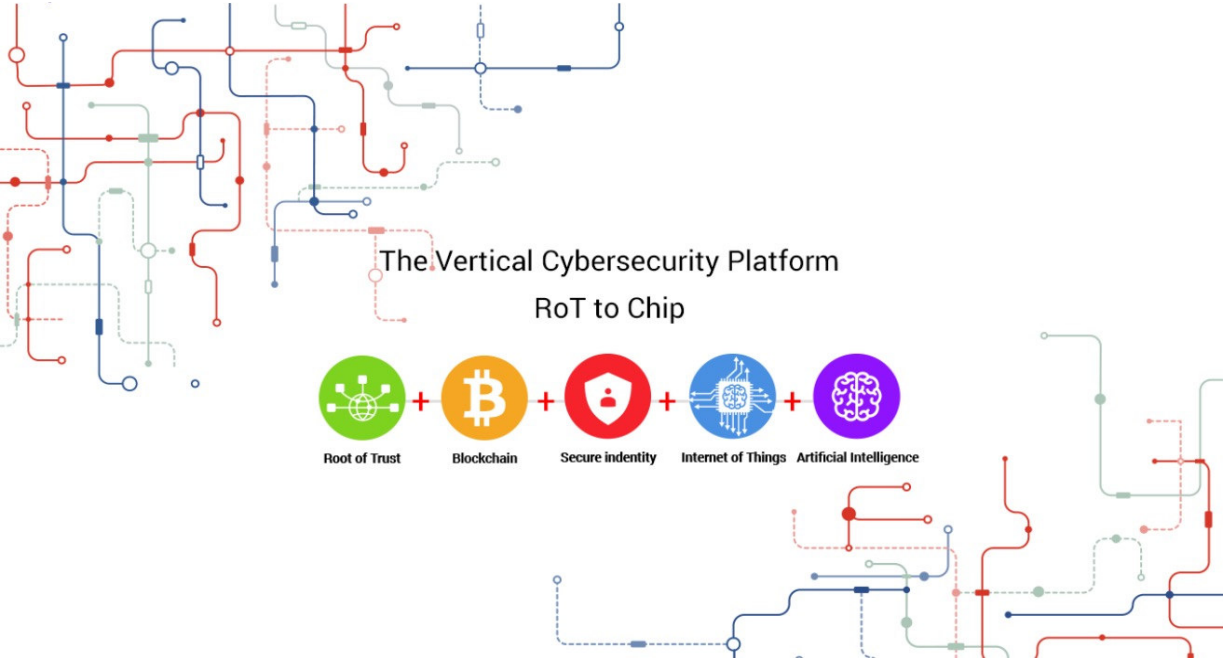


WISEKEY INTERNATIONAL HOLDING

INTERIM REPORT 2016



First Half 2016 Highlights

LISTING WISEKEY INTERNATIONAL HOLDING ON THE SWISS STOCK EXCHANGE

ACQUISITION OF INSIDE SECURE SEMICONDUCTOR BUSINESS AND INTEGRATION OF VAULT IC IOT TECHNOLOGY TO ITS VERTICAL IDENTITY PLATFORM

CREATING THE FIRST EVER COMPREHENSIVE TRUSTED END-TO-END CYBERSECURITY PLATFORM FOR PEOPLE AND OBJECTS – IOT

GLOBAL EXPANSION STRATEGY WITH FURTHER ESTABLISHMENT IN THE UNITED STATES AND ASIA

WISEKEY JOINS FORCES WITH MICROSOFT CITYNEXT TO BRING INNOVATION AND SECURITY TO IOT ACROSS THE GLOBE

BVLGARI VAULT APP DEVELOPED BY WISEKEY TO SECURE THE FUTURE

WISEKEY COLLABORATES WITH SAP TO HELP SECURE IOT EDGE DEVICES

MASTERCARD SELECTS WISEKEY CYBERSECURITY TO SECURE WEARABLE PAYMENTS

CENTURYLINK, ONE OF THE TOP USA TELCOS, SELECTS WISEKEY TO SECURE THEIR MANAGED SERVICES IN USA AND INDIA

SECURING 8.4M IN FINANCING FROM STRATEGIC INVESTORS IN TWO TRANCHES OF A MANDATORY CONVERTIBLE BOND

ESTABLISHING THE VERTICAL PLATFORM BASIS FOR FUTURE GROWTH AND DEFINING A CLEAR MONETIZATION STRATEGY FOR IOT AND SEMICONDUCTORS BUSINESS

INITIATION OF RESEARCH COVERAGE BY DYNAMICS RESEARCH GROUP

LAUNCH OF A BLOCKCHAIN CENTER OF EXCELLENCE IN MAURITIUS TO DEVELOP A BLOCKCHAIN PLATFORM

ESTABLISHMENT OF A JOINT VENTURE (WISEKEY INDIA) WITH INDIAN INVESTORS TO EXPAND IOT AND CYBERSECURITY IN THE INDIAN MARKET

POSITIVE OUTLOOK FOR 2016 WITH A GUIDANCE OF ~CHF30M IN REVENUES AND FOR 2017 WITH A GUIDANCE OF ~CHF100M

Letter to Shareholders

Dear Shareholders,

As previously anticipated the first half of 2016 was a transitional period moving from a private company to a listed company on the SIX Swiss Exchange. The entire resources of the company were allocated to the listing and associated activities.

For the six months to June 30, 2016, we achieved a stand-alone revenue of USD1.3m as well as a pro-forma revenue of USD17.5m.

Against the backdrop of focalizing all our resources on the listing we have made clear progress on the execution of our 2016–2020 strategy and delivery against our targets. One of our main targets was integrating and aggregating high revenue technologies such as Cybersecurity, RoT/IoT, Blockchain and Identity to complete our offering of a unique Cybersecurity Vertical Platform. We have seen further positive trends using this Vertical Platform with new partnerships signed during the first 6 months of 2016 with MasterCard, CenturyLink, Microsoft, SAP, Bulgari and Hublot with improved revenue generation and geographical coverage.

While we are still in the early stages of our four-year plan, we are on track against our 2016-2017 targets. Much of the groundwork for acquisitions, future investments in priority markets in each of our technology segments has been done. We have concluded our first acquisition of INSIDESecure Vault IC semiconductors technology and business, offering composite Cybersecurity and IoT solutions to large corporate customers including CISCO. We are well on track to meet our plan of new acquisitions across these businesses by year-end. The acquisition and technology integration of the Vault IC semiconductor business with WISEKey's

unique Root of Trust and Identity technology have created the first ever comprehensive trusted end-to-end cybersecurity Vertical Platform for people and objects (IoT). This vertical integration from Vault IC hardware & software, system certification, provisioning and up to management of services will allow WISEKey to deliver the most secure Platform to its customers.

WISEKey's recent agreements should also drive additional revenue growth for the combined company by integrating the Vault IC solution with SAP's industry-leading solutions as announced by both companies, reinforcing the current cybersecurity of SAP HANA, and also via the signed partnerships with Microsoft on City Next and MasterCard on authentication and payment for wearable devices.

WISEKey could generate operational synergies from its expanded offerings and potentially increasing applications in a nascent IoT market via its strategic partnership with CenturyLink. As previously announced, CenturyLink is acting as managed service provider for WISEKey technology in USA and abroad among Nasdaq Top 500 Companies currently using CenturyLink technologies.

WISEKey's vision is to help the world be safer and improve people's lives by protecting their identities, assets and personal data. We're passionate to deliver the best technologies and practices to reach this objective.

We would like to take this opportunity to thank our clients, partners, employees and shareholders for their continued trust in this challenging but yet exciting environment and we are looking forward to deliver sustainable results in the future.

