WISeKey International Holding AG

Unaudited Interim Consolidated Financial Statements

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

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1. Unaudited Consolidated Statement of Comprehensive Loss

USD'000	6 months ended June 30, 2017 (unaudited)	2016 (restated) (unaudited)	Note ref.
Net sales	21,169	1,276	
Cost of sales	(10,780)	(533)	
Gross profit	10,389	743	
Other operating income	1,461	-	
Research & development expenses	(3,283)	(110)	
Selling & marketing expenses	(2,380)	(9,641)	
General & administrative expenses	(7,875)	(23,862)	
Total operating expenses	(12,077)	(33,613)	
Operating income / (loss)	(1,688)	(32,870)	
Non-operating income	1,154	14	30
Gain on derivative liability	18	-	7
Gain / (loss) on debt extinguishment	(550)	-	7
Interest and amortization of debt discount	(1,586)	-	7
Non-operating expenses	(3,595)	(285)	31
Income / (loss) from operations before income tax expense	(6,247)	(33,141)	
Income tax (expense)/recovery	9	(47)	
Net income / (loss)	(6,238)	(33,188)	
Less: Net income / (loss) attributable to noncontrolling interests	(263)	(185)	
Net income / (loss) attributable to WISeKey International Holding AG	(5,975)	(33,003)	
Loss per share attributable to WISeKey International Holding AG			
Basic	(0.21)	(1.40)	33
Diluted	(0.21)	(1.40)	33
Other comprehensive income / (loss), net of tax:			28
Foreign currency translation adjustments	(57)	425	
Defined benefit pension plans:			
Net loss arising during period	-	(303)	
Other comprehensive income / (loss)	(57)	122	
Comprehensive income / (loss)	(6,295)	(33,066)	
Other comprehensive income / (loss) attributable to noncontrolling interests	(49)	-	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	(8)	122	
Comprehensive income / (loss) attributable to noncontrolling interests	(312)	(185)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	(5,983)	(32,881)	

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

2. Unaudited Consolidated Balance Sheet

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016	*Note ref.*
ASSETS			
Current assets			
Cash and cash equivalents	6,280	5,221	*6*
Accounts receivable, net of allowance for doubtful accounts	8,807	7,733	*8*
Notes receivable, net of allowance for doubtful accounts of $nil and $nil	361	-	*9*
Inventories	2,673	2,983	*10*
Prepaid expenses	1,469	529	
Deferred tax assets, current	4	-	*11*
Other current assets	1,673	869	*12*
Total current assets	21,267	17,336	
Noncurrent assets			
Notes receivable of related parties, noncurrent	3	64	*35*
Marketable securities	969	-	*13*
Deferred tax assets, noncurrent	2,476	-	*14*
Property, plant and equipment net of accumulated depreciation	4,285	3,414	*15*
Intangible assets, net of accumulated amortization	16,466	2,121	*16*
Goodwill	16,502	8,317	*17/18*
Deferred charges	820		
Other noncurrent assets	286	2,380	*19*
Total noncurrent assets	41,807	16,295	
TOTAL ASSETS	63,074	33,632	
LIABILITIES			
Current Liabilities			
Accounts and notes payable	13,240	10,787	*20*
Deferred revenue	893	771	
Convertible note payable	6,886	8,918	*7*
Short-term loan	16,155	-	*21*
Income tax payable	34	88	
Derivative liabilities	747	1,193	*7*
Deferred income tax liability, current	115	-	*24*
Deferred tax liabilities, current	21	-	
Other current liabilities	3,770	3,824	*22*
Total current liabilities	41,861	25,581	
Noncurrent liabilities			
Indebtedness to related parties, noncurrent	932	-	*35*
Employee benefit plan obligation	4,576	3,810	*23*
Deferred income tax liability, noncurrent	1,414	-	*24*
Other noncurrent liabilities	-	2,329	*25*
Total noncurrent liabilities	6,922	6,139	
TOTAL LIABILITIES	48,783	31,720	
Commitments and contingent liabilities			*26*
Redeemable preferred stock	4,675	-	*17*
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	*27*
CHF 0.01 par value			
Authorized - nil and nil shares			
Issued and outstanding - 40,021,988 and 40,021,988 shares			
Common stock - Class B	1,014	756	*27*
CHF 0.05 par value			
Authorized - 13,731,248 and 9,334,847 shares			
Issued and outstanding - 19,758,100 and 14,668,392 shares			
Additional paid-in capital	172,802	159,431	
Accumulated other comprehensive income / (loss)	(1,909)	(1,901)	*28*
Accumulated deficit	(162,002)	(155,691)	
Total shareholders'equity (deficit) attributable to WISeKey shareholders	10,305	2,995	
Noncontrolling interests in consolidated subsidiaries	(689)	(1,083)	
Total shareholders'equity deficit	9,616	1,912	
TOTAL LIABILITIES AND EQUITY AND REDEEMABLE PREFERRED SHARES	63,074	33,632	

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

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

USD'000	Number of common shares Class A	Number of common shares Class B	Common Share Capital Class A	Common Share Capital Class B	Total share capital	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income / (loss)	Total stockholders' equity (deficit)	Non controlling interests	Total equity (deficit)	Redeemable preferred stock	Total equity (deficit) and redeemable shares
As at December 31, 2016	40,021,988	14,668,392	400	756	1,156	159,431	(155,691)	(1,901)	2,995	(1,083)	1,912	-	1,912
Common stock issued	-	1,494,198	-	75	75	5,717	-	-	5,792	-	5,792	-	5,792
Options exercised[1]	-	3,595,510	-	183	183	4,656	-	-	4,839	-	4,839	-	4,839
Stock-based compensation	-	-	-	-	-	2,417	-	-	2,417	-	2,417	-	2,417
Change in ownership in WISeKey India	-	-	-	-	-	581	-	-	581	706	1,287	-	1,287
Acquisition of Quo Vadis Group	-	-	-	-	-	-	-	-	-	-	-	4,339	4,339
Net loss	-	-	-	-	-	-	(5,975)	-	(5,975)	(263)	(6,238)	-	(6,238)
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(8)	(8)	(49)	(57)	-	(57)
Deemed dividend	-	-	-	-	-	-	(336)	-	(336)	-	(336)	336	-
As at June 30, 2017	40,021,988	19,758,100	400	1,014	1,415	172,802	(162,002)	(1,909)	10,305	(689)	9,616	4,675	14,292

1. The articles of association of the Company had not been updated as of June 30, 2017 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.

