period	**460'363**	**475'025**

In USD	Year ended December 31,	
	2015	2014
Non-cash transactions		
Conversion of notes payable into common stock	(282'970)	(260'338)
Conversion of notes payable into common stock	-	1'033'840)

1. ORGANISATION

WISeKey SA has its headquarters in Meyrin, Switzerland and was established in 1999. The Company 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, expands its own eco-system. WISeKey generates digital identities from its current products and services in Cybersecurity Services, IoT and Digital Brand Management and Mobile Security.

WISeTrust SA has its headquarters in Meyrin, Switzerland and was established in 1999. The company does not have any employees. Its purpose is to acquire and hold participations.

On December 2nd 2015, WISeKey International Holding was established. It is a holding company with its headquarters in Zug, Switzerland. It was formed to become the parent company of WISeKey SA and WISeTrust SA. (See Note 19, Subsequent Events for more information).

The following notes relate to the combined financial statements of WISeKey SA and WISeTrust SA (together the “Combined Company”, “Wisekey” or “we”) for each of the years ended December 31, 2015 and 2014 and the balance sheet data as of December 31, 2015 and 2014.

2. FUTURE OPERATIONS

The Combined Company has experienced losses from operations, although it does anticipate being able to generate profits in the near future. However, this cannot be predicted with any certainty. The accompanying financial statements have been prepared assuming that the Combined Company will continue as a going concern. The Combined Company incurred a net operating loss of USD (6’582’321) and a negative cash flow from operations of USD (3’587’523) for the year ended December 31, 2015. It had a working capital of USD (1’919’400) as at December 31, 2015.

During Quarter 1 2016, WISeKey International Holding raised approximately USD 7.2million of capital from new and existing shareholders. It has signed an irrevocable intercompany agreement to contribute CHF 7.3 million to the capital reserves of WISeKey SA which ensures its ability to continue as a going concern for the next twelve months from the reporting date. WISeKey International Holding acquired 90.3% of WISeKey SA during Quarter 1 2016. It intends to acquire the remaining 9.7% through a squeeze-out mechanism in 2016. On March 31 2016, WISeKey International Holding was listed on the International Reporting Standard on the SIX Swiss Stock Exchange.

Additionally, on April 29, 2016, WISeKey International Holding entered into a guarantee agreement with WISeKey SA whereby it is obligated to the amounts necessary to ensure that there is no sign of over-indebtedness. The Guarantor is entitled to fulfil its obligation through payments to the creditors of the beneficiary.

WISeKey International Holding also has a committed CHF 60 million Share Subscription Facility, allowing it to draw 90% of the 15 days average closing price times 1000% of the 15 days average volume at any time until January 2021. (See Note 19 Subsequent Events for more details).

This ensures that the Combined Company has sufficient cash and capital to continue for more than 12 months from the date of this report. This will allow it to develop its revenue streams to generate surplus cash from operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

Our combined and consolidated financial statements are prepared in accordance with US generally accepted accounting principles (GAAP) as set forth in the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC). All amounts are in USD unless stated otherwise.

Principles of Consolidation and Combination

The combined and consolidated financial statements include the accounts of WISeKey SA, its subsidiaries and of WISeTrust SA. The combined and consolidated financial statements include the accounts of our wholly- and majority-owned subsidiaries. The companies included are listed in Note 9. Investments, in which the Combined Company exercises significant influence but not control, are accounted for under the equity method. The Combined Company's total comprehensive loss and net loss of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling 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. Companies acquired or divested in the course of the year are included in the combined and consolidated financial statements as of the date of purchase respectively up to the date of sale.

Use of Estimates

These accounting principles require us to make certain estimates, judgments and assumptions. We believe these estimates, judgements and assumptions are reasonable, based upon information available to us 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 combined and consolidated financial statements will be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by 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.

Fair Value of Financial Instruments

The Combined Company's financial instruments consist of cash and cash equivalents, trade receivables, receivables from shareholders, receivables from related parties, deposits, bank overdraft, accounts payable and notes payable to shareholders. The fair value of these financial instruments approximate their carrying value due to the short maturity of the instruments unless otherwise noted.

Foreign Currency

We transact business in various foreign currencies. In general the functional currency of a foreign operation is the local country's currency. Consequently, revenues and expenses of operations outside the United States are translated into US dollars using weighted average exchange rates, while assets and liabilities of operations outside the United States are translated into US dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive loss in the accompanying consolidated balance sheet and related periodic movements are summarized as a line item in our consolidated statements of comprehensive loss.

Transactions in currencies other than the functional currency are recorded using the appropriate exchange rates at the time of the transaction. Gains or losses from foreign currency transactions are included in other income (expense), net.

Concentrations of Credit Risk

Financial instruments that are potentially subject to credit risk consist primarily of cash and trade receivables. 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.

Our accounts receivables are primarily derived from clients representing various geographical locations. We generally do not require collateral on accounts receivable. Summarized below are the clients whose revenue or account receivable balances were 10% or higher than the respective total combined and consolidated amounts:

Revenue Concentration	**December 31,**	
Percentage of Revenue	**2015**	**2014**
Major luxury watch company A	66%	88%
Major luxury watch company B	23%	-%

Receivables Concentration	**December 31,**	
Percentage of Receivables	**2015**	**2014**
Major luxury watch company A	0%	94%
Major luxury watch company B	70%	-
Internet security company	18%	-

Allowances for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost or market value, but are not generally significant. We purchase completed units from contract manufacturers. Accordingly, substantially all inventories are finished goods either on their way to the client, or held in inventory for staging before being installed at the client.

