WISeKey

ANNUAL REPORT 2017

WISECOIN

WISWATCH

BLOCKCHAIN

TRANSHUMAN CODE

IOT

IOT

Contents

TO OUR SHAREHOLDERS

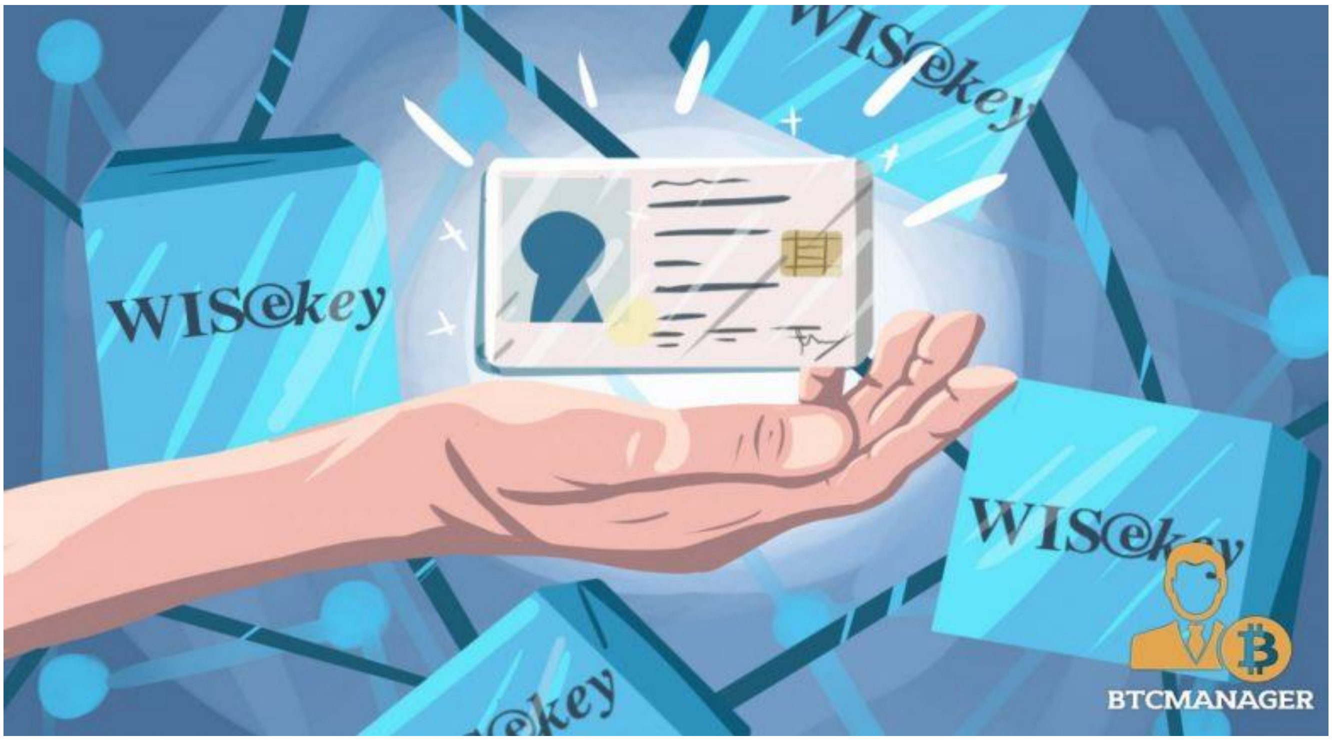
Dear Fellow Shareholders,

When we look back on fiscal 2017, we could describe it as one of the most productive years in WISeKey's history. Through our M&A strategy to consolidate the cybersecurity/IoT market, we have driven innovation with the ongoing rollout of our root-to-chip Vertical Trusted Platform, and the integration of our acquisitions to create new architecture for WISeKey allowing us to move into the 4th Industrial Revolution. We made bold moves to help our customers benefit from this integration and capitalize on the changes in the market, laying a path for WISeKey to be a major player for the next generation of identity management, cybersecurity, secure semiconductors and BlockChain products and solutions.

2017 was an important building year for WISeKey. We completed the acquisition of Trust Service Provider (TSP) QuoVadis, becoming a leader in the PKI/ Internet of Things (IoT) security industry. This acquisition immediately gave WISeKey access to a large clientele in the financial, industrial and public sectors and expanded our geographic footprint in Europe, the United States and Australia, by adding more than 300 large multinational and 3,000 overall customers.

During the year, we successfully integrated into our main platform both businesses which we recently acquired: Vault-IC semiconductor in late 2016 and QuoVadis in 2017. The integration of these two cutting edge companies has brought synergies of greater scale, including a high performing sales organization, as well as new innovations such as the ISTANA PKI for IOT which has allowed the WISeKeyIOT framework to gain significant traction in growth sectors such as the Connected Car.

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



As a result, during the year, not only did we significantly increase our revenue and improve our financial position, we also expanded our product offerings, increased our geographical footprint, enlarged our customer base and set the stage for continued growth in 2018 and beyond.

We signed several partnership agreements during the year with multinational companies such as SAP, Microsoft, MasterCard, CenturyLink and Cisco that have underlined WISeKey's strategy to become a global leader in providing secure technologies and solutions for the mega trend IoT. In addition, the acquisition of QuoVadis has improved WISeKey's strategic position in the Digital Certificate market. WISeKey is currently aligning and integrating all of QuoVadis different products and product development cycles to its platform strategy. The ability to authenticate and remotely manage millions of networked, automated devices and equipment is becoming pervasive – from the factory floor, to the hospital operating room, to the residential home – everything, from refrigerators, watches, wearables to wine bottles, is connecting and communicating via the Internet. The WISeKey's IoT offering can secure IoT Edge devices that can be integrated with industry-leading platforms, e.g. SAP's HANA, Microsoft Cloud, etc. WISeKey will continue to offer chip-to-root technology thereby providing an integrated solution including chips, asymmetric digital authentication and identification as well as encryption solutions.

Well positioned for the future

We started 2018 on a very strong note due to our evolving "razor and blade" cybersecurity business model which is accelerating the commercialization of our semiconductor products with embedded security. WISeKey's razor and blade business model uses a strategy that involves selling highly secure and tamperproof microchips (or "razor" products) at very competitive rates, to enable the inclusion and promotion of the higher margin cybersecurity products and services (or "blade" services) on an ongoing basis.

The pace of change being experienced the cybersecurity / IoT industry is unprecedented. WISekey clients are telling us that in order to seize the huge IoT opportunities, as well as navigate the regulatory challenges that are presented by this emerging technology, they need a new trust model that regulates cybersecurity and IoT operations and federates resources to reduce complexity, accelerate service deployment, and increase cybersecurity.

WISeKey's ability to authenticate, protect and remotely manage millions of networked, automated devices and equipment, using its semiconductors and cybersecurity, is becoming pervasive -- from the factory floor, to the hospital operating room, to the residential home -- everything, from automobiles to assembly robots, refrigerators to watches and wearables to wine bottles, is connecting and communicating via the Internet.

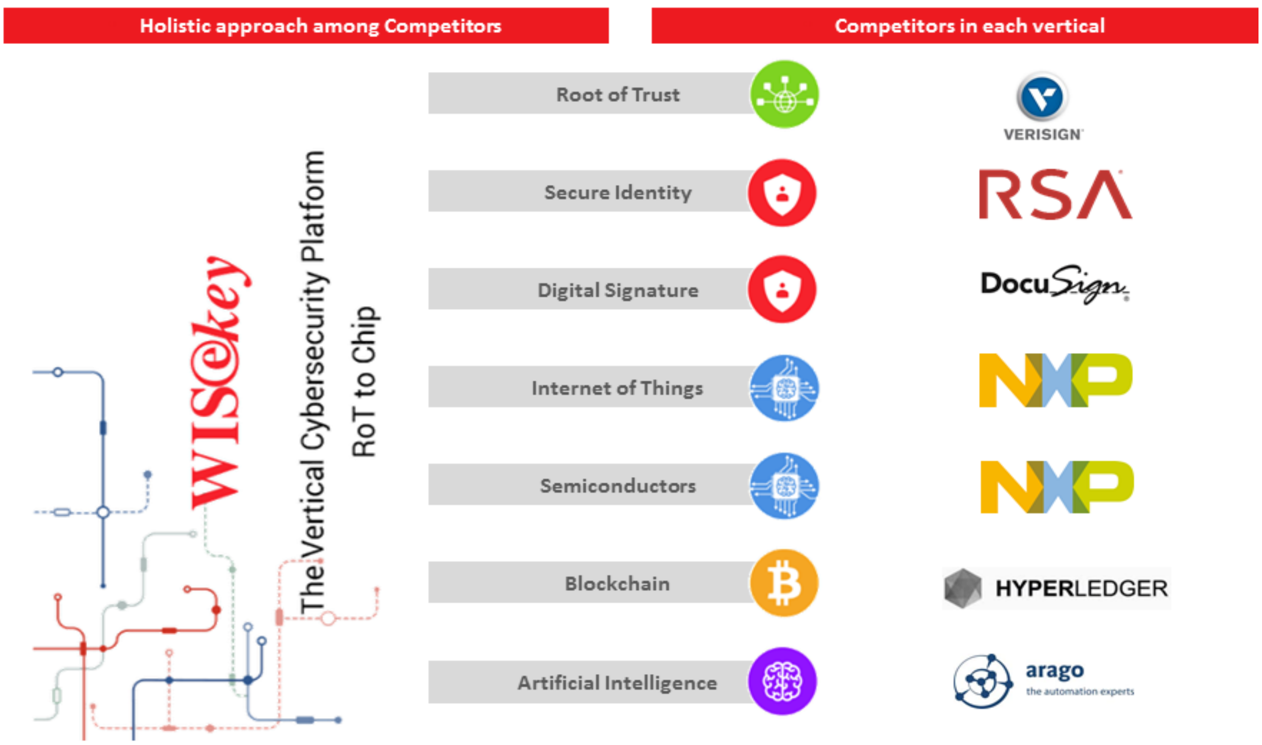
WISeKey has evolved into a major player in the IoT, Cybersecurity, AI and Blockchain markets. We will continue to leverage our core competencies and expand them into a much larger cyber security market that is growing fast. We believe that we are well positioned to take advantage of many significant business opportunities in the Cybersecurity SaaS and Semiconductors IoT market. WISeKey is now generating strong sales in new areas such as chip-based IoT, anti-counterfeiting, brand protection, EMV payment card, and secure access to building IT equipment. WISeKey has seen a strong demand across this combined product portfolio as the market for IoT chips associated with PKI and Cybersecurity is increasing globally.

Our Vision

Due to a well thought acquisition and business plan deployment that will continue till 2020, WISeKey is evolving into a global cybersecurity / IoT player and the only company offering an end-to-end Vertical Trusted Platform. Today's cybersecurity trends are evolving at an overwhelming pace. Information security and secure communication are becoming one of the largest challenges facing both governments and private sector and are identified as mega trends of the Digitalization and Internet of Things.

The WISeKey objective to provide secured solution including hardware and software/services components, is viewed as visionary. This was achieved by a combination of factors, including the strategic decision we made to target and complete strategic acquisitions – Vault-IC and QuoVadis -- which have provided WISeKey with an unparalleled digital identity, e-signature and IoT ecosystem of products and services.

CREATING THE FIRST EVER FULL INTEGRATED TRUSTED IOT PLATFORM



As we celebrated WISeKey's 18th anniversary, we have our sights set firmly on becoming one of the world's leading cybersecurity / IoT platform companies, measured by relevance to our intellectual property and patents and their adoption by important customers worldwide. We believe we will achieve this through our Vertical Trusted Platform approach, delivering state-of-the-art solutions for our customers and helping them integrating our technologies and achieve their desired outcomes.

I would like to take this opportunity to thank all our shareholders, staff and customers for their unwavering support as we take the bold steps necessary in pursuit of our goals.

Sincerely Yours,

Carlos Moreira
Founder, Chairman and CEO of WISeKey International Holding (WIHN)
April 12, 2018

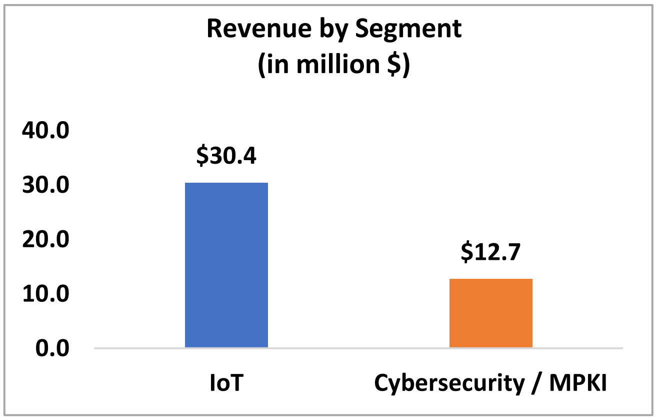
2017 FINANCIAL SUMMARY

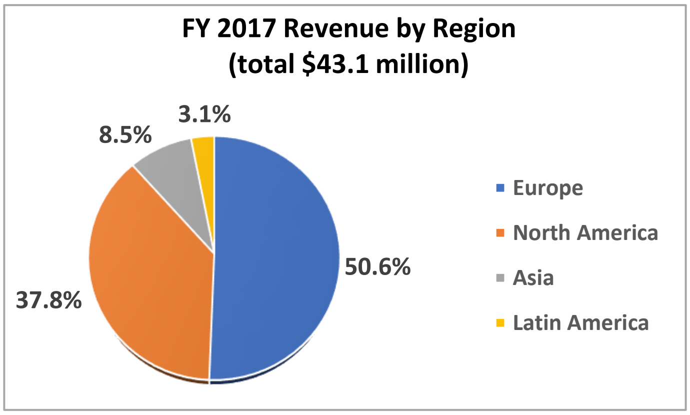
2017 was an important building year for WISeKey. Our revenues increased ~292% year-over-year due to the successful integration of the IoT and Cybersecurity assets into the Company. Growth was driven by higher revenues from the Cybersecurity, IoT and Semiconductor business segments for new sectors requiring strong security on their semiconductors such as smart car, luxury, pharmaceutical and fintech industries.

During the year, we achieved strong liquidity and financial position; improved operating performance resulted in cash of $12.2 million at December 31, 2017, up $7.0 million from December 31, 2016.

Strong Revenue Growth

WISeKey total revenue ... $43.1M ... Up ~ 292% vs FY 2016





Improved Gross Margins

48.0%

Up from 40.4%

Strong Liquidity

$12.2 M

Cash at 12/31/17

We increased our R&D effort with $9 million invested during the year to develop new products and create business opportunities in cybersecurity, IoT, Microprocessors, Blockchain an AI. We aggregated 39 patent families (more than 200 individual patents in total) to our patent portfolio, some of them on critical sectors such as Microchip designs and Cybersecurity algorithms.

$9 M

R&D investments

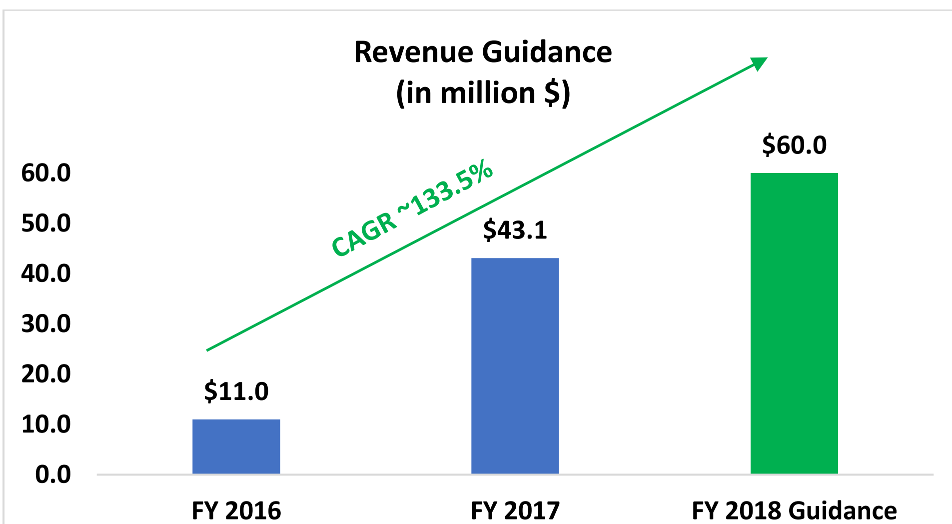
200+

Individual Patents

Strong Growth Expected to Continue in 2018

FY 2018 Revenue Guidance: **~$60 M**

Up ~38% vs. FY 2017



Sincerely Yours,

Peter Ward
Chief Financial Officer, WISeKey International Holding (WIHN)
April 12, 2018

MANAGEMENT TEAM

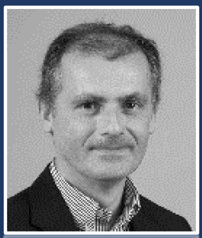
CARLOS MOREIRA
Chief Executive Officer

- Recognized early stage pioneer in the field of digital identity
- Adjunct Professor of the Graduate School of (RMIT) from 1995 to 1999
- Head of the Trade Efficiency Lab at the Graduate School of Engineering at RMIT
- Founded the Geneva-based online data security firm WISeKey SA in 1999

PETER WARD
Chief Financial Officer

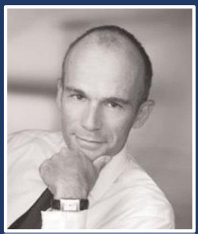
- Chartered management accountant
- Significant international experience in the IT, FMCG, medical equipment, plastics and Biotech industries
- Joined WISeKey SA in 2008 as finance director and has been Chief Financial Officer and a member of the Board since 2012

BERNAND VIAN
Senior VP sales



- Over 25 years of experience in the Secure Semiconductor Industry
- Started his career at Gemplus with multiple positions in sales and marketing, and opened Gemplus' San Francisco office
- Joined INSIDE Contactless in 2002, and positioned INSIDE as a leader of NFC payment chip supplier in the US

ROMAN BRUNNER
Chief Revenue Officer



- 25+ years of experience in the global IT Services industry
- Responsible for group's management, strategy, global sales efforts and key enterprise pursuits
- Previously served as Managing Director in UK and General Manager in the US for Comdisco Inc.; Co-founder & CEO of Comprendium, a European document management and ECM software provider

JEAN-PIERRE PENNACINO
Chief Operating Officer

- Oversees the operations of the Group to meet its business and financial objectives
- Extensive semiconductor and technology experience in global companies like Motorola, Gemalto and ST Microelectronics in corporate and field functions in Europe, Asia and the US
- Strong process improvement and operational excellence experience

ABOUT WISEKEY

WISeKey is a leading listed cybersecurity and IoT company headquartered in Switzerland and serving large scale digital identity ecosystems worldwide using our Vertical Trusted Platform.

WISeKey's Vertical Trusted Platform provides an integrated platform for customers to deploy secure authentication, identity and encryption -- in both physical and virtual environments -- for electronic transactions, the Internet of Things (IoT), BlockChain and Artificial Intelligence (AI).

Our Vertical Trusted Platform combines secure microchips that deliver proven protection for important cryptographic key material and software operations with software and services that allow customers to provision and manage their electronic identities and to secure devices on an ongoing basis.

WISeKey was founded in 1999. In September 2016, we acquired **WISeKey Semiconductors SAS** (formerly known as Vault-IC SAS), a French semiconductor manufacturer and distributor, and WISeKey Singapore Pte, a Singapore-based distribution entity. WISeKey Semiconductors SAS is a well-known name in the secure chip industry with a consistent track record of over 25 years of delivering certified chips in the most risk-sensitive applications including government identification cards and passports, VISA and Mastercard, PAY TV access cards, and authentication and data storage tokens.

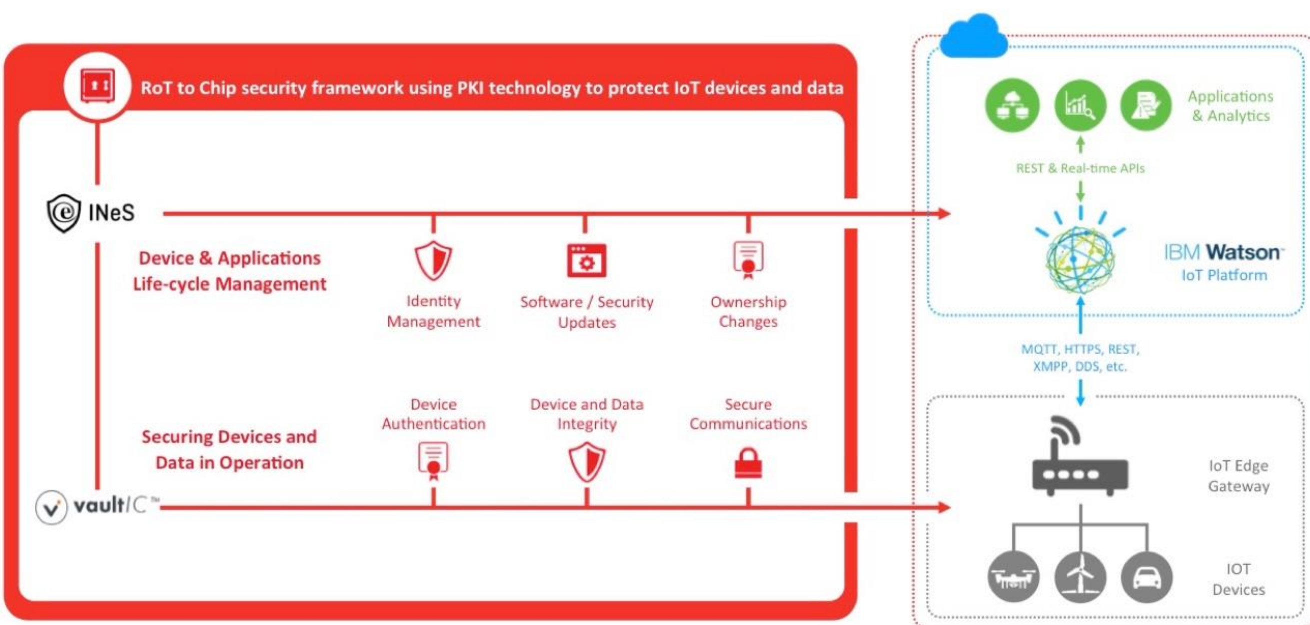
In April 2017, we acquired 85% of **QV Holdings Ltd** (Bermuda), the holding company of the QuoVadis Group, and entered in a binding agreement to acquire the remaining 15% interest in QV Holdings in May 2018. QuoVadis is a well-established international provider of managed services for digital certificates, electronic signatures and IoT PKI. With six roots of its own, QuoVadis is accredited as an eIDAS Qualified Trust Service Provider (TSP) in the European Union and brings great expertise in developing cloud services. QuoVadis is now the managed PKI brand of WISeKey (QuoVadis companies are in the process of being rebranded as part of the WISeKey brand).

We also acquired 10% of OpenLimit, a cybersecurity player in Germany and are in process of integrating its technology into the WISeKey Vertical Platform.

The integration of these companies reinforced our Vertical Trusted Platform by adding significant expertise in their fields of operation, relationships with customers in target markets, and recurring revenue and growth opportunities.

They also brought in-depth operations experience in running secure and high-availability trust center environments under strict accreditation regimes, as well as strong sales and support teams based in important customer markets. Due to a well thought acquisition and business plan deployment, in just one year, **WISeKey evolved from a Swiss startup into a global cybersecurity/ IoT player and the only Cybersecurity/IoT platform offering an end-to-end trusted cybersecurity platform.**

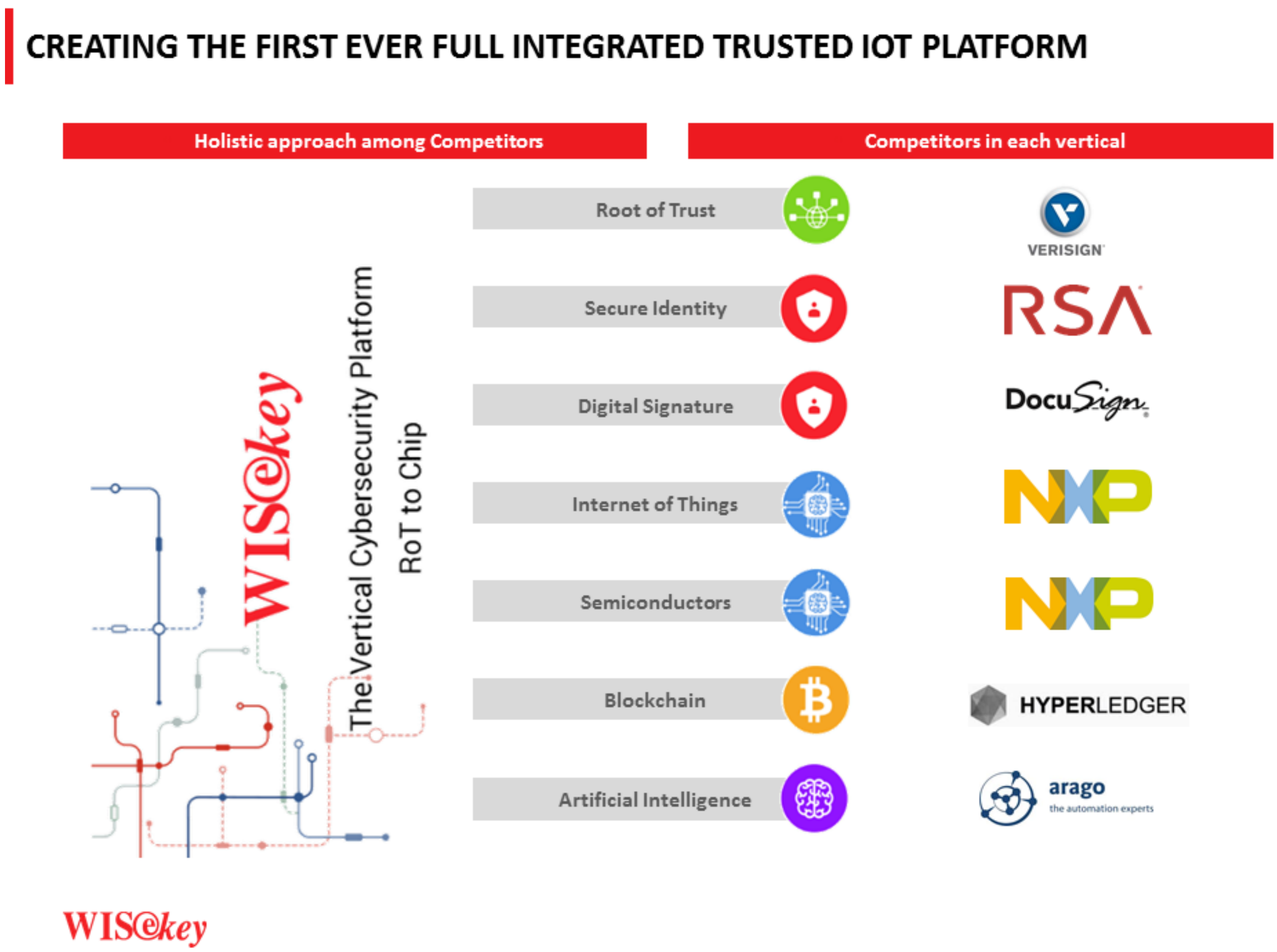
Today's cybersecurity trends are evolving at an overwhelming pace and information security and secure communication are becoming one of the biggest challenges facing both governments and the private sector and have been identified as mega trends of the Digitalization and IoT. The overall WISeKey objective to provide secured solution including hardware and software components, is viewed as visionary and a unique platform.



This was achieved by a combination of factors, including the strategic decision we made to target and complete strategic acquisitions which have provided WISeKey with an unparalleled vertically integrated digital identity, security and IoT ecosystem of products and services. Today, WISeKey offers a comprehensive and integrated trusted platform of services by combining cybersecurity, Root of Trust (RoT) along with IoT, semiconductors and BlockChain, which we believe is the key differentiator that sets WISeKey apart from its competitors, creates substantial cross-IP and cross-selling opportunities and will be the catalyst of our growth from new technologies and client acquisitions.

In addition, the combination of expertise in secure microchips and managed PKI services has created great opportunities for WISeKey innovation, particularly in the fast-growing and diverse markets for IoT security.

WISeKey now has 152 employees located in Switzerland, France, Germany, Belgium, Netherlands, Bermuda, the United Kingdom, the USA, India and Taiwan. We serve close to 3,500 customers worldwide.

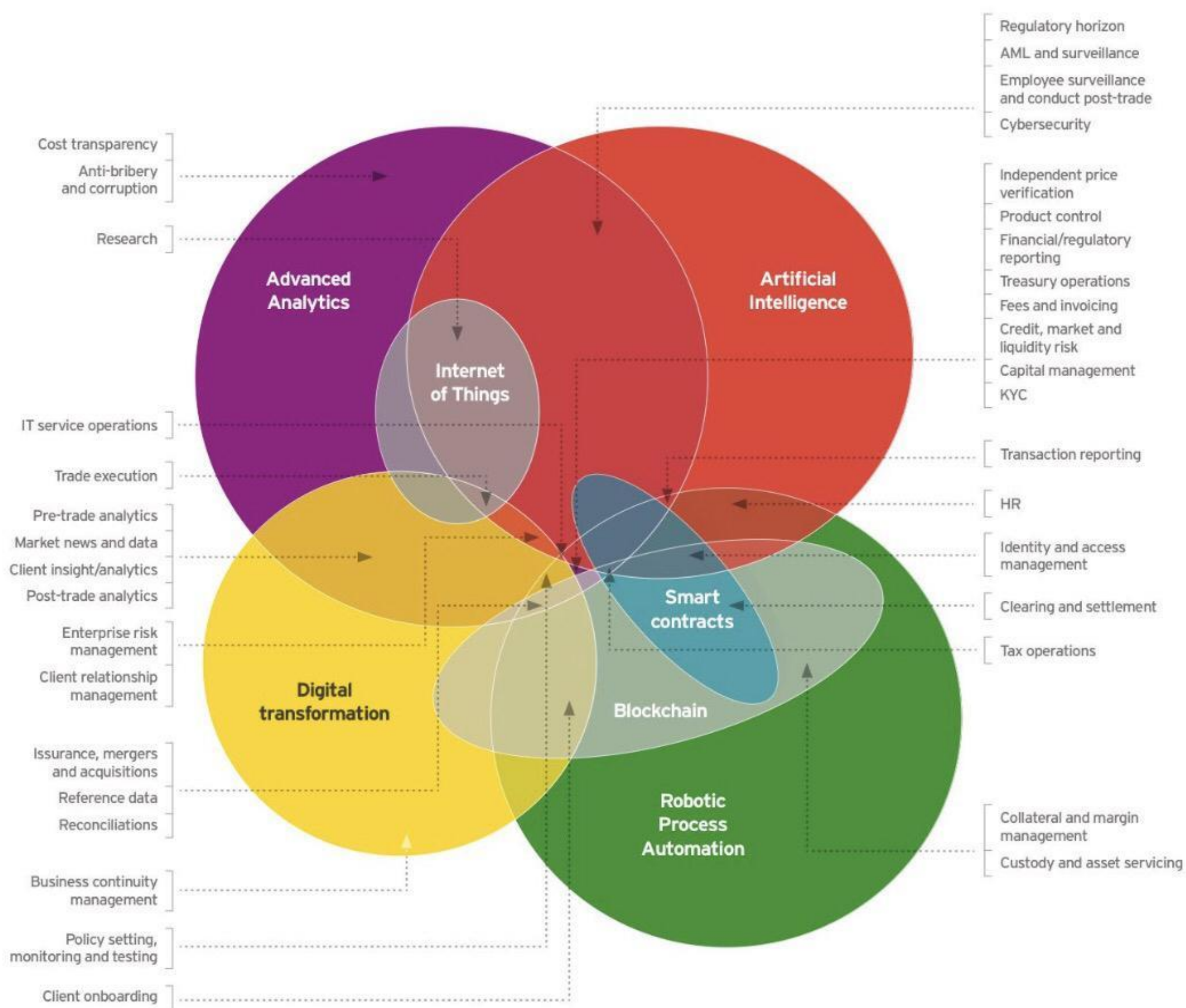


WISeKey's razor and blade business model

WISeKey uses a strategy that involves selling highly secure and tamperproof microchips (or "razor" products) at very competitive rates, to enable the inclusion and promotion of the higher margin cybersecurity products and services (or "blade" services) thus bundling a very attractive combination of core security components.

The unique and highly secured capabilities of WISeKey's microchips, which are equipped with various hardware sensors and protection mechanisms making them resistant to hardware attacks have resulted in higher demand and increasing stream of recurring revenue for cybersecurity offerings. WISeKey's microchips are designed to provide both hardware-based encryption and a secure PIN authentication, to comply with the General Data Protection Regulation (GDPR).

Practically every computer device, server, laptop, tablet and smartphone in the market was affected by hardware bugs (including Meltdown and Spectre) due to two major flaws in the design of the device's Central Processing Unit (CPU), allowing hackers to steal data.



The IoT industry has become a game changing new business opportunity for WISeKey. An estimated 50 billion IoT devices are expected to be connected by 2020, while world's population is estimated to grow to 6.8 billion; thus, there will be more than 7 IoT devices per person connected to the internet by 2020. Global spending on IoT/IoE technology-based services is now expected to reach $3 trillion by 2025 and WISeKey is well positioned to take advantage of many significant opportunities in this large market.

Recent agreements for WISeKey in this segment include partnerships with global organizations to secure IoT devices and the increasing amount of sensitive data exchanged between these devices. The IoT chips produced by WISeKey allow companies to provide users with applications designed to offer increased control over the use of resources, improve efficiency, optimize processing of information, secure autonomous vehicles and connected cars, secure medical wearable devices and improve public safety. In the United States, WISeKey's chips secure and authenticate over 50 million routers using unique Secure Certificate based IDs and encryption (SSH) keys. This technology is also used in closed-circuit TV (CCTV) or DVR devices and satellite antenna equipment.