4. Unaudited Consolidated Statements of Cash Flows

	6 months ended June 30,	
	2017 (unaudited)	2016 (Restated) (unaudited)
Cash Flows from operating activities:		
Net loss	(6,238)	(33,188)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Interest and amortisation of debt discount	1,586	-
Depreciation of property, plant & equipment	462	10
Amortization of intangible assets	1,130	19
Amortization of debt issue costs	169	-
Gain on derivative liability	(18)	-
Loss on debt extinguishment	550	
Stock-based compensation	2,417	26,901
Increase / (decrease) in defined benefit pension liability	766	(206)
Increase / (decrease) in other noncurrent liabilities	17	-
Provision for bad debt expense	264	-
Inventory obsolescence impairment	273	-
Income tax expense /(recovery)	(9)	
Other non cash expenses /(income)	99	2,993
Unrealized foreign currency transactions	57	(425)
Changes in operating assets and liabilities, net of effects of businesses acquired		
Decrease (increase) in accounts receivables	1,432	(2,282)
Decrease (increase) in inventories	310	(1,071)
Decrease (increase) in other assets, net	(1,746)	(2,924)
Increase (decrease) in accounts payable	(1,193)	36
Increase (decrease) in deferred revenue	(1,814)	(178)
Increase (decrease) in income taxes payable	(54)	-
Increase (decrease) in other current liabilities	(2,395)	1,847
Net cash provided by (used in) operating activities	(3,935)	(8,468)
Cash Flows from investing activities:		
Acquisition of property, plant and equipment	42	-
Decrease in receivable from shareholders	-	3,220
Acquisition of a business, net of cash and cash equivalents acquired	(11,629)	150
Net cash provided by (used in) investing activities	(11,587)	3,370
Cash Flows from financing activities:		
Proceeds from options exercises	22	-
Proceeds from issuance of Common Stock	-	7,827
Proceeds from convertible loan issuance	293	2,959
Proceeds from debt	16,155	
Net cash provided by (used in) financing activities	16,470	10,786
Effect of exchange rate changes on cash and cash equivalents	112	182
Cash and cash equivalents		
Net increase (decrease) during the period	1,060	5,870
Balance, beginning of period	5,221	262
Balance, end of period	6,280	6,132
Supplemental cash flow information		
Cash paid for interest, net of amounts capitalized	-	-
Cash paid for incomes taxes	-	-
Noncash transactions:		
Issuance of shares to acquire a business	4,307	-
Redeemable preferred stock	4,375	-

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

5. Notes to the Unaudited 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 and is listed on the Swiss Stock Exchange, SIX SAG 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, expand its own eco-system. WISeKey generates digital identities from its current products and services in Cybersecurity Services, IoT (internet of Things), Digital Brand Management and Mobile Security.
The 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 3,094,000 and had negative working capital of USD (20,675,000) as at June 30, 2017.
Based on the Company's cash projections for the next 12 months, it will need approximately USD 2.6 million to fund operations.
Historically, 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.
In the period to June 30, 2017, the Company secured an acquisition line of credit agreement with ExWorks Capital Fund I, L.P. ("ExWorks") secured on the assets of the Company and with restrictive covenants and an annual interest rate of 18% (see note 21 for detail). The primary purpose of this revolving credit was the acquisition of the QuoVadis group under the holding company QV Holdings Ltd (together with its subsidiaries "QuoVadis") which was completed on April 03, 2017 (see note 17 for detail). QuoVadis is cash positive on projected revenues of USD 20 million for the year to December 31, 2017.
The line of credit agreement with ExWorks includes a clause allowing WISeKey to extend the term of each loan by 6 months, which WISeKey intends to exercise in the second half of 2017.
Moreover, the Company closed a Share Subscription Facility with GEM LLC, (Global Equity Markets, "GEM"), on January 19, 2016, which is a CHF 60 million facility over 5 years and allows the Company to draw down funds at its option in exchange for WIHN class B shares. The mechanics of the deal allow for a drawdown essentially 18 times in a year, the amount being in a range related to the trading volume and price of the WIHN class B share trading on the Swiss SIX Stock Exchange. The drawdown amount is based on 90% of the average closing price of the last 15 trading days multiplied by 1,000% of the average volume of the last 15 trading days. GEM can then elect to purchase between 50% and 200% of this figure. For the 6 months to June 30, 2017 WISeKey has made one drawdown for CHF 279,900 (USD 292,538 at historical rate) on June 29, 2017 in exchange for 100,000 WIHN class B shares. Therefore as at June 30, 2017 the outstanding facility available is CHF 59,720,100. This facility will be used as a safeguard should there be any difficulties in raising the necessary equity to cover the USD 2.6 million 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 United States dollars ("USD") on the basis of generally accepted accounting principles in the United States of America ("US GAAP").
The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with ASC 270 ("Interim Reporting") and, as a consequence, do not include all information and footnotes required by generally accepted accounting principles and should, therefore, be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016 included in the Annual Report 2016. These statements do include all normal recurring adjustments which the Company believes necessary for a fair presentation of the statements. The interim results of operations are not necessarily indicative of the results to be expected for the full year ended December 31, 2017.
Except as indicated in the notes below, there have been no other material changes in the information disclosed in the notes to the consolidated financial statements included in the Company's Annual Report 2016 for the year ended December 31, 2016.

Acquisition of QuoVadis

On April 03, 2017 the Company acquired QV Holdings Ltd, a Bermuda based company, and its affiliates. The QuoVadis Group provides digital certificate services, internet security, computer equipment and data hosting, disaster recovery and data backup services. The Company holds accreditations under the AICPA WebTrust Standard QuoVadis, and is also accredited by the Swiss Government under the ZertES regulations, by the Dutch Government under the ETSI, PKI Overheid and eHerkenning regulations, and as a certificate service provider under the Bermuda Electronic Transactions Act

The assets, liabilities and results of QuoVadis have been consolidated in the Company's financial statements from the acquisition date of April 03, 2017.

Restatement of prior period

In the interim report 2016 a stock based compensation charge of USD 20,081,131 in relation to the reverse acquisition that took place on March 22, 2016 was recognized for the 6 months to June 30, 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, i.e. a stock based compensation charge of USD 15,916,300 was recognized in the income statement for the year to December 31, 2016 hence an decrease by USD 4,164,831 in general and administrative expenses between June 30, 2016 and December 31, 2016. There was no cash payment following the change in valuation of his shareholding.
However, for the 6 months to June 30, 2016, percentages of shareholding of the Company's CEO were miscalculated as 20.36% prior to the reverse acquisition, and 38.60% after the reverse acquisition, which represented a compensation of incremental Class B shares by 3,891,281 instead of the correct incremental number of 3,086,588 WIHN Class B shares, hence an overstatement of the share-based compensation charge by USD 4,164,831 in the 2016 interim report.

The Consolidated Statements of Changes in Shareholders' Equity (Deficit) reflects the impact of the reverse acquisition that took place on March 22, 2016. In the transaction, WIHN acquired 90.3% of the share capital of WISeKey SA. This gave rise to a noncontrolling interest in total equity of USD (419,825) which was not reflected in the interim report 2016. Similarly the noncontrolling share of WISeKey SA losses from March 22, 2016 to June 30, 2016 for an amount of USD (306,715) was not shown as attributed to noncontrolling interests in the 2016 interim report. Both were included in the annual report to December 31, 2016. This gives rise to a reclassification of USD (306,715) out of the net loss attributable to WIHN and into the net loss attributable to noncontrolling interests in the income statement for the 6 months to June 30, 2016.

The tables below describe the impact of the restatements on the consolidated income statement for the 6 months to June 30, 2016. As mentioned above, the financial statements as at December 31, 2016 included the correct treatment of the two items restated as at June 30, 2016. Therefore the financial statements as at December 31, 2016 will not be restated.

Consolidated Statement of Income / (Loss)	6 months ended June 30, 2016		
USD'000	Per interim report	Restatement	Restated
Net sales	1,276	-	1,276
Cost of sales	(533)	-	(533)
Gross profit	743	-	743
			-
Research & development expenses	(110)	-	(110)
Selling & marketing expenses	(91)	(9,550)	(9,641)
General & administrative expenses	(37,576)	13,714	(23,862)
Total operating expenses	(37,777)	4,164	(33,613)
Operating income / (loss)	(37,034)	4,164	(32,870)
			-
Non-operating income	14		14
Non-operating expenses	(285)		(285)
Income / (loss) from operations before income tax expense	(37,305)	4,164	(33,141)
			-
Income tax (expense)/recovery	(47)		(47)
Net income / (loss)	(37,352)	4,164	(33,188)
			-
Less: Net income / (loss) attributable to noncontrolling interests	-	(307)	(307)
Net income / (loss) attributable to WISeKey International Holding AG	(37,352)	4,471	(32,881)
Loss per share attributable to WISeKey International Holding AG			
Basic	(1.59)		(1.40)
Diluted	(1.59)		(1.40)

Note 4. Summary Of Significant Accounting Policies

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 1 to 14 years. Each period we evaluate the estimated remaining useful lives of intangible assets and whether events or changes in circumstances require a revision to the remaining periods of amortization or that an impairment review be carried out.

