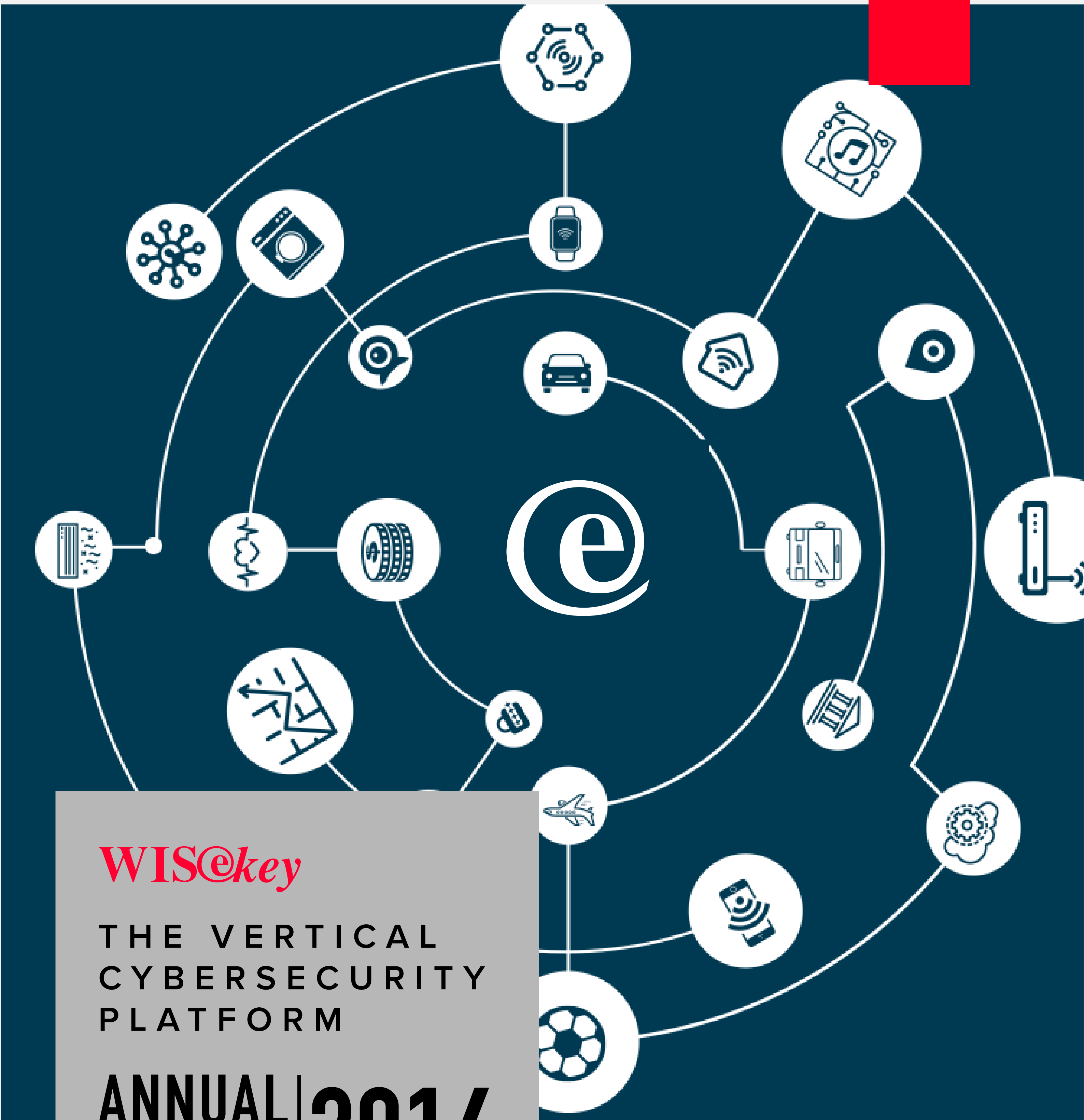
IoT Security
Brand Protection
Blockchain
Artificial Intelligence



WISeKey

THE VERTICAL CYBERSECURITY PLATFORM

ANNUAL REPORT 2016

Digital Identity
Access Control
Root of Trust
Electronic Transaction

SHAREHOLDERS' LETTER

Dear Fellow Shareholders,

FISCAL YEAR 2016 WAS A YEAR OF SIGNIFICANT ACHIEVEMENTS FOR WISEKEY

Celebrating one year of the listing of our shares on the SIX Swiss Exchange on March 31, 2016, we are pleased to look back on a year of substantial achievements in several key areas for WISeKey. As a result of a well-thought-out and successfully executed business plan, we:

- Built a vertically integrated platform by offering unique, highly secure root-to-chip technology, through organic growth of our technical capabilities and strategic acquisitions.
- Expanded our geographic coverage and client base through the signing of several important agreements which paved the way for substantial growth of our top and bottom line in 2017 and beyond.
    - Private organizations with global operations such as SAP, Microsoft, MasterCard, CenturyLink and Cisco.
    - Government entities – offering our services in counties such as India, Argentina, China, the US, etc.
- Obtained financing which provided us with the flexibility and leverage to finance our strategic acquisitions.

Today, WISeKey offers a comprehensive and integrated trusted platform of services by combining cybersecurity, Root of Trust along with IoT and semiconductors, which we believe is the key differentiator that sets us apart from competitors, creates substantial cross-IP and cross-selling opportunities and will be the catalyst of our growth from new technologies and client acquisitions.

As a result, we turned WISeKey from a Swiss startup into a global cybersecurity/ IoT player and the only Cybersecurity/IoT player offering an end-to-end trusted cybersecurity platform vision.

Although it is satisfying to all of us to see how far we have come as a company, we believe that the best years are ahead of us.

A VERTICALLY INTEGRATED PLATFORM FOR THE INDUSTRIAL INTERNET … offering chip-to-root technology

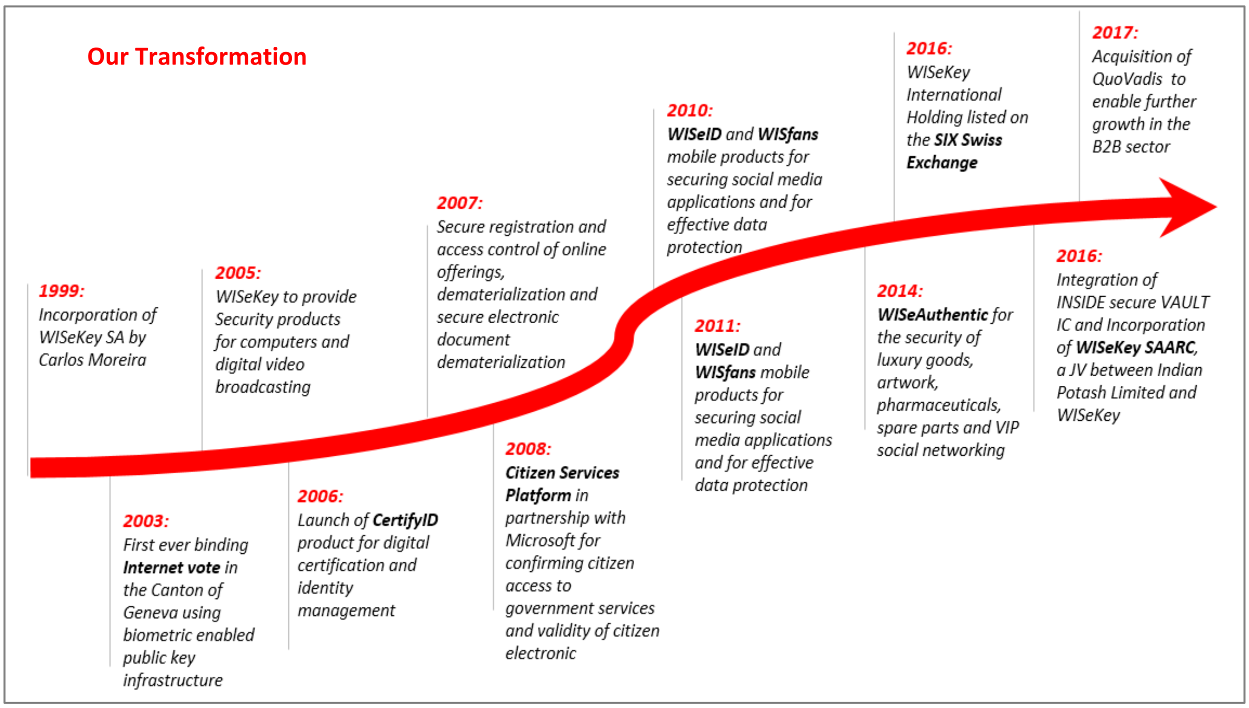
In 2016 we completed the acquisition of VaultIC, the semiconductor business segment of INSIDE Secure and in early 2017 we completed the acquisition of 85% stake in QuoVadis. More specifically…

- In September 2016, we acquired 100% of the IOT integrated circuit solutions and semiconductor business from INSIDE Secure, including products, technology, customer agreements, and certain patents for the development and sale of secure integrated circuits designed to secure and power the strongly growing IoT market. The acquisition and technology integration of the Vault IC semiconductor business with WISeKey's unique Root of Trust and Identity technology have created the first ever comprehensive trusted end-to-end cybersecurity platform for people and objects (IoT)
- In March 2017 we completed the acquisition of 85% of QuoVadis, a leading cybersecurity company with strong focus in next generation Public Key Infrastructure ("PKI"), Certification Authority ("CA") and electronic signature services ("eID"), with operating activities in Switzerland, Germany, the Netherlands, Belgium, the United Kingdom and Bermuda.

The acquisition and technology integration of the Vault IC semiconductor business with WISeKey's unique Root of Trust and Identity technology have created the first ever comprehensive trusted end-to-end cybersecurity platform for people and objects (IoT). In addition, the acquisition of QuoVadis has improved WISeKey's strategic position in the Digital Certificate market. WISeKey is currently aligning and integrating all their different products and product development cycles to their platform strategy.

MOVING FORWARD: 2017 MARKS THE BEGINNING OF A NEW ERA FOR WISEKEY - OPPORTUNITIES AHEAD

The acquisitions of WISeKey Semiconductors and QuoVadis will add significant revenue to our top line in 2017, and complement our existing WISeKey operations presenting new revenue opportunities. In addition, recently announced partnerships such as the new joint ventures in high growth markets such as Argentina and India present significant opportunities for revenue growth. Finally, WISeKey is pursuing additional joint ventures for selected jurisdictions as well as acquisitions in the European cybersecurity and Blockchain space. These developments have paved the way for 2017 to become a year of significant corporate, operating and financial improvements for WISeKey. We look forward to announce our progress in the coming months.



One of the main areas of focus for WISeKey in 2017 and beyond will be the fast growing IoT market:

We see tremendous opportunities for WISeKey arising from the need to authenticate, secure and remotely manage millions of networked, automated devices and equipment − from the factory floor, to the hospital operating room, to the residential home − everything, from refrigerators, watches, wearables to wine bottles.

The IoT security landscape is still evolving even as the IoT adoption is likely to pick up. We believe **early movers in this space such as WISeKey stand to gain big**, since RoT is required for secure communication over IoT. WISeKey is well positioned to generate operational synergies from cross-selling opportunities in the space through its expanded offerings.

Our solution, called WISeKeyIoT is a scalable framework, offering digital Public Key Infrastructure ("PKI") certificates for connected devices, protected in certified tamper resistant silicon chips, as well as an outsourced or on-premises certificate management system, with device life cycle control functions and security enforcement entities.

WISeKey's geological neutrality and data sovereignty ensured by its OISTE Root of Trust is the key differentiator for the company vis-a-vis its competitors. This is especially important as the WISeKey RoT serves as a common trust anchor, which is recognized by operating systems ("OS") and IoT applications to ensure the authenticity, confidentiality and integrity of on-line transactions. We believe these features could be vital in creating significant business opportunities with various governments, international bodies, industrial companies which are wary of foreign government oversight and centralization of data on servers outside their jurisdiction.

In 2016, WISeKey has established a reputation for enabling highly secured transactions using NFC Trusted technology in partnership with MasterCard and Bulgari to enable contactless payments on select luxury brand watches and wearables. Our offering have been expanded beyond the original scope following the acquisition of VaultIC which bring a significant portfolio of EMV-payment card and solutions.

WELL POSITIONED GEOPOLITICALLY AND EXPANDING IN NEW MARKETS

WISeKey is long established as a leading Swiss cybersecurity company with its key cryptographic Rootkey being protected by Switzerland's political, financial and regulatory stability as well as its neutrality. In 2016 the company expended his footprint to include operations in other countries such as France, Singapore, USA and Japan. In addition, through joint ventures, WISeKey is also participating in rapidly growing market such as India and South America.

COMMITTED TO CREATE LONG-TERM SHAREHOLDER VALUE

Based on the substantial strategic and operational achievements over the last 12 months, including the Swiss listing, the acquisitions of VaultIC plus QuoVadis, the 2 joint ventures in India and Argentina plus securing of a long-term equity financing facility with GEM, WISeKey feels well positioned to execute on its clearly defined growth business plan, tapping the substantial opportunities arising from the convergence of cybersecurity and IoT. We are focused forward and we believe that WISeKey's future has never been brighter.

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

In that regard, WISeKey has a strong Board of Directors with industry representation as well as experienced leaders from global institutions and the financial industry. For strategic matters, WISeKey can count on an extended Advisory Committee.

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
Founder, Chairman and CEO of WISeKey International Holding WIHN
May 6, 2017

CYBERSECURITY MARKET IN 2016 AND BEYOND

Global trends in the cyber and technology space

WISeKey addresses several major forces that are shaping the online world:

- The ongoing push for efficiency through digital transaction management, in which electronic identity and electronic signatures are significant underpinnings.
- The blossoming growth of people and devices, including Internet of Things ("IoT"), connected online for which authentication and encryption are vital. This includes aspects such as cryptographic hardware, as well as the systems to provision and manage keys at scale.
- The dominance of digital records and transactions has also attracted every turbulent variation of crime and fraud online, driving a vast and growing focus on cybersecurity at the personal, corporate, and public sector levels.

WISeKey's corporate strategy recognizes these forces and is intended to create a Vertical Trusted Platform to meet the challenges.

Digital Transaction Management

The push and pull for transactions to move online is inexorable, driven by organizations seeking to provide improved service and convenience for their users, and to improve operating efficiencies. This brings opportunities for companies building the workflow tools to enable the online transactions, as well as the mechanisms for asserting identity and signature that are required to fulfil regulatory or legal requirements.

(Aragon Research, n.d.) predicts that the market for digital transaction management is expected to grow faster than nearly every business category with category revenues estimated to grow from USD $500-700 million in 2014 to $30 billion by 2020.

In Europe, Regulation (EU) N°910/2014 on electronic identification and trust services for electronic transactions in the internal market (known as eIDAS) is expected have particular impact by ensuring interoperability across borders both for transactions and the regulation of service providers.

Internet of Things

The potential of novel online services is blossoming through the movement towards IoT, connecting the myriad of devices – from thermostats to automobile components – to the Internet. Security is a paramount consideration for the success of IoT, as hacks and surveillance attacks have inevitable shifted towards these devices, the control of their capabilities and the information they transmit.

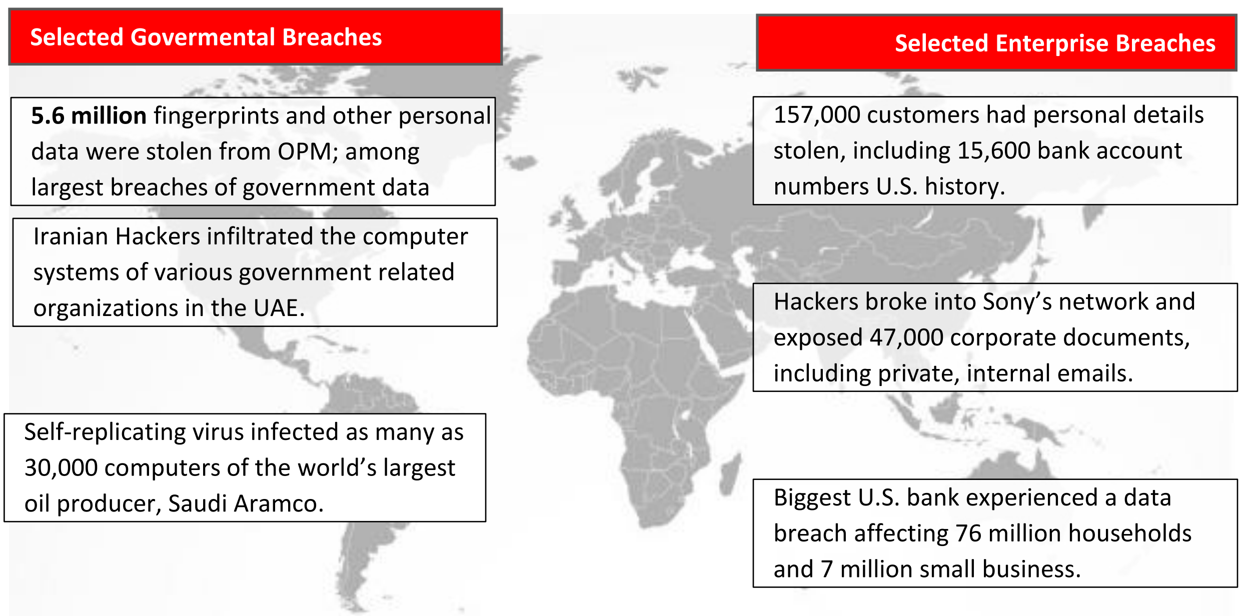
According to global market research firm IDC, the global IoT market is expected to grow to USD1.7 trillion by 2020 from USD655.8 billion in 2014. It is also predicted that the number of connected devices will grow to 29.5 billion in 2020 from 10.3 billion in 2014. (Dynamic, n.d.)

Cybersecurity

While other tech sectors are driven by reducing inefficiencies and increasing productivity, cybersecurity spending is driven by cybercrime and unwanted surveillance (ranging from national prying to man-in-the-middle attacks). The unprecedented cybercriminal activity we are witnessing is generating so much cyber spending, it's become nearly impossible for analysts to accurately track.

In 2004, the global cybersecurity market was worth $3.5 billion — and in 2017 WISeKey expects it to be worth more than $120 billion. The cybersecurity market grew by roughly 35X over 13 years. We anticipate 12-15 percent year-over-year cybersecurity market growth through 2021, compared to the 8-10 percent projected over the next five years by several industry analysts.

Growing breaches in cybersecurity worldwide



Security Issues that need to be addressed

- Security concerns from foreign governments
- Secure networks
- Encryption technologies
- Routers and modems need to be secured

IT analyst forecasts are unable to keep pace with the dramatic rise in cybercrime, the ransomware epidemic, the refocusing of malware from PCs and laptops to smartphones and mobile devices, the deployment of billions of under-protected Internet of Things devices, the legions of hackers-for-hire, and the more sophisticated cyber-attacks launching at businesses, governments, educational institutions, and consumers globally. (Cybersecurity Ventures, n.d.)

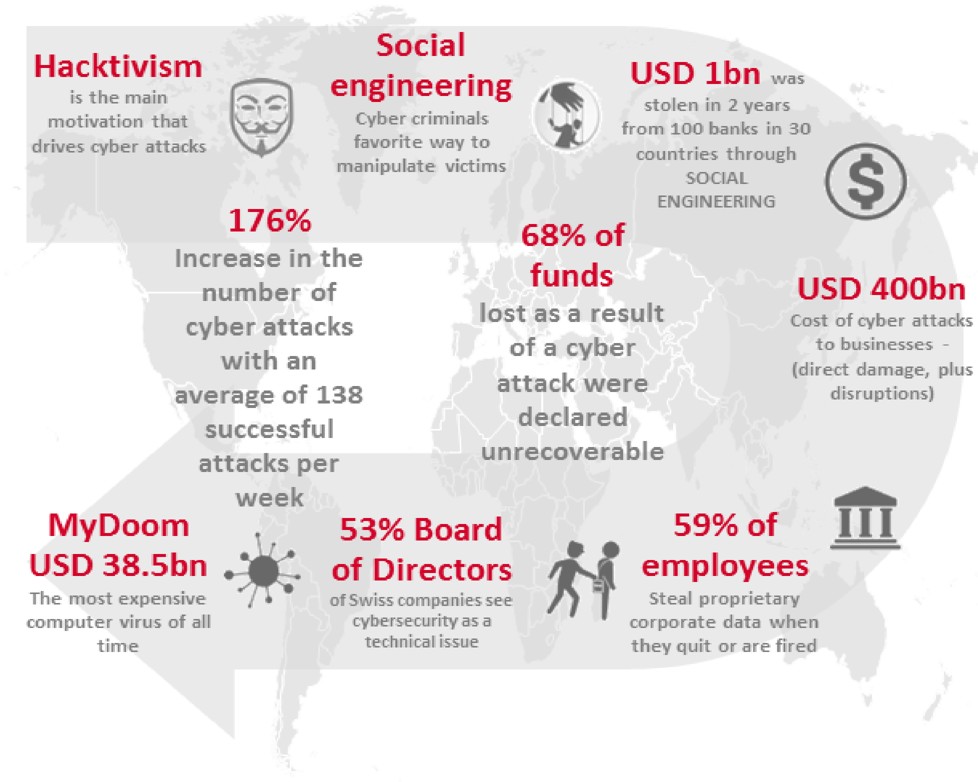
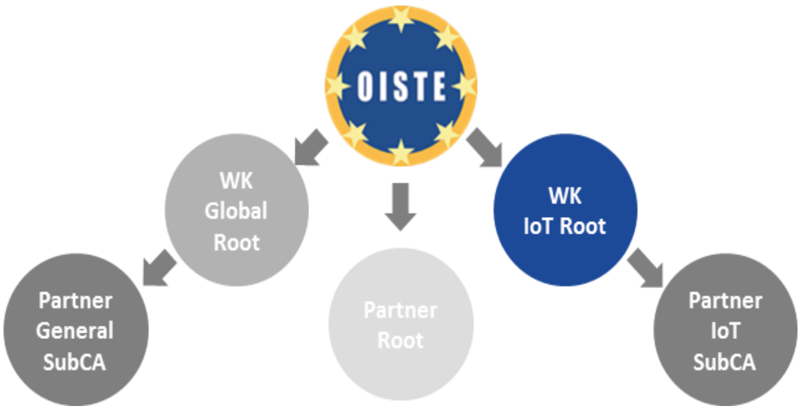


Figure 1 Facts about cyber threats

WISeKey's evolution to meet the Cybersecurity challenges

WISeKey has assisted governments and international organizations since 1999 understanding that digital transactions are not just about technology and electronic service delivery; it is about using security, legislation, information and communication technologies to improve the delivery, quality and accessibility of services built around the needs of the citizen and customer. It means doing things in radically new and different ways.

Swiss Root of Trust ensuring political neutrality



WISeKey is the trusted operator of the International Organization for the Security of Electronic Transaction ("OISTE") Global Root of Trust, which is widely distributed in commonly used software. The OISTE Root of Trust has virtual ubiquity in commonly used operating systems, making it a valuable trust anchor for solutions that ensure the authenticity, confidentiality and integrity of digital transactions using proven industry-standard Public Key Infrastructure ("PKI") technologies.

Unlike most other roots, which are restricted to specific corporate or national public sector uses, the OISTE root has the technology and policies to allow a wide variety of organizations – including governments – to benefit from its trust frameworks, getting their transaction systems securely online.

The OISTE Foundation is working with the United Nations and International Organizations on leveraging digital identities to enhance the security of electronic transactions and enabling new business models. The OISTE Root of Trust is secured in a high security technology bunker located in the Swiss Alps. Swiss neutrality, security and privacy laws allow operations without geo-political or governmental constraints.

Complementing the OISTE Root of Trust over the years, WISeKey has development delivered technology platforms to further smooth adoption for clients, ranging from the CertifyID Universal Registration Authority and certificate management system to the WISeID family of mobile security applications. These products and solutions, now enhanced after the integration of QuoVadis, enable the effective creation and distribution of the digital identities to persons, applications and objects, and puts in value these identities by integrating it with the digital transactions (document signatures, message authentication, data encryption, etc.).

Distributing the Root of Trust to new territories

In March 2017, WISeKey created the new localized PKI to support its activities in India, deploying a dedicated infrastructure in a secure datacenter in the country. This will satisfy the needs of local customers, while ensuring compliance with local regulations. This same strategy is being planned for 2017 in other countries like the USA, Argentina and others to be disclosed.

WISeKey positioning for the IoT

For IoT, WISeKey is developing a "Chip-to-Cloud" range of solutions 3 levels of security designed to match different needs, with easy migration:

1. Digital Certificate directly implemented in the IoT device, including highly scalable provisioning and management solutions
2. Digital security protection through WISeKey's software
3. Digital Certificate protection in the hardware (WISeKey Semiconductors)

Enhanced Security

- End-to-end solution eliminates potential security risks/ holes that are inevitably generated during integration of various and new technologies.
- Use of state of the art tamper resistant component to secure assets in IoT devices.
- WISeKey's solution is based on market standards – not a proprietary or exotic solution that does not withstand governmental regulations.

Easy Integration of security into IoT platform and in IoT devices

- Certificate Management and Certificate Authority solutions can be hosted by WISeKey or at customer premises.

Device life-cycle management

- PKI and CMS allow to manage IoT devices securely even if the device is located in a non-secure environment.
- IoT device configuration and software upgrade are the most important part in the CMS cycle as these should not be managed by third party providers.

Cost effective solution

- WISeKey's end-to-end solutions provide customers with a cost-effective platform for their bottom line.

Life time solid partner

- Swiss neutrality and privacy laws allow operations without geo-political or governmental constraints and ensure sovereignty and independency.
- WISeKey operates the OISTE Global Root of Trust, and can provide fully customized/private Root PKI where appropriate.
- Provides standards-based PKI cryptography suitable for large-scale enterprises.