As a global leader in secure microcontrollers, WISeKey Semiconductors' security chip solutions are backed by a long track record of successful integration and backed by over 500 patents and patent applications to ensure secure communications, encryption and authentication of the Internet of Things (IoT).

The connectivity between people objects and machines is offering everyday new opportunities for hackers to penetrate systems. Security shall be addressed globally, with a total overview of the issues. WISeKey is the 360° best practice partner for secure IoT, acting as a security supply chain manager, reducing both product development time and cost. IoT success can only happen if data can be trusted. We turn the burden of security into opportunities to create businesses out of data analytics.

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

WISeKey integrated Vertical Trusted Platform combines a range of microchips with software applications that cater to our customers' specific business and security needs. The software solution is driven by proprietary technology, such as Root of Trust ("RoT") and Public Key Infrastructure ("PKI"), that enables our clients to effectively manage their digital identity, information, and communications in a single integrated platform. RoT enables us to secure electronic information through our digital certificate technology. Our PKI services deploy digital certificates used for encryption, creating tamperproof electronic "fingerprints." We enable our clients to adapt to an evolving device landscape without compromising their digital security.

Photo: example of Innovative Business Model Oledcomm will be using WISeKey cybersecurity and IoT to secure the LIFI IoT infrastructures and ecosystems. Li-Fi (Light-Fidelity) is a new technology that allows mobile devices (and other connected objects) to connect to each other by using LED lights. Li-Fi transmits data by modulating the light signals from an LED light bulb, a process which is invisible to the human eye. Light signals are received and converted into data by a dongle connected to the device.

MAJOR DEVELOPMENTS

Internet of Things (IoT)

March 2017: Introduced specific API interface facilitating the rollout of its VaultIC IoT secure microchips to users of the Sigfox ecosystem, which provides a low-bandwidth dedicated network spanning 45 countries for IoT devices.

April 2017: Announced, as part of the Microsoft CityNext initiative, a partnership to deploy its Vertical Trusted Platform within Wellness Telecom solutions portfolio for Smart Cities such as WeLight, the smart public lighting solution, as well as Quamtra, the smart waste management solution.

With the growing focus on GDPR (data protection laws), in October 2017 a major manufacturer of portable hard drives announced that it was using WISeKey's secure microchips to provide hardware-based encryption in its portable storage devices.

August 2017: Announced WISeAI, adapting the WISeKeyIOT framework to increase the value of data collected via IoT devices, through enhanced security, for artificial intelligence. This led to WISeKey becoming a partner of IBM Watson and the later release of our INeS message broker.

Nov. 2017: Announced a partnership with Jiangsu HopeRun Software to launch WisekeyIoT platform in the Chinese IoT market, as well as with LEGIC Identsystems to become its security partner for mobile services.

Dec. 2017: Selected by IriTech to protect its advanced iris recognition technology deployed in the massive Indian AADHAAR eID program. Recognizing the growing interest in its WISeKeyIoT framework, WISeKey also launched the MegaSync Initiative, a partnership program designed to Increase IoT security Integration for appliances and electronics.

Trust Service Provider

A RANGE OF USE CASES WITH VARYING NEEDS AND TAILORED SOLUTIONS

	IT infrastructure	Industrial/ Automotive	Smart home/ wearables	Authentication	Smart Cities
Customers	▪ IT Companies 'Going Out' CenturyLink SWITCH lenovo	▪ Large scale manufacturers ▪ Automotive Industry BOSCH DiDi DAIMLER	▪ IoT wearables ▪ Home electronical appliances HUBLOT Midea	▪ E-Commerce ▪ Luxury Goods ▪ Pharma Industry betfair Alibaba Group	▪ IoT companies that deploy their products in cities CityNext Wellness Telecom
Needs	▪ Solve the security concerns from foreign governments ▪ Secure networks ▪ Encryption technologies ▪ Routers and modems need to be secured	▪ Creating an identity of all connected devices or persons ▪ Implementing ID management solution ▪ Secured traceability into the production and distribution chain	▪ Health monitoring and measurement ▪ Secured E-transactions ▪ Protection against fraud and abuse	▪ Protection against counterfeiting ▪ Secured traceability into the production and distribution chain ▪ Protection against warranty fraud	▪ Infrastructure control such as water supply management ▪ Lighting and waste management ▪ Security (video surveillance, fire alarms) ▪ Pollution sensors
WISeKey Products	WISeKey provides secure communication network with digital identification and authentication QuoVadis WISeKey Root of Trust Services vaultIC	WISeKey vaultIC WISeKey vaultiTrust WISeKey microXsafe	Combination of established Root of Trust and NFC technologies, consumers are able to securely use intelligent devices QuoVadis WISeKey vaultIC	NFC enabled phone connects with device and verifies the devices identity and authenticity WISeKey capSeal WISeKey CertifyID Services	Providing smart cities with a scalable and easily manageable object identity management and security solution

QuoVadis | A WISeKey Company

Oct. 2017: QuoVadis was accredited in the Netherlands as a Qualified Trust Service Provider (TSP) under eIDAS, the updated EU regulations dealing with trusted eID and electronic transactions. QuoVadis is also an issuer under PKIoverheid, the Dutch public sector PKI as well as a Qualified TSP in Switzerland and Belgium. In 2018, QuoVadis also received Qualified TSP status in Belgium resulting from our growing activity in that market.

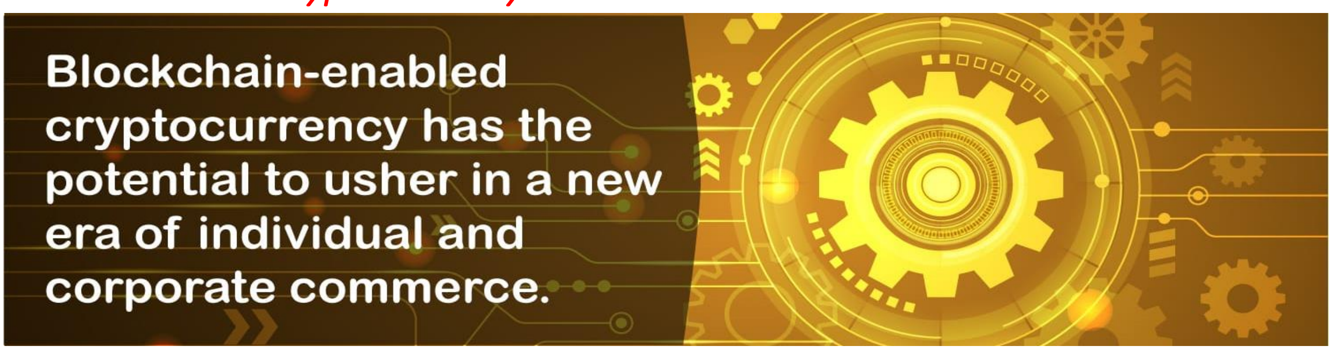
Nov. 2017: Announced the successful adoption of the QuoVadis ISTANA platform, a PKI tailored to the needs of large IoT ecosystems, by a major global automotive company as part of its connected car strategy. ISTANA has become an integral part of the WISeKeyIoT framework, fully integrated with WISeKey's secure microchips, which has significant value to IoT deployments in different industry sectors.

Nov. 2017: Announced the availability of its next generation PrimoSign electronic signature platform, including partnerships with companies like Intrum Justitia and IDnow to enable legal eSigning for customers of ELVIA eInvest and other financial services and cryptocurrency companies.

Brand Protection and Payments

March 2017: At the Baselworld global exposition for the watch and jewelry sector, introduced its second-generation WIS.watch, a demonstration watch integrating the company's secure microchips for anti-counterfeiting, access to the WISeID mobile application, and payment capabilities using the Mastercard EMV specification.

BlockChain and Cryptocurrency



Jan. 2017: Announced a partnership with Lykke Corp, a Swiss-based specialist in cryptocurrencies to integrate Lykke's wallet and exchange with WISeKey's expertise in secure microchips and digital identity. This partnership is already showing results in the development of WISeKey's WISeCoin offering.

A similar partnership with Stratumn, leverages WISeKey's Root of Trust and secure chip expertise with Stratumn's BlockChain audit trails to connect applications across different organizations and map a clear connection and audit trail between events.

June 2017: Announced a partnership with BlockChain Interface company RIDDLE&CODE to develop innovative solutions for securing IoT via BlockChain technology and crypto-hardware.

Nov. 2017: Announced a partnership with Microsoft to support the Rwandan Government in adopting BlockChain technology to secure the national land registry. The project was later highlighted by BBC News as one of "Five African tech trends to look out for in 2018."

Investment Activity and Corporate activities

March 2017: WISeKey India joint venture raised $1.3 million in external seed capital in the formation of which WISeKey India is fully consolidated. WISeKey delivered a custom PKI operated from a secure datacenter in India linked to the OISTE Root of Trust and tailored to the needs of Indian customers.

April 2017: Acquired an 85% controlling interest of QuoVadis, a leading global TSP and certification authority operator, which has become WISeKey's brand for managed PKI and electronic signatures.

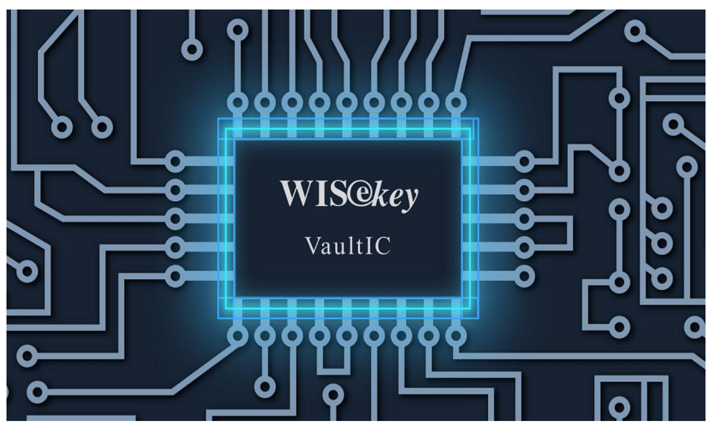
Corporate Activity

Nov. 2017: Announced its intention to purse listing of a sponsored Level II American Depositary Receipt (ADR) on a stock exchange such as NASDAQ in late 2018 / early 2019.

OUR MARKET OPPORTUNITY

We believe that the market opportunity for WISeKey's Vertical Trusted Platform is massive and will grow even further in the years to come.

Increasing importance of securing digital identities

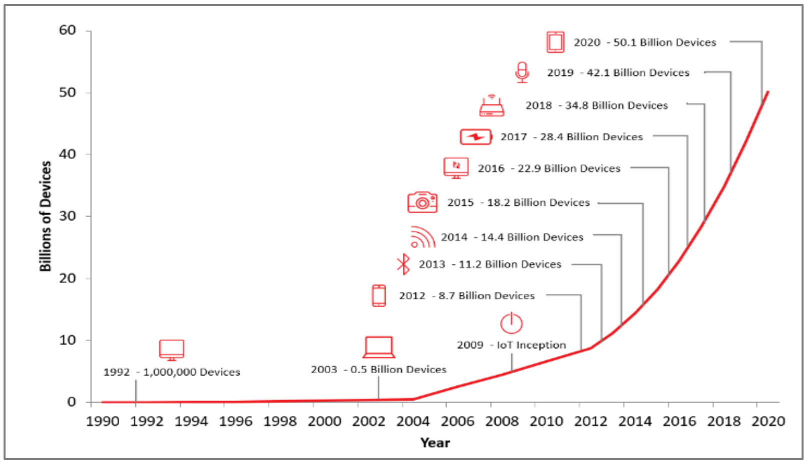


Cyber-attackers often target identity, as it provides access to valuable systems and data while concealing their activity within networks. More than ever, enterprises must focus on protecting identity from an ever-evolving technology and threat landscape. Long proven secure semiconductors, PKI and digital certificates are among the dominant approaches to providing strong authentication, encryption and data integrity using digital signatures in diverse environments.

The drive towards the efficiencies of e-transactions is immense

With the drive for efficiency and the demand for new services, online is now the default mode for most transactions for individuals as well as companies and governments. Driven by industry initiatives and government standards, such as the EU's eIDAS regulations on electronic identification and trust services for electronic transactions, the scale of adoption of these new technologies is breathtaking and affects virtually every aspect of life.

The role of the qualified Trust Service Provider – an accredited trusted third party operating PKI services against verified standards – has assumed a vital role in the sector, both in the world of eID and e-transactions and in the rapidly emerging IoT markets. WISeKey's QuoVadis has had a leading role across the spectrum of TSP services



including managed PKI, government eID programs such as the Dutch PKIoverheid and Switzerland's SuisseID, and the spectrum of electronic signature platforms.

Trust has become the main focus for consumers trusting WISeKey to secure their personal data against social media abuses. Mobile security threats are increasing in number and sophistication, with hackers looking for sophisticated ways to hijack mobiles for Bitcoin mining, or to trick mobile users into giving up their personal identity and bank account information. Even though mobile operating systems provide app developers with significant security features, hackers have still been able to exploit the massive installed base of Android and iOS devices, using many different infection vectors to place malware.

Among other things, WISeID keeps passwords in an encrypted vault, generates hard-to-crack passwords, and safely synchronizes data between computers and devices on multiple platforms, using secure cloud storage. The vault can be unlocked only with the user's Master Password and/or defined pattern, with additional protection provided through facial recognition authentication. WISeID can be accessed online though a single click.

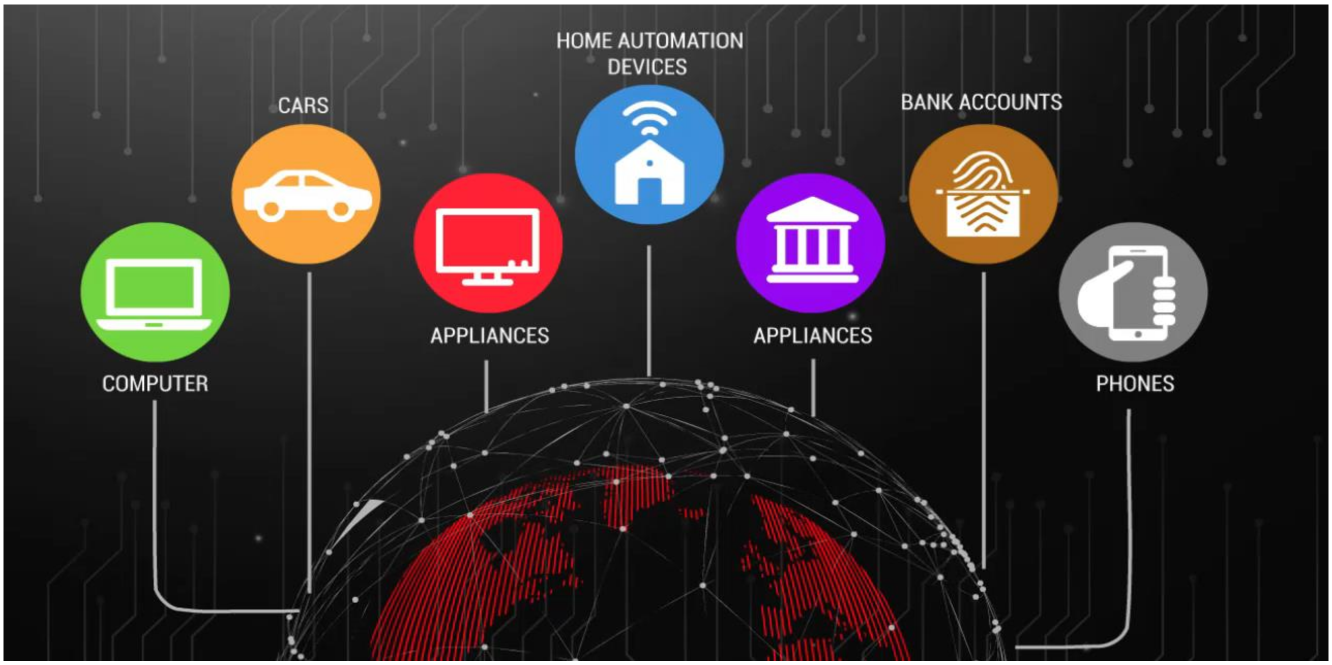
Surging growth in Internet of Things (IoT)

The Internet of Things (IoT) describes the use of embedded sensors and software in every day devices, ranging from, vehicles to office and personal gadgets, to household appliances that enable these objects to connect and exchange data. The opportunities to create new services are astounding – creating a vibrant expansion of IoT in every aspect of the world – with the NCTA predicting that more than 50 billion devices will be connected to the Internet by 2020. The Internet of Things will live up to its promise only if the connected devices, the data they generate, the business applications that control these devices and the services around them, can be fully trusted. In

50 Billion +
connected objects by 2020

today's environment, where cyberattacks have become more common and increasingly sophisticated, there is an urgent need to fundamentally rethink the Security Stack for the IOT cloud.

WISeKey's IoT security framework WISeKeyIoT is built on the use of digital certificates stored both in tamper resistant secure elements such as the WISeKey VaultIC407 and Business Applications, while INeS operates in the



back-end to enable authentication of these IoT devices and Business Applications. This solution relies upon the proven ISTANA PKI platform, WISeKey's advanced solution specifically tailored to match the needs of IoT. Using state-of-the-art cryptographic algorithms, the ISTANA PKI platform is designed to meet the highest standards to issue, manage and validate digital credentials for IoT, and is scalable to support environments with hundreds of millions of devices.

Additionally, INeS features Entity Management (Identities, Group, Type, Role, Life Cycle, any custom attributes), Message Security Policy Management and Business Rules Management and it interfaces with both - the Cloud infrastructure and Business Applications.

Transitioning to higher IoT security

Showing the volume and value of IoT data being generated, according to Gartner’s 2017 Strategic Roadmap for IoT Network Technology, by 2020 over 63 million IoT devices will attempt to connect to enterprise networks each second.

63 Million +

Devices will attempt to connect each second by 2020

As such, IoT faces persistent threats from advanced attackers who are increasingly sophisticated, aware of existing security solutions and their respective vulnerabilities, and can target insecure devices at both distance and huge scale. Thus, it is critical to secure these devices both to reduce the risk of malicious attacks and to protect the privacy and accuracy of the data they communicate.

In the rush to ship the first generation of IoT devices, many manufacturers paid only passing attention to security features like encryption, authentication, and other forms of protection from malicious attacks. Many of these initial features were originally developed for closed networks of devices, and low value transactions, not for the advent of bring-your-own-device and huge IoT dataflows over open, public networks.

This has already led to the theft of sensitive data and loss of consumer privacy, interruption of business operations, slowdown of internet functionality through large-scale distributed denial-of-service attacks, and other potential disruptions to critical infrastructure. Examples include:

- The 2016 Mirai botnet infected poorly secured devices, such as routers and internet-connected security cameras, to fuel the largest recorded denial of service attack on domain name system (DNS) provider Dyn.
- The 2017 Reaper botnet rapidly penetrated an estimated 378 million devices, stepping up from exploitation of simple default credentials to increasing sophisticated attacks on technical vulnerabilities of the devices.

The proliferation of connected devices has hastened the need to effectively secure these devices. Solving the device security problem in today's dynamic threat environment is critical to the success of all enterprises. Moreover, as enterprises operate increasingly from diverse and distributed locations, they face the challenge of securing perimeter-less borders. With the emergence of cloud and mobile technologies, the attack surface has expanded, creating greater security risks. Simultaneously, the frequency, complexity, and resulting costs of cyber-attacks continue to rise.

According to IDC, worldwide **spending on IoT security products** alone was estimated to reach $12.5 billion in 2017, with the potential to grow to more than $21.2 billion in 2021. WISeKey focuses on technologies within the IoT security market -- including IoT authentication, secure semiconductors, encryption and PKI -- that are expected to grow rapidly over the next five years.

Global spending on IoT security products

$12.5 B **in 2017** → **$21.2 B** **in 2021**

Focus on proven security technologies

The IoT market is rapidly exploring the adoption of secure semiconductors as a key platform for securing important key material in IoT devices and even providing a secure execution environment for important software operations.

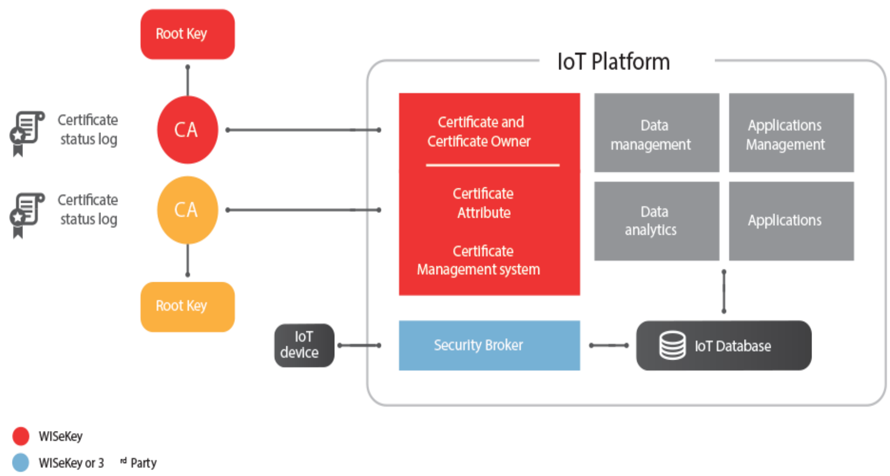
The Meltdown and Spectre bugs, identified by academic researchers in 2018, have accelerated interest in secure semiconductors. These vulnerabilities affected virtually every electronic device in the world using CPU designed by Intel, AMD, and ARM potentially allowing hackers to steal data. By contrast, the secure chips designed by WISeKey, based on a different architecture and security approach, are immune by design to these types of attacks.

WISeKey Semiconductor has been a leader in this market for over 25 years and has been providing microchips for countless smartcards and credit cards used by banks worldwide, and has secured boot loading of more than 50 million network devices in the U.S. alone.

WISeKey has invested considerably in R&D to evolve its chips to the new IoT demands, creating the new generation Vault-IC chips with low power consumption fitted for IoT devices that work on battery power, chips that communicate wirelessly using Near Field Communication (NFC), and microchips that can be embedded into wearables for authentication and EMV payments. We believe we are the leader in this sector.

Enterprises need a security solution that addresses today's complexities and dynamic threat environment

Enterprises must address the IoT security challenges and bridge the gap between device proliferation and device manageability. Given the complexity of the security features embedding several integrated components, as well as the need for fast solutions deployment to meet the surging IoT market, our customers tell us that they look for the "root to chip" solutions that is unique to WISeKey.



We believe our Virtual Trusted Platform provides WISeKey great advantages as a preferred vendor, delivering:

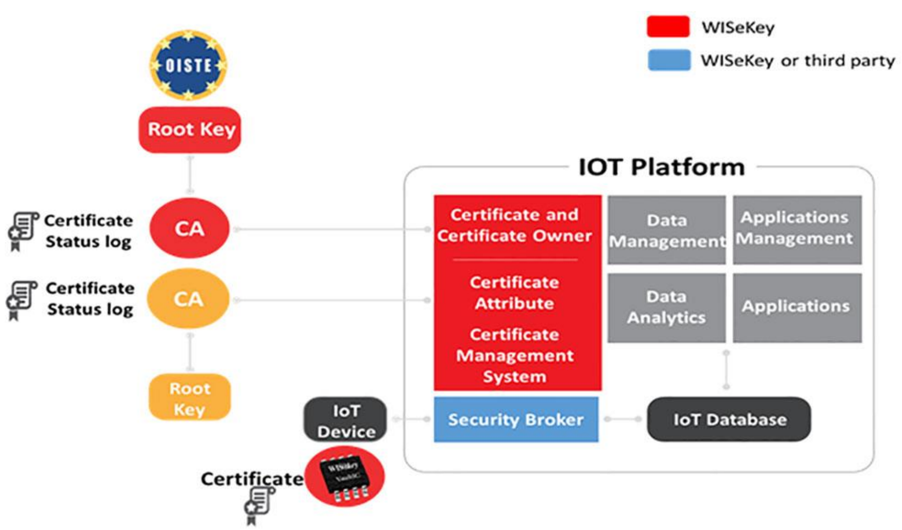
- Secure semiconductors to protect key material and sensitive software operations.
- Accredited Managed PKI and trustcenter operations that can be rapidly adapted to different manufacturing and lifecycle requirements.
- Electronic signature expertise on the desktop and in the cloud, both individuals and electronic seals for legal entities.
- Focus on furthering the ongoing use case of our customers through different integration tools, such as the API connectors of TrustLink, PrimoSign and ISTANA or our INeS messaging broker for IBM Watson, which bring our chip-based identity deep into the rich fabric of their IoT framework.

The Vertical Cybersecurity Platform

BUSINESS ACTIVITIES

Secure Semiconductors

We offer a large range of secure microcontrollers that share consistent secure 8-/16-/32-bit RISC CPU performance, with strong security mechanisms and enhanced crypto engines to optimize performance and power consumption. The products also provide high-density, low-power EEPROM memory storage technologies. We design our chips to meet the most stringent security requirements like EAL5+ Common Criteria, or VISA and Mastercard. Common Criteria is a world standard, government driven design for assessing the level of resistance of systems or devices to all known attacks. It is constantly updated with all new attacks, and the chips' resistance is reassessed annually. EAL5+ is currently the highest level of resistance in the secure chip industry. WISeKey Semiconductors has been busy developing the latest VaultIC407 Secure Microprocessor enabling the new secure chip to be deployed in all business areas. WISeKey IoT has an install base of over **1 billion VaultIC chips** in virtually all IoT sectors (smartcards, smart cities, drones, anti-counterfeiting, smart lighting, servers, mobile phones, etc.).



WISeKey is uniquely positioned to be at the edge of IoT as VaultIC semiconductors produce a huge amount of Big Data that, when analyzed with Artificial Intelligence (AI), can help industrial applications to predict the failure of their equipment before it happens. Imagine an intelligent car with a system processing authenticated data for each of the vehicle's components, being able to detect if/when different parts will require service and to digitally sign all the logs required to prove that service was provided. This platform can be used in multiple industrial applications, allowing for optimized productivity across industries through predictive maintenance on equipment and machinery, creating truly smart homes with connected appliances, and providing critical communication between devices including self-driving cars and smart homes.

The possibilities that IoT brings to the table are endless. WISeKey's technology creates a platform that helps connected devices to become intelligent devices that can learn from attacks, defend themselves, and transfer this intelligence to other devices in the network. VaultIC407 has been designed to be integrated in large scale IOT projects including security dedicated components (Public Key Infrastructure and Entity Management) that WISeKey can provide. WISeKeyIoT is the name of this end-to-end security solution. IoT-enabled services and products will generate vast amount of data which when well-analyzed, are very valuable to government organizations, product manufactures, corporations and end-users. This revenue model relies on data trust and on IoT edge devices control. Users can take advantage of this unique solution in the market by remotely being able to: uniquely identify and control an IoT Edge Device (activation/deactivation/revocation), securely provision (point to point secure update) of the IoT Edge Device credentials and secure messages in motion between Edge Devices and Business Applications.

We offer over 49 versions of secure microcontrollers across five product families:

- ***MicroXsafe*** - Secure microcontrollers delivered with a software development kit (SDK) that allows our customers to develop their own embedded firmware.
- ***Vault-IC*** - Secure microcontrollers delivered with our own embedded firmware, which we primarily design for connected objects. They are the semiconductor component of the Root-to-Chip solution that are bundled together with our SaaS products to serve the IoT market.
- ***MicroPass*** - Secure microcontrollers certified by VISA and Mastercard. They have been designed and certified to be integrated either in payment cards, as well as in wearable devices such as watches, bracelets and portable items. They are compatible with NFC standard, thus capable to interact with NFC enable devices like Android or iOS smartphones.
- ***PicoPass*** - Secure memory chips specifically designed for NFC Access Control badge.
- ***Smart Card Readers Chips*** - Backbone of the smart card reader interface implemented in PC keyboards or USB standalone devices.

Case Study:

WISeKey's secure semiconductors **are broadly used** across the devices businesses and consumers use in their daily lives.

Since 2010, WISeKey has shipped more than **1 billion Vault-IC chips** in virtually all IoT sectors including servers and networking devices, mobile phones, smartcards, smart cities sensors and smart lighting, drones and anti-counterfeiting devices.

TrustLink Managed PKI

As Public Key Infrastructure (PKI) has become a mature adopted pillar for online security there has been a marked trend towards outsourcing PKI operations to specialist providers like WISeKey and QuoVadis who offer close to two decades of experience operating outsourced CAs for organizations and governments.

Our investment in facilities and technology means that we can rapidly and cost-effectively roll out PKIs, balanced with the trustcenter operations, and policy/compliance expertise to meet the trust needs of specific organizations or communities, allowing our customers to focus on their own business use cases.

WISeKey has adopted QuoVadis TrustLink Enterprise as its leading interface for managed PKI. is a service that allows customers to easily manage the full lifecycle of their digital certificates, from issuance through renewal or revocation.

The platform is designed to accommodate a wide variety of certificate types and use cases, and scales easily to accommodate the needs of both mid-sized companies and the largest enterprises with a variety of delegated administration workflows, integration via web services, and reporting options.

QuoVadis is a longtime participant in the CA/Browser Forum setting important standards for the CA sector and the issuance of TLS/SSL certificates. With WISeKey, QuoVadis also works with a wide variety of partners to facilitate the integration of its managed PKI and electronic signature platforms into the enterprise applications commonly used by multinational customers, facilitating much-desired automation and auto-enroll/deployment.

Case Study:

TrustLink is the key interface between WISeKey QuoVadis, our customers, and their ultimate end users.

In 2017, TrustLink issued more than **1,000,000 digital certificates** to customers and their users from more than **50 different CAs** operated in our secure trustcenters.

ISTANA Augmented Security for IoT

Strong demand in the German Automotive Sector with additional leading automobile manufacturers joining WISeKey's customer base; WISeKey QuoVadis already provides PKI Services to a growing number of multinational corporations including Bosch, Siemens, Daimler AG, Rhode und Schwarz and VW Group.

WISeKey QuoVadis' ISTANA PKI provides complete identity lifecycle management for IoT ecosystems. Provided as software or a managed service, Istana offers a high availability platform to request and control digital credentials for hardware devices/IoT, scalable to support environments with 100s of millions of devices.

With a microservice architecture, ISTANA can be managed through different security zones within an infrastructure and, if required, geographically distributed. ISTANA REST APIs allow third party applications and popular IoT platforms to interact with the PKI, which supports attribute certificates and specialized algorithms used in IoT. ISTANA's built in workflow and rules engine provides great flexibility to define custom approval and provisioning processes required to support the diverse manufacturing and lifecycle requirements of the IoT sector.

Case Study:

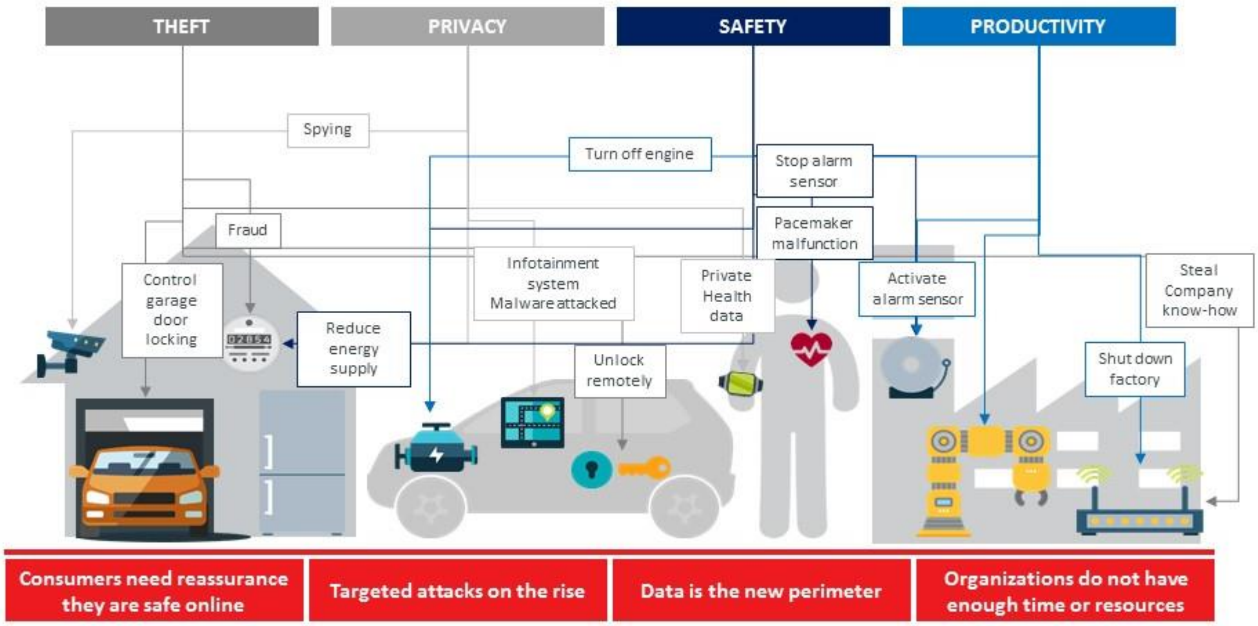
In November 2017, WISeKey announced the adoption of the **ISTANA PKI by a large European automotive manufacturer** as part of their **Connected Car initiatives**, providing digital certificate-based authentication and authorization in vehicles.

This PKI security minimizes the risk of unauthorized access to vehicle components (such as electronic control units), data theft, and malicious manipulation of vehicle functions.