Carlos Moreira

Founder, Chairman of the Board & CEO

First Half 2016

Overview

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

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

Our authentication and identification cybersecurity technology and platform is:

- I. based on a cryptographic rootkey (“Root of Trust”) which:
 - i. is embedded in over 2.6 billion desktop browsers, mobile browsers and IoT devices;
 - ii. is owned by the International Organization for Secure Electronic Transactions (“OISTE”), a member of the United Nations’ Economic and Social Council (“ECOSOC”), acting as a trusted third party and not-for-profit entity in charge of ensuring that the Root of Trust remains neutral and trusted, and located in Switzerland as an independent, neutral jurisdiction;
 - iii. OISTE has exclusively licensed to us for use and development of technologies and processes based on its exclusive independent trust model;
- II. platform agnostic and compatible with a wide range of internet and mobile applications and operating systems; and
- III. crypto and software-based and tailored to address the key cybersecurity requirements of corporate, retail and government customers in the field of cybersecurity, identification and authentication management.

During any data transfer on the internet the risk of hacking is at its highest, whereas WISeKey’s encryption technology achieves an unprecedented “asymmetrical” level providing one of the highest security standards on data transfer. WISeKey’s entire offering circles around a technological software platform that we believe ensures secure communication between “A” (a person, a device, an object or an entity) and “B” (a person, a device, an object or an entity) based on an encrypted authentication process that also offers protection against intrusion from the outside.

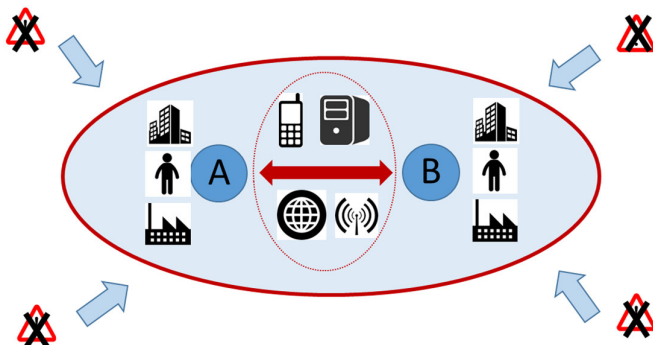


Exhibit 1: WISeKey protected technological software platform

Acquisition and Integration of Inside Secure/ Vault IC

WISeKey has concluded the acquisition of the secure Internet of Things integrated circuit solutions and semiconductor business from INSIDESecure, a leader in embedded security solutions for mobile and connected devices.

The acquisition and technology integration of the integrated circuit solutions and semiconductor business with WISeKey's unique Root of Trust and Identity technology have created the first ever comprehensive trusted end-to-end cybersecurity platform for people and objects (IoT). WISeKey cybersecurity will be from now on embedded on the Vault IC hardware & software, system certification, provisioning and up to management of services.

The successful transaction includes the transfer of products, technology, customer agreements, and certain patents from INSIDESecure to WISeKey including the development and sale of secure integrated circuits designed to secure and power the strongly growing IoT market. Additionally, through this transaction, WISeKey will add a team of 70 people in areas of as R&D, sales, marketing and support to its overall staff amounting to a total of over 140 people, including staff in Switzerland, Vietnam, USA, Japan, Taiwan and Singapore, providing WISeKey a global reach.







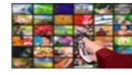



Company overview	<ul style="list-style-type: none"> INSIDE Secure provides embedded security solutions worldwide The company offers: secure microcontrollers, such as contact, contactless, and dual-interface products for developing secure applications VAULTITRUST, a trusted security personalization and provisioning service for Internet of Thing hardware and software security solutions Digital rights management solutions to license, protect, and monetize digital entertainment content and services 			<ul style="list-style-type: none"> Its products have applications in the fields of mobile security and secure transactions The group has a current market capitalization of € 32.7m and employs around 300 full time employees INSIDE Secure was founded in 1995 and is headquartered in Meyreuil, France 		
Semiconductor						
	<ul style="list-style-type: none"> Application specific standard chips designed to secure various systems against counterfeiting, cloning or identity theft 		<ul style="list-style-type: none"> Smart cards solutions are developed to foster the success of the migration from magstripe cards toward contactless and/or contact technologies for payment 		<ul style="list-style-type: none"> A trusted personalization and provisioning Services Manager for INSIDE Security Solutions to lower adoption barrier to best-in-class security for IoT 	
	 <p>Logical / Physical Access Control</p>		 <p>eGov ID/ eHealth ID</p>		 <p>PayTV Conditional Access</p>	
	 <p>Authentication Tokens</p>		 <p>Payment Cards</p>		 <p>Network Security/ Smart Metering</p>	

Exhibit 2: Overview of INSIDE Secure

These revenues are generated through the sales of secure microcontrollers to a portfolio of more than 100 customers (the top 20 of these customers are representing more than 80% of the revenues) all of them having in common to demand the highest level of resistance to cybersecurity attacks. Among our customers we can list world leaders each in their domain: CISCO , GEMALTO, LANDIS+GYR, HID, KABA, OBERTHUR.

In addition to the sales of chips, we have developed industrial tools that allow the injection of keys and certificates into each chip (also called chip “personalization”) on behalf of our customers. Combined with the Root of Trust and the Certificates Management Services platform of WISeKey, we are now in a position to provide our customers with the 1st root-to-chip platform that simplifies their supply chain, optimize their cost with no concession on the security level that their market is demanding.

The acquisition allows WISeKey to generate strong sales in new areas such as chip based IoT, anti-counterfeiting, brand protection, EMV payment card and secure access to building IT equipment. Of note, the business acquired from INSIDE Secure is expected to generate revenue (pro forma unaudited) of US\$34 million in 2016 and generated approximately (pro forma unaudited) US\$33 million revenue in 2015.

This acquisition, will provide synergistic cross-selling opportunities for the combined company specifically:

- I. WISeKey will be able to offer its existing platform to over 100 INSIDE Secure clients including world leaders in IT infrastructure, smart metering, Authentication & Software monetization token, connected door lock, Access control badge which are already using the chips to secure their hardware, while the integrated circuit solutions and semiconductor technology acquired from INSIDE Secure will be offered to WISeKey’s current clients such as watch manufacturers.
- II. WISeKey’s recent agreements should also drive additional revenue growth for the combined company by integrating the Vault IC solution with SAP’s industry-leading solutions as announced by both companies, reinforcing the current cybersecurity of SAP HANA, and also via the signed partnerships with Microsoft on CityNext and MasterCard on authentication and payment for wearable devices.
- III. WISeKey could generate operational synergies from its expanded offerings and potentially increasing applications in a nascent IoT market via its strategic partnership with CenturyLink. As previously announced, CenturyLink is acting as managed service provider for WISeKey technology in USA and abroad among Nasdaq top 500 companies currently using CenturyLink technologies.

WISeKey’s Swiss based cryptographic RootKey brings the highest level of neutrality that opens new client acquisition streams specifically in the IoT and Industrial Internet markets requiring large deployment of trusted Digital Identities.

INSIDE Secure has received CHF2 million in cash (net of transferred cash) together with a convertible loan note redeemable into WISeKey International Holding Ltd Class B listed shares for an amount of CHF11 million.

Latest Partnership Announcements

WISeKey and SAP collaborate on IoT Security

The collaboration aims to allow the integration of WISeKey’s managed cryptographic Root of Trust to secure the IoT Edge Device with leveraging the SAP HANA® Cloud Platform for the Internet of Things (IoT). Providing increased security of IoT devices when companies connect their devices to SAP solutions. Companies and consumers can realize value and enable monetization when they can certify that they are receiving authenticated and secure sensor data, gain insight from it and propose appropriate actions as needed. The partnership will see an integration of WISeKey’s Managed Cryptographic Root of Trust (RoT) secure IoT Edge devices and the SAP HANA cloud IoT platform.

WISeKey’s Managed Cryptographic RoT works as a common trust anchor that is recognizable both to applications and operating systems. The RoT already enables confident and secure online transactions. By

embedding the RoT onto an IoT device, the same confidence can be achieved for interactions between devices on the IoT using the SAP HANA platform.