WISeKey major strategies to monetize IoT

1 — WISeKey Root of Trust

- Clients: Microsoft, Samsung, Centurylink, Kaspersky, SAP and MasterCard
- WISeKey gets paid a royalty for every ID in/out of the Cloud Platform

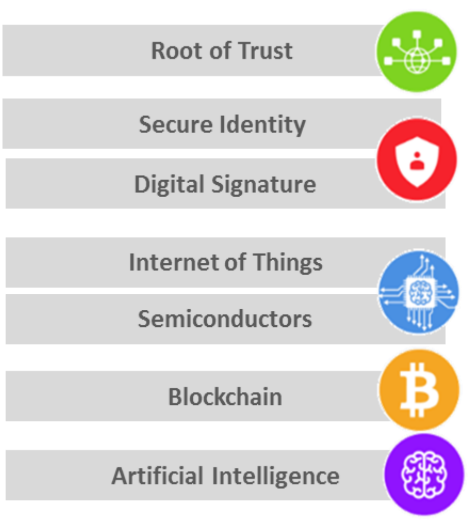
2 — WISeKey Trusted IoT Microprocessors

- Via the acquisition of Inside SECURE Semiconductors division, WISeKey can now enter this IoT Chip space as the smartphone era over and the key growth driver in hardware will be the Internet of Things Trusted Chips
- WISeKey generates revenue (CHF35m in 2017) selling these Trusted IoT chips with the signed partners (SAP, Microsoft, MasterCard, Samsung, CenturyLink)

3 — WISeKey IoT Payment Services

- WISeKey will benefit from payment services companies are moving to the Internet of Things
- Bloomberg report projected a huge increase in the mobile-transaction market, with payments projected to reach USD90bn in 2017, up from USD12.8bn in 2012
- WISeKey gets paid per customer using the technology

The WISeKey Vertical Trusted Platform



WISeKey offers a comprehensive and integrated trusted platform of services by combining cybersecurity, Root of Trust along with IoT and semiconductors, which we believe is the key differentiator that sets us apart from competitors, creates substantial cross-IP and cross-selling opportunities and will be the catalyst of our growth from new technologies and client acquisitions.

This vertical platform was achieved through the integration of products and offerings of the two recently acquired companies: WISeKey Semiconductors and QuoVadis.

Today, the WISeKey Vertical Platform through the technology integration of the WISeKey semiconductor business offers embedded security solutions for mobile and connected devices at the chip level while the QuoVadis technology provides crucial authentication, identity, and integrity for electronic transactions for the rapidly growing spheres of eIDAS and IoT.

Acquisitions to expand products/services, clientele and geographic footprint

In 2016, WISeKey announced agreements to acquire two companies: the Inside SECURE semiconductors division (which closed in September 2016, renamed as WISeKey Semiconductors) and QV Holdings Ltd. (which closed in March 2017 and continues under its well-established brand).

The addition of these two companies reinforce the WISeKey Vertical Trust Platform, bringing significant expertise in their fields of operation, broad client relationships with customers in target sectors, as well as significant recurring revenue and growth opportunities. The two companies bring more than 300 large cap and 3,400 overall customers worldwide, including Europe, the United States and Australia. They also bring in-depth operations experience running secure and high-availability trust center environments under strict accreditation regimes as well as sales and support teams based in important customer markets.

With the acquisitions, WISeKey staff levels have grown to over 140 cybersecurity specialists in 2017, and the WISeKey Semiconductors and QuoVadis teams are already working to integrate and create new business opportunities for WISeKey and its customers.

WISeKey Semiconductors

WISeKey Semiconductors is a highly respected name in the secure chip industry. Among the thousands semiconductors companies, WSK is part of the only 6 with a consistent track record over the last 25 years of delivering *Common Criteria ELA5+ and *EMVCo certfitied chips in the most security risk sensitive applications: Government ID cards and passports, VISA and Mastercard Payment cards, PAY TV access cards, Authentication and Data Storage token.

Common Criteria and EMVCo are the 2 global standards in the art of security chip. Through the responsibilities of ministries of defense of countries participating to these standards, security labs carry risk assessment and intrusion attacks before delivering certificates which are renewed on a yearly basis. Through the acquisition of WISeKey Semiconductor Business WISeKey Created the First ever Comprehensive Trusted end-to-end Vertical Cybersecurity Platform for People and Objects (IoT).

The transaction included the transfer of products, technology, customer agreements, and certain patents from INSIDE Secure to WISeKey including the development and sale of secure integrated circuits designed to secure and power the strongly growing IoT market. In other aspects of the Internet, security often involves the use of specialist cryptographic hardware to protect keys used for authentication and encryption. We believe that WISeKey Semiconductor are among the few players in the sector with the expertise, track record, and intellectual property to scale these technologies down to the size and power demands of the IoT future.

WISeKey semiconductor secure product offer is based on the following products.

vaultic	micropass	vaultITrust
VaultIC is a product family of tamper resistant integrated circuits. They implement a configurable crypto API designed for authentication, confidentiality and integrity. They embed non-volatile tamper resistant data storage for keys, certificates and consumer data. Their low power consumption profile make them viable solution to meet the limited power budgets of IoT devices. VaultIC chips come with middleware enabling secure boot, secure firmware update for IoT devices secure communication.	The Micropass products powers bank cards with the latest VISA, MasterCard, Discover specifications. The award-winning Micropass® Intelligent payment platform offer advanced security, convenience and flexibility for multiple applications products along with other value-added applications, for contact, contactless and dual-interface cards.	A trusted personalization Services to securely load cryptographic assets and customer data into device at factory level in a trusted environment.

Logical / Physical Access

eGov ID/ eHealth ID

PayTV Conditional Access

Brand Protection

Authentication Tokens

Payment Cards

Network Security/ Smart

QuoVadis

Founded in 1999, QuoVadis is a highly-respected player in the digital certificate and electronic signature business, with operations in Switzerland, Germany, the Netherlands, Belgium, the United Kingdom and Bermuda. QuoVadis is equally active in the business of TLS/SSL certificates for Web security as well as a wide variety of end entity uses including eID for authentication, encryption, and digital signature.

QuoVadis is the only CA accredited as Qualified in multiple European markets, having been involved in major eID projects including PKIoverheid in Holland and SuisseID in Switzerland, and is well positioned as a Trust Service Provider (“TSP”) under the new eIDAS "digital single market" regulations.

QuoVadis' Trust/Link is a proven managed PKI used to provide cloud-based "certificates as a service" to both Governments and multinational organizations and their subsidiaries. QuoVadis' sealsign family of e-signature solutions provides both on-premises and cloud-based e-signature/seal options including mass signing for tasks such as e-invoicing and “roaming” options for individuals.

In many respects, QuoVadis, which was a competitor to WISeKey's core legacy PKI business, brings a strong operations team, expertise in developing innovative certificate management and e-signature software and cloud services, as well as a high performing sales corps in important European markets.

WISeKey OPERATIONS

WISeKey is a digital information security, authentication, and identity management company. It provides a holistic technology approach in digital cybersecurity, digital identification and authentication of people and objects. WISeKey has six business units. Through its business units, WISeKey offers a solid portfolio of products and services, customized to fulfil specific needs of clients including government, corporations and individuals worldwide.

The "e" of WISeKey – Mission

WISeKey: WIS stands for "World Internet Security"; the 'e' being a mnemonic symbol for electronic; and, "Key" representing the root-based Public Key Infrastructure ("PKI").

WISeKey is a digital information security, authentication, and identity management company. WISeKey uses distributed root-based PKI, known as Root of Trust ("RoT"), to secure electronic information via its proprietary, world-wide digital certificate technology. A digital certificate can be analogized to an electronic 'credit card' used to establish user's credentials when conducting business or other online transactions. It can contain information such as user's name, a serial number, expiration dates, a copy of the certificate holder's public key (used for encrypting messages and digital signatures), and the digital signature of the certificate-issuing authority ("CA"), so that a recipient can verify that the certificate is real.

WISeKey's digital certificates and dual factor authentication are accepted worldwide and the Swiss –based technology is recognized as being 'neutral' when compared to certificates issued by governments and global companies. WISeKey's digital certificates are provided to and used by both public and private organizations (i.e., by the organizations' CAs) to identify the authenticity of individuals and electronic transactions. WISeKey's cryptographic RoT can work without proprietary hardware (e.g., it can be used by a web browser). Or, RoT be embedded into a microprocessor -based "chip", such as WISeKey Semiconductors technology, that is itself embedded into a card (e.g., contact cards such as credit cards or contactless cards such as a wireless access ID card) or devices (e.g., IoT devices, smart watch networking equipment, shipping package). For example, using cryptographic RoT embedded technology, IoT product manufacturers can use code-signing certificates and a cloud-based signature as a service to secure interactions among objects and between objects and people.

The OISTE/WISeKey RoT serves as a common trust anchor, which is recognized by operating systems ("OS") and IoT applications to ensure the authenticity, confidentiality and integrity of online transactions. With the cryptographic RoT embedded on a device, the IoT product manufacturers can use code-signing certificates and a cloud-based signature-as-a-service or on a Blockchain to secure interactions among and between objects and people. These unique features on the WISeKey platform are vital in opening up multiple business opportunities with various governments, international bodies, industrial companies which are wary of foreign government oversight and centralization of data on servers outside their jurisdiction.

PKI Solutions and Root of Trust

WISeKey provides an enhanced technology platform that combines our experience in PKI and certificate management solutions with innovative features that address the new needs of our customers to secure their business processes by adding a security layer to protect electronic transactions and communications.

The PKI and Digital Certificates are the best approach to implement strong authentication, encryption and digital signatures, which are building blocks of cybersecurity solutions that can be applied to diverse environments, from eGovernment to Internet of Things, by enabling strong identities to persons, applications and objects.

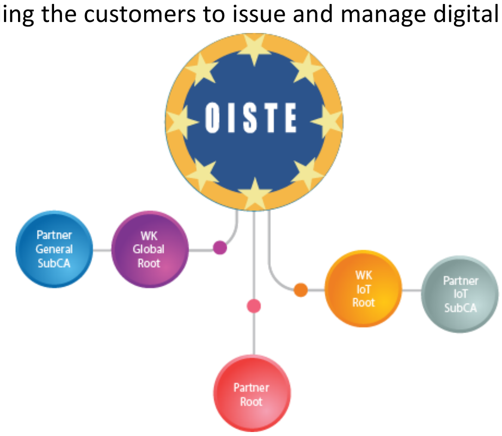
What are digital certificates: Just like a passport, a digital certificate provides identifying information, is forgery resistant and can be verified because it was issued by an official, trusted agency. The certificate contains the name of the certificate holder, a serial number, expiration dates, a copy of the certificate holder's public key (used for encrypting messages and digital signatures) and the digital signature of the certificate-issuing authority ("CA") so that a recipient can verify that the certificate is real.

To provide evidence that a certificate is genuine and valid, it is digitally signed by a root certificate belonging to a trusted certificate authority. Operating systems and browsers maintain lists of trusted CA root certificates so they can easily verify certificates that the CAs have issued and signed, these recognized Root CAs are known as Root of Trust, as they act as a trust anchor on which software applications and persons can trust to recognize the identities of the players interacting in an electronic transaction.

Digital certificates can be technically similar, but only the ones coming from a recognized Root of Trust can provide seamless security.

WISeKey's Unique Capabilities: WISeKey solves the needs for cybersecurity from two different angles:

- We provide **robust and cost-effective PKI technology**, enabling the customers to issue and manage digital identities for all the participant in an electronic transaction. WISeKey increased its capabilities in this arena with the acquisition of WISeKey semiconductors division. Our PKI solutions can be used in multiple scenarios, from digital signatures in on-line services to device authentication in the newer IoT projects.
- WISeKey is the **trusted operator of the International Organization for the Security of Electronic Transaction (OISTE) Global Root**. The OISTE Foundation is working with the United Nation and many international organizations in this area. Swiss neutrality, security, and privacy laws allow operations without geo-political or governmental constraints. The WISeKey RoT is the only one available outside NATO and it is located in a military grade bunker located in the Swiss Alps. This approach to the Root of Trust problem is a key differentiator against the competition.



Competitive Advantages

WISeKey's flagship product is the CertifyID Universal Registration Authority ("URA"), our Certificate Management System ("CMS"). The URA is a software tool with user friendly interface that allows to manage the life-cycle of subscribers and their digital certificates. WISeKey's URA provides all the features required for modern PKI and IoT projects, e.g. allowing device manufacturers to issue digital identities to their connected devices like smart meters, wearables, etc.

WISeKey URA can be installed in customer premises, bur for the ones not willing to deploy their own infrastructure, WISeKey can provide trusted services from any of its local secure datacenters in Switzerland, USA or India.

This special "mix" of efficient PKI Technology and unique approach to the Root of Trust, together with our capabilities for IoT and secure semiconductors, makes of WISeKey a unique player, ahead of their competitors that can't provide such "end-to-end" cybersecurity solutions.

Case Study

Nowadays WISeKey is focusing its efforts to deliver its PKI products and Trust services as part of the global offering for IoT, anti-counterfeiting and Digital Brand protection. Therefore, the PKI Business Unit can be considered as an internal revenue source which is present in all our projects.

Nevertheless, WISeKey also promotes "pure" PKI projects, which only require the traditional technology or services to cover different business needs.

Some recent examples are:

- **Allscripts:** In addition to a deployment of a corporate PKI system (project is underway), WISeKey is working with Allscripts on two smaller projects to authenticate more than 25,000 customers for their e-Prescription platform. WISeKey offered its "Managed PKI" cloud service hosted in our Swiss datacenter, which allowed Allscripts to immediately start issuing trusted certificates for its customers without requiring any IT deployment in its premises.
- **Microsoft Jordan:** Microsoft deployed in 2016 the National Root for Jordan. For this project WISeKey was selected as the main supplier for the PKI deployment & consultancy. WISeKey services allowed this PKI to be compliant with the industry and legal requirements, so the Government of Jordan could issue trusted certificates to its public employees and citizens.

Moving Forward: WISeKey is constantly evolving its PKI offering. Main investment and efforts are related to two main strategies:

- **Distributing the Root of Trust to new territories.** WISeKey created in March 2017 the new localized PKI to support its activities in India, deploying a dedicated infrastructure in a secure datacenter in the country. This will satisfy the needs of local customers, while ensuring compliance with local regulations. This same strategy is being planned for 2017 in other countries like the USA, Argentina and others to be disclosed.

Upgrading the technology to address more demanding needs for IoT Projects. WISeKey CMS is already operational and fully useable for IoT projects, but it's required to implement additional features for massive device identity issuance and better performance for certificate validation services. These improvements will ensure that current pilots and early deployments can properly evolve when device magnitudes are counted in millions.

IoT Security Solution

WISeKeyIoT: WISeKey provides an end-to-end scalable security framework to be integrated into IoT platforms. Based on PKI Technology, it will protect the device and its data at rest or in transit.

WISeKey delivers cryptographic root keys and solutions to use and manage digital certificates and associated secure assets that protect otherwise vulnerable IoT devices.

The problem: Technology allows people and objects to connect to one another, the risk Current issues are related to the ability to trust applications and data, trust and authenticate devices and servers, the origin and integrity of the collected information from these devices and servers.

A huge and constantly increasing amount of data is being interchanged between connected devices and back-end servers, allowing companies to provide users with new type of exciting applications, which will be designed to offer increased control over the use of resources: improve efficiency in power grids, optimize processing of information in industrial environments, provide better and higher quality healthcare services and personalized experience for shopping or leisure, among others.

This is only possible though, if the data can be trusted. The IoT business case will collapse if over time hackers get access to devices, change the way they operate, intercept and modify data, or bring down systems by executing Distributed Denial of Service attacks through the devices on a network.

WISeKey's Unique Capabilities: Our objective is to provide solutions to solve all those security problems, as it is crucial to implement security features in the system from scratch. Not only in the back-end system, using the PKI technologies proposed by the framework WISeKeyIoT, but as well as in the otherwise vulnerable connected objects in the field, made secure through the tamper resistant chip technology, all part of the WISeKey framework.

Current solutions from our competitors, do not offer complete, end-to-end security solution, starting from Root of Trust, to Certificate Authority, Certificate Management, Personalization/provisioning and tamper resistant chips.

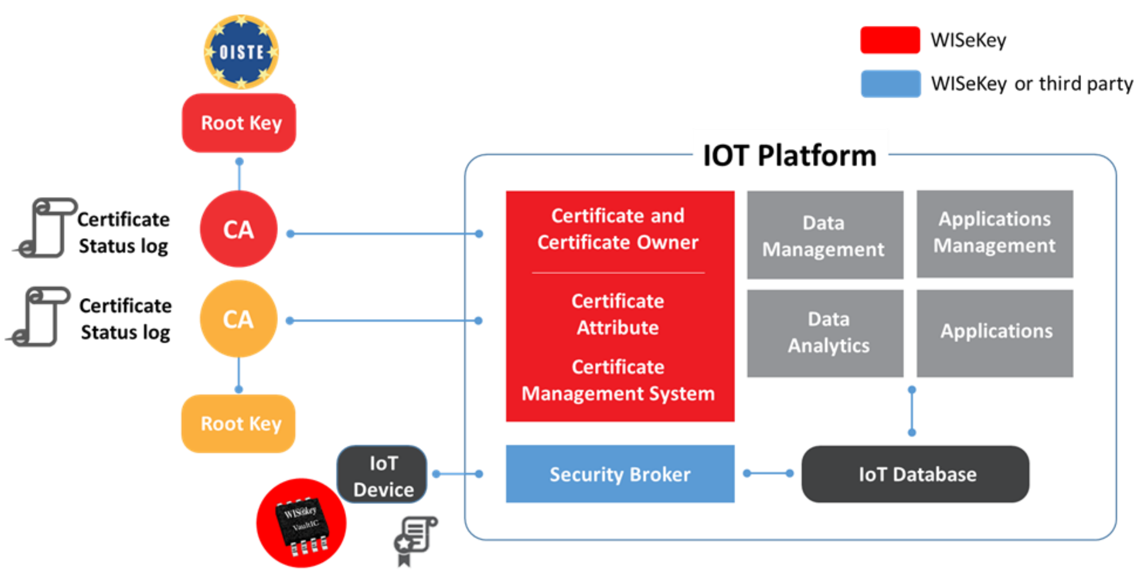


Figure 1 WISeKey's IoT Business Model from chip to end user

WISeKey PKI based security solutions are designed with the customer in mind. WISeKeyIoT is a scalable framework, offering digital Public Key Infrastructure (PKI) certificates for connected devices, protected by certified tamper resistant silicon chips, as well as an outsourced or on-premises certificate management system, with device life cycle control functions and security enforcement entities. The digital PKI certificates can be signed by the publicly trusted root, owned by OISTE (https://oiste.org/) and operated by WISeKey.

WISeKeyIoT solution differentiates from its competitor with:

- Its specific security broker a service dealing with the enforcement of the security primitives related to the communication with the field devices, e.g. encryption, identification and authentication, data integrity.
- Certificate attribute system allowing to link additional dynamic data to static digital certificate dedicated to an object. This very helpful feature for device traceability and provisioning.

VaultIC is a product family, ranging from tamper-resistant Integrated Circuits to software vaults, to be used as a companion to the IoT-device host processor. VaultIC chips feature a configurable cryptographic tool box for authentication, confidentiality and integrity, executed in a secure environment. VaultIC embeds on-chip non-volatile tamper resistant data storage capabilities for keys, certificates and customer data. The VaultIC chips' low-power consumption profile make them a viable solution to meet the limited power budgets of IoT devices. VaultIC comes with middleware enabling secure boot, secure firmware update for IoT devices secure communication (SSL/TLS).

VaultIC are based on security certified (Common Criteria EA4+/5+) hardware secure microcontrollers and are FIPS 140-2 Level 3 certified (product dependent).

Specifically, the WISeKeyIoT framework is unique due to the following features:

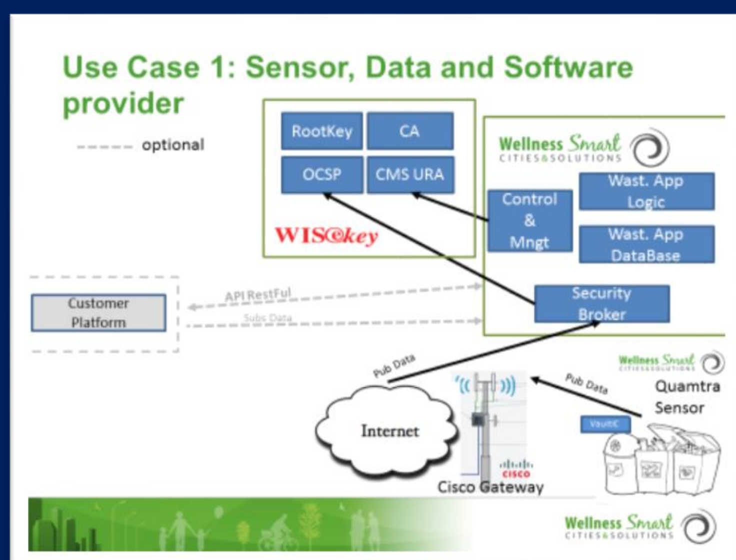
- **User Friendly**: Certificate Management System (CMS) which is a software tool with a user-friendly interface and easy to-integrate API that manages the life-cycle of devices and their digital certificates.
- **Trusted**: These certificates are signed by WISeKey's Certificate Authority and optionally the OISTE Root of Trust.
- **Easy installation**: CMS can be installed on customer premises, or outsourced to WISeKey and located in one of our secure data centers in Switzerland, USA, India or China.
- **Easy integration**: The optional security broker performs the authentication and validation of the messages coming from the different IoT devices and transfers only trusted messages to the IoT platform of our customer. The framework can easily be integrated into an IoT platform by our customers and no additional security mechanisms need to be implemented.
- **Highly secured**: Secure provisioning solutions help maintain consistent high system security, even when the IoT device is in an unsecured environment (e.g. during production or in the field). Device configuration and firmware upgrades are made easy and secure at all times.
- **Easy access**: The managed platform can be accesses through a browser and a web-service API. The CMS and the framework are compatible with third party Certificate Authorities (CA), such as the Microsoft PKI or the Enterprise Java Beans Certificate Authority (EJCBA) open source CA.

Case Study: Optimize waste collection and waste management

Customer: WellnessTelecom
Market: Smart Cities

Client installs a sensor on each waste container/truck. The sensor measures the actual container filling level and sends data to the main data center for analysis. Data collected allows the optimization of the waste collection process and therefore it reduces the number of trucks in the street (lower cost, reduced traffic, reduced pollution).

A tamper resistant chip VaultIC is inserted together with the sensor. VaultIC embeds digital certificates and security assets to authenticate the sensor, and to protect the communication channel. The security provided by WISeKey's technology is used to secure network and device communication (unsecure devices can allow hackers to potentially get access to other parts of Smart Citi e.g. traffic light control…), trust data gathered (no corruption of data), and allow approved parties to read encrypted data.



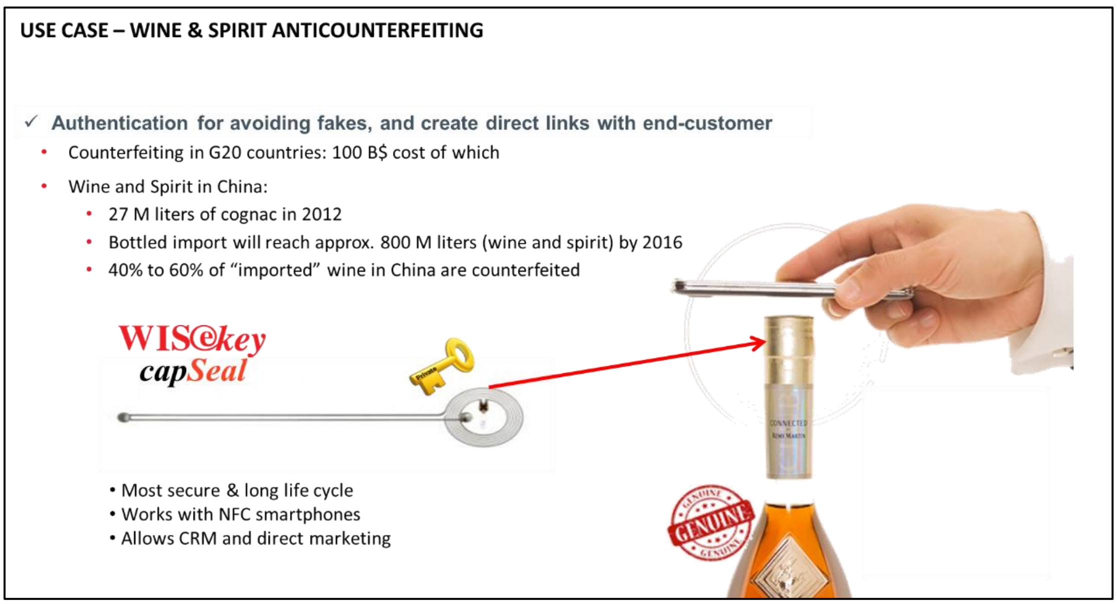
Digital Brand Protection

WISeAuthentic: WISeKey's Brand Protection products helps major brands fight against counterfeiting and to engage directly with the consumer.

The Problem: Many luxury brands suffer from counterfeiting. The impact of counterfeit goods on a brand's reputation is both a social and economic. It is estimated that the trade in counterfeited goods is worth a whopping $462 billion a year, according to a recent study by the OECD and the EU's Intellectual Property Office, with the biggest brands taking the biggest hit.

WISeKey's Unique Capabilities: WISeKey's solution tackles these problems for the following market segments: bottled liquid, luxury leather goods, and luxury watches.
WISeKey offers the most secure solutions to guaranty the product authenticity; from cloud identity management to the hardware chip that carries securely the product identity. These functions are achieved using any NFC enable smartphone. Using WISeKey solution, luxury products can come with a non-contact, convenient, secure NFC tag that:

- Guarantees authenticity and real-time traceability of luxury items
- Allows for the creation of a unique, certified online retail shop or certified auction platform
- Join a VIP club online for innovative value-added services



Case Study: One of the leading Cognac house recently launched its connected bottle using WISeKey's secure capSeal (NFC tag), which is the most secure version available on the market today, with an "open detection" option that allows to detect if a bottle of a high-end wine or spirit has been opened before. Per the Cognac house, the capSeal provided the manufacturer with the opportunity to engage directly with the end customer and consumers with the ability to distinguish and authenticate each bottle from a fraudulent one.

Moving Forward - 2017 and beyond: Leveraging the NFC technology embedded in the tag attached to the product WISeKey plans to offer additional value added services to the brand owner as well as to the consumer, such as direct marketing, track and trace, and transaction history.

EMV-Payment

EMV is the technical standard that defines how to implement chip card ecosystem for payment. It applies to chip cards (also known as smart cards) for payment, point of sales terminal and ATM (automated teller machines).

EMV-payment was created in order to make banking cards more secure and adding a smart chip, while keeping the card interoperable worldwide and across brands (Visa, Mastercard, American Express, Discover, JCB…). The ultimate objective is to fight against fraud as the traditional magnetic stripe cards are easy to copy, leading to massive fraud.

WISeKey has developed a comprehensive range of solutions including the chip platform, the card operating system and the applications by brand. WISeKey products strictly follow the EMV and related standards. We invested in developing both contact and contactless solutions to address the needs of our customers. We focus on card makers that cannot or do not want to develop their own chip platform, operating system and payment application. WISeKey is one of the few companies having a single dual interface product certified by both Mastercard and Visa.