WISeKey's PKI technology compliance with the new European General Data Protection Regulation (GDPR) and ePrivacy laws

WISeKey QuoVadis products and services are used by organizations to facilitate their compliance with the new European General Data Protection Regulation (Directive 95/46/EC), known as GDPR (approved by the European Parliament in April 2016; will take effect on May 25, 2018), the primary law regulating how companies protect EU citizens' personal data.

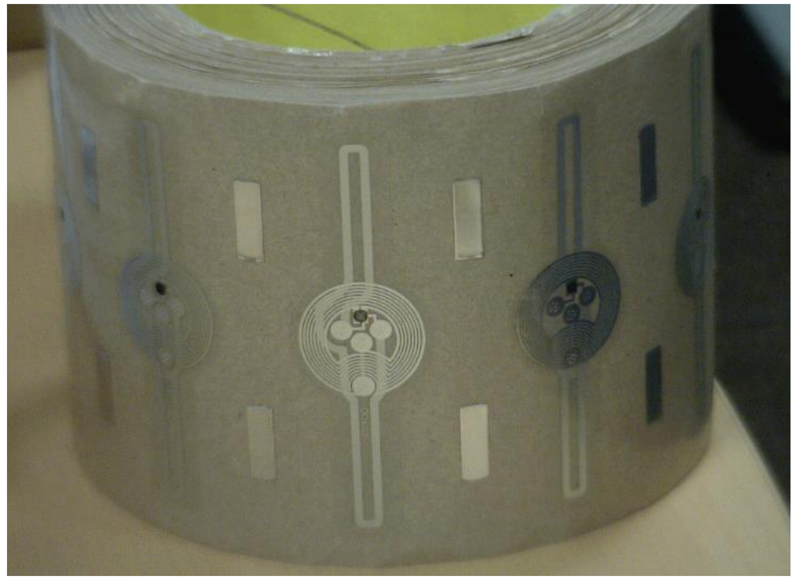
GDPR mandates a set of standards for any company that markets goods or services and handle EU citizens' personal data to better safeguard the processing and movement of the data gathered. It requires that personal data is processed in a manner that ensures its security, while the rationale and the purpose for collection is



transparent and the consent of the subject is obtained in advance. Companies are required to protect data against unauthorized or unlawful processing, accidental loss, destruction or damage, using appropriate technical or organizational measures. Since any company that markets goods or services to EU residents, regardless of its location, is subject to the regulation, the GDPR is expected to have a global impact on data protection requirements. Penalties for noncompliance include stiff fines of up to 20 Million Euros per breach.
WISeKey's PKI provides technology solutions that can alleviate the compliance efforts and reduce risks for penalties. The WISeKey QuoVadis product can help organizations to protect sensitive personal data while in transit and at rest; this is achieved thanks to encryption solutions enabled by trusted digital certificates. Users can encrypt their personal data and control who can access to it. SSL certificates assure end users that their personal data is gathered and processed by identified and genuine service providers, while communication is encrypted.

As an accredited issuer of TSP certificates to individuals and companies, WISeKey has been subject to multiple audits in which data privacy policies and procedures as well as underlying systems for collecting and storing of the data, have been assessed and reported on. The GDPR brings changes to disclosure and systems have been enhanced to meet all additional safety requirements. Customers can benefit from our experience and technology to reduce compliance implementation efforts and mitigate risks.

WISeKeyIoT



We introduced WISeKeyIoT in May 2017 in order to target the IoT market and take advantage of the synergies associated with our acquisitions of WISeKey Semiconductors and QuoVadis. WISeKeyIoT is a scalable framework that bundles our RoT, PKI and secure semiconductors technologies.

WISeKeyIoT is designed to interface with IoT platforms such as IBM Watson, Amazon Web, Microsoft AZUR, GE Predix, SAP Leonardo, in order to provide these platforms with the security layers and protocols necessary for trusting the objects that they connect with.

Case Study:

In November 2017, WISeKey announced the adoption of its WISeprint by a major computer printer manufacturer to address the problem of counterfeit ink and toner cartridges. Leveraging the WISeKeyIoT framework, WISeprint combines secure microchips and a turnkey provisioning infrastructure. Our solution **reduces the risk of fraud** and helps printer manufacturers protect their legitimate cartridges.

WISeKeyIoT continues to be a major innovation platform for WISeKey, with additional announcements in 2018 such **as INeS, a security broker for the IBM Watson IoT platform** that unites ISTANA with our semiconductors to allow the secure exchange of information between devices and business applications, providing authentication and data encryption using PKI technology.

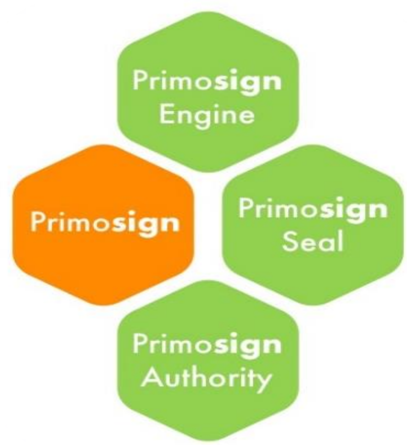
PrimoSign Electronic Signature Services

Both WISeKey and QuoVadis have extensive experience in providing digital certificates and technologies to perform electronic signatures in diverse uses such as desktop signing in Adobe Acrobat, in mass-signing applications for e-archive and e-invoicing, and in trusted time-stamping of e-transactions.

Over the past 10 years, QuoVadis has offered pioneering software and cloud services including its SealSign, a simple and cost-effective way for companies to enable their legacy systems to use legally compliant digital signatures, and Personal Signing Service, a cloud-based personal signing service for internal and external users to sign PDF documents from any device. QuoVadis signatures alone are used in more than 75 million transactions annually.

In 2017, WISeKey QuoVadis introduced PrimoSign Engine, the first offering of its next generation family of cloud-based signing services. PrimoSign acts as an "e-signature engine room" allowing customers and service providers to easily enable legally valid signing processes within their existing web portals and applications through a straightforward API integration. End users can create signatures from any device – from desktops to smartphones to tablets -- without the need for local software.

Future extensions of PrimoSign include the ability to use "roaming" WISeKey and QuoVadis credentials in other signing platforms as well as Adobe Acrobat Reader software, mass signing for electronic seals (signatures by a company rather than an individual), and a customized portal to allow signing workflows customized and branded by client.



Case Study:

PrimoSign Engine has been in production since fall of 2017, serving a variety of financial services companies seeking to integrate electronic signatures in their digital onboarding processes for new customers. WISeKey QuoVadis has developed a strong partner ecosystem for these uses, including the use of video identification and webchat to identify signing users.

For example, QuoVadis **teamed with** leading business information provider **Intrum Justitia** and video-ident specialist IDnow to create a digital onboarding solution for **ELVIA eInvest** allowing end users to rapidly signup for online services – without lags in the process, even out of normal business hours -- with compliant legal documentation.

PrimoSign Engine recently enabled digital onboarding for **ICO (Initial Coin Offering) and ITO (Initial Token Offering) projects** in Switzerland in compliance with AML/KYC and other legal requirements.

Qualified Trust Service Provider

WISeKey's QuoVadis is the only provider that is accredited as a Qualified Trust Service Provider in multiple European countries under the important eIDAS regulations. eIDAS is the common name for Regulation (EU) No 910/2014 which established a broad array of standards for electronic identification and trust services for electronic transactions across the European Union.

The eIDAS regulations allow for providers of digital certificates and electronic signature platforms to be accredited as "qualified" gaining automatic recognition of the transactions they support as legally valid cross borders throughout the EU.

Case Study:

WISeKey QuoVadis holds the following **accreditations** which support significant client bases in both the public and corporate sectors across Europe, covering areas such as **electronic signatures by natural persons, electronic seals for legal entities, and qualified web authentication** (TLS/SSL).

- Belgium Qualified TSP
- Netherlands Qualified TSP
- Dutch PKIoverheid program
- Swiss ZertES Qualified and SuisseID issuer

This strong focus on independent certification is carried across the OISTE and QuoVadis operations, which also hold seals for compliance with the WebTrust audit regimes for certification authorities relied upon by software vendors that distribute our Trusted roots.

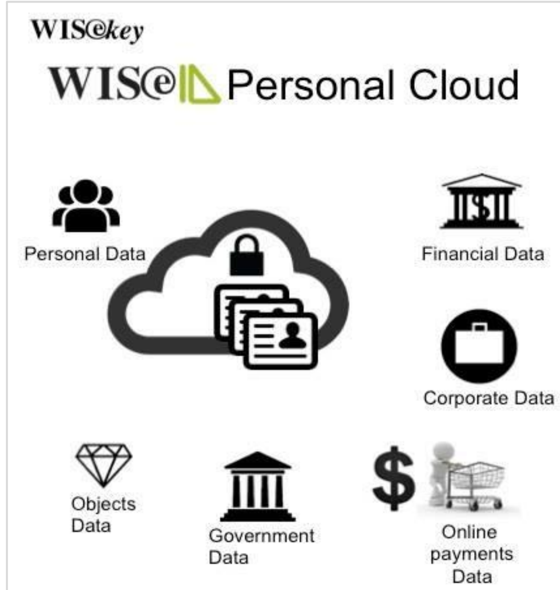
Other Products

Certify ID Universal Registration Authority

CertifyID Universal Registration Authority (URA) is our certificate management system. The URA is a software tool with a user-friendly interface that allows management of the life-cycle of subscribers and their digital certificates. It provides all of the features required for modern PKI and IoT projects, such as allowing device manufacturers to issue digital identities to their connected devices (including smart meters, wearables, etc.). The URA can be installed in customer premises and we also offer the option of providing trusted services from any datacenters in Switzerland, the United States or India.

WISeID Personal Cloud

WISeID Personal Cloud uses digital identification to lock personal data such as account usernames and passwords, credit card numbers and access PINs into a secure personal data organizer, creating accountable identities for online activity while the data itself remains protected in a secure cloud vault. The WISeID platform is also provided as a SDK to third parties who want to use this method of identification for their own identities requirements. WISeID is available for iOS and Android devices. WISeID is a personal security application for smartphones that gives users control over their personal information. Only the user determines which identification attributes are shared with social media, credit cards, merchant sites etc. The application also acts as an encrypted messenger app, password vault, a secure password generator, and a multi-device data synchronizer on a secure cloud network. To strengthen security, the app requires users to pass a facial recognition check before accessing any sensitive areas.



The newest iteration of the WISeID app, version 6, includes a public BlockChain. App users act as peers, and each able to download a copy of the BlockChain. Acting as a “dual factor authentication technology that sits on top of a BlockChain,” there is no cryptocurrency or token residing on this ledger, just user data.

Also known as the ‘WISeID BlockChain app,’ it protects user’s digital identity by allowing third parties to “validate that the original Identity or Attribute certifications provided by a Third Trusted Party has not been changed or misrepresented.

WISeAuthentic

WISeAuthentic offers a digital certificate of authenticity for luxury or other valuable items, to protect them against counterfeiting. It is based on the principle of the traditional paper-based certificate, but instead of using a forgeable piece of paper, a non-duplicable digital certificate is stored on a cryptographic smart chip embedded into a branded smartcard.

This allows manufacturers or resellers of luxury goods to prove the authenticity of the items to their customers, and of course, for the customers to prove it to authorities and third parties, even over the internet. WISeAuthentic solution for brand protection is now able to minimize counterfeiting and fraud by developing a trusted digital global blockchain ledger that includes the identity of the luxury object and tracks and protects any item of value. The blockchain technology reinforces the WISeKey patent, method and apparatus for digital authentication of valuable goods, which covers an invention relating to the use of strong digital identification and authentication, provided by WISeKey in partnership with OISTE.ORG, allowing objects on the Internet to be authenticated and monitored in real-time via trusted clouds. A full description link to patent is available at http://goo.gl/ozgOQm.

With the addition of the WISeAuthentic Blockchain platform, WISeKey can now provide its clients with a powerful and unified way to shield their brands from the harmful effects of counterfeit products, while providing enhanced visibility into their end consumers. The WISeAuthentic Blockchain platform integrates the WISeKey Semiconductors tags based on the company's VaultIC154 NFC secure element. These tags, when placed on any product and tapped by an NFC phone, securely authenticate and track the product much like an embedded ePassport and confirm the identity of the product on the blockchain ledger.

WISeKey has been a pioneer in digital luxury product authentication since 2007. WISeKey's expertise in the design of NFC secure chips allied with its WISeAuthentic original platform for the identification, authentication, tracking and direct marketing of goods, provides customer-fit solutions for brand protection. Through the WISeKey's WISeAuthentic platform, now available for both Apple iOS11 and Android phones, the brands have the capability to directly reach the vast majority of their end-customers and enhance the efficiency of their marketing communication, while the intuitive functioning of the application enables users to secure their data with ease.

In addition to luxury goods, this technology can be installed and used on any gadget, accessory or wearable, allowing these objects to process contactless payments, thanks to WISeKey's partnership with MasterCard. (https://newsroom.mastercard.com/press-releases/mastercard-and-wisekey-to-bring-payments-to-luxury-brand-watches-and-wearables/). WISeKey's patented security software is used by an extensive list of premium watch manufacturers, including Bulgari.

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The blockchain technology reinforces the WISeKey patent, method and apparatus for digital authentication of valuable goods, which covers an invention relating to the use of strong digital identification and authentication provided by WISeKey combined with OISTE.ORG allowing objects on the Internet to be authenticated and monitored in real-time via trusted clouds. A full description link to patent is available at http://goo.gl/ozgOQm.

WISeKey has long been recognized as a leader in providing luxury and other product manufacturers with a reliable means to protect their brands against counterfeiting," said Carlos Moreira, Founder and CEO of WISeKey. With the addition of the WISeAuthentic Blockchain platform, we can now provide our clients with a powerful and unified way to shield their brands from the harmful effects of counterfeit products, while providing enhanced visibility into their end consumers.

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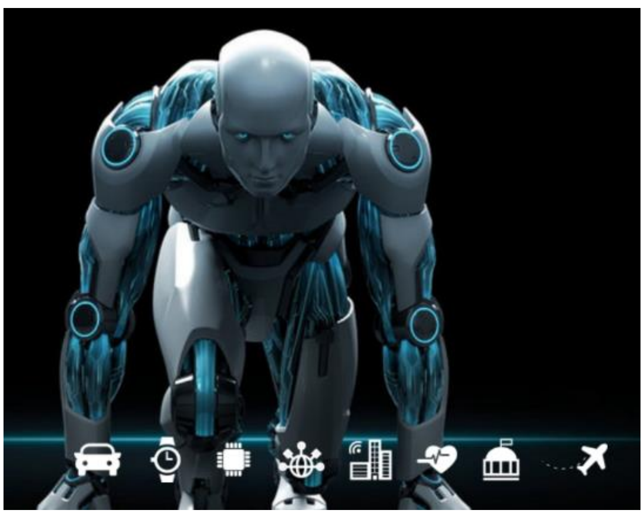
WISeAI

WISeAI combines data generated by the digital identities in our ecosystems and predictability mathematics algorithms to determine the digital behaviors and patterns for people, objects and processes on the internet to detect anomalies and provide solutions.



WISeAI leverages WISeKey Digital Identity Platform on which users are always in control of their digital identity stored on their mobile, IoT sensor and or computer and is only the user who determines which identification attributes are shared with social media, credit cards, merchant sites etc. never disclosing the Personal Identifiable Information (PII) if not required or necessary.

WIsekey started discussions with IBM in 2017 to provide enhanced security of sensitive data exchanged between devices across the IoT networks and the IBM Watson IoT Platform, by adding extended capabilities to secure IoT devices and the management thereof from a central location.

By doing so, customers benefit from an increased trust in the data handled by their application, and a reduced risk of revenue loss due to cyber-attacks of all kinds thus leverage a greater value of their business.

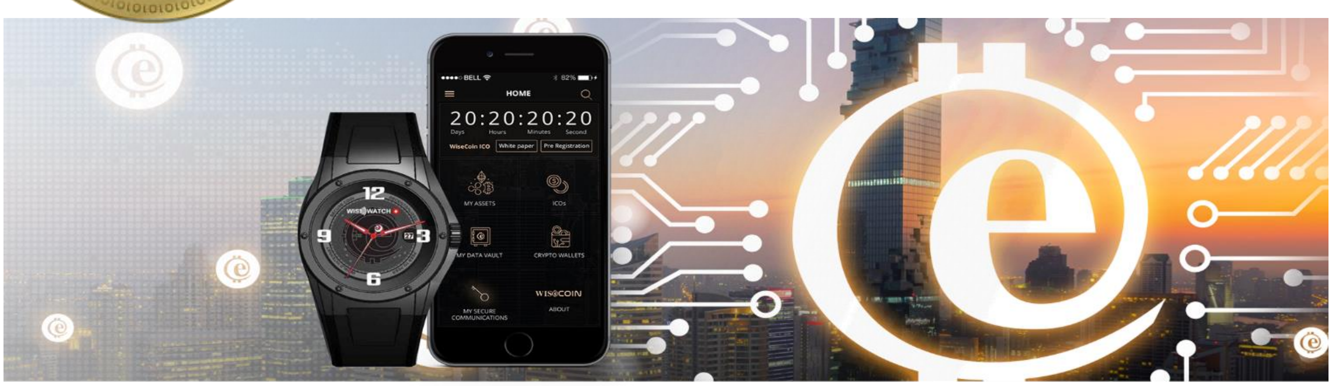
IBM's Watson IoT Platform is a cognitive system that learns from, and infuses intelligence into the physical world.

Device manufacturers and businesses can use the power of Watson IoT Platform to build specialized, integrated solutions to solve their business challenges. Watson IoT Platform implements a "messaging broker" that allows the exchange of information between devices and business applications, using a secure Public Key Infrastructure (PKI) technology to bring authentication and data encryption.

This implies a seamless integration with the WISeKey concept of Root of Trust (RoT) that delivers the digital identity that can be leveraged later in the Watson IoT platform. WISeKey is the only vendor in the industry providing an integrated solution that combines a back-end certificate and device management system with a hardware "RoT", a Secure Element (highly secure crypto chip) that protects the digital identity and certificates, to bring trust to the transmitted data through secure authentication of the device and related encryption of the data channel. Going one step further, the WISeKeyIoT components for IBM Watson IoT Platform are now made available to IBM's technology users. An easy mechanism to create and deploy these digital certificates, as well as a "Security Broker" that manages communications by verifying the security level of the messages and implementing security and business rules, like renewing certificates, managing attributes and other key capabilities that make a difference when deploying securely large numbers of connected devices.

BlockChain and WISeCoin

We have developed various enhancements and offerings that leverage Blockchain technologies. For example, in 2017 WISeKey partnered with Microsoft to facilitate the Government of Rwanda adopting BlockChain technologies to secure their land title registry. Similarly, BlockChain is used in the WISeID network as a public, immutable ledger that allows users to validate that the original identity or attributable



certifications provided by a trusted third party has not been changed or misrepresented.

In 2017 WISeKey introduced the World Internet Secure Coin, or WISeCoin, a Blockchain platform that enables countries to launch their own cryptocurrencies in an environment that provides interoperability in a similar fashion as the current analogue currencies.

Blockchain technology has triggered innovations and introduced a new era in finance. Today, cryptocurrencies have become a global phenomenon, so much so that even central banks are trying to create their own cryptocurrency systems. To this end, WISeKey is helping cities and nations around the world create their own cryptocurrency with WISeCoin, its Blockchain platform for cryptocurrencies.

With its revolutionary design and state-of-the-art cryptographic security system, WISeCoin is poised to disrupt legacy systems for transacting value and revamp global economic infrastructures. WISeCoin uses the latest blockchain technology and works as part of payment system using WISeKey Blockchain-as-a-Service ("BaaS") technology offerings. To empower a seamless cryptocurrency enabled economy, WISeCoin is supplemented with highly secured solutions such as biometrics-driven hardware wallets, integrated exchange platforms, MicroChips Blockchain enabled semiconductors, and NFC-based contactless payment solutions.

WISeKey's objective with WISeCoin is to become an emerging powerhouse in the global cryptocurrency market by supporting the development of economies built on Blockchain technology. WISeKey is working with several governments to enhance their existing cooperation on identity management, vehicle and land registration, lifecycle management, and to develop their own cryptocurrencies using Blockchain technology.

These cryptocurrencies can enable financial transactions that offer multiple advantages, including faster processing, improved security, and reduced transaction costs.

Blockchain-enabled cryptocurrency has the potential to usher in a new era of individual and corporate commerce.

WISeKey's cryptographic RoT empowers IoT manufacturers and chipmakers to add digital certificates to their chips at the hardware-level to encrypt communication and authenticate the devices on Blockchain. With its partner ecosystem, WISeKey is well positioned to address different kinds of BlockChain requirements for clients globally.

WISeKey has partnered with Microsoft and IBM for BaaS solutions, as well as with other companies Lykke, Stratumn, BigchainDB. WISeKey is committed to uncover the limitless possibilities in this BlockChain arena for the betterment of business and quality of life empowered with WISeKey security solutions.

WISekey will combine WISeCoin with its CertifyID (https://account.wisekey.com) integrating Digital Identity with BlockChain technology. CertifyID acts as a Digital Identity dual factor authentication based technology that sits on top of a BlockChain. The CertifyID BlockChain is constantly growing as new blocks are added to it with a new set of recordings. Each CertifyID node gets a copy of the CertifyID BlockChain and gets downloaded automatically upon joining the CertifyID network. The system is completely decentralized and can be operated at national or local level using a distributed identity ledger run by trusted parties spread across the BlockChain.

BlockChain remains an area of great innovation to WISeKey, with announcements in 2018 surrounding the use of NFC semiconductors to secure cryptocurrency wallets and transactions, as well as the availability of the WISeCoin platform that enables countries to launch their own cryptocurrencies in an environment that combines national e-Identities with Crypto Wallets.

Blockchain technology has triggered innovations and introduced a new era in finance. Today, cryptocurrencies have become a global phenomenon, so much so that even central banks are trying to create their own cryptocurrency systems. To this end, WISeKey is helping cities and nations around the world create their own cryptocurrency with WISeCoin, its cutting edge Blockchain identification platform with its revolutionary design and state-of-the-art cryptographic security system. When fully developed in Q3 2018 the WISeCoin Platform is poised to disrupt legacy systems for transacting value and revamping some of the participant countries economic infrastructures.

WISeCoin uses the latest blockchain technology and is part of a transactional system that uses WISeKey Blockchain-as-a-Service ("BaaS") technology offerings. To empower a seamless cryptocurrency enabled economy, WISeCoin is supplemented with highly secured solutions such as biometrics-driven hardware wallets, integrated exchange platforms, MicroChips Blockchain enabled semiconductors, and NFC-based contactless payment solutions. WISeKey's objective with WISeCoin is to become an emerging powerhouse in the global cryptocurrency market by supporting the development of economies built on Blockchain technology.

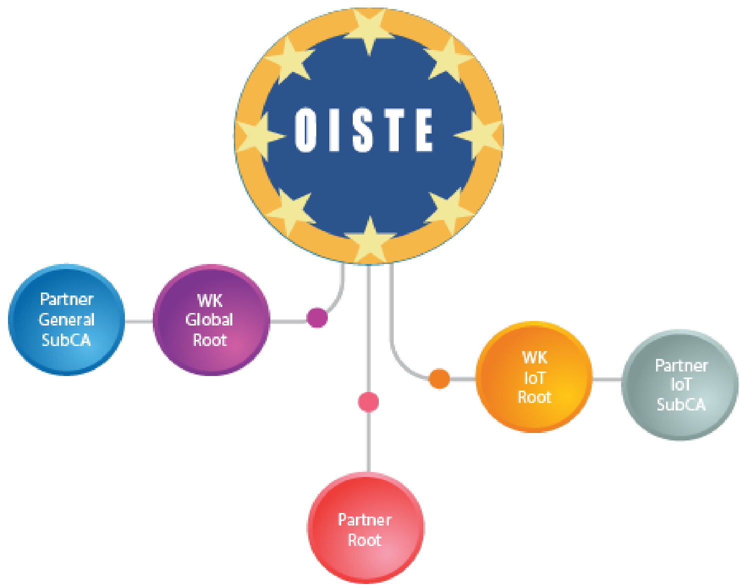
WISeKey was amongst several leading companies to receive the Blockchain Award of Excellence by the Global Blockchain Business Council on January 23, 2018, in Davos. Other leading companies presented with this award were: Abra, Bitpesa, Canaan, Chong Sing Holdings Fintech Group Limited, Coindesk, Digital Asset Holdings, MIT, Necker Blockchain Summit, OKEx, The Bitfury Group, The Museum of Fintech and Xapo.

The Global Blockchain Business Council (GBBC) (https://www.gbbcouncil.org/) brings together founding members from over 30 countries to advance global understanding of Blockchain technology. The organization is dedicated to furthering adoption of Blockchain technology through engaging and educating business leaders, regulators, and global decision and change makers on how to harness this groundbreaking tool to create more secure, equitable, and functional societies.

Root of Trust (RoT)

WISeKey is the exclusive licensee of the *International Organization for the Security of Electronic Transactions* (OISTE) Root of Trust (https://www.oiste.org/).

OISTE was founded in 1998 to promote the adoption of international standards for electronic identification and the interoperability of trust services for electronic transactions. OISTE holds special consultative status with the Economic and Social Council of the UN (ECOSOC) and is an accredited member of the Non-commercial Users Stakeholders Group (NCSG) of ICANN as part of the Not-for-Profit Operational Concerns (NPOC) constituency.



The OISTE Root of Trust has virtual ubiquity in modern computing environments, making it a valuable trust anchor for solutions that ensure the authenticity, confidentiality and integrity of digital transactions using proven industry-standard Public Key Infrastructure ("PKI") technologies.

While most roots are dedicated to specific corporate or public sector uses, the OISTE technology and policies are designed to allow a wide variety of organizations to benefit from its trust frameworks and to cost-effectively bring their transaction systems securely online.

The OISTE Root of Trust is protected inside a high security datacenter located in the Swiss Alps, and leverages Swiss neutrality, security and privacy laws to allow operations without geo-political or governmental constraints. OISTE.ORG considers that there are important issues related to personal data management, digital identity, information security and the respect of the right to privacy that concern all Internet users and demand concerted actions between States. The OISTE Foundation founded in 1998 as a not for profit organization based in Geneva, Switzerland, regulated by article 80 et seq. of the Swiss Civil Code is creating a "Switzerland on the Internet," a set of policies, technologies and legislation allowing the Internet to provide Net neutrality which is increasingly becoming a subject of discussions both at private and public sector. OISTE position is that internet companies, social networks, cloud services, internet services providers and governments should treat the data of users and organizations equally and that everyone has the right to free access to an open internet.

Any erosion of net neutrality is an attack on the founding principles of the internet. At the heart of this strategy OISTE Rootkey is present in over 2 billion browsers and mobile browsers and IoT devices allowing OISTE root to be ubiquitous and universal when receives the public key from web certification authorities worldwide. OISTE calls on other NGOs and UN Member States to work towards the requirement that Internet has to articulate the “right to disappear” into its design. This means that individuals will be empowered to manage their personal information, including the possibility of deleting personal data if they do not want it to linger in cyberspace. This is in compliance with the Article 12 of the Universal Declaration of Human Rights “No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.”

Case Study:

In addition to serving its own customer needs, WISeKey has a long history of deploying the OISTE Root of Trust for clients ranging from small to large enterprises or organizations like the **International Criminal Court in The Hague.**

In March 2017, WISeKey created a new dedicated PKI for **WISeKey India** – a joint venture with Indian Potash Limited (IPL) – deploying localized infrastructure in a secure datacenter in the country to provide optimal support for India-based customers and to facilitate compliance with local regulations.

OISTE/WISeKey expansions are planned for 2018 in other countries including the United States.

WISeKey at Davos

In January 2017, WISeKey organized at Davos the Titled Blockchain and The Internet of Value, the gathering of global technology, finance, government, academic and media leaders was a notable feature of the Davos agenda.

With a capacity audience of over 300 delegates, a panel of industry experts engaged in an interactive debate about the opportunities and challenges presented by the adoption of Blockchain technology during this time of unprecedented digital transformation.

Roundtable host, Carlos Moreira, moderated the session together with David Fergusson, President and Co-CEO of The M&A Advisor, engaging the expert panelists Matthew Bishop, Senior Editor of The Economist; Jean Philbert Nsengimana, Minister of Youth & ICT, Government of Rwanda; Blockchain investor Wang Wei, Chairman of China Mergers & Acquisitions Association; leading Legal Technology Research Professor, Primavera De Filippi; global venture capital expert, Professor Martin Haemmig and the CEO of Blockchain startup Stratumn, Richard Caetano together with Don Tapscott, in a dynamic discussion about the future of securing internet technology. WISeKey organized as a world premiere the digital signing of a physical book. Book signings are a standard part of an author's life, and most view it as a chore. Readers also find the experience less than thrilling. They stand in line to get an autograph and perhaps share ten words with the author.





But in Davos the digital signing of the Blockchain Revolution bestseller, was raised to a completely new experience. As soon as each book was signed, the book turned from pulp and paper into a digital gateway to a community of blockchain enthusiasts around the world.

WISeKey used this gathering to launch its **China Blockchain project**. WISeKey China Blockchain Centre of Excellence which aims to deploy a Trusted Blockchain as a Service platform in the country with special focus to IoT, Smart Cars and Smart Cities projects.

WISeKey began deploying IoT Blockchain projects in China after a delegation from the Beijing INTO Global Business Communications, a company that connects Chinese tech investors with global innovative companies, and also senior executives from CITIC Fund, Ventureslab, Sinodata, Insightcredit, Chinese Youth Angel Association, Weshare Finance, and Joy Capital visited its headquarters in Switzerland, having as a goal the establishment of a joint **Swiss China Blockchain Centre of Excellence.**

Since then, WISeKey has been cooperating with experts in industry, government, and academia to address businesses' most relevant Blockchain developments with practical, standards-based solutions using available Blockchain technologies.

The China Blockchain Centre of Excellence, has developed a Blockchain Platform that facilitates the swift adoption and on-boarding of Blockchain-based solutions and services. The Centre aims to deploy a Trusted Blockchain as a Service platform in the country with special focus on IoT, Smart Cars and Smart Cities projects.

WISeKey and its China partners are performing research, rapid pilot prototyping, co-creation of use cases and IP creation on Blockchain technology and platforms. China's ban on initial coin offerings (ICO) is considered in the country as a necessary move to stop illegal fundraising and pyramid schemes, but there is common understanding that this should not stop government and private organizations from studying and implementing blockchain technology especially in industrial applications such as Smart Cars, Smart Cities and 4th Industrial Application related projects. At the same time, China is moving ahead with its plan of becoming the first country in the world to offer its own digital cryptocurrency based on Blockchain technology, following successful trials. WISeKey and its China partners aim to take advantage of substantial opportunities arising from these projects.

INTELLECTUAL PROPERTY

We consider our technology to be important to the development of our systems and seek to protect such technology through a combination of patents, trade secrets, confidentiality agreements, trademarks, licenses, domain names and technical certificates.

We have 39 patent families (including over 650 individual patents) that relate to various domains that are key to our product offering such as counterfeiting, contactless, protection, and electronic functions of integrated-circuit and memory chips. We also have two additional patents issued in Switzerland, Canada, and the United States, along with several patents pending in various other jurisdictions. These two patents relate to the verification and authentication of IoT valuable objects on the internet when connecting with each other or on the cloud.

For our Semiconductors business, we have one of a few teams in the world that is able to design tamper resistant microchips thanks to our team of **40 specialized engineers**, including 5 engineers with special accreditations in secure testing to ensure that our chips can withstand attacks. The team's current research and development efforts are primarily focused on developing chips that comply with new digital signature standards and chips that are dedicated to IoT security protocols.

WISeKey is committed to protecting the deep intellectual property of its semiconductor investments, and believes that these patents and resources allow to leverage on its long-term leadership in secure microchips as the IoT and other sectors adopt these hardware technologies to increase security.

In 2017 WISeKey committed major efforts in the following R&D areas:

- Development of a new secure element platform designed for securing devices connected to IoT systems such as IBM Watson. For example, the new VaultIC407 chip offers:
    - A new embedded software stack that allows end-to-end authentication and provisioning between the device and the Root of trust.
    - New security countermeasures suited to IoT deployments to comply with the highest tamper proof certification criteria for secure chips (such as Common Criteria EAL5+).
    - Lower production costs adapted to the high volume demands of IoT ecosystems.

THE REGISTRY OF PATENTS
SINGAPORE

THE PATENTS ACT
(CHAPTER 221)

CERTIFICATE OF GRANT OF PATENT

Title : METHOD AND MEANS FOR DIGITAL AUTHENTICATION OF VALUABLE GOODS

Name of Inventor(s) : DARBELLAY, JÉRÔME; CREUS MOREIRA, JUAN CARLOS; BLACKMAN, KEVIN; MORENO, CARLOS

Name(s) and Address(es) of Proprietor(s) of Patent : WISEKEY SA, 29, ROUTE DE PRÉ-BOIS WORLD TRADE CENTER, CH-1217 MEYRIN / GENEVE SWITZERLAND

Date of Grant : 13 January 2012

Dated this 13th day of January 2012.

Tan Yih San
Registrar of Patents
Singapore

Urkunde · Certificat · Certificato

über die Erteilung des Erfindungspatentes Nr.
de délivrance du brevet d'invention n°
di rilascio del brevetto d'invenzione no.