Prepaid expenses and other current assets

Other current assets mainly represent value-added tax receivables and standard prepaid expenses, such as insurance premiums etc.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of cost or realizable value, net of accumulated depreciation. Depreciation is computed using the straight line method based on estimated useful lives which range from 2 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. We did not recognize any significant property impairment charges in 2015 and 2014.

Intangible Assets

Costs of intangible assets are capitalized as incurred. Those intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which generally range from 2 to 5 years. Each period we evaluate the estimated remaining useful lives of the intangible assets and whether events or changes in circumstances require a revision to the remaining periods of amortization. We recognized USD 1’559’762 impairment charge in 2015 (see note 7), none in 2014.

Goodwill

Goodwill on acquisitions of subsidiaries represents the excess of (i) the consideration transferred, the amount of non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired. Goodwill is not amortized but subject to impairment analysis at least once annually.

Non-monetary Transaction

In April 2013, the Combined Company finalized negotiations to enter into a business relationship with QWANT, a French company offering a specialist Internet web desktop search engine. The Combined Company's intention was to co-operate with QWANT to develop this search capability on mobile phones and to include it in our mobile applications such as our WISfans sports mobile app and our "Should I buy it" app for illicit trade. The key elements in this commercial agreement were that the Combined Company licensed its digital identity technology (WISeID) to QWANT and in return, QWANT licensed the use of its web search engine to WISeKey for incorporation in mobile apps developed by the Combined Company.

This transaction did not involve any cash settlements and was accounted for as a non-monetary transaction in accordance with ASC 845. The transaction was measured at the fair value of the asset received since this was more clearly evident than the fair value of the asset surrendered and the fair value of the asset received was determinable within reasonable limits. The Combined Company determined the fair value based on a discounted cash flow model of the future cash flows of the asset received. Furthermore, it was determined that the transaction had commercial substance due to the fact that the Combined Company's future cash flows were expected to change significantly based on this transaction. At transaction date, the QWANT license was valued USD 2'947'813 on the basis of a discounted cash flow model and recorded as an intangible asset to be amortized over a period of five years. As explained in note 7, in June 2015, management reassessed that license and concluded that the net book value which amounted to USD 1'559'763 be impaired.

Investments in Associates

The Combined Company has participations in other companies. These are listed in detail in Note 9 along with the percentage holding in each company.

Treasury shares

The Combined Company repurchases common stock at fair value on an opportunistic basis. The cost of those acquired shares is shown separately as a deduction from the stockholders' deficit. If treasury shares are sold or reissued any gain or loss on these transactions is included in additional paid in capital within stockholders' deficit.

Related Parties

Parties are considered to be related if one party directly or indirectly controls, is controlled by, or is under common control with the other party, if it has an interest in the other party that gives it significant influence over the party, if it has joint control over the party, or if it is an associate or a joint venture. Senior management of the Combined Company and close family members are also deemed to be related parties.

Revenue Recognition

We market and distribute our software products both as stand-alone products and as integrated product suites. We recognize revenue when:

- persuasive evidence of an arrangement exists,
- delivery has occurred or services have been rendered,
- fees are fixed or determinable, and
- collectability is probable.

If we determine that any one of the four criteria is not met, we will defer recognition of revenue until all the criteria are met.

We derive revenue primarily from sales of content, subscriptions, maintenance and licenses. We present revenue net of sales taxes and any similar assessments from 3 different sources, namely identity management (WISeAuthentic), Internet security (WISecurity) and mobile services (WISeID and WISfans).

WISeAuthentic revenues are generated via multiyear contracts and consist of revenues from supplies of personalised smart cards and readers together with digital certificates. Revenues are recognized when the deliveries have been made. There is no right of return.

WISecurity revenues are generated from several sources. Supply of hardware (HSM, tokens) together with professional services either to stage and install the hardware and/or implementation of a full or managed Public Key Infrastructure ("**PKI**") network. Revenue here is recognized upon acceptance of the client. WISeKey SA does not offer post contract support, but some standard warranty. The total warranty cost for the periods are immaterial. Additional revenues come from licenses and or certificates/tokens and are recognized over the period of the license. Additional services can provide electronic invoices, dematerialisation of documents, encrypted e-mail etc. These revenues are recognized over the period of the service provided, generally 1 year, then renewed.

Software as a Service (SaaS) Revenues

The combined Company's hosted services consist of certain software offerings sold as a service without the customer's ability to take possession of the software over the subscription term. These arrangements are offered to Wisekey's customers over a specified period of time. In addition to this hosting service, the combined Company's service revenues consist of software maintenance and support, consulting services and professional services. Software maintenance and support offerings entitle customers to receive major and minor product upgrades on a when-and-if available basis and technical support. Professional services are also offered and include design, implementation and training. Professional services are considered essential to the functionality of Wisekey's products as these services.

The combined Company believes that the elements noted above do not have standalone value to the customer as defined in the guidance. Based on the unique nature of our product and services this SaaS revenue is accounted for as one unit of accounting. The combined Company notes that as the last service provided in the arrangement relates to support services outside the hosting of the software that the revenue is recognized over the contract period of one year in accordance with guidance in ASC 605-25 Revenue Recognition: Multiple Element Arrangements.