The Micropass products powers bank cards with the latest VISA, MasterCard, Discover specifications. The award-winning Micropass® Intelligent payment platform offer advanced security, convenience and flexibility for multiple applications products along with other value-added applications, for contact, contactless and dual-interface cards.

WISeKey's award-winning Micropass® Intelligent payment platform offers advanced security, convenience and flexibility for multiple applications products along with other value-added applications.

Case Study: WISeKey ~~y~~ delivered more than 50 Mu chips over the last 3 years to card manufacturers. WISeKey powers multi-application cards: the transport authority of one of the major cities in the USA uses WISeKey's Multipass for their cobranded card. The card can be used for both payment in the open loop (branded by Mastercard) and transport ticketing. This is achieved using our pure contactless Multipass.

Moving Forward: WISeKey's business plan calls for continued improvements of its platform in term of security in order to remain one step ahead of the potential fraudulent activity.

Smart Card Reader chips

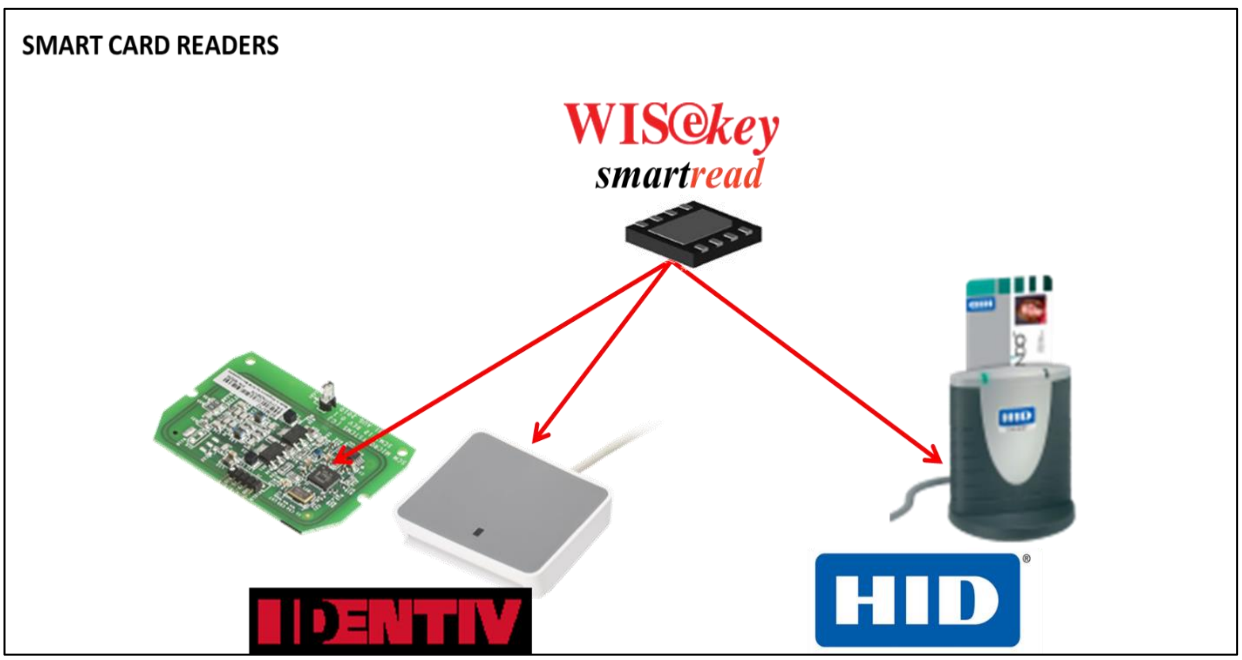
WISeKey's comprehensive portfolio of Smart Card Reader chips enable customers to obtain secure, high-performance chips for virtually any market segment from a single vendor. Only WISeKey offers hardware platforms alone and with integrated third-party applications, allowing customers to quickly build smart card readers without requiring custom development.

Based on 8/16-bit RISC processors, WISeKey's Smart Card Reader chips deliver outstanding performance and fast time to market. WISeKey turnkey versions provide pre-integrated solutions for accelerated time to market. Developed in partnership with industry leaders, WISeKey single-chip smart card reader ICs can address any application using a serial or USB smart card reader, including keyboards, set top boxes, POS terminals, laptops, PDAs, mobile phones FemtoCells, and energy meters. Current products are:

- A ROM based, optimized, low cost chip for contact readers (SCR60/75)
- A Flash based, versatile chip for contact + contactless readers (SCR200)

Case Study: In 2016, WISeKey served the first two leading Smart Card Reader vendors.

Moving forward: Manufacture higher memory and multiple Smart Card Interfaces for high-end products. Include cost optimization features at the Bill of Material level for low-end products.



Secure MCUs (Secure Micro-Controller Units)

WISeKey offers a range of contact and contactless secure microcontrollers that share consistent secure 8-/16-bit RISC CPU performance, strong security mechanisms, and enhanced crypto engines to optimize performance and power consumption. The products also provide high-density, low-power EEPROM technologies. Designed to meet the most stringent security requirements, many of these products are EAL5+ Common Criteria security-certified.

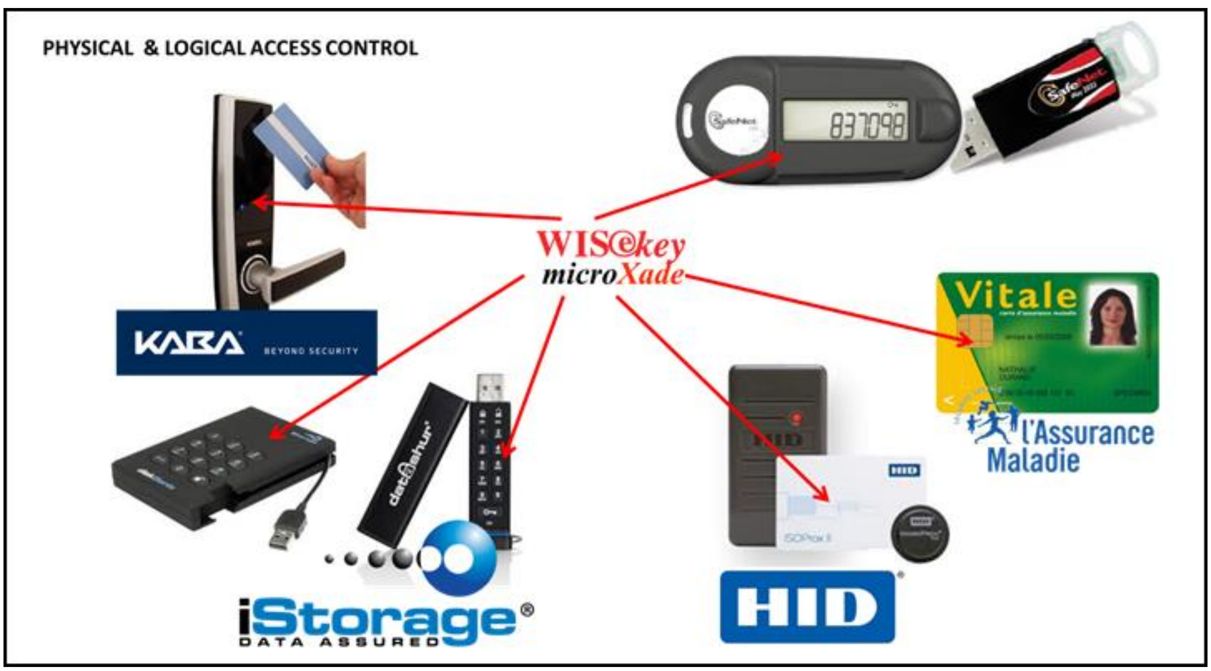
As a global leader in secure microcontrollers, WISeKey delivers a comprehensive portfolio of contact, contactless, and dual-interface products for developing secure applications. High reusability between products reduces development time and cost, while WISeKey's user-friendly hardware and software packaging allows code emulation on the entire range of products. Backed by over 500 patents and patents applications, based on open standards, proven in the market, and delivered with proven production capacity, WISeKey products enable you to quickly bring to market innovative, differentiated products.

Products: Smart cards (Payment, ID, Access Control etc.), USB Tokens (software monetization, identification) and all kinds of embedded systems requiring security.

Case Study: A leading Software Monetization customer used WISeKey's MS6003 to build its latest generation of USB Token with increased performance & storage capacity, the latest security features and an optimized Bill of Material.

Moving Forward: The team is working to build optimized solutions for new market segments.

VaultiTrust is a trusted personalization Services to securely load cryptographic assets and customer data into device at factory level in a trusted environment.



BUSINESS DEVELOPMENTS

Since the beginning of 2016, WISeKey signed several contracts and agreements with global customers and strategic partners including MasterCard, CenturyLink, Bulgari, Lenovo, Daimler, Hublot, Bancorp, Airtel, Microsoft, SAP and Samsung. Besides, WISeKey is diversifying across geographies (Europe, Asia/Pacific, North and South America) in a bid to create new growth avenues.

Several of these new developments are highlighted below.

Partnerships and Strategic Alliances

CenturyLink - Providing cybersecurity solutions

- CenturyLink to resell WISeKey's cybersecurity solutions – including its Managed Public Key Infrastructure ("PKI") technology and services – to businesses.
- WISeKey's cybersecurity solutions complement CenturyLink's Managed Security Services Suite.
- Recently enhanced platform that leverages security events, advanced event management technologies and customized tools and algorithms to provide fully managed security services.

MasterCard - Bringing payments to 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.
- 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 NFC Trusted© technology solutions.
- Providing consumers with the freedom to securely shop using their favorite watch or wearable.

Bvlgari Vault - WISeKey adding value on the Bulgari Ecosystem

- Bulgari is the only luxury brand to connect the world of high added value luxury products with the digital reality of today.
- The first "wrist objects", the true main issue that technological evolution applied to watches will need to address in the future is that of the protection of digital data and its total security.
- Intuitive functioning of the application enables users to secure their data with ease.

- Archive and synchronize data on a “cloud” which are then physically stored in a bunker buried in the Swiss Alps.
- Encrypted technology achieves an unprecedented “asymmetrical” level customarily used by government agencies.
- Password through fingerprint recognition, facial recognition as well as a four-point gesture connection to link together via the touch screen of a mobile phone.
- The vault can storage credit cards, documents (including travel documents), secure message sending, scanned signature, etc.

Bvlgari – MasterCard: Contactless Payment Capabilities

- MasterCard contactless payment capability will be embedded within the first-ever “intelligent mechanical luxury watch” – the Bulgari DiagonoMagn@sium.
- Utilizing WISeKey cyber security technology, Bulgari DiagonoMagn@sium “intelligent” watch owners to make payments securely at the more than four million retail locations in 74 countries globally that accept MasterCard contactless transactions.

Favre-Leuba

- In October 2016, WISeKey signed an agreement with Favre-Leuba AG, the second oldest Swiss watch brand that is known for its ingenious watches.
- This premium watch brand will implement and use WISeKey’s latest generation of WISeAuthentic® platform for the new generation of its watches. The WISeAuthentic® platform allows contactless authentication process based on Secure NFC technology developed by WISeKey’s Digital Brand Protection – IoTdepartment named NFCTrusted®.
- The digital certificate issuance operations and injection into the NFCTrusted® cards are carried out by the WISeAuthentic® SaaS service with the input given by the ERP from Favre-Leuba.

- 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 with WISeAuthentic® Transaction mobile app that connects directly to the WISeAuthentic® Transaction SaaS platform operated by WISeKey’s into a secure Datacenter located in Switzerland.

SAP - Collaboration to Help Secure IoT Edge Devices

- The collaboration aims to allow the integration of WISeKey’s Managed Cryptographic Root of Trust secure IoT Edge Device with devices leveraging SAP HANA® Cloud Platform for the IoT.
- Providing increased security of IoT devices when connecting to SAP solutions for the IoT.
- Companies and consumers can realize value and enable monetization when they can certify that they are receiving authenticated and secure sensor data, gain insight from it and propose appropriate actions as needed.

Microsoft - Bringing Innovation and Security to IoT across the Globe

- Providing smart cities with a scalable, easily manageable object identity management and security solution when connecting to Microsoft Azure and other Microsoft-based platforms.
- The Managed WISeKey Root of Trust (“RoT”) serves as a common trust anchor, which is recognized by operating systems (“OS”) and applications to ensure the authenticity, confidentiality and integrity of on-line transactions.
- With the Cryptographic RoT embedded on a device, provided by WISeKey as a hardware Secure Element or a software Certificate, the IoT product manufacturers can protect the devices and secure the interactions among and between objects and people.

Sigfox

- In March 2017, WISeKey unveiled its Security Solution for the Internet of Things (IoT), englobing multiple connectivity technologies including Sigfox.
- WISeKey’s security solution, called VaultIC184, consists of a tamper proof silicon chip, based on a state-of-the-art secure microcontroller development, certified to Common Criteria EAL4+/5+ and FIPS 140-2 Level 3, a Sigfox specific Application Programming interface, based on the latest specifications, allowing device manufacturers an easy integration of the module, as well as a provisioning service, transferring the burden of device personalization from the device manufacturing line to WISeKey’s secure Personalization Center.
- This is a perfect solution for companies providing multi-network solutions requiring a state-of-the-art security coverage on all network types. Designed for low cost, power and surface constrained devices, it proposes industry standard I2C connectivity, very low power consumption and a very little footprint.
- Currently WISeKey is in contact with module manufacturers to develop a strategy that combines the WISeKey Security module together with the radio chip. The objective is to offer an increased security in the transaction of the communication between the device and the distant server.

Wellness Telecom

- In November 2016, WISeKey and Wellness Telecom, a Spanish based company that specializes in New Technologies for Smart Cities today announced a partnership aiming to combine WISeKey’s Vertical Cybersecurity Platform Root of Trust to Chip within Wellness Telecom solutions portfolio for Smart Cities such as WeLight, the smart public lighting solution, as well as Quamtra, the smart waste management solution.
- WISeKey’s IoT Cybersecurity will be combined with Wellness Telecom’s platform, to prevent effects of attacks on the smart city network including but not limited to DDoS and protecting the data from cyberattacks.
- Every WeLight or Quamtra sensor from the Wellness Telecom ecosystem would be equipped with and unique digital certificate issued by the WISeKey’s Swiss based cryptographic Root of Trust (“RoT”) integrating strong authentication and data encryption securely loaded into a WISeKey’s latest generation cryptographic chip tamper proof secure element. WISeKey is a member of Microsoft CityNext, a global initiative empowering cities, businesses and citizens to re-imagine their futures and cultivate vibrant communities.
- Currently, Wellness has integrated WISeKey’s chip (VaultIC182) into its sensor for eWaste (garbage collection). WISeKey is now working with Wellness to integrate its PKI solution into Wellness’ SmartCities platform. A pilot is planned for the city of Granada in Spain this year.

Lykke Agreement

- In January 2017, WISeKey and Lykke Corp, a Swiss-based digital exchange company signed a joint agreement to integrate and co-offer their flagship products: the Lykke Wallet and the WISeKey suite of software, APIs, and servers, to secure access to data and devices in the world.
- Lykke will integrate the WISeKey identity and security stack into its digital wallets and software, while WISeKey, in addition to its WISWatch and other security devices, will offer a "WISeKey wallet by Lykke" to its customers.

Stratumn Agreement

- In January 2017, WISeKey and Stratumn SAS announced a partnership to provide enterprise grade process security software based on Blockchain technologies.
- In cooperation with Stratumn, a pioneer in Blockchain technology, WISeKey will offer corporations around the world a secure and trusted way to communicate and build relationships with clients and partners, minimize risks and maximize growth potential by integrating our Virtual Trust Platform with Blockchain.
- Stratumn's Proof of Process Technology reduces the complexity of interactions between partners, customers, auditors and regulators, thus reducing operational frictions and costs.
- Proof of Process Technology offers a common audit trail, secured by Blockchain and cryptography, where stakeholders can collaborate without revealing their private and confidential data.

Global Expansion and joint ventures

WISeKey's global expansion during recent years has focused on the development of **joint ventures with strategic partners on a national level**, which has permitted WISeKey to deploy their information technology security and the Internet of Things technology in **several counties around the world**.

These joint ventures have as a goal the **rapid and risk free monetization** of WISeKey's offerings on a global basis. These require no direct investment by WISeKey as the set up an initial capital is provided by the local partners and are fully supported by local government organizations. These joint venture companies are developed in these countries with strategic partners that pave their way into the market providing important clients and contracts that are facing a high growth demand for cybersecurity solutions such as, digital identity and privacy, secure mobile communication, secure cloud computing, the Internet of Things, secure semi-conductors, Blockchain and other innovative technologies offered by WISeKey.

At the heart of this dynamic joint venture initiative is the OISTE-WISeKey Cryptographic RoT which is now featured in over 2.6 billion of the 8 billion interconnected desktops, browsers, mobile devices, SSL certificates and IoT objects. The OISTE WISeKey Cryptographic RoT, a pioneer in the identification of objects, is ubiquitous and universal.

WISeKey is aiming to create a new Internet / IoT ecosystem in each country

United States Project

In 2016 WISeKey established its presence in USA with an office in Silicon Valley with a main goal of servicing US 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 to 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.

This collaboration is expected to significantly expand WISeKey's reach and ignite our revenue growth in the large US market.

The localized PKI deployment started in 2016 that will culminate with a launch of the USA Root of Trust in June 2017 will also enable needs for other business applications in USA, both in the private and public sectors. WISeKey PKI technology in USA will enable easy to use digital signatures and encryption, which are fundamental building blocks for secure online transactions. WISeKey will also localize its offering for secure Mobile Solutions, like the WISeID Personal Cloud for USA consumers. WISeKey is currently deploying large scale IoT digital identities and chips for connected devices with Cisco in USA using its Cryptographic Root of Trust and secure semiconductors technology. With the Cryptographic Root of Trust embedded on the device, the IoT product manufacturers can use code-signing certificates and a cloud-based signature-as-a-service, to secure interactions among objects and between objects and people.

Additionally, WISeKey is in process of establishing an **IoT Blockchain Centre of Excellence in New York** aiming to deploy a Trusted Blockchain as a Service platform. The Center, which is expected to become operational in Q3 2017, will offer a Blockchain Platform to US based enterprises, facilitating the rapid adaptation of on-board Blockchain based solutions and services. At the Center, WISeKey will be cooperating with U.S. based participating companies, on building points of view, proof of concepts, policies, educational materials including addressing all the distributed ledger capabilities across different Blockchain schemes (public, consortium and private), with industry virtualization and domain specialization (IoT, transactions, messaging, etc.), underpinned by the best underlying technologies from startups, our key partners and from the community. For more information visit https://www.wisekey.com/iot/.

India Projects

- In March 2017, WISeKey completed the localization of its Cryptographic Root of Trust in India, which enables the provision of digital identities to persons and secure devices connected to the "Internet of Things."
- In late 2016, WISeKey established WISeKey India, a Joint Venture with leading Indian entrepreneurs to deploy WISeKey IoT and Cybersecurity Platform to the Indian Market by localizing WISeKey's Cybersecurity Platform and provide Indian customers – both individuals and organizations – trusted identities for the Internet of Things ("IoT") objects and mobiles.
- These transactions will run via localized Root of Trust ("RoT"), serve the Indian Ecosystem, and will benefit sectors such as telecom, manufacturing, retail, and e-commerce.
- Indian Potash Limited ("IPL") as minority shareholder of WISeKey India will facilitate the establishment of a WISeKey cybersecurity ecosystem in India to enable 140 million farmers. This project, known as "WISeFarmer", will bring identities and added values to people and traded goods, enabling new CRM and monetization capacities.
- In October 2016, WISeKey and Bajaj Electricals Limited ("BEL"), India's leading consumer durable and lighting company announced their intention to create the first ever IoT Trusted Platform connecting to a secure cloud approximately 100 million consumer & industrial products in the first phase of WISeLight IoT Platform.

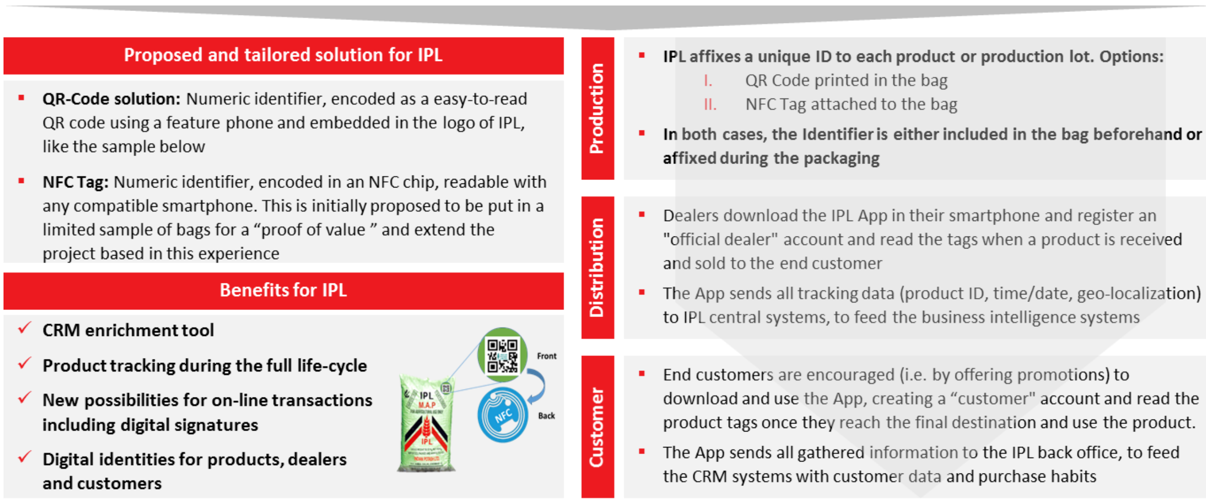


Figure 1 Business problem of IPL with a tailored solution provided by WISeKey

China Projects

- In December 2016, WISeKey established a join Swiss China Blockchain Centre of Excellence to deploy a Trusted Blockchain as a Service platform in China. This dedicated center of excellence will conduct research, rapid pilot prototyping, co-creation of use cases and IP creation on Blockchain technology and platforms.
- The Swiss China Blockchain Centre of Excellence will recommend a Blockchain Platform to facilitate enterprises to swiftly adopt and on-board Blockchain based solutions and services.
- In November 2016, WISeKey and Feitian Technologies announced a partnership to provide combined solutions to secure IoT devices, based on proven technologies like PKI (Public Key Cryptography), high-security chips and hardened middleware to offer a robust barrier against Ransomware and Distributed Denial of Service ("DDoS") attacks, similar to the November 2016 attack.

Argentina Project

- In October 2016, WISeKey and AC Investment & Consultant S.A. and Trend Technologies S.A. reached an agreement to form a Joint Venture for the creation of a new company WISeKey Argentina, with the objective of extending WISeKey's global presence in Argentina.
- The new joint venture will expand current operations in Argentina with the possibility of extending into other Latin American countries as well. The WISeKey alliance with its new partners creates a synergy between leading companies whose values and product portfolio provide state of the art technology and cybersecurity services. The partnership includes a strategic investment in WISeKey Argentina, representing a 49% ownership to the new partners and a 51% share for WISeKey.

Rwanda Project

- In March 2017, WISeKey announced that in cooperation with Rwanda's government, it will establish a BlockChain/IoT Center of Excellence in Rwanda. The Center will deploy a "Trusted Blockchain as a Service" platform to enable the creation of a Blockchain Ecosystem in Rwanda.
- The project is part of the broader Smart Africa initiative with 17 countries already on board and embracing the 4th Industrial Revolution. This represents a market of about 360 million people.
- This dedicated Center of Excellence will conduct research, rapid pilot prototyping, co-creation of use cases and IP creation on Blockchain technology and platforms. The Rwanda Blockchain/IoT Center of Excellence will recommend a National Blockchain Platform to facilitate enterprises to swiftly adopt Blockchain based solutions and services.

Intellectual Property

Recently WISeKey **added over 35 new patents to its portfolio** required to integrate the OISTE/WISeKey Root of Trust into IoT embedded devices with problem-solving Artificial Intelligence ("AI") solutions.

For WISeKey adding to its patent portfolio and intellectual property is key to ensuring that the company will be a major player in the "DeepTech" for years to come. This allows to distinguish WISeKey from other companies that use technology that is commonly available as WISeKey technology focus on integrating unique technology that is differentiated, protected and hard to reproduce based on tangible scientific discoveries or engineering innovations. By integrating these technologies WISeKey is trying to solve big issues that really affect the world.

Figure 2 WISeKey Patent Portfolio can be found at https://www.wisekey.com/patents/

The new patents cover a range of technologies for IoT and Semiconductors, particularly those that help make enterprise-level computing services more trusted, reliable and secure.

The most notable patent acquisition by WISeKey on IoT and semiconductors happened in **2016 when the company purchased 17 new IoT patents from Inside Secure**, which at the time allowed the company to create the first ever comprehensive trusted end-to-end cybersecurity platform for people and objects (IoT). Following this acquisition, WISeKey's cybersecurity offerings includes now certified hardware & software, system certification, provisioning and up to management of cybersecurity services.

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

WISeKey International Holding Ltd ("**WIHN**", and together with its subsidiaries the **"Company**" or "**WISeKey**") has prepared this Corporate Governance Report (the "**Report**") in accordance with the SIX Swiss Exchange ("**SIX**") Directive of January 1st, 2016 on Information Relating to Corporate Governance (the "**Directive**").

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

WISeKey International Holding Ltd was incorporated on November 17th, 2015, with the purpose of becoming the holding company of WISeKey. As of December 31, 2015, the Company was still a privately held corporation without any activity.

After December 31st, 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**", and together with the Class A Shares the "**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 31st, 2016 (the "**Initial Listing**").

1 Structure and Significant Shareholders

1.1 Group Structure

1.1.1 Operational Group Structure

WIHN is domiciled at General-Guisan-Strasse 6, 6300 Zug, Switzerland, and is the holding company of WISeKey. The Company conducts its business through subsidiaries in Europe, North and South America, and Asia. Although not all are wholly-owned, all subsidiaries of the Company as of December 31st, 2016 were assessed as being under control of the Company and have therefore been fully consolidated.

As of December 31st, 2016, the main operating subsidiaries in the Company were WISeKey Semiconductors SAS, domiciled in France, and WISeKey SA, domiciled in Switzerland.

The Company's segment reporting separates out the semiconductors activities with the manufacture and distribution of chip-based products, and the rest of the Company, with operations relating to the management and sales of content, subscriptions, maintenance and licenses.

1.1.2 Listed Companies

The Company has a dual share structure: the Class A Shares are not listed, and the Class B Shares are listed on the SIX – the initial listing occurred on March 31st, 2016 (Ticker symbol: WIHN; Security No.: 31402927; ISIN: CH0314029270). As of December 31st, 2016 WISeKey had, based on the Class B Shares, a market capitalization of CHF 81,822,280.96.