The Revenue Model linked to this partnership is two folded:

- I. For SAP customers deploying a private, on-premises, deployment, WISEKey will deploy the IoT components also on-premises, using an enterprise licensing model based on the project volume.
- II. For SAP customers using the HANA Cloud offering, a mark-up to the SAP monthly fees will be added to include the use of WISEKey's technology as part of the cloud subscription.

The wealth of information generated by sensors and devices on the IoT will only be effective if it can be trusted, which is why companies such as WISEKey and SAP are putting so much effort into their IoT security and are now collaborating. Securing data communications from edge devices to the SAP HANA Cloud Platform for the IoT and SAP solutions for the IoT is a prerequisite for any bi-directional enterprise IoT use case.

The SAP Hana platform has gained wide industry acceptance, therefore WISEKey can offer its solution to secure IoT edge devices in industry-leading companies globally.

CenturyLink

In September 2015, WISEKey opened an office in the Silicon Valley and signed a reseller agreement with CenturyLink, a global communications, hosting, cloud and IT services company, wherein CenturyLink agreed to integrate WISEKey MPKI solutions with its offering and selling it to major global companies and US government agencies. The combined offering will provide CenturyLink's customers with a comprehensive cybersecurity solution for their managed security needs.

With the new partnership with CenturyLink, WISEKey is able to provide its technology to Top 500 companies in the US via an MPKI platform designed to meet the requirements of clients that do not wish to host their certification authority within their own data center. CenturyLink provides the infrastructure, while WISEKey provides the technology.

WISEKey's cybersecurity solutions complement CenturyLink's Managed Security Services Suite, a recently enhanced platform that leverages security events, advanced event management technologies and customized tools and algorithms to provide fully managed security services, including incident-response capabilities.

CenturyLink's teams are equipped with managed security services expertise and hosting capabilities in many geographical areas, making them very well suited to support businesses and provide them with the attention they need.

WISEKey is currently jointly engaged with CenturyLink on a number of smart city and IOT projects and closure of some of these projects is expected in the next six months. Furthermore, CenturyLink has a few internal IOT projects that it is considering integrating WISEKey's technology in. The revenue we generate from our relationship with CenturyLink will consist of the following:

- I. WISEKey technology and ICs that CenturyLink resells to its customers.
- II. CenturyLink's purchase and use of WISEKey technology and ICs for its internal IOT projects.

Recent cybersecurity violations have woken many governments up to the reality of cyberspace and how it is challenging the traditional conception of Digital Identification for the citizens and cyber sovereignty. With identifications and data being stored virtually anywhere in the world and government employees and citizens using information technology systems that are hosted and operated from anywhere – even outside of their jurisdiction – the expected sovereign rights over identifications, data and communications are frequently lost accelerating the current cyber security violations. CenturyLink is specialized in managed services and the main approach for this collaboration, regarding the Business Model, is the digital certification to become part of CenturyLink's Managed Services portfolio, under a shared-revenue model.

MasterCard

In the first quarter of 2016, WISEKey signed a new partnership with MasterCard. The partnership adds new devices and brands to ongoing MasterCard programs to bring payments to any consumer gadget, accessory or wearable – from fitness bands to refrigerators. With the companies' shared commitment to advance payments security in both the physical and digital worlds, MasterCard will integrate its payments technology with WISEKey's Cryptographic Root of Trust for IoT and NFC Trusted© technology solutions. This partnership is now further leveraged by the acquisition of INSIDE Secure Vault IC and using their NFC Trusted© chip with providing consumers the freedom to securely shop and pay using their favorite watch or wearable.

The revenue model from the MasterCard partnership will consist of the following:

- I. Upfront NRE (Non-Recurring Engineering) fee for the set-up of the wearable payment infrastructure for each brand
- II. The sale of chips for the wearable device
- III. Recurring fees for the programming, provisioning, activation and service of the wearable device

Microsoft

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

The Revenue Model for Microsoft is equivalent to the options described for SAP, depending on the customer's deployment of a private set-up or the Azure Cloud offering.

Bulgari Vault APP

In May, WISEKey launched the so-called BVLGARI VAULT: a mobile app for secure storage of all kinds of personal data. The application is a customized version of WISEKey's top ranking application WISEID, featuring unique BVLGARI layout, colors and design, and can be downloaded from Google Store and the Apple App Store.

Bulgari is the only luxury brand to connect the world of high added value luxury products with the digital reality of today. This feature makes it possible that paying in a store, opening a car or house and many more things that require each a device on their own, can be controlled over the watch. More important than the debate around so-called connected "wrist objects", the true main issue that technological evolution applied to watches will need to address in the future is that of the protection of digital data and its total security. In its own inimitable manner, outside existing norms and prevailing conformism, Bulgari with the BVLGARI Vault has taken a first step to bridge the gap between BVLGARI's world of craftsmanship and the digital world of BVLGARI clients and brand lovers.

The intuitive functioning of the application enables users to secure their data with ease. As soon as the information is uploaded to the application, it is instantly encrypted thanks to a highly advanced technology developed by WISEKey. The user can also archive and synchronize data on a "cloud", which is then physically stored in a bunker buried in the Swiss Alps. This 21st century application is intended for a broad range of users, since it is fully public and consequently open to all. Nonetheless, the BVLGARI VAULT also naturally targets a more select circle of consumers: clients and fans of the Maison who will in the future discover personalized

services directly related to the brand and its services and products which may include after-sales related services, certificate of authenticity, activation of the warranty, etc.

WISeKey has pushed the development of its concept to an extremely high level by expanding the access keys to the Vault through various fields which may be combined for additional security: the use of a password but also through fingerprint recognition, facial recognition as well as a four-point gesture connection to link together via the touch screen of a mobile phone.

In terms of revenue generation, BVLGARI VAULT will have 1.5 million subscribers in 2017 who subscribed the App for EUR 49.99 p.a. per vault and WISeKey gets commissioned 60% of that amount generating a total revenue between CHF10m and CHF20m in 2017. Bvlgari plans to gradually expand the services on the Bvlgari Vault app and increase its Average Revenue per User (ARPU). With respect to the BVLGARI Magnesium watch, WISeKey expects to earn CHF26 per unit for 250,000 watches.

Hublot extend and Favre-Leuba engage

WISeKey is working together with Hublot since 2010 and the brand is contently extending renewing the WiseAuthentic contract. Last year WISeKey moved from the initial contact technology to the NFCTrusted technology (contact less) providing a totally new customer experience having the capability to validate the authenticity of their watches with a WiseAuthentic mobile phone application. In July 2016 they renewed and extended the contract for the next 18 months of production for a value of CHF 924K. Further, Favre-Leuba decided to go for WiseAuthentic to protect their goods against counterfeiting and monitor their sellout transaction for starting with a limited production for CHF 126K.

Launch of a Blockchain Center of Excellence in Mauritius to Develop a Blockchain Platform

WISeKey will work with experts from industry, government, and academia to address businesses' most relevant blockchain developments with practical, standards-based solutions using available blockchain technologies. This dedicated center of excellence will conduct research, rapid pilot prototyping, co-creation of use cases and IP creation on blockchain technology and platforms. The Mauritius BlockChain Centre of Excellence will recommend a National Blockchain platform to facilitate enterprises to swiftly adopt and on-board blockchain based solutions and services.

The Mauritius Blockchain Center of Excellence will help to position the country as a key and active player in the blockchain space. It will provide access to both policy, technical and business expertise around blockchain. WISeKey will be cooperating with local companies participating at the center on building points of view, proof of concepts, policies, educational materials including addressing all the distributed ledger capabilities across different blockchain schemes (public, consortium and private), with industry verticalization and domain specialization (IoT, transactions, messaging, etc.).

Three Major IoT Monetization Strategies

In the first half of 2016, WISeKey further developed its three major pillars how to monetize any activity on the Internet of Things since most major providers do not have a clear monetization strategy for IoT yet. The IoT space is one of the biggest business areas of the future – by 2017, 90 million people will live in smart homes and by 2020, there will be 50 billion connected devices – it is crucial to have a clear strategy outlined on how to earn revenue from WISeKey's involvement in the IoT.