The combined Company also engaged in one in-kind transaction whereby it has been engaged to develop an application using its WISeFans app services in consideration for prominent sponsorship placement in the 2016 Americas Cup Yacht Race. Wisekey has recognized revenues to the extent of costs incurred, which were immaterial, consistent with the guidance as the fair value of the services provided and sponsorship obtained were not readily available.

Mobile revenues are currently small. Revenues are achieved from advertising sponsorships in sports clubs' applications and social media feeds and are recognized over the period of the event, be it a season or a tournament, such as the World Soccer Cup.

Deferred Revenue

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

Sales Commissions

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

Research and Development and Software Development Costs

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

Advertising

All advertising costs are expensed as incurred. Advertising expenses, which are included within sales and marketing expenses, were USD 110'222 and USD 181'149 in fiscal 2015 and 2014 respectively.

Other Income (Expense), Net

Non-operating (expense) income, net consist primarily of realized net foreign currency exchange gains/losses, depreciation charges of certain investments and other miscellaneous income/losses.

Pension Plan

The Combined Company maintains a defined benefit post retirement plan that covers all Swiss employees. In accordance with ASC 715-30, *Defined Benefit Plans – Pension,* the Combined Company 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. Compensation costs for unvested stock options are expensed over the requisite service period on a straight-line basis.

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 the Combined Company 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.

The Combined Company is required to pay income taxes in a number of countries. The Combined Company 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. The Combined Company 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.

Earnings per share

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

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)", which supersedes nearly all existing revenue recognition guidance under GAAP.*

The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP.

The revised revenue standard is effective for public entities for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures).

In June 2014, the FASB issued ASU 2014-12, *Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.*

The amendments in this Update require that a performance target included in a share-based payment award that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Therefore, such performance target should not be reflected in estimating the grant-date fair value of the award. A reporting entity should apply existing guidance in Topic 718 as it relates to the award with performance conditions that affect vesting. That is, compensation cost should be recognized in the period in which it becomes probable that the performance condition would be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and would be adjusted to reflect those awards that ultimately vest.

For all entities, the amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities.

Entities may apply the amendments in this Update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this Update as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. Additionally, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern* (Subtopic 205-40): *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.*

The amendments in this Update define when and how companies are required to disclose going concern uncertainties, which must be evaluated each interim and annual period. Specifically, the ASU requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). If substantial doubt exists, certain disclosures are required; the extent of those disclosures depends on an evaluation of management's plans (if any) to mitigate the going concern uncertainty.

The new standard applies prospectively, for both public and private entities, to annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early adoption is permitted.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient.*

The amendments in ASU 2015-12 (i) require fully benefit-responsive investment contracts to be measured, presented and disclosed only at contract value, not fair value; (ii) simplify the investment disclosure requirements; and (iii) provide a measurement date practical expedient for employee benefit plans.

Part I. Fully Benefit-Responsive Investment Contracts – the amendments designate contract value as the only required measurement for fully benefit-responsive investments contracts within the scope of Topics 962 and 965, eliminating the requirement to measure, present and disclose such contracts also at fair value and reconcile fair value to contract value.

Part II. Plan Investment Disclosures – the amendments eliminate certain disclosure requirements for both participant-directed investments and nonparticipant-directed investments, and also reduce disclosures required specifically for investments using the net asset value per share practical expedient. The amendments also require that both participant-directed and nonparticipant-directed investments be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways (i.e., also on the basis of nature, characteristics, and risks as required by Topic 820, Fair Value Measurement).

Part III. Measurement Date Practical Expedient – the amendments provide a measurement date practical expedient for employee benefit plans similar to the practical expedient allowing employers to measure defined benefit plan assets on a month-end date that is nearest to the employer's fiscal year-end, when the fiscal period does not coincide with a month-end.

The amendments are effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for all three parts individually or in the aggregate. Parts I and II of the ASU should be applied retrospectively, while Part III should be applied prospectively. Only the nature and reason for the change in accounting principle is required to be disclosed in the annual period of adoption.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10), to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments for all entities that hold financial assets or owe financial liabilities.*

The amendments in this update make targeted improvements to generally accepted accounting principles (GAAP) as follows:

1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not

have readily determinable fair values 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.

2. Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.

3. Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.

4. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.

5. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

6. Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

7. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

8. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments are effective for fiscal years beginning after December 15, 2017.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)", *which requires lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position.* Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718) as part of its Simplification Initiative.* The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The simplifications include:

1) All excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement.

The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period.

2) Excess tax benefits should be classified along with other income tax cash flows as an operating activity.

3) An entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur.

4) The threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdictions.

5) Cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity.

The effective date and transition requirements for the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods.

The Combined Company expects to adopt all of the aforementioned guidance when effective, and the impact on its combined and consolidated financial statements is not currently estimable.

4. CASH AND CASH EQUIVALENTS

Cash consists of deposits held at major banks.

5. FAIR VALUE MEASUREMENTS

ASC 820 establishes a three-tier fair value hierarchy, 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. There are no financial asset or financial liability measured on a recurring basis at fair value as of December 31, 2015 and 2014 respectively.