None of the other companies have securities listed on a stock exchange as of December 31st, 2016.

1.1.3 Non-listed Companies Belonging to the WISeKey Group

Group Company Name	Registered Office	Share Capital		% ownership as of December 31st, 2016
WISeKey SA	Route de Prés-Bois 29, 1215 Geneva 15, Switzerland	CHF	933,436	90.3%
WISeKey Semiconductors SAS	Rue de la carrière de Bachasson, Arteparc de Bachasson, CS 70025, 13590 Meyreuil, France	EUR	1,298,162	100.0%
WiseTrust SA	Route de Prés-Bois 29, 1215 Geneva 15, Switzerland	CHF	680,000	100.0%
WISeKey (Suisse) SA	Route de Prés-Bois 29, 1215 Geneva 15, Switzerland	CHF	100,000	100.0%
WISeKey ELA SL	Calle Rodriguez Arias No 15, Bilbao, Spain	EUR	4,000,000	100.0%
WISeKey SAARC Ltd	20-22 Bedford Row, London WC1R 4JS, United Kingdom	GBP	100,000	51.0%
WISeKey USA Inc	731 James Street, Suite 400, Syracuse, New York 13203-2003, USA	USD	6,500	100%*
WISeKey India Private Ltd	C-4/5, Lower Ground Floor, Safdarjung Development Area, New Delhi, South Delhi, Delhi, India, 110016	INR	1,000,000	100.0%
WISeKey BR BV**	Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands	EUR	60,000	100.0%
WISeKey France SAS**	11 rue de Longjumeau, 91160 Champlan, France	EUR	37,000	100.0%
WISeKey Italia s.r.l.**	Via Montenapoleone 8, CAP 20121, Milano, Italy	EUR	10,000	100.0%
WISeKey Singapore Pte Ltd**	77 Science Park Drive, #02-18/19 CINTECH III, Singapore 118256, Singapore	SGD	100,000	100.0%

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

** in the process of being closed

1.2 Significant Shareholders

As of December 31st, 2016, the Company's share capital, including Class B Shares issued out of the Company's conditional share capital, amounted to CHF 1,313,414.98 and was divided into 40,021,988 Class A Shares and 18,263,902 Class B Shares. Note that the Class B Shares issued out of the Company's conditional share capital were not yet registered with the commercial register as of December 31st, 2016. Such registration only occurred with effect as of April 4th, 2017. As of December 31st, 2016, the Company's share capital registered in the commercial register amounted to CHF 1,133,639.48, divided into 40,021,988 Class A Shares and 14,668,392 Class B Shares. In accordance with the Swiss Financial Market Infrastructure Act ("**FMIA**") and the rules and regulations promulgated thereunder, the shareholdings in percentages of the Company's share capital reported under Item 1.2.1 are calculated by reference to the Company's share capital registered in the commercial register as of December 31st, 2016. For more information on the capital structure, please see item 2.1 below.

1.2.1 Significant Shareholders

The 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%, $33\frac{1}{3}$%, 50% or $66\frac{2}{3}$% of the Company's voting rights (whether exercisable or not) to notify the Company and the Disclosure Office of the SIX of such acquisition or disposal in writing.

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

The table below sets out, to the knowledge of the Company, beneficial owners holding 3% or more of the voting rights of the Company as of December 31st, 2016. The percentages indicated are based on 40,021,988 Class A Shares and 14,668,392 Class B Shares registered in the commercial register as of December 31st, 2016. For a full review of the disclosure reports that were made to the Company and the SIX Disclosure Office during fiscal year 2016, and then published on the SIX electronic publication platform in accordance with the FMIA and the rules and regulations promulgated thereunder, please refer to the search facility of the SIX Disclosure Office at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Name	**Number of Shares owned**		**Purchase Position**	**Sale Position**	**Total number of voting rights**	**Percentage of voting rights**
	Class A Shares	**Class B Shares**	**Class B Shares**	**Class B Shares**		
GEM Global Yield Fund LLC SCS[1]	- -	- -	12,281,638	- -	12,281,638	22.47%
Inside Secure SA	- -	- -	2,000,592	- -	2,000,592	3.658%
A lock-up company consisting of:[2] Fernando Chico-Pardo Philippe Doubre Thomas J. Egger Juan Hernandez Zayas Gary Gauba Franz Humer Brian Kronenberger Dourgam Kummer Carlos Moreira Maryla Shingler Bobbio, Peter Ward Georgette Mosbacher	40,021,988	- -	- -	- -	40,021,988	73.18%
Carlos Moreira	- -	2,583,298	- -	- -	2,583,298	4.72%
WISeKey International Holding Ltd	- -	- -	- -	16,389,298	- -	29.988%

1.3 Cross-shareholdings

The Company is not aware of any cross-shareholdings.

1 See also Item 2.7.2 in relation to GEM Global Yield Fund LLC SCS.

2 Each of the above mentioned holders of Class A Shares, which are privileged voting stock, has entered into an agreement with the Company, according to which such shareholder has given an undertaking not to sell or otherwise dispose of the Class A Shares. However, each of the above mentioned shareholders has the right to request that at the Company's annual general meeting of shareholders an item be included on the agenda according to which Class A Shares be, at the discretion of each Class A Shareholder, converted into Class B Shares, which are not subject to the transfer restrictions. Class B Shares held by a member of the Company are disclosed separately if an applicable threshold under the FMIA and its implementing ordinances is reached or exceeded.

2 Capital Structure

2.1 Capital

As of December 31st, 2016, the Company's share capital amounted to CHF 1,313,414.98 and was divided into 40,021,988 Class A Shares and 18,263,902 listed Class B Shares.

All Shares are registered shares (*Namenaktien*) and are issued in form of intermediated securities (*Bucheffekten*). The Shares are fully paid and rank economically *pari passu* with each other.

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

2.2 Authorized and Conditional Share Capital

2.2.1 Authorized Share Capital

The Board of Directors of the Company (the "Board") is authorized to issue new Class B Shares at any time during a period expiring March 16th, 2018 and thereby increase the Company's share capital, without the approval of the shareholders, in a maximum amount of CHF 466,742.35 through the issuance of up to 9,334,847 new Class B Shares fully paid-in registered shares with a nominal value of CHF 0.05 each. An increase in partial amounts is permitted.

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 issue price, the manner in which the new Class B Shares have to be paid in, the date from which the new Class B Shares carry the right to dividends and, subject to the provisions of the Articles, the conditions for the exercise of the pre-emptive rights with respect to the issuance and the allotment of pre-emptive rights that are not exercised.

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

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

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

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

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

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

2.2.2 Conditional Share Capital

As per December 31st, 2016,[3] the Articles provided for a conditional share capital that authorized the issuance of new Class B Shares of up to a maximum amount of CHF 533,460.60 or up to 10,669,212 new Class B Shares without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued:

3 The Company issued Class B Shares out of the conditional share capital during fiscal year 2016, as further set out under Item 2.3; however, in accordance with Swiss statutory law, the conditional share capital was only amended beginning of April 2017.

— up to an amount of CHF 373,422.40 by the issuance of up to 7,468,448 fully paid-in Class B Shares with a nominal value of CHF 0.05 through the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants, notes 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 Company (the "**Rights-Bearing Obligations**"); and

— up to an amount of CHF 160,038.20 by the issuance of up to 3,200,764 fully paid-in Class B Shares with a nominal value of CHF 0.05 in connection with the issuance of Class B Shares, Rights-Bearing Obligations, options or other share-based awards granted to members of the Board, members of the executive management, employees, contractors, consultants or other persons providing services to a member of the Company.

The pre-emptive rights of the shareholders are excluded in connection with the issuance of any Rights-Bearing Obligations by the Company. 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 of Rights-Bearing Obligations if:

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

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

In connection with the issuance of any new Class B Shares or Rights-Bearing Obligations pursuant to the second limb of the conditional share capital described above (*i.e.*, the conditional share capital to satisfy our obligations 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

On March 2nd, 2016, prior to the Initial Listing, 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 at December 31st, 2015, i.e., net assets of CHF 4,102,244.00. 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.

On March 21st, 2016, in order to settle the offer submitted by the Company on February 17th, 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**"), the Company issued 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 21st, 2016, 90.3% 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 30th, 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 10.00, thereby increasing the share capital by CHF 5,000.00 and the capital contribution reserves by CHF 995,000.00. The remaining 1,334,365 of these Class B Shares were issued out of authorized share capital on March 29th, 2016 at an issue price of CHF 5.00 increasing the share capital by CHF 66,718.25 and the capital contribution reserves by CHF 6,605,106.75.

From March 30th, 2016, the date on which the Class B Shares were listed on the SIX, until December 31st, 2016, the Company has made the following changes to its capital through issuance of new Class B Shares out of its conditional share capital:

On May 6th, 2016 100,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 5,000.00.

On May 10th, 2016 42,500 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 2,125.00.

On May 11th, 2016 673,833 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 33,691.65.

On May 12th, 2016 7,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 350.00.

On June 1st, 2016 50,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 2,500.00.

On June 13th, 2016 5,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 250.00.

On June 20th, 2016 20,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 1,000.00.

On June 22nd, 2016 180,987 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 9,049.35.

On August 2nd, 2016 40,000 options granted for advisory services [pursuant to the WISeKey Employee Stock Option Plan] were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 2,000.00.

On August 4th, 2016 45,000 options granted for advisory services [pursuant to the WISeKey Employee Stock Option Plan] were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 2,250.00.

On August 5th, 2016 15,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 750.00.

On August 8th, 2016 45,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 2,250.00.

On August 9th, 2016 75,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 3,750.00.

On September 21st, 2016 the Company issued 725,000 Class B shares out of conditional capital at an exercise price of CHF 4.00 in connection with the conversion of mandatory convertible loans resulting in an increase in share capital by CHF 36,250.00 and the capital contribution reserves by CHF 2,863,750.00.

On October 12th, 2016 the Company issued 1,026,190 Class B shares out of conditional capital at an exercise price of CHF 5.25 in connection with the conversion of mandatory convertible loans resulting in an increase in share capital by CHF 51,309.52 and the capital contribution reserves by CHF 5,336,190.48.

On November 1st, 2016, 500,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 3.40 resulting in an increase in share capital by CHF 25,000.00 and the capital contribution reserves by CHF 1,675,000.00.

On November 11th, 2016 45,000 options granted for advisory services pursuant to the WISeKey Employee Stock Option Plan were exercised out of conditional capital at an exercise price of CHF 0.05 resulting in an increase in share capital by CHF 2,250.00.

In total, up until December 31st, 2016, 1,844,320 options granted by the Company were converted into Class B Shares, resulting in an increase in share capital of CHF 62,216.00, and 1,751,190 Class B Shares were issued out of mandatory convertible loans, resulting in an increase in share capital of CHF 87,559.52, altogether resulting in a total increase in share capital of CHF 154,775.52.

After the Initial Listing until December 31st, 2016, no capital increases out of the Company's authorized capital were carried out.

2.4 Shares and Participation Certificates

For information regarding the total number, nominal value, and types of Shares of the Company, please see item no. 2.1. All of the Shares are fully paid in. Each 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

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

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

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

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

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

2.7 Convertible Bonds and Options

2.7.1 Convertible Bonds and Similar Instruments

As of December 31st, 2016, the Company had one convertible note outstanding with Inside Secure SA relating to the acquisition of WISeKey Semiconductors SAS and WISeKey Singapore on September 21st, 2016. The acquisition was financed in part by a convertible loan for a principal amount of CHF 11,000,000.00.

The convertible note has a maturity date of June 19th, 2017. Early conversion is permitted commencing from December 14th, 2016. Conversion can be made in full or in partial increments for at least 20% of the principal amount. The exercise price is set as the lower of:

- a fixed conversion price set at CHF 7.444
- a floating conversion price calculated as 90% of the volume-weighted average price during the 15-trading days prior to the conversion

As of December 31st, 2016 the full principal amount was still outstanding and no conversion rights had been exercised.[4]

The fair value of the conversion options was measured at December 31st, 2016 using a binomial lattice model. Based on this valuation as of December 31st, 2016, a full conversion of the convertible note would generate an increase by 2,533,471 of the number of Class B shares, by CHF 126,673.55 of the share capital amount, and CHF 10,873,326.45 of the capital contribution reserves.

2.7.2 Options, Warrants and Similar Instruments

The Company has an aggregate number of 9,135,118 outstanding options, 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**") receive, upon exercise of five WISeKey Option, 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 31st, 2022; exercise type: American style).

— The Company has granted 77,000 options to persons providing consultancy, advisory and other services to WISeKey in connection with WISeKey's business development activities. Each option is exercisable to purchase one Class B Share. The options can be exercised at any time during the exercise period. If all options were exercised, a total number of 77,000

[4] Inside Secure exercised their conversion rights after December 31st, 2017. On January 16th, 2017 they exercised CHF 2,200,000.00 of the convertible loan which resulted in an issue of 530,772 class B shares out of conditional capital 4ba. On March 28th, 2017, they exercised another CHF 2,200,000.00 which resulted in an issue of 585,230 class B shares out of conditional capital 4ba.

Class B Shares would be issued, thereby causing an increase in share capital by CHF 3,850.00, and to the capital contribution reserves by CHF 177,400.00 The exercise prices and exercise period of these options are detailed below

- 32,000 options with an exercise period of 12 months ending on November 10th, 2017 and an exercise price of CHF 5.00.
- 20,000 options with an exercise period of 3 months ending on February 10th, 2017 and an exercise price of CHF 1.00.
- 25,000 options with an exercise period of 3 months ending on February 10th, 2017 and an exercise price of CHF 0.05.

— On January 19th, 2016, the Company had 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 31st, 2021. The warrants can be exercised at any time during the exercise period. If all warrants were exercised, the share capital would be increased by CHF 72,956.35, and the capital contribution reserves by CHF 12,846,621.03.

— On January 19th, 2016, GEM had also entered into a share subscription facility agreement (the "**SFF**") with the Company, according to which GEM granted the Company the right, at any date after the date on which the Class B Shares are listed on the SIX, during the period expiring on the earlier of January 19th, 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. Using the same binomial lattice model as for the convertible note described in above section 2.7.1 to estimate the exercise price as at December 31st, 2016, if the share subscription facility was drawn in full, it would result in the issuance of 13,818,930 new Class B shares and an increase in the share capital by CHF 690,946.50 and in the capital contribution reserves by CHF 59,309,053.50.

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	Nomination & Compensation 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	54	2016	2017
Dr. Franz Humer	Independent member and vice-Chairman of the Board	Nomination & Compensation Committee, Strategy Committee	70	2016	2017
Dourgam Kummer	Member of the Board	Nomination & Compensation Committee	51	2015	2017
Carlos Moreira	Executive member (CEO) and Chairman of the Board	Strategy Committee	58	2015	2017
Maryla Shingler Bobbio	Independent member of the Board	Audit Committee, Nomination & Compensation Committee	53	2016	2017
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	64	2015	2017

* Age as of December 31st, 2016

Philippe Doubre

Philippe Doubre, born in 1935, a Swiss citizen, graduated in mathematics from the Collège Saint Barbe (Paris). M. Doubre 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

3.5.1 Allocation of Tasks Within the Board

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

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

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

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

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

In accordance with Swiss law, the Articles and the organizational regulations, the Board has delegated the Company's Executive Management to the chief executive officer of the Company (the "**CEO**"), who is supported by the other members of the Executive Management. In the Company's current structure, the positions of Chairman and CEO are held by the same person.

3.5.2 Board Committees

The Board has established the following committees:

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. The Chairman and the other members of the Strategy Committee are appointed by the Board.

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

Audit Committee

The Audit Committee currently consists of three members of the Board: 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 accounting policies, financial reporting and disclosure controls and procedures;
- the quality, adequacy and scope of external audits;
- the Company's accounting compliance with financial reporting requirements;
- the Executive Management's and the internal audit's approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance; and
- the performance of the internal audit.

Nomination & Compensation Committee

The Nomination & Compensation Committee currently consists of 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 Nomination & Compensation Committee are elected by the General Meeting for a one-year term, commencing on the date of their election at the annual General Meeting and expiring after completion of the subsequent annual General Meeting. The Chairman of the Nomination & Compensation Committee is appointed by the Board.

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

3.5.3 Working Methods of the Board and its Committees

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

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

The Board meets as often as the business requires, at least four times a year, hence an average quarterly frequency. The Board meetings can be held at the Company's place of incorporation or at such other place as the Chairman may determine from time to time. In 2016, the Board officially met five times, not taking into account Board conference calls held ad-hoc to discuss specific items in relation to circular resolutions. The average duration of Board meetings is three hours.

The Audit Committee meets as often as the business requires. The Company would like to set a minimum quarterly meeting frequency, but it acknowledges that due to the Company being listed for less than 12 months, this frequency has not yet been implemented. In 2016, the Audit Committee formally met once for a duration of one hour, not taking into account committee conference calls held ad-hoc to discuss specific items.

The Nomination & Compensation Committee meets as often as the business requires. The Company would like to set a minimum annual meeting frequency, but it acknowledges that due to the Company being listed for less than 12 months, this frequency has not yet been implemented. In 2016, the Nomination & Compensation Committee did not formally meet. The 2017 compensation for members of the Board and executive management was established prior to Initial Listing when the company was still privately owned and was voted by the general assembly of shareholders that took place shortly after listing. There were no changes to the Board or to the executive management during the remaining of the fiscal year 2016 requiring the Nomination & Compensation Committee to meet to review the compensation voted during the general assembly. Based on meetings of the Nomination & Compensation Committee that took place in fiscal year 2017, the average duration of Nomination & Compensation Committee meetings is less than one hour.

3.6 Definition of Areas of Responsibility

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

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

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

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

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

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

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

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

4 Executive Management

4.1 Members of the Executive Management

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

Officer	Office	Age as of December 31st, 2016
Carlos Moreira	Chief Executive Officer (CEO)	58
Peter Ward	Chief Financial Officer (CFO)	64
Carlos Moreno	Sales Director and interim Chief Operating Officer (COO)	53

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 Fuentes

Carlos Moreno, a Spanish citizen, is Vice President for digital brand management of WISeKey and has served in this role since 2009. Qualified in baking administration with the Nicolas Bouvier Business School in Geneva, he complemented his education with a qualification as Programmer Analyst with the IEPIGE Institute in Geneva. 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 pro-jects related to Digital Brand Management in the evolution of WISeKey's product offerings.

4.2 Other Activities and Vested Interests

See item 3.1 above.

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

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

4.4 Management Contracts

There are no management contracts in place.

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

5 Compensation, Shareholdings and Loans

Since the Company's Class B Shares were not listed on the SIX on December 31st, 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 21st, 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*" in section 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 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, directors, officers and persons providing advisory services to the Company. The terms of options granted under the WISeKey Share Ownership Plan are determined on an individual basis, but generally vest over a period of three years. Further, holders of options granted under the WISeKey Share Ownership Plan may generally exercise their rights under vested options at any time until the seventh anniversary of the option grant date. If options are not exercised within the exercise period, they are forfeited. In the event of a change of control (as defined in the WISeKey Share Ownership Plan; see item 7.2 below), all options vest immediately. If an employment agreement is terminated with a cause by the Company, or if an option holder breaches any material obligation, all options held by such option holder (whether vested or not) are forfeited.

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 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 Nomination & Compensation Committee, the Company currently believes the Company's compensation plans will continue to be based on the following key principles:

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

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

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

Compensation Approved by the General Meeting

The Company's shareholders approved the Board compensation for the 2016/2017 Board term and the Executive Management compensation for financial year 2016 at the annual General Meeting held on March 21st, 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 2016 is CHF 3 million.

5.2 Rules Related to Compensation in the Articles

5.2.1 Principles Applicable to Compensation

Non-Executive Members of the Board

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

Executive Members of the Board and Executive Management

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

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

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

5.2.2 Loans, Credit Facilities And Post-Employment Benefits For Members Of The Board Of Directors And Executive Committee.

In 2016, the Company or its affiliates have the following loans outstanding to members of the Board of Directors:

- A loan for an amount of CHF 50,000 to Maryla Shingler-Bobbio on September 23rd, 2016. This loan is expected to be repaid in 2017. This loan matures on September 30th, 2017. It carries an interest rate of 5% per annum.
- A loan for an amount of CHF 300,000 to Franz Humer on May 13th, 2016. This loan was repaid on January 17th, 2017 for the full amount. The loan did not bear any interest.

Under the current Articles, the Company or companies controlled by it may not grant any loans to members of the Board or the Executive Management. The Board of Directors will seek a ratification of these loans at the 2017 Annual General Meeting through an amendment to the Company's Articles of Association.

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.

5.2.3 Vote On Pay At The General Meeting Of Shareholders

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

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

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

6 Shareholders' Participation Rights

6.1 Voting Rights Restrictions and Representation

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

— the election of the Company's auditor;

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

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

— any resolution regarding the initiation of a liability action.

Voting rights may be exercised by shareholders registered in the Company's share register or by a duly appointed proxy of a registered shareholder or nominee, which proxy need not be a shareholder of the Company up to a specific qualifying day designated by the Board. Acquirers of Shares of the Company must be entered into the share register as shareholders with the right to vote, provided that such acquirers expressly declare that they have acquired the Shares of the Company in their own name and for their own account.

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

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

6.2 Supermajority Requirements

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

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

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

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

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

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

— an authorized or conditional increase in the share capital;

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

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

— a change in the registered office of the Company;

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

— the dissolution of the Company.

6.3 Convocation of the General Meeting

6.3.1 Notice

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

6.3.2 Extraordinary General Meetings

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

6.4 Inclusion of Items on the Agenda

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

6.5 Entries in the Share Register

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

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

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

7 Change of Control and Defence Measures

7.1.1 Duty to Make an Offer

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

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

7.1.2 Clauses on Changes of Control

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

8 Auditors

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

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

The Company's auditor is BDO SA (**BDO**), Route de Meyrin 123, 1219 Châtelaine, Switzerland. BDO has been the auditor since the Company's incorporation on December 2nd, 2015, and has been re-elected at the ordinary General Meeting on March 21st, 2016. Since December 2nd, 2015, the responsible lead audit partner is Christoph Tschumi. In accordance with article 730a para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

8.2 Auditing Fees

The auditing fees (gross of VAT) invoiced to the Company by BDO in the fiscal year 2016 amount to CHF 383,340.

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 31st, 2016 audit, the supervision of the external audit has been exercised primarily by the Audit Committee.

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

In 2016, the Audit Committee and BDO met once.

9 Information Policy

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

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

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

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

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

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

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

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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of WISeKey International Holding AG, Zug

As statutory auditor, we have audited the accompanying Compensation Report dated 7 May 2017 of WISeKey International Holding AG for the period from 30 March 2016 to 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) in sections 5 and 6 of the Compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the period from 30 March 2016 to 31 December 2016 of WISeKey International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Genève, 7 May 2017

BDO Ltd

Christoph Tschumi
Auditor in Charge
Licensed Audit Expert

Peter Wu

Compensation Report

1 Introduction

In accordance with the Ordinance against Excessive Compensation (the "OaEC") applicable to Swiss listed companies, the remuneration of members of the Board of Directors and the Executive Management of WISeKey International Holding AG ("WISeKey" or the "Company") is disclosed below for the period from March 30th, 2016, the date on which WISeKey's registered shares, par value CHF 0.05 each (the "Class B Shares")were listed on the SIX Swiss Exchange ("SIX") and the OaEC became applicable to WISeKey, to December 31st, 2016.
This Compensation Report should be read in conjunction with the compensation policy as disclosed in the Corporate Governance Report presented in this Annual Report on page CG-1.

2 Compensation Policy

2.1 Board of Directors

It is our general policy that compensation for the members of the Board of Directors consists of a mix of cash and equity stock options with progressive vesting in order to ensure a commitment to the long-term success of the Company.

2.2 Executive Management

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

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

- **Alignment with industry standards** – in order to attract and retain talented executives and employees, compensation levels are benchmarked to and in line with comparable companies in the industry. The Nomination & Compensation Committee has ensured that the various compensation elements are reasonable and in line with compensation of similar-sized listed companies.
- **Alignment with shareholders' interests** – part of the compensation of the Executive Management consists of equity stock options in order to ensure that the Executive Management works towards the long-term success of the Company and takes into account shareholders' interests to define and plan the Company's future.
- **Compensation in line with performance and results** – part of the Executive Management's compensation is variable and directly linked to the achievement of the strategic objectives defined by the Company.

3 Determination of Compensations

3.1 The Nomination & Compensation Committee

The Nomination & Compensation Committee assists in the preparation of compensation proposals for the Board of Directors and the Executive Committee to be submitted for approval to the General Meeting of Shareholders. Further tasks and responsibilities of the Nomination & Compensation Committee are set forth in Articles 23 et seq. of the Articles of Association.

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

The Nomination & Compensation Committee aims to meet as and when necessary in view of the Company's activities and will comply with a minimum requirement of two meetings per financial year.

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

For the year 2016, the members of the Nomination & Compensation Committee were elected at the Annual General Meeting of Shareholders held prior to the Company's Class B Shares being listed on the SIX, on March 21st, 2016, each for a term extending until completion of the next Annual General Meeting of Shareholders. The Nomination & Compensation Committee consists of non-executive members of the Board of Directors.
In 2016, the following members of the Board served on the Nomination & Compensation Committee:

- Dr Franz Humer, Chairman of the Nomination & Compensation Committee
- Philippe Doubre
- Dourgam Kummer
- Maryla Shingler-Bobbio

The Company remained a non-listed Swiss company until March 30th, 2016. As a result, the Company was not subject to the OaEC until such date.

3.2 Approval of Compensation at the Annual General Meeting of Shareholders

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

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

If the Annual General Meeting of Shareholders does not approve a proposal, or part of a proposal, the Board of Directors, pursuant to the Company's Articles of Association, may submit a new proposal during the same meeting. Should the Board of Directors not submit a new proposal, or if the new proposal is also rejected, the Board of Directors may call an Extraordinary General Meeting of Shareholders to submit new proposals.

As a result of the listing of the Class B Shares on the SIX on March 30th, 2017, the Company's shareholders will for the first time vote on the board and executive management compensation in accordance with OaEC requirements at the 2017 Annual General Meeting.

4 Compensation Components

4.1 Compensation of the Board of Directors

For fiscal years 2016, each member of the Board of Directors received an annual compensation consisting of:

- A board fee paid in cash in an amount of CHF 30,000; and
- Equity-based compensation consisting in the award of 30,000 options exercisable for Class B Shares. The options have a 3-year conditional vesting period from date of grant, and a 5-year exercise period from the vesting date. The exercise price is set by reference to the SIX closing price on the last trading day of the fiscal year.