WISeKey Root of Trust

By creating the first ever trusted IoT branded platform, IoT devices would be able to organize themselves into trusted, closed networks based on mutual recognition of trust, identity and integrity. With the WISeKey trusted platform architecture, IoT devices that cannot provide a recognized identity and a valid integrity report are unable to communicate with devices that are part of the trusted closed community. Adding INSIDE

Secure's offering allows WISEKey's cryptographic Root of Trust ("RoT") to add digital certificates on their integrated circuits designed by the company at the hardware level to encrypt the communication and authenticate the devices, allowing WISEKey to have a complete end-to-end cybersecurity trust platform for IoT. Further clients include Microsoft, CenturyLink, Kaspersky, SAP and MasterCard and the revenue model going-forward is that the company gets paid a royalty for every ID in/out of the Cloud Platform.

WISEKey Trusted IoT Microprocessors

Via the acquisition of Vault IC WISEKey can now enter this IoT Chip space as the smartphone era is coming to an end and the future key growth driver in hardware will be the Internet of Things trusted chips. Over the next decade, this industry will churn out tens of billions of connected chips and sensor devices. These will be used in every corner of the world — from highways to arteries — to gather new insights to help us live and work better. This chapter will reshape the technology hardware industry in profound ways, and even reverse many of the changes brought about by the smartphone era. To understand how profound this shift could be, it's important to know how past markets have shaped the way computers are built. The company has recently started a collaboration initiative with Lenovo to provide its RoT technology to Lenovo IoT devices, allowing Lenovo IoT to add asymmetric keys and digital certificates using the new WISEKey Vault IC chips at the hardware level to encrypt the communication and authenticate devices.

WISEKey generates revenue (CHF35m in 2017) selling these trusted IoT chips with upside potential as WISEKey scales the platform with signed partners (SAP, Microsoft, MasterCard, Samsung and CenturyLink).

WISEKey IoT Payment Services

WISEKey will benefit from payment services companies moving to the Internet of Things. Corporations such as MasterCard, Visa, and American Express are highly exposed to shift to the IoT as they are poised to make major gains through increased non-cash transactions and greater access to data. The incorporation of Internet capability into more devices, such as the partnership between BVLGARI and WISEKey will increase payment end points that allow payment services companies earn fees. Users will be able to add their credit or debit card information to our secure chip that can be used to make purchases.

WISEKey business model in this area is to commission the payment provider for each payment that is done with one of the devices that has a WISEKey chip. As credit cards and debit cards will be obsolete, WISEKey is the first player in the market to ease on payment while protecting the consumer's data on the highest level possible.

Major Differentiation – The Vertical Cybersecurity Platform

The WISEKey/OISTE Root of Trust (RoT) serves as a common trust anchor, which is recognized by a device's operating system (OS) and applications, to ensure the authenticity, confidentiality and integrity of online transactions. With the Cryptographic RoT embedded in the device, the IoT product manufacturers can use code-signing certificates and a cloud-based signature-as-a-service to secure interactions among objects and between objects and people. The integration of INSIDE Secure allows a compact, cost-effective design that enables the company to create IoT chips and NFC (Near Field Communication) tags small enough to be available in a variety of form factors to accommodate the shape of various IoT products.

The combination of WISEKey and INSIDE Secure's semiconductor business created a comprehensive cybersecurity trusted platform with complete vertical integration in combining hardware, cryptography, and software. Importantly, the purchase raises WISEKey's positioning as a cybersecurity IoT player, and to date such a combination (SAP, WISEKey, and INSIDE Secure) that has such broad potential in an emerging IoT environment, has not been unveiled yet. WISEKey's Swiss-based neutrality stands tall against all those markets that choose not to be involved with all other trusted root web security companies of U.S. domain. And to

further strengthen this position, WISEKey created two classes of shares before the listing to prevent any hostile take-over from Chinese or US-based companies that would destroy such unique market positioning. Further with all recent partnerships, WISEKey now has a broad global footprint providing further leverage to the INSIDE Secure's technology that can be embedded in semiconductor firm ware, updated over the air, and grow to include WISEKey's security capability.

Even more, the massive deployment of WISEKey's RoT now embedded in around 2.6 billion devices worldwide benefitting from the strong cryptographic capabilities to operate on induced power, allowing to be deployed in all sorts of IoT products. The elliptic curve of asymmetric cryptography this system uses offers the strongest protection available to, for example, combat counterfeiters.

WISEKey's cryptographic RoT and INSIDE Secure's technology enable these wearable devices to connect safely and make secure payments and other transactions, providing an established standard that empowers IoT devices to be identifiable with digital identities and evaluate themselves and each other via a trusted platform and/or block chains before agreeing to establish a telecommunications session.

This 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. WISEKey is therefore a unique company, in a safe and neutral market environment combined with the ability to deploy chips – everywhere, from refrigerators, watches, wearables to wine bottles, everything is connecting and communicating via the Internet and needs secure and especially non hackable soft- and hardware.

Outlook/ Guidance

Further ongoing global expansion

In the fourth quarter of 2016, WISEKey pursues to enter new markets such as India with new and strong partners. The intention is the marketing and sale of WISEKey Vertical Platform and branded services and technologies in the area of ROOTkey Generation, cryptography, IoT security, PKI, Digital Identification Technologies, anti-counterfeiting, Smart Watches and Wearable, Secure Payment, Semiconductors, secure data centers and cloud computing technologies and secure electronic transactions and other WISEKey products and services within the new territory. Further the implementation of a disruptive approach to consolidate the digital identification market is one of the key targets of the joint venture. This will include enabling seamless and secure online transaction processes for the installed and growing base of mobile phone Internet of Things and mobile phone users as well as other networked devices. This expansion strategy is used to integrate WISEKey technologies and professional services into the relevant national infrastructure backbone allowing the relevant jurisdiction and specifically designated private entities to conduct trusted transactions under the WISEKey Root of Trust and technology model and services offering.

Additionally WISEKey reached an agreement on 29th of September that would result in the localization of WISEKey's Cybersecurity Platform in India to serve several markets such as IoT, Cybersecurity and Authentication of objects. This will grant Indian customers – both individuals and organizations – trusted identities for IoT objects and mobiles, enabling them to complete secure online transactions with confidence, trust the identities of others, and the identities of the IoT infrastructure on which the transactions run via localized Root of Trust to serve the Indian Ecosystem. Some of the segments that will benefit from the WISEKey platform are telecom, manufacturing and retail including e-commerce.

In the medical sector, WISEKey is currently working in close relationship with several big Swiss pharmaceutical companies to deploy their secure chips in pharmaceutical products to prevent counterfeiting. This is also a very high volume business with medium margins, but easy to entry for us since the NFC chips are programmed similar to our other high volume businesses.

CH15m stand-alone revenue and CHF30m pro-forma

WISeKey has secured a significant portion of near-term projected revenues with accounts such as MasterCard, CenturyLink, Bvlgari, SAP and Samsung. The future looks promising as the company is on its way to become a vertically integrated cybersecurity platform providing chip-to-root solutions to the customers. WISeKey plans to achieve this by making strategic acquisitions in various verticals and being able to cross-sell its wide range of product offerings. Going forward, sales to grow exponentially in FY2016 to around CHF29m pro-forma and CHF15m on a stand-alone basis. The bulk of the projected revenue thus evolves from mobile security and IoT solutions, benefitting from the strategic partnerships to develop and market products and solutions with large organizations. The most significant growth areas will thus be to provide cybersecurity and secure chip technology to IoT solutions (e.g. for industrial utilities), identity management solutions on mobile devices and mobile security for electronic payment services.

Synergistic partnerships and strategic acquisitions

Since the listing in March 2016, and with its wide perception, the company has been a platform for further acquisition of companies who can monetize their business model on their own and who need to be integrated in WISeKey's holistic platform to generate revenue. Moreover, if the opportunities arise, the company intends to scale through acquisitions and carve-outs in order to reduce the time it takes to bring updated and new products to market and expand the reach of the WISeKey cybersecurity platform. All this will require deploying further high outlays, thereby expanding the company's capacities and international footprint.