699 083

Bern, Datum der Patenterteilung

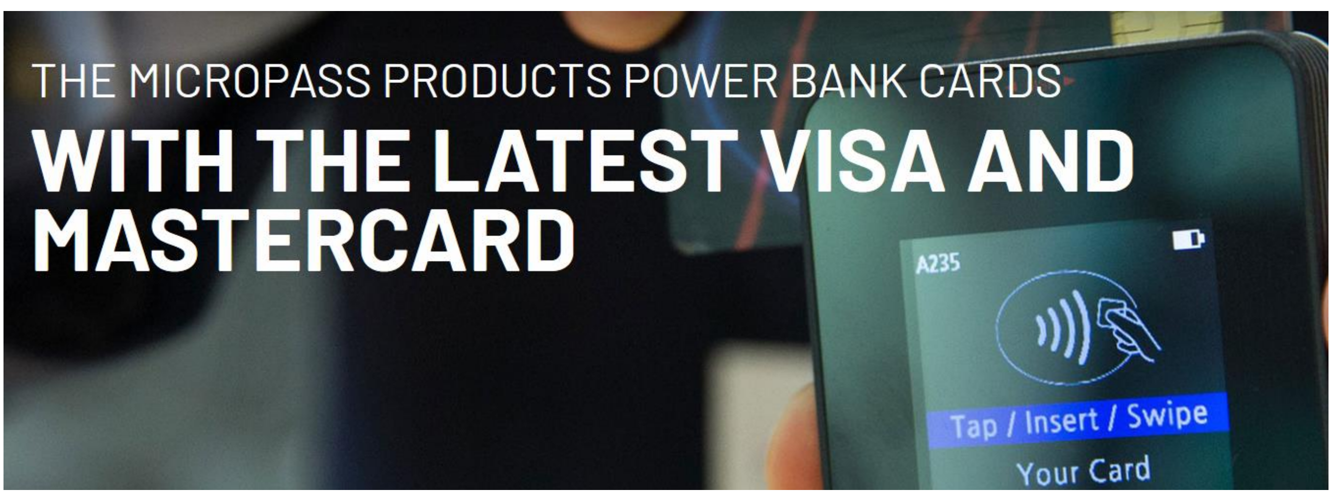
Berne, date de la délivrance du brevet

Berna, data del rilascio del brevetto

Der Direktor / Le Directeur / Il Direttore

Dr. Roland Grossenbacher

- Continued development of our MicroPass family of microchips for EMV payment under Visa and Mastercard certification rules through 2023/2024. In particular, the new generation of dual interface chips are expected to drive high demand from U.S. payment processors seeking faster personalization speeds and reduced total cost of issuance of new credit cards.
- Development of new intellectual property surrounding reduced power consumption on secure microchips, highly desired for IoT battery-powered devices. These R&D initiatives have already been awarded two new patent families by the French and U.S. patent organizations, while two additional new patent families have been officially submitted to ad-hoc patents boards.

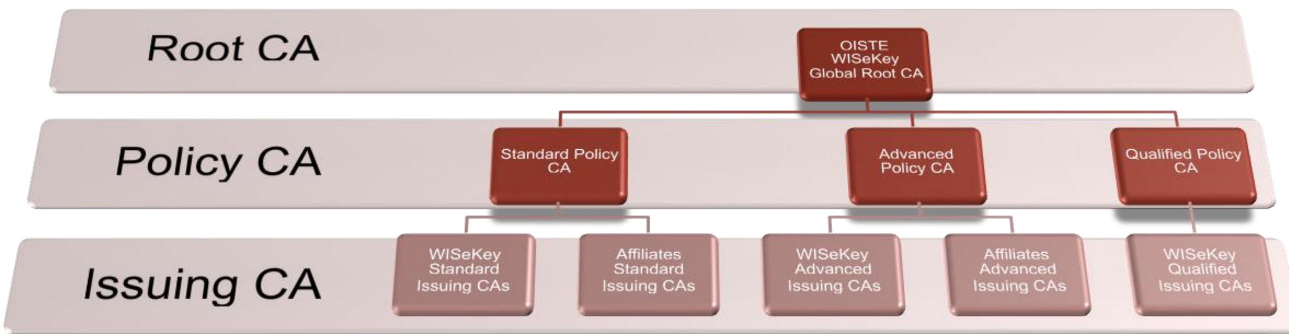


In addition, WISeKey invests considerable resources in the ongoing development and certification of its security-as a-service platforms including WISeKeyIOT/Istana, TrustLink, PrimoSign, and WISeCoin. Although driven by open industry specifications and standards, these platforms provide proprietary interfaces and integration options that add value to our customers as part of WISeKey's Vertical Trusted Platform.

Focus on Security

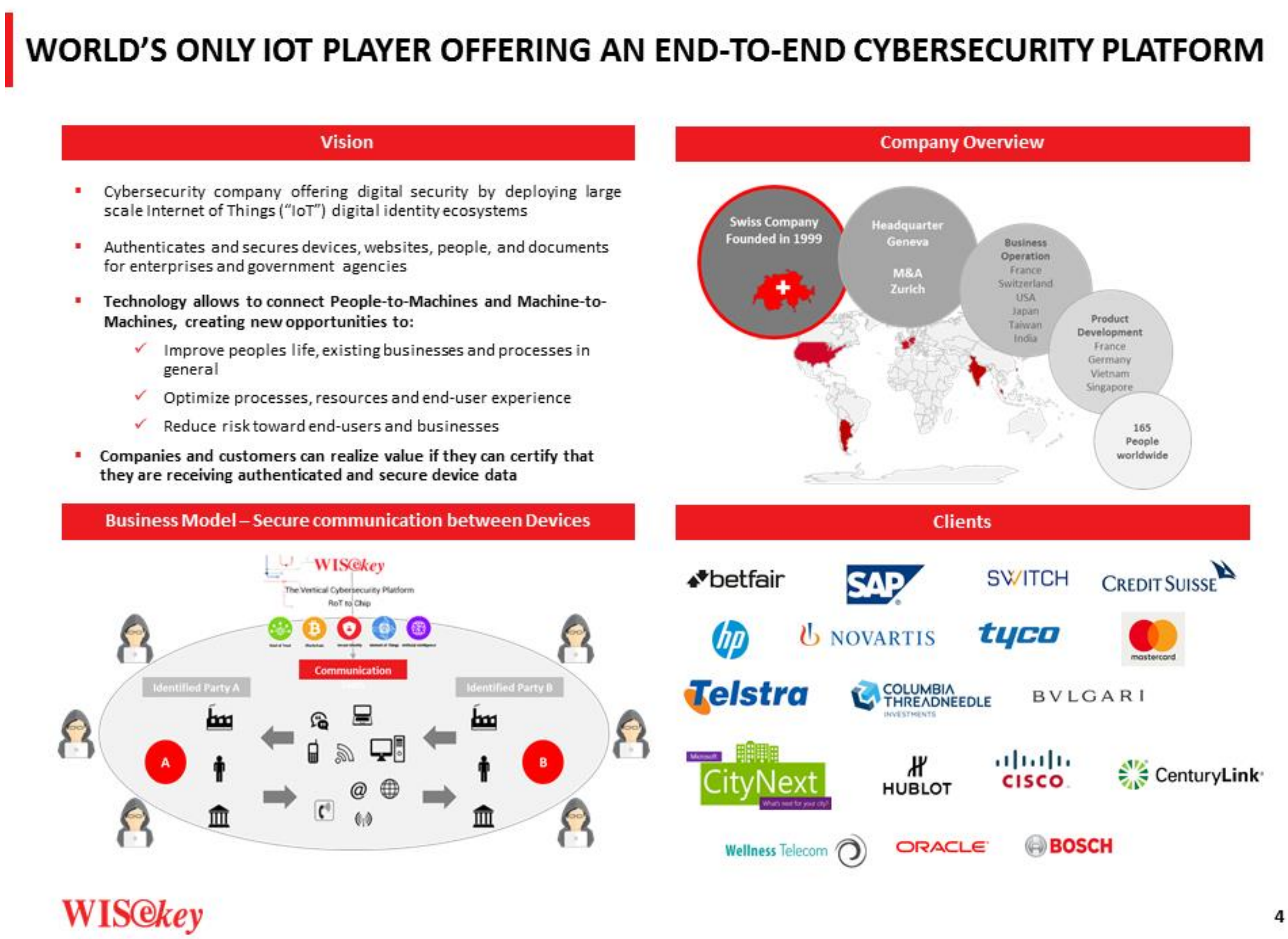
Security is central to our Cybersecurity SaaS business, with a major internal focus on risk management and compliance. Our subsidiaries are subject to multiple audits by external audit firms including KPMG, Ernst & Young and Auren, using standards set out by the CA/Browser Forum and software vendors to maintain our position as a Trusted Root. Additional certifications and accreditations are conducted by governmental regulators in order to support our inclusion in the EU Trust Lists.

Our Semiconductors business has 25 years of experience in designing secure chips, with no security breaches. Our R&D site in France is ISO 27001 and Visa/Mastercard certified.



WISEKEY'S STRATEGY

COMPETITIVE STRENGTHS



We believe WISeKey's competitive advantages will enable us to defend and extend our market position in electronic identification and IoT security. Our key competitive strengths include:

Leadership as Trust Service Provider:

We are a leading global provider of managed PKI (mPKI) and electronic signature services through our CertifyID, TrustLink and PrimoSign platforms which issue more than 1 million digital certificates a year across more than 3,500 clients including multinationals, international organizations, and national governments. In addition, WISeKey and QuoVadis digital signatures are used in more than 75 million electronic transactions a year. As the only eIDAS Trust Service Provider (TSP) with Qualified status in multiple European countries, we bring specific legal advantages to customers seeking improved operational efficiency and enhanced security for their e-transactions. We believe that the fast-growing number of regulations, standards and industry initiatives will drive cross-border adoption of our TSP services.

3500+
clients

Vertical Trusted Platform Security for IoT:

The growing focus on security of IoT devices is driving manufacturers towards the adoption of established secure microchip and PKI technologies to protect the important encryption and authentication activities of their IoT devices. We have a long history of providing tamper resistant microchips to the industry, with over a billion chips shipped since 2010. In addition, we offer customers integrated provisioning and mPKI services tailored to IoT manufacturing regimes and lifecycles. We believe our comprehensive, easy to integrate hardware and software platform provide our customers with greater flexibility to meet their specific needs and distinguishes us from our competitors in both the microchip and mPKI sectors.

1 B +
chips shipped

Swiss-based Root of Trust:

Switzerland's well-known neutrality, security and privacy laws allow us to operate as a trusted security provider without undue geo-political or governmental constraints. WISeKey is the trusted operator of the OISTE Global RoT which is based in a secure datacenter in Switzerland. We believe these features are important in creating business opportunities with various governments, international bodies, and industrial companies that are wary of foreign government oversight intervention and centralization of data on servers outside of their respective jurisdictions.

NO
Political constraints

Global Interoperability:

We have a robust research and development capability and participate in applicable standards development bodies for our sectors, ensuring that our offerings interoperate with customers' technical platforms. In addition, we invest considerable effort in certification and accreditation of our microchip and mPKI offerings to both industry and national regulatory standards. We believe this allows WISeKey to offer solutions on a global scale that are capable of adapting to complex and country-specific rules and regulations.

Strong Partnership Ecosystem:

We have strong network of strategic, technology and channel partnerships in both our secure microchip and mPKI sectors. Example partnerships include with IBM Watson to enhance the security of the data exchanged with IoT devices, with MasterCard to deliver payment capabilities via wearable devices, and with HydrantID to deliver mPKI services in U.S. markets. We believe the integration of WISeKey Semiconductor and QuoVadis will continue to bring to new partnerships that drive sales and service expansions of our portfolio.

Experienced Management and Leadership in Security Industry:

Our management team has extensive security domain expertise and a proven track record. Our Chief Executive Officer, Carlos Moreira is recognized as an internet security pioneer, having founded WISeKey in 1999 after 17 years as a United Nations expert on Cybersecurity and Trust Models. Bernard Vian leads the Semiconductor and IoT security practice with over 25 years of industry experience. Roman Brunner, former CEO of QuoVadis, has over 25 years of experience in leading international sales teams and partner/reseller ecosystems.

100+
Years of combined team experience

We have a deep bench of talent at the executive level, with years of industry experience in microchip design and production, secure software development, PKI operations and compliance, as well as sales and account management.

GROWTH STRATEGY

Our goal is to protect people and their digital identity, to secure objects or things connected to the internet, and to protect digital information. The key elements of our growth strategy include:

Expansion within our Existing Customer Base:

The acquisition of VaultIC in 2016 and QuoVadis in 2017 has brought significant opportunities to cross-sell our offerings as we progress towards offering an end-to-end Vertical Trusted Platform. Our existing customer base of over 3,500 customers provides a significant opportunity to drive incremental sales, both cross selling mPKI and electronic signature solutions and in delivering expanded SaaS offerings to our IoT and semiconductor customers in a “razor and blade” strategy that continues service delivery beyond the initial microchip sale. We believe helping our current customers identify gaps in their cybersecurity strategies will drive significant cross selling opportunities and increase deployment of our offerings.

Leveraging Traction in Key Industries:

We have existing strong market share in key sectors including financial services and insurance, the connected car, and telecommunications. Leveraging our established credentials and proven offerings and use cases, we plan to continue broadening and growing our customer base across verticals, including the public sector, energy and utilities, healthcare, manufacturing and retail. To drive the acquisition of new customers, we plan to continue investing in our direct sales team, enhancing our marketing efforts, and expanding our channel partnerships. We are also focused on the education of existing partners in order to further expand our market reach through our channel partner network.

Expand our Geographic Coverage:

We operate in a large, growing market and there are substantial opportunities to expand our geographic coverage and client base. We plan to expand our global footprint outside of the areas where we currently operate. Our Swiss affiliation allows us to explore markets that have been traditionally difficult for our competitors and other security vendors, including China. We specifically want to focus on continued expansion in the United States, which is an underpenetrated foreign market for the Company.

Expand the Vertical Trusted Platform into New Applications:

We have begun to develop applications that integrate our platform into the vibrant markets for BlockChain and Artificial Intelligence. For example, the combined deployment of our SaaS offerings and microchips into IoT devices provide new opportunities to secure devices and their data, allowing objects connected to the Vertical Trusted Platform to develop their own cybersecurity behavior and make smarter and safer decisions. Similarly, our WISeCoin platform provides new opportunities for entrants into the cryptocurrency markets, and our PrimoSign portfolio offers an expanding set of tools for organizations requiring legally-compliant cloud-based electronic signatures.

Continued Expansion of Partner Ecosystem:

We actively foster and continue to develop our partner ecosystem to find and work with high quality partners who provide our solution to end-customers. We have signed partnerships with key vendors such as IBM Watson, Microsoft Azure, MasterCard, and SAP HANA and believe it is important to leverage “household” technology partners to provide our first-in-class security solutions to enterprises across industry, governments and international organizations. In addition, a wide variety of industry-specific and regionally focused partners – such as Adobe, Ascertia, Keyon, Zertifikon, CertEurope, SWITCH, HP Global Services (Germany), Capita plc, Intrum Justitia, CBFS and Everyware – also extend our sales reach.

Pursue U.S. ADR Listing:

We continue to purse listing of a sponsored Level II American Depositary Receipt (ADR) on a stock exchange such as NASDAQ in late 2018 / early 2019. We have appointed BNY Mellon as Depositary Bank for the ADR, complementing our existing listing of Class B Shares on the SIX Swiss Exchange. We believe access to the U.S. capital markets will bring additional visibility to the company to the benefit of WIHN shareholders.

Selectively Pursue Strategic Transactions:

We will continue to proactively explore and pursue selective acquisitions to help drive our growth and complement our product offerings, expand the functionality of our solution, acquire technology or talent, or bolster our leadership position by gaining access to new customers or markets. Acquisitions remain core to our strategy and we continue to monitor an active pipeline of opportunities. Our management team has a track record of successfully integrating acquisitions (including VaultIC and QuoVadis) to expand our customer base, enter new geographic markets and reinforce our Vertical Trusted Platform.

CORPORATE GOVERNANCE

Corporate Governance Report

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

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

1 Group Structure and Significant Shareholders

1.1 Group Structure

1.1.1 Operational Group Structure

WIHN is domiciled at General-Guisan-Strasse 6, 6300 Zug, Switzerland, and is the holding company of WISeKey. The Company conducts its business through subsidiaries in Europe, North and South America, and Asia. Although not all are wholly-owned, all subsidiaries of the Company as of December 31, 2017 were assessed as being under control of the Company and have therefore been fully consolidated.

As of December 31, 2017, the main operating subsidiaries in the Company were WISeKey Semiconductors SAS, domiciled in France, QuoVadis Trustlink Schweiz AG, domiciled in Switzerland, QuoVadis Trustlink BV, domiciled in the Netherlands, QuoVadis Services Ltd, domiciled in Bermuda, and WISeKey SA, domiciled in Switzerland.

The Company's segment reporting separates out the semiconductors activities with the manufacture and distribution of chip-based products, and the Public Key Infrastructure ("PKI") activities with operations relating to digital information security, authentication and identity management.

1.1.2 Listed Companies

The Company, with its registered office at General-Guisan-Strasse 6, 6300 Zug, Switzerland, has a dual share structure: shares with a nominal value of CHF 0.01 each (the "Class A Shares"), which are not listed, and shares with a nominal value of CHF 0.05 each (the "Class B Shares" and any Class A Share or Class B Share of the Company a "Share" and collectively the "Shares"), which are listed on the SIX. The initial listing of the Class B Shares occurred on March 31, 2016 (Ticker symbol: WIHN; Security No.: 31402927; ISIN: CH0314029270). As of December 31, 2017, WISeKey had, based on the Class B Shares, a market capitalization of CHF 150,490,964.40.

None of the other companies have securities listed on a stock exchange as of December 31, 2017.

1.1.3 Non-listed Companies Belonging to the WISeKey Group

As of December 31, 2017, the Group structure was as follows:

Group Company Name	Registered Office	Share Capital		% ownership as of December 31, 2017	% ownership as of December 31, 2016	Nature of business
WISeKey SA	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	933,436	95.35%	90.3%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	Rue de la carrière de Bachasson, Arteparc de Bachasson, CS 70025, 13590 Meyreuil, France	EUR	1,298,162	100.0%	100.0%	Chip manufacturing, sales & distribution
WiseTrust SA	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey (Suisse) SA	Route de Pré-Bois 29, 1215 Geneva 15, Switzerland	CHF	100,000	100.0%	100.0%	Dormant
WISeKey ELA SL	Calle Rodriguez Arias No 15, Bilbao, Spain	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	20-22 Bedford Row, London WC1R 4JS, United Kingdom	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc	731 James Street, Suite 400, Syracuse, New York 13203-2003, USA	USD	6,500	100%*	100%*	Sales & support
WISeKey India Private Ltd***	C-4/5, Lower Ground Floor, Safdarjung Development Area, New Delhi, South Delhi, Delhi, India, 110016	INR	1,000,000	45.9%	40.8%	Sales & support
WISeKey BR BV****	Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands	EUR	60,000	100.0%	100.0%	Dormant
WISeKey France SAS**	11 rue de Longjumeau, 91160 Champlan, France	EUR	37,000	100.0%	100.0%	Dormant
WISeKey Italia s.r.l.**	Via Montenapoleone 8, CAP 20121, Milano, Italy	EUR	10,000	100.0%	100.0%	Dormant
WISeKey Singapore Pte Ltd**	77 Science Park Drive, #02-18/19 CINTECH III, Singapore 118256, Singapore	SGD	100,000	100.0%	100.0%	Sales & distribution
WISeKey KK	3F, 1-9-7 Kanda-Awajicho, Chiyoda-ku, Tokyo, Japan	JPY	1,000,000	100.0%	not incorporated	Sales & distribution
QuoVadis Trustlink Schweiz AG	Poststrasse 17, Postfach, 9001 St. Gallen, Switzerland	CHF	100,000	85.0%	n/a	Sales & distribution
QuoVadis Online Security Ltd	Unit 7 Hayters Court, Grigg Lane, Brockenhurst, Hampshire SO42 7PG, United Kingdom	GBP	200	85.0%	n/a	Sales & distribution
QuoVadis Trustlink BVBA***	Schaliënhoevedreef 20 Bus T, 2800 Mechelen, Belgium	EUR	6,267	85.0%	n/a	Sales & distribution
QuoVadis Trustlink BV	Nevelgaarde 56, 3436 ZZ Nieuwegein, The Netherlands	EUR	18,000	85.0%	n/a	Sales & distribution
QV BE BV	Nevelgaarde 56, 3436 ZZ Nieuwegein, The Netherlands	EUR	10,000	85.0%	n/a	Non trading
QuoVadis Trustlink GmbH	Ismaninger Str. 52, D-81675 München, Germany	EUR	25,000	85.0%	n/a	Sales & distribution
QuoVadis Services Ltd*****	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda	USD	12,000	43.4%	n/a	Support and R&D services
QuoVadis Ltd	5th Floor, Andrew's Place, 51 Church Street, Hamilton HM 12, Bermuda	USD	12,000	85.0%	n/a	Support and R&D services
QV Holdings Ltd	5th Floor, Andrew's Place, 51 Church Street, Hamilton HM 12, Bermuda	USD	109,392	85.0%	n/a	Holding for the QuoVadis group
WISeKey Taiwan	Hun Tai Centre, 2/F-A, 170 Dunhua North Road, Singshan District, Taipei 10548, Taiwan	TWD	100,000	100.0%	not incorporated	Sales & distribution

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

** dormant or in the process of being liquidated

*** 90% owned by WISeKey SAARC which is controlled by WIHN

**** liquidated on November 29 , 2017

***** 51% owned by QV Holdings Ltd which is controlled by WIHN

1.2 Significant Shareholders

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

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

The table below sets out, to the knowledge of the Company, beneficial owners holding 3% or more of the voting rights of the Company as disclosed on the SIX disclosure platform on December 31, 2017. The percentages indicated above have been established based on the share capital of the Company registered with the commercial register of the Canton of Zug on the date on which the respective disclosure obligation pursuant to the FMIA was triggered. For a full review of the disclosure reports that were made to the Company and the SIX Disclosure Office during fiscal year 2017, and then published on the SIX electronic publication platform in accordance with the FMIA and the rules and regulations promulgated thereunder, please refer to the search facility of the SIX Disclosure Office at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Name	Number of Shares owned		Purchase Position	Sale Position	Total number of voting rights	Percentage of voting rights
	Class A Shares	Class B Shares	Class B Shares	Class B Shares		
ExWorks Capital Fund I, LP.	-	137,111	6,210,623	-	6,347,734	10.82%
GEM Global Yield Fund LLC SCS1	-	-	12,281,638	-	12,281,638	20.94%
A lock-up group consisting of : Carlos Moreira and five additional individuals	40,021,988	-	-	-	40,021,988	68.24%

1.3 Cross-shareholdings

The Company is not aware of any cross-shareholdings.

2 Capital Structure

2.1 Capital

As of December 31, 2017, the Company's statutory share capital amounted to CHF 1,629,765.78, divided into 40,021,988 Class A Shares and 24,590,918 Class B Shares. In addition, as of December 31, 2017 the Company had outstanding 120,242 Class B Shares, corresponding to a nominal value of CHF 6,012.10, issued out of the Company's conditional share capital that had not yet been registered with the commercial register. As of December 31, 2017, the total outstanding capital therefore amounted to CHF 1,635,777.88, divided into 40,219,988 Class A Shares and 24,711,160 Class B Shares. All Shares are registered shares (*Namenaktien*) and all Class A Shares and 23,684,501 Class B Shares are issued in form of intermediated securities (*Bucheffekten*) and 1,026,659 Class B Shares are issued in certificated form. The Shares are fully paid and rank economically *pari passu* with each other.

As of December 31, 2017, the Company held no Class A Shares or Class B Shares in treasury.

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

2.2 Authorized and Conditional Share Capital

2.2.1 Authorized Share Capital

The Board of Directors of the Company (the "Board") is authorized to issue new Class B Shares at any time during a period expiring May 31, 2019 and thereby increase the Company's share capital, without the approval of the shareholders, in a maximum amount of CHF 590,171.40 through the issuance of up to 11,803,428 new fully paid-in Class B Shares, corresponding to 36.21% of the share capital and 18.27% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2017. An increase in partial amounts is permitted.

After the expiration of the initial period, and each subsequent two-year period, authorized share capital will be available to the Board for issuance of additional Class B Shares only if the authorization is reapproved by the Company's shareholders.

According to the Company's authorized share capital, the Board determines the time of the issuance, the issue price, the manner in which the new Class B Shares have to be paid in, the date from which the new Class B Shares carry the right to dividends and, subject to the provisions of the articles of association of the Company (the "Articles"), the conditions for the exercise of the pre-emptive rights with respect to the issuance and the allotment of pre-emptive rights that are not exercised.

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

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

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

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

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

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

2.2.2 Conditional Share Capital

As per December 31, 2017,[1] the Articles provided for a conditional share capital that authorized the issuance of new Class B Shares of up to a maximum amount of CHF 546,312.50 or up to 10,926,250 new Class B Shares, corresponding to 33.52% of the share capital and 16.91% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2017, without obtaining additional shareholder approval. Pursuant to the Articles, the additional shares may be issued:

— up to an amount of CHF 307,713.10 by the issuance of up to 6,154,262 fully paid-in Class B Shares with a nominal value of CHF 0.05 through the exercise of conversion, option, exchange, warrant or similar rights for the subscription of shares granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants, notes, other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by, or of a member of, the Company (the "Rights-Bearing Obligations"); and

— up to an amount of CHF 238,599.40 by the issuance of up to 4,771,988 fully paid-in Class B Shares with a nominal value of CHF 0.05 in connection with the issuance of Class B Shares, Rights-Bearing Obligations, options or other share-based awards granted to members of the Board of Directors, members of executive management, employees, contractors, consultants or other persons providing services to the Company or a member of the Company.

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

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

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

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

In connection with the issuance of any new Class B Shares or Rights-Bearing Obligations pursuant to the second limb of the conditional share capital described above (i.e. the conditional share capital to satisfy our obligations towards employee compensation plans), the pre-emptive rights and advance subscription rights of the shareholders are generally excluded. Class B Shares or Rights-Bearing Obligations

1 The Company issued Class B Shares out of the conditional share capital during fiscal year 2017, as further set out under Section 2.3. Only Class B Shares issued out of the conditional share capital between January 1, 2017 and December 7, 2017 are reflected in the Articles in force as of December 31, 2017.

must be issued to members of the Board, members of executive management, employees or other persons providing services to the Company in accordance with one or more benefit or incentive plans. Class B Shares may be issued to any of such persons at a price lower than the current market price, but at least at par value.

2.3 Changes in Capital

Since the incorporation of the Company on December 02, 2015, the share capital of the Company has been increased as follows:

— On March 02, 2016, prior to the listing of the Class B Shares on the SIX (the "Initial Listing"), the Company acquired the entire equity interest of WiseTrust SA against the issuance of 30,021,988 new Class A Shares, thus increasing the share capital of the Company from CHF 100,000 to CHF 400,219.88. The equity interest of WiseTrust SA was contributed at the book value of WiseTrust SA at December 31, 2015, i.e. net assets of CHF 4,102,244. CHF 300,219.88 were contributed to the share capital of WISeKey, and CHF 3,802,024.12 to the capital contribution reserves of the Company.

— On March 21, 2016, in order to settle the offer submitted by the Company on February 17, 2016 to all holders of WISeKey SA shares for the exchange of five WISeKey SA shares for one Class B Share in the Company (the “Exchange Offer”), the Company issued 13,234,027 new Class B Shares against the contribution in kind of all WISeKey SA shares tendered into the Exchange Offer. As of March 21, 2016, 90.3% of WISeKey SA shares were tendered into the Exchange Offer. The total contribution value of the tendered WISeKey SA shares was determined by reference to the net asset value of WISeKey SA. The total net asset value relative to the WISeKey SA shares tendered was CHF 1,051,392.50, of which CHF 661,701.35 were contributed to the Company’s share capital, and CHF 389,691.15 were contributed to the capital contribution reserves of the Company.

— In a financing round that took place immediately prior to the date of the Initial Listing on March 30, 2016, the Company issued a total of 1,434,365 Class B Shares against a contribution in cash. 100,000 of these Class B Shares were issued in an ordinary share capital increase, carried out concurrently with the settlement of the Exchange Offer, at an issue price of CHF 10, thereby increasing the share capital by CHF 5,000 and the capital contribution reserves by CHF 995,000. The remaining 1,334,365 of these Class B Shares were issued out of authorized share capital on March 29, 2016 at an issue price of CHF 5, increasing the share capital by CHF 66,718.25 and the capital contribution reserves by CHF 6,605,106.75.

— On March 08, 2017, the Company issued 284,198 new Class B Shares out of authorized capital to GEM Investments America LLC as settlement of the CHF 1,200,000.00 fee due for the use of a Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fun LLC SCS. CHF 14,209.90 were contributed to the share capital of WISeKey, and CHF 1,185,790.10 to the capital contribution reserves of the Company.

— On April 03, 2017 the Company amended its Articles by recording the Class B Shares issued out of the conditional share capital of the Company during the financial year 2016. A total number of 3,595,510 Class B Shares were issued out of the Company's conditional share capital during the financial year 2016 at an aggregate issue price of CHF 10,054,716, thereby increasing the share capital by CHF 179,775.50 and the capital contribution reserves by CHF 9,863,690.50.

— On April 03, 2017, the Company issued 1,110,000 new Class B Shares out of authorized capital as partial consideration for the acquisition of QV Holdings Ltd, resulting in an increase in share capital by CHF 55,500.00, and a contribution to the capital contribution reserves of the Company of respectively CHF 4,262,400.00.

— On May 31, 2017, the annual General Meeting of shareholders of the Company resolved to increase the Company's authorized share capital to CHF 691,562.40, corresponding to the issuance of up to 13,831,248 Class B Shares, and the Company's conditional share capital to CHF 691,562.40, of which CHF 441,562.40, corresponding to the issuance of up to 8,831,248 Class B Shares, is re-served for Rights-Bearing Obligations and CHF 250,000, corresponding to the issuance of up to 5,000,000 Class B Shares, for the issuance of Class B Shares or Rights-Bearing Obligations granted to employees and/or advisors of the Company.

— On June 29, 2017, the Company issued 100,000 new Class B Shares out of authorized capital to GEM Global Yield Fun LLC SCS against the contribution in cash of CHF 279,900.00 in line with the drawdown process within the Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fun LLC SCS. CHF 5,000.00 were contributed to the share capital, and CHF 274,900.00 to the capital contribution reserves of the Company.

— On August 16, 2017, the Company issued 325,000 new Class B Shares out of authorized capital to GEM Global Yield Fun LLC SCS against the contribution in cash of CHF 1,396,575.00 in line with the drawdown process within the Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fun LLC SCS. CHF 16,250.00 were contributed to the share capital, and CHF 1,380,325.00 to the capital contribution reserves of the Company.

— On September 28, 2017, the Company issued 841,069 new Class B Shares out of authorized capital to WISeKey SA Minority Shareholder. On September 27, 2017, the Company entered into several separate contribution-in-kind agreements (the “Contribution-in-Kind Agreements”) with WISeKey SA Minority Shareholders. Pursuant to the terms of the Contribution-in-Kind Agreements, the WISeKey SA Minority Shareholders have contributed to WISeKey an aggregate of 4,205,350 Subsidiary Shares, corresponding to 4.51% of the Subsidiary Shares, against the issuance by WISeKey of the Share Exchange Shares. The exchange of the Subsidiary Shares acquired by WISeKey through the Contribution-in-Kind Agreements for the Share Exchange Shares has occurred at an exchange ratio of five Subsidiary Shares for one Share Exchange Share (the “Exchange Ratio”). The total contribution value of the tendered WISeKey SA shares was determined by reference to the market price on September 28, 2017 on the SIX of the 841,069 WIHN Class B shares issued as consideration. The total net asset value relative to the WISeKey SA shares tendered was CHF 3,566,132.56, of which CHF 42,053.45 were contributed to the Company’s share capital, and CHF 3,524,079.11 were contributed to the capital contribution reserves of the Company.

- On September 28, 2017, in order to settle the interests accrued for the month of July 2017 on the Credit Facility that WISeKey entered into on January 16, 2017 with the loan provider ExWorks Capital Fund I, LLC, the Company issued 53,844 new Class B Shares out of authorized capital. The interests accrued for the month of July 2017 amounted to CHF 247,799.22 resulting in an increase in share capital by CHF 2,692.20, and a contribution to the capital contribution reserves of the Company of CHF 245,107.02.
- On September 28, 2017, as full settlement of a short-term loan granted by ExWorks Capital Fund I, LLC ("ExWorks") to WISeKey on July 21, 2017, the Company issued 83,333 new Class B Shares out of authorized capital. The short-term loan amounted to CHF 242,729.50 resulting in an increase in share capital by CHF 4,166.65, and a contribution to the capital contribution reserves of the Company of CHF 238,562.85.
- On December 29, 2017, as part of a private investment in public equity transaction, the Company issued 198,298 new Class B Shares out of authorized capital to a private investor against the contribution in cash of CHF 1,000,000.00 resulting in an increase in share capital by CHF 9,914.90, and a contribution to the capital contribution reserves of the Company of CHF 990,085.10.
- On December 29, 2017, 26,276 Class B Shares were issued to Inside Secure SA in connection with an agreement dated December 28, 2017, pursuant to which the Company and Inside Secure SA have agreed that a claim, due by the Company to Inside Secure SA in connection with a convertible loan note agreement dated as of September 20, 2016, as amended, be paid in the form of Class B Shares. The claim amounted to CHF 111,100.00 resulting in an increase in share capital by CHF 1,313.80, and a contribution to the capital contribution reserves of the Company of CHF 109,786.20.
- On December 29, 2017, the Company issued 400,000 new Class B Shares out of authorized capital to GEM Global Yield Fun LLC SCS against the contribution in cash of CHF 2,228,880.00 in line with the drawdown process within the Share Subscription Facility Agreement contracted on January 19, 2016 with GEM Investments America LLC and GEM Global Yield Fun LLC SCS. CHF 20,000.00 were contributed to the share capital, and CHF 2,208,880.00 to the capital contribution reserves of the Company.
- On December 29, 2017, the Company amended its Articles and registered a total number of 2,904,998 Class B Shares issued out of its conditional share capital during the period commencing on January 1, 2017 and ending on December 7, 2017. A total number of 2,904,998 Class B Shares were issued out of the Company's conditional share capital during that period at an aggregate issue price of CHF 11,035,350.60, thereby increasing the share capital by CHF 145,249.90 and the capital contribution reserves by CHF 10,890,100.70.
- After December 6, 2017, an additional number of 120,242 Class B Shares that have not yet been recorded in the Articles was issued out of the Company's conditional share capital, thereby increasing the share capital by CHF 6,012.10 and the capital contribution reserves by CHF 558,131.61.