Marketable securities

Marketable securities held by the Company are solely made up of available for sale securities. In application of ASC 320-10-30-35-1b available –for-sale securities are measured at fair valued at the reporting date. Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. Realized gains and losses are reported in the income statement in the period when they occur.

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 February 2016, the FASB issued ASU 2016-02, Leases (Topic 842)

Summary: Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP.

The new standard takes effect in 2019 for public business entities.

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.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business
Summary: ASU 2017-01 narrows the definition of a business, a concept fundamental in the determination of whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the ASU, the revised definition of a business consists of the following key concepts:
- A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.
- To be capable of being conducted and managed for the purposes described above, an integrated set of activities and assets requires two essential elements—inputs and a substantive process(es) applied to those inputs.

The ASU introduces a practical "screen" whereby, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business. The ASU also provides several industry-specific examples.
Effective Date: The amendments are effective prospectively for public business entities for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments are effective prospectively for all other entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as follows when certain criteria are met.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment
Summary: ASU 2017-04 eliminates Step 2 of the goodwill impairment test. As such, an entity will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value. If fair value exceeds the carrying amount, no impairment should be recorded. Any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Impairment losses on goodwill cannot be reversed once recognized.
An entity may still perform the optional qualitative assessment for a reporting unit to determine if it is more likely than not that goodwill is impaired. However, the ASU eliminates the requirement to perform a qualitative assessment for any reporting unit with zero or negative carrying amount. Therefore, the same one-step impairment assessment will apply to all reporting units. However, for a reporting unit with a zero or negative carrying amount, the ASU adds a requirement to disclose the amount of goodwill allocated to it and the reportable segment in which it is included.
Effective Date: The amendments have staggered effective dates as follows:
- A public business entity that is a U.S. Securities and Exchange Commission (SEC) filer should adopt the amendments for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019.
- A public business entity that is not an SEC filer should adopt the amendments for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020.
- All other entities, including not-for-profit entities, should adopt the amendments for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021.

Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.
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 March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
Summary: ASU 2017-07 requires that an employer disaggregate the service cost component from the other components of net benefit cost, as follows:
- Service cost must be presented in the same line item(s) as other employee compensation costs. These costs are generally included within income from continuing operations, but in some cases may be eligible for capitalization, if certain criteria are met.
- All other components of net benefit cost must be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. These generally include interest cost, actual return on plan assets, amortization of prior service cost included in accumulated other comprehensive income, and gains or losses from changes in the value of the projected benefit obligation or plan assets. If a separate line item is used to present the other components of net benefit cost, it must be appropriately described. If a separate line item is not used, an entity must disclose the line item(s) in the income statement that includes the other components of net benefit cost. The ASU clarifies that these costs are not eligible for capitalization.

Effective Date: The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those years. For other entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

In May 2017, the FASB issued ASU 2017-09, Scope of Modification Accounting
Summary: ASU 2017-09 clarifies Topic 7183 such that that an entity must apply modification accounting to changes in the terms or conditions of a share-based payment award unless all of the following criteria are met:
1. The fair value of the modified award is the same as the fair value of the original award immediately before the modification. The standard indicates that if the modification does not affect any of the inputs to the valuation technique used to value the award, the entity is not required to estimate the value immediately before and after the modification.
2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the modification.
3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the modification.
Effective Date: The amendments are effective for all entities for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period.
The Company expects to adopt all of the aforementioned guidance when effective. Management is assessing the impact of the aforementioned guidance on its consolidated financial statements but does not expect it to have a material impact.

Note 5. Concentration of credit Risks

Financial instruments that are potentially subject to credit risk consist primarily of cash and cash equivalents and trade accounts receivable. Our cash is held with large financial institutions. Management believes that the financial institutions that hold our investments are financially sound and accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.
The 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 for the 6 months to June 30, 2017 and in fiscal year 2016:

	Revenue concentration		Receivables concentration	
	6 months ended June 30, 2017 (unaudited)	6 months ended June 30, 2016 (unaudited)	As at June 30, 2017 (unaudited)	As at December 31, 2016
IoT operating segment				
Multinational electronics contract manufacturing company	10%	n/a	12%	18%
mPKI operating segment				
International luxury watch company	3%	41%	3%	15%

Note 6. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 7. 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 June 30, 2017		As at December 31, 2016			
	Carrying		Carrying		Fair value	
USD'000	amount	Fair value	amount	Fair value	level	Note ref.
Cash and cash equivalents	6,280	6,280	5,221	5,221	1	6
Accounts receivables	8,807	8,807	-	-	3	8
Notes receivable - third parties	361	361	817	817	3	9
Notes receivable - related parties	114	114	346	346	3	8
Notes receivable of related parties, noncurrent	3	3	64	64	3	35
Marketable securities	969	969	-	-	3	13
Accounts and notes payable	13,240	13,240	10,787	10,787	3	20
Convertible note payable	6,886	6,886	6,886	6,886	3	7
Short-term loan	16,155	16,155	-	-	3	21
Derivative liabilities	747	747	747	747	3	7
Indebtedness to related parties, noncurrent	932	932	-	-	3	35

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 from third parties– carrying amount approximated fair value due to their short term nature
- Notes receivable from related parties– carrying amount approximated fair value due to their short term nature
- Notes receivable of related parties, noncurrent - carrying amount approximated fair value.
- Marketable securities – fair value remeasured as at June 30, 2017.
- Accounts Payable – carrying amount approximated fair value.
- Convertible note payable - carrying amount approximated fair value.
- Short-term loan - carrying amount approximated fair value due to their short term nature
- Derivative liabilities – fair value remeasured as at June 30, 2017.
- Indebtedness to related parties, noncurrent - carrying amount approximated fair value.

Derivative liabilities

At June 30, 2017 the Company holds one derivative instrument which is measured at estimated fair value on a recurring basis and linked to the acquisition on September 20, 2016 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 exchange rate on December 3, 2016).
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 Group expects the full principal amount to be settled in WISeKey Class B shares. 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

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.

At December 31st, 2016, the full principal amount was still outstanding and no conversion rights had been exercised. In 2017, the lender had issued two exercise notices:

- the first on January 11, 2017 for the conversion of CHF 2,200,000. A total of 530,772 WHIN class B shares were delivered on January 16, 2017 as a result of conversion, and
- the second notice on February 28, 2017 for the conversion of CHF 2,200,000. A total of 585,230 WHIN class B shares were delivered on March 08, 2017 as a result of conversion.

On June 20, 2017, the Company and the lender signed an amendment to the convertible note by which the lender extends the maturity date of the outstanding amount to July 20, 2017 and commits to waive its cash redemption right and convert the full remaining amount at the newly agreed maturity date of July 20, 2017, not before. All other provisions of the original convertible note agreement remain unchanged.
Therefore as at June 30, 2017 the principal amount of CHF 6,600,000 remained outstanding.

At June 30, 2017 the debt host instrument has reached its maturity date and has been fully accreted up to its principal amount of CHF 6,600,000 (USD 6,886,156 at period end rate) 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 accretion and discount amortization charges are shown on the same line in the income statement, as interest and amortization of debt discount and expense for a total amount of CHF 1,396,473 (USD 1,404,088 at average rate over the period) for the 6 months to June 30, 2017.