4.2 Compensation of the Executive Management

The Executive Management compensation for fiscal year 2016 is made up of a fixed element and a variable element as follows:

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

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

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

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

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

5 Compensation for the fiscal year 2016

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

The Company's shareholders approved the compensation of the Board of Directors for the 2016/2017 Board term and the compensation of the Executive Management for financial year 2017 at the Annual General Meeting of Shareholders held on March 21, 2016. The maximum amount of the Board of Directors' compensation for the 2016/2017 term was CHF 1 million. The maximum amount of compensation for the Executive Management for financial year 2017 is CHF 3 million.

5.1 Compensation of the members of the Board of Directors

Compensation for Carlos Moreira and Peter Ward, who are executive members of the Board of Directors and therefore do not receive separate compensation for their roles as directors, are reflected in the Executive Management section set forth below.

Compensation of the Board of Directors of WISeKey International Holding AG
for the period starting March 30th 2016 and ending December 31st 2016

CHF'000 [1]	Function	Base Salary[4]	Annual Incentive	Additional Fees[5]	Stock Based Compensation [6]	Other Compensation	Total Compensation
Philippe Doubre	Board Member, NCC[2] Member	-	-	30	-	-	30
Thomas J. Egger	Board Member, Audit Committee Member	-	-	30	-	-	30
Juan Hernandez Zayas	Board Member, Audit Committee Member, Strategy Committee Member	-	-	30	-	-	30
Dr. Franz Humer	Vice-Chairman of the Board, CNC Member, Strategy Committee Member	-	-	60	785	-	845
Dourgam Kummer	Board Member, NCC Member, former Executive Management Member[3]	-	-	71	-	-	71
Maryla Shingler Bobbio	Board Member, NCC Member, Audit Committee Member	-	-	30	-	-	30
Total Board Members		**-**	**-**	**251**	**785**	**-**	**1,036**

1 Board members are remunerated in Swiss Francs (CHF).
2 Nomination & Compensation Committee
3 Previously Chief Financial Officer, then Chief Operating Officer of WISeKey SA
4 Base salary includes employee social security costs
5 Additional Fees include Board fees and fees paid for additional services rendered to the Company. The cash fee voted by the Board as remuneration to Board Members for 2016 is disclosed in application of the accrual-based principle. The cash fee for 2016 Board membership was not paid in 2016 and has been accrued in current liabilities in the 2016 consolidated financial statements.
6 The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method. Current valuation is based on the market price of WIHN shares on the last SIX trading day of the year, December 30th, 2016.

5.2 Compensation of the members of the Executive Management

The members of the Executive Management during fiscal year 2016 were Carlos Moreira, Chief Executive Officer, Peter Ward, Chief Financial Officer, and Carlos Moreno, Sales Director and interim Chief Operating Officer. Consistent with the OaEC, the Company discloses the aggregate amount paid to the Executive Management and the highest amount paid to an individual member, specifying his name and function.

Compensation of the Executive Management of WISeKey International Holding AG
for the period starting March 30th 2016 and ending December 31st 2016

CHF'000 [1]	Function	Base Salary[2]	Annual Incentive	Additional Fees[3]	Stock Based Compensation	Other Compensation	Total Compensation
Highest Paid Executive							
Carlos Moreira	Chairman of the Board, Chief Executive Officer	400	233	100	-	114	847
Total Executive Management		**805**	**352**	**100**	**-**	**213**	**1,470**

1 The executive management members are remunerated in Swiss Francs (CHF).
2 Base salary includes employee social security costs.
3 Additional Fees include fees paid for special services rendered to the Company.
4 Other compensation includes pension contributions and employer social charges paid by the Company.

6 Loans, credits and other payments

In 2016, the Company has granted the following loans to members of the Board of Directors:

- A loan in the amount of CHF 50,000 to Maryla Shingler-Bobbio on September 23rd, 2016. This loan matures on 30th September 2017. It carries an interest rate of 5% per annum.
- A loan for an amount of CHF 300,000 to Franz Humer on May 13th, 2016. This loan was non-interest-bearing It was fully repaid on January 17th, 2017.

The Company's articles of association do not currently authorize loans to members of the Board of Directors. The Board of Directors will seek a ratification of these loans at the 2017 Annual General Meeting through a proposed amendment to the Company's Articles of Association.

WISeKey International Holding AG

Consolidated Financial Statements

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

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STATUTORY AUDITOR’S REPORT

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STATUTORY AUDITOR'S REPORT

To the General Meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of WISeKey International Holding AG and its subsidiaries (the Company), which comprise the consolidated balance sheets as at 31 December 2016 and 2015 and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholder's equity (deficit) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements (pages F-8 to F-37) present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2016 and 2015, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, Swiss auditing standards and auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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

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

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

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

Key Audit Matter	How our audit addressed the key audit matter
Business Combination - Reverse Acquisition of WISeKey SA by WISeKey International Holding AG.	
On 22 March 2016, the WISeKey SA shareholders exchanged their WISeKey SA shares into WISeKey International Holding AG shares. Through this transaction WISeKey International Holding AG became the parent company of WISeKey SA and the former WISeKey SA shareholder obtained control over WISeKey International Holding AG. The Company determined to account for the share exchange as a reverse acquisition in accordance with the ASC 805 "Business Combinations". As WISeKey International Holding AG did not constitute a business, the transaction was accounted for as a recapitalization and treated as a capital transaction. We focused on this area due to the fact that the accounting includes management's judgment, its significant impact on the consolidated financial statements and the impact it has on presentation and disclosures. We refer to Note 11 to the consolidated financial statements for additional disclosure of the Company's reverse acquisition.	We read the Company's reverse acquisition documentation including accounting memos and underlying agreements and ensured compliance with respective accounting guidelines. We scrutinized the net assets acquired, compared them to the underlying financial statements and tested whether the values applied were appropriate. We challenged management's assumptions on the carrying values assigned and accounting entries recorded to reflect the reverse acquisition. Furthermore, we have assessed the adequacy of the disclosures relating to reverse acquisition in the notes to the consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Business Combination - Acquisition of Vault IC and Inside Singapore	
On 20 September 2016, WISeKey International Holding AG obtained all of the equity interests of Vault-IC France and Inside Singapore, and obtained control of both Companies. We focused on this area due to its significant impact on the consolidated financial statements and the impact it has on presentation and disclosures. We refer to Note 11 to the consolidated financial statements for additional disclosure of the Company's business combination.	We read the Company's accounting memos on the transaction including the share purchase agreement and the purchase price allocation documentation and ensured compliance with respective accounting guidelines. We assessed the Company's identification of the net assets acquired, compared them to the underlying financial statements, tested whether the fair values applied were appropriate and agreed the consideration to the underlying agreement. We challenged management's assumptions on the fair values assigned and accounting entries recorded to reflect the acquisition. We confirmed side arrangements and contract terms with the seller. Furthermore we have assessed the adequacy of the disclosures relating to the business combination in the notes to the consolidated financial statements.
Impairment Considerations	
The Company carries a significant goodwill related to the acquisition of Vault-IC France on the consolidated balance sheet of USD 8.3 million. We focused on this area due to its significant impact on the consolidated financial statements and the impact it has on presentation and disclosures. We refer to Note 13 to the consolidated financial statements for additional disclosure of the Company's Goodwill.	We assessed the Company's goodwill impairment considerations and valuation method for reasonableness. We challenged management's assumptions on significant input factors used relating to future profitability of Vault-IC.

Key Audit Matter	How our audit addressed the key audit matter
Stock Based Compensation	
The Company routinely issues stock-based payments to employees and non-employees. We focused on this area due to the significant judgement and expertise required in developing assumptions and performing valuation of options. There is also judgement involved in assessing the impact of potential market, performance and service conditions. Finally, there is a focus on the tax benefits for grants made. We refer to Note 18 to the consolidated financial statements for additional disclosure of the Company's shared based compensation awards and accounting considerations.	We read the Company's stock purchase plan contract, warrant and options contracts, stock based compensation roll-forward and accounting memos. We identified several warrant and options issuances during the period, and agreed them to original signed contracts and tested the valuation assumptions used. We challenged management's assumptions on the fair values of share prices used and the Black-Scholes valuation inputs. We scrutinized the valuation and share calculation regarding the incremental shares issued to the Company's CEO. Furthermore, we have assessed the adequacy of the disclosures relating to all stock-based compensation in the notes to the consolidated financial statements.
Going Concern	
The Company is highly leveraged with a negative working capital balance of USD 8.2M. The Company is currently still in a start-up stage and has not reached profitability. The Company has made two significant acquisitions in 2016 and 2017 to increase future revenues and reach profitability. We focused our audit on this item because of its significance to the consolidated financial statements and general operation of the Company. We refer to Note 2 to the consolidated financial statements for additional disclosure of the Company's future operations.	We critically reviewed management's plans to continue as a going concern. This includes assessment of the Company's budget and cash forecast for the 12 months period subsequent to the issuance date of this report, the Company's commitments and contingencies, the realizability of the Company's assets and investor's commitment and ability to provide sufficient funds for the Company to continue as a going concern. Our critical review included analysis of the Company's historical cash needs, assessment of future cash flows based on the budget, backlog, financing and other relevant agreements in place as of issuance date of this report as well as discussion with management.

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition	
The Company maintains contracts with a few large customers that may contain multiple deliverables. We focused on this area due to its significant impact on the consolidated financial statements and the impact it has on disclosures. In addition, we noted that the Company does not have sufficient controls in place to identify and assess significant revenue streams. As such, there is a risk that revenue is not recognized consistently with the appropriate revenue recognition standards. As is evidenced in the consolidated financial statements and disclosed in Note 4, the Company has disclosed the nature of its major revenue sources and method for accounting.	We evaluated the Company's revenue contracts and side agreements with customers and reviewed the terms of these arrangements. Additionally, we tested all significant transactions throughout the year.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with US GAAP and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on Other Legal and Regulatory Requirements

During our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of the consolidated financial statements, designed in accordance with the instructions of the Board of Directors, is not commensurate with the entity’s risks, given its size, complexity and risk profile.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the consolidated financial statements.

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

Genève, 7 May 2017

BDO Ltd

Christoph Tschumi

Auditor in Charge
Licensed Audit Expert

Peter Wu

Enclosures
Consolidated Financial statements

2. Consolidated Statement of Comprehensive Loss

USD	Year ended December 31, 2016	2015	*Note ref.*
Net sales	10,962,491	2,287,151	
Cost of sales	(6,536,718)	(820,168)	
Gross profit	**4,425,773**	**1,466,983**	
Other operating income	112,613	-	
Research & development expenses	(1,438,535)	(645,122)	
Selling & marketing expenses	(16,439,630)	(1,340,387)	
General & administrative expenses	(22,843,043)	(6,011,490)	
Total operating expenses	**(40,608,594)**	**(7,996,999)**	
Operating income / (loss)	**(36,182,822)**	**(6,530,016)**	
Non-operating income	166,615	186,795	*21*
Gain on derivative liability	1,308,907	-	*6*
Interest and amortization of debt discount	(947,380)	-	*6*
Non-operating expenses	(846,439)	(47,975)	*22*
Income / (loss) from operations before income tax expense	**(36,501,119)**	**(6,391,196)**	
Income tax (expense)/recovery	16,081	(300)	*23*
Net income / (loss)	**(36,485,038)**	**(6,391,496)**	
Less: Net income / (loss) attributable to noncontrolling interests	(559,174)	(234,878)	
Net income / (loss) attributable to WISeKey International Holding AG	**(35,925,864)**	**(6,156,618)**	
Loss per share attributable to WISeKey International Holding AG			
Basic	(1.57)	(0.38)	*25*
Diluted	(1.57)	(0.38)	*25*
Other comprehensive income / (loss), net of tax:			*26*
Foreign currency translation adjustments	(1,875,091)	(58,956)	
Defined benefit pension plans:	-	-	
Net loss arising during period	(92,765)	(262,181)	
Other comprehensive income / (loss)	**(1,967,856)**	**(321,137)**	
Comprehensive income / (loss)	**(38,452,894)**	**(6,712,633)**	
Other comprehensive income / (loss) attributable to noncontrolling interests	3,141	-	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	**(1,970,997)**	**(321,137)**	
Comprehensive income / (loss) attributable to noncontrolling interests	(556,033)	(234,878)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	(37,896,861)	(6,477,755)	

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

3. Consolidated Balance Sheet

USD	As at December 31, 2016	2015	Note ref.
ASSETS			
Current assets			
Cash and cash equivalents	5,221,310	261,747	5
Accounts receivable, net of allowance for doubtful accounts	7,733,247	355,442	7
Inventories	2,983,478	3,201	8
Prepaid expenses	529,022	23,153	
Other current assets	869,313	92,895	9
Total current assets	**17,336,370**	**736,438**	
Noncurrent assets			
Note receivable of related parties, noncurrent	64,104	-	27
Property, plant and equipment net of accumulated depreciation	3,413,535	16,568	10
Intangible assets, net of accumulated amortization	2,121,077	21,971	12
Goodwill	8,316,882	-	11
Other assets	2,379,742	57,150	14
Total noncurrent assets	**16,295,339**	**95,689**	
TOTAL ASSETS	**33,631,710**	**832,127**	
LIABILITIES			
Current Liabilities			
Accounts payable	10,787,318	5,499,545	15
Deferred revenue	770,711	431,855	
Convertible note payable	8,917,651	-	6
Income tax payable	88,028	80,027	
Derivative liabilities	1,192,526	-	6
Other current liabilities	3,824,271	75,644	20
Total current liabilities	**25,580,504**	**6,087,070**	
Noncurrent liabilities			
Employee benefit plan obligation	3,810,264	2,958,114	19
Other noncurrent liabilities	2,328,997	-	20
Total noncurrent liabilities	**6,139,261**	**2,958,114**	
TOTAL LIABILITIES	**31,719,765**	**9,045,184**	
Commitments and contingent liabilities			16
SHAREHOLDERS' EQUITY			
Common stock - Class A	400,186		
CHF 0.01 par value			
Authorized - nil and 5,000,000 shares			
Issued and outstanding - 40,021,988 and 10,000,000 shares			
Common stock - Class B	756,010	794,002	
CHF 0.05 par value			
Authorized - 9,334,847 and 3,045,891 shares			
Issued and outstanding - 14,668,392 and 17,608,258 shares			
Additional paid-in capital	159,430,819	110,795,292	
Accumulated other comprehensive income / (loss)	(1,900,943)	70,054	26
Accumulated deficit	(155,691,069)	(119,765,205)	
Total shareholders'equity (deficit) attributable to WISeKey shareholders	**2,995,003**	**(8,105,857)**	
Noncontrolling interests in consolidated subsidiaries	(1,083,058)	(107,200)	
Total shareholders'equity deficit	**1,911,945**	**(8,213,057)**	
TOTAL LIABILITIES AND EQUITY	**33,631,710**	**832,127**	

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

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

Consolidated Statements of Stockholders' Equity (Deficit)

	Number of shares		Share Capital								
USD	Class A	Class B	Class A	Class B	Total share capital	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income / (loss)	**Total stockholders' equity (deficit)**	Non controlling interests	**Total equity (deficit)**
As at December 31, 2014	-	14,681,101	-	638,584	638,584	108,866,867	(113,608,588)	391,191	**(3,711,946)**	127,678	**(3,584,268)**
Common stock issued	-	2,927,157	-	155,418	155,418	1,276,571	-	-	**1,431,989**	-	**1,431,989**
Stock-based compensation	-	-	-	-	-	651,854	-	-	**651,854**	-	**651,854**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(321,137)	**(321,137)**	-	**(321,137)**
Net loss	-	-	-	-	-	-	(6,156,618)	-	**(6,156,618)**	(234,878)	**(6,391,496)**
As at December 31, 2015	-	17,608,258	-	794,002	794,002	110,795,292	(119,765,205)	70,054	**(8,105,858)**	(107,200)	**(8,213,057)**
Common stock issued before the reverse acquisition	-	1,060,469	-	53,159	53,159	3,136,447	-	-	**3,189,606**		**3,189,606**
Reverse acquisition on March 22nd, 2016	40,021,988	(5,434,700)	400,186	(164,735)	235,451	2,675,785	-	-	**2,911,236**	(419,825)	**2,491,411**
Common stock issued	-	1,434,365	-	73,584	73,584	7,786,733	-	-	**7,860,317**	-	**7,860,317**
Options exercised[1]						10,229,743			**10,229,743**	-	**10,229,743**
Stock-based compensation	-	-	-	-	-	24,806,819	-	-	**24,806,819**	-	**24,806,819**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(1,970,997)	**(1,970,997)**	3,141	**(1,967,856)**
Net loss	-	-	-	-	-	-	(35,925,864)	-	**(35,925,864)**	(559,174)	**(36,485,038)**
As at December 31, 2016	40,021,988	14,668,392	400,186	756,010	1,156,196	159,430,819	(155,691,069)	(1,900,943)	**2,995,003**	(1,083,058)	**1,911,945**

1. The articles of association of the Company had not been updated as of December 31, 2016 with the shares issued as a result of the exercise of these options.

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

5. Consolidated Statements of Cash Flows

	Year ended December 31, 2016	2015
Cash Flows from operating activities:		
Net loss	(36,485,038)	(6,391,496)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Interest and amortisation of debt discount	947,380	-
Depreciation of property, plant & equipment	163,269	26,885
Amortization of intangible assets	1,026,054	1,953,235
Gain on derivative liability	(1,308,907)	-
Stock-based compensation	24,806,819	651,854
Increase / (decrease) in defined benefit pension liability	32,215	178,482
Increase / (decrease) in other noncurrent liabilities	(515,751)	-
Inventory variance	-	-
Deferred taxes	(21,173)	-
Other non cash expenses /(income)	(712,410)	(256,714)
Unrealized foreign currency transactions	138,588	-
Changes in operating assets and liabilities, net of effects of businesses acquired		
Decrease (increase) in accounts receivables	(2,635,182)	(111,911)
Decrease (increase) in inventories	1,227,958	821
Decrease (increase) in other assets, net	1,076,210	80,222
Increase (decrease) in accounts payable	(2,808,478)	261,941
Increase (decrease) in deferred revenue	(3,598,071)	73,322
Increase (decrease) in income taxes payable	(12,556)	-
Increase (decrease) in other current liabilities	7,746,961	(1,091,524)
Net cash provided by (used in) operating activities	**(10,932,112)**	**(4,624,883)**
Cash Flows from investing activities:		
Acquisition of property, plant and equipment	(87,180)	-
Decrease in receivable from shareholders	(290,794)	52,677
Decrease / (increase) in loan receivables	(1,204,787)	2,975,000
Acquisition of a business, net of cash and cash equivalents acquired	(1,432,874)	-
Net cash provided by (used in) investing activities	**(3,015,635)**	**3,027,677**
Cash Flows from financing activities:		
Proceeds from options exercises	1,816,573	-
Proceeds from issuance of Common Stock	7,860,317	1,431,989
Proceeds from convertible loan issuance	8,413,169	-
Net cash provided by (used in) financing activities	**18,090,059**	**1,431,989**
Effect of exchange rate changes on cash and cash equivalents	817,251	
Cash and cash equivalents		
Net increase (decrease) during the period	4,959,563	(165,217)
Balance, beginning of period	261,747	426,964
Balance, end of period	**5,221,310**	**261,747**
Non-cash transactions conversion of convertible loans into common stock.	8,143,168	-

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

6. Notes to the Consolidated Financial Statements

Note 1. The Company

WISeKey International Holding AG ("**WIHN**"), together with its consolidated subsidiaries ("**WISeKey**" or the "**Company**"), has its headquarters in Switzerland. WISeKey International Holding AG, the ultimate parent of the WISeKey Group, was incorporated in November 2015 with the aim to become the holding company of existing and future Group companies and to list its shares on the Swiss Stock Exchange, SIX SAG. The Company was listed on March 30t, 2016 with the valor symbol "WIHN".

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 (internet of Things), Digital Brand Management and Mobile Security.

The Company leads a carefully planned vertical integration strategy through acquisitions of companies in the industry. The strategic objective is to provide integrated services to its customers and also achieve cross-selling and synergies across WISeKey.

Through this vertical integration strategy, the Company anticipates being able to generate profits in the near future.

Note 2. Future Operations

The Company experienced a loss from operations in this reporting period, although it does anticipate being able to generate profits in the near future. However, this cannot be predicted with any certainty. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred a net operating loss of USD (36,182,822) and had negative working capital of USD (8,244,134) as at December 31, 2016, although adjusted for the impact of the convertible note payable to Inside Secure for the acquisition of WISeKey Semiconductors, the working capital was a positive USD 673,517.

The Company has been dependent on equity financing to augment the operating cash flow to cover its cash requirements. Any additional equity financing may be dilutive to shareholders and debt financing will increase expenses and may involve restrictive covenants. Based on the Company's cash projections for the next 12 months, it will need approximately USD 3 mio to fund operations.

On 16th January 2017, the Company did close a $ 16.4 mio acquisition line of credit, which is secured on the assets of the Company. The proceeds were used to acquire QV Holdings (QuoVadis) on 3rd April 2017, which is profitable and cash positive on projected revenues of $ 20 mio.

Additionally, WISeKey Semiconductors, acquired on 20th September 2016, is projecting to be in a break-even position on projected revenues of EUR 35 mio.

The Company closed a Share Subscription Facility with GEM LLC, (Global Equity Markets), on 19th January 2016, which is a CHF 60 mio facility over 5 years and allows the Company to draw down funds at its option in exchange for WIHN shares. The mechanics of the deal allow for a drawdown essentially 18 times in a year, the amount being in a range related to the trading volume and price of the WIHN share trading on the SIX Stock Exchange. The drawdown amount is based on 90% of the average closing price of the last 15 trading days multiplied by 1,000% of the average volume of the last 15 trading days. GEM can then elect to purchase between 50% and 200% of this figure. This facility will be used as a safeguard should there be any difficulties in raising the necessary equity to cover the USD 3 mio projected cash shortfall noted above.

Based on the foregoing, especially the anticipated performance of its two recent acquisitions and the planned synergies of operating as a Group, being able to offer enhanced versions of existing products and cross-selling to the individual companies client base, Management believe it is correct to present these figures on a going concern basis.

Note 3. Basis of Presentation

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

Reverse Acquisition

On March 22nd, 2016 WISeKey International Holding AG, then a so-called empty shell private company with no operating activities that was not considered a business under US GAAP standards, acquired WISeKey SA, a private operating company. This transaction being a capital transaction in substance, it qualifies as a reverse acquisition that is considered a recapitalization whereby WISeKey International Holding AG is the legal acquirer and accounting acquiree, whereas WISeKey SA is the legal acquiree and accounting acquirer. In accordance with ASC805-40 (Reverse acquisition), the consolidated financial statements are therefore issued by the legal parent, WISeKey International Holding AG, but are considered to be the continuation of the financial statements of the legal subsidiary, WISeKey SA.

Comparative information in the Company's consolidated financial statements relate to WISeKey SA and not to the non-operating WISeKey International Holding AG until the date of the transaction. The assets and liabilities of the accounting acquiree, WISeKey International Holding AG, have been consolidated from March 22nd, 2016. No goodwill arose as a result of the transaction. The consolidated statement of comprehensive losses includes the results of WISeKey International Holding AG from March 22nd, 2016 until December 31st, 2016.

The legal capital of WISeKey SA has been retroactively adjusted to reflect the legal capital of the Company in prior periods.

The newly formed Company was then listed on the Swiss Stock Exchange, SIX, on March 30th, 2016.

Acquisition of WISeKey Semiconductors SAS

On September 21, 2016 the Company acquired WISeKey Semiconductors SAS (formerly VaultIC SAS), a French semiconductors manufacturer and distributor, and WISeKey Singapore Pte (formerly Inside Secure Asia Pte), a Singapore-based distribution entity of the semiconductors manufactured by WISeKey Semiconductors SAS. On the same day, WISeKey Semiconductors SAS acquired the semiconductors-related assets owned by their former parent company, Inside Secure SA.

The transaction is considered a single reporting unit acquisition because the statutory entity VaultIC SAS did not contain any of the revenue, accounts receivable or stock relating to the semiconductors activity. These balances were held at Inside Secure SA's level and acquired as a carve-out deal to make VaultIC a stand-alone business operations that could be purchased by WIHN. Similarly, Inside Secure Asia Pte is not a stand-alone operation but a cost centre, the revenue of which flowed into the semiconductors assets held by Inside Secure SA.

In view of the above, and in consideration of ASC 805-10-55-4, management's view is that the VaultIC, the net assets acquired and Inside Singapore do not, individually, constitute a business. It is only by considering the 3 components as one that there are inputs and processes applied to those inputs that have the ability to create outputs, and therefore it is only by considering them as a single reporting unit ("**WISeKey Semiconductors**") that it meets the definition of a business per ASC 805-10-55-4.

The assets, liabilities and results of WISeKey Semiconductors have been consolidated in the Company's financial statements from the acquisition date of September 21, 2016.

Note 4. Summary Of Significant Accounting Policies

Fiscal Year

The Company and Group's fiscal year ends on December 31.

Principles of Consolidation

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

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

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

General Principles of Business Combinations

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed.

Segment Reporting

Following the acquisition of WISeKey Semiconductors SAS, our chief operating decision maker, who is also our Chief Executive Officer, requested changes in the information that he regularly reviews for purposes of allocating resources and assessing budgets and performance. As a result, beginning in fiscal year 2016, we report our financial performance based on a new segment structure described in Note 24 Segment Information. This new segment reporting is not applicable to prior periods as the business operations separately reviewed was not yet part of the Company.

Use of Estimates

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

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable, notes receivables, derivative liabilities and notes payable and convertible note payable approximate their carrying values. See Note 6 Fair value measurements of the notes for fair value of financial instruments and derivative instruments.

Foreign Currency

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

Concentrations of Credit Risk

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

The Company sells to large, international customers and, as a result, may maintain individually significant trade accounts receivable balances with such customers during the year. We generally do not require collateral on trade accounts receivable. Summarized below are the clients whose revenue or trade accounts receivable balances were 10% or higher than the respective total consolidated net sales and trade accounts receivable balance in fiscal years 2016 and 2015:

	Revenue concentration (% of total net sales)		Receivables concentration (% of total accounts receivable)	
	Fiscal year to December 31,		As of December 31,	
	2016	2015	2016	2015
Semiconductors operating segment				
Multinational electronics contract manufacturing company	11%	-	18%	-
Other operating segment				
International luxury watch company A	3%	66%	3%	-
International luxury watch company B	16%	23%	15%	70%
Internet Security Company	-	-	-	18%

Accounts Receivable

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

Allowance for Doubtful Accounts

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

For 2015 and 2016, the review of outstanding invoices did not identify any collectability risk and therefore the allowance for doubtful accounts was USD nil.

Inventories

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

Other Current Assets

Other current assets mainly represent advances to suppliers and VAT tax receivable balances.