	December 31, 2015		December 31, 2014		Fair value levels	Ref.
(In USD)	Carrying amount	Fair value	Carrying amount	Fair value		
Cash and cash equivalents	460’363	460’363	475‘025	475‘025	1	4
Trade receivables	355’442	355’442	243‘531	243‘531	3	
Receivables from shareholders	18’429	18’429	53‘401	53‘401	3	
Receivables from related parties	47’930	47’930	-	-	3	
Deposits	57'150	57'150	57‘323	57‘323	1	
Accounts payable	957’999	957’999	742‘678	742‘678	1	
Notes and other accounts payable to shareholders	30’259	30’259	260'337	260'337	3	8&9

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

- Cash and cash equivalents – carrying amount approximated fair value.
- Deposits – carrying amount approximated fair value.
- Trade receivables – carrying amount approximated fair value due to its short term nature.
- Receivables from shareholders – carrying amount approximated fair value due to its short term nature.
- Receivables from related parties – carrying amount approximated fair value due to its short term nature.
- Accounts Payable – carrying amount approximated fair value.
- Notes and other accounts payable to shareholders – carrying amount approximated fair value due to its short-term nature.

6. PROPERTY, PLANT AND EQUIPMENT

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

(In USD)	Useful estimated life	December 31, 2015	December 31, 2014
Computer, office equipment and furniture	Between 2 and 5 years	772'094	774'497
Buildings and improvements	5 years	1'958'662	1'963'214
Total property, plant and equipment		2'730'756	2'737'710
Accumulated depreciation		(2'714'188)	(2'694'953)
Total property, plant and equipment, net		16'568	42'757

Depreciation expense for the years ended December 31, 2015 and 2014 was USD 26'938 and USD 61,234 respectively.

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

(In USD)	Useful estimated life	December 31, 2015	December 31, 2014
Trademarks	5 years	63'099	63'297
License agreements	5 years	2'760'329	2'768'978
Website	5 years	95'192	95'192
North American rights	5 years	485'343	485'343
Total intangible assets		3'403'963	3'412'810
Impairment of QWANT license		(1'559'762)	-
Accumulated depreciation		(1'822'230)	(1'634'665)
Total intangible assets, net		21'971	1'778'145

Amortization expense for the years ended December 31, 2015 and 2014 was USD 281'500 and USD 608'047, respectively.

In 2015, management reassessed the QWANT license and does not expect the license to generate any significant revenue for the Combined Company for some time. This is a result of the slower growth of the fan communities, due in part to competition from other apps, but also a lack of promotional activities by the clubs together with management's inability to obtain contracts from other clubs in the Combined Company's pipeline. Due to this slow growth of the fan base, the app is less attractive to prospective sponsors. As a result, management deems that a full impairment is required based on the uncertainty of future revenues.

The effect is a 100% impairment in the amount of USD 1'559'762 of the QWANT license to NIL during the year ended December 31, 2015. This amount has been recorded in the loss on impairment line within the combined statement of comprehensive loss.

The estimated future amortization expense as of December 31, 2015 is as follows:

Future estimated amortization expense:	(In USD)
2016	(1'324)
2017	(1'324)
2018	(1'324)
2019	(1'324)
2020 and after	(16'675)

8. NOTES AND OTHER ACCOUNTS PAYABLE TO SHAREHOLDERS

Notes Payable:

The current notes payables to shareholders are composed as follows:

	Notes payables to shareholders	
(In USD)	**December 31, 2015**	**December 31, 2014**
International Telecom, October 2014 loan	-	260'337
Notes and other accounts payable to shareholders	30'259	
Total	**30'259**	**260'337**

Loan agreements International Telecom SA

On October 25, 2014, International Telecom SA concluded a CHF 250'000 loan agreement with WISeKey SA, with the main terms being:

- The maturity date is on October 24, 2015.
- The interests are 7%.
- The principal is payable in cash or shares at maturity, up to WISeKey's choice. The payment in shares, if chosen, is fixed to CHF 1 per share. The interests were payable in shares only, at the same conditions.

As WISeKey has settlement option, at a given price, and at a fixed date, the Combined Company has presented the loan as liability in accordance with ASC 470. This loan was converted to equity on February 16, 2015.

Other accounts payable

As part of the separation agreement between the Company and one of its former Directors, a balance amounting to USD 30'259 was due to the person and duly paid in February 2016.

Shareholders Loans

From time to time, to augment cash generated by operations and capital increases, the Combined Company entered into loan agreements with certain shareholders. The loans were generally for 12 to 24 months and carried an arm's length interest rate. The loans and interest contained a settlement option to either repay in cash or in common shares of the Combined Company.

9. RELATED PARTIES DISCLOSURE

The combined and consolidated financial statements include the financial statements of WISeKey SA and of WISeTrust SA including the entities listed in the following table:

		December 31, 2015	Dec 31, 2014
Company	**Country**	**Equity Share**	**Equity Share**
WISeTrust SA (8)	Switzerland	100%	100%
WISeKey SA (1)	Switzerland	100%	100%
WISeKey Suisse SA (2)	Switzerland	100%	100%
WISeKey ELA SL (3)	Spain	100%	100%
WISeKey USA Inc. (4)	United States of America	100%	100%
WISeKey France SAS (5)	France	100%	100%
WISeKey BR BV (6)	The Netherlands	100%	100%
WISeKey Italy (7)	Italy	50%	50%

(1) Founded in 1999.
(2) Founded in 2002.
(3) Founded in 2006.
(4) Founded in 2006. This subsidiary is owned for 50% by WISeKey SA who has full power over the decisions taken by its Board of Directors. The other 50% are owned by WISeTrust.
(5) Founded in 2007. It is in the process of being liquidated in 2016.
(6) WISeKey SA purchased the remaining 50% of WISeKey BR BV in January 2013.
(7) This entity is considered as not significant for the Group, and is accounted for at cost, less impairment if applicable. It is in the process of being liquidated in 2016.
(8) Holding company, founded in 1999.