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. The derivative instrument was revalued at fair value as of December 31, 2016 to CHF 1,215,195 (USD 1,192,526 at year end rate).

For the first conversion on January 16, 2017:

- To account for the conversion of January 16, 2017 the Company revalued the derivative instrument at fair value at that date to CHF 1,427,379 (USD 1,410,927 at historical rate) and recorded a loss on derivative of CHF 212,184 (USD 209,738 at historical rate). The fair value of the derivative instrument corresponding to the conversion was calculated on a prorata basis (CHF 2.2M out of CHF 11M) as CHF 285,476 (USD 282,186 at historical rate).
- To update the valuation of the separated conversion option to the date the instrument is partially converted, the Company elected to adjust the instrument to its intrinsic value, i.e. CHF 252,170 (USD 249,263 at historical rate) which gave rise to a gain on derivative of CHF 33,306 (USD 32,922 at historical rate) recorded in the income statement.
- As at January 16, 2017 the debt host instrument was valued at CHF 9,361,759 with up-to-date amortization and accretion including an unamortized debt discount of CHF 1,638,241, hence a prorated value for the conversion of CHF 1,872,352 (USD 1,850,771 at historical date) including an unamortized debt discount for CHF 327,648 (USD 323,872).
- At January 16, 2017, the fair value of the consideration was calculated using the closing market price of the WIHN securities of CHF 4.62 for the 530,772 WIHN Class B shares issued, hence a consideration of CHF 2,452,167 (USD 2,423,903).
- Upon conversion, the Company recorded the extinguishment of the debt liability for CHF 1,872,352 (USD 1,850,771) and the extinguishment of the derivative liability for CHF 252,170 (USD 249,263), and a net loss on extinguishment in the income statement of CHF 327,645 (USD 323,868).
- Hence outstanding balances as at January 16, 2017 after the conversion of CHF 7,489,407 (USD 7,403,084 at historical rate) for the debt instrument including a debt discount of CHF 1,310,593 (USD 1,295,487), and CHF 1,141,903 (USD 1,128,741) for the derivative instrument.

For the second conversion on March 08,2017:

- To account for the conversion of March 08, 2017 the Company revalued the outstanding derivative instrument at fair value at that date to CHF 971,483 (USD 957,424 at historical rate) and recorded a gain on derivative of CHF 170,420 (USD 167,954 at historical rate). The fair value of the derivative instrument corresponding to the conversion was calculated on a prorata basis (CHF 2.2M out of CHF 8.8M outstanding) as CHF 242,871 (USD 239,356 at historical rate).
- To update the valuation of the separated conversion option to the date the instrument is partially converted, the Company elected to adjust the instrument to its intrinsic value, i.e. CHF 228,708 (USD 225,398 at historical rate) which gave rise to a gain on derivative of CHF 14,163 (USD 13,958 at historical rate) recorded in the income statement.
- As at March 08, 2017 the debt host instrument was valued at CHF 7,923,434 with up-to-date amortization and accretion including an unamortized debt discount of CHF 876,566, hence a prorated value for the conversion of CHF 1,980,859 (USD 1,952,192 at historical date) including an unamortized debt discount for CHF 219,142 (USD 215,971)
- At March 08, 2017, the fair value of the consideration was calculated using the closing market price of the WIHN securities of CHF 4.15 for the 585,230 WIHN Class B shares issued, hence a consideration of CHF 2,428,705 (USD 2,393,557).
- Upon conversion, the Company recorded the extinguishment of the debt liability for CHF 1,980,859 (USD 1,952,192) and the extinguishment of the derivative liability for CHF 228,708 (USD 225,398), and a net gain on extinguishment in the income statement of CHF 219,138 (USD 215,967).
- Hence outstanding balances as at March 08, 2017 after the conversion of CHF 5,942,576 (USD 5,856,575 at historical rate) for the debt instrument including a debt discount of CHF 657,424 (USD 647,910), and CHF 728,612 (USD 718,068) for the derivative instrument.

The outstanding derivative instrument after both conversion was revalued at fair value as of June 30, 2017 to CHF 716,205 (USD 747,070 at closing rate) which is shown as a separate line on the balance sheet as at June 30, 2017.

Derivative liabilities	USD'000
Balance as at December 31, 2016	1,193
Loss on derivative to January 16, 2017	177
Derivative extinguishment on January 16, 2017	(249)
Gain on derivative to March 08, 2017	(182)
Derivative extinguishment on March 08, 2017	(225)
Foreign exchange gain	34
Fair value as at June 30, 2017	747

Note 8. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Trade accounts receivable	8,634	6,950
Allowance for doubtful accounts	(264)	-
Receivable from, and short-term loan, to shareholders	-	343
Receivable from, and short-term loan to, Board Members	52	-
Receivable from, and short-term loan to, other related parties	62	-
Receivable from, and short-term loan to, underwriters, promoters, and employees	26	29
Other accounts receivable	297	411
Total accounts receivable net of allowance for doubtful accounts	8,807	7,733

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 52,168) to Maryla Shingler-Bobbio, member of the Board, on September 23, 2016. It carries a 5% pa interest rate.
- A short-term receivable for an amount of CHF 59,335 (USD 61,907) with the OISTE Foundation.

Note 9. Notes receivable

On May 12, 2016, the Company granted a loan for an amount of CHF 345,570 (USD 360,552) to a US investor.

Note 10. Inventories

Inventories consisted of the following:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Raw materials	867	1,293
Work in progress	1,705	1,667
Finished goods	101	24
Total inventories	2,673	2,983

Note 11. Deferred tax assets, current

Current deferred tax assets consisted of the following:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Deferred income taxes, current	2	-
Deferred other tax credits, current	2	-
Total deferred tax assets , current	4	-

Note 12. Other current assets

Other current assets consisted of the following:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Value-Added Tax Receivable	735	421
Advanced payment to suppliers	917	470
Deposits, current	19	-
Other currrent assets	2	(22)
Total other current assets	1,673	869

Note 13. Marketable securities

On March 29, 2017, the Company 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 was, in accordance with applicable terms of a convertible loan agreement, converted into OpenLimit Shares issued by OpenLimit out of its existing authorized share capital. The conversion price wasset at 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 March 29, 2017. WISeKey received 2,200,000 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis. The conversion price was EUR 0.3409. The marketable securities, categorized as securities available for sale were fair valued at market price on the date of the transaction to USD 983,553.
In line with ASC 320320-10-35-1b on available-for-sale securities, the Company fair valued the OpenLimit securities as at June 30, 2017, using the closing market price of EU 0.3860, hence a balance of USD 969,099.

Note 14. Deferred tax assets, noncurrent

Noncurrent deferred tax assets consisted of the following:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Deferred income taxes, noncurrent	477	-
Deferred income tax credits, noncurrent	-	-
Deferred research & development tax credits, noncurrent	1,999	-
Deferred other tax credits, noncurrent	-	-
Total deferred tax assets , noncurrent	2,476	-

On acquisition of QuoVadis, the Company recorded a deferred income tax asset of USD 477,000 in relation to the Swiss and British affiliates of the QuoVadis group.

WISeKey Semiconductors SAS is eligible for Research tax credits provided by the French government. As of June 30, 2017 WISeKey Semiconductors SAS has a receivable balance of USD 1,889,893 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 and is therefore shown under deferred tax assets. As at December 31, 2016, the receivable tax credit balance was shown in other noncurrent assets.