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 1 to 8 years. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the lease terms, as appropriate. Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible Assets

Those intangible assets that are not considered to have a finite 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 intangible assets and whether events or changes in circumstances require a revision to the remaining periods of amortization or that an impairment review be carried out.

Goodwill and other intangible assets:

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

Intangible assets determined to have a finite life are amortized over their estimated useful lives and are subject to review for impairment in accordance with authoritative guidance for long-lived assets. As at December 31st 2016 and 2015, all intangible assets held by the Company have been determined to have a finite life.

Provision for Onerous Contracts

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

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 Company and Group, and their close families, 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 present revenue net of sales taxes and any similar assessments.

The Group delivers products and records revenue pursuant to commercial agreements with its customers, generally in the form of an approved purchase order or sales contract.

The Group derive revenue primarily from sales of chip based IoT, anti-counterfeiting, brand protection, EMV payment card and secure access to building IT equipment. Revenue from sales of chips is recognized when products are delivered to the customer.

To a lesser extent, the Group also derives revenue from sales of content, subscriptions, maintenance and licenses. For licences, revenue is recognized over the life of the licence agreement. Other revenue is recognized when delivery has occurred or services have been rendered.

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 month 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 costs

All advertising costs are expensed as incurred.

Pension Plan

The Company maintains two defined benefit post retirement plans. One that covers all Swiss employees working for WISeKey SA, and a second plan for the French employees of WISeKey Semiconductors SAS. In accordance with ASC 715-30, *Defined Benefit Plans – Pension,* the Group recognizes the funded status of the plan in the balance sheet. Actuarial gains and losses are recorded in accumulated other comprehensive income / (loss).

Stock-based Compensation

Stock-based compensation costs are recognized in earnings using the fair-value based method for all awards granted.

Compensation costs for unvested stock options and awards are recognized in earnings over the requisite service period based on the fair value of those options and awards. For employees, fair value is estimated at the grant date, and, for non-employees, fair value is measured at each reporting date, as required by ASC 718 and ASC 505-50. Fair values of awards granted under the share option plans are estimated using a Black-Scholes option pricing model. The model's input assumptions are determined based on available internal and external data sources. The risk-free rate used in the model is based on the Swiss treasury rate for the expected contractual term. Expected volatility is based on historical volatility of a peer group of comparable companies in the same industry.

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 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 Group is required to pay income taxes in a number of countries. The Group 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 Group adjusts its recognition of these uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax positions.

Research Tax Credit

Research tax credits are provided by the French government to give incentives for companies to perform technical and scientific research. Our subsidiary WISeKey Semiconductors SAS is eligible to receive such tax credits.
These research tax credits are presented as a reduction of Research & development expenses in the income statement when companies that have qualifying expenses can receive such grants in the form of a tax credit irrespective of taxes ever paid or ever to be paid, the corresponding research and development efforts has been completed and the supporting documentation is available. The tax credits are included in other current assets and other assets in the balance sheet taking into account the timing of expected cash inflows.

Earnings per share

Basic earnings per share are calculated using the 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.
For all periods preceding the date of the reverse acquisition, earnings per share were compiled using the weighted average number of WISeKey SA shares during the period multiplied by the exchange ratio in the reverse recapitalization transaction of 5:1.
From the date of the reverse acquisition, March 22, 2016 the number of shares used to calculate the weighted average number of shares is that of WISeKey International Holding AG.

Recent Accounting Pronouncements

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

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting
Summary: ASU 2016-09 introduces targeted amendments intended to simplify the accounting for stock compensation. Specifically, the ASU requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to 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, and assess the need for a valuation allowance, regardless of whether the benefit reduces taxes payable in the current period. That is, off balance sheet accounting for net operating losses stemming from excess tax benefits would no longer be required and instead such net operating losses would be recognized when they arise. Existing net operating losses that are currently tracked off balance sheet would be recognized, net of a valuation allowance if required, through an adjustment to opening retained earnings in the period of adoption. Entities will no longer need to maintain and track an "APIC pool." The ASU also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows.
In addition, the ASU elevates the statutory tax withholding threshold to qualify for equity classification up to the maximum statutory tax rates in the applicable jurisdiction(s). The ASU also clarifies that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity.
The ASU provides an optional accounting policy election (with limited exceptions), to be applied on an entity-wide basis, to either estimate the number of awards that are expected to vest (consistent with existing U.S. GAAP) or account for forfeitures when they occur.
Further, the ASU provides two accounting alternatives to nonpublic entities:

- A nonpublic entity can make an accounting policy election to apply a practical expedient to estimate the expected term for all awards with performance or service conditions that meet certain conditions.
- A nonpublic entity can make a one-time accounting policy election to switch from measuring all liability-classified awards at fair value to intrinsic value.

Effective Date: The amendments are effective for public business entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted.
The Company expects to adopt all of the aforementioned guidance when effective. The impact on its consolidated financial statements is not currently estimable.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing
Summary: The amendments in ASU 2016-10 provide more detailed guidance, including additional implementation guidance and examples in the following key areas of Topic 606:
Identifying performance obligations
The ASU more clearly articulates the guidance for assessing whether promises are separately identifiable in the overall context of the contract, which is one of two criteria for determining whether promises are distinct. The ASU also clarifies the factors an entity should consider when assessing whether two or more promises are separately identifiable, and provide additional examples within the implementation guidance for assessing these factors.
The ASU further clarifies that an entity is not required to identify promised goods or services that are immaterial in the context of the contract, although customer options to purchase additional goods or services which represent a material right should not be designated as immaterial in the context of the contract.
The ASU also provides an accounting policy election whereby an entity may account for shipping and handling activities as a fulfillment activity rather than as an additional promised service in certain circumstances.
Licenses of intellectual property
The ASU clarifies whether a license of intellectual property (IP) represents a right to use the IP, which is satisfied at a point in time, or a right to access the IP, which is satisfied over time, by categorizing the underlying IP as either functional or symbolic. The ASU describes attributes of functional and symbolic IP and provides examples of each. A promise to grant a license that is not a separate performance obligation must be considered in the context above (i.e., functional or symbolic), in order to determine whether the combined performance obligation is satisfied at a point in time or over time, and how to best measure progress toward completion if recognized over time. Regardless of a license's nature (i.e., functional or symbolic), an entity may not recognize revenue from a license of IP before 1) it provides or otherwise makes available a copy of the IP to the customer, and 2) the period during which the customer is able to use and benefit from the license has begun (i.e., the beginning of the license period).
Additionally, the ASU clarifies two aspects of the implementation guidance on when to recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of IP. Specifically: 1) an entity should not split a sales-based or usage-based royalty into a portion subject to the guidance on sales-based and usage-based royalties and a portion that is not subject to that guidance; and 2) the guidance on sales-based and usage-based royalties applies whenever the predominant item to which the royalty relates is a license of IP.
Lastly, the amendments distinguish contractual provisions requiring the transfer of additional rights to use or access IP that the customer does not already control from provisions that are attributes of a license (e.g., restrictions of time, geography, or use). License attributes define the scope of the rights conveyed to the customer; they do not determine when the entity satisfies a performance obligation.
Effective Date: The effective date and transition requirements for ASU 2016-10 are the same as the effective date and transition requirements of Topic 606.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients
Summary: The amendments do not alter the core principle of the new revenue standard, but make certain targeted changes to clarify the following:

- Assessing collectability - The amendments add a "substantially all" threshold to the collectability criterion, and also clarify that the objective of the collectability assessment is to determine whether the contract is valid and represents a substantive transaction based on whether a customer has the ability and intent to pay for the goods or services that will be transferred to the customer, as opposed to all of the goods or services promised in the contract. The ASU also clarifies how an entity may recognize as revenue consideration received in circumstances where a contract does not meet the criteria required at inception to apply the recognition guidance within the revenue standard.

- Presenting sales taxes and other similar taxes collected from customers - The amendments provide an accounting policy election whereby an entity may exclude from the measurement of transaction price all taxes assessed by a taxing authority related to the specific transaction and which are collected from the customer. Such amounts would be presented “net” under this option.
- Noncash consideration - The amendments clarify that the fair value of noncash consideration is measured at contract inception, and specify how to account for subsequent changes in the fair value of noncash consideration.
- Contract modifications at transition - The amendments provide a new practical expedient whereby an entity electing either the full or modified retrospective method of transition is permitted to reflect the aggregate effect of all prior period modifications (using hindsight) when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to satisfied and unsatisfied obligations.
- Completed contracts at transition - The amendments include certain practical expedients in transition related to completed contracts. The amendments also clarify the definition of a completed contract.
- Disclosing the accounting change in the period of adoption - ASU 2016-12 provides an exception to the requirement in Topic 250 to disclose the effect on the current period of retrospectively adopting a new accounting standard.

Effective Date: The effective date and transition requirements for ASU 2016-12 are the same as the effective date and transition requirements of Topic 606.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory
Summary: ASU 2016-16 eliminates from Topic 740 the recognition exception for intra-entity asset transfers other than inventory so that an entity’s consolidated financial statements reflect the current and deferred tax consequences of those intra-entity asset transfers when they occur. For intra-entity asset transfers of inventory, recognition of current and deferred income tax consequences will continue to be deferred until the inventory has been sold to an outside party or otherwise left the consolidated group.
Effective Date: The amendments are effective for public business entities for annual reporting periods beginning after December 15, 2017 and interim reporting periods within those fiscal years, and for entities other than public business entities for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. An entity may elect early adoption, but it must do so for the first interim period of an annual period if it issues interim financial statements.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

Note 5. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 6. Fair value measurements

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

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

	As at December 31, 2016		As at December 31, 2015		Fair value	
USD	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**level**	**Note ref.**
Cash and cash equivalents	5,221,310	5,221,310	261,747	261,747	1	5
Accounts receivables	7,733,247	7,733,247	355,442	355,442	3	7
Note receivable - third parties	816,797	816,797	-	-	3	14
Note receivable - related parties	345,570	345,570	-	-	3	14
Accounts payable	10,787,318	10,787,318	5,499,545	5,499,545	3	15
Convertible note payable	8,917,651	8,917,651	-	-	3	6
Derivative liabilities	1,192,526	1,192,526	-	-	3	6

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

- Cash and cash equivalents – carrying amount approximated fair value.
- Accounts receivables – carrying amount approximated fair value due to their short term nature.
- Notes receivable (stated in other assets) – carrying amount approximated fair value due to their short term nature
- Accounts Payable – carrying amount approximated fair value.
- Deferred revenue — carrying amount approximated fair value.
- Convertible note payable -— carrying amount approximated fair value.

- Derivative liabilities — fair value remeasured as at December 31st.

Derivative liabilities

At December 31st, 2016 the Company holds one derivative instrument which is measured at estimated fair value on a recurring basis and linked to the acquisition of WISeKey Semiconductors SAS, net assets used in the semiconductors operations but previously held at Inside Secure SA level and WISeKey Singapore Pte. As partial consideration for the acquisition of this single reporting unit, the Company issued a convertible note for a principal amount of CHF 11,000,000 (USD 10,794,795 at year end rate).

The convertible note has a maturity date of June 18th 2017 with early conversion permitted from December 14th, 2016. It contains a cash redemption right for the borrower (the Company) and a limited cash redemption right for the lender (Inside Secure SA). Conversion can be made in full or in partial increments for at least 20% of the principal amount. The exercise price is set as the lower of

- a fixed conversion price set at CHF 7.444
- a floating conversion price calculated as 90% of the volume-weighted average price during the 15 trading days prior to conversion

At December 31st, 2016, the full principal amount was still outstanding and no conversion rights had been exercised. The Group expects the full principal amount to be settled in WISeKey Class B shares.

In line with ASU 2014-16, the convertible note was assessed as a hybrid instrument, being a debt instrument with an equity linked component (the conversion option). Per ASC 815-10, the embedded conversion option meets the definition of a derivative and was accounted for separately.

The hosting debt instrument was recorded using the residual method. The discount amounting to USD 2,562,440 will be accredited using the straight line method over the term of the contract. Due to short-term nature of the note the straight-line method approximates the effective interest method. The amortization is recorded as interest expense which was USD 808,050 for the period to December 31st, 2016. The two amortization expenses are shown on the same line in the income statement, as interest and amortization of debt discount and expense for a total amount of USD 947,380 in 2016.

The derivative component (the conversion option) was fair valued using a binomial lattice model, building in quoted market prices of WISeKey class B shares, and inputs such as time value of money, volatility, and risk-free interest rates. At the date of issue of the convertible note, the fair value of the derivative component was calculated as CHF 2,505,123 (USD 2,562,440). The derivative instrument was revalued at fair value as of December 31st 2016 to CHF 1,215,195 (USD 1,192,526 at year end rate). A gain on derivative was therefore recognized in the income statement amount to CHF 1,289,928 (USD 1,308,907 at average rate) and a currency translation adjustment of USD 61,007 in other comprehensive income. For these valuations, the Company's assumptions are that the convertible note will be fully converted by the maturity date of June 18th 2017; volatility was based on the actual volatility of the Company's B shares in the 20-day period prior to the valuation date, and the risk free rate was determined as 0.09.

USD	2016	2015
Derivative liabilities as of January 1	-	-
Fair value of the derivative instrument (conversion option) recognized at issuance on September 21st, 2016	2,562,440	-
Gain on derivative liability recognized as a separate line in the statement of loss	(1,308,907)	-
Fair value as of December 31	1,253,533	-

Note 7. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

	As at December 31,	
USD	2016	2015
Trade accounts receivable	6,949,658	355,442
Receivable and short-term loan from related parties	343,471	-
Receivable and short-term loan from underwriters, promoters, and employees	29,174	-
Other accounts receivable	410,944	-
Allowance for doubtful accounts	-	-
Total accounts receivable net of allowance for doubtful accounts	**7,733,247**	**355,442**

The receivable and short-term loan from related parties consist of two loans granted to the Company's Board Members and shareholders in 2016 as follows:

- A loan for an amount of CHF 50,000 (USD 49,067) to Maryla Shingler-Bobbio on September 23rd, 2016. It carries a 5% pa interest rate.
- A loan for an amount of CHF 330,000 (USD 323,844) to Franz Humer on May 13th, 2016. The loan was non-interest bearing. This loan was repaid on January 17th, 2017 for CHF 300,000 (USD 294,404) and the remaining CHF 30,000 (USD 29,440) were used to pay for special services rendered by Dr Humer to the Company in 2016.

Note 8. Inventories

Inventories consisted of the following:

USD	As at December 31, 2016	2015
Raw materials	1,292,782	-
Work in progress	1,666,660	-
Finished goods	24,036	3,201
Total inventories	**2,983,478**	**3,201**

Note 9. Other current assets

Other current assets consisted of the following:

Other current assets USD	As at December 31, 2016	2015
VAT receivable	420,883	71,240
Advance payment to suppliers	470,623	-
Other	(22,193)	21,655
Total Other current assets	**869,313**	**92,895**

Note 10. Property, plant and equipment

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

USD	2016	2015
Buildings and improvements	-	-
Machinery & Equipment	-	-
Office equipment and furniture	6,137,069	1,485,571
Computer equipment	925,621	734,490
Total property, plant and equipment gross	7,062,690	2,220,062
Accumulated depreciation for:		
Buildings and improvements	-	-
Machinery & Equipment	-	-
Office equipment and furniture	(2,727,081)	(1,481,204)
Computer equipment	(922,074)	(722,289)
Total accumulated depreciation	(3,649,155)	(2,203,494)
Total property, plant and equipment, net	**3,413,535**	**16,568**
Depreciation charge for the year	163,269	26,855

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

- Buildings and improvements: 5 to 8 years
- Office equipment and furniture: 2 to 5 years
- Production masks 5 years
- Production tools 3 years
- Licenses 3 years
- Software 1 year

Note 11. Business combinations

Reverse acquisition

On March 21, 2016 WISeKey International Holding AG, then a shell company with no operating activities that was not considered a business, acquired WISeKey SA, a private operating company. This transaction being a capital transaction in substance, it qualifies as reverse acquisition that is a considered a recapitalization, whereby the Company is the legal acquirer and accounting acquiree, whereas WISeKey

SA is the legal acquiree and accounting acquirer. In application of ASC Topic 805-40 Business Combinations- Reverse Acquisitions ("**ASC805-40**"), the consolidated financial statements are therefore issued by the legal parent, WISeKey International Holding AG, but are considered to be the continuation of the financial statements of the legal subsidiary, WISeKey SA.
In line with ASC805-40, comparative information in the Company's consolidated financial statements relate to WISeKey SA and not to the non-operating Company. The legal capital of WISeKey SA has been retroactively adjusted to reflect the legal capital of the Company in prior periods. Assets and liabilities of WISeKey SA have been recognized and measured at their precombination carrying amounts and no goodwill was recorded.
The major classes of assets and liabilities acquired by the accounting acquirer, WISeKey SA, are as follows:

	As at March 21,
	2016
ASSETS	
Current asssets	
Cash and cash equivalents	222,643
Accounts receivable, net of allowance for doubtful accounts	116,826
Other current assets	14,529
Total current assets	**353,999**
Noncurrent assets	
Loan due from related parties, noncurrent	1,761,277
Investments in unconsolidated subsidiaries	5,234,374
Total noncurrent assets	**6,995,652**
TOTAL ASSETS	**7,349,650**
LIABILITIES	
Current Liabilities	
Accounts and notes payable	1,441,688
Deferred revenue	3,936,927
Income taxes	20,557
Total current liabilities	**5,399,172**
TOTAL LIABILITIES	**5,399,172**
Net Assets acquired	**1,950,479**

The reverse acquisition resulted in a net adjustment to total stock equity of USD 2,675,173 broken down as follows:

Net Assets acquired	1,950,479
Noncontrolling interest in WISeKey SA at reverse acquisition	419,825
Reversal of non controlling interest in WISeKEY USA Inc	107,200
Other adjustments	13,907
Reverse acquisition impact on total equity	**2,491,411**

Acquisition of WISeKey Semiconductors SAS and net assets

On September 21st, 2016 the Company acquired WISeKey Semiconductors SAS (formerly VaultIC SAS), a French semiconductors manufacturer and distributor, and WISeKey Singapore Pte (formerly Inside Secure Asia Pte), a Singapore-based distribution entity of the semiconductors manufactured by WISeKey Semiconductors SAS. On the same day, WISeKey Semiconductors SAS acquired the semiconductors-related assets owned by their former parent company, Inside Secure SA. The acquisition is part of the vertical integration strategy of the Company.

The transaction is considered a single reporting unit acquisition because the statutory entity VaultIC SAS did not contain any of the revenue, accounts receivable or stock relating to the semiconductors activity. These balances were held at Inside Secure SA's level and acquired as a carve-out deal to make VaultIC a stand-alone business operations that could be purchased by WIHN. Similarly, Inside Secure Asia Pte is not a stand-alone operation but a cost centre, the revenue of which flowed into the semiconductors assets held by Inside Secure SA.
In view of the above, and in consideration of ASC 805-10-55-4, management's view is that the VaultIC, the net assets acquired and Inside Singapore do not, individually, constitute a business. It is only by considering the three components as one that there are inputs and processes applied to those inputs that have the ability to create outputs, and therefore it is only by considering them as a single reporting unit ("**WISeKey Semiconductors**") that it meets the definition of a business per ASC 805-10-55-4.

The assets, liabilities and results of WISeKey Semiconductors have been consolidated in the Company's financial statements from the acquisition date of September 21st, 2016.

USD		As at September 21,2016
ASSETS		
Current asssets		
Cash and cash equivalents		372,944
Accounts receivable		5,313,336
Inventories		3,998,375
Prepaid expenses		245,715
Other current assets		13,643
Total current assets		**9,944,012**
Noncurrent assets		
Property, plant and equipment net of accumulated depreciation		2,447,637
Intangible assets		4,816,429
Other assets		375,800
Total noncurrent assets		**7,639,866**
TOTAL ASSETS		**17,583,879**
LIABILITIES		
Current Liabilities		
Accounts and notes payable		(6,654,564)
Other current liability (incl Short and long-term onerous contracts)		(6,111,841)
Total current liabilities		**(12,766,405)**
Noncurrent liabilities		
Employee benefit plan obligation		(223,396)
Other liabilities		(342,384)
Total noncurrent liabilities		**(565,780)**
TOTAL LIABILITIES		**(13,332,185)**
Total Net assets	**$**	**4,251,693.54**
Consideration		
Fixed amount payable in cash		2,045,760
Convertible note payable		10,874,824
Total consideration		**12,920,584**
Goodwill at September 21st, 2016	**USD**	**8,668,891**
Foreign exchange difference		(352,009)
Goodwill at December 31st, 2016	**USD**	**8,316,882**

The consideration of USD 12,920,584 for the acquisition of the single reporting unit was made up of two components:

- A cash payment of CHF 2,000,000 (USD 2,045,760 using the exchange rate at acquisition CHF 1 = USD 1.02288),
- A convertible note for a principal amount of CHF 11,000,000, fair valued at USD 10,874,824 at acquisition date, which was a non-cash transaction

The terms of the convertible note are explained in more details in Note 6 Fair Value Measurements.
The goodwill arising from the acquisition is USD 8,316,882 using the closing exchange rate. See Note 13 Goodwill.
The Intangible assets acquired were various groups of patents/licenses for secure semi-conductor products

Note 12. Intangible assets

Intangible assets and future amortization expenses as of December 31st, 2016 consisted of the following.

	As at December 31,	
USD	**2016**	**2015**
Trademarks	123,262	126,557
License agreements	12,320,557	8,355,989
Other intangibles	3,713,336	5,094,368
Total intangible assets gross	16,157,155	13,576,914
Accumulated amortization for Trademarks	(118,927)	(120,782)
Accumulated amortization for License agreements	(10,203,815)	(8,355,989)
Accumulated amortization for Other intangibles	(3,713,336)	(5,078,172)
Total Accumulated amortization	(14,036,078)	(13,554,943)
Total intangible assets, net	**2,121,077**	**21,971**
Amortization charge for the year	1,026,054	1,953,235

The Other intangibles balance includes a balance of USD 810,839 of firm customer orders backlog acquired with WISeKey Semiconductors SAS from Inside Secure SA. The orders making up this balance are clearly itemized, they are firm, non-refundable, noncancellable orders. The balance is amortized as and when the products are delivered, customers are invoiced and the revenue is recognized in the income statement. An amortization charge of USD 634,120 was recorded for the period from acquisition to December 31st, 2016.

The useful economic life of intangible assets is as follow:

- Trademarks: 5 years
- License agreements: 3 to 5 years
- Software 1 year
- Backlog of firm customer orders as and when corresponding revenue is recognized

Future estimated aggegate amortization expense	USD
2017	668,397
2018	455,219
2019	530,525
2020	466,936
2021	-

Note 13. Goodwill

Goodwill of USD 8,316,882 arose as a result of the acquisition by the Company of the single reporting unit under WISeKey Semiconductors SAS on September 21st, 2016. See Note 11.
We test goodwill for impairment annually on October 1 or as and when indicators of impairment arise.
After a review of the incoming orders and order backlog, no instances of impairment were identified as of December 31st, 2016.

	USD
Acquisition of WISeKey Semiconductors SAS	8,316,882
Carrying amount as of December 31, 2016	**8,316,882**

Note 14. Other assets

Other assets consisted of the following:

Other assets	As at December 31,	
USD	**2016**	**2015**
Notes receivable	1,140,683	-
Tax credits	1,090,379	-
Deposits	148,680	57,150
Total Other assets	**2,379,742**	**92,895**

In 2016, the Company granted three loans:

- On May 12th, 2016, the Company granted a loan for an amount of CHF 345,570 (USD 339,123) to a US investor.
- On June 10th, 2016, the Company granted a loan for an amount of USD 300,000 to a US investor.
- On July 25th, 2016, the Company granted a loan for an amount of EUR 750,000 (USD 801,560) to OpenLimit Holding AG. This loan followed the signature of a memorandum of understanding between the two companies regarding a contemplated statutory merger.

WISeKey Semiconductors SAS is eligible for Research tax credits provided by the French government (see Note 4 Summary of Significant Accounting Policies). As of December 31st, 2016 WISeKey Semiconductors SAS has a receivable balance of USD 1,090,379 of tax credit. The credit is deductible from the entity's income tax charge for the year or payable in cash after three years, whichever event occurs first.

Deposits are primarily made up of rental deposits on the premises rented by the Company.

Note 15. Accounts Payable

The current accounts payable are composed as follows:

	As at December 31,	
USD	**2016**	**2015**
Trade creditors	6,313,690	957,999
Accounts payable to related parties	160,872	3,220,030
Accounts payable to employees	1,743,675	927,560
Other accounts payable	2,569,081	393,956
Total current accounts and notes payable	**10,787,318**	**5,499,545**

Accounts payable to related parties are solely made up of payables to Board Members, USD 147,202 of accrued board fees and USD 13,670 for special services rendered in addition to Board responsibilities.

Accounts payable to employees consist primarily in holiday accruals across WISeKey.

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

Note 16. Commitments and contingencies

Lease Commitments

We lease certain facilities and equipment under operating leases. As of December 31, 2016, future minimum annual operating lease payments were as follows (in USD):

Year	USD
2017	440,789
2018	341,672
2019	341,672
2020	341,672
2021	321,789
Total future minimum operating lease payments	**1,787,595**

Guarantees

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

Note 17. Stockholders' equity

Shares	WISeKey International Holding AG As of December 31, 2016		WISeKey SA As of December 31, 2015	
	Class A Shares	*Class B Shares*	In equivalent B shares 5:1	*Per Articles of Associations*
Total number of authorized shares	-	9,334,847	3,045,891	15,229,457
Total number of conditional shares	-	10,669,212	2,047,494	10,237,473
Total number of fully paid-in shares	40,021,988	14,668,392	17,608,258	88,041,294
Par value per share (in CHF)	0.01	0.05	0.05	0.01
Share capital (in USD)	400,186	756,010	794,002	794,002
Total share capital (in USD)	1,156,196		794,002	794,002

The Company entered into 2 Tranches of Convertible Loan agreements in a 2-step approach for interested parties to become shareholders, first by providing a short term loan, then converting this loan into share capital. The loans were non-interest bearing. Tranche I was open from 23rd June and matured on 21st September 2016. Tranche II was open from 13th July and matured on 12th October 2016.

The principal amount shall be repaid at the maturity date through conversion into such a number of registered shares, par value CHF 0.05 each of the Company, as corresponds to the quotient of the principal amount and the conversion price. The respective number of Class B shares shall be issued by the issuer to the lender at the conversion price and paid by way of set-off with the principal amount. Any fraction of a Class B share will be rounded down to the next whole Class B share.