In Q4 2016/ Q1 2017 WISeKey intends to further expand its North American footprint with collaborations and expanding its supply chain for the IoT. Especially the outsourcing for microelectronics in combination with WISeKey's RoT seems to look like a compelling business case in North America. Further collaborations with other security service companies are expected, including in Asia (particularly India and China), to expand WISeKey's global reach.

The past few years have been transitional years for WISeKey, but we are looking strong into the future, having organically and strategically built up an incomparable vertical platform in cybersecurity.

WISeKey International Holding AG
Consolidated Interim Financial Statements
(unaudited)
June 30, 2016 and 2015

Unaudited Consolidated Interim Financial Statements of WISeKey International Holding AG for the six months ended 30 June 2016 and 2015

Consolidated Statements of Comprehensive Loss

In USD	Six months ended June 30,	
	2016	2015
	unaudited	unaudited
Revenues	1'276'161	1'450'402
Cost of sales	(533'282)	(867'764)
Gross profit	742'879	583'005
Research and development	(109'773)	(520'101)
General and administrative	(37'558'416)	(3'987'327)
Sales and marketing	(90'613)	(1'075'791)
Loss on impairment	(19'154)	-
Loss from operations	(37'035'077)	(5'000'214)
Interest income	13'650	-
Interest expenses	(7'871)	(41'012)
Other income (expenses), net	(37'303)	121'932
Loss on investments in associated companies	(92'130)	-
Income before taxes	(37'304'891)	(4'919'294)
Income taxes	(47'133)	(300)
Net loss	(37'351'924)	(4'643'274)
Net foreign currency translation adjustments	424'561	(54'852)
Pension adjustment	(302'777)	(251'290)
Other comprehensive income (loss), net	121'784	(306'142)
Other comprehensive loss	(37'157'080)	(5'225'736)
Weighted average number of outstanding shares (basic)	23,320,540	80'723'398
Weighted average number of outstanding shares (diluted)	23,603,919	80'732'398
Basic loss per share	(1.59)	(0.06)
Diluted loss per share	(1.57)	(0.06)

WISeKey International Holding AG
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Consolidated Balance Sheets

In USD	As at June 30, 2016	December 31, 2015
	unaudited	
ASSETS		
Cash and cash equivalents	6'132'108	261'747
Trade receivables, net of allowances for doubtful accounts	933'724	355'442
Receivables from shareholders		-
Receivables from related parties	1'413'883	-
Inventories	1'074'473	3'201
Prepaid expenses and other current assets	409'680	116'048
Total current assets	9'963'868	736'438
Property, plant and equipment, net	6'336	16'568
Intangible assets, net	13'364	21'971
Deposits	57'867	57'150
Total non-current assets	77'597	95'689
TOTAL ASSETS	10'041'465	832'127
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	1'276'161	957'999
Other current liabilities	3'601'537	1'477'187
Notes payable to shareholders		3'220'030
Deferred revenues	253'570	431'855
Total current liabilities	5'131'268	6'087'070
Pension liabilities	3'163'617	2'958'113
Convertible debt	2'958'640	-
Total non-current liabilities	6'122'257	2'958'113
Stockholders' deficit		794'002
WISeKey International Holding Ltd.		
WIHN Share capital	1'156'302	
Additional paid-in capital	154'556'928	110'795'292
Treasury shares		
Accumulated deficit	(157'117'130)	(119'765'206)
Accumulated other comprehensive income	191'840	70'054
Total stockholders' deficit	(1'212'060)	(8'105'858)
Non-controlling interests		(107'200)
Total deficit	(3'580'422)	(8'213'057)
TOTAL LIABILITIES AND DEFICIT	10'041'465	832'127

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Combined Consolidated Statements of Stockholders' Deficit

(In USD)	No of shares		Share Capital		Share capital Total	USD – APIC	Accumulated deficit	Other comprehensive income	Non controlling interests	Total Stockholders' deficit
	Class A	Class B	Class A	Class B						
January 1, 2016		17'608'259		794'002	794'002	110'795'292	(119'765'292)	70'054	(107'200)	(8'213'058)
Issuance of additional shares, capital increase per share exchange		1'060'469		10'632	10'632	3'178'974				3'189'606
Issuance of shares related to reverse acquisition	40'021'988	(5'334'700)	400'186	(121'687)	(121'687)	1'762'908			107'200	2'148'607
Share based compensation, related to incremental shares issues to Directors in the acquisition						20'081'131				20'081'131
Issuance of additional shares - post acquisition at CHF 5		1'334'365		68'067	68'067	6'738'667				6'806'734
Issuance of additional shares - post acquisition at CHF 10		100'000		5'101	5'101	1'0151'120				1'020'221
Share based compensation						10'984'837				10'984'837
Currency translation adjustment								121'784		121'784
Net loss							(37'351'924)			(37'351'924)
Balance at June 30, 2016	40'021'988	14'768'392	400'186	756'115	1'156'302	154'556'929	(157'117'130)	191'838		(1'212'061)

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Combined Consolidated Statements of Cash Flows

In USD	WISeKey International Holding	WISeKey SA
	Six months ended June 30,	
	2016	2015
Cash flows from operating activities:	unaudited	unaudited
Net loss	(37'351'924)	(4'919'594)
Adjustments to reconcile net income to net cash provided by operating activities:		-
Amortization of intangible assets	19'154	1'841'262
Impairment on intangible assets	-	-
Depreciation of property, plant & equipment	10'202	15'004
Change in pension liability	(205'503)	252'942
Stock-based compensation	31'065'968	465'641
Loss on investments in associated companies	(92'130)	-
Other, net	-	109'254
Changes in operating assets & liabilities, net of effects from acquisitions:		
Decrease (increase) in trade receivables	(578'282)	(785'475)
Decrease (increase) in inventories	(1'071'272)	822
Decrease (increase) in other receivables	(1'704'061)	-
Decrease (increase) in prepaid expenses and other assets	(2'923'632)	7'720
Increase (decrease) in payables and other liabilities	36'202	59'022
Increase (decrease) in other current liabilities	1'846'807	1'025'143
Increase (decrease) in deferred revenues	(178'285)	250'305
Unrealized exchange difference	-	-
Interest paid	-	-
Interest received	-	-
Net cash used for operating activities	(8'224'771)	(2'014'506)
Cash flows from investing activities:		
Reimbursements from shareholders	3'220'030	52'677
Cash from recapitalisation	150'329	(2'383)
Net cash used for investing activities	3'370'359	50'294
Cash flows from financing activities:		
Proceeds from issuance of convertible debt	2'958'640	-
Increase / (decrease) in notes payable to Shareholders, net		282'970
Proceeds from issuance of common stock	7'826'955	664'379
Proceeds from sales of treasury shares		-
Net cash provided by financing activities	10'785'595	947'349
Net (decrease) increase in cash and cash equivalents	5'870'361	(1'016'863)
Cash and cash equivalents at beginning of period	261'747	426'964
Cash and cash equivalents at end of period	6'132'108	(589'889)
Non-cash transition		
Conversion of notes payable into common stock		

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1. ORGANISATION

WISeKey International Holding AG has its headquarters in Zug, Switzerland and was established in December 2015. The Company's purpose is to acquire and hold participations both in Switzerland and abroad especially in the field of cybersecurity. It owns over 90% of WISeKey SA and 100% of WISeTrust SA.

WISeKey SA has its headquarters in Meyrin, Switzerland and was established in 1999. The Company develops, markets, hosts and supports a range of solutions that enable the secure digital identification of people, content and objects, by generating digital identities that enable its clients to monetize their existing user bases and at the same time, expands its own eco-system. WISeKey generates digital identities from its current products and services in Cybersecurity Services, IoT, Digital Brand Management and Mobile Security.