Note 15. Property, plant and equipment

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

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Buildings and building improvements	3,813	1,887
Machinery & equipment	3,693	3,339
Office equipment and furniture	2,799	911
Computer equipment and licences	5,950	926
Total property, plant and equipment gross	16,255	7,063
Accumulated depreciation for:		
Buildings and building improvements	(3,740)	(1,561)
Machinery & equipment	(777)	(287)
Office equipment and furniture	(2,408)	(879)
Computer equipment and licences	(5,045)	(922)
Total accumulated depreciation	(11,970)	(3,649)
Total property, plant and equipment, net	4,285	3,414
Depreciation charge for the period	462	163

The depreciation charge for the 6 months to June 30, 2016 was USD 10,000.

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

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

Note 16. Intangible assets

Intangible assets and future amortization expenses as of June 30, 2017 consisted of the following.

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Trademarks	3,218	123
Patents	2,281	-
License agreements	10,842	12,321
Other intangibles	18,366	3,713
Total intangible assets gross	34,707	16,157
Accumulated amortization for:		
Trademarks	(203)	(119)
Patents	(1,064)	-
License agreements	(10,779)	(10,204)
Other intangibles	(6,195)	(3,713)
Total Accumulated amortization	(18,241)	(14,036)
Total intangible assets, net	16,466	2,121
Amortization charge for the period	1,130	1,026

The amortization charge for the 6 months to June 30, 2016 was USD 19,000.

The Other intangibles balance includes:

- a balance of USD 923,000 of firm customer orders backlog acquired with WISeKey Semiconductors SAS from Inside Secure SA in fiscal year 2016. 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 258,234 was recorded for the 6 months to June 30, 2017.

- A balance of USD 8,721,000 for customer relationships acquired with QuoVadis on April 03, 2017. Customer relationships consist of interactions with clients which can be identified and where the target has a history and pattern of conducting business with. QuoVadis has a loyal customer base comprising more than 3'300 customers in 6 countries which generate recurring sales to the company. Customer relationships were valued using the Multi-period excess earnings method ("MEEM") at acquisition. The balance is amortized over the estimated remaining useful life of 14 years. An amortization charge of USD 154,670 was recorded for the period to June 30, 2017.
- A balance of USD 2,452,000 for software acquired with QuoVadis on April 03, 2017. The software was valued using the cost approach (reproduction cost method) at acquisition. The balance is amortized over the estimated remaining useful life of 6 years. An amortization charge of USD 201,667 was recorded for the period to June 30, 2017.
- A balance of USD 990,000 for accreditations acquired with QuoVadis on April 03, 2017. The accreditations were valued using the cost approach (reproduction cost method) at acquisition. The balance is amortized over the estimated remaining useful life of 1 year, which is the expected time between each accreditation recertification. An amortization charge of USD 246,000 was recorded for the period to June 30, 2017.

The useful economic life of intangible assets is as follow:

- Trademarks: 5 to 10 years
- License agreements: 3 to 5 years
- Backlog of firm customer orders as and when corresponding revenue is recognized
- Customer relationship 14 years
- Software 1 to 6 years
- Accreditations 1 year

Future amortization charges are detailed below:

Future estimated aggegate amortization expense		USD'000
	2017	1,373
	2018	2,043
	2019	1,871
	2020	1,940
	2021	1,340
	2022	1,340
	2023 and beyond	6,558

Note 17. Business combinations

Acquisition of QuoVadis

On April 03, 2017 the Company acquired QV Holdings Ltd, a Bermuda based company, and its affiliates. The QuoVadis Group provides digital certificate services, internet security, computer equipment and data hosting, disaster recovery and data backup services. The Company holds accreditations under the AICPA WebTrust Standard QuoVadis, and is also accredited by the Swiss Government under the ZertES regulations, by the Dutch Government under the ETSI, PKI Overheid and eHerkenning regulations, and as a certificate service provider under the Bermuda Electronic Transactions Act

The assets, liabilities and results of QuoVadis have been consolidated in the Company's financial statements from the acquisition date of April 03, 2017.

The major classes of assets and liabilities acquired by WIHN based on the preliminary purchase price allocation are as follows:

Consolidated Balance Sheet - QuoVadis group	Opening balance As at April 03,
USD'000	2017
ASSETS	
Current assets	
Cash and cash equivalents	3,371
Accounts receivable, net of allowance for doubtful accounts	2,605
Prepaid expenses	305
Total current assets	6,281
Noncurrent assets	
Property, plant and equipment net of accumulated depreciation	1,049
Intangible assets, net of accumulated amortization	15,251
Goodwill	-
Deferred tax assets	477
Other noncurrent assets	130
Total noncurrent assets	16,907
TOTAL ASSETS	23,188
LIABILITIES	
Current Liabilities	
Accounts and notes payable	3,539
Deferred revenue	984
Other current liabilities	356
Total current liabilities	4,879
Noncurrent liabilities	
Bonds, mortgages and other long-term debt	598
Employee benefit plan obligation	693
Deferred tax liabilities	1,557
Total noncurrent liabilities	2,848
TOTAL LIABILITIES	7,727
TOTAL NET ASSETS	15,461

Goodwill calculation	USD'000	USD'000
Consideration		
Cash consideration	13,000	
Repayment of debt	2,000	
Payment in 1,110,000 WIHN Class B shares at fair value	4,307	
NCI put and call option	4,339	
Total consideration paid		23,646
Net assets acquired		
Total net assets of QuoVadis group at acquisition	15,461	
Total net assets acquired		15,461
Goodwill at acquisition		8,185

The consideration of USD 23,646,000 for the acquisition of QuoVadis was made up of the following components:

- A cash payment of USD 15,000,000
- A payment in 1,110,000 WIHN Class B shares, fair valued at USD 4,307,000 at market price at acquisition on April 03, 2017.
- A shareholders' put and call option agreement over the 15% noncontrolling interest, fair valued at USD 4,339,000 by discounting the expected purchase price of CHF 5M due by May 31, 2018 to the transaction day of April 03, 2017 using the Company's weighted average cost of capital (WACC).

In line with ASC 480, the put and call options on the 15% noncontrolling are embedded features of the shares held by the noncontrolling interests in QV Holdings Ltd. They are deemed to be contingently redeemable instruments as a result and are treated as noncontrolling interests. The Company elected to apply ASC 480-10-S99 under which such redeemable instruments should be presented outside of the permanent equity in what is generally called the mezzanine equity section. The Company has therefore accounted for the part of the consideration as redeemable preferred shares and the carrying amount will be accredited back to the expected redemption amount of CHF 5M over the period to the redemption date on May 31, 2018. The initial amount recognized as redeemable preferred shares was USD 4,339,000 at acquisition on April 03, 2017. In the period from acquisition to June 30, 2017, a deemed dividend of USD 336,000 was accreted, hence a balance of redeemable preferred shares as at June 30, 2017 of USD 4,675,000.

The goodwill arising from the acquisition is USD 8,184,695. See note 18.

Note 18. Goodwill

Goodwill of USD 8,184,695 arose as a result of the acquisition by the Company of QuoVadis on April 03, 2017. See Note 17.

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 June 30, 2017.

Goodwill	USD'000
Goodwill balance as at December 31, 2016	8,317
Acquisition of QuoVadis group	8,185
Goodwill balance as at June 30, 2017	16,502

Note 19. Other noncurrent assets

Other noncurrent assets consisted of the following:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Deposits, noncurrent	150	149
Other noncurrent assets	136	2,231
Total other noncurrent assets	286	2,380

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

Note 20. Accounts Payable

The current accounts payable are composed as follows:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Trade creditors	6,862	6,314
Banks for borrowings	237	-
Payable to, and short-term loan from, shareholders	-	14
Payable to, and short-term loan from, Board Members	172	147
Payable to, and short-term loan from, other related parties	-	-
Accounts payable to employees	1,699	1,744
Other accounts payable	4,270	2,569
Total accounts and notes payable	13,240	10,787

Accounts payable to related parties are solely made up of payables to Board Members, USD 156,504 of accrued board.