Receivable from shareholders

(In USD)	December 31, 2015	December 31, 2014
Carlos Moreira	18'429	-
Various shareholders	-	53'401

Relationship with Organisation Internationale pour la Sécurité des Transactions Electroniques ("OISTE")

In 2001 WISeKey SA entered into a contract with OISTE, a Swiss non-profit making foundation that owns a cryptographic rootkey, to operate and maintain the global trust infrastructures of OISTE. Two members of the Board of Directors of WISeKey SA are also members of the Counsel of the Foundation which gives rise to the related party situation.

WISeKey SA pays subsidy funds to OISTE and license fees. In 2015, OISTE underwent internal restructuring and did not have the resources available to perform its normal operations. Consequently, the Combined Company agreed with OISTE that it would not be billed any subsidy funds or license fees for 2015. As at December 31, 2015, USD 161'760 has been accrued for unpaid services performed in 2014. The relevant amounts are being renegotiated for 2016 as OISTE becomes able to resume its operations in the course of the year. In 2014 the Combined Company paid USD 131’148 in subsidy funds and USD 104’918 in license fees.

WISeTrust has at several occasions supported financially and operationally the foundation OISTE through loans which have been either reimbursed by the foundation or forgiven in favour of the foundation. During the year ended December 31, 2015, WISeTrust‘s short term advances to OISTE amounted to USD 85’900 (2014 - NIL) thus resulting in a net receivable balance of USD 45’432.

The transactions and balances with OISTE are summarized as follows:

Transactions	**2015**	**2014**
Revenues	0	-
General and Administration	0	236’066
Balances	**December 31, 2015**	**December 31, 2014**
Receivables from related parties	45’432	-
Accounts payable and accruals	(161’760)	(33'348)

10. COMMITMENTS AND CONTINGENCIES

Lease Commitments

We lease certain facilities and equipment under operating leases. As of December 31, 2015, future minimum annual operating lease payments were as follows (in USD):

	2016	291’855
	2017	286’994
	2018	136’037
	2019	60’543
	2020 and later	221’993
Total future minimum operating lease payments		**997’413**

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.

11. STOCKHOLDERS EQUITY

Shares WISeKey	December 31, 2015	December 31, 2014
Total number of authorized shares	15'229'457	15'712'155
Total number of conditional shares	10’237’473	24'390'563
Total number of fully paid-in shares	88’041’294	73'405'506
Total number of treasury shares	16’575’322	4'814’507
Par value per share (in CHF)	0.01	0.01
Total share capital (in USD)	794'002	638’584

Shares WISeTrust	December 31, 2015	December 31, 2014
Total number of authorized shares	0	0
Total number of conditional shares	0	0
Total number of treasury shares	66	66
Total number of fully paid-in shares	680	680
Par value per share (in CHF)	1,000	1,000
Total share capital (in USD)	459’221	459’221

All shares are common shares. There are no different share categories.

WiseTrust SA repurchased 66 own treasury shares from a shareholder in July 2014 with the impact accounted for as a reduction of Additional Paid in Capital. Please see our Combined and Consolidated Statement of Stockholder's Equity.

As of December 31, 2015, WISeTrust SA still held those 66 treasury shares (December 31, 2014: 66) for a total acquisition cost of USD 162’121 (December 31, 2014: USD 162’121). These are recorded as a reduction in additional paid in capital. There was no gains or losses on sales or redemption of treasury shares during the years ended December 31, 2015 and 2014.

As of January 1, 2014, WISeTrust SA held 5’262’410 of WISeKey SA common stock. During the years 2015 and 2014 the net change in WISeTrust SA’s holding in WISeKey SA common stock was 11’760’815 and (447’903) respectively. During 2015, 14’749’791 WISeKey SA common stock was acquired at an average price of USD 1.15 and 2’988’976 WISeKey SA common stock was sold at an average price of USD 1.50. During 2014, 144’688 WISeKey SA common stock was acquired at an average price of USD 0.30 and 592’591 WISeKey SA common stock was sold at an average price of USD 0.30. During 2015 and 2014, gains on sales of WISeKey SA common stock amounted to USD 4’006’735 and USD 92’161 respectively. Those gains are shown in additional paid-in capital. .

As of December 31, 2015, WISeTrust SA held at total of 16’575’322 (December 31, 2014: 4,814,507) common stock in WISeKey SA for an acquisition amount of USD 1’944’159 (December 31, 2014 –USD 1,573’561.

12. STOCK COMPENSATION PROGRAM

Stock Option Plans

The Stock Option Plan ("ESOP 1") was approved on December 31, 2007 by the stockholders, 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, representing 16'698'300 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.

Grants

From December 31, 2007 to December 31, 2011 the Combined Company has issued under ESOP 1 a total of 2'330'750 stock-options exercisable at a price of USD 0.01 (CHF 0.01) per share valid until December 31, 2017 and vesting in 3 years in annual instalments.

2015

No options were granted in the 2015.

2014

15'608'769 options were granted on June 30, 2014 to board members and employees of which 342'877 options related to board member fees accrued from 2007 to 2014.

16'600 options were granted on September 30, 2014 to board members related to board member fees accrued from 2007 to 2014.

16'600 options were granted on December 31, 2014 to board members related to board member fees accrued from 2007 to 2014.