2.4 Shares and Participation Certificates

For information regarding the total number, nominal value, and types of Shares of the Company, please see item no. 2.1. All of the Shares are fully paid in. Each Class A Share and each Class B Share carry one vote. Relative to the investment required to acquire a Class A Share, holders of Class A Shares benefit from a voting privilege, as one Class A Share grants its holder the same voting right as the higher par value Class B Shares. Pursuant to the Swiss Code of Obligations (the "CO"), the voting privilege of Class A Shares does not apply to the following matters to be resolved upon at the General Meeting:

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

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

2.5 Dividend-Right Certificates

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

2.6 Limitations on Transferability and Nominee Registrations

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

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

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

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

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

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

2.7 Convertible Bonds and Options

2.7.1 Convertible Bonds and Similar Instruments

On January 16, 2017, the Company entered into an acquisition line of credit agreement (the "Credit Facility"), amended from time to time, with ExWorks Capital Fund I, L.P. ("ExWorks"). Pursuant to the Fifth amendment signed on September 19, 2017, ExWorks has the right, at its election, to convert (i) monthly interest of 1.5% (each an "Interest Payment") accruing during and after October 2017 until January 2019 on term loans granted by ExWorks to WISeKey under the Credit Facility (the "Term Loans"), in each case due on the first day of the month in arrears, (ii) the principal amount of any Term Loan and (iii) fees in the amount of up to USD 1,000,000, incurred by ExWorks in connection with the Credit Facility and payable by WISeKey to ExWorks (the "Fees"), into up to 4,940,267 Class B Shares with an aggregate nominal value of CHF 247,013.35, corresponding to 15.16% of the share capital and 7.65% of the voting rights of the Company registered with the commercial register of the Canton of Zug as of December 31, 2017. If and when converted, the conversion price (the "Conversion Price") applicable to any Interest Payment, Term Loan and Fees will be USD 4.74.

2.7.2 Options, Warrants and Similar Instruments

As of December 31, 2017, the Company has an aggregate number of 4,362,506 outstanding options and warrants, which entitle the respective holders of such options and warrants to acquire a total of 4,362,506 Class B Shares:

- On May 06, 2016, the Company issued to GEM Global Yield Fund LLC SCS, 412f Route d’Esch, 2086 Luxembourg, Luxembourg, a warrant according to which GEM Global Yield Fund LLC SCS has the right to subscribe for 1,459,127 Class B Shares, equaling 4.48% of the Company's share capital and 2.26% of the Company's voting rights registered with the commercial register of the Canton of Zug as of December 31, 2017. The subscription price corresponds to CHF 8.85432. The warrant expires on May 06, 2021. The warrant can be exercised at any time during the exercise period. If the warrant was exercised in full, the share capital would be increased by CHF 72,956.35, and the capital contribution reserves by CHF 12,846,621.03.
- On January 19, 2016, GEM Global Yield Fund LLC SCS, 412f Route d’Esch, 2086 Luxembourg, Luxembourg, and GEM Investments America, LLC, East 62nd Street 10065 New York, NY, USA (the latter being beneficially owned by GEM Global Yield Fund LLC SCS; collectively referred to as “GEM”) entered into a share subscription facility agreement (the “SFF”) with the Company, according to which GEM granted the Company the right, at any date after the date on which the Class B Shares are listed on the SIX, during the period expiring on the earlier of January 19, 2021 and the date on which GEM has subscribed for Class B Shares with an aggregate subscription price of CHF 60,000,000 (exercise period), to request GEM, in one or several steps, to subscribe for Class B Shares up to an aggregate subscription amount of CHF 60,000,000. As at December 31, 2017 several drawdowns had taken place and the remaining aggregate subscription amount was down to CHF 56,094,645. The subscription price for each subscription request of the Company corresponds to 90% of the average of the closing bid prices for Class B Shares on the SIX (as adjusted for variations) as reported by Bloomberg during relevant pricing period. Assuming a subscription price of CHF 4.35 per new Class B Share (as disclosed on the SIX Disclosure Platform as of December 31, 2017) and that the entire remaining subscription amount of CHF 56,094,645 was drawn down by the Company, GEM would receive 12,895,320 new Class B Shares, corresponding to a nominal value of CHF 644,766, which represents 19.96% of the voting rights and 39.56% of the share capital of the Company registered with the commercial register of the Canton of Zug as of December 31, 2017.
- On February 06, 2017, the Company signed an Option Agreement with ExWorks whereby it granted ExWorks the right to acquire up to 1,075,000 Class B Shares at an exercise price of CHF 3.15. The Option Agreement expires on February 06, 2020. The options can be exercised at any time during the exercise period, either in full, or in part in which case the number of exercises is limited to four. If the options were exercised in full, the capital contribution reserves would increase by CHF 3,332,500.00 and the share capital by CHF 53,750.00, equalling to 3.30% of the share capital and 1.66% of the voting rights, calculated based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2017.
- On April 03, 2017, the Company completed its acquisition from, among others, ABRY Senior Equity II, L.P. and One Communications Ltd. (previously named KeyTech) of 85% of the issued and outstanding equity interest in QV Holdings Ltd (“QuoVadis”), Bermuda, the holding company of the QuoVadis Group. The remaining 15% of QV Holdings Ltd's equity interest is held by the QuoVadis Management. Pursuant to a shareholders' agreement entered into by and between the Company and the management of QV Holdings Ltd, Bermuda ("QuoVadis Management"), on April 03, 2017, WISeKey and QuoVadis Management have a right to acquire and sell, respectively, the remaining 15% equity interest in QuoVadis held by QuoVadis Management in May 2018. The consideration to be paid for the 15% minority interest may be settled, at WISeKey's discretion, in Class B Shares or cash, and is to be determined by reference to QuoVadis' performance in financial year 2017. Assuming that the maximum consideration was paid

to QuoVadis Management, 946,000 Class B Shares, corresponding to an aggregate nominal value of CHF 47,300, would be issuable to QuoVadis Management, corresponding to 1.46% of the Company's voting rights and to 2.9% of the Company's share capital registered with the commercial register of the Canton of Zug as of December 31, 2017. If WISeKey elects to pay the consideration in Class B Shares, the implied issue price per Class B Share would be CHF 5.813, and the share capital would be increased by CHF 47,300.00, and the capital contribution reserves by CHF 5,448,960.00.

— As of December 31, 2017, the Company had 731,772 options outstanding under the ESOP (as defined below), entitling its holders to acquire up to 731,772 Class B Shares:

  o 132,772 options to acquire 132,772 Class B Shares, corresponding to 663,860 options granted by WISeKey SA to employees of WISeKey SA under the WISeKey SA employee share ownership plan and assumed by the Company with effect as of the Initial Listing, as amended (exercise period: December 31, 2022, exercise ratio: 1:1, exercise price per option: CHF 0.05, vesting: all options have vested). Assuming that all options are exercised, the share capital of the Company would be increased by 0.41% and the total voting rights by 0.21%, based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2017;

  o The Company has granted 599,000 options to persons providing consultancy, advisory and other services to WISeKey in connection with WISeKey's business development activities. Each option is exercisable to purchase one Class B Share. 265,666 of these options have vested, whilst the remaining 333,334 options are unvested. Once vested, the options can be exercised at any time during the exercise period. If all options were exercised, a total number of 599,000 Class B Shares would be issued, thereby causing an increase in share capital by CHF 29,950.00, equaling to 1.84% of the share capital and 0.93% of voting rights based on the share capital of the Company registered with commercial register of the Canton of Zug as of December 31, 2017, and an increase in the capital contribution reserves by CHF 2,540,050.00. The exercise prices, vesting date and exercise period of these options are detailed below

    o 99,000 options, fully vested, with an exercise period of 23 months ending on January 30, 2019 and an exercise price of CHF 5.00.

    o 166,666 options, fully vested, with an exercise period of 3 years ending on July 05, 2020 and an exercise price of CHF 4.15.

    o 166,667 options, vesting on July 05, 2018, with an exercise period of 2 years ending on July 05, 2020 and an exercise price of CHF 4.15.

    o 166,667 options, vesting on July 05, 2019, with an exercise period of 1 year ending on July 05, 2020 and an exercise price of CHF 4.15.

Assuming that all options granted under the ESOP are exercised, the aggregate number of Class B Shares issuable upon exercise of the options amounts to 1.13% of the voting rights and to 2.25% of the share capital of the Company.

2.7.3 Significant Changes after December 31, 2017

After December 31, 2017, the following significant changes to the convertible instruments described in item 2.7.1 above have occurred:

— On February 7, 2018, the Company and ExWorks entered into a sixth amendment to the Credit Facility described in item 2.7.1 above, pursuant to which the maturity date of the Term Loans was extended from January 15, 2019 to January 16, 2020 and the interest rate was reduced from 1.5% per month to 1% per month. The remaining terms and conditions of the Credit Facility remain unchanged. Considering these amendments, up to 5,272,199 new Class B Shares with an aggregate nominal value of up to CHF 263,609.95 may be issuable to ExWorks in connection with the conversion rights granted under the Credit Facility, corresponding to 16.17% of the share capital and 8.16% of the voting rights of the Company registered with commercial register of the Canton of Zug as of December 31, 2017.

— On February 8, 2018 WISeKey entered into a Standby Equity Distribution Agreement ("SEDA") with YA II PN, Ltd., George Town, Cayman Islands, a fund managed by Yorkville Advisors Global LLC ("Yorkville"). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50,000,000 in exchange for Class B Shares over a three-year period. WISeKey has the right to make draw-downs under the SEDA at its discretion by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares in tranches of up to CHF 1,000,000 each, or, if WISeKey provides a sufficient number of Class B Shares through share lending, up to CHF 5,000,000 each, subject to certain exceptions. The subscription or purchase price will be 93% of the volume-weighted average price of a Class B Share on the SIX during the five trading days immediately following a draw down request delivered by WISeKey to Yorkville. Assuming a subscription price of CHF 5.39 per new Class B Share (as disclosed on the SIX Disclosure Platform on February 8, 2018) and that the entire subscription amount of CHF 50,000,000 was drawn down by the Company, 9,276,437 new Class B Shares with a nominal value of CHF 463,821.85 would be issuable to Yorkville, corresponding to 28.46% of the voting rights and 14.36% of the share capital of the Company registered with the commercial register of the Canton of Zug as of December 31, 2017.

3 Board of Directors

3.1 Members of the Board of Directors

The following table sets forth the name, function, committee membership, age as at December 31, 2017, first time election and terms of office of each member of the Board.

Name	Function	Committee Membership	Age	Initial Election	Term of Office Expires at AGM
Philippe Doubre	Independent Member of the Board	Nomination & Compensation Committee	82	2016	2018
David Fergusson	Independent Member and Vice-Chairman of the Board	Audit Committee, Nomination & Compensation Committee	57	2017	2018
Juan Hernandez Zayas	Independent Member of the Board	Audit Committee, Strategy Committee	55	2016	2018
Dourgam Kummer	Member of the Board		52	2015	2018
Carlos Moreira	Executive member (CEO) and Chairman of the Board	Strategy Committee	59	2015	2018
Maryla Shingler Bobbio	Independent member of the Board	Audit Committee, Nomination & Compensation Committee	54	2016	2018
Peter Ward	Executive member of the Board (CFO)	Strategy Committee	65	2015	2018

On October 24, 2017 Thomas Whayne III resigned as member and vice-chairman of the Board. Thomas Whayne III was elected as a member of the Board at the 2017 annual General Meeting, held on May 31, 2017.

Philippe Doubre

Philippe Doubre, born in 1935, a Swiss citizen, graduated in mathematics from the Collège Saint Barbe (Paris). M. Doubre has held the position of president and secretary general of the World Trade Centre (WTCA), Geneva from 1979 to 2015. He is the founder and president of Lake of Geneva Services and Consulting (LGSC SA) since 1996, as well as co-founder of WISeKey in 1999 and Member of the Board. Further, he serves as president of the OISTE Foundation since 1998 and, since 1999, as a member of the board of the WTCA in New York. Philippe Doubre also is the former chairman of the WTCA Committee on Information and Communication. He is the president of the China Hub in Geneva and a permanent representative of the WTCA organization to the UN in Geneva. Philippe Doubre also held several senior positions in the banking and finance industry, including Vice President and General Cashier of American Express Paris, and General Manager of the Overseas Development Bank between 1967 and 1970.

David Fergusson

David Fergusson, born in 1960, a Canadian citizen, is the president and CEO of “The M&A Advisor”, the world’s premier think tank for corporate finance, mergers & acquisition, and restructuring. From London and New York, Mr. Fergusson leads the company’s market intelligence, media, event, and consulting services for a global constituency of over 350,000 finance industry professionals. Mr. Fergusson is a sought-after speaker and contributor on the subjects of finance, technology and operational innovation with international media, educational institutions and leadership assemblies. A market expert on the impact of technological innovation on corporations, Mr. Fergusson is also the editor of 5 annual editions of “The Best Practices of the Best Dealmakers” with over 500,000 readers and distribution in over 60 countries. Prior to joining The M&A Advisor in 2010, he conducted over 25 acquisitions as an investor. Mr. Fergusson is the founder of the global Corporate Finance Emerging Leaders program, founding member of the City of London’s Guild of Entrepreneurs, a member of British American Business and the Association of Corporate Growth (ACG). In 2013, Mr. Fergusson led the formation of the program. A pioneer in cross border M&A between the United States and China, he was recognized with the 2017 M&A Leadership Award from the China Mergers & Acquisitions Association and is Chairman of the US Chapter of the Asia M&A Association. Mr. Fergusson is a graduate of Kings College School and the University of Guelph where he earned a Bachelor of Arts in Political Studies. Recipient of the 2015 Albert Schweitzer Leadership Award for his work in youth leadership development, Mr. Fergusson is the President of Hugh O’Brien Youth Leadership (HOBY), the world’s largest social leadership philanthropic foundation for high school students. He joined the Board of Wisekey in April 2017 and is a director of and advisor to several social innovation initiatives and corporate finance advisory firms.

Juan Hernandez Zayas

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

Dourgam Kummer

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

Carlos Moreira, Chairman

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

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

Maryla Shingler Bobbio

Maryla Shingler Bobbio, born in Poland in 1963, a UK citizen and qualified English Solicitor, is founder and managing director of Argentum Group SA. She started her professional career working for a number of well-established law firms in London, including Linklaters, Beachcrofts and Charles Russell where she specialized in private client tax planning and trusts. She continued her career by focusing on offshore tax planning for international high-net worth clients and worked as an in-house legal counsel for Rathbones plc in London before relocating to head their Legal Department in Geneva between 2002 and 2004. In 2004, she moved on to become a director of a small private trust company in Canton Vaud before deciding to utilize her international legal skills, expertise and contacts to establish her own independent company Argentum Group SA in 2005. Between 2010 and 2014, Maryla Shingler Bobbio also served on the supervisory Board of Budev BV, a Dutch Healthcare R&D company.

Peter Ward

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

3.2 Other Activities and Vested Interests

See item 3.1 above.

3.3 Permitted Activities

The Articles limit the number of mandates in the supreme governing bodies and the executive management of legal entities that are registered in the Swiss commercial register or a foreign equivalent register outside the Company to ten (10) mandates for members of the Board and four (4) mandates for members of the Executive Management (as defined below). Mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits are not subject to these limitations. However, no member of the Board or the Executive Management may hold more than ten (10) such mandates.

3.4 Elections and Terms of Office

The Articles provide that the Board consists of a minimum of three and a maximum of 12 directors. The Board currently consists of seven directors.

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

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

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

3.5 Internal Organizational Structure

3.5.1 Allocation of Tasks Within the Board

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

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

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

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

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

In accordance with Swiss law, the Articles and the organizational regulations (the "**Organizational Regulations**"), the Board has delegated the Company's Executive Management to the chief executive officer of the Company (the "**CEO**"), who is supported by the other members of the Executive Management. In the Company's current structure, the positions of Chairman and CEO are held by the same person. The Organizational Regulations may be accessed over the weblinks referenced on page CG-17 of this Report.

3.5.2 Board Committees

The Board has established the following committees:

Strategy Committee

The Strategy Committee currently consists of three members of the Board: Carlos Moreira (Chairman), Juan Hernandez Zayas and Peter Ward. The Chairman and the other members of the Strategy Committee are appointed by the Board.

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

Audit Committee

The Audit Committee currently consists of three members of the Board: Juan Hernandez Zayas (Chairman), David Fergusson and Maryla Shingler Bobbio. All of the Audit Committee's members are non-executive members of the Board and independent. The Chairman and the other members of the Audit Committee are appointed by the Board.

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

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

— the quality, adequacy and scope of external audits;

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

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

— the performance of the internal audit.

Nomination & Compensation Committee

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

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

3.5.3 Working Methods of the Board and its Committees

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

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

The Board meets as often as the business requires, at least four times a year, hence an average quarterly frequency. The Board meetings can be held at the Company's place of incorporation, over the phone, or at such other place as the Chairman may determine from time to time. In 2017, the Board officially met nine times, not taking into account Board conference calls held ad-hoc to discuss or resolve on specific items. The average duration of Board meetings is two hours.

The Audit Committee meets as often as the business requires. In 2017, the Audit Committee formally met three times for an average duration of one hour. The Company plans to implement quarterly meetings going forward.

The Nomination & Compensation Committee meets as often as the business requires. In 2017, the Nomination & Compensation Committee met three times for an average duration of one hour. The Company plans to implement semi-annual meetings going forward. The compensation for members of the Board for the period between the 2017 annual General Meeting and the 2018 annual General Meeting, as well as the compensation for members of the Executive Management for the financial year 2018 were approved by the Nomination & Compensation Committee, submitted and approved by the Board, then submitted and voted by the general assembly of shareholders that took place on May 31, 2017 during the annual General Meeting. There were no changes to the Board or to the executive management during the remaining of the fiscal year 2017 requiring the Nomination & Compensation Committee to meet to review the compensation voted during the Annual general Meeting.

3.6 Definition of Areas of Responsibility

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

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

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

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

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

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

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

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

4 Executive Management

4.1 Members of the Executive Management

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

Officer	Office	Age as of December 31, 2017
Carlos Moreira	Chief Executive Officer (CEO)	59
Peter Ward	Chief Financial Officer (CFO)	65

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

Until September 27, 2017 the Executive Management consisted of three members, Carlos Moreira, Peter Ward and Carlos Moreno. Since a reorganization of the Company's management implemented on September 27, 2017, Carlos Moreno is no longer a member of the Executive Management.

4.2 Other Activities and Vested Interests

See item 3.1 above.

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

Please refer to the audited Compensation Report in page CR-1 of this annual report.

4.4 Management Contracts

There are no management contracts in place.

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

5 Compensation, Shareholdings and Loans

The annual General Meeting held on May 31, 2017 approved the maximum amounts of Board and Executive Management compensation for the 2017/2018 Board term and the 2018 financial year, respectively (see "*Compensation Approved by the General Meeting*" in section 5.1 for further details).

Please refer to the Compensation Report starting on page CR-1 of this Annual Report for additional information regarding the compensation of Board members and members of the Executive Management.

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

Principles and Elements of Compensation

The Company assumed the WISeKey Share Ownership Plan from WISeKey SA, the Company's predecessor prior the Initial Listing, as amended by the Company from time to time (the "ESOP"). The ESOP authorizes the Board to grant, at its discretion, options for the purchase of Class B Shares to employees, directors, officers and persons providing advisory services to the Company. The terms of options granted under the WISeKey Share Ownership Plan are determined on an individual basis, but generally vest over a period of three years. Further, holders of options granted under the WISeKey Share Ownership Plan may generally exercise their rights under vested options at any time until the seventh anniversary of the option grant date. If options are not exercised within the exercise period, they are forfeited. In the event of a change of control (as defined in the WISeKey Share Ownership Plan; see item 7.2 below), all options vest immediately. If an employment agreement is terminated with a cause by the Company, or if an option holder breaches any material obligation, all options held by such option holder (whether vested or not) are forfeited.

Although the definitive compensation policy of the Company continues to be subject to review by the Company's Nomination & Compensation Committee, the Company currently believes the Company's compensation plans will continue to be based on the following key principles:

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

For non-executive Board members, the Company is and will be using a combination of cash and equity compensation to attract and retain qualified candidates to serve on the Board. The Board believes that any compensation method should have a significant compensation component in the form of equity in order to more closely align director compensation with shareholders' interests. Executive Board members will not receive any compensation for their Board service.

Compensation for the members of the Executive Management, including the executive directors, will in particular contain the following elements:

- The overall annual remuneration of the members of the Executive Management will include a fixed base salary and variable remuneration, which will consist of a bonus and long-term incentive compensation. The methodology determining the variable compensation will be designed to encourage the members of the Executive Management to achieve pre-established performance goals, both short-term and long-term.
- The bonus will be paid in cash, in Class B Shares or options or other instruments entitling its holder to acquire Class B Shares.

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

Procedure for Determining Compensation

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

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

Compensation Approved by the General Meeting

The Company's shareholders approved the Board compensation for the 2017/2018 Board term and the Executive Management compensation for financial year 2018 at the annual General Meeting held on May 31, 2017. The maximum amount of the Board's compensation for the 2017/2018 Board term is CHF 1 million. The maximum amount of compensation for the Executive Management for financial year 2018 is CHF 4.5 million.

5.2 Rules Related to Compensation in the Articles

5.2.1 Principles Applicable to Compensation

Non-Executive Members of the Board

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

Executive Members of the Board and Executive Management

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

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

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

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

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

As at December 31, 2017, the Company had one loan outstanding to members of the Board of Directors. A loan for an amount of CHF 50,000 was granted to Maryla Shingler-Bobbio on September 23, 2016. This loan matured on September 30, 2017 and remained outstanding as at December 31, 2017. It carries an interest rate of 5% per annum. The interest accrued on the loan in the amount of CHF 5,625 was added to the principal amount of the loan in 2017.

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

5.2.3 Vote on Pay at the General Meeting of Shareholders

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

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

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

6 Shareholders' Participation Rights

6.1 Voting Rights Restrictions and Representation

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

— the election of the Company's auditor;

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

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

— any resolution regarding the initiation of a liability action.

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

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

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

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

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

6.2 Supermajority Requirements

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

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

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

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

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

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

— an authorized or conditional increase in the share capital;

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

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

— a change in the registered office of the Company;

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

— the dissolution of the Company.

6.3 Convocation of the General Meeting

6.3.1 Notice

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

6.3.2 Extraordinary General Meetings

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

6.4 Inclusion of Items on the Agenda

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

6.5 Entries in the Share Register

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

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

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

7 Change of Control and Defence Measures

7.1.1 Duty to Make an Offer

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

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

7.1.2 Clauses on Changes of Control

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

8 Auditors

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

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

The Company's auditor is BDO SA (BDO), Route de Meyrin 123, 1219 Châtelaine, Switzerland. BDO has been the auditor since the Company's incorporation on December 2, 2015, and has been re-elected at the ordinary General Meetings on March 21, 2016 and May 31, 2017. Since December 2, 2015, the responsible lead audit partner is Christoph Tschumi. In accordance with article 730a para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

8.2 Auditing Fees

The auditing fees (gross of VAT) invoiced to the Company by BDO in the fiscal year 2017 amount to CHF 509,358.

8.3 Additional Fees

BDO has not charged the Company any additional fees.

8.4 Information Instruments Pertaining to the External Audit

The supervision of the external audit is to be exercised by the Audit Committee and by the full Board of Directors (see also the duties and functions as described under item 3.5 above). For the December 31, 2017 audit, the supervision of the external audit has been exercised primarily by the Audit Committee.

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

In 2017, the Audit Committee and BDO met three times.

9 Information Policy

The Company releases its annual financial results in the form of a business report. Under Swiss law, the convocation notice is published in the Swiss Official Gazette of Commerce. WISeKey's business report is published in electronic form within four months of the December 31 balance sheet date, the first time for financial year 2015. In addition, results for the first half of each financial year are released in electronic form within four months of the June 30 balance sheet date. The Company's annual report and half-year results will be announced via press releases and media and investor conferences in person or via telephone.

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

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

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

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

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

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

COMPENSATION REPORT

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BDO Ltd.
Route de Meyrin 123
1219 Genève Châtelaine

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of WISeKey International Holding AG, Zug

As statutory auditor, we have audited the accompanying Compensation Report dated 13 April 2018 of WISeKey International Holding AG for the period from 01 January 2017 to 31 December 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) in sections 5 and 6 of the Compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the period from 1 January 2017 to 31 December 2017 of WISeKey International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Geneva, 13 April 2018

BDO Ltd

Christoph Tschumi

Auditor in Charge
Licensed Audit Expert

Philipp Kegele

Licensed Audit Expert

Compensation Report

1 Introduction

In accordance with the Ordinance against Excessive Compensation (the "OaEC") applicable to Swiss listed companies, the remuneration of members of the Board of Directors and the Executive Management of WISeKey International Holding AG ("WISeKey" or the "Company") is disclosed below for the periods from March 30, 2016, the date on which WISeKey's registered shares, par value CHF 0.05 each (the "Class B Shares") were listed on the SIX Swiss Exchange Ltd ("SIX") and the OaEC became applicable to WISeKey, to December 31, 2016, and from January 01, 2017 to December 31, 2017.
This Compensation Report should be read in conjunction with the compensation policy as disclosed in the Corporate Governance Report presented in this Annual Report on page CG-1.

2 Compensation Policy

2.1 Board of Directors

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

2.2 Executive Management

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

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

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

3 Determination of Compensations

3.1 The Nomination & Compensation Committee

The Nomination & Compensation Committee assists the Board in the preparation of compensation proposals for members of the Board and the Executive Management to be submitted for approval to the annual general meeting of shareholders of the Company (the "General Meeting"). Further tasks and responsibilities of the Nomination & Compensation Committee are set forth in articles 23 et seq. of the articles of association of the Company (the "Articles").

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

The Nomination & Compensation Committee aims to meet as and when necessary in view of the Company's activities and will hold at least two meetings per financial year.

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

The current members of the Nomination & Compensation Committee were elected at the General Meeting held on May 31, 2017, each for a term extending until completion of the next General Meeting. The Nomination & Compensation Committee consists of non-executive members of the Board. As at December 31, 2017, the following members of the Board served on the Nomination & Compensation Committee:

- David Fergusson, Chairman of the Nomination & Compensation Committee
- Philippe Doubre
- Maryla Shingler-Bobbio

3.2 Approval of Compensation at the General Meeting

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

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

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

4 Compensation Components

4.1 Compensation of the Board

With the exception of, Carlos Moreira, Chairman and CEO, and Peter Ward, CFO, both executive members, each member of the Board receives an annual compensation consisting of:

- A board fee in cash in an amount of CHF 30,000; and
- Equity-based compensation consisting in the award of 30,000 options exercisable for 30,000 Class B Shares at an exercise price set by reference to closing price of a Class B Share on the SIX on the last trading day of each fiscal year.

Additional cash and equity-based compensation was paid to certain members of the Board for additional services.

4.2 Compensation of the Executive Management

The Executive Management compensation for fiscal year 2017 is made up of a fixed element and a variable element, in a ratio of between 1:1.5 and 1:2.5, as follows:

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

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

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

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

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

5 Compensation for the fiscal year 2017

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

5.1 Compensation of the members of the Board

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

Compensation of the Board of Directors of WISeKey International Holding AG
for the 12 months ending December 31, 2017

CHF'000 [1]	Function	Board Fee [2]	Additional Fees [3]	Stock Based Compensation [4]	Total Compensation
Philippe Doubre	Board Member, NCC [5] Member	18	-	-	18
Thomas J. Egger [6]	formerly Board Member, Audit Committee Member	-	-	97	97
David Fergusson [7]	Board Member, Vice-Chairman of the Board, NCC Chairman, Audit Committee Member	18	19	317	354
Juan Hernandez Zayas	Board Member, Audit Committee Chairman, Strategy Committee Member	18	-	-	18
Dr. Franz Humer	formerly Vice-Chairman of the Board, CNC Member, Strategy Committee Member	-	-	-	-
Dourgam Kummer	Board Member	18	83	-	101
Maryla Shingler Bobbio	Board Member, NCC Member, Audit Committee Member	18	-	-	18
Thomas Whayne III [8]	Board Member	-	-	-	-
Total Board Members		88	102	414	604

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

2 The cash fee voted by the Board as remuneration to Board Members for the 2017/2018 Board term is disclosed in application of the accrual-based principle. The cash fee for 2017/2018 Board membership was not paid in 2017 and has been accrued in current liabilities on a prorata temporis basis in the 2017 consolidated financial statements.

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

4 The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date.

5 Nomination & Compensation Committee

6 The Stock Based compensation for Thomas J. Egger included the stock options due as compensation of his 2016/2017 Board term, and compensation for his prior Board duties as WISeKey SA Board Member not yet paid nor accrued.

7 David Fergusson was first elected as Board member in the last annual General Meeting on May 31, 2017. Prior to his election to the Board, David Fergusson was compensated for additional services to the Company. No additional fees were paid or due to him after his election.

8 Thomas Whayne III resigned from the Board on October 24, 2017. He did not attend any Board meetings and as such is not owed any compensation for Board duties.

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

CHF'000 [1]	Function	Board Fee [2]	Additional Fees [3]	Stock Based Compensation [4]	Total Compensation
Philippe Doubre	Board Member, NCC [5] Member	30	-	-	30
Thomas J. Egger	Board Member, Audit Committee Member	30	-	-	30
Juan Hernandez Zayas	Board Member, Audit Committee Member, Strategy Committee Member	30	-	-	30
Dr. Franz Humer	Vice-Chairman of the Board, NCC Member, Strategy Committee Member	30	30	785	845
Dourgam Kummer	Board Member, NCC Member, former Executive Management Member [6]	30	41	-	71
Maryla Shingler Bobbio	Board Member, NCC Member, Audit Committee Member	30	-	-	30
Total Board Members		180	71	785	1,036

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

2 The cash fee voted by the Board as remuneration to Board Members for the 2016/2017 Board term was accrued in full as at December 31, 2016.

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

4 The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted were valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date.

5 Nomination & Compensation Committee

6 Previously Chief Financial Officer, then Chief Operating Officer of WISeKey SA

The 30,000 options part of the 2017/2018 Board term remuneration and the 2016/2017 Board term remuneration, with the exception of MM. Egger and Humer, have not yet been granted as at December 31, 2017, and are therefore not reflected in the above compensation tables. In line with applicable US GAAP principles, the related stock-based compensation will be recognized in the period when these options are granted.

5.2 Compensation of the members of the Executive Management

The members of the Executive Management during fiscal year 2017 were Carlos Moreira, Chief Executive Officer, Peter Ward, Chief Financial Officer, and, until September 27, 2017, Carlos Moreno, Vice President for Digital Brand Management, who, following a reorganization of the Executive Management implemented on September 27, 2017, is no longer a member of the Executive Management. Consistent with the OaEC, the Company discloses the aggregate amount paid to the Executive Management and the highest amount paid to an individual member, specifying his name and function.

Compensation of the Executive Management of WISeKey International Holding AG
for the 12 months ending December 31, 2017

CHF'000 [1]	Function	Base Salary[2]	Annual Incentive	Additional Fees[3]	Stock Based Compensation[4]	Other Compensation[5]	Total Compensation
Highest Paid Executive							
Carlos Moreira	Chairman of the Board, Chief Executive Officer	570	285	16	-	121	992
Other Members[6]		587	235	-	-	118	940
Total Executive Management		1,157	520	16	-	239	1,932

1 The executive management members are remunerated in Swiss Francs (CHF).
2 Base salary includes employee social security costs.
3 Additional Fees include fees paid for special services rendered to the Company.
4 The amount shown reflects the fair value of options granted in line with US GAAP standards. The options granted are valued using the Black-Scholes method, using the market price of WIHN shares at the relevant date.
5 Other compensation includes pension contributions and employer social charges paid by the Company.
6 The compensation paid to Other Members includes the compensation for Carlos Moreno as long as he was a member of the Executive Management, i..e from January 01, 2017 to September 27, 2017.

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

CHF'000 [1]	Function	Base Salary[2]	Annual Incentive	Additional Fees[3]	Stock Based Compensation[4]	Other Compensation[5]	Total Compensation
Highest Paid Executive							
Carlos Moreira	Chairman of the Board, Chief Executive Officer	400	233	100	-	114	847
Other Members		405	119	-	-	99	623
Total Executive Management		805	352	100	-	213	1,470

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

6 Loans, credits and other payments

On September 23, 2016, the Company granted a loan in the principal amount of CHF 50,000 to Maryla Shingler-Bobbio, member of the Board of Directors. This loan matured on September 30, 2017 and is still outstanding as of December 31, 2017. It carries an interest rate of 5% per annum. The loan was repaid in full in April 2018.