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

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

Note 21. Loans and line of credit

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

On January 16, 2017 the Company signed an acquisition line of credit agreement with ExWorks Capital Fund I, L.P. ("ExWorks") headquartered in the USA, is an international, import and export finance company that offers financing solutions to businesses utilizing its own capital as well as by leveraging its Delegated Authority granted by both the SBA and ExIm Bank. A first amendment was subsequently signed on February 06, 2017, and a second amendment on March 31, 2017.

With this line of credit agreement, the Company may borrow up to $16,400,000. Borrowings under the line of credit agreement bear interest payable monthly at 1.5%. The maturity date of the arrangement is December 31, 2018. Balances payable under this arrangement are due on the sooner of (i) one year or (ii) December 31, 2018. Therefore all outstanding balances are classified as current liabilities in the balance sheet. However the Company has an extension option, exercisable between September 30, 2017 and January 01, 2018 provided that there was no default of payment and an extension fee of USD 300,000 is settled, whereby the Company is eligible to extend the maturity date of each outstanding loan by up to six months.

As at June 30, 2017, outstanding borrowings were USD 16,155,281.42. The amount available for additional borrowings under this arrangement as at June 30, 2017 was USD 244,718.58.

Under the terms of the line of credit, the Company is required to not enter into agreements that would result in restriction on liens, reserved restriction on indebtedness, mergers, consolidations, organizational changes except with an affiliate, contingent and third party liabilities, any substantial change in the nature of its business, restricted payments, insider transactions, certain debt payments, certain agreements, negative pledge or asset transfer other than sale of assets in the ordinary course of business. Furthermore, the Company is required to maintain its existence and pay all taxes and other liabilities, provide ExWorks with periodical accounting reports and the detail of any material litigation, comply with applicable laws, meet the financial covenants set in the line of credit agreement in terms of average cash on hand and minimum ending cash on hand.The Company has complied with the line of credit covenants in the six months to June 30, 2017.

Borrowings under the line of credit are secured by (i) the grant of options to ExWorks exercisable for up to 1,075,000 WIHN Class B registered shares, par value CHF 0.05, at an exercise price corresponding to a volume-weighted average price determined by reference to a period commencing after WISeKey's announcement of its audited FY2016 annual results; (ii) 100% of the shares in WiseTrust SA; (iii) all of the equity interest of the Company in WISeKey SA; (iv) a first ranking Swiss law pledge over intellectual property ("IP") rights of WISeKey SA; (v) 100% of the shares in QuoVadis Trustlink Schweiz AG; (vi) any cash bank account of the Company held in Switzerland; (vii) 100% of the shares in WISeKey USA; (viii) 100% of the shares in WISeKey Singapore; and (ix) 100% of the shares held by the WIHN in WISeKey SAARC Ltd; (x) all shares owned by QV Holdings Ltd and QuoVadis Ltd in each of its respective subsidiaries.

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

Share Subscription Facility with GEM LLC

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

On June 29, 2017 WISeKey made one drawdown for CHF 279,900 (USD 292,538 at historical rate) in exchange for 100,000 WIHN class B shares issued out of authorized share capital.

Therefore as at June 30, 2017 the outstanding facility available is CHF 59,720,100.

Note 22. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Value-Added Tax Payable	595	-
Other tax payable	36	-
Advances from customers	661	391
Onerous contracts, current	2,478	2,921
Supplier contract liability	-	386
Other current liabilities	-	126
Total other current liabilities	3,770	3,824

The onerous supply contract provision relates to an outsourcing of operations made by the previous owner of WISeKey Semiconductors SAS, Inside Secure SA, in an agreement dated June 04, 2015. As part of this agreement, circa 40 employees were transferred from the previous owner to the outsource manufacturer. At that time a charge of EUR 4.1M was made corresponding to the present value of the most probable estimation of the amount payable to the outsource provider during the first 3 years of the agreement to June 04, 2018, 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 04, 2018 therefore as at June 30, 2017 the entire outstanding balance is shown as current.

As at December 31, 2016 the Company recorded a supplier contract liability in relation to a licensing agreement with Atmel Corporation for the commercialisation of Secure Microcontroller and Smart Secure Chip products. The contract had expired and new terms were currently being negotiated. The provision had been made in accordance with the conditions of the previous agreement in case the new terms were not agreed. In the 6 months to June 30, 2017 the negotiations were successful and resulted in a new contract the terms of which are deemed to be at arm's length. In the period the provision was therefore released respectively as USD 98,000 used before the new contract was signed, then a release of the remaining unused provision USD 292,612 from other current liabilities and USD 1,140,978 from noncurrent assets into other operating income.

Note 23. Employee Benefit Plans

Defined Benefit Post-retirement Plan

The group maintains three pension plans: one maintained by WISeKey SA covering its employees in Switzerland, one maintained by QuoVadis Trustlink Schweiz AG covering its employees in Switzerland, and a third one maintained by WISeKey Semiconductors SAS covering its French employees.

All plans are considered defined benefit plans and accounted for in accordance with ASC 715 Compensation – Retirement Benefits. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services 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.

The pension liability calculated as at June 30, 2017 is based on annual personnel costs and assumptions from December 31, 2016.

The expected future cash flows to be paid by the Company for employer contribution for the year ended December 31, 2017 are USD 128,000.

Movement in Funded Status USD'000	6 months to June 30, 2017	6 months to June 30, 2016
Net Service cost	209	128
Interest cost/(credit)	40	31
Expected return on Assets	-	(39)
Amortization on Net (gain)/loss	52	-
Amortization on Prior service cost/(credit)	31	75
Total Net Periodic Benefit Cost/(credit)	331	195
Employer contributions paid in the period	(114)	(202)
Total Cashflow	(114)	(202)

All of the assets are held under the collective contract by the plan's re-insurer company and are invested in a mix of Swiss and International bond and equity securities.

Note 24. Deferred income tax liability, noncurrent

On acquisition of QuoVadis, indicative deferred tax liabilities of USD 1'557,000 were recorded in relation to the fair value of customer relationships and property, plants and equipment ("PPE") located with the local QuoVadis subsidiaries. Deferred tax liabilities for customer relationships and PPE have been considered based on the tax jurisdictions of the individual countries.
For the 6 months to June 30, 2017 an amortization of the deferred tax liability of USD 28,570 was credited to the income statement.
The deferred income tax liability remaining as at June 30, 2017 was USD 114,660 current and USD 1,413,780 noncurrent.

Note 25. Other noncurrent liabilities

Other noncurrent liabilities consisted of the following:

Other noncurrent liabilities USD'000	As at June 30, 2017 (unaudited)	As at December 31, 2016
Onerous contracts, noncurrent	-	1,201
Supplier contract liability	-	1,128
Other noncurrent liabilities	-	-
Total other noncurrent liabilities	-	2,329

See note 22 for details on the treatment of the onerous contracts and supplier contract liabilities outstanding as at December 31, 2016.