Out of the 2014 grants, 14'234'262 options vested immediately while the others vest over 2.5 to 3 years.

Stock Option Grants

The Combined Company calculates the fair value of options granted by applying the Black-Scholes option pricing model. Expected volatility is based on the other companies (in the same industry and of the similar size) share price volatility.

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

Assumption	December 31, 2015	December 31, 2014
Dividend yield	n/a	None
Risk-free interest rate used (average)	n/a	1.00%
Expected market price volatility	n/a	65.00%
Average expected life of stock options	n/a	4.50 years

The following table illustrates the development of the Combined Company's non-vested options during the years ended December 31, 2014, and December 31, 2015 respectively:

Non-vested options	**Shares under options**	**Weighted-average grant date fair value** (In USD)
Non-vested at December 31, 2013	-	-
Granted	15'641'969	1.76
Vested	(14'487'378)	1.76
Non-vested, forfeited or cancelled	-	-
Non-vested at December 31, 2014	1'154'378	1.76
Granted	-	-
Vested	(360'383)	1.76
Non-vested, forfeited or cancelled	(141'712)	-
Non-vested at December 31, 2015	652'497	1.76

As of December 31, 2015, the unrecognized compensation expense related to non-vested stock option based compensation arrangements amounts to USD 1'147'744.

The following table summarizes the Combined Company's stock option activity for the years ended December 31, 2015 and 2014:

	Shares under options	**Weighted-average exercise price** (In USD)	**Weighted-average remaining contractual term (years)**	**Aggregate intrinsic value** (In USD)
Outstanding at December 31, 2013	1'979'250	0.01	4	4'757'813
Granted	15'641'969	0.01	7	27'526'781
Forfeited or expired	(381,500)		6.05	(178'505)
Outstanding at December 31, 2014	17'239'719	0.01	6.05	8'447'462
Granted	-	-		-
Exercised	(14'153'091)			(1'217'440)
Forfeited or expired	(120'595)		5.05	(753'142)
Outstanding at December 31, 2015	2'966'033	0.01	5.05	4'449'050
Exercisable	2'313'536	0.01	5.05	3'470'304

Summary of Stock-based Compensation Expenses

Stock-based compensation expenses (USD)	December 31, 2015	December 31, 2014
Options grants	651'854	27'526'781
Share grants	767'609	-
Total	**1'419'463**	**27'526'781**

Stock-based compensation expenses are recorded under cost of sales, research and development, general and administrative and sales and marketing expenses, depending on the beneficiaries, as follows:

In USD	December 31, 2015	December 31, 2014
R&D	1'538	955'950
G&A	954'382	9'880'930
S&M	463'543	16'689'901
Total	**1'419'463**	**27'526'781**

Share Grants:
One of the Combined Company's advisors has agreed to receive 500'000 shares of WISeKey SA in consideration of the services rendered to the Combined Company during the year ended December 31, 2015. Such shares have been valued at the fair value as of grant date which was $1.50.

13. EMPLOYEE BENEFIT PLANS

Defined Benefit Post-retirement Plan

The Combined Company maintains a pension plan covering all employees in Switzerland. The plan is considered a defined benefit plan 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 rateably 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 plan assets, then that difference or unfunded status represents the pension liability.

The Combined Company records a net periodic pension cost in the statement of comprehensive loss. The liabilities and annual income or expense of the pension plan is 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 values of plan assets are determined based on prevailing market prices.

Net periodic pension cost has been included in the Combined Company's results as follows:

Pension expense (In USD)	Year ended December 31, 2015	Year ended December 31, 2014
Net service cost	247'883	252'884
Interest cost	76'366	81'300
Expected return on assets	(75'695)	(60'101)
Amortization of (gain)/loss	49'657	0
Amortization of prior service cost / (credit)	75'290	53'574
Net periodic pension cost	373'501	327'657

During the years ended December 31, 2015 and 2014, the Combined Company made cash contributions of USD 167’373 and USD 197’111, respectively, to its defined benefit pension plan.

All of the assets are significantly insured and held under the collective contract and are invested in a mix of Swiss and international bond and equity securities within the limits prescribed by the Swiss Pension Law. Since January 1, 2015, the provider for the pension plan scheme is Patrimonia Collective Foundation (Fondation Patrimonia, Le Lumion, Rte François Peyrot 14, 1215 Genève). The cost impact of the adjustment was USD 255’494 and is included in the 2014 prior service cost.

The expected future cash flows to be paid by the Combined Company in respect of employer contributions to the pension plan for the year ended December 31, 2016 are USD 170’281.

Future projected benefits payments in the next ten years are expected to be USD 3’361’277.