A short-term loan in an amount of CHF 472,500 was granted to Carlos Moreira on November 03, 2017. The loan bears no interest. The loan was repaid in full In April 2018

FINANCIAL REPORT

WISeKey International Holding AG

Consolidated Financial Statements

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

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STATUTORY AUDITOR’S REPORT

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Rte. De Meyrin 123
1219 Genève Châtelaine

STATUTORY AUDITOR'S REPORT

To the General Meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of WISeKey International Holding AG and its subsidiaries (the Company), which comprise the Consolidated Balance Sheets as at 31 December 2017 and Consolidated Statements of Comprehensive Loss, Consolidated Statements of Changes in Shareholders' Equity (Deficit) and Consolidated Statements of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages F-8 to F-45) present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Basis for Opinion

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

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

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

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

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

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition/Early adoption of ASC 606	
The Company generates revenues from the sale of semiconductor secure chips, digital certificates, Software as a Service (SaaS), Software license and post contract customer support (PCS) and implementation and integration of multiple element cybersecurity solutions. We considered revenue recognition to be a key audit matter because erroneous revenue recognition is a presumed increased risk that has a significant impact on the consolidated financial statements including disclosures. In addition, the Company re-evaluated its revenue accounting policy as part of the adoption of the new standard, which involved judgment and estimates. We refer to Note 4 and Note 27 to the consolidated financial statements for the Company's disclosure on the nature of its major revenue sources and method for accounting.	We evaluated the related accounting policy adopted by the Company for compliance with US GAAP. We walked through the Company's process and controls over the different steps from contract identification to revenue recognition. We challenged management's assessment over the identification of the contract, identifying the performance obligation, determining the transaction price, allocating the transaction price, the timing and the amount of revenue recognition. We tested revenue transactions for compliance with ASC 606 on a sample basis. We assessed the appropriateness of the related disclosures in Note 4 and Note 27.

Key Audit Matter	How our audit addressed the key audit matter
Business Combination - Acquisition of QV Holdings Ltd., Bermuda On April 3, 2017 the Company acquired 85% of QV Holdings Ltd, Bermuda and its subsidiaries, i.e. the QuoVadis Group. The Company determined this to be a Business Combination to be accounted for under the acquisition method in accordance with ASC 805 "Business Combinations". The business combination had a significant impact on the Company's consolidated financial statements. In addition, the recognition, measurement and identification of assets, including goodwill, liabilities assumed and including contingent assets and non-controlling interest is inherently judgemental. Thus, we considered this area to be a key audit matter. We refer to Note 15 to the consolidated financial statements for the Company's disclosures of the Group's business combination.	In evaluating the Company's acquisition accounting, we challenged the Company's assessment as to whether the transaction is a business combination and we examined the closing conditions. With the assistance of an internal valuation specialist, we assessed the model applied and key assumptions used by the Company to determine the fair value of the assets and liabilities acquired (purchase price allocation). We challenged the Company's and Management's expert's assumptions used in the forecasts, in particular regarding revenue growth rate and margins for the valuation of the net assets identified. Furthermore, we evaluated the weighted average costs of capital (WACC) based on the current financing situation of the Company and given the current economic environment. We tested key inputs used in the valuation of the put/call option and recalculated the valuation. Finally, we assessed the appropriateness and completeness of the related disclosures in Note 15.

Key Audit Matter	How our audit addressed the key audit matter
Goodwill - Impairment Considerations	
The Company carries significant goodwill of total USD 16.5 million related to the acquisitions of WISeKey Semiconductor SAS and QV Holdings Ltd on the consolidated balance sheet. ASC 350 requires the Company to assess whether the fair value of the goodwill is less than the carrying amount. The Company selected to bypass the qualitative assessment and proceeded directly to the quantitative assessment for both, Semiconductor and QuoVadis goodwill but calculated fair value based on discounted future cash flows. Due to the significant impact of goodwill on the consolidated financial statements and due to the significant estimates of management involved we consider this area to be a key audit matter. We refer to Note 16 to the consolidated financial statements for additional disclosure of the Company's Goodwill.	We evaluated the appropriateness of the Company's identification of the reporting units. We inspected Company's assessment on impairment consideration for appropriateness. We evaluated the budgeting approach. We challenged management's analysis around the key drivers of cash flow projections. We assessed key assumptions used, e.g. WACC and considered sensitivity of key assumptions. With the support of our internal valuation specialist, we tested the accuracy and appropriateness of the model used. We assessed the appropriateness and completeness of the related disclosures in Note 16.
Acquisition line of credit agreement with ExWorks Capital Fund I, L.P	
The Company has signed an acquisition line of credit agreement and six different amendments on the initial line of credit with ExWorks. The accounting for debt issuance costs and the accounting for the conversion option required the Company to make judgments and estimates. The classification of the transaction and the accounting was complex and had a significant impact on the consolidated financial statements. Therefore, we considered it to be a Key Audit Matter. We refer to Note 21 to the consolidated financial statements for additional disclosure of the Company's acquisition of the line of credit agreement.	We inspected the underlying legal documents and the Company's accounting memorandum. We assessed the Company's accounting treatment. In particular, whether the addition of the conversion option qualifies for debt extinguishment and whether the conversion option should be equity or liability classified. We verified the assumption and the method to value the conversion option as well as the correctness of the journal entries. We assessed the appropriateness and completeness of the related disclosures in Note 21.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Additionally, we point out that the existence of an internal control system of QV Holding Ltd, Bermuda, which was acquired during the year ended December 31, 2017, was not assessed in accordance with Swiss Auditing Standard 890, paragraph 70.

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

Geneva, 13 April 2018.

BDO Ltd

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

2. Consolidated Statement of Comprehensive Loss

USD'000	12 months ended December 31, 2017	2016	Note ref.
Net sales	43,078	10,962	27
Cost of sales	(22,386)	(6,536)	
Gross profit	20,692	4,426	
Other operating income	1,526	112	28
Research & development expenses	(7,386)	(1,438)	
Selling & marketing expenses	(6,254)	(16,440)	
General & administrative expenses	(22,088)	(22,843)	
Total operating expenses	(34,202)	(40,609)	
Operating income / (loss)	(13,510)	(36,183)	
Non-operating income	769	166	30
Gain / (loss) on derivative liability	(98)	1,309	7
Gain / (loss) on debt extinguishment	(7,067)	-	7/21
Interest and amortization of debt discount	(1,501)	(947)	7
Non-operating expenses	(4,380)	(846)	31
Income / (loss) from operations before income tax expense	(25,787)	(36,501)	
Income tax (expense)/recovery	1,037	16	32
Net income / (loss)	(24,750)	(36,485)	
Less: Net income / (loss) attributable to noncontrolling interests	(483)	(559)	
Net income / (loss) attributable to WISeKey International Holding AG	(24,267)	(35,926)	
Loss per share attributable to WISeKey International Holding AG			
Basic	(0.82)	(1.57)	34
Diluted	(0.82)	(1.57)	34
Other comprehensive income / (loss), net of tax:			26
Foreign currency translation adjustments	1,549	(1,875)	
Unrealized gain on securities:			
Unrealized holding gains arising during period	(375)	-	11
Defined benefit pension plans:			22
Net loss arising during period	(102)	(93)	
Other comprehensive income / (loss)	1,072	(1,968)	
Comprehensive income / (loss)	(23,678)	(38,453)	
Other comprehensive income / (loss) attributable to noncontrolling interests	(369)	3	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	1,440	(1,971)	
Comprehensive income / (loss) attributable to noncontrolling interests	(851)	(556)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	(22,827)	(37,897)	

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

3. Consolidated Balance Sheet

USD'000	As at December 31, 2017	2016	Note ref.
ASSETS			
Current assets			
Cash and cash equivalents	12,214	5,221	6
Accounts receivable, net of allowance for doubtful accounts	7,404	7,390	8
Notes receivable, net of allowance for doubtful accounts	897	343	8
Inventories	3,463	2,983	9
Prepaid expenses	1,447	529	
Other current assets	645	869	10
Total current assets	26,070	17,336	
Noncurrent assets			
Notes receivable of related parties, noncurrent	-	64	36
Marketable securities available-for-sale	592	-	11
Deferred income tax assets	1,917	-	32
Deferred tax credits	2,856	-	12
Property, plant and equipment net of accumulated depreciation	3,966	3,414	13
Intangible assets, net of accumulated amortization	15,097	2,121	14
Goodwill	16,503	8,317	15/16
Other noncurrent assets	154	2,380	17
Total noncurrent assets	41,085	16,295	
TOTAL ASSETS	67,155	33,632	
LIABILITIES			
Current Liabilities			
Accounts payable	15,655	10,787	18
Notes payable	180	-	19
Deferred revenue, current	4,621	771	27
Convertible note payable	-	8,918	7
Income tax payable	246	88	
Derivative liabilities	-	1,193	7
Other current liabilities	3,014	3,824	20
Total current liabilities	23,716	25,581	
Noncurrent liabilities			
Convertible note payable	18,592	-	21
Deferred revenue, noncurrent	2,710	-	27
Indebtedness to related parties, noncurrent	1,842	-	36
Employee benefit plan obligation	5,214	3,810	22
Deferred income tax liability	1,476	-	32
Other noncurrent liabilities	-	2,329	23
Total noncurrent liabilities	29,834	6,139	
TOTAL LIABILITIES	53,550	31,720	
Commitments and contingent liabilities			24
Redeemable preferred stock	4,880	-	15
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	25
CHF 0.01 par value			
Authorized - nil and nil			
Issued and outstanding - 40,021,988 and 40,021,988 shares			
Common stock - Class B	1,261	756	25
CHF 0.05 par value			
Authorized - 11,803,428 and 9,334,847 shares			
Issued and outstanding - 24,590,918 and 14,668,392 shares			
Additional paid-in capital	189,152	159,431	
Accumulated other comprehensive income / (loss)	(650)	(1,901)	26
Accumulated deficit	(180,554)	(155,691)	
Total shareholders'equity (deficit) attributable to WISeKey shareholders	9,608	2,995	
Noncontrolling interests in consolidated subsidiaries	(883)	(1,083)	
Total shareholders'equity deficit	8,725	1,912	
TOTAL LIABILITIES AND EQUITY AND REDEEMABLE PREFERRED SHARES	67,155	33,632	

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

4. 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, 2015	-	17,608,258	-	794	794	110,795	(119,765)	70	(8,106)	(107)	(8,213)	-	(8,213)
Common stock issued before the reverse acquisition	-	1,060,469	-	53	53	3,136	-	-	3,190	-	3,190	-	3,190
Reverse acquisition on March 22, 2016	40,021,988	(5,434,700)	400	-165	235	2,676	-	-	2,911	(420)	2,491	-	2,491
Common stock issued	-	1,434,365	-	74	74	7,787	-	-	7,860	-	7,860	-	7,860
Options exercised[1]	-	-	-	-	-	10,230	-	-	10,230	-	10,230	-	10,230
Stock-based compensation	-	-	-	-	-	24,807	-	-	24,807	-	24,807	-	24,807
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(1,971)	(1,971)	3	(1,968)	-	(1,968)
Net loss	-	-	-	-	-	-	(35,926)	-	(35,926)	(559)	(36,485)	-	(36,485)
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]	-	5,899,125	-	300	300	18,292	-	-	18,592	-	18,592	-	18,592
Options exercised	-	2,072,332	-	106	106	81	-	-	187	-	187	-	187
Stock-based compensation	-	-	-	-	-	2,232	-	-	2,232	-	2,232	-	2,232
Change in ownership in WISeKey India	-	-	-	-	-	581	(56)	-	525	771	1,296	-	1,296
Acquisition of Quo Vadis Group	-	1,110,000	-	55	55	4,252	-	-	4,307	-	4,307	4,340	8,647
Change in ownership in QuoVadis BV and QuoVadis BVBA	-	-	-	-	-	(759)	-	(204)	(963)	(405)	(1,368)	-	(1,368)
Change in ownership in WISeKey SA	-	841,069	-	43	43	(743)	-	14	(685)	685	0	-	0
ExWorks credit line agreement	-	-	-	-	-	5,785	-	-	5,785	-	5,785	-	5,785
Net loss	-	-	-	-	-	-	(24,267)	-	(24,267)	(483)	(24,750)	-	(24,750)
Other comprehensive income / (loss)	-	-	-	-	-	-	-	1,440	1,440	(369)	1,071	-	1,071
Deemed dividend	-	-	-	-	-	-	(540)	-	(540)	-	(540)	540	-
As at December 31, 2017	40,021,988	24,590,918	400	1,261	1,661	189,152	(180,554)	(650)	9,608	(883)	8,725	4,880	13,606

1. The articles of association of the Company had not been fully updated as of December 31, 2017 with the shares issued out of conditional capital.

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

5. Consolidated Statements of Cash Flows

USD'000	12 months ended December 31, 2017	2016
Cash Flows from operating activities:		
Net loss	(24,750)	(36,485)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Interest and amortisation of debt discount, non cash items	1,467	947
Depreciation of property, plant & equipment	1,376	163
Amortization of intangible assets	3,645	1,026
Loss / (gain) on derivative liability	98	(1,309)
Loss on debt extinguishment	7,067	-
Stock-based compensation	2,232	24,807
Increase / (decrease) in defined benefit pension liability	711	32
Increase / (decrease) in other noncurrent liabilities	(487)	(516)
Provision for bad debt expense	537	-
Inventory valuation adjustment	(2,277)	-
Deferred tax asset write-off	132	(21)
Loss /(gain) on disposal of property and equipment	(49)	-
Income tax expense / (recovery) net of cash paid	(1,115)	-
Release of provision	(1,700)	-
Other non cash expenses /(income)	(365)	(712)
Unrealized foreign currency transactions	-	139
Changes in operating assets and liabilities, net of effects of businesses acquired		
Decrease (increase) in accounts receivables	2,591	(2,635)
Decrease (increase) in inventories	(480)	1,227
Decrease (increase) in other assets, net	(45)	1,076
Increase (decrease) in accounts payable	1,509	(2,808)
Increase (decrease) in deferred revenue	4,625	(3,598)
Increase (decrease) in income taxes payable	149	(12)
Increase (decrease) in other current liabilities	198	7,747
Net cash provided by (used in) operating activities	(4,932)	(10,932)
Cash Flows from investing activities:		
Acquisition of property, plant and equipment	(669)	(87)
Decrease in receivable from shareholders	-	(291)
Decrease / (increase) in loan receivables	-	(1,205)
Decrease / (increase) in notes receivables	(554)	-
Acquisition of a business, net of cash and cash equivalents acquired	(11,629)	(1,433)
Net cash provided by (used in) investing activities	(12,851)	(3,016)
Cash Flows from financing activities:		
Proceeds from options exercises	36	1,817
Proceeds from issuance of Common Stock	5,039	7,860
Decrease / (increase) in loan payable	1,842	-
Proceeds from convertible loan issuance	-	8,413
Proceeds from debt	19,142	-
Repayments of debt	(550)	-
Net cash provided by (used in) financing activities	25,510	18,090
Effect of exchange rate changes on cash and cash equivalents	(734)	817
Cash and cash equivalents		
Net increase (decrease) during the period	6,993	4,959
Balance, beginning of period	5,221	262
Balance, end of period	12,214	5,221
Supplemental cash flow information		
Cash paid for interest, net of amounts capitalized	250	-
Cash paid for incomes taxes	78	-
Noncash conversion of convertible loans into common stock	-	8,143
Issuance of shares in relation to the acquisition of QuoVadis	4,307	-
Issuance of redeemable preferred stock	4,340	-
Issuance of common stock to purchase non-controlling interest	3,474	-
Deemed dividend	540	-
Conversion of loan receivable into marketable securities	799	-

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

6. Notes to the Consolidated Financial Statements

Note 1. The Company

WISeKey International Holding AG ("WIHN"), together with its consolidated subsidiaries ("WISeKey" or the "Company"), has its headquarters in Switzerland. WISeKey International Holding AG, the ultimate parent of the WISeKey Group, was incorporated in December 2015 and is listed on the Swiss Stock Exchange, SIX SAG with the valor symbol "WIHN" since March 2016.

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 13,510,348 and had positive working capital of USD 2,353,604 as at December 31, 2017. Based on the Company's cash projections for the next 12 months to March 31, 2019, it will need approximately USD 9.3 million to fund operations and debt interests.

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 December 31, 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, with restrictive covenants and an annual interest rate of 12% (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 15 for detail). ExWorks had initially set the annual interest rate at 18%, maturity to December 31, 2018, and capped the line of credit to USD 16.4m. These terms were amended to more beneficial terms of 12% annual interest rate, maturity of January 16, 2020 and a maximum line of credit of USD 18.9m with the option to convert principal repayment, interest charges and fees into WIHN Class B shares. As at December 31, 2017, ExWorks had converted outstanding principal amount and interests totalling USD 1,075,173. Management believes that ExWorks will continue to use the conversion option for partial repayment of future interest and the loan principal (see note 37 for detail of conversions after December 31, 2017).

On January 19, 2016, the Company had closed a Share Subscription Facility with GEM LLC (Global Equity Markets, "GEM", the Share Subscription Facility, "the GEM Facility") 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 (see note 21 for detail). 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 SIX Swiss 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. In the year 2017, WISeKey made three drawdowns for CHF 3,905,355 (USD 4,012,838 at historical rate) in exchange for 825,000 WIHN class B shares. Therefore, as at December 31, 2017 the outstanding facility available is CHF 56,094,645.

Lastly, on February 08, 2018 the Company entered into a Standby Equity Distribution Agreement ("SEDA") with a fund managed by Yorkville Advisors Global, LLC ("Yorkville") (see note 37 for detail). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50m in exchange for Class B Shares over a three-year period. WISeKey has the right to make draw-downs under the SEDA at its discretion by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares in tranches of up to CHF 1m each, or, if WISeKey provides a sufficient number of Class B Shares through share lending, up to CHF 5m each, subject to certain exceptions.

Both the GEM Facility and the SEDA will be used as a safeguard should there be any difficulties in raising the necessary equity to cover the USD 9.3 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 accordance with the Generally Accepted Accounting Principles in the United States of America ("US GAAP") as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC). All amounts are in United States dollars ("USD") unless otherwise stated.

Acquisition of QV Holdings and affiliates

On April 03, 2017 the Company acquired QV Holdings Ltd, a Bermuda based company, and its affiliates. QuoVadis provides digital certificate services, internet security, computer equipment and data hosting, disaster recovery and data backup services. QuoVadis 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.

Note 4. Summary of significant accounting policies

Fiscal Year

The Company's fiscal year ends on December 31.

Principles of Consolidation

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

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

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

General Principles of Business Combinations

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

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

Segment Reporting

Following the acquisition of QuoVadis, our chief operating decision maker, who is also our Chief Executive Officer, requested changes in the information that he regularly reviews for purposes of allocating resources and assessing budgets and performance. As a result, beginning in fiscal year 2017, we report our financial performance based on a new segment structure described in Note 33 Segment information.

Use of Estimates

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

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, notes receivables, accounts payable, notes payable, derivative liabilities, convertible note payable, marketable securities and redeemable preferred stock approximate their carrying values. See note 7, Fair value measurements for fair value of financial instruments and derivative instruments.

Foreign Currency

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

Accounts Receivable

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

Allowance for Doubtful Accounts

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

Inventories

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

Other Current Assets

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

Marketable Securities Available-For-Sale

Marketable securities available-for-sale are equity securities measured at fair value at the reporting period using the market price of the equity securities at December 31st.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of cost or realizable value, net of accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives which range from 1 to 8 years. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the lease terms, as appropriate. Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible Assets

Those intangible assets that are not considered to have a finite useful life are amortized over their useful lives, which generally range from 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.

Goodwill and Other Intangible Assets:

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

WISeKey has early adopted ASU 2017-04, Simplifying the Test for Goodwill Impairment, and performs a one-step impairment assessment by comparing the fair value of a reporting unit with its carrying amount. WISeKey may still perform the optional qualitative assessment for a reporting unit to determine if it is more likely than not that goodwill is impaired, except for any reporting unit with zero or negative carrying amount. We 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 is 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.

Intangible assets determined to have a finite life are amortized over their estimated useful lives and are subject to review for impairment in accordance with authoritative guidance for long-lived assets. As at December 31, 2017 and 2016, all intangible assets held by the Company have been determined to have a finite life.

Provision for Onerous Contracts

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

Related Parties

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

Revenue Recognition

The Company early adopted ASC 606 "Revenue from Contracts with Customers" as of January 01, 2017. The new standard has no impact on previously reported financial information.

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

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

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

Deferred Revenue

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

Sales Commissions

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

Research and Development and Software Development Costs

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

Advertising Costs

All advertising costs are expensed as incurred.

Pension Plan

The Company maintains four defined benefit post retirement plans:

- two that cover all Swiss employees working for WISeKey SA and QuoVadis Trustlink Schweiz AG in Switzerland,
- one for the French employees of WISeKey Semiconductors SAS, and
- one for the Indian employees of WISeKey India Private Ltd.

In accordance with ASC 715-30, *Defined Benefit Plans – Pension,* the Group recognizes the funded status of the plan in the balance sheet. Actuarial gains and losses are recorded in accumulated other comprehensive income / (loss).

Stock-based Compensation

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

Income Taxes

Taxes on income are accrued in the same period as the revenues and expenses to which they relate.
Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of our companies prepared for consolidation purposes, with the exception of temporary differences arising on investments in foreign subsidiaries where the Company has plans to permanently reinvest profits into the foreign subsidiaries.
Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is "more likely than not" that future profits will be available and the tax loss carry-forward can be utilized.
Changes to tax laws or tax rates enacted at the balance sheet date are taken into account in the determination of the applicable tax rate provided that they are likely to be applicable in the period when the deferred tax assets or tax liabilities are realized.
WISeKey is required to pay income taxes in a number of countries. WISeKey recognizes the benefit of uncertain tax positions in the financial statements when it is more likely than not that the position will be sustained on examination by the tax authorities. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on settlement with the tax authority, assuming full knowledge of the position and all relevant facts. WISeKey adjusts its recognition of these uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax positions.

Research Tax Credits

Research tax credits are provided by the French government to give incentives for companies to perform technical and scientific research. Our subsidiary WISeKey Semiconductors SAS is eligible to receive such tax credits.
These research tax credits are presented as a reduction of Research & development expenses in the income statement when companies that have qualifying expenses can receive such grants in the form of a tax credit irrespective of taxes ever paid or ever to be paid, the corresponding research and development efforts has been completed and the supporting documentation is available. The tax credits are included in noncurrent deferred tax credits in the balance sheet in line with ASU 2015-17.

Earnings per Share

Basic earnings per share are calculated using the Company's weighted-average outstanding common shares. When the effects are not antidilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares and the dilutive effect of stock options as determined under the treasury stock method.
In 2016, preceding the date of the reverse acquisition, earnings per share were compiled using the weighted average number of WISeKey SA shares during the period multiplied by the exchange ratio in the reverse recapitalization transaction of 5:1. From the date of the reverse acquisition, March 22, 2016 the number of shares used to calculate the weighted average number of shares is that of WISeKey International Holding AG.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10), to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments for all entities that hold financial assets or owe financial liabilities.
The amendments in this update make targeted improvements to generally accepted accounting principles (GAAP) as follows:
1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
2. Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
3. Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.
4. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
5. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
6. Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
7. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
8. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.
The amendments are effective for fiscal years beginning after December 15, 2017.
The Company expects to adopt all of the aforementioned guidance when effective. The impact on its consolidated financial statements is not currently estimable.

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

- A nonpublic entity can make an accounting policy election to apply a practical expedient to estimate the expected term for all awards with performance or service conditions that meet certain conditions.

• A nonpublic entity can make a one-time accounting policy election to switch from measuring all liability-classified awards at fair value to intrinsic value.

Effective Date: The amendments are effective for public business entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted.

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

In 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 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, Compensation – Stock compensation, Scope of Modification Accounting

Summary: ASU 2017-09 clarifies Topic 718 such 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 fiscal years 2017 and 2016:

	Revenue concentration (% of total net sales)		Receivables concentration (% of total accounts receivable)	
	Year to December 31, 2017	Year to December 31, 2016	As at December 31, 2017	As at December 31, 2016
IoT operating segment				
Multinational electronics contract manufacturing company	7%	11%	0%	18%
mPKI operating segment				
International luxury watch company	1%	16%	0%	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 December 31, 2017		As at December 31, 2016			
USD'000	Carrying amount	Fair value	Carrying amount	Fair value	Fair value level	Note ref.
Cash and cash equivalents	12,214	12,214	5,221	5,221	1	6
Accounts receivables	7,404	7,404	7,733	7,733	3	8
Notes receivable - third parties	-	-	817	817	3	8
Notes receivable - related parties	897	897	407	407	3	8/36
Accounts payable	15,655	15,655	10,787	10,787	3	18
Notes payable	180	180	-	-	3	19
Convertible note payable	18,592	18,592	8,918	8,918	3	7/21
Derivative liabilities	-	-	1,193	1,193	3	7
Marketable securities	592	592	-	-	3	11
Redeemable preferred stock	4,880	4,880	-	-	3	15

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

- Cash and cash equivalents – carrying amount approximated fair value.
- Accounts receivables – carrying amount approximated fair value due to their short-term nature.
- Notes receivable (stated in other assets) – carrying amount approximated fair value due to their short-term nature.
- Marketable securities available-for-sale - fair value remeasured as at reporting period.
- Accounts payable – carrying amount approximated fair value.
- Notes payable– carrying amount approximated fair value.
- Convertible note payable - carrying amount approximated fair value.
- Derivative liabilities - fair value remeasured as at reporting period.
- Redeemable preferred stock - fair value remeasured as at reporting period.

Derivative liabilities

In 2017, the Company held one derivative instrument which was 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 had a maturity date of June 18, 2017, that was extended to July 20, 2017, by an amendment signed on June 20, 2017, with early conversion permitted from December 14, 2016. It contained a cash redemption right for the borrower (the Company) and a limited cash redemption right for the lender (Inside Secure SA). Conversion could be made in full or in partial increments for at least 20% of the principal amount. The Group expected the full principal amount to be settled in WISeKey Class B shares. The exercise price was 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 met the definition of a derivative and was accounted for separately.

The hosting debt instrument was recorded using the residual method.

The derivative component (the conversion option) was fair valued using a binomial lattice model, building in quoted market prices of WIHN class B shares, and inputs such as time value of money, volatility, and risk-free interest rates.

As at December 31, 2016, the full principal amount was still outstanding and no conversion rights had been exercised. In 2017, the lender issued three 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 the conversion;
- 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 the conversion; and
- the third notice on July 20, 2017 for the conversion of CHF 6,600,000. A total of 1,560,984 WHIN class B shares were delivered on July 31, 2017 as a result of the conversion.

For the year 2017, the Company recorded to the income statement, a net loss on derivative of CHF 95,970 (USD 97,502), a net loss on extinguishment of CHF 546,780 (USD 555,507), and a net debt discount amortization expense of CHF 1,366,039 (USD 1,387,842).

Derivative liabilities	USD'000
Balance as at December 31, 2015	-
Fair value of the derivative instrument (conversion option) recognized at issuance on September 21, 2016	2,562
Gain on derivative recognized as a separate line in the statement of loss	(1,309)
Balance as at December 31, 2016	1,193
Loss on derivative recognized as a separate line in the statement of loss	98
Derivative extinguishment	(1,332)
Foreign exchange loss	41
Balance as at December 31, 2017	-

Note 8. Accounts and notes receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at December 31, 2017	As at December 31, 2016
Trade accounts receivable	7,861	6,950
Allowance for doubtful accounts	(537)	-
Accounts receivable from other related parties	1	-
Accounts receivable from underwriters, promoters, and employees	2	29
Other accounts receivable	77	411
Total accounts receivable net of allowance for doubtful accounts	7,404	7,390

The receivable from other related parties consists of a short-term receivable for an amount of CHF 1,353 (USD 1,388) with the OISTE Foundation.

The breakdown of the notes receivable balance is detailed below:

USD'000	As at December 31, 2017	As at December 31, 2016
Short-term loan to Board Members	542	343
Short-term loan to other related parties	355	-
Total notes receivable net of allowance for doubtful notes of nil and nil	897	343

The short-term loan from Board Members consist of two loans granted to the Company's Board Members as follows:

- A loan for an amount of CHF 50,000 (USD 51,296) to Maryla Shingler-Bobbio, member of the Board, on September 23, 2016. It carries a 5% pa interest rate. Interests in the amount of CHF 2,500 (USD 2,565 at closing rate) were added to the principal loan amount.
- A short-term loan for an amount of CHF 472,500 (USD 484,751) was granted to Carlos Moreira on November 03, 2017. A short-term receivable in an amount of CHF 3,284 (USD 3,369) from Carlos Moreira was also outstanding as at December 31, 2017. The loan bears no interest.

The short-term loan from other related parties consists of a loan for an amount of CHF 345,570 (USD 354,530) granted by the Company on May 12, 2016 to a US investor, which was still outstanding as at December 31, 2017. The note bears no interest.

Note 9. Inventories

Inventories consisted of the following:

USD'000	As at December 31, 2017	As at December 31, 2016
Raw materials	1,104	1,293
Work in progress	2,359	1,667
Finished goods	-	24
Total inventories	3,463	2,983

Note 10. Other current assets

Other current assets consisted of the following:

USD'000	As at December 31, 2017	As at December 31, 2016
Value-Added Tax Receivable	300	421
Advanced payment to suppliers	322	470
Deposits, current	23	-
Other currrent assets	-	(22)
Total other current assets	645	869

Note 11. 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 were not being further pursued. The interim financing provided by WISeKey to OpenLimit in a principal amount of EUR 750,000 was, in accordance with applicable terms of a convertible loan agreement, converted into OpenLimit Shares issued by OpenLimit out of its existing authorized share capital. The conversion price was set at 95% of the volume weighted average price ("VWAP") of the OpenLimit shares traded on the Frankfurt stock exchange as reported by the Frankfurt stock exchange for the ten trading days immediately preceding and including March 29, 2017. WISeKey received 2,200,000 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis. The effective conversion ratio was EUR 0.3409 per share. The marketable securities, categorized as securities available for sale were fair valued at market price on the date of the transaction to USD 846,561.

In line with ASC 320-10-35-1b on available-for-sale securities, the Company fair valued the OpenLimit securities as at December 31, 2017, using the closing market price of EUR 0.2650 on the Frankfurt stock exchange, hence a balance of USD 592,305. The decrease in fair value from prior period amounting to USD 374,817 was recorded in other comprehensive income as an unrealized holding loss.

Note 12. Deferred tax credits

USD'000	As at December 31, 2017	As at December 31, 2016
Deferred research & development tax credits	2,784	-
Deferred other tax credits	72	-
Total other deferred tax assets , noncurrent	2,856	-

WISeKey Semiconductors SAS is eligible for Research tax credits provided by the French government (see Note 4 Summary of Significant Accounting Policies). As of December 31, 2017, WISeKey Semiconductors SAS has a noncurrent receivable balance of USD 2,784,255 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 noncurrent deferred tax assets. As at December 31, 2016, the receivable tax credit balance was shown in other noncurrent assets.

Note 13. Property, plant and equipment

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

USD'000	As at December 31, 2017	As at December 31, 2016
Buildings and building improvements	97	1,887
Machinery & equipment	3,855	3,339
Office equipment and furniture	2,603	911
Computer equipment and licences	2,279	926
Total property, plant and equipment gross	8,834	7,063
Accumulated depreciation for:		
Buildings and building improvements	(57)	(1,561)
Machinery & equipment	(1,114)	(287)
Office equipment and furniture	(2,206)	(879)
Computer equipment and licences	(1,491)	(922)
Total accumulated depreciation	(4,868)	(3,649)
Total property, plant and equipment, net	3,966	3,414
Depreciation charge for the period	1,376	163

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

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

Note 14. Intangible assets

Intangible assets and future amortization expenses consisted of the following:

USD'000	As at December 31, 2017	As at December 31, 2016
Trademarks	3,217	123
Patents	2,281	-
License agreements	10,694	12,321
Other intangibles	18,278	3,713
Total intangible assets gross	34,470	16,157
Accumulated amortization for:		
Trademarks	(357)	(119)
Patents	(749)	-
License agreements	(10,640)	(10,204)
Other intangibles	(7,627)	(3,713)
Total Accumulated amortization	(19,373)	(14,036)
Total intangible assets, net	15,097	2,121
Amortization charge for the period	3,645	1,026

The Other intangibles balance of USD 10,651,711 includes:

- A balance of USD 923,421 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, noncancelable 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 303,339 and USD 618,371 was recorded respectively for the years to December 31, 2017 and 2016, and accumulated amortization amounted to, respectively, USD 921,710 and USD 618,371 as at December 31, 2017 and 2016, hence a carrying amount of respectively USD 1,711 and USD 305,050. We note that in prior year, this balance was classified under license agreements; in 2017, it was reclassified into other intangibles in line with the nature of the customer order backlog.
- 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 464,010 was recorded for the year to December 31, 2017, hence a carrying amount of USD 8,256,990.
- 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 306,510 was recorded for the year to December 31, 2017, hence a carrying amount of USD 2,145,490.
- 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 742,500 was recorded for the year to December 31, 2017, hence a carrying amount of USD 247,500.

All other components of the other intangibles, for a balance of USD 5,192,024 were fully amortized as at December 31, 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
2018	2,046
2019	1,872
2020	1,941
2021	1,340
2022	1,340
2023 and beyond	6,558

Note 15. 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 are as follows:

Consolidated Balance Sheet - QuoVadis group USD'000	As at April 03, 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

The consideration of USD 23,647,000 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 4,307,477.63 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 4,340,000 by discounting the expected purchase price of CHF 5M due by May 31, 2018 to the transaction date of April 03, 2017 using the Company's weighted average cost of capital (WACC). The expected purchase price of CHF 5M is based on a revenue target of USD 20m for QuoVadis in financial year 2017, and may be revised up or down proportionately with the revenue achieved.