Note 26. Commitments and contingencies

Lease Commitments

We lease certain facilities and equipment under operating leases. As of June 30, 2017, future minimum annual operating lease payments were as follows (in USD):

Year	USD'000
2017	482
2018	901
2019	851
2020	754
2021	601
2022	279
Total future minimum operating lease payments	3,867

Guarantees

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

Note 27. Stockholders' equity

WISeKey International Holding AG

Share Capital	As at June 30, 2017		As at December 31, 2016	
	Class A Shares	*Class B Shares*	*Class A Shares*	*Class B Shares*
Total number of authorized shares	-	13,731,248	-	9,334,847
Total number of conditional shares	-	13,831,248	-	10,669,212
Total number of fully paid-in shares	40,021,988	19,758,100	40,021,988	14,668,392
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	1,014,478	400,186	756,010
Total share capital (in USD)	1,414,664		1,156,196	

Note 28. Accumulated Other Comprehensive Income

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

Accumulated Other Comprehensive Income	USD'000	USD'000
Accumulated other comprehensive loss as at 31.12.2016		(1,898)
Total Net foreign currency translation adjustments	(56)	
Total defined benefit pension adjustment	-	
Total Other comprehensive income/(loss), net		(56)
Accumulated other comprehensive loss as at 30.06.2017		(1,954)

Note 29. Stock-based compensation

Employee Stock Option Plans

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

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

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

Grants

In the 6 months to June 30, 2017, the Company granted a total of 1,220,000 options exercisable on the Company's class B shares. Each warrant is exercisable into one class B share.

The warrants granted consist of:

- 25,000 warrants with immediate vesting granted to external advisors, all of which had been exercised as of June 30, 2017;
- 120,000 warrants with immediate vesting granted to external advisors, none of which had been exercised as of June 30, 2017.
- 1,075,000 warrants with immediate vesting granted to ExWorks Capital Fund LP as part of the fees in relation to the revolving credit agreement described in note 21. None of these options had been exercised as of June 30, 2017.

The warrants granted were valued at grant date using the Black-Scholes model. Unexercised warrants to external advisers at June 30, 2017 were revalued to their fair value at June 30, 2017 using the same model.

Stock Option Charge to the Income Statement

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 the Company over the prior 12 months.

As a result, in the 6 months to June 30, 2017, a total charge of USD 2,416,858 for options granted to nonemployees was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant.

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

Assumption	June 30, 2017	June 30, 2016
Dividend yield	None	None
Risk-free interest rate used (average)	1.00%	2.00%
Expected market price volatility	62.20%	60.00%
Average remaining expected life of stock options	0.90 year	0.25 year

During the 6 months ended June 30, 2017, the weighted average fair value at grant of options granted was USD 1.98.

The following table illustrates the development of the Company's non-vested options during the 6 months ended June 30.

Non-vested options	Number of WIHN Class B Shares under options	Weighted-average grant date fair value (USD)
Non-vested options as at December 31, 2016	-	-
Granted	1,220,000	1.83
Vested	(1,220,000)	1.83
Non-vested forfeited or cancelled	-	-
Non-vested options as at June 30, 2017	-	-

As at June 30, 2017, there was no unrecognized compensation expense related to non-vested stock option based on compensation arrangements.

The following table summarizes the Company's stock option activity for the 6 months ended June 30, 2017.

Options on WIHN Shares	WIHN Class B Shares under options	Weighted-average exercise price (USD)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (USD)
Outstanding at December 31, 2016	670,206	0.31	3.58	821,207
Of which non-vested	-	-	-	-
Granted	1,220,000	3.20	-	-
Exercised or converted	(70,000)	0.32	-	95,619
Forfeited or expired	-	-	-	-
Outstanding as at June 30, 2017	1,820,206	2.25	2.74	(1,294,736)
Of which non-vested	-	-	-	-

Summary of Stock-Based Compensation Expenses

Stock-based compensation expenses	6 months ended June 30,	
(In USD'000)	2017	2016 (Restated)
In relation to warrants issued	2,417	442
In relation to the reverse acquisition	-	15,916
In relation to Employee Stock Option Plans	-	10,543
Total	2,417	26,901

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

Stock-based compensation expenses	6 months ended June 30,	
(In USD'000)	2017	2016 (Restated)
Research & development expenses	-	26
Selling & marketing expenses	-	10,083
General & administrative expenses	266	16,792
Non-operating expenses - Financial charges	2,151	
Total	2,417	26,901

Note 30. Non-operating income

Non-operating income consisted of the following:

	6 months ended June 30,	
USD'000	2017 (unaudited)	2016 (unaudited)
Foreign exchange gain	(1,168)	-
Financial income	16	14
Other	(2)	-
Total non-operating income	(1,154)	14

Note 31. Non-operating expenses

Non-operating expenses consisted of the following:

	6 months ended June 30,	
USD'000	2017 (unaudited)	2016 (unaudited)
Foreign exchange losses	332	41
Financial charges	3,258	8
Capital Gain tax charges	-	-
Other	5	236
Total non-operating expenses	3,595	285

Note 32. Segment Information and Geographic Data

The Company has two segments: Internet of Things ("IoT", previously referred to as "Semiconductors") and managed Public Key Infrastructure ("mPKI", previously referred to as "Others"). The Company's chief operating decision maker, who is its Chief Executive Officer, reviews financial performance according to these two segments for purposes of allocating resources and assessing budgets and performance.

The IoT segment encompasses the design, manufacturing, sales and distribution of microprocessors operations. The mPKI segment includes all operations relating to the provision of secured access keys, authentication, signing software, certificates and digital security applications.

6 months to June 30, 2017			
USD'000	IoT	mPKI	Total
Revenues from external customers	15,027	6,142	21,169
Intersegment revenues	1	-	1
Interest revenue	-	-	-
Interest expense	-	-	-
Depreciation and amortization	949	643	1,592
Segment income / (loss) before income taxes	2,327	(8,090)	(5,763)
Profit / (loss) from intersegment sales	-	-	-
Income tax income	-	9	9
Other significant non cash items			
Share-based compensation expense	-	2,417	2,417
Gain on derivative liability	-	18	18
Interest and amortization of debt discount and expense	-	1,586	1,586
Segment assets	26,404	44,461	70,865

Revenue reconciliation	USD'000
Total revenue for reportable segment	21,170
Elimination of intersegment revenue	(1)
Total consolidated revenue	21,169

Loss reconciliation	USD'000
Total profit / (loss) from reportable segments	5,763
Elimination of intersegment profits	-
Loss before before income taxes	5,763

Assets	USD'000
Total assets from reportable segments	70,865
Elimination of intersegment receivables	(1)
Elimination of intersegment investment and goodwill	(7,775)
Consolidated total assets	63,089

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	6 months ended June 30,	
USD	2017 (unaudited)	2016 (unaudited)
Europe	12,494	1,224
North America	7,017	52
Asia Pacific	1,526	-
Latin America	132	
Total Net sales	21,169	1,276

Property, plant and equipment, net of depreciation by region	As at June 30,	As at December 31,
USD'000	2017	2016
Europe	4,242	3,409
North America	1	1
Asia Pacific	42	3
Latin America	-	-
Total Property, plant and equipment, net of depreciation	4,285	3,413

Note 33. Loss per share

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

	6 months ended June 30,	
Loss per share	2017	2016
Net loss attributable to WISeKey International Holding AG (USD'000)	(5,491)	(33,003)
Weighted average shares outstanding - basic	27,897,989	23,320,540
Basic and diluted weighted average loss per share attributable to WIHN (USD)	(0.20)	(1.40)

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.

Note 34. Legal proceedings

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

Note 35. Related parties disclosure

Subsidiaries

The consolidated financial statements of the Company include the entities listed in the following table. All are fully consolidated in the financial statements of the Company.