Personnel costs (In USD)	**Year ended December 31, 2015**	**Year ended December 31, 2014**
Wages and salaries	1’870’537	2’440’915
Social security contributions	243’427	218’548
Net periodic pension costs	373’501	327’657
Total	2’487’465	2’987,120

Amounts recognized (In USD)	**2015**	**2014**
ABO end of year	7’534’659	6’793’982
Change in PBO during year		
PBO at beginning of period	7’422’087	4’178’086
Service cost	247’883	252’884
Interest cost	76’366	81’300
Employee contributions	109’181	456’263
Plan amendments	-	255’494
Actuarial (gain)/loss due to change in assumptions	523’259	3’621’668
Benefit payments	(170’317)	(707’211)
Currency translation adjustment	(47’658)	(716’398)
PBO at end of year	**8’160’801**	**7’422’086**
Change in assets during the year	4’904’636	3’088’585
Actual return on assets	205’233	2’336’138
Company contributions	167’373	213’134
Employee contributions	105’782	456’263
Benefit payments	(165’016)	(707’211)
Currency translation adjustment	(15’320)	(482’273)

Fair value of assets at end of year	**5'202'688**	**4'904'636**
Net assets/(liabilities) in balance sheet	**(2'958'113)**	**(2'517'450)**

Yearly gain/loss recognized in OCI

(In USD)	**2015**	**2014**
Net loss (gain)	387'126	1'345'631
Prior service cost (credit)	-	255'494
Amortization on prior service cost/(credit)	(49'657)	(53'574)
Total gain/loss recognized vis OCI	**262'181**	**1'547'551**

Amounts recognized in accumulated OCI (In USD)	**December 31, 2015**	**December 31, 2014**
Net loss/(gain)	1'566'223	1'243'143
Prior service cost/(credit)	656'504	723'978
Total gain/loss recognized via OCI	**2'222'727**	**1'967'121**

Assumptions at year-end	**December 31, 2015**	**December 31, 2014**
Discount rate	0.75%	1%
Expected rate of return on plan assets	1.5%	1.5%
Salary increases	1.5%	1.5%

14. OTHER INCOME / LOSSES

Other income/(losses), net consisted of the following:

(In USD)	**December 31, 2015**	**December 31, 2014**
Foreign exchange gain / (loss)	166'578	(71'127)
Taxes on fortune	(8'120)	(8'273)
Other	66'120	10'866
Total other income / (expenses), net	**224'578**	**(68'534)**

15. INCOME TAXES

The components of income from continuing operations before income taxes are as follows:

Income / Losses (In USD)	**December 31,2015**	**December 31, 2014**
Switzerland	(6'122'577)	(32'795'316)
Foreign	(320'487)	(48'211)
Income/(loss) before income tax	**(6'443'064)**	**(32'843'527)**

Income taxes relating to the Combined Company's continuing operations are as follows:

Income taxes from continuing operations (In USD)	**December 31,2015**	**December 31, 2014**
Switzerland	(20’460)	-
Foreign	(300)	(300)
Income tax (expense) recovery	**(20’760)**	**(300)**

Income tax at the Swiss statutory rate compared to the Combined Company’s income tax expenses as reported are as follows:

Income taxes at the Swiss statutory rate (In USD)	**December 31,2015**	**December 31, 2014**
Net Income/(loss) before income tax	(6’443’064)	(32'843'527)
Statutory tax rate	24%	24%
Expected income tax expense/(recovery)	(1’546’335)	(7'882'446)
Income tax in other jurisdictions	(300)	(300)
Change in valuation allowance	(2’717'288)	(426'439)
Permanent difference	37'204	4'884'490
Change in expiration of tax loss carry forwards	4'205'959	3'416'972
Income tax (expense)/recovery	**(20’760)**	**(300)**

The Combined Company assesses the recoverability of its deferred tax assets and, to the extent recoverability does not satisfy the “more likely than not” recognition criterion under ASC740, records a valuation allowance against its deferred tax assets. The Combined Company considered its recent operating results and anticipated future taxable income in assessing the need for its valuation allowance.

Since the Combined Company has been loss-making since its inception, it recorded a 100% valuation allowance on its deferred tax assets.

The Combined Company’s deferred tax assets and liabilities consist of the following:

Deferred tax assets and liabilities (In USD)		**December 31, 2015**	**December 31, 2014**
Stock basaed compensation		825'271	1’711’854
Pension liability		709’947	604'188
Tax loss carry forwards		12’740’886	14'677'350
Valuation allowance		(14’276'104)	(16'993'392)
Deferred tax assets/(liabilities)	-	-	-

The Combined Company's operating cumulated loss carry-forwards of all jurisdictions, as of December 31, 2015, are as follows:

Operating loss carry-forward (USD)	**United States**	**Switzerland**	**Spain**	**France**	**The Netherlands**	**Total**
2016	-	9'562'117	-	17'573	-	9'579'690
2017	-	7'881'375	-	5'863	-	7'887'238
2018	-	8'546'390	-	5'400	-	8'551'790
2019	-	6'174'669	-	3'093	-	6'177'762
2020	-	1'989'798	-	-	-	1'989'798
2021	-	7'921'136	-	-	430'550	8'351'686
2022	-	6'964'947	200'214	-	249'601	7'414'762
2023	-	-	1'162'755	-	65'900	1'228'655
2024	-	-	1'192'522	-	137'640	1'330'162
2025	-	-	-	-	35'555	35'555
2026	-	-	-	-	-	-
2027	18'487	-	-	-	-	18'487
2028	143'467	-	-	-	-	143'467
2029	177'005	-	-	-	-	177'005
2030	9'293	-	21'875	-	-	31'168
2031	1'660	-	25'134	-	-	26'794
2032	53'669	-	-	-	-	53'669
2033	89'339	-	-	-	-	89'339
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
Total operating loss carry-forwards	**492'920**	**49'040'431**	**2'602'500**	**31'930**	**919'246**	**53'087'027**

The following tax years remain subject to examination:

Significant jurisdictions	**Open years**
Switzerland	2014 – 2015
USA	2012 – 2015
The Netherlands	2012 – 2015
France	2012 – 2015
Spain	2011 – 2015

As of December 31, 2015 and 2014, there were no known uncertain tax positions.