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

The following notes relate to the consolidated financial statements of WISeKey International Holding AG (the "**Company**", "**Wisekey**" or "**we**") for each of the six months ended June 30, 2016 and 2015.

2. FUTURE OPERATIONS

In the past, the Group has experienced losses from operations, although it does anticipate being able to generate profits in the near future. However, this cannot be predicted with any certainty. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred a net operating loss of USD (37'157'080) and a negative cash flow from operations of USD (8'625'593) for the half year ended June 30, 2016. It had a working capital of USD 1'668'983 as at June 30, 2016. These matters do raise substantial doubt about its ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Group has had negative cash flows from operations to date and has been dependent on equity financing to augment the operating cash flow to cover its cash requirements. Management believes that the Group currently may not have adequate operating cash resources to fund future cash requirements and therefore, the Group will have to continue to raise additional funding through equity contributions and loans. Any additional equity financing may be dilutive to shareholders and debt financing, if available, will increase expenses and may involve restrictive covenants.

From June 30, 2016 to the report date, the Company received funds from capital increases totalling CHF 7,826,955.

On March 21, 2016, the shareholders of WISeKey SA and WISeTrust SA exchanged their shares for WISeKey International Holding AG shares with no changes in individual share ownerships in a process of a reverse acquisition. This qualified as a reorganization.

Based on the terms of the Acquisition and since the WISeKey SA and WISeTrust SA securityholders owned approximately 90% of the fully diluted capitalization of the Company immediately following the closing of the Acquisition, WISeKey is considered to be the acquiring company for accounting purposes, and the transaction has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with U.S. GAAP.

Accordingly, the assets and liabilities of WISeKey SA and WISeTrust SA have been recorded as of the acquisition closing date at fair value. Accordingly, the acquisition consideration for accounting purposes consisted of the WISeKey SA and WISeTrust SA Ordinary Shares and the fair value of vested options

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and warrants issued by WISeKey SA and WISeTrust SA that were outstanding at the date of the Acquisition immediately prior to closing. Assets and liabilities of WISeKey SA and WISeTrust SA were measured at fair value and added to the assets and liabilities of the Company, and the historical results of operations of WISeKey SA and WISeTrust SA were reflected in the results of operations of the Company following the Acquisition.

In connection with the consummation of the Acquisition, the Company issued an aggregate 40,021,988 Class A Shares and 400,186 Class B Shares to the security holders of WISeKey SA and WISeTrust SA, in exchange for the outstanding shares of common stock of the Company.

Allocation of Purchase Consideration preliminary

Under the acquisition method of accounting, the total purchase price was allocated to tangible and identifiable intangible assets acquired and liabilities assumed of WISeKey SA and WISeTrust SA on the basis of their estimated fair values as of the transaction closing date on March 27, 2016. The excess of the total purchase price over the fair value of assets acquired and liabilities assumed was allocated to excess consideration.

The following table summarizes the allocation of the purchase consideration to the assets acquired and liabilities assumed based on their fair values as of September 18, 2015:

Cash and cash equivalents	\$ 6'132'108
Prepaid expenses and other assets acquired	\$ 409'680
Excess consideration	\$ 2,014,352
Other assumed liabilities	\$ (559,868)
Total	\$ 2,148,607

The Company believes that the historical values of WISeKey SA's and WISeTrust SA's current assets and current liabilities approximate fair value based on the short-term nature of such items. Excess consideration is calculated as the difference between the fair value of the consideration expected to be realized and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

Our consolidated interim financial statements are prepared in accordance with US generally accepted accounting principles (GAAP) as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC).

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with ASC 270, therefore, do not include all information and footnotes required by generally accepted accounting principles and should, therefore, be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015. These statements do include all normal recurring adjustments which the Company believes necessary for a fair presentation of the statements. The interim results of operations are not necessarily indicative of the results to be expected for the full year ended December 31, 2016.

Except as indicated in the notes below, there have been no other material changes in the information disclosed in the notes to the financial statements included in the Company's consolidated financial statements for the year ended December 31, 2015. All amounts are stated in USD unless otherwise stated.

Principles of Consolidation

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The consolidated financial statements include the accounts of the WISeKey International Holding AG, its subsidiaries. The consolidated financial statements include the accounts of our wholly- and majority-owned subsidiaries. The companies included in the consolidation are listed in Note 9. Investments, in which the Company exercises significant influence but not control, are accounted for under the equity method.

Intercompany income and expenses, including unrealized gross profits from internal group transactions and intercompany receivables, payables and loans have been eliminated. Company acquired or divested in the course of the year are included in the consolidated financial statements as of the date of purchase respectively up to the date of sale.

Non-controlling interests in net assets of consolidated subsidiaries are reported as equity. The amount of net income attributable to the non-controlling interest is identified in the consolidated statements of operations and comprehensive loss.

Recent Accounting Pronouncements

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

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

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

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

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

The amendments are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for all three parts individually or in the aggregate. Parts I and II of the ASU should be applied retrospectively, while Part III should be applied prospectively. Only the nature and reason for the change in accounting principle is required to be disclosed in the annual period of adoption.

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

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

1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
2. Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
3. Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.
4. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
5. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
6. Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
7. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
8. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments are effective for fiscal years beginning after December 15, 2017.

In February 2016, the FASB issues ASU 2016-02, on Leases (Topic 842).

The new leases standard applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification.

The new leases standard requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP. Classification depends on the same five criteria used by lessees plus certain additional factors. The subsequent accounting treatment for all three lease types is substantially equivalent to existing U.S. GAAP for sales-type leases, direct financing leases, and operating leases. However, the new standard updates certain aspects of the lessor accounting model to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606.

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Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The new leases standard addresses other considerations including identification of a lease, separating lease and nonlease components of a contract, sale and leaseback transactions, modifications, combining contracts, reassessment of the lease term, and remeasurement of lease payments. It also contains comprehensive implementation guidance with practical examples.

In March 2016, the FASB issues ASU 2016-08, Revenue from Contracts with Customers (Topic 606) relating to Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

ASU 2016-08 updates the new revenue standard by clarifying the principal versus agent implementation guidance, but does not change the core principle of the new standard. The updates to the principal versus agent guidance:

require an entity to determine whether it is a principal or an agent for each distinct good or service (or a distinct bundle of goods or services) to be provided to the customer;

illustrate how an entity that is a principal might apply the control principle to goods, services, or rights to services, when another party is involved in providing goods or services to a customer;

clarify that the purpose of certain specific control indicators is to support or assist in the assessment of whether an entity controls a good or service before it is transferred to the customer, provide more specific guidance on how the indicators should be considered, and clarify that their relevance will vary depending on the facts and circumstances; and

revise existing examples and add two new ones to more clearly depict how the guidance should be applied.

In March 2016, the FASB published ASU2016-09, Compensation—Stock Compensation (Topic 718), relating to Improvements to Employee Share-Based Payment Accounting

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.

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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.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, to provide more detailed guidance, including additional implementation guidance and examples in the following key areas:

Identifying performance obligations

The ASU more clearly articulates the guidance for assessing whether promises are separately identifiable in the overall context of the contract, which is one of two criteria for determining whether promises are distinct. The ASU also clarifies the factors an entity should consider when assessing whether two or more promises are separately identifiable, and provide additional examples within the implementation guidance for assessing these factors.

The ASU further clarifies that an entity is not required to identify promised goods or services that are immaterial in the context of the contract, although customer options to purchase additional goods or services which represent a material right should not be designated as immaterial in the context of the contract.

The ASU also provides an accounting policy election whereby an entity may account for shipping and handling activities as a fulfillment activity rather than as an additional promised service in certain circumstances.

Licenses of intellectual property

The ASU clarifies whether a license of intellectual property (IP) represents a right to use the IP, which is satisfied at a point in time, or a right to access the IP, which is satisfied over time, by categorizing the underlying IP as either functional or symbolic. The ASU describes attributes of functional and symbolic IP and provides examples of each. A promise to grant a license that is not a separate performance obligation must be considered in the context above (i.e., functional or symbolic), in order to determine whether the combined performance obligation is satisfied at a point in time or over time, and how to best measure progress toward completion if recognized over time. Regardless of a license's nature (i.e., functional or symbolic), an entity may not recognize revenue from a license of IP before 1) it provides or otherwise makes available a copy of the IP to the customer, and 2) the period during which the customer is able to use and benefit from the license has begun (i.e., the beginning of the license period).

Additionally, the ASU clarifies two aspects of the implementation guidance on when to recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of IP. Specifically: 1) an entity should not split a sales-based or usage-based royalty into a portion subject to the guidance on sales-based and usage-based royalties and a portion that is not subject to that guidance; and 2) the guidance on sales-based and usage-based royalties applies whenever the predominant item to which the royalty relates is a license of IP.

Lastly, the amendments distinguish contractual provisions requiring the transfer of additional rights to use or access IP that the customer does not already control from provisions that are attributes of a

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license (e.g., restrictions of time, geography, or use). License attributes define the scope of the rights conveyed to the customer; they do not determine when the entity satisfies a performance obligation.

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

5. FAIR VALUE MEASUREMENTS

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. There are no financial assets or financial liabilities measured on a recurring basis at fair value as of June 30, 2016 and June 30, 2015, respectively.

(In USD)	June 30, 2016		December 31, 2015		Fair value levels	Ref.
	Carrying amount	Fair value	Carrying amount	Fair value		
Cash and cash equivalents	6'132'108	6'132'108	261'747	261'747	1	4
Trade receivables	933'724	933'724	355'442	355'442	3	
Receivables from shareholders	-	-	-	-	3	
Receivables from related parties	1'413'883	1'413'883	-	-	3	
Deposits	57'867	57'867	57'150	57'150	1	
Accounts payable	1'276'161	1'276'161	957'999	957'999	1	
Notes payable to shareholders	-	-	3'220'030	3'220'030	3	8&9

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

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

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8. NOTES PAYABLE

The current notes payables to shareholders are composed as follows:

(In USD)	Notes payables to shareholders	
	June 30, 2016	December 31, 2015
International Telecom, October 2014 loan	-	3'220'030
Total	-	3'220'030

Loan agreements International Telecom SA

On October 25, 2015, International Telecom SA concluded a CHF 250'000 loan agreement with WISeKey SA, with the main terms being:

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

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

Shareholder Loans

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

Financing Facility

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

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

9. RELATED PARTIES DISCLOSURE

The consolidated financial statements include the financial statements of WISeKey International Holding AG including the entities listed in the following table:

Company	Country	June 30, 2015	Dec 31, 2014
		Equity Share	Equity Share
WISeTrust SA (+)	Switzerland	100%	100%
WISeKey SA (1)	Switzerland	100%	100%

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WISeKey Suisse SA (2)	Switzerland	100%	100%
WISeKey ELA SL (3)	Spain	100%	100%
WISeKey USA Inc. (4)	United States of America	100%	100%
WISeKey France SAS (5)	France	100%	100%
WISeKey BR BV (6)	The Netherlands	100%	100%
WISeKey Italy (7)	Italy	50%	50%

(1) Holding company, founded in 1999.

(2) Founded in 2002.

(3) Founded in 2006.

(4) Founded in 2006. This subsidiary is owned for 50% by WISeKey SA who has full power over the decisions taken by its Board of Directors. The other 50% are owned by WISeTrust.

(5) Founded in 2007

(6) WISeKey SA purchased the remaining 50% of WISeKey BR BV in January 2013.

(7) This entity is considered as not significant for the Group, and is accounted for at cost, less impairment if applicable.

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

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

As at June 30, 2016 a receivable amount of USD 56,151 is due from OISTE, and included in the line item receivables from related parties on the combined and consolidated balance sheet.

10. COMMITMENTS AND CONTINGENCIES

Lease Commitments

We lease certain facilities and equipment under operating leases. As of June 30, 2016, future minimum annual operating lease payments were as follows:

	December to June 30, 2016	73,192
	2017	136'453
	2018	60'733
	2019 and thereafter	220'688
Total future minimum operating lease payments		491'106

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

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agreement. To date, we have not incurred any costs as a result of such indemnifications and have not accrued any liabilities related to such obligations in our consolidated financial statements.

11. STOCKHOLDERS EQUITY

Shares WISeKey International Holding Ltd	June 30, 2016	December 31, 2015
Total number of authorized shares	10'669'212	15'229'457
Total number of conditional shares	8'865'012	10'237'473
Total number of fully paid-in shares	16'419'582	88'041'294
Par value per share (in CHF)	0,05	0.01
Total share capital (in USD)	805'216	794'002

All shares are common shares. There are two different share categories.

Prior to January 1, 2012, WiseTrust SA held 284 shares of its common stock outstanding in various transactions. WiseTrust SA continued to transact in treasury shares in subsequent years. There is no corresponding gain or loss associated with this transaction and the impact is accounted for within Additional Paid in Capital. WiseTrust SA repurchased 66 own shares from a shareholder in July 2014 with the impact accounted for as a reduction of Additional Paid in Capital. Please see our Combined and Consolidated Statement of Stockholder's Equity.

As of June 30, 2015, WISeTrust SA held 66 treasury shares (December 31, 2014: 66) for a total acquisition cost of CHF 181,089 (December 31, 2014: CHF 181,089). These are recorded as a reduction in additional paid in capital. Gains or loss on sales or redemption of treasury shares are credited or debited to additional paid in capital.

Prior to January 1, 2012, WISeTrust SA held 5'262'410 of WISeKey SA common stock. WISeTrust SA continued to transact in WISeKey SA shares in subsequent years. During the first six months of 2015, WISeTrust SA increased their holding in WISeKey SA common stock by 13'123'650.

As of June 30, 2015, WISeTrust SA held at total of 17'938'157 (December 31, 2014: 4,814,507) common stock in WISeKey SA for an acquisition amount of USD 1,694,912 (December 31, 2014 -1,573,758). Gains on sales of WISeKey SA shares amounted to USD 1'516'092 during the first six months 2015, USD 93'252 in 2014. Those gains are shown in additional paid-in capital.

On February 16, 2015, WISeKey SA made an authorised share capital increase from CHF 734'055.06 to CHF 736'197.93 (CHF 2'142.87) by issuing 214'287 ordinary shares at a nominal value of CHF 0.01 with an AGIO of CHF 0.99 (CHF 212'144.13).

On June 4, 2015, WISeKey SA made a capital increase from its conditional capital, from CHF 738'882.08 to CHF 880'412.94 (CHF 141'530.86) by issuing 14'153'086 shares at nominal value.

12. STOCK COMPENSATION PROGRAM

Stock Option Plans

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

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

Grants

2016

Warrants have been issued during the period.

The parameters are as followed:

Assumption	June 30, 2016	June 30, 2015
Dividend yield	None	None
Risk-free interest rate used (average)	n.a.	n.a.
Expected market price volatility	n.a.	n.a.
Average expected life of stock options	n.a.	n.a.

Stock Option Grants

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

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

Assumption	June 30, 2016	June 30, 2015
Dividend yield	None	None
Risk-free interest rate used (average)	2.00%	0.95%
Expected market price volatility	60.00%	60.00%
Average expected life of stock options	3 months	4 years

For the 6 months ended June 30, 2016, the weighted average fair value of options granted was USD 1.76 at the grant date.

The following table illustrates the development of the Company's non-vested options during the 6 months ended June 30, 2016:

Non-vested options	Shares under options	Weighted-average grant date fair value (In USD)
Non-vested at December 31, 2015	652'497	1.76
Granted	-	-
Vested	(253'359)	1.76
Non-vested, forfeited or cancelled	-	-

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Non-vested at June 30, 2016 399'138 1.76

As of June 30, 2016, the unrecognized compensation expense related to non-vested stock option based compensation arrangements amounts to USD 709'151.

The following table summarizes the Company's stock option activity for the period ended June 30, 2015 and June 30, 2016, respectively:

	Shares under options	Weighted- average exercise price (In USD)	Weighted- average remaining contractual term (years)	Aggregate intrinsic value (In USD)
Outstanding at December 31, 2015	2'966'033	0.01	5,05	4'449'050
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at June 30, 2016	2'966'033	0.01	4.55	4'509'019
Exercisable at June 30, 2016	2'563'895	0.01	4.55	3'899'682

Summary of Stock-based Compensation Expenses

Stock-based compensation expenses	June 30, 2016	June 30, 2015
Options grants	441'497	465'641

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

6 month period ended	June 30, 2016	June 30, 2015
R&D	26'427	27'841
G&A	189'971	200'133
S&M	225'599	237'667
Total	441'997	465'641

13. EMPLOYEE BENEFIT PLANS

Defined Benefit Post-retirement Plan

The Company maintains a pension plan covering all employees in Switzerland. The plan is considered a defined benefit plan and accounted for in accordance with ASC 715 Compensation – Retirement Benefits. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services ratably over this period, and therefore, the income statement effects of pensions should follow a similar pattern. ASC 715 requires recognition of the funded status, or difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the balance sheet, with a corresponding adjustment recorded in the net loss. If the projected benefit obligation exceeds the fair value of plan assets, then that difference or unfunded status represents the pension liability.

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The Company records a net periodic pension cost in the statement of comprehensive loss. The liabilities and annual income or expense of the pension plan is determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return (based on the market-related value of assets). The fair values of plan assets are determined based on prevailing market prices.

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

Pension expense (In USD)	6 month period ended June 30, 2016	6 month period ended June 30, 2015
Net service cost	127'671	129'892
Interest cost	30'782	41'759
Expected return on assets	(39'249)	(30'870)
Amortization of (gain)/loss	0	0
Amortization of prior service cost / (credit)	75'424	27'518
Net periodic pension cost	194'628	168'299

During the six month periods ended June 30, 2016 and June 30, 2015 the Company made cash contributions of USD 85'639 and USD 87'742, respectively, to its defined benefit pension plan.

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

The expected future cash flows to be paid by the Company in respect of employer contributions to the pension plan for the 6 months to December 31, 2016 are USD 85'639.

Future projected benefits payments in the next ten years are expected to be USD 3'702'171.

15. SEGMENT INFORMATION

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

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Geographic Information

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

Revenue by Geographic Region (In USD)	6 month ending June 30, 2016	6 month ending June 30, 2015
Europe	1'342'547	1'391'631
North America	51'663	37'928
Rest of World	35'192	21'210
Total Revenues	1'429'402	1'450'769

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

16. LOSS PER SHARE

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

Loss per share	June 30, 2016	June 30, 2015
Combined Company posted	Net loss	Net loss
Basic weighted average number of issued shares – WISeKey International Ltd	23,320,540	n.a
Dilutive effect of common stock equivalents	283,379	None
Diluted weighted average number of issued shares – WISeKey	23,603,919	n.a.

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17. LEGAL PROCEEDINGS

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

18. SUBSEQUENT EVENTS

Capital Increases

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

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

On March 3, 2016, the Combined Company made an authorised capital increase from CHF 894,174 to CHF 925'789 (CHF 31'615) by issuing 3,161,548 ordinary shares at a nominal value of CHF 0.01 and an AGIO of CHF 0.99 (CHF 3'029'933).

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

On March 11, 2016, the Combined Company made an authorised capital increase from CHF 933,436 to CHF933'436 (CHF125.00) by issuing 12,500 ordinary shares at nominal value of CHF0.01.

Corporate Restructuring

In the first quarter 2016, the Combined Company is planning to undergo a corporate restructuring, whereby its shareholders will be offered to exchange their shares into a new holding company – WISeKey International Holding AG – that is envisaged to be listed on the International Reporting Standard of the SIX Swiss Stock Exchange.

On 20 January, 2016, WISeKey announced that it has signed a binding agreement with a leading consortium of high profile institutional investors (the "Investors") led by Global Yield Fund LLC SCS ("GEM"), granting WISeKey a committed CHF 60 million committed Share Subscription Facility (the "SSF") as of the date of the WISeKey Group listing on SIX Swiss Exchange. Under the terms of the SSF, WISeKey will have the right, from time to time and during a period of up to 5 years, to issue and sell shares to the Investors. Under the facility, the Investors undertake to subscribe to or acquire ordinary registered WISeKey International Holding AG shares upon WISeKey's exercise of a Draw Down Notice. WISeKey will control the timing and maximum amount of any Draw Down, and has the right, not the obligation, to draw down on the full Commitment Amount. The fee for the SSF amounts to CHF 1.2 million which is payable to GEM upon proceeds from the first drawdowns. However, the fee will be reduced to CHF 0.5 million in the event that the listing on SIX Swiss Exchange does not take place within twelve months after the date of the agreement.

Placement of Short Term Mandatory Convertible Loan Note – Tranche II

On July 14, 2016 the Company placed a second tranche ("Tranche II") of a short term mandatory convertible loan note with strategic investors with a total principal amount of CHF5,387,500 with a maturity of 3 months i.e. until October 13, 2016. Tranche II of the short term mandatory convertible loan note will be mandatorily redeemable on October 13, 2016 WISeKey Class B Shares newly issued from existing conditional capital of the Company, at a Strike Price between CHF5.00 and CHF5.25, depending upon the prevailing market price of such shares at the time, i.e. into 1,026,190 to 1,077,055 newly issued WIHN Class B Shares.

Signing of a Memorandum of Understanding with OpenLimit

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On July 25, 2016, the Company and OpenLimit, a Swiss incorporated company listed on the Deutsche Boerse, announced that they have signed a Memorandum of Understanding (“**MoU**”) regarding a contemplated business combination to be executed via a statutory merger under Swiss law, whereby OpenLimit would be merged with and into WISeKey, with WISeKey thus being the surviving entity. The entry into definitive agreements is in particular subject to satisfactory reciprocal confirmatory due diligence, to be conducted over the next month, and other conditions as are customary.

Concurrently with execution of the MoU, WISeKey has agreed to provide interim financing to OpenLimit of up to €4.99m, in the form of an equity-linked financing facility, structured in two tranches. The first payment under this agreement, in the amount of €750,000, was made on July 26, 2016

Subsequently, the discussions between the Company and OpenLimit did not progress in line with initial expectations and on September 6, 2016, an amendment to the MoU was signed between the Company and OpenLimit whereby the Company was explicitly released from making any further payments under the interim financing agreement signed on July 25, 2016. Discussions on a potential business combination are still ongoing.

Acquisition of the semiconductor business of INSIDE Secure

On September 20, 2016, the Company closed its acquisition of the secure Internet of Things (“IoT”) integrated circuit solutions and semiconductor business from INSIDE Secure (Euronext Paris: INSD), a leader in embedded security solutions for mobile and connected devices.

The transaction included the transfer of products, technology, customer agreements, and certain patents from INSIDE Secure to WISeKey including the development and sale of secure integrated circuits designed to secure and power the strongly growing IoT market. Additionally, through this transaction, WISeKey will add a team of 70 people in areas such as R&D, sales, marketing and support to its overall staff, including staff in Switzerland, Vietnam, USA, Japan, Taiwan and Singapore.

INSIDE Secure has received CHF2 million in cash (net of transferred cash) together with a convertible loan note redeemable into WISeKey International Holding Ltd Class B listed shares for an amount of CHF11 million. The convertible loan note has a 9-month maturity, bears a 2% coupon and can be converted at the option of INSIDE Secure, after a 2-month lock-up period, into freely tradeable Class B shares with a minimum 10% discount on the volume-weighted average quoted price during the 15 trading days prior to the conversion date. WISeKey has a right to redeem the convertible loan note in cash, and INSIDE Secure may request, 20 days prior to maturity, redemption in cash for up to 30% of the principal amount of the convertible loan note.