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	4,340	
Total consideration paid		23,647
Net assets acquired		
Total net assets of QuoVadis group at acquisition	15,461	
Total net assets acquired		15,461
Goodwill at acquisition		8,186

The goodwill arising from the acquisition is USD 8,186,173. See note 16.

Redeemable preferred stock

Per the shareholders' put and call option agreement over the 15% noncontrolling interest, WISeKey grants the noncontrolling interest shareholders an option (put option) pursuant to which the noncontrolling interest shareholders are entitled to sell all of their shares in QV Holdings Ltd to WISeKey, and the noncontrolling interest shareholders grant WISeKey an option (call option) pursuant to which WISeKey is entitled to buy all shares in QV Holdings Ltd held by the noncontrolling interest shareholders. Both options may be exercised at the earliest on May 01, 2018 and at the latest on May 31, 2018. If neither of the two options is exercised within that period, the options will forfeit.

The purchase price to be paid by WISeKey to the noncontrolling interest shareholders shall be CHF 5m if the consolidated revenue of QuoVadis for financial year 2017 equals USD 20m. If the consolidated revenue of QuoVadis for financial year 2017 is lower than USD 20m, the purchase price shall be reduced proportionally to the amount of the resulting deviation in revenue. If the consolidated revenue of QuoVadis for financial year 2017 exceeds USD 20m, the purchase price shall be increased proportionally to the amount of the resulting deviation in revenue, but shall in no event exceed CHF 5.5m. The purchase price may be paid in cash or in fully paid WIHN class B shares using a conversion price calculated as the volume-weighted average price of WIHN class B shares as quoted on the SIX Swiss Exchange Ltd ("SIX") in the 30 SIX trading days immediately following the public announcement of the 2017 consolidated annual report of WISeKey. For a purchase price of CHF 5m, the payment in shares is capped at a maximum of 860,000 WIHN class B shares. For a purchase price of up to CHF 5.5m, the payment in shares is capped at a maximum of 946,000 WIHN class B shares.

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. 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 accreted 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 4,340,000 at acquisition on April 03, 2017. In the period from acquisition to December 31, 2017, a deemed dividend of USD 540,000 was accreted, hence a balance of redeemable preferred shares as at December 31, 2017 of USD 4,880,000.

Upon redemption (i.e. exercise of either of the options), any difference between the carrying amount of the redeemable preferred stock and the fair value of the consideration paid will be recognized directly in additional paid in capital and retained earnings in line with ASC 810-10-45-23.

As described above, the agreement indicates that the redemption will be made in full in 2018, between May 01 and May 31, 2018. No redemption requirement is planned for the four subsequent financial year of 2019 to 2022.

Note 16. Goodwill

Goodwill of USD 8,186,173 arose as a result of the acquisition by the Company of QuoVadis on April 03, 2017. See Note 15 Business combinations.

Goodwill	USD'000
Goodwill balance as at December 31, 2015	-
Acquisition of WISeKey Semiconductors SAS	8,317
Goodwill balance as at December 31, 2016	8,317
Acquisition of QuoVadis group	8,186
Goodwill balance as at December 31, 2017	16,503

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 01, 2017, the fair value of the net assets of each reporting unit concerned by goodwill, were superior to the carrying value of the net assets and goodwill allocated. After October 01, 2017, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2017.

Impairment reviews have been conducted for 2 items of goodwill allocated to 2 reporting units (RUs). For each RU, the fair value is higher than its carrying value. The fair value has been determined based on the income approach. Cash flows have been projected over 5 years from the date of the assessment and have been discounted at the pre-tax weighted average cost of capital of each RU.

USD'000	IoT Segment	mPKI Segment	Total
As at December 31, 2015			
Goodwill	-	-	-
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2015	-	-	-
Goodwill acquired during the year	8,317	-	8,317
Impairment losses	-	-	-
As at December 31, 2016			
Goodwill	8,317	-	8,317
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2016	8,317	-	8,317
Goodwill acquired during the year	-	8,186	8,186
Impairment losses	-	-	-
As at December 31, 2015			
Goodwill	8,317	8,186	16,503
Accumulated impairment losses	-	-	-
Goodwill balance as at December 31, 2017	8,317	8,186	16,503

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

Note 17. Other noncurrent assets

Other noncurrent assets consisted of the following:

USD'000	As at December 31, 2017	As at December 31, 2016
Deposits, noncurrent	154	149
Customer contract assets, noncurrent	-	-
Other noncurrent assets	-	2,231
Total other noncurrent assets	154	2,380

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

Note 18. Accounts payable

The current accounts payable are composed as follows:

USD'000	As at December 31, 2017	As at December 31, 2016
Trade creditors	8,876	6,314
Factors or other financial institutions for borrowings	979	-
Accounts payable to shareholders	-	14
Accounts payable to Board Members	232	147
Accounts payable to employees	2,101	1,744
Other accounts payable	3,467	2,569
Total accounts payable	15,655	10,787

Accounts payable to Board Members are made up accrued board fees, a payable balance of CHF 14,206 to Dourgam Kummer, and a payable balance of USD 4,390 to David Fergusson (see note 36 Related parties disclosure for detail).

Accounts payable to other related parties is made up of ExWorks accrued interests amounting to USD 289,129 (see note 36 Related parties disclosure for detail).

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 19. Notes payable

Notes payable consisted of the following:

USD'000	As at December 31, 2017	As at December 31, 2016
Short-term loan from shareholders	180	-
Total notes payable	180	-

The balance of short-term loan from, shareholders is made up of loans from:

- the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 83,727 at closing rate. These loans do not bear interests.
- a bank loan with Clarien Bank, an affiliate of Edmund Gibbons Ltd the noncontrolling shareholders of QuoVadis Services Ltd, in the amount of USD 96,192. The bank loan bears an interest rate of 8%.

Note 20. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2017	As at December 31, 2016
Value-Added Tax Payable	615	-
Other tax payable	122	-
Customer contract liability, current	1,088	391
Onerous contracts, current	753	2,921
Supplier contract liability	-	386
Other current liabilities	436	126
Total other current liabilities	3,014	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 4.1 million 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 types of services and was based on the information available at the date of transfer.
As at December 31, 2016 the outstanding liability was USD 4,121,569 split between current liability of USD 2,920,729 and noncurrent liability of USD 1,200,840. In 2017, the utilization of the provision was higher than expected at USD 3,102,550 and USD 266,045 was written off to

the income statement as the remaining liability was adjusted down to USD 752,974 as at December 31, 2017. The agreement runs until June 04, 2018 therefore as at December 31, 2017 the entire outstanding balance of USD 752,974 payable is shown as current as it will be fully settled in fiscal year 2018.

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 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 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 93,611 used before the new contract was signed, then a release of the remaining unused provision for USD 1,420,769, being USD 292,612 from other current liabilities and USD 1,128,157 from other noncurrent liabilities, into other operating income.

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, a second amendment on March 31, 2017, a third amendment on July 21, 2017, a fourth amendment on August 10, 2017, and a fifth amendment on September 19, 2017.

As of December 31, 2017, with this line of credit agreement, the Company may borrow up to USD 18,900,000. Borrowings under the line of credit agreement bear interest payable monthly at 1.5%. The maturity date of the arrangement is January 15, 2019 therefore all outstanding balances are classified as noncurrent liabilities in the balance sheet. Under current terms, ExWorks can elect to have part of or all of the principal loan amount and interests paid either in cash or in WIHN Class B shares at a conversion price of USD 4.74 per share.

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 12 months to December 31, 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 of CHF 3.15; (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.

The line of credit was initially recognized as a revolving credit falling under ASC 480, and, in line with ASU 2015-15 the commitment fee and debt issuance costs totalling USD 3,165,880 were capitalized as deferred charges to be amortized over the duration of the contract. These deferred charges included the fair value of an option agreement signed by both parties on February 06, 2017, granting ExWorks the option to acquire up to 1,075,000 WIHN class B shares at an exercise price of CHF 3.15, exercisable in a maximum of four separate exercises, between June 28, 2017 and February 06, 2020. The option agreement has been fair valued at grant for an amount of USD 2,173,395 using the Black-Scholes model and the market price of WIHN class B shares on the date of grant, February 06, 2017, of CHF 4.04. The option agreement was assessed as equity instrument. The credit entry from the recognition of the option agreement fair value was booked in Additional Paid-In Capital ("APIC").

However, the fifth amendment on September 19, 2017 introduced an option to convert payments of the full or partial amounts of principal loan, interests and fees in WIHN class B shares. The introduction of the conversion option was assessed to be a substantial modification of terms for the existing contract and therefore, in line with ASC 470-50-40-6, was accounted for like an extinguishment. As a result, all fees and debt issuance costs, including the option agreement, previously capitalized were fully amortized into the income statement, the old debt was written off, and the new debt was accounted for. This gave rise to a USD 6,511,421 loss on extinguishment made up of total amendment fees of USD 700,000, the unamortized portion of the commitment fee and debt issuance costs totalling USD 2,199,502 (of which USD 1,467,746 related to the option agreement), and the fair value of the conversion option introduced for USD 4,087,519 calculated using the Black-Scholes model and the market price of WIHN class B shares as at the date of the fifth amendment of CHF 4.10 (USD 4.26 at historical rate).

We note that the conversion option was assessed as an equity instrument which did not require bifurcation from its debt host. The credit entry from the recognition of the conversion option fair value was booked in APIC.

As at December 31, 2017, outstanding borrowings were USD 18,592,356.64. The amount available for additional borrowings under this arrangement as at December 31, 2017 was USD 307,643.36.

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.

On August 16, 2017 WISeKey executed another drawdown 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.

On December 29, 2017 WISeKey executed another drawdown for CHF 2,228,880 (USD 2,287,573 at historical rate) in exchange for 400,000 WIHN class B shares issued out of authorized share capital.

Therefore, as at December 31, 2017 the outstanding facility available is CHF 56,094,645.

Note 22. Employee benefit plans

Defined benefit post-retirement plan

The group maintains four pension plans:

- one maintained by WISeKey SA covering its employees in Switzerland,
- one maintained by QuoVadis Trustlink Schweiz AG covering its employees in Switzerland,
- one maintained by WISeKey Semiconductors SAS covering its French employees, and
- one maintained by WISeKey India Private Ltd covering its Indian 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 are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return (based on the market-related value of assets). The fair value of plan assets is determined based on prevailing market prices.

The defined benefit pension plan maintained by WISeKey Semiconductors SAS and WISeKey India private Ltd, and their 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 plans are not funded.

The pension liability calculated as at December 31, 2017 is based on annual personnel costs and assumptions as of December 31, 2017.

Personnel Costs	As at December 31,	
USD'000	2017	2016
Wages and Salaries	9,927	3,845
Social security contributions	2,753	831
Net periodic pension costs	368	239
Total	13,048	4,915

	As at December 31,				
Assumptions	2017	2017	2017	2016	2016
	France	Switzerland	India	France	Switzerland
Discount rate	1.31%	0.60% - 0.70%	6.90%	1.31%	0.65%
Expected rate of return on plan assets	n/a	1.50% - 2%	n/a	n/a	1.50%
Salary increases	3%	0.5% - 1.50%	3%	3%	1.50%

Reconciliation to Balance Sheet start of year		
USD'000		
Fiscal year	**2017**	**2016**
Fair value of plan assets	(5,969)	(5,203)
Projected benefit obligation	9,779	8,161
Surplus/deficit	**3,810**	**2,958**
Opening balance sheet asset/provision (funded status)	**3,810**	**2,958**
Reconciliation of benefit obligation during the year		
Projected benefit obligation at start of year	9,779	8,161
Net Service cost	415	266
Interest expense	80	64
Plan participant contributions	207	129
Net benefits paid to participants	778	386
Prior service costs	0	(108)
Actuarial losses/(gains)	744	483
Acquistions	2,091	651
Currency translation adjustment	524	(253)
Projected benefit obligation at end of year	**14,618**	**9,779**
Reconciliation of plan assets during year		
Fair value of plan assets at start of year	(5,969)	(5,203)
Employer contributions paid over the year	(298)	(202)
Plan participant contributions	(207)	(129)
Net benefits paid to participants	(778)	(386)
Interest income	(113)	(79)
Return in plan assets, excl. amounts included in net interest	(322)	(136)
Acquistions	(1,432)	0
Currency translation adjustment	(285)	166
Fair value of plan assets at end of year	**(9,404)**	**(5,969)**
Reconcilation to balance sheet end of year		
Fair value of plan assets	(9,404)	(5,969)
Defined benefit obligation - funded plans	14,618	9,779
Surplus/deficit	**5,214**	**3,810**
Closing balance sheet asset/provision (funded status)	**5,214**	**3,810**
Amounts recognized in accumulated OCI		
Net loss (gain)	2,500	1,852
Unrecognized transition (asset)/obligation	0	0
Prior service cost/(credit)	423	479
Surplus/deficit	**2,923**	**2,331**
Estimated amount to be amortized from accumulated OCI into NPBC over next fiscal year		
Net loss (gain)	117	103
Unrecognized transition (asset)/obligation	0	0
Prior service cost/(credit)	62	61

Movement in Funded Status

USD'000

Fiscal year	**2017**	**2016**
Opening balance sheet liability (funded status)	**3,810**	**2,958**
Net Service cost	415	266
Interest cost/(credit)	80	64
Expected return on Assets	(113)	(79)
Amortization on Net (gain)/loss	113	77
Amortization on Prior service cost/(credit)	61	73
Total Net Periodic Benefit Cost/(credit)	**556**	**402**
Actuarial (gain)/loss on liabilities due to experience	801	322
Actuarial gain/loss on liab. from changes to fin. assump	(18)	160
Actuarial (gain)/loss on liab. from changes to demo. assump	(38)	0
Return in plan assets, excl. amounts included in net interest	(322)	(136)
Prior service cost/(credit)	0	(108)
Amortization on Net (gain)/loss	(113)	(77)
Amortization on Prior service cost/(credit)	(61)	(73)
Amortization on Unrecognized transition obligation	0	0
Currency translation adjustment	(3)	5
Total gain/loss recognized via OCI	**246**	**93**
Employer contributions paid in the year	(298)	(202)
Total cashflow	**(298)**	**(202)**
Acquistions	**658**	**0**
Currency translation adjustment	242	(91)
Closing balance sheet liability (funded status)	**5,214**	**3,810**

Reconciliation of Net Gain / Loss

Amount at beginning of year	1,852	1,566
Amortization during the year	(113)	(77)
Asset (gain) / loss	(322)	(136)
Liability (gain) / loss	744	489
Acquistions	323	0
Currency translation adjustment	16	10
Amount at year-end	**2,500**	**1,852**

Reconciliation of prior service cost/(credit)

Amount at beginning of year	479	639
Amortization during the year	(61)	(73)
Plan amendment	0	(108)
Currency translation adjustment	5	21
Amount at year-end	**423**	**479**

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.

Expected future Cash flows (In USD'000)	France	Switzerland	India
2018	-	1,052	-
2019	-	395	1
2020	15	394	-
2021	-	392	-
2022	-	511	-
2023-2027	83	3,495	-

Note 23. Other noncurrent liabilities

Other noncurrent liabilities consisted of the following:

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

See note 20 for details on the treatment of the onerous contracts and supplier contract liabilities outstanding as at December 31, 2016.

Note 24. Commitments and contingencies

Lease commitments

We lease certain facilities and equipment under operating leases. As of December 31, 2017, future minimum annual operating lease payments were as follows:

Year	USD'000
2017	508
2018	1,098
2019	992
2020	895
2021	704
2022	314
Total future minimum operating lease payments	4,511

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 25. Stockholders' equity

WISeKey International Holding AG

Share Capital	As at December 31, 2017		As at December 31, 2016	
	Class A Shares	*Class B Shares*	*Class A Shares*	*Class B Shares*
Total number of authorized shares	-	11,803,428	-	9,334,847
Total number of conditional shares	-	10,926,250	-	10,669,212
Total number of fully paid-in shares	40,021,988	24,590,918	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	1,260,956	400,186	756,010
Total share capital (in USD)	1,661,142		1,156,196	

Note 26. Accumulated other comprehensive income

USD'000		
Accumulated other comprehensive income as at December 31, 2015		70
Total Net foreign currency translation adjustments	(1,878)	
Total defined benefit pension adjustment	(93)	
Total Other comprehensive income/(loss), net		(1,971)
Accumulated other comprehensive income as at December 31, 2016		(1,901)
Total net foreign currency translation adjustments	1,875	
Total unrealized loss on securities	(375)	
Total defined benefit pension adjustment	(249)	
Total Other comprehensive income/(loss), net		1,251
Accumulated other comprehensive income as at December 31, 2017		(650)

Note 27. Revenue

Nature of goods and services

The following is a description of the principal activities – separated by reportable segment – from which the Company generates its revenue. For more detailed information about reportable segments, see note 33 - Segment Information and Geographic Data.

- IoT Segment

The IoT segment of the Company principally generates revenue from the sale of semiconductors secure chips. Although they may be sold in connection with other services of the Company, they always represent distinct performance obligations.
The Company recognizes revenue when a customer takes possession of the chips, which usually occurs when the goods are delivered. Customers typically pay once goods are delivered.

- mPKI Segment

The mPKI Segment of the Company generates revenues from Digital Certificates, Software as a Service, Software license and Post-Contract Customer Support (PCS) for cybersecurity applications. Products and services are sold principally separately and more in bundled packages. For bundled packages, the Company accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identified from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices when available or estimated based on the Adjusted Market Assessment approach (e.g. licenses), or the Expected Cost-Plus Margin approach (e.g. PCS), or the Residual approach, based on the elements which are available.

Product and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Certificates	The Company recognizes revenue on a straight-line basis over the validity period of the certificate, which is usually one to three years. This period starts after the certificate has been issued by the Certificate Authority and may be used by the customer for authentication and signature, by checking the certificate validity against the Root of Thrust which is maintained by the Company on its IT infrastructure. Customers pay certificates when certificates are issued and invoiced. The excess of payments over recognized revenue is shown as Contract Liability.
SaaS	The Company's SaaS arrangement cover the provision of cloud-based certificate life-cycle-management solutions and signing and authentication solutions. The Company recognizes revenue on a straight-line basis over the service period which is usually yearly renewable. Customers usually pay ahead of quarterly

	or yearly service periods; the paid amounts which have not yet been recognized are shown as Contract Liability.
Software	The Company provides software for certificates life-cycle management and signing and authentication solutions. The Company recognizes license revenue when the software has been delivered and PCS revenue over the service period which is usually one-year renewable. Customers pay upon delivery of the software or over the PCS.
Implementation, integration and other services	The Company provides services to implement and integrate multi-element cybersecurity solutions. Most of the time the solution elements are off-the-shelve non-customized components which represent distinct performance obligations. Implementation and integration services are payable when rendered, while other revenue elements are payable and recognized as per their specific description in this section. The company also provides hosting and monitoring of infrastructure services which are distinct performance obligations and are paid and recognized over the service period.

Disaggregation of revenue

The following table shows the Company's revenues disaggregated by reportable segment and by product or service type:

USD'000	Typical payment	At one point in time		Over time		Total	
12 months ended December 31,		2017	2016	2017	2016	2017	2016
IoT Segment							
Payment at one point in time:							
Secure chips	Upon delivery	30,435	8,391	-	-	30,435	8,391
Total IoT segment revenue		30,435	8,391	-	-	30,435	8,391
mPKI Segment							
Certificates	Upon issuance	-	-	782	-	782	-
Licenses and integration	Upon delivery	808	-	-	-	808	-
SaaS, PCS and hosting	Quarterly or yearly	-	-	11,053	2,571	11,053	2,571
Total mPKI segment revenue		808	-	11,835	2,571	12,643	2,571
Total Revenue		31,243	8,391	11,835	2,571	43,078	10,962

For the years ended December 31, 2017 and 2016, the Company recorded no revenues related to performance obligations satisfied in prior periods.

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

Net sales by region	12 months ended December 31,	
USD'000	2017	2016
IoT Segment		
Europe	12,838	3,923
North America	12,714	3,384
Asia Pacific	3,649	722
Latin America	1,234	363
Total IoT segment revenue	30,435	8,392
Europe	8,966	2,320
North America	3,571	110
Asia Pacific	15	-
Latin America	91	140
Total mPKI segment revenue	12,643	2,570
Total Net sales	43,078	10,962

Contract assets and contract liabilities

Our contract assets and liabilities consist of:

USD'000	As at December 31, 2017	As at December 31, 2016
Trade accounts receivables		
Trade accounts receivable - IoT segment	3,523	5,285
Trade accounts receivable - mPKI segment	4,338	1,665
Total trade accounts receivables	7,861	6,950
Contract assets		
Total contract assets	-	-
Deferred Revenue (Contract Liabilities)		
Deferred Revenue - mPKI segment	7,331	771
Total Deferred Revenue	7,331	771
Revenue recognized in the year from amounts included in the deferred revenue of the mPKI segment at the beginning of the year	769	370

In 2017, the increase in trade accounts receivable and deferred revenue were the result of the business combination detailed in note 15 Business Combination, which increased trade accounts receivables – mPKI segment by USD 4,136,398 and deferred revenue –mPKI segment by USD 7,025,079 as at December 31, 2017.
Other increases or decreases in trade accounts receivable, contract assets and deferred revenue were primarily due to normal timing differences between our performance and customer payments.

Remaining performance obligations

As part of our adoption of the new revenue standard, we have elected to use a practical expedient to exclude disclosure of transactions prices allocated to remaining performance obligations, and when we expect to recognize such revenue, for all periods prior to the date of initial application of the standard.

As of December 31, 2017, approximately USD 7,331 is expected to be recognized from remaining performance obligations for mPKI contracts. We expect to recognize revenue for these remaining performance obligations during the next three years approximately as follows:

Estimated mPKI revenue from remaining performance obligations as at December 31, 2017		USD'000
	2018	4,621
	2019	1,749
	2020	961
Total remaining performance obligation		7,331

Note 28. Other operating income

Other operating income consisted of the following:

USD'000	12 months ended December 31, 2017	12 months ended December 31, 2016
Other operating income from related parties	88	-
Other operating income - other	1,438	112
Total other operating income	1,526	112

Other operating income from related parties is made up of the amounts invoiced by WISeKey to the OISTE Foundation for the use of its premises and equipment.

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 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 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 93,611 used before the new contract was signed, then a release of the remaining unused provision for USD 1,420,769, being USD 292,612 from other current liabilities and USD 1,128,157 from other noncurrent liabilities, into other operating income.

The remaining balance of other operating income derived from unsolicited refunds.

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

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

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

In the 12 months to December 31, 2017, the Company granted a total of 1,857,012 options exercisable on the Company's class B shares. Each warrant is exercisable into one class B share.
The warrants granted consist of:

- 159,996 warrants with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2017;
- 23,016 warrants with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2017;
- 265,666 warrants with immediate vesting granted to external advisors, none of which had been exercised as of December 31, 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 December 31, 2017.
- 166,667 warrants vesting on July 05, 2018
- 166,667 warrants vesting on July 05, 2019

The warrants granted were valued at grant date using the Black-Scholes model. Unexercised warrants to external advisers at December 31, 2017 were revalued to their fair value at December 31, 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 fiscal year 2017, a total charge of USD 2,231,542 was recognized in the consolidated income statement in relation to the options granted in 2017:

- USD 129,309 for options granted to employees;
- USD 2,102,233 for options granted to nonemployees applying the Black-Scholes model at grant, of which USD 592,644 correspond to non-vested options as of December 31, 2017, which were revalued using the same model at year end and fair valued at USD 1,005,804, hence an accounting loss for the change in fair value of USD 413,160.

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

Assumption	December 31, 2017	December 31, 2016
Dividend yield	None	None
Risk-free interest rate used (average)	1.00%	1.00%
Expected market price volatility	57.88%	33.18%
Average remaining expected life of stock options	3.37 years	4.50 years

The following table illustrates the development of the Company's non-vested options for the years ended December 31, 2017 and 2016.

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, 2015	130,499	1.76
Granted	1,964,612	1.74
Vested	(2,095,111)	1.74
Non-vested forfeited or cancelled	-	
Non-vested options as at December 31, 2016	-	-
Granted	3,316,139	1.30
Vested	(2,982,805)	1.25
Non-vested forfeited or cancelled	-	-
Non-vested options as at December 31, 2017	333,334	1.78

As at December 31, 2017, there was no unrecognized compensation expense related to non-vested stock option-based compensation arrangements. This is because all non-vested stock options outstanding as at December 31, 2017 were granted in compensation for past services rendered to the Company and, as such, were recognized in the income statement at fair value as at December 31, 2017 using the Black-Scholes model and the market price of WIHN class B shares of CHF 6.09 on December 31, 2017.

The following table summarizes the Company's stock option activity for the years ended December 31, 2017 and 2016.

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 as at December 31, 2015	593,206	0.05	5.05	4,449,050
Of which vested	462,707	-	-	-
Of which non-vested	130,499	-	-	-
Granted	1,964,612	-	-	-
Exercised or converted	(1,844,320)	-	-	(6,586,646)
Forfeited or expired	(43,292)	-	-	-
Outstanding at December 31, 2016	670,206	0.31	3.58	821,207
Of which vested	670,206			
Of which non-vested	-	-	-	-
Granted	3,316,139	3.30	-	-
Exercised or converted	(678,905)	0.09	-	1,326,653
Forfeited or cancelled	(9,541)	0.05	-	-
Expired	(32,000)	5.13	-	-
Outstanding at December 31, 2017	3,265,899	5.93	2.77	(12,704,389)
Of which vested	2,932,565	6.12	2.80	(11,965,721)
Of which non-vested	333,334	-	-	-

Summary of stock-based compensation expenses

Stock-based compensation expenses USD'000	12 months ended December 31, 2017	12 months ended December 31, 2016
In relation to warrants issued	-	7,739
In relation to the reverse acquisition	-	15,916
In relation to Employee Stock Option Plans	2,232	1,152
Total	2,232	24,807

In 2016, a stock based compensation charge of USD 15,916,300 in relation to the reverse acquisition that took place on March 22, 2016 was recognized in fiscal year 2016. With the reverse acquisition transaction, the shareholding percentage of the Company's CEO in the newly formed Company changed from his previous shareholding percentage in WISeKey SA. Before the reverse acquisition the Company's

CEO owned 25.08% of the overall capital in WISeKey SA. Through the reverse acquisition, the Company's CEO increased his stake in the consolidated entities to 39.55%, which represents a compensation of incremental Class B shares by 3,086,588 valued at USD 5.16.
This incremental number of shares was reflected in the Company's financial statements as a stock-based compensation. The value of incremental shares was accounted for as an expense of USD 15,916,300 in the income statement for the year to 2016. There was no cash payment following the change in valuation of his shareholding.

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

Stock-based compensation expenses USD'000	12 months ended December 31, 2017	12 months ended December 31, 2016
Selling & marketing expenses	466	12,865
General & administrative expenses	1,765	11,942
Total	2,232	24,807

Note 30. Non-operating income

Non-operating income consisted of the following:

USD'000	12 months ended December 31, 2017	12 months ended December 31, 2016
Foreign exchange gain	(694)	(134)
Financial income	(31)	(29)
Interest Income	(2)	-
Other	(42)	(3)
Total non-operating income	(769)	(166)

Note 31. Non-operating expenses

Non-operating expenses consisted of the following:

USD'000	12 months ended December 31, 2017	12 months ended December 31, 2016
Foreign exchange losses	477	185
Financial charges	3,859	575
Capital Gain tax charges	-	64
Other	44	22
Total non-operating expenses	4,380	846

Note 32. Income taxes

The components of income before income taxes are as follows:

Income / (Loss)	As at December 31,	
USD'000	2017	2016
Switzerland	(24,363)	(34,265)
Foreign	(1,424)	(2,236)
Income/(loss) from operations before income tax	(25,787)	(36,501)

Income taxes relating to the Company are as follows:

Income taxes	As at December 31,	
USD'000	2017	2016
Switzerland	(293)	-
Foreign	(744)	16
Income tax (expense)/recovery	(1,037)	16

Deferred taxes Assets/(Liabilities)	As at December 31,	
USD'000	2017	2016
Switzerland	307	-
Foreign	135	-
Income tax (expense)/recovery	442	0

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

Income taxes at the Swiss statutory rate	As at December 31,	
USD'000	2017	2016
Net income/(loss) before income tax	(25,787)	(36,501)
Statutory tax rate	24%	24%
Expected income tax expense/(recovery)	(6,240)	(8,760)
Income tax	(1,037)	16
Change in valuation allowance	4,487	(2,286)
Permanent Difference	344	5,410
Change in expiration of tax loss carryforwards	1,410	5,637
Income tax (expense)/recovery	(1,037)	16

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

Deferred tax assets and liabilities	As at December 31,	
USD'000	2017	2016
Stock-based compensation	344	5,410
Defined benefit accrual	1,289	914
Tax loss carry-forwards	14,888	5,666
Deferred Income tax liability	(1,476)	-
Deferred tax asset from acquisition	477	-
Other temporary adjustments	1,396	-
Valuation allowance	(16,476)	(11,990)
Deferred tax assets/(liabilities)	442	

The Company's operating cumulated loss carry-forwards of all jurisdictions, as of December 31, 2017, are as follows:

Operating loss-carryforward as of December 31, 2017

USD'000	USA	Switzerland	Spain	France	Netherlands	Italy	Singapore	UK	Germany	India	Total
2018	-	8,702	-	57	-	1	103	2,213	210	-	11,286
2019	-	6,291	-	19	-	-	439	322	73	-	7,144
2020	-	2,030	-	6	-	-	-	251	253	-	2,540
2021	-	8,069	-	6	-	-	-	-	-	-	8,075
2022	-	6,487	220	3	6	-	-	-	-	-	6,717
2023	-	11,525	1,279	-	4	-	-	-	-	-	12,808
2024	-	12,247	1,312	425	1	-	-	-	-	-	13,985
2025	-	-	-	2,142	1	-	-	-	-	430	2,574
2026	17	-	-	152	1,659	-	-	-	-	-	1,827
2027	73	-	-	-	-	-	-	-	-	-	73
2028	176	-	-	-	-	-	-	-	-	-	176
2029	9	-	-	-	-	-	-	-	-	-	9
2030	2	-	25	-	-	-	-	-	-	-	26
2031	54	-	25	-	-	-	-	-	-	-	79
2032	89	-	74	-	-	-	-	-	-	-	163
2033	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-
2035	247	-	-	-	-	-	-	-	-	-	247
2036	-	-	-	-	-	-	-	-	-	-	-
2037	159	-	-	-	-	-	-	-	-	-	159
2038	-	-	-	-	-	-	-	-	-	-	-
Total operating loss carry-forwards / Year of expiration if applicable to juridiction											
	826	55,352	2,935	2,811	1,672	1	542	2,785	536	430	67,890

The following tax years remain subject to examination:

Significant jurisdictions	Open years
Switzerland	2016 - 2017
USA	2016 - 2017
The Netherlands	2015 - 2016
France	2015 - 2017
Spain	2014 - 2017
Singapore	2017
Japan	2017
Taiwan	2017
India	2017
Bermuda	N/A
Belgium	2017
Germany	2016-2017
UK	2016-2017
Italy	2016-2017
BRBV	2015-2017

As at December 31, 2017, WISeKey Semiconductors SAS has recorded a USD 62,671 tax provision following a tax audit started in 2017. Although the final conclusions have not yet been communicated formally, management believes that it is more probable than not that the entity will have to pay a penalty and has calculated the provision based on preliminary discussions with the tax authorities. The Company has no other uncertain tax positions as at December 31, 2017.

Note 33. 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.