16. SEGMENT INFORMATION

ASC 280, *Segment Reporting,* establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chief Executive Officer. We are organized geographically, but analysis is limited to revenues due to the overall size of the business currently. We do not provide disaggregated financial information, so the Combined Company considers that it has only one reporting segment.

Geographic Information

The following table summarizes geographic information for each region based upon the billing address of the client.

Revenue by geographic region (In USD)	**December 31,**	
	2015	**2014**
Europe	2'173'050	3,270,299
North America	40'770	125'081
Rest of World	73'331	69'947
Total Revenues	2'287'151	3'465'327

The Company's tangible fixed assets are all located in Switzerland, Europe.

17. LOSS PER SHARE

Basic earnings per share are the result of dividing the Combined Company's net income (or net loss) by the weighted average number of shares outstanding of both WISeKey and WISeTrust for the contemplated years. The WISeTrust weighted average number of shares outstanding was multiplied by a factor of 7'738 which was historically used in transactions from shareholders to exchange WISeKey and WISeTrust shares. Diluted earnings per share are calculated applying the treasury stock method. When there is a net income dilutive effect all stock-based compensation awards or participating financial instruments are considered. When the Combined Company posts a loss, basis loss per share equals diluted loss per share. The following table depicts how the denominator for the calculation of basic and diluted earnings per share was determined under the treasury stock method.

	2015	**2014**
Combined Company posted	Net loss	Net loss
Basic weighted average number of issued shares - WISeKey	81'968'922	69'534'245
Basic weighted average number of issued shares – WISeTrust	5'261'840	5'261'840
Basic weighted average number of treasury shares - WISeKey	(11'971'011)	(5'186'137)
Basic weighted average number of treasury shares - WISeTrust	(510'708)	(510'708)
Basic weighted average number of outstanding shares - combined	74'749'043	69'099'240
Dilutive effect of common stock equivalents	None	None
Diluted weighted average number of issued shares - WISeKey	81'968'922	69'534'245
Diluted weighted average number of issued shares - WISeTrust	5'261'840	5'261'840
Diluted weighted average number of treasury shares - WISeKey	(11'971011)	(5'186'137)
Diluted weighted average number of treasury shares - WISeTrust	(510'708)	(510'708)
Diluted weighted average number of outstanding shares - combined	74'749'043	69'099'240

The following table shows the total number of stock equivalents that are excluded from the computation of diluted loss per share for the respective period because the effect would have been anti-dilutive:

	December 31, 2015	December 31, 2014
Options	2'966'033	17'239'719
Total	2'966'033	17'239'719

Detailed information regarding share and option based payments see Note 12 Stock Compensation.

18. SUBSEQUENT EVENTS

Capital Increases

On January 15, 2016, the Combined Company made a capital Increase from its conditional capital, from CHF 880'413 to CHF 884'174 (CHF 3'761) by issuing 376'077 shares at nominal value of CHF0.01.

On February 24, 2016, the Combined Company made an authorised share capital increase from CHF 884'174 to CHF 894,174 (CHF 10'000) by issuing 1,000,000 shares at nominal value of CHF 0.01.

On March 3, 2016, the Combined Company made an authorised capital increase from CHF 894,174 to CHF 925'789 (CHF 31'615) by issuing 3,161,548 ordinary shares at a nominal value of CHF 0.01 with an AGIO of CHF 0.99 (CHF 3'129'933).

On March 3, 2016, the Combined Company made a capital increase from its conditional capital, from CHF 925'789 to CHF 933'311 (CHF 7'522) by issuing 752,218 ordinary shares at a nominal value of CHF 0.01.

On March 11, 2016, the Combined Company made an authorised capital increase from CHF 933,436 to CHF 933'436 (CHF 125.00) by issuing 12,500 ordinary shares at nominal value of CHF 0.01.

Corporate restructuring

In the first quarter 2016, the Combined Company underwent a corporate restructuring, whereby its shareholders were offered to exchange their shares into a new holding company – WISeKey International Holding AG – that was listed on the International Reporting Standard of the SIX Swiss Stock Exchange on March 31 2016. 90.3% of the existing shareholders accepted the offer to exchange their shares. The remaining 9.7% will be acquired through a squeeze-out mechanism, later in 2016.

On 20 January, 2016, WISeKey announced that it has signed a binding agreement with a leading consortium of high profile institutional investors (the "Investors") led by Global Yield Fund LLC SCS ("GEM"), granting WISeKey a CHF 60 million committed Share Subscription Facility (the "SSF") as of the date of the WISeKey Group listing on SIX Swiss Exchange.

Under the terms of the SSF, WISeKey will have the right, from time to time and during a period of up to 5 years, to issue and sell shares to the Investors. Under the facility, the Investors undertake to subscribe to or acquire ordinary registered WISeKey International Holding AG shares upon WISeKey's exercise of a Draw Down Notice. WISeKey will control the timing and maximum amount of any Draw Down, and has the right, not the obligation, to draw down on the full Commitment Amount.

The fee for the SSF amounts to CHF 1.2 million which is payable to GEM upon proceeds from the first drawdowns.

During the first quarter 2016, WISeKey International Holding AG raised approximately CHF 7.2 million capital from both new and existing investors in the Group. WISeKey International Holding entered into an irrecoverably binding intercompany agreement to contribute approximately CHF 7.3 million to the capital reserves of WISeKey SA.

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