Conversion Price:

- At the lower strike in the case the price of the Class B Shares at the close of the trading on the SIX on the maturity date is lower than the lower strike price
- Equal to the closing price in the case it is between lower and the upper strike price
- At the upper strike price in case the closing price is higher than the upper strike price

The Company accounted for the convertible loans in accordance with ASC 480-10 under which obligations that must or may be settled with a variable number of shares the monetary value of which is based solely on predominately on a fixed monetary amount known at inceptions, are required to be accounted for as liabilities.

The convertible loans were converted into the Company's Class B shares at maturity date.

The table below shows the details.

Tranche I					
23 June 2016	**CHF**	**Lower Strike**	**Upper Strike**	**Exercise Price**	**Shares delivered**
	2,000,000	3.90	4.00	4.00	500,000
	400,000	3.90	4.00	4.00	100,000
	400,000	3.90	4.00	4.00	100,000
	100,000	3.90	4.00	4.00	25,000
Total	**2,900,000**				**725,000**

Tranche II					
13 July 2016	**CHF**	**Lower Strike**	**Upper Strike**	**Exercise Price**	**Shares delivered**
	4,987,500	5.00	5.25	5.25	950,000
	400,000	5.00	5.25	5.25	76,190
Total	**5,387,500**				**1,026,190**

Note 18. Stock-based compensation

Stock-based compensation relating to the reverse acquisition

A stock based compensation charge of USD 15,916,300 in relation to the reverse acquisition that took place on March 22, 2016 was recognized in fiscal year 2016. With the reverse acquisition transaction, the shareholding percentage of the Company's CEO in the newly formed Company changed from his previous shareholding percentage in WISeKey SA. Before the reverse acquisition the Company's CEO owned 25.08% of the overall capital in WISeKey SA. Through the reverse acquisition, the Company's CEO increased his stake in the consolidated entities to 39.55%, which represents a compensation of incremental Class B shares by 3,086,588 valued at USD 5.16.

This incremental number of shares was reflected in the Company's financial statements as a stock-based compensation. The value of incremental shares was accounted for as an expense of USD 15,916,300 in the income statement for the year to 2016. There was no cash payment following the change in valuation of his shareholding.

Employee Stock Option Plans

The Stock Option Plan ("ESOP 1") was approved on December 31, 2007 by the stockholders of WISeKey SA, representing 2'632'500 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.

The Stock Option Plan ("ESOP 2") was approved on December 31, 2011 by the stockholders of WISeKey SA, representing 16'698'300 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.

At March 22nd, 2016 as part of the reverse acquisition transaction, both ESOP plans in existence in WISeKey SA were transferred to the Company at the same terms, with the share exchange term of 5:1 into WIHN Class B shares.

Per the terms of the ESOP plans, 652,497 unvested options under both Employee Stock Option plans vested immediately when the Company listed on March 30th, 2016 into 130,499 WIHN options in line with the exchange rate 5:1. The corresponding charge of USD 1,152,049 was recognized in the stock-based compensation expense in fiscal year 2016.

Grants

In 2016, the Company granted a total of 1,964,612 options exercisable on the Company's class B shares. Each warrant is exercisable into one class B share.
The warrants granted consist of:

- 526,333 warrants with immediate vesting granted to employees, all of which had been exercised as of December 31st, 2016;
- 1,438,279 warrants with immediate vesting granted to external advisors. As of December 31st, 2016:
    - 43,292 had expired
    - 1,317,987 had been exercised
    - 77,000 were outstanding 1,438,279 warrants with immediate vesting to external advisors.

The warrants granted were valued at grant date using the Black-Scholes model. Unexercised warrants to external advisers at December 31st, 2016 were revalued to their fair value at year end using the same model.

Stock Option Grants

The Company calculates the fair value of options granted by applying the Black-Scholes option pricing model. Expected volatility is based on historical volatility of a peer group of comparable companies in the same industry.
As a result, in the fiscal year 2016, a total charge of USD 7,738,470 was recognized in the consolidated income statement in relation to the options granted in 2016:

- USD 2,294,105 for options granted to employees
- USD 5,408,223 for options granted to nonemployees applying the Black-Scholes model at grant, of which USD 272,200 corresponds to unexercised options at December 31st, 2016 which were revalued using the same model at year end and fair valued at USD 195,182, hence an accounting gain for the change in fair value by USD 77,182.

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

Assumption	**December 31, 2016**	**December 31, 2015**
Dividend yield	None	N.A.
Risk-free interest rate used (average)	1.00%	N.A.
Expected market price volatility	33.18%	N.A.
Average expected life of stock options	4.50 years	N.A.

During the year ended December 31, 2016, the weighted average fair value of options granted was USD 1.74.

The following table illustrates the development of the WISeKey SA non-vested options during the years ended December 31, 2016 and December 31, 2015 after applying the share exchange rate 5:1:

As at December 31, 2016, there was no unrecognized compensation expense related to non-vested stock option based compensation arrangements.

Non-vested options on WISeKey SA shares	Number of WIHN Class B Shares under options	Weighted-average grant date fair value USD
Non-vested at December 31, 2014	230,876	1.76
Granted	-	-
Vested	(72,077)	1.76
Non-vested forfeited or cancelled	(28,342)	-
Non-vested at December 31, 2015	130,499	1.76
Granted	1,964,612	1.74
Vested	(2,095,111)	1.74
Non-vested forfeited or cancelled	-	-
Non-vested at December 31, 2016	-	-

The following table summarizes the Company's stock option activity for the years ended December 31, 2016 and 2015.

Options on WIHN Shares	WIHN Class B Shares under options	Weighted-average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		(in USD)	(in years)	*(in USD)*
Outstanding at December 31, 2014	3,447,943	-	6	8,447,462
Granted	-	-	-	-
Exercised or converted	(2,830,618)			(1,217,440)
Forfeited or expired	(24,119)	-	5.05	(793,142)
Outstanding at December 31, 2015	593,206	0.05	5.05	4,449,050
Of which vested and exercisable	462,707	0.05	5.05	3,470,304
Granted	1,964,612	-	-	2,310,035
Exercised or converted	(1,844,320)	-	-	(6,586,646)
Forfeited or expired	(43,292)	-	-	(14,900)
Outstanding at December 31, 2016	670,206	0.31	3.58	821,207
Of which non-vested	-	-	-	-

Summary of Stock-based Compensation Expenses

Stock-based compensation expenses (In USD)	2016	2015
Stock-based compensation relating to the reverse acquisition	15,916,300	-
Stock-based compensation relating to warrant issued during the year	7,738,470	-
Stock-based compensation relating to Employee Stock Option Plans	1,152,049	651,854
Total	**24,806,819**	**651,854**

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

	Year to December 31,	
USD	**2016**	**2015**
Research & development expenses	-	-
Selling & marketing expenses	12,864,886	-
General & administrative expenses	11,941,933	651,854
Total	24,806,819	651,854

Note 19. Employee Benefit Plans

Defined Benefit Post-retirement Plan

The group maintains two pension plans: one maintained by WISeKey SA covering all employees in Switzerland, and a second one maintained by WISeKey Semiconductors SAS covering its French employees.

Both plans are considered defined benefit plans and accounted for in accordance with ASC 715 Compensation – Retirement Benefits. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services 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 the plan assets, then that difference or unfunded status represents the pension liability.
The 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 value of plan assets are determined based on prevailing market prices.

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

Personnel Costs	**As at December 31,**	
USD	**2016**	**2015**
Wages and salaries	3,845,411	1,870,537
Social security contributions	830,920	243,427
Net periodic pension costs	239,158	373,501
Total	4,915,490	2,487,465

		As at December 31,	
Assumptions	**2016**	**2016**	**2015**
	France	*Switzerland*	*Switzerland*
Discount rate	1.31%	0.65%	0.75%
Expected rate of return on plan assets	n/a	1.50%	1.50%
Salary increases	3.00%	1.50%	1.50%

Reconciliation to Balance Sheet Start of Year		
Fiscal year	**2016**	**2015**
Currency	**USD**	**USD**
Reconciliation of benefit obligation during the year		
Projected benefit obligation at start of year	8,160,801	7,422,087
Benefit obligation from acquisition during the year	650,692	-
Net Service cost	266,183	247,883
Interest expense	64,137	76,366
Plan participant contributions	129,420	109,181
Net benefits paid to participants	385,783	(170,317)
Prior service costs	(108,329)	-
Actuarial losses/(gains)	482,604	523,259
Currency translation adjustment	(252,522)	(47,658)
Projected benefit obligation at end of year	**9,778,768**	**8,160,801**
Reconciliation of plan assets during year		
Fair value of plan assets at start of year	(5,202,688)	(4,904,636)
Employer contributions paid over the year	(201,639)	(167,373)
Plan participant contributions	(129,420)	(105,782)
Net benefits paid to participants	(385,783)	165,016
Interest income	(78,593)	(75,695)
Return in plan assets, excluding amounts included in net interest	(136,479)	(129,538)
Currency translation adjustment	166,096	15,320
Fair value of plan assets at end of year	**(5,968,504)**	**(5,202,688)**
Reconciliation to balance sheet end of year		
Fair value of plan assets	(5,968,504)	(5,202,688)
Defined benefit obligation - funded plans	9,778,768	8,160,801
Surplus/deficit	**3,810,264**	**2,958,113**
Closing balance sheet asset/provision (funded status)	**3,810,264**	**2,958,113**
Amounts recognized in accumulated OCI		
Net loss (gain)	1,851,905	1,566,254
Unrecognized transition (asset)/obligation	-	-
Prior service cost/(credit)	479,375	656,517
(Surplus)/deficit	**2,331,280**	**2,222,771**
Estimated amount to be amortized from accumulated OCI into NPBC over next fiscal year		
Net loss (gain)	102,570	77,020
Unrecognized transistion (asset)/obligation	-	-
Prior service cost/(credit)	61,427	72,947

Movement in Funded Status		
Fiscal year	2016	2015
Currency	USD	USD
Opening balance sheet liability (funded status)	**2,958,113**	**2,509,586**
Net Service cost	266,183	247,883
Interest cost/(credit)	63,955	76,366
Expected return on Assets	(78,593)	(75,695)
Amortization on Net (gain)/loss	77,020	49,657
Amortization on Prior service cost/(credit)	72,947	75,290
Total Net Periodic Benefit Cost/(credit)	**401,513**	**373,501**
Actuarial (gain)/loss on liabilities due to experience	322,462.14	58,663
Actuarial (gain)/loss on liabilities from changes to financial assumptions	160,142.01	340,307
Actuarial (gain)/loss on liabilities from changes to demographic assumptions	-	124,081
Return in plan assets, excluding amounts included in net interest	(136,479)	(129,538)
Prior service cost/(credit)	(108,329)	-
Amortization on Net (gain)/loss	(77,020)	(49,657)
Amortization on Prior service cost/(credit)	(72,947)	(75,290)
Amortization on Unrecognized transition obligation	-	-
Currency translation adjustment	4,935	(6,385)
Total gain/loss recognized via OCI	**92,765**	**262,181**
Employer contributions paid in the year	(201,639)	(167,373)
Total cashflow	**(201,639)**	**(167,373)**
Closing balance sheet liability (funded status)	**3,810,264**	**2,958,113**
Reconciliation of Net Gain/Loss		
Amount at beginning of year	1,566,254	1,239,285
Amortization during the year	(77,020)	(49,657)
Asset (gain)/loss	(136,479)	(129,538)
Liability (gain)/loss	488,602	523,259
Other (gain)/loss	-	-
Currency translation adjustment	10,548	(17,095)
Amount at year-end	**1,851,905**	**1,566,254**
Reconciliation of prior service cost/(credit)		
Amount at beginning of year	639,425	729,464
Amortization during the year	(72,947)	(75,290)
Effect of curtailment	-	-
Plan amendment	(108,329)	-
Currency translation adjustment	21,225	2,343
Amount at year-end	**479,375**	**656,517**

Expected future cash flows	France	Switzerland
2017	-	643,762
2018	-	315,993
2019	-	233,560
2020	27,246	234,541
2021	-	236,504
2022-2026	155,823	2,325,788

Note 20. Other Liabilities

The onerous supply contract provision relates to an outsourcing of operations made by the previous owner of Vault-IC, Inside Secure, in an agreement dated 4th June 2015. In it about 40 employees were transferred from the previous owner to the outsource manufacturer. At that time a charge of EUR 4,084 mio was made corresponding to the present value of the most probably estimation of the amount payable to the outsource provider during the first 3 years of the agreement, compared to the fair value of the services expected during this period. The fair value was determined in relation to the market price for these type of services and was based on the information available at the date of transfer. The agreement runs until June 2018. The non-current balance is recorded in Other noncurrent Liabilities in the balance sheet.

The supplier contract liability relates to a licensing agreement with Atmel Corporation for the commercialisation of Secure Microcontroller and Smart Secure Chip products. The contract has expired and new terms are currently being negotiated. The provision here is made in accordance with the conditions of the previous agreement in case the new terms are not agreed. It is anticipated the negotiations will be finalised by the end of the second quarter 2017.

The Company has been able to recently negotiate advance payment terms with some clients to offset the requirement by some of its suppliers to also provide a partial advance payment to fund the production.

Other current laibilities	**Year to December 31,**	
USD	**2016**	**2015**
Onerous supply contract provision - current	2,920,729	-
Supplier contract liability	386,223	-
Advance payments from customers	391,302	-
Other	126,017	-
Total	**3,824,271**	**-**

Other laibilities	**Year to December 31,**	
USD	**2016**	**2015**
Onerous supply contract provision - non current	1,200,840	-
Supplier contract liability	1,128,157	-
Total	**2,328,997**	**-**

Note 21. Non-operating Income

Non-operating income consisted of the following:

Non-operating income	**Year to December 31,**	
USD	**2016**	**2015**
Foreign exchange Gain	133,570	71,222
Bank and other financial income	29,361	7
Other	3,684	115,566
Total	**166,615**	**186,795**

Note 22. Non-operating Expenses

Non-operating expenses consisted of the following:

Non-operating expenses	**Year to December 31,**	
USD	**2016**	**2015**
Foreign exchange losses	185,463	23,108
Bank and other financial charges	575,088	24,406
Non-income taxes	63,882	
Other	22,006	461
Total	**846,439**	**47,975**

Note 23. Income taxes

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

Income / (Loss)	As at December 31,	
USD	2016	2015
Switzerland	(34,265,174)	(6,070,709)
Foreign	(2,235,945)	(320,487)
Income/(loss) from operations before income tax	**(36,501,119)**	**(6,391,196)**

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

Income taxes from continuing operations (in USD)	As at December 31,	
USD	2016	2015
Current income taxes		
Switzerland	-	-
Foreign	16,081	(300)
Income tax (expense)/recovery	**16,081**	**(300)**

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

Income taxes at the Swiss statutory rate	As at December 31,	
USD	2016	2015
Net income/(loss) before income tax	(36,501,119)	(6,391,196)
Statutory tax rate	24%	24%
Expected income tax expense/(recovery)	(8,760,269)	(1,533,887)
Income tax in other jurisdictions	16,081	(300)
Change in valuation allowance	(2,286,371)	1,859,807
Permanent Difference	5,409,571	37,209
Change in expiration of tax loss carryforwards	5,637,069	(363,129)
Income tax (expense)/recovery	16,081	(300)

The 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 Company considered its recent operating results and anticipated future taxable income in assessing the need for its valuation allowance.
Since the Company has been loss-making since its inception, it recorded a 100% valuation allowance on its deferred tax assets.
The Company's deferred tax assets and liabilities consist of the following:

Deferred tax assets and liabilities	As at December 31,	
USD	2016	2015
Stock-based compensation	5,409,571	825,271
Defined benefit accrual	914,463	709,947
Tax loss carry-forwards	5,665,699	12,740,886
Valuation allowance	(11,989,733)	(14,276,104)
Deferred tax assets/(liabilities)	-	-

The Company's operating cumulated loss carry-forwards of all jurisdictions, as of December 31st, 2016, are as follows:

Operating loss-carryforward as of December 31, 2016

USD	United States	Switzerland	Spain	France	The Netherlands	Singapore	Total
2017	-	7,676,186	-	45,294	-	170,586	7,892,066
2018	-	8,323,887	-	15,320	-	-	8,339,207
2019	-	6,013,913	-	5,112	-	-	6,019,024
2020	-	1,937,994	-	4,708	-	-	1,942,703
2021	-	7,714,911	-	2,697	375,364	-	8,092,972
2022	-	6,191,582	193,012	-	217,608	-	6,602,202
2023	-	10,246,000	1,120,926	-	57,453	-	11,424,380
2024	-	-	1,149,623	735,202	119,998	-	2,004,823
2025	-	-	-	-	30,998	-	30,998
2026	-	-	-	-	23,723	-	23,723
2027	18,487	-	-	-	-	-	18,487
2028	143,467	-	-	-	-	-	143,467
2029	177,005	-	-	-	-	-	177,005
2030	9,293	-	21,088	-	-	-	30,381
2031	1,660	-	24,230	-	-	-	25,890
2032	53,669	-	160,397	-	-	-	214,066
2033	89,339	-	-	-	-	-	89,339
2034	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-
2036	247,338	-	-	-	-	-	247,338
2037	81,398	-	-	-	-	-	81,398
Total operating loss carry-forwards	**821,656**	**47,913,335**	**2,669,275**	**808,333**	**825,144**	**170,586**	**53,399,469**

The following tax years remain subject to examination:

Significant jurisdictions	Open years
Switzerland	2016
USA	2012 - 2016
The Netherlands	2012 - 2016
France	2012 - 2016
Spain	2012 - 2016
Singapore	2016

As of December 31st, 2016 and 2015, there were no known uncertain tax positions.

Note 24. Segment Information and Geographic Data

Following the acquisition of WISeKey Semiconductors SAS, our chief operating decision maker, who is also our Chief Executive Officer, requested changes in the information that he regularly reviews for purposes of allocating resources and assessing budgets and performance. As a result, from the date of acquisition of WISeKey Semiconductors SAS and as at December 31st, 2016, we report our financial performance based on a new segment structure.

The Company has two segments, semiconductors and others. The semiconductors segment encompasses the design, manufacturing and sales and distribution of chips operations acquired in 2016. The other segment is made up of all other operations. This new segment reporting is not applicable to prior periods as the business operations separately reviewed was not yet part of the Group.

USD	Semiconductors	WISeKey Other	Total
Revenues from external customers	8,391,525	2,570,966	10,962,491
Intersegment revenues	4,267	122,072	126,339
Interest revenue	-	-	-
Interest expense	-	-	-
Depreciation and amortization	1,072,486	116,837	1,189,323
Segment loss before income taxes	1,329,939	(37,831,058)	(36,501,119)
Income tax expense	-	16,081	(16,081)
Other significant non cash items			
Share-based compensation epxnse	-	24,806,819	24,806,819
Gain on derivative liability	-	1,308,907	1,308,907
Interest and amortization of debt discount and expense	-	947,380	947,380
Segment assets	17,944,944	30,433,152	48,378,096

Revenue reconciliation	**USD**
Total revenue for reportable segment	11,088,830
Elimination of intersegment revenue	(126,339)
Total consolidated revenue	10,962,491

Loss reconciliation	**USD**
Total profit / (loss) from reportable segments	36,495,103
Elimination of intersegment profits	(0)
Loss before income taxes	36,495,103

Assets	**USD**
Total assets from reportable segments	48,378,096
Elimination of intersegment receivables	(4,978,416)
Elimination of intersegment investment and goodwill	(9,767,970)
Consolidated total assets	**33,631,710**

Revenue and Property, plant and equipment by geography

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

Net sales by region	**Year to December 31,**	
USD	**2016**	**2015**
Europe	6,243,424	2,173,050
North America	3,493,727	40,770
Asia Pacific	721,635	-
Latin America	503,705	73,331
Total Net sales	**10,962,491**	**2,287,151**

Property, plant and equipment, net of depreciation	**Year to December 31,**	
USD	**2016**	**2015**
Europe	3,409,252	15,518
North America	1,050	1,050
Asia Pacific	3,233	-
Latin America	-	-
Total Property, plant and equipment, net of depreciation	**3,413,535**	**16,568**

Note 25. Loss per share

The computation of basic and diluted net loss per share for the Company is as follows:

	2016	**2015**
Net loss attributable to WISeKey International Holding AG	(35,925,864)	(6,156,618)
Shares used in net loss per share computation:		
Weighted average shares outstanding - basic	22,873,942	16,393,784
Basic and diluted weighted average loss per share attributable to WISeKey International Holding AG	(1.57)	(0.38)

For purposes of the diluted net loss per share calculation, stock options, convertible instruments and warrants are considered potentially dilutive securities and are excluded from the calculation of diluted net loss per share, because their effect would be anti-dilutive. Therefore basic and diluted net loss per share was the same for the periods presented due to the Company's net loss position.

The following table shows the number of stock equivalents that were excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive.

Total Stock Options	593,206
Total convertible instruments	-
	593,206

Note 26. Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated other comprehensive income by component.

	USD
Accumulated other comprehensive income as at 31.12.2014	**391,191**
Total Net foreign currency translation adjustments	(58,956)
Total defined benefit pension adjustment	(262,181)
Total Other comprehensive income/(loss), net	(321,137)
Accumulated other comprehensive income as at 31.12.2015	**70,054**
Total Net foreign currency translation adjustments	(1,875,091)
Total defined benefit pension adjustment	(92,765)
Total Other comprehensive income/(loss), net	(1,967,856)
Accumulated other comprehensive income as at 31.12.2016	**(1,897,802)**

Note 27. Legal proceedings

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

Note 28. Related parties disclosure

Subsidiaries

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

Group Company Name	Country of incorporation	Year of incorporation	Share Capital		Nature of business	% ownership by WISeKey International Holding AG as of December 31st, 2016	% ownership by WISeKey SA as of December 31st, 2015
WISeKey SA	Switzerland	1999	CHF	933,436	Main operating company. Sales and R&D services	90.3%	90.3%
WISeKey Semiconductors SAS	France	2010	EUR	1,298,162	Chip manufacturing, sales & distribution	100.0%	100.0%
WiseTrust SA	Switzerland	1999	CHF	680,000	Non-operating investment company	100.0%	100.0%
WISeKey (Suisse) SA	Switzerland	2002	CHF	100,000	Dormant	100.0%	100.0%
WISeKey ELA SL	Spain	2006	EUR	4,000,000	Sales & support	100.0%	100.0%
WISeKey SAARC Ltd	U.K.	2016	GBP	100,000	Non trading	51.0%	51.0%
WISeKey USA Inc	U.S.A	2006	USD	6,500	Sales & support	100%*	100%*
WISeKey India Private Ltd	India	2016	INR	1,000,000	Sales & support	100.0%	100.0%
WISeKey BR BV**	The Netherlands	2010	EUR	60,000	Dormant	100.0%	100.0%
WISeKey France SAS**	France	2007	EUR	37,000	Dormant	100.0%	100.0%
WISeKey Italia s.r.l.**	Italy	2011	EUR	10,000	Dormant	100.0%	100.0%
WISeKey Singapore Pte Ltd**	Singapore	2007	SGD	100,000	Sales & distribution	100.0%	100.0%

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

** in the process of being closed

Related Party Transactions and Balances

Related Party	Receivables as of December 31, 2016	2015	Payables as of December 31, 2016	2015	Net income from in the year to December 31, 2016	2015	Net expenses to in the year to December 31, 2016	2015
Maryla Shingler-Bobbio	49,067	-	29,440	-	-	-	-	-
Franz Humer	294,404	-	-	-	-	-	909,756	-
Philippe Doubre	-	-	42,855	-	-	-	-	-
Thomas J. Egger	-	-	29,440	-	-	-	-	-
Juan Hernandez-Zayas	-	-	29,440	-	-	-	-	-
Dourgam Kummer	-	-	29,440	-	-	-	38,771	427,034
Wiseqwant	2,453	-	-	-	-	-	-	-
OISTE	61,650	-	-	-	-	-	328,767	-
Todd Ruppert	339,123	-	-	-	-	-	-	-
Lifestyle Solutions	300,000	-	-	-	-	-	-	-
Various shareholder loans	-	-	-	3,220,030	-	-	-	-
Total	1,046,697	-	160,617	3,220,030	-	-	1,277,294	427,034

1. Maryla Shingler-Bobbio is a Board member of the Company, and member of the Company's audit committee and nomination & compensation committee, as well as a shareholder. On September 23rd, 2016, the Company made a loan for an amount of CHF 50,000 (USD 49,067) to Maryla Shingler-Bobbio. This loan matures on 30th September 2017. It carries an interest rate of 5% per annum.
The payable to Maryla Shingler-Bobbio as of December 31st, 2016 relates to her Board fee for 2016.

2. Dr Franz Humer is a Board member of the Company, and member of the Company's strategy committee and nomination & compensation committee, as well as a shareholder. On May 13th, 2016 the Company extended a non-interest-bearing loan for an amount of CHF 300,000 (USD 294,404) to Franz Humer. This loan was repaid on January 17th, 2017 for the full amount.
The expenses recognized in 2016 in relation to Franz Humer were made up of his board fees for 2016 in an amount CHF 30,000 (USD 30,441 at average rate), an additional fee for special services to the Company for the same amount, and a stock-based compensation expense of USD 796,210 relating to the grant of options under the Company's ESOP plans. All options were exercised by year end. The compensation was calculated using the Black-Scholes model as described in Note 18 Stock-based Compensation.

3. Philippe Doubre is a Board member of the Company, and member of the Company's nomination & compensation committee, as well as a shareholder. The payable to Philippe Doubre as of December 31st, 2016 relates to his Board fee for 2016, and an additional fee for special services to the Company.

4. Thomas J. Egger is a Board member of the Company, and member of the Company's audit committee, as well as a shareholder. The payable to Thomas J. Egger as of December 31st, 2016 relates to his Board fee for 2016.

5. Juan Hernandez-Zayas is a Board member of the Company, and member of the Company's audit committee and the strategy committee, as well as a shareholder. The payable to Juan Hernandez-Zayas as of December 31st, 2016 relates to his Board fee for 2016.

6. Dourgam Kummer is a Board member of the Company, and member of the Company's nomination & compensation committee, as well as a shareholder. The payable to Dourgam Kummer as of December 31st, 2016 relates to his Board fee for 2016
In 2016, Dourgam Kummer was compensated for additional services to the Company for USD 38,771.
In 2015, Dourgam Kummer was a member of the Executive Management and therefore a full time employee of the Company. The expenses relating to M. Kummer in 2015 is made up of his salaries, employer's social charges and employer's pensions' contribution.

7. Wiseqwant SA is a company operating in the mobile application industry. Three members of the Board of the Company were also Board members in this company, which gives rise to a related party situation. As of December 31st, 2016, Wiseqwant had received a short-term loan of USD 2,453 expected to be repaid in 2017.