Group Company Name	Country of incorporation	Year of incorporation	Share Capital		Nature of business	% ownership by WISeKey International Holding AG as of June 30, 2017	% ownership by WISeKey International Holding AG as of December 31, 2016
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%
WISeKey KK	Japan	2017	JPY	1,000,000	Sales & distribution	100.0%	not incorporated
QuoVadis Trustlink Schweiz AG	Switzerland	2005	CHF	100,000	Sales & distribution	85.0%	n/a
QuoVadis Online Security Ltd	U.K.	2007	GBP	200	Sales & distribution	85.0%	n/a
QuoVadis Trustlink BVBA	Belgium	2013	CHF	100,000	Sales & distribution	68.0%	n/a
QuoVadis Trustlink BV	The Netherlands	2008	GBP	200	Sales & distribution	68.0%	n/a
QuoVadis Trustlink GmbH	Germany	2014	CHF	100,000	Sales & distribution	85.0%	n/a
QuoVadis Services Ltd	Bermuda	2000	GBP	200	Support and R&D services	43.4%	n/a
QuoVadis Ltd	Bermuda	2000	CHF	100,000	Support and R&D services	85.0%	n/a
QV Holdings Ltd	Bermuda	1999	GBP	200	Holding for the QuoVadis group	85.0%	n/a

* 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 at June 30, 2017	Receivables as at December 31, 2016	Payables as at June 30, 2016	Payables as at December 31, 2016	Net income from in the 6 months ended June 30, 2017	Net income from in the 6 months ended June 30, 2016	Net expenses to in the 6 months ended June 30, 2017	Net expenses to in the 6 months ended June 30, 2016
1	Maryla Shingler-Bobbio	52	49	31	29	-	-	-	-
2	Franz Humer	-	294		-	-	-	-	849
3	Philippe Doubre	-	-	46	43	-	-	-	-
4	Thomas J. Egger	-	-	31	29	-	-	-	-
5	Juan Hernandez-Zayas	-	-	31	29	-	-	-	-
6	Dourgam Kummer	-	-	31	29	-	-	-	26
7	David Fergusson	-	-	5	0	-	-	20	169
8	Wiseqwant	3	2	-	-	-	-	-	-
9	OISTE	62	62	-	-	55	-	109	-
10	Todd Ruppert	339	339	-	-	-	-	-	-
11	Lifestyle Solutions	300	300	-	-	-	-	-	-
12	Roman Brunner	-	-	401	-	-	-	-	-
13	Edmund Gibbons Limited	-	-	450	-	-	-	-	-
14	Terra Ventures Inc	-	-	31	-	-	-	-	-
15	SAI LLC (SBT Ventures)	-	-	33	-	-	-	-	-
16	GSP Holdings Ltd	-	-	16	-	-	-	-	-
	Total	756	1,047	1,107	161	55	-	128	1,044

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 23, 2016, the Company made a loan for an amount of CHF 50,000 (USD 52,168) to Maryla Shingler-Bobbio. This loan matures on September 30, 2017. It carries an interest rate of 5% per annum.
The payable to Maryla Shingler-Bobbio as at June 30, 2017 relates to her Board fee.

2. Dr Franz Humer is a former Board member of the Company, and former member of the Company's strategy committee and nomination & compensation committee, as well as a shareholder. On May 13, 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.

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 at June 30, 2017 relates to his Board fee, and an additional fee for special services to the Company.

4. Thomas J. Egger is a former Board member of the Company, and former member of the Company's audit committee, as well as a shareholder. The payable to Thomas J. Egger as at June 30, 2017 relates to his Board fee.

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 at June 30, 2017 relates to his Board fee.

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 at June30, 2017 relates to his Board fee.

7. David Fergusson is a Board member of the Company, appointed in the Company's last Annual General Meeting on May 31, 2017. Prior to becoming a Board member of the Company, David Fergusson provided advisory services and was compensated in WIHN options fair valued at grant at USD 169,000 applying the Black Scholes model in the 6 months to June 30, 2016, and compensated in cash for USD 20,000 in the 6 months to June 30, 2017. As at June 30, 2017 a balance of USD 5,000 remained unpaid in relation to the advisory services provided in 2017.

8. 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 31, 2016, Wiseqwant had received a short-term loan of CHF 2,500 which remained outstanding as at June 30, 2017 for USD 2,608. The loan is expected to be repaid in 2017.

9. 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 non-interest-bearing loan for USD 61,650 was outstanding as of December 31, 2016. The loan was fully repaid in 2017.
In the 6 months to June 30, 2017 WISeKey SA invoiced OISTE CHF 54,940 (USD 55,240) for the facilities and personnel paid by WISeKey SA on behalf of OISTE. As at June 30, 2017 the full balance including VAT was outstanding for CHF 59,335 (USD 61,908).
The expenses relating to OISTE recognized in 2017 relates solely to the license fee for the 6 months to June 30, 2017 under the contract agreement with WISeKey SA.

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

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

12. Roman Brunner is the CEO of QuoVadis, acquired by the Company on April 03, 2017. He entered in a loan agreement with QV Holdings LTD in 2007 and has made loans to QV Holdings LTD of varying amounts since 2007. The loan carries an interest rate of 5% per annum and has no fixed repayment date. As at June 30, 2017 the balance of the loan due by QV Holdings LTD to Roman Brunner was USD 401,233.
The wages and salaries and contributions paid to Roman Brunner as part of his employment with WISeKey are not disclosed in this table because they do not qualify as related party transactions, being in the normal course of business and at arm's length.

13. Edmund Gibbons Limited has a 49% shareholding in QuoVadis Services Ltd. QuoVadis Services Ltd has issued a promissory note to Edmund Gibbons Limited for USD 450,000 outstanding as at June 30, 2017. The note is non-interest bearing.

14. Terra Ventures Inc has a 16% shareholding in WISeKey SAARC Ltd. Terra Ventures issued a USD 31,350 loan to WISeKey SAARC Ltd on January 24, 2017. The loan is non-interest bearing and has no set repayment date.

15. SAI LLC, doing business as SBT Ventures, has a 16% shareholding in WISeKey SAARC Ltd. SAI LLC issued a CHF 31,280 (USD 32,636) loan to WISeKey SAARC Ltd on January 25, 2017. The loan is non-interest bearing and has no set repayment date.

16. GSP Holdings Ltd has a 16% shareholding in WISeKey SAARC Ltd. GSP Holdings Ltd issued a CHF 15,651 (USD 16,330) loan to WISeKey SAARC Ltd on February 02, 2017. The loan is non-interest bearing and has no set repayment date.

Note 36. Subsequent events

Amendment of ExWorks line of credit agreement

On July 21, 2017, the Company signed a third amendment to the line of credit agreement with ExWorks (see Note 21)
Per this amendment, ExWorks makes a USD 250,000 short-term loan to the Company in addition to the existing credit line agreements. This short-term loan is due and payable in cash or in 83,333 WIHN Class B shares on the sooner of: (i) within five days after the Company publishes a SIX listing prospectus for the listing of shares that may be issuable to ExWorks, or (ii) September 25, 2017.
The amendment also adds an interest repayment option whereby, at ExWorks' discretion, future payments of interest on the borrowings may be made in either cash or in WIHN Class B shares, and determines the conversion price to be used in the latter case, based on the lower of the volume-weighted average price of the shares during (i) the 30 trading days, and (ii) the 10 trading days immediately preceding the date the conversion notice is delivered by ExWorks, with a floor price of the lower of the volume-weighted average price of the shares during (i) the 30 trading days, and (ii) the 10 trading days immediately preceding July 21, 2017 the effective date of the amendment.

GEM Facility

On August, 2017 WISeKey executed another drawdown on the Gem Facility described in note 21 for CHF 1,396,575 (USD 1,432,727 at historical rate) in exchange for 325,000 WIHN class B shares issued out of authorized share capital.
Therefore as at August 31, 2017 the outstanding facility available is CHF 58,323,525.