12 months to December 31, 2017 USD'000	IoT	mPKI	Total
Revenues from external customers	30,435	12,643	43,078
Intersegment revenues	233	1,496	1,729
Interest revenue	-	233	233
Interest expense	224	2,761	2,985
Depreciation and amortization	1,542	3,478	5,020
Segment income /(loss) before income taxes	4,214	(29,919)	(25,705)
Profit / (loss) from intersegment sales	11	71	82
Income tax recovery /(expense)	109	(1,146)	(1,037)
Other significant non cash items			
Share-based compensation expense	-	2,232	2,232
Gain on derivative liability	-	98	98
Interest and amortization of debt discount and expense	-	1,501	1,501
Segment assets	19,578	64,899	84,476

Revenue reconciliation	USD'000
Total revenue for reportable segment	44,807
Elimination of intersegment revenue	(1,729)
Total consolidated revenue	43,078

Loss reconciliation	USD'000
Total profit / (loss) from reportable segments	(25,705)
Elimination of intersegment profits	(82)
Loss before income taxes	(25,787)

Assets	USD'000
Total assets from reportable segments	84,476
Elimination of intersegment receivables	(6,414)
Elimination of intersegment investment and goodwill	(10,907)
Consolidated total assets	67,156

Revenue and property, plant and equipment by geography

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

Net sales by region	12 months ended December 31,	
USD'000	2017	2016
Europe	21,804	6,243
North America	16,285	3,494
Asia Pacific	3,664	721
Latin America	1,325	504
Total Net sales	43,078	10,962

Property, plant and equipment, net of depreciation by region USD'000	As at December 31, 2017	As at December 31, 2016
Europe	3,490	3,409
North America	440	1
Asia Pacific	35	3
Latin America	-	-
Total Property, plant and equipment, net of depreciation	3,966	3,413

Note 34. Loss per share

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

	12 months ended December 31,	
Loss per share	2017	2016
Net loss attributable to WISeKey International Holding AG (USD'000)	(24,267)	(35,926)
Weighted average shares outstanding - basic	29,505,629	22,873,942
Basic and diluted weighted average loss per share attributable to WIHN (USD)	(0.82)	(1.57)

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

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

Dilutive vehicles	2017	2016
Total stock options	3,265,899	593,206
Redeemable preferred stock	860,000	-
Total convertible instruments	3,922,438	-
Total number of shares from dilutive vehicles	8,048,337	593,206

Note 35. Legal proceedings

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

Note 36. Related parties disclosure

Subsidiaries

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

Group Company Name	Country of incorporation	Year of incorporation	Share Capital		% ownership as of December 31, 2017	% ownership as of December 31, 2016	Nature of business
WISeKey SA	Switzerland	1999	CHF	933,436	95.35%	90.3%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	France	2010	EUR	1,298,162	100.0%	100.0%	Chip manufacturing, sales & distribution
WiseTrust SA	Switzerland	1999	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey (Suisse) SA	Switzerland	2002	CHF	100,000	100.0%	100.0%	Dormant
WISeKey ELA SL	Spain	2006	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	U.K.	2016	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc	U.S.A	2006	USD	6,500	100% *	100% *	Sales & support
WISeKey India Private Ltd***	India	2016	INR	1,000,000	45.9%	40.8%	Sales & support
WISeKey BR BV****	The Netherlands	2010	EUR	60,000	100.0%	100.0%	Dormant
WISeKey France SAS**	France	2007	EUR	37,000	100.0%	100.0%	Dormant
WISeKey Italia s.r.l.**	Italy	2011	EUR	10,000	100.0%	100.0%	Dormant
WISeKey Singapore Pte Ltd**	Singapore	2007	SGD	100,000	100.0%	100.0%	Sales & distribution
WISeKey KK	Japan	2017	JPY	1,000,000	100.0%	not incorporated	Sales & distribution
QuoVadis Trustlink Schweiz AG	Switzerland	2005	CHF	100,000	85.0%	n/a	Sales & distribution
QuoVadis Online Security Ltd	U.K.	2007	GBP	200	85.0%	n/a	Sales & distribution
QuoVadis Trustlink BVBA***	Belgium	2013	EUR	6,267	85.0%	n/a	Sales & distribution
QuoVadis Trustlink BV	The Netherlands	2008	EUR	18,000	85.0%	n/a	Sales & distribution
QV BE BV	The Netherlands	2013	EUR	10,000	85.0%	n/a	Non trading
QuoVadis Trustlink GmbH	Germany	2014	EUR	25,000	85.0%	n/a	Sales & distribution
QuoVadis Services Ltd	Bermuda	2000	USD	12,000	43.4%	n/a	Support and R&D services
QuoVadis Ltd	Bermuda	2000	USD	12,000	85.0%	n/a	Support and R&D services
QV Holdings Ltd	Bermuda	1999	USD	109,392	85.0%	n/a	Holding for the QuoVadis group
WISeKey Taiwan	Taiwan	2017	TWD	100,000	100.0%	not incorporated	Sales & distribution

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

** dormant or in the process of being liquidated

*** 90% owned by WISeKey SAARC which is controlled by WIHN

**** liquidated on November 29 , 2017

Related party transactions and balances

	Related Party (In USD'000)	Receivables as at December 31, 2017	2016	Payables as at December 31, 2017	2016	Net income from for the year 2017	2016	Net expenses to for the year 2017	2016
1	Carlos Moreira	488	-	-	-	-	-	12	-
2	Maryla Shingler-Bobbio	54	49	49	29	3	-	-	-
3	Franz Humer	-	294	-	-	-	-	-	910
4	Philippe Doubre	-	-	49	43	-	-	-	-
5	Thomas J. Egger	-	-	-	29	-	-	129	-
6	Juan Hernandez-Zayas	-	-	49	29	-	-	-	-
7	Dourgam Kummer	-	-	63	29	-	-	81	39
8	David Fergusson	-	-	22	-	-	-	224	-
9	Wiseqwant	-	2	-	-	-	-	-	-
10	OISTE	-	62	-	-	88	-	219	329
11	AXCIT	-	-	-	-	-	-	1,302	-
12	Todd Ruppert	354	339	-	-	-	-	-	-
13	Roman Brunner	-	-	407	-	-	-	-	-
14	Edmund Gibbons Limited	1	-	546	-	431	-	130	-
15	Terra Ventures Inc	-	-	33	-	-	-	-	-
16	SAI LLC (SBT Ventures)	-	-	34	-	-	-	-	-
17	GSP Holdings Ltd	-	-	17	-	-	-	-	-
	Total	897	746	1,270	159	522	-	2,097	1,278

1. Carlos Moreira is the Chairman of the Board and CEO of the Company. A short-term loan for an amount of CHF 472,500 (USD 484,751) was granted to Carlos Moreira on November 03, 2017. The loan bears no interest and is expected to be paid back in WIHN class B shares in the first half of financial year 2018. A short-term receivable in an amount of CHF 3,284 (USD 3,369) from Carlos Moreira was also outstanding as at December 31, 2017.

2. Maryla Shingler-Bobbio is a Board member of the Company, and member of the Company's audit committee and nomination & compensation committee. On September 23, 2016, the Company made a loan for an amount of CHF 50,000 (USD 51,296) to Maryla Shingler-Bobbio. It carries an interest rate of 5% per annum. For the year 2017, interests in the amount of CHF 2,500 (USD 2,540 at average rate) were recorded in the income statement. The loan interests were added to the principal loan amount and both remain outstanding as at December 31, 2017. The payable to Maryla Shingler-Bobbio as at December 31, 2017 relates to her Board fees.

3. 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 17, 2017 for the full amount.

4. 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 December 31, 2017 relates to his Board fee.

5. 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. He resigned from the Board at the last Annual General Meeting on May 31, 2017. In 2017, the Board fees due to Thomas J. Egger from were settled fully in options in WIHN class B shares. The stock-based compensation for the option grant was valued using the Black-Scholes model and the market price of WIHN class B shares at the date of grant.

6. 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 December 31, 2017 relates to his Board fees.

7. Dourgam Kummer is a Board member of the Company, and member of the Company's nomination & compensation committee, as well as a shareholder. In 2017, M. Kummer also provided additional services to the Company which amounted to CHF 79,460 (USD 80,728). The payable to Dourgam Kummer as at December 31, 2017 relates to his Board fees for USD 48,732 and a payable balance of CHF 14,206 (USD 14,433) relating to the additional services to the Company.

8. 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 204,757 applying the Black-Scholes model with the market price of WIHN class B shares at the date of grant and compensated in cash for USD 19,160. The payable to David Fergusson as at December 31, 2017 relates to his Board fee for CHF 17,500 (USD 17,954) and a payable balance of USD 4,390 relating to business expenses refunded by the Company.

9. Wiseqwant SA is a company operating in the mobile application industry. Three members of the Board of the Company are also Board members in this company, which gives rise to a related party situation. The receivables outstanding as at December 31, 2016 was paid in full in 2017.

10. 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 fully repaid in 2017.
In the year 2017, WISeKey SA invoiced OISTE CHF 86,884 (USD 88,272) for the facilities and personnel paid by WISeKey SA on behalf of OISTE. As at December 31, 2017 the full balance was paid by OISTE.
The expenses relating to OISTE recognized in 2017 relates solely to the license fee for the year 2017 under the contract agreement with WISeKey SA.

11. AXCIT Capital Partners ("ACXIT"), an international corporate finance and investment advisory firm, has provided advisory services to WISeKey since 2014. On July 05, 2017, WISeKey granted options to ACXIT in settlement of past services rendered to the Company. The options were valued using the Black-Scholes model and the market price of the WIHN class B shares at grant. Unvested options were revalued using the market price of the shares on the last SIX trading day of the year. The stock-based expense recorded in 2017 was USD 1,302,124.

12. Todd Ruppert was a shareholder and on May 12, 2016, the Company extended a loan to him of CHF 345,570 (USD 354,530). It matured on September 30, 2017. The loan bears no interest.

13. Roman Brunner is the Chief Revenue Officer of the Company, and CEO of QuoVadis. He entered into a loan agreement with QV Holdings Ltd in 2007 and has made loans to QV Holdings Ltd of varying amounts since 2004. The loan carries an interest rate of 5% per annum and has no fixed repayment date. As at December 31, 2017 the balance of the loan due by QV Holdings Ltd to Roman Brunner was USD 406,964.

14. 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 December 31, 2017. The note is non-interest bearing. A bank loan with Clarien Bank, an affiliate of Edmund Gibbons Ltd, in the amount of USD 96,192 makes up the rest of the payable balance. The bank loan bears an interest rate of 8%. In the year 2017, Edmund Gibbons Ltd charged rental fees of USD 130,302 to QuoVadis Services Ltd. The revenue of USD 431,114 and receivable of USD 1,000 relate a Managed Services contract with Clarien Bank.

15. Terra Ventures Inc has a 16% shareholding in WISeKey SAARC Ltd. Terra Ventures granted a GBP 24,507 (USD 33,092) loan to WISeKey SAARC Ltd on January 24, 2017. The loan is non-interest bearing and has no set repayment date.

16. SAI LLC, doing business as SBT Ventures, has a 16% shareholding in WISeKey SAARC Ltd. SAI LLC granted a GBP 25,000 (USD 33,757) loan to WISeKey SAARC Ltd on January 25, 2017. The loan is non-interest bearing and has no set repayment date.

17. GSP Holdings Ltd has a 16% shareholding in WISeKey SAARC Ltd. GSP Holdings Ltd granted a GBP 12,500 (USD 16,879) loan to WISeKey SAARC Ltd on February 02, 2017. The loan is non-interest bearing and has no set repayment date.

Note 37. Subsequent events

Cancellation of ESOP 1 Plan

As a result of the reverse acquisition in March 2016, the Company assumed the liability of the two ESOP plans in existence under WISeKey SA at the same terms (see Note 29). Per its contract terms, the ESOP 1 expires on December 31, 2017.
As at December 31, 2017, 132,772 options under ESOP 1 remained outstanding. With the expiration of the ESOP 1 on December 31, 2017, all 132,772 options outstanding under the plan were cancelled on January 01, 2018.

Capital increases

On January 05, 2018 and March 08, 2018, the Company issued respectively 61,596 and 60,823 WIHN Class B shares out of conditional capital as settlement of the December 2017 and January 2018 interests accrued on the ExWorks line of credit (see note 21 for detail).
On January 19, 2018 and February 13, 2018, the Company respectively issued 100,000 and 49,461 WIHN Class B shares out of conditional capital as a result of 2 exercises of options granted under the ESOP plan of the Company.
On February 08, 2018, the Company made an Authorised Share Capital increase by issuing 162,718 WIHN Class B shares against an investment of CHF 1,000,000 from a private fund.
On February 26, 2018, the Company made an Authorised Share Capital increase by issuing 199,367 WIHN Class B shares in settlement of a USD 945,000 fee associated with ExWorks' Sixth amendment signed on February 05, 2018 (see detail below).

Amendment of ExWorks line of credit agreement

On February 05, 2018, the Company signed a sixth amendment to the line of credit agreement with ExWorks (see note 21 for detail) whereby ExWorks reduced the monthly interest rate from 1.5% to 1% and extended the Maturity date of the agreement to January 16, 2020. The sixth amendment also changes the repayment terms so that the loans granted under the line of credit agreement may not be prepaid (in cash) by, or on behalf of, the Company before the earlier of: (i) the Maturity date or (ii) twenty (20) Trading days after a public offering and listing of the Company's stock (or American Depository Receipts ("ADRs") or American Depositary Shares representing WIHN's stock) on the New York Stock Exchange or NASDAQ, that raises at least USD 20 million in new capital to the Company.

On March 30, 2018, the Company signed a seventh amendment to the line of credit agreement with ExWorks (see note 21 for detail) whereby ExWorks increased the principal amount that can be drawn down, subject to the satisfaction of certain conditions, by up to USD 4 million, hence a maximum borrowing amount of USD 22.9 million. Any draw down would be used to fund potential acquisitions by the Company or to support the launch of WISeKey's WISeCoin cryptocurrency initiative as previously announced in press releases. WISeKey currently contemplates to fund such a launch with an initial coin offering ("ICO") via a Swiss special purpose vehicle, with the ICO currently anticipated end of 2018 or beginning of 2019. The WISeCoin ICO will be based on a strict due diligence and admissions process, as well as a high-quality digital asset exchange.

Standby Equity Distribution Agreement

On February 08, 2018 the Company entered into a Standby Equity Distribution Agreement ("SEDA") with a fund managed by Yorkville Advisors Global, LLC ("Yorkville"). Under the terms of the SEDA, Yorkville has committed to provide WISeKey, upon a draw-down request by WISeKey, up to CHF 50 million in equity financing over a three-year period in tranches of up to CHF 1 million each or, if WISeKey provides a sufficient number of Class B Shares through share lending, up to CHF 5 million each. WISeKey will make its draw-downs either by using authorized share capital on a non-preemptive rights basis or treasury shares. The purchase price will be 93% of the relevant market price at the time of the draw-down, determined by reference to a five-day trading period following the draw down request by WISeKey. WISeKey will pay a one-time commitment fee of CHF 0.5 million, within three trading days from the closing of the first advance and no later than sixty days from the effective date, either in cash or in WIHN Class B Shares at WISeKey's election. The company will also pay to Yorkville, a non-refundable fee (even if no advance should be closed or if the agreement is terminated) of USD 15,000, in connection with the proposed transaction pursuant to this agreement.

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STATUTORY AUDITOR'S REPORT

To the General Meeting of WISeKey International Holding AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WISeKey International Holding AG, which comprise the balance sheet as at 31 December 2017, the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investments in subsidiaries	
The Company carries investments in subsidiaries in the amount of CHF 44 million on the balance sheet. Investments are valued individually at acquisition costs less impairment. The valuation of investments involves judgment in the projections and assumptions used, which are sensitive to the expected future market developments that could affect the profitability of these entities. We focused on this area due to the degree of management's judgment involved, its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the Company's impairment considerations and valuation for all significant investments for reasonableness. We evaluated key assumptions relating to future profitability of each significant subsidiary applied in performing the valuation.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of intercompany loans	
The Company carries an intercompany loan balance in the amount of CHF 9 million on the balance sheet. We focused on this area due to its significant impact on the financial statements and the impact it has on presentation and disclosures.	We assessed the financial solvency of the corresponding subsidiaries with regards to the collectability of the receivable amount.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

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

Geneva, 13 April 2018

BDO Ltd

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

WISeKey International Holding AG

BALANCE SHEET AS AT 31ST DECEMBER 2017

CHF

ASSETS	2017	Note ref:	2016
Current Assets			
Cash and Bank Deposits	3,913,211		2,972,321
Short-term Inter-company Receivables	1,271,277		122,962
Other Receivables	38,920		119,456
Prepaid expenses	87,833		-
Accrued Income and Interests	2,500		-
Intercompany Accrued Income and Interests	5,460,248		-
Total Current Assets	10,773,989		3,214,739
Non-current Assets			
Loans to Shareholders, net	50,000	7	725,570
Investments in subsidiaries, net	44,018,184	4	18,218,603
Other Investment	681,841		-
Intercompany loans	9,162,027		8,536,180
Loans to 3rd Parties, net	345,570	7	816,797
Total Financial Assets	54,257,622		28,297,150
Total Non-current Assets	54,257,622		28,297,150
TOTAL ASSETS	65,031,611		31,511,889

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

WISeKey International Holding AG

BALANCE SHEET AS AT 31ST DECEMBER 2017

CHF

LIABILITIES AND SHAREHOLDERS' EQUITY	2017	Note ref:	2016
Current Liabilities			
Trade Payables	1,521,396		235,926
Inter-company Accounts Payable	340,519		4,775
Accrued Liabilities	2,484,072		1,688,028
Payable to Related Parties - Non-interest bearing	207,500		150,000
Convertible Loan - 3rd Parties - Interest bearing	1,229,285	6	11,000,000
Total Current Liabilities	5,782,772		13,078,729
Non-Current Liabilities			
Long Term Loan	18,187,385		-
Total Non-Current Liabilities	18,187,385		-
Total Liabilities	23,970,157		13,078,729
Shareholders' Equity			
Share Capital	1,629,766	5	1,133,639
Capital Contribution Reserves	47,690,298		21,846,538
Accumulated Deficit	(4,547,017)		-
Net Loss for the Period	(3,711,593)		(4,547,017)
Total Shareholders' Equity	41,061,454		18,433,160
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	65,031,611		31,511,889

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

WISeKey International Holding AG

INCOME STATEMENT FOR THE PERIOD

CHF	2017 01.01.17 to 31.12.17	2016 17.11.15 to 31.12.16
INCOME	**Note ref:**	
Sales Intercompany	5,929,094	-
Total Sales	5,929,094	-
Cost of Goods Sold	-	-
Gross Margin	5,929,094	-
OPERATING EXPENSES		
Office Expenses	11,979	7,324
Insurances	168,449	12,118
Travel & Accomodation	5,813	-
Consultancy and Professional Services	4,755,613	3,826,271
Marketing	99,522	20,062
Other Operating Expenses	29,750	220,717
OPERATING LOSS	5,071,126	4,086,492
NON-OPERATING (INCOME)/EXPENSES		
Foreign Exchange (Gain)/Loss	(118,022)	6,416
Other Financial Charges	121,246	164,609
Financial Charges on Loan	3,961,731	-
Intercompany Charges	354,841	-
Non Operating Loss	260,840	289,500
LOSS BEFORE TAXES	(3,722,666)	4,547,017
Taxes	159,600	-
Interest income	(322,869)	-
Interest Expense	152,195	-
Loss for the Period	(3,711,593)	(4,547,017)

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

Notes to the Financial Statements

31st December 2017

Note 1. Background and Operations

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

The Company does not currently have any full time employees.

On 22nd March 2016, WISeKey SA's shareholders exchanged a total of 90.3% of their shares into those of the Company shares. During 2017, several shareholders approached the Company to exchange their shares in WISeKey SA, having failed to participate in the original share exchange program of 2016. As at 31st December 2017, the Company had acquired an additional 5.05% of WISeKey SA's shares, bringing its holding up to 95.35%. The remaining 4.65% of the WISeKey SA's share capital will be obtained as part of a squeeze-out merger, anticipated to take place in 2018.

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

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

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

On 3rd April 2017, the Company acquired 85% of the share capital of QuoVadis Holdings Ltd, a Bermudan-based company in the managed PKI and digital signature management business, having operations in the UK, Netherlands, Belgium, Germany and Switzerland, as well as Bermuda itself. It intends to acquire the remaining 15% in May 2018.

Further details can be seen in Note 4, below.

Note 2. Future Operations

The Company experienced a loss from operations in this reporting period. The accompanying statutory financial statements have been prepared assuming that the Company will continue as a going concern.

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

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, a second amendment on March 31, 2017, a third amendment on July 21, 2017, a fourth amendment on August 10, 2017, and a fifth amendment on September 19, 2017.

As of December 31, 2017, with this line of credit agreement, the Company may borrow up to USD 18,900,000. Borrowings under the line of credit agreement bear interest payable monthly at 1.5%. The maturity date of the arrangement is January 15, 2019 therefore all outstanding balances are classified as non-current liabilities in the balance sheet. Under current terms, ExWorks can elect to have part of or all of the principal loan amount and interests paid either in cash or in WIHN Class B shares at a conversion price of USD 4.74 per share.

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 12 months to December 31, 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 of CHF 3.15; (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.

The fifth amendment on September 19, 2017 introduced an option to convert payments of the full or partial amounts of principal loan, interests and fees in WIHN class B shares.

The Company closed a Share Subscription Facility with GEM LLC, (Global Equity Markets), on 19th January 2016, which is a CHF 60 mio facility over 5 years and allows the Company to draw down funds at its option in exchange for WIHN 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 share trading on the SIX Stock Exchange. The drawdown amount is based on 90% of the average closing price of the last 15 trading days multiplied by 1,000% of the average volume of the last 15 trading days. GEM can then elect to purchase between 50% and 200% of this figure. During 2017, the Company used the facility three times, drawing down CHF 279,900 in June, CHF 1,396,575 in August and CHF 2,228,880 in December. This facility will continue to be used as a safeguard should there be any difficulties in raising the necessary equity, given there is still an amount of CHF 56,094,645 that can be drawn down to the end of the agreement.

In February 2018, the Company entered into a Standby Equity Distribution Agreement (SEDA) with Yorkville Advisors Global LLC, for a similar facility for CHF 50 million over a 3 year period. Please refer to the Subsequent Event Note for further details.

. Based on the foregoing, Management believes that the Company has sufficient cash and credit lines available to fund operations for the next twelve months and it is correct to present these figures on a going concern basis.

Note 3. Significant accounting policies

These financial statements were prepared according to the provisions of the Swiss financial reporting law (32nd title of the Swiss Code of Obligations).

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

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

Foreign currency translation

The accounting records of the Company are maintained in Swiss Francs. All transactions in other currencies

Foreign currency translation

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

Cash and cash equivalents

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

Tax

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

Other investments

Other investments are carried at cost less any necessary provision for impairment in value.

Investments in subsidiaries

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

Please refer to Note 4 below for more details.

Note 4. Investments in subsidiaries, net

Cost CHF	Ownership /Voting interests %	Gross value of the investment as at 31.12 2017	Ownership /Voting interests %	Gross value of the investment as at 31.12 2016
WISeKey SA *Geneva, Switzerland*	**95.35%**	7,818,025	90.3%	1,051,393
WISeTrust SA *Geneva Switzerland*	**100%**	4,102,244	100%	4,102,244
WISeKey Semiconductors SAS *Meyreuil, France*	**100%**	13,000,000	100%	13,000,000
WISeKey Singapore Pte Ltd *Singapore*	**100%**	P.M.	100%	P.M.
WISeKey SAARC Ltd *London, United Kingdom*	**51%**	64,966	51%	64,966
WISeKey KK *Tokyo, Japan*	**100%**	9,011		
WISeKey International holding Ltd *Tapei, Taiwan*	**100%**	3,337		
QuoVadis Holding Ltd *Hamilton, Bermuda*	**85%**	19,020,600		
Total		**44,018,184**		**18,218,603**

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

In assessing the potential impairment of the investments, the Company considers the net asset value as well as the expected cash-flows that will be generated by each of these investments. Management believes that, on the basis of these net asset values as well as expected cash-flows, the carrying value of these investments as at 31^{st} December 2017 is not impaired.

Note 5. Share Capital

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

The share capital as at 31^{st} December 2017 is CHF 1,629,765.78 and is divided into 40,021,988 registered shares (Class “A” shares) and in 24,590,918 registered shares (Class “B” shares). It is fully paid in.

	31.12.2017		31.12.2016	
	Number of Shares	CHF	Number of Shares	CHF
Share Capital Class "A" Shares	40'021'988	400'220	40'021'988	400'220
Share Capital Class "B" Shares	24'590'918	1'229'546	14'668'392	733'420
Total Share Capital	64'612'906	1'629'766	54'690'380	1'133'639
Issued Share Capital	64'612'906	1'629'766	54'690'380	1'133'639
Authorised Share Capital, not issued	11'803'428	590'171	9'334'847	466'742
Conditional Share Capital	10'926'250	546'313	10'669'212	533'461

5.1 Movement of share capital

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

Movements in shareholders' equity in 2017 mainly relate to the issuance of shares resulting from various capital increases during the period.

On 8th March 2017, the Company made an Authorised Share Capital increase from CHF 1,133,639.48 to CHF 1,147,849.38 (CHF 14,209.90) by issuing 284,198 “B” shares at a Nominal Value of CH 0.05 with an Agio of CHF1,185,790.10.

On 3^{rd} April 2017, the Company made an Authorised Share Capital increase from CH1,147,849.38 to CHF1,203,349.38 (CHF 55,500) by issuing 1,110,000 “B” shares at a Nominal Value of CHF 0.05 with an Agio of CHF 4,262,400.

On 4^{th} April 2017, the Company made an increase from Conditional Share Capital from CHF 1,203,349.38 to CHF1,383,124.88 (CHF 179,775.50) by issuing 3,595,510 “B” shares at a Nominal Value of CH 0.05 with an Agio of CHF 9,874,940.50.

On 27th June 2017, the Company made an Authorised Share Capital increase from CHF1,383,124.88 to CHF 1,388,124.88 (CHF 5,000) by issuing 100,000 "B" shares at a Nominal Value of CH 0.05 with an Agio of CHF 274,900.

On 16th August 2017, the Company made an second increase from Conditional Share Capital increase from CHF 1,388,124.88 to CHF1,404,374.88 (CHF 16,250) by issuing 325,000 "B" shares at a Nominal Value of CH 0.05 with an Agio of CHF 1,380,325.

On 28th September 2017, the Company made an Authorised Share Capital increase from CHF 1,404,374.88 to CHF1,453,287.18 (CHF 48,912.30) by issuing 978,246 "B" shares at a Nominal Value of CH 0.05 with an Agio of CHF 4,007,749.02.

On 29th December 2017 the Company made an Authorised Share Capital increase from CHF 1,453,287.18 to CHF1,484,515.88 (CHF 31,228.70) by issuing 624,574 "B" shares at a Nominal Value of CH 0.05 with an Agio of CHF 3,308,751.30 and an third increase from Conditional Share Capital from CHF1,484,515.88 to CHF 1,629,765.78 (CHF 145,249.90) by issuing 2,904,998 "B" shares at a Nominal Value of CH 0.05 with an Agio of CHF 10,890,100.70.

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

One of the conditions is that the reserves from capital contribution have to be declared to the Federal tax administration no later than 30 days following the ordinary general meeting of the shareholders.

5.2 Conditional share capital

The share capital may be increased in an amount not to exceed CHF 546,312.50 with a nominal value of CHF 0.05 per share.
Its use is limited to 2 categories, namely:

- up to an amount of CHF 307,713.10 by the issuance of up to 6,154,262 fully paid-in registered shares with a nominal value of CHF 0.05 each in connection with the exercise of conversion, option, exchange, warrant or similar rights for the subscription of shares (the **Rights**) granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants, notes, other securities or contractual obligations newly or already issued or granted by the Company or one of its group companies (the **Rights-Bearing Obligations**); and
- up to an amount of CHF 238,599.40 by the issuance of up to 4,771,988 fully paid-in registered shares with a nominal value of CHF 0.05 each in connection with the issuance of shares or Rights-Bearing Obligations granted to the members of the Board of Directors, members of executive management, employees, contractors, consultants or other persons providing services to the Company or one of its group companies.

5.3 Authorised share capital, not issued

The Board of Directors is authorized, at any time until 31st May 2019, to increase the share capital in an amount not to exceed CHF 590,171.40 through the issuance of up to 11,803,428 fully paid in registered shares with a nominal value of CHF 0.05 per share.

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

- for issuing new shares if the issue price of the new shares is determined by reference to the market price. The takeover of enterprises, parts of enterprises or shareholdings through the exchange of shares,
- for the acquisition of an enterprise, parts of an enterprise or participations or for new investment projects or for purposes of financing or refinancing any such transactions Financing of the acquisition of enterprises, parts of enterprises or shareholdings

- for the purpose of broadening the shareholder constituency in certain financial or investor markets or in connection with the listing of new shares on domestic or foreign stock exchanges. The purpose of strategic partnerships or strategic investors
- for purposes of national and international offerings of shares for the purpose of increasing the free float or to meet applicable listing requirements
- for employee participations.
- for purposes of the participation of strategic partners
- for an over-allotment option ("*greenshoe*") being granted to one or more financial institutions in connection with an offering of shares
- for the participation of directors, officers, employees, contractors, consultants of, or other persons providing services to the Company or a group company
- for raising capital in a fast and flexible manner which could only be achieved with great difficulty without exclusion of the pre-emptive rights of the existing shareholders

5.4 Significant shareholders

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

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

The table in Note 9, below sets out, to the knowledge of the Company, beneficial owners holding more than 3% of the voting rights of the Company as of December 31st, 2017.

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

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

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

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

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

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

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

- the first on 11th January 2017 for the conversion of CHF 2,200,000. A total of 530,772 WHIN class B shares were delivered on 16th January 2017 as a result of the conversion;
- the second notice on 28th February 2017 for the conversion of CHF 2,200,000. A total of 585,230 WHIN class B shares were delivered on 8th March 2017 as a result of the conversion; and
- the third notice on 20th July 2017 for the conversion of CHF 6,600,000. A total of 1,560,984 WHIN class B shares were delivered on 31st July 2017 as a result of the conversion.

On 27th April 2017, the company received a working capital loan from QuoVadis Trustlink Switzerland CHF 500'000 and CHF 250'000 on the 1st June 2017.

On the 28th June the company received another working capital loan from QuoVadis Trustkink BV CHF 250'000.

On the 30th June 2017 the company received another working capital loan from QuoVadis Germany EUR 100'000.

And on the 5th July 2017, the company received another working capital loan from QuoVadis UK CHF 120'000.

Note 7. Loans, net

7.1 Loans to Shareholders, net

In 2017, the Company or its affiliates have the following loans outstanding to members of the Board of Directors, who are also shareholders:

A loan for an amount of CHF 50,000 to Maryla Shingler-Bobbio on 23rd September 2016. This loan matured on 30th September 2017. It carried an interest rate of 5% per annum. It was settled in full in 2018 by exchange of options for Board fees owed by the Company to Mme. Shingler-Bobbio.

7.2 Loans to 3rd Parties, net

In 2017, the company have the following loans outstanding to an investor.

A loan for an amount of CHF 345,570 (USD 339,123) to a US investor on 12th May 2016. The loan was to be repaid in September 2017, but as of 31st December 2017 it is still open. Negotiations are currently taking place for recovery of the loan in 2018.

Note 8. Guarantees to Related parties

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

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

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

	Class A shareholding	Class B shareholding			% of voting rights	
		Own name	Related Party Transaction	Total		Name of the Related Party Transaction
Maryla SHINGLER BOBBIO	-	-	-	-	0.0%	
Dourgam KUMMER	41'007	626'085		626'085	1.0%	
Peter WARD		30'643		30'643	0.0%	
Juan HERNANDEZ ZAYAS	-	15'819	1'989'090	2'004'909	3.1%	Veliba Sectec
Philippe DOUBRE	701'695	12'861		12'861	1.1%	
Carlos CREUS MOREIRA	38'569'158	451'266		451'266	60.3%	
David FERGUSSON	-	14'041	-	14'041	0.0%	

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

Note 10. Subsequent events.

Capital Increases.

On 5th January 2018 and 8th March 2018, the Company issued respectively 61,596 and 60,823 WIHN Class B shares out of conditional capital as settlement of the December 2017 and January 2018 interests accrued on the ExWorks line of credit. This produced a CHF 3,089.80 capital increase with CHF 288,885.24 AGIO and another CHF 3,041.15 capital increase with CHF 285,259.87 AGIO respectively.

On 19th January 2018 and 13th February 2018, the Company respectively issued 100,000 and 49,461 WIHN Class B shares out of conditional capital as a result of 2 exercises of options granted under the ESOP plan of the Company.

On 8th February 2018, the Company made an Authorised Share Capital increase by issuing 162,718 WIHN Class B shares against an investment of CHF 1,000,000 from a private fund.

On 26th February 2018, the Company made an Authorised Share Capital increase by issuing 199,367 WIHN Class B shares in settlement of a USD 945,000 fee associated with ExWorks' Sixth amendment signed on 5th February 2018 (see detail below).

Amendment to the Acquisition Financing Credit Facility

On 5th February 2018, the Company signed a sixth amendment to the line of credit agreement with ExWorks (see note 21 for detail) whereby ExWorks reduced the monthly interest rate from 1.5% to 1% and extended the Maturity date of the agreement to 16th January 2020. The sixth amendment also changes the repayment terms so that the loans granted under the line of credit agreement may not be prepaid (in cash) by, or on behalf of, the Company before the earlier of: (i) the Maturity date or (ii) twenty (20) Trading days after a public offering and listing of the Company's stock (or American Depository Receipts ("**ADRs**") or American Depositary Shares representing WIHN's stock) on the New York Stock Exchange or NASDAQ, that raises at least USD 20 million in new capital to the Company.

On 30th March 2018, the Company signed a seventh amendment to the line of credit agreement with ExWorks (see note 21 for detail) whereby ExWorks increased the principal amount that can be drawn down, subject to the satisfaction of certain conditions, by up to USD 4 million, hence a maximum borrowing amount of USD 22.9 million. Any draw down would be used to fund potential acquisitions by the Company or to support the launch of WISeKey's WISeCoin cryptocurrency initiative as previously announced in press releases. WISeKey currently contemplates to fund such a launch with an initial coin offering (“ICO”) via a Swiss special purpose vehicle, with the ICO currently antici-pated end of 2018 or beginning of 2019. The WISeCoin ICO will be based on a strict due diligence and admissions process, as well as a high-quality digital asset exchange.

Standby Equity Distribution Agreement

On 8th February 2018, the Company entered into a Standby Equity Distribution Agreement (“**SEDA**”) with a fund managed by Yorkville Advisors Global, LLC (“**Yorkville**”). Under the terms of the SEDA, Yorkville has committed to provide WISeKey, upon a draw-down request by WISeKey, up to CHF 50 million in equity financing over a three-year period in tranches of up to CHF 1 million each or, if WISeKey provides a sufficient number of Class B Shares through share lending, up to CHF 5 million each. WISeKey will make its draw-downs either by using authorized share capital on a non-preemptive rights basis or treasury shares. The purchase price will be 93% of the relevant market price at the time of the draw-down, determined by reference to a five-day trading period following the draw down request by WISeKey. WISeKey will pay a one-time commitment fee of CHF 0.5 million, within three trading days from the closing of the first advance and no later than sixty days from the effective date, either in cash or in WIHN Class B Shares at WISeKey’s election. The company will also pay to Yorkville, a non-refundable fee (even if no advance should be closed or if the agreement is terminated) of USD 15,000, in connection with the proposed transaction pursuant to this agreement.

P. Ward	**C. Moreira**
Chief Financial Officer	Chairman and Chief Executive Officer

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