8. The Organisation Internationale pour la Sécurité des Transactions Electroniques ("OISTE") is a Swiss non-profit making foundation that owns a cryptographic rootkey. In 2001 WISeKey SA entered into a contract with OISTE to operate and maintain the global trust infrastructures of OISTE. In line with the contract, WISeKey pays a regular fee to OISTE for the use of its cryptographic rootkey. A member of the Board of Directors of WISeKey is also a member of the Counsel of the Foundation which gives rise to the related party situation.
WiseTrust SA has at several occasions supported financially and operationally the foundation OISTE through short-term loans, and a loan for USD 61,650 was outstanding as of December 31st, 2016. The loan is non-interest-bearing.
The expenses relating to OISTE recognized in 2016 relates solely to the license fee under the contract agreement with WISeKey SA. USD 109,589 of this expense related to the license fee for the last six months of the fiscal year 2015 that was invoiced to the Company only towards the end of 2016. The remaining USD 219,178 expense was the licence fee for the fiscal year 2016.

9. Todd Ruppert is a shareholder and on 12th May 2016, the Company extended a loan of USD 339,123. It matures on 30th September 2017.

10.) Lifestyle Solutions is a US based corporation and is a shareholder of the Company. On 10th June, the Company extended a loan of USD 300,000. It is exoected to be repaid by 31st December 2017, however it is fully reserved.

11.) The balance as at 31st December 2015 relates to loans from various shareholders mainly to WISeKey SA to improve the liquidity of the operations towards the end of 2015.

Note 29. Subsequent events

Capital Increases

On 8th March 2017, the Company made an Authorised Share Capital increase by issuing 284,198 "B" Class shares at a nominal value of CHF 0.05, in settlement of CHF 1,200,000 of fees associated with its GEM CHF 60 mio Share Subscription Facility entered into in January 2016.
On 3rd April 2017, the Company made an Authorised Share Capital Increase by issuing 12,500 Class "A" shares at $1.00 per share, 22,640 warrants and 1,100,000 Class "B" shares at CHF 0.05 nominal value, in order to acquire QV Holdings Ltd, based in Hamilton Bermuda, owner of the QuoVadis Group. Details of the acquisition are given below.

Acquisition Financing Credit Facility

On 16th January 2017, WISeKey International Holding Ltd finalised a $16.4 million secured line of credit facility (the "Credit Facility") for acquisition financing with maturity up to 18 months from ExWorks Capital.
ExWorks Capital, headquartered in the USA, is an international, import and export finance company that offers financing solutions to businesses utilizing its own capital as well as by leveraging its Delegated Authority granted by both the SBA and ExIm Bank.
Draw-down from the Credit Facility is subject to closing conditions, including the grant of options to ExWorks exercisable for up to 1,075,000 registered shares, par value CHF 0.05 (Class B Shares), at an exercise price corresponding to a volume-weighted average price determined by reference to a period commencing after WISeKey's announcement of its audited FY2016 annual results, and the execution of security agreements over shares of certain of the company's subsidiaries and certain other assets. The Credit Facility can be up-sized / syndicated at the same terms for up to an additional $10.0 million by way of adding co-lender(s) or selling a participation interest.

GEM Facility

On 3rd March 2017, WISeKey International Holding Ltd agreed with Global Emerging Markets ("GEM"), to issue up to 342,857 new registered shares, par value CHF 0.05 each (the "Class B Shares") as a settlement of the CHF 1,200,000 cash fee due to GEM under the Share Subscription Facility Agreement ("SSF") executed by and between WISeKey and GEM on January 19, 2016.
On 10th March 2017, WISeKey International Holding Ltd actually issued to GEM 284,198 new registered shares, par value CHF 0.05 each (the "Class B Shares"), out of its authorized share capital. The issuance reflects an issue price corresponding to the volume-weighted average price of the Class B Shares on the SIX Swiss Exchange on March 6, 2017 of CHF 4.22.
The new shares were listed and admitted to trading on SIX Swiss Exchange on Friday, 10th March 2017.

Open Limit Transaction

On 29th March 2017, WISeKey International Holding Ltd announced that the respective boards of directors of WISeKey and OpenLimit Holding AG (DE: O5H) ("OpenLimit") had decided that discussions in relation to a possible merger transaction between WISeKey and OpenLimit as previously announced on 25 July 2016 are not being further pursued. The current interim financing provided by WISeKey to OpenLimit in a principal amount of EUR 750,000 will, in accordance with applicable terms of a convertible loan agreement, be converted into OpenLimit Shares issued by OpenLimit out of its existing authorized share capital. The conversion price will be €0.3736, being 95% of the volume weighted average price ("VWAP") of the OpenLimit shares traded on XETRA as reported by the XETRA for the ten trading days immediately preceding and including 29th March 2017. WISeKey will thus receive 2,007,494 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis.

Acquisition of QV Holdings Ltd

On 3rd April 2017, WISeKey International Holding Ltd completed its acquisition of Quovadis Holdings Ltd ("QuoVadis"), a leading cybersecurity company with strong focus in next generation Public Key Infrastructure ("PKI"), Certification Authority ("CA") and electronic signature services ("eID"), with operating activities in Switzerland, Germany, the Netherlands, Belgium, the United Kingdom and Bermuda. It is headquartered in Hamilton, Bermuda.
The consideration paid to QuoVadis' selling equity holders ABRY and One Communications Ltd. (formerly known as KeyTech) consisted of a cash consideration of $ 13,000,000, plus 1,110,000 newly issued Class B Shares of WISeKey issued from existing authorized capital, subject to a lock-up period of three months. WISeKey will also repay indebtedness of QuoVadis in the amount of $ 2,000,000.
WISeKey and management have each a right to acquire and sell, respectively, the remaining 15%-stake of QuoVadis' management in May 2018 based on QuoVadis' performance in financial year 2017, at the election of WISeKey in cash or against Class B Shares. Any issuance of new Class B Shares would be capped at 946,000 Class B Shares.

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STATUTORY AUDITOR'S REPORT

To the General Meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WISeKey International Holding AG, which comprise the balance sheet as at 31 December 2016 and the income statement and notes for the period from 17 November 2015 to 31 December 2016, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

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

Key Audit Matter	How our audit addressed the key audit matter
Going Concern	
The Company is highly leveraged with a negative working capital balance of CHF 9.6mio. We focused our audit on this item because of its significance to the financial statements and general operation of the Company. We refer to Note 2 to the financial statements for additional disclosure of the Company's future operations.	We critically reviewed management's plans to continue as a going concern. This includes assessment of the Company's budget and cash forecast for the 12 months period subsequent to the issuance date of this report, the Company's commitments and contingencies, the realizability of the Company's assets and investor's commitment and ability to provide sufficient funds for the Company to continue as a going concern. Our critical review included analysis of the Company's historical cash needs, assessment of future cash flows based on the budget and financing and other relevant agreements in place as of issuance date of this report as well as discussion with management.

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investments in subsidiaries	
The Company carries significant investments in subsidiaries in the amount of CHF 18.2 million on the balance sheet. We focused on this area due to the degree of management's judgment involved, its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the Company's impairment considerations and valuation for all significant investments held for reasonableness. We challenged management's assumptions on significant assumptions used relating to future profitability of each significant subsidiary.
Valuation of intercompany loans	
The Company carries a significant intercompany loan balance in the amount of CHF 8.5 million on the balance sheet. We focused on this area due to its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the financial solvency of the corresponding subsidiaries to ensure collectability of the receivable amount.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

During our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of financial statements, designed in accordance with the instructions of the Board of Directors, is not commensurate with the entity's risks, given its size, complexity and risk profile.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

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

Genève, 7 May 2017

BDO Ltd

Christoph Tschumi	Peter Wu
Auditor in Charge Licensed Audit Expert	

Enclosures
Financial statements

WISeKey International Holding AG

BALANCE SHEET AS AT 31ST DECEMBER 2016

CHF

ASSETS		Note ref:
Current Assets		
Cash and Bank Deposits	2,972,321	
Short-term Inter-company Receivables	122,962	
Other Receivables	119,456	
Total Current Assets	3,214,739	
Non-current Assets		
Loans to Shareholders, net	725,570	7
Investments in subsidiaries, net	18,218,603	4
Intercompany loans	8,536,180	
Loans to 3rd Parties, net	816,797	
Total Financial Assets	28,297,150	
Total Non-current Assets	28,297,150	
TOTAL ASSETS	31,511,889	

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

WISeKey International Holding AG

BALANCE SHEET AS AT 31ST DECEMBER 2016

CHF

LIABILITIES AND SHAREHOLDERS' EQUITY		Note ref:
Current Liabilities		
Trade Payables	235,926	
Inter-company Accounts Payable	4,775	
Accrued Liabilities	1,688,028	
Payable to Related Parties - Non-interest bearing	150,000	
Convertible Loan - 3rd Parties - Interest bearing	11,000,000	6
Total Current Liabilities	13,078,729	
Shareholders' Equity		
Share Capital	1,133,639	5
Capital Contribution Reserves *	21,846,538	
Net Loss for the Period	(4,547,017)	
Total Shareholders' Equity	18,433,160	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31,511,889	

*: this amount of capital contribution reserves is subject to the approval of the Swiss Federal Tax Administration. For further information, see also note 5.1 to the financial statements.

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

WISeKey International Holding AG

INCOME STATEMENT FOR THE PERIOD

CHF	2016 17.11.15 to 31.12.16	Note ref:
OPERATING EXPENSES		
Office Expenses	7,324	
Insurances	12,118	
Consultancy and Professional Services	3,826,271	
Marketing	20,062	
Other Operating Expenses	220,717	
OPERATING LOSS	4,086,492	
NON-OPERATING (INCOME)/EXPENSES		
Foreign Exchange (Gain)/Loss	6,416	
Other Financial Charges	164,609	
Non Operating Loss	289,500	
LOSS BEFORE TAXES	4,547,017	
Taxes	-	
Loss for the Period	4,547,017	

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

Notes to the Financial Statements

31st December 2016

Note 1. Background and Operations

WISeKey International Holding A.G., (**the Company)**, was registered in Zug, Switzerland, on 17th November 2015. The Company's purpose is to incorporate, acquire, hold and dispose of participations in companies, both in Switzerland and abroad, especially in the field of cybersecurity and related areas.The Company may engage in all types of transactions that appear appropriate to promote, or are related to the purpose of the Company.

The Company does not currently have any full time employees.

On 22nd March 2016, WISeKey SA's shareholders exchanged a total of 90.3% of their shares into those of the Company shares. The remaining 9.7% of the WISeKey SA's share capital will be obtained as part of a squeeze-out merger, anticipated to take place in June 2017.

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

On 20th September 2016 the Company acquired the semiconductor assets from Inside Secure, a French company listed on the Euronext, Stock Exchange in Paris, in the form of a carve-out. The entity was renamed WISeKey Semiconductors. As part of the deal, the Company also acquired the Singapore R&D operations, renamed WISeKey Singapore.

On 5th October 2016, the Company established a Joint Venture WISeKey SAARC Ltd, in London, for operations in the South Asian region. It owns 51% of the venture.

Further details can be seen in Note 4, below.

Note 2. Future Operations

The Company experienced a loss from operations in this reporting period, although it does anticipate being able to generate profits in the near future. However, this cannot be predicted with any certainty. The accompanying statutory financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred a net loss of CHF (4,547,017) and had negative working capital of CHF (9,863,990) as at December 31, 2016, although adjusted for the impact of the convertible loan to Inside Secure for the acquisition of WISeKey Semiconductors, the working capital was a positive CHF 1,136,010.

The Company has been dependent on equity financing to augment the operating cash flow to cover its cash requirements. Any additional equity financing may be dilutive to shareholders and debt financing will increase expenses and may involve restrictive covenants.

Based on the Company's projections for the next 12 months, it will need approximately CHF 6.6 mio to fund it's operations.

On 16th January 2017, the Company did close a $ 16.4 mio acquisition line of credit, which is secured on the assets of the Company. The proceeds were used to acquire QV Holdings (QuoVadis) on 3rd April 2017, which is profitable and cash positive on projected revenues of $ 20 mio.

Additionally, WISeKey Semiconductors, acquired on 20th September 2016, is projecting to be in a break-even position on projected revenues of EUR 35 mio.

The Company closed a Share Subscription Facility with GEM LLC, (Global Equity Markets), on 19th January 2016, which is a CHF 60 mio facility over 5 years and allows the Company to draw down funds at its option in exchange for WIHN shares. The mechanics of the deal allow for a drawdown essentially 18 times in a year, the amount being in a range related to the trading volume and price of the WIHN share trading on the SIX Stock Exchange. The drawdown amount is based on 90% of the average closing price of the last 15 trading days multiplied by 1,000% of the average volume of the last 15 trading days. GEM can then elect to purchase between 50% and 200% of this figure. This facility will be used as a safeguard should there be any difficulties in raising the necessary equity.

From December 31, 2016 to the report date, the Company received funds from capital increases totalling CHF 22,500 from the sale of warrants at nominal value. Based on the foregoing, especially the anticipated performance of its two recent acquisitions and the planned synergies of operating as a Group, being able to offer enhanced versions of existing products and cross-selling to the individual companies client base, Management believe it is correct to present these figures on a going concern basis.

Note 3. Significant accounting policies

These financial statements were prepared according to the provisions of the new Swiss financial reporting law (32nd title of the Swiss Code of Obligations). These financial statements are for the period from inception (17th November 2015) to 31st December 2016.

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

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

Foreign currency translation

The accounting records of the Company are maintained in Swiss Francs. All transactions in other currencies are translated into Swiss Francs at the rate prevailing at the time of the transaction. Assets and liabilities in other currencies remaining at the balance sheet date are translated at the appropriate year-end rate. Transaction and translation foreign exchange profits and losses are included in the statement of income and expenses in the year in which they are incurred, except for unrealized foreign exchange gains that are deferred until they are realized.

Cash and cash equivalents

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

Tax

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

Investments in subsidiaries

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

Please refer to Note 4 for more details.

Note 4. Investments in subsidiaries, net

Cost CHF	Ownership /Voting interests %	Gross value of the investment as at 31.12 2016
WISeKey SA *Geneva, Switzerland*	**90.3%**	1,051,393
WISeTrust SA *Geneva Switzerland*	**100%**	4,102,244
WISeKey Semiconductors SAS *Meyreuil, France*	**100%**	13,000,000
WISeKey Singapore Pte Ltd *Singapore*	**100%**	P.M.
WISeKey SAARC Ltd *London, United Kingdom*	**51%**	64,966
Total		**18,218,603**

Management has reviewed the carrying value of the investments in the Company's subsidiaries and has adjusted the value of the investments as needed.

In assessing the potential impairment of the investments, the Company considers the net asset value as well as the expected cash-flows that will be generated by each of these investments. Management believes that, on the basis of these net asset values as well as expected cash-flows, the carrying value of these investments as at 31st December 2016 is not impaired.

Management believes that the current carrying value of the investments is justified.

Note 5. Share Capital

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

The share capital as at 31st December 2016 is CHF 1,133,639.48 and is divided into 40,021,988 registered shares (Class "A" shares) and in 14,668,392 registered shares (Class "B" shares). It is fully paid in.

	31 December 2016	
	Number of Shares	CHF
Share Capital Class "A" Shares	40,021,988	400,220
Share Capital Class "B" Shares	14,668,392	733,420
Total Share Capital	54,690,380	1,133,639
Issued Share Capital	54,690,380	1,133,639
Authorised Share Capital, not issued	9,334,847	466,742
Conditional Share Capital	10,669,212	533,461

5.1 Movement of share capital

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

Movements in shareholders' equity in 2016 mainly relate to the issuance of shares resulting from various capital increases during the period.

On 3rd March 2016, the Company acquired 100% of the share capital of WISeTrust SA by issuing 30,021,988 "A" shares at nominal value of CHF 0.01 per share from its Authorised Capital.

On 22nd March 2016, the Company acquired 70.4% of WISeKey SA by issuing 13,234,027 "B" shares at the nominal value of CHF 0.05 per share from its Authorised Capital.

The legal general reserves from capital contribution relate to capital contributions contributed to the Company by its shareholders since 1997, which, under Swiss tax law, may be distributed without being subject to Swiss withholding tax effective 1 January 2011, if certain conditions are met.

One of the conditions is that the reserves from capital contribution have to be declared to the Federal tax administration no later than 30 days following the ordinary general meeting of the shareholders. This condition is not met for the capital contribution reserves disclosed in the financial statements since we have not yet held the first general meeting of the Company and they have not yet been declared to the Federal Tax administration. As such, there is potential uncertainty on the qualification of such reserves by the Swiss Federal Tax Administration.

5.2 Conditional share capital

The share capital may be increased in an amount not to exceed CHF 533,460.60 with a nominal value of CHF 0.05 per share.
Its use is limited to 2 categories, namely:

- up to an amount of CHF 373,422.40 by the issuance of up to 7,468,448 fully paid-in registered shares with a nominal value of CHF 0.05 each in connection with the exercise of conversion, option, exchange, warrant or similar rights for the subscription of shares (the **Rights**) granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants, notes, other securities or contractual obligations newly or already issued or granted by the Company or one of its group companies (the **Rights-Bearing Obligations**); and
- up to an amount of CHF 160,038.20 by the issuance of up to 3,200,764 fully paid-in registered shares with a nominal value of CHF 0.05 each in connection with the issuance of shares or Rights-Bearing Obligations granted to the members of the Board of Directors, members of executive management,

employees, contractors, consultants or other persons providing services to the Company or one of its group companies.

5.3 Authorised share capital, not issued

The Board of Directors is authorized, at any time until 16th March 2018, to increase the share capital in an amount not to exceed CHF 466,742.35 through the issuance of up to 9,334,847 fully paid in registered shares with a nominal value of CHF 0.05 per share.

The preferred right of subscription of the shareholders may be suppressed for at least one of the following reasons:

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

5.4 Significant shareholders

The Swiss Financial Market Infrastructure Act (**FMIA**) and the rules and regulations promulgated thereunder, to which the Company and beneficial owners of its Shares are subject, requires persons who directly, indirectly or in concert with other parties acquire or dispose of Shares or purchase or sale rights or obligations relating to such Shares, and, thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33 ⅓%, 50% or 66 ⅔% of the Company's voting rights (whether exercisable or not) to notify the Company and the Disclosure Office of SIX of such acquisition or disposal in writing.

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

The table below sets out, to the knowledge of the Company, beneficial owners holding more than 3% of the voting rights of the Company as of December 31st, 2016. The number of voting rights of the Company as of December 31st, 2016 is equal to the number of Class A and Class B shares issued, 40,021,988 Class A shares + 18,263,902 Class B Shares = 58,285,890 voting rights.

Name	Number of shares owned		Total number of voting rights	Percentage of voting rights
	Class A shares	Class B shares		
Carlos Moreira	30,009,813	563,135	38,572,948	66.18%
UBS Bank S.A.	-	2,210,563	2,210,563	3.79 %

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.

Note 6. Convertible Loan – 3rd Parties – Interest bearing

On 20th September 2016, the Company acquired via a carve-out, the semiconductor assets of Inside Secure, a French company trading on the Euronext in Paris. The acquisition was financed by CHF 2 mio in cash and with a CHF 11 mio convertible vendor loan note.

The principal amount of CHF 11 mio carries an interest rate of 2% p.a., with a maturity date 9 months after the closing, so 19th June 2017. The principal amount is to be repaid at the maturity date through conversion into registered shares with a nominal value of CHF 0.05 per share, ie Class B shares. Inside Secure may request an early conversion of all or part of the principal amount for the first time after 60 days after the closing date. If a partial conversion is made, it must be at least 20% of the principal amount. There is no lock-up on the shares so converted

The Company has the right to request Inside Secure accept a payment of the remaining amount plus interest in cash at a rate of 135% of the amount still outstanding.

Conversely Inside Secure may request the Company, no later than 20 days prior to the maturity date, to repurchase in cash up to 30% of the principal amount that has been converted into Class B shares at the floating conversion price, which is 90% of the VWAP during the 15 days prior to the maturity date.

Note 7. Loans to Shareholders, net

In 2016, the Company or its affiliates have the following loans outstanding to members of the Board of Directors, who are also shareholders:

> A loan for an amount of CHF 50,000 (USD 50,735) to Maryla Shingler-Bobbio on 23rd September 2016. This loan matures on 30th September 2017. It carries an interest rate of 5% per annum.
>
> A loan for an amount of CHF 330,000 (USD 334,851) to Franz Humer on May 13th, 2016. This loan was repaid on January 17th, 2017 for CHF 300,000 (USD 304,410) and the remaining CHF 60,000 (USD 60,882) were used to pay Dr Humer's Board fees for 2016 (CHF 30,000, USD 30,441), and as an advanced payment of Dr Humer's 2017 Board fees (CHF 30,000, USD 30,441).
>
> A loan for an amount of CHF 345,570 (USD 339,123) to a US investor on 12th May 2016. The loan is to be repaid in September 2017.
>
> A loan for an amount of CHF 289,500 (USD 300,000) to a US investor on 10th June 2016. The loan is expected to be repaid before 31st December 2017, however it has been fully reserved for.

Under the current Articles, the Company or companies controlled by it may not grant any loans to members of the Board or the Executive Management. The Board of Directors will seek a ratification of these loans at the 2017 Annual General Meeting through an amendment to the Company's Articles of Association.

Note 8. Guarantees to Related parties

On 29th April 2016, the Company gave a non-cancellable guarantee to its subsidiary WISeKey SA, to pay within 30 days of the first written request, the amounts necessary to ensure there is no need to make reference to Art C.O. 725, para 1 & 2, in the audit report, so in all cases to avoid any over-indebtedness of the subsidiary.

On 5th May 2017, the Company gave a non-cancellable guarantee to its subsidiary WISeKey Semiconductors SAS to pay within 30 days of the first written request, the amounts necessary to ensure in all cases that there is any over-indebtedness of the subsidiary.

Note 9. Shares & Options held by Board of Directors and Executive Management

	2016	
	Number of shares held	
	Class "A"	Class "B"
Board of Directors		
Carlos Moreira, Chairman, Executive Management	30,009,813	563,135
Philippe Doubre	701,695	15,361
Thomas J. Egger	125,050	16,816
Juan Hernandez-Zayas		9,361
Franz B. Humer	534,445	396,777
Dourgam Kummer	626,085	55,007
Maryla Shingler- Bobbio	24,900	
Peter Ward, Executive Management		30,643
Total	32,021,988	1,087,100

There are no share options held by the Board of Directors and Executive Management.

Note 10. Subsequent events.

Capital Increases.

On 8th March 2017, the Company made an Authorised Share Capital increase by issuing 284,198 “B” Class shares at a nominal value of CHF 0.05, in settlement of CHF 1,200,000 of fees associated with its GEM CHF 60 mio Share Subscription Facility entered into in January 2016.

On 3rd April 2017, the Company made an Authorised Share Capital increase by issuing 12,500 Class “A” shares at $1.00 per share, 22,640 warrants and 1,100,000 Class “B” shares at CHF 0.05 nominal value, in order to acquire QV Holdings Ltd, based in Hamilton Bermuda, owner of the QuoVadis Group. Details of the acquisition are given below.

Acquisition Financing Credit Facility

On 16th January 2017, WISeKey International Holding Ltd finalised a $16.4 million secured line of credit facility (the “**Credit Facility**”) for acquisition financing with maturity up to 18 months from ExWorks Capital.

ExWorks Capital, headquartered in the USA, is an international, import and export finance company that offers financing solutions to businesses utilizing its own capital as well as by leveraging its Delegated Authority granted by both the SBA and ExIm Bank.

Draw-down from the Credit Facility is subject to closing conditions, including the grant of options to ExWorks exercisable for up to 1,075,000 registered shares, par value CHF 0.05 (Class B Shares), at an exercise price corresponding to a volume-weighted average price determined by reference to a period commencing after WISeKey’s announcement of its audited FY2016 annual results, and the execution of security agreements over shares of certain of the company’s subsidiaries and certain other assets. The Credit Facility can be up-sized / syndicated at the same terms for up to an additional $10.0 million by way of adding co-lender(s) or selling a participation interest.

GEM Facility

On 3rd March 2017, WISeKey International Holding Ltd agreed with Global Emerging Markets ("**GEM**"), to issue up to 342,857 new registered shares, par value CHF 0.05 each (the "**Class B Shares**") as a settlement of the CHF 1,200,000 cash fee due to GEM under the Share Subscription Facility Agreement ("**SSF**") executed by and between WISeKey and GEM on 19th January, 2016.

On 10th March 2017, WISeKey International Holding Ltd actually issued to GEM 284,198 new registered shares, par value CHF 0.05 each (the "**Class B Shares**"), out of its authorized share capital. The issuance reflects an issue price corresponding to the volume-weighted average price of the Class B Shares on the SIX Swiss Exchange on 6th March, 2017 of CHF 4.22.

The new shares were listed and admitted to trading on SIX Swiss Exchange on Friday, 10th March 2017.

Open Limit Transaction

On 29th March 2017, WISeKey International Holding Ltd announced that the respective boards of directors of WISeKey and OpenLimit Holding AG (DE: O5H) **("OpenLimit**") had decided that discussions in relation to a possible merger transaction between WISeKey and OpenLimit as previously announced on 25 July 2016 are not being further pursued. The current interim financing provided by WISeKey to OpenLimit in a principal amount of EUR 750,000 will, in accordance with applicable terms of a convertible loan agreement, be converted into OpenLimit Shares issued by OpenLimit out of its existing authorized share capital. The conversion price will be €0.3736, being 95% of the volume weighted average price ("**VWAP**") of the OpenLimit shares traded on XETRA as reported by the XETRA for the ten trading days immediately preceding and including 29th March 2017. WISeKey will thus receive 2,007,494 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis.

Acquisition of QV Holdings Ltd

On 3rd April 2017, WISeKey International Holding Ltd completed its acquisition of Quovadis Holdings Ltd ("**QuoVadis**"), a leading cybersecurity company with strong focus in next generation Public Key Infrastructure ("**PKI**"), Certification Authority ("**CA**") and electronic signature services ("**eID**"), with operating activities in Switzerland, Germany, the Netherlands, Belgium, the United Kingdom and Bermuda. It is headquartered in Hamilton, Bermuda.

The consideration paid to QuoVadis' selling equity holders ABRY and One Communications Ltd. (formerly known as KeyTech) consisted of a cash consideration of $ 13,000,000, plus 1,110,000 newly issued Class B Shares of WISeKey issued from existing authorized capital, subject to a lock-up period of three months. WISeKey will also repay indebtedness of QuoVadis in the amount of $ 2,000,000.

WISeKey and management have each a right to acquire and sell, respectively, the remaining 15%-stake of QuoVadis' management in May 2018 based on QuoVadis' performance in financial year 2017, at the election of WISeKey in cash or against Class B Shares. Any issuance of new Class B Shares would be capped at 946,000 Class B Shares.