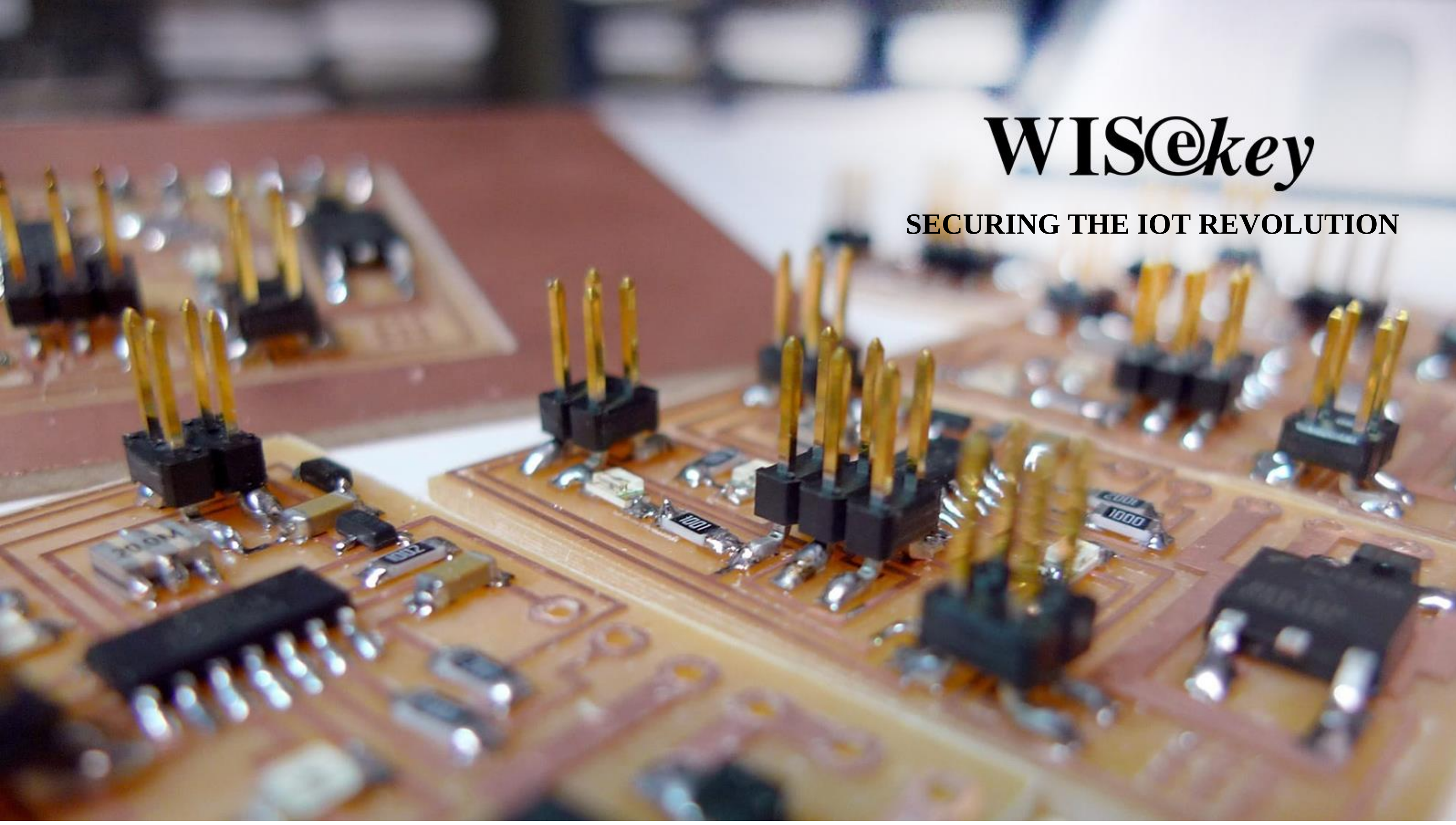

WISeKey International Holding AG

Half-Year Report

January – June 2019

WISeKey International Holding AG

Unaudited Interim Consolidated Financial Statements

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

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1. Unaudited Consolidated Statement of Comprehensive Income / (Loss)

USD'000	Unaudited 6 months ended June 30, 2019	2018	Note ref.
Net sales	12,469	16,604	26
Cost of sales	(7,614)	(8,802)	
Gross profit	**4,855**	**7,802**	
Other operating income	38	292	
Research & development expenses	(2,639)	(2,840)	
Selling & marketing expenses	(3,233)	(2,652)	
General & administrative expenses	(6,895)	(7,158)	
Total operating expenses	**(12,729)**	**(12,358)**	
Operating income / (loss)	**(7,874)**	**(4,556)**	
Non-operating income	1,089	400	29
Gain / (loss) on derivative liability	(80)	-	6 / 22
Gain / (loss) on debt extinguishment	(233)	-	22
Interest and amortization of debt discount	(143)	(12)	22
Non-operating expenses	(1,835)	(1,051)	30
Income / (loss) from continuing operations before income tax expense	**(9,076)**	**(5,219)**	
Income tax (expense)/recovery	(1)	(2)	
Income/ (loss) from continuing operations, net	**(9,077)**	**(5,221)**	
Discontinued operations:			28
Net sales from discontinued operations	1,934	9,300	
Cost of sales from discontinued operations	(791)	(4,168)	
Total operating and non-operating expenses from discontinued operations	(1,801)	(9,515)	
Income tax (expense)/recovery from discontinued operations	42	(1,098)	
Gain on disposal of a business, net of tax on disposal	31,100	-	
Income / (loss) on discontinued operations	**30,484**	**(5,481)**	
Net income / (loss)	**21,407**	**(10,703)**	
Less: Net income / (loss) attributable to noncontrolling interests	(361)	9	
Net income / (loss) attributable to WISeKey International Holding AG	**21,768**	**(10,712)**	
Earnings per share			
Earnings from continuing operations per share - Basic	(0.26)	(0.16)	32
Earnings from continuing operations per share - Diluted	(0.26)	(0.16)	32
Earnings from discontinued operations per share - Basic	0.86	(0.16)	32
Earnings from discontinued operations per share - Diluted	0.83	(0.16)	32
Earning per share attributable to WISeKey International Holding AG			
Basic	0.61	(0.32)	32
Diluted	0.60	(0.32)	32

USD'000	Unaudited 6 months ended June 30, 2019	2018	*Note ref.*
Other comprehensive income / (loss), net of tax:			
Foreign currency translation adjustments	(95)	(109)	
Defined benefit pension plans:			
Net loss arising during period	108	182	*23*
Other comprehensive income / (loss)	**13**	**73**	
Comprehensive income / (loss)	**21,420**	**(10,630)**	
Other comprehensive income / (loss) attributable to noncontrolling interests	(5)	(100)	
Other comprehensive income / (loss) attributable to WISeKey International Holding AG	**18**	**173**	
Comprehensive income / (loss) attributable to noncontrolling interests	(366)	(91)	
Comprehensive income / (loss) attributable to WISeKey International Holding AG	**21,786**	**(10,538)**	

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

2. Unaudited Consolidated Balance Sheet

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018	Note ref.
ASSETS			
Current assets			
Cash and cash equivalents	18,357	9,146	*7*
Restricted cash, current	2,832	618	*8*
Accounts receivable, net of allowance for doubtful accounts	5,262	7,620	*9*
Notes receivable, related parties	-	8	
Inventories	4,263	4,186	*10*
Prepaid expenses	700	521	
Deferred charges, current	184	184	
Current assets held for sale	-	8,916	*28*
Other current assets	1,292	919	*11*
Total current assets	**32,890**	**32,118**	
Noncurrent assets			
Restricted cash, noncurrent	2,000	-	*8*
Equity securities, at fair value	900	857	*12*
Deferred income tax assets	5	8	
Deferred tax credits	3,092	2,541	*13*
Property, plant and equipment net of accumulated depreciation	2,042	2,370	*14*
Intangible assets, net of accumulated amortization	863	1,132	*15*
Operating lease right-of-use assets, noncurrent	1,509	-	*16*
Goodwill	8,317	8,317	*17*
Deferred charges, noncurrent	123	214	
Equity securities, at cost	7,000	7,000	*18*
Noncurrent assets held for sale	-	23,744	*28*
Other noncurrent assets	151	152	
Total noncurrent assets	**26,002**	**46,335**	
TOTAL ASSETS	**58,892**	**78,453**	
LIABILITIES			
Current Liabilities			
Accounts payable	12,139	12,917	*19*
Notes payable	4,019	6,797	*20*
Convertible note payable	2,006	-	*22*
Deferred revenue, current	619	91	*27*
Current portion of obligations under operating leases	542	-	*16/24*
Income tax payable	3	9	
Derivative liabilities	265	-	*6*
Current liabilities held for sale	-	14,085	*28*
Other current liabilities	670	976	*21*
Total current liabilities	**20,263**	**34,875**	
Noncurrent liabilities			
Convertible note payable	2,931	23,940	*22*
Derivative liabilities	72	-	*6*
Deferred revenue, noncurrent	4	9	*27*
Operating lease liabilities	967	-	*24*
Employee benefit plan obligation	4,468	4,465	*23*
Other deferred tax liabilities	5	4	
Noncurrent liabilities held for sale	-	8,590	*28*
Other noncurrent liabilities	-	2,595	
Total noncurrent liabilities	**8,447**	**39,603**	
TOTAL LIABILITIES	**28,710**	**74,478**	

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018	*Note ref.*
Commitments and contingent liabilities			*24*
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	*25*
CHF 0.01 par value			
Authorized - 40,021,988 and 40,021,988 shares			
Issued and outstanding - 40,021,988 and 40,021,988 shares			
Common stock - Class B	1,475	1,472	*25*
CHF 0.05 par value			
Authorized - 49,948,127 and 41,063,901			
Issued - 28,824,086 and 28,769,797			
Outstanding - 26,868,706 and 26,681,736			
Share subscription in progress	1	-	
Treasury stock, at cost (2,088,061 and nil shares held)	(1,510)	(1,139)	*25*
Additional paid-in capital	206,373	201,373	
Accumulated other comprehensive income / (loss)	105	100	
Accumulated deficit	(175,580)	(197,348)	
Total shareholders'equity (deficit) attributable to WISeKey shareholders	**31,264**	**4,858**	
Noncontrolling interests in consolidated subsidiaries	(1,082)	(883)	
Total shareholders'equity	**30,182**	**3,975**	
TOTAL LIABILITIES AND EQUITY	**58,892**	**78,453**	

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

3. Unaudited Consolidated Statements of Changes in Shareholders' Equity

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	Treasury Shares	Additional paid-in capital	Share subscription in progress	Accumulated deficit	Accumulated other comprehensive income / (loss)	**Total stockholders' equity**	Non controlling interests	**Total equity**
As at December 31, 2018	40,021,988	28,769,797	400	1,472	1,872	(1,139)	201,373	-	(197,348)	100	**4,858**	(883)	**3,975**
Common stock issued[1]	-	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Options exercised	-	54,289	-	3	3	-	3,408	-	-	-	**3,411**	-	**3,411**
Stock-based compensation	-	-	-	-	-	-	163	1	-	-	**164**	-	**164**
Changes in treasury shares	-	-	-	-	-	(536)	676	-	-	-	**140**	-	**140**
Sale of QuoVadis Group	-	-	-	-	-	-	-	-	-	-	**-**	131	**131**
Change in Ownership	-	-	-	-	-	-	(115)	-	-	(8)	**(123)**	36	**(87)**
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(5)	**(5)**	-	**(5)**
Yorkville SEDA	-	-	-	-	-	153	1	-	-	-	**154**	-	**154**
Crede convertible loan	-	-	-	-	-	12	541	-	-	-	**553**	-	**553**
Yorkville convertible loan	-	-	-	-	-	-	326	-	-	-	**326**	-	**326**
Net loss	-	-	-	-	-	-	-	-	21,768	-	**21,768**	(361)	**21,407**
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	18	**18**	(5)	**13**
As at June 30, 2019	40,021,988	28,824,086	400	1,475	1,875	(1,510)	206,373	1	(175,580)	105	**31,264**	(1,082)	**30,182**

1. The articles of association of the Company had not been fully updated as of December 31, 2018 with the shares issued out of conditional capital.

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

4. Unaudited Consolidated Statements of Cash Flows

USD'000	Unaudited 6 months ended June 30, 2019	2018
Cash Flows from operating activities:		
Net Gain (loss)	21,407	(16,265)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant & equipment	396	1,437
Amortization of intangible assets	270	2,047
Interest and amortization of debt discount	184	1,165
Loss / (gain) on derivative liability	80	-
Loss on debt extinguishment	1,326	-
Stock-based compensation	163	1,660
Decrease / (increase) in deferred research & development tax credits, net	(550)	279
Decrease / (increase) in other noncurrent assets, net	1	(63)
Increase / (decrease) in defined benefit pension liability	3	(109)
Increase / (decrease) in other noncurrent liabilities	2,530	-
Bad debt expense	58	276
Inventory obsolescence impairment	293	284
Deferred tax asset write-off	-	161
Income tax expense / (recovery) net of cash paid	(39)	(152)
Release of provision	-	(218)
Other non cash expenses /(income)		
Expenses settled in equity	11	1,685
Gain on disposal of a business	(31,100)	-
Other	(32)	0
Unrealized and non cash foreign currency transactions	20	(201)
Changes in operating assets and liabilities, net of effects of businesses acquired		
Decrease (increase) in accounts receivables	(77)	(2,898)
Decrease (increase) in inventories	(77)	(722)
Decrease (increase) in other current assets, net	119	(4,385)
Increase (decrease) in accounts payable	(340)	(126)
Increase (decrease) in deferred revenue, current	637	5,992
Increase (decrease) in income taxes payable	(370)	349
Increase (decrease) in other current liabilities	(850)	1,312
Net cash provided by (used in) operating activities	**(5,937)**	**(8,492)**
Cash Flows from investing activities:		
Sale / (acquisition) of equity securities	(4,000)	(3,000)
Sale / (acquisition) of property, plant and equipment	(69)	(1,244)
Sale of a business, net of cash and cash equivalents divested	40,919	-
Net cash provided by (used in) investing activities	**36,850**	**(4,244)**

USD'000	Unaudited 6 months ended June 30, 2019	2018
Cash Flows from financing activities:		
Proceeds from options exercises	3,412	217
Proceeds from issuance of Common Stock	-	2,904
Decrease / (increase) in loan payable	(869)	(895)
Proceeds from convertible loan issuance	2,860	3,000
Proceeds from debt	4,030	7,656
Repayments of debt	(25,100)	(106)
Payments of debt issue costs	(2,755)	-
Repurchase of treasury shares	(536)	(900)
Net cash provided by (used in) financing activities	**(18,958)**	**11,876**
Effect of exchange rate changes on cash and cash equivalents	80	(200)
Cash and cash equivalents		
Net increase (decrease) during the period	12,035	(1,060)
Balance, beginning of period	11,154	12,214
Balance, end of period	**23,189**	**11,154**
Reconciliation to balance sheet		
Cash and cash equivalents from continuing operations	18,357	9,146
Restricted cash, current from continuing operations	2,832	618
Restricted cash, noncurrent from continuing operations	2,000	-
Cash and cash equivalents from discontinued operations	-	1,390
Balance, end of period	**23,189**	**11,154**
Supplemental cash flow information		
Cash paid for interest, net of amounts capitalized	384	772
Cash paid for incomes taxes	2	72
Purchase of equity securities	4,000	3,000
Noncash conversion of convertible loans into common stock	618	-
Restricted cash received for share subscription in progress	1	2,020
Issuance / (redemption) of redeemable preferred stock	-	(5,021)
Issuance of common stock to purchase non-controlling interest	-	3,920
Deemed dividend	-	141
Settlement of Carlos Moreira's loan in shares	-	473
Payment of SEDA fees in shares	-	(500)

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

5. Notes to the Unaudited Consolidated Financial Statements

Note 1. The Group

WISeKey International Holding AG (the “**Company**”), together with its consolidated subsidiaries (“**WISeKey**” or “**the Group**” or “**the WISeKey Group**”), has its headquarters in Switzerland. WISeKey International Holding AG, the ultimate parent of the WISeKey Group, was incorporated in November 2015 and is listed on the Swiss Stock Exchange, SIX SAG with the valor symbol “WIHN”.
The Group 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 Group 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 Group anticipates being able to generate profits in the near future.

Note 2. Future Operations

The Group experienced a loss from operations in this reporting period. Although the WISeKey Group does anticipate being able to generate profits in the near future, this cannot be predicted with any certainty. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern.
The Group incurred a net operating loss of USD 7.9 million and had positive working capital of USD 15.2 million as at June 30, 2019. Based on the Group’s cash projections for the next 12 months to September 30, 2020, it will need approximately USD 0.1 million to fund operations and financial commitments. Historically, the Group 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.

On January 16, 2019, the completion of the sale of WISeKey (Bermuda) Holding Ltd (formerly named QV Holdings Ltd) and its affiliates (together “**QuoVadis**” or the “**QuoVadis Group**”) to Digicert Inc generated a net cash inflow of USD 37.7 million and allowed WISeKey to repay in full the line of Credit it had contracted with ExWorks Capital Fund I, L.P. (“**ExWorks**”) in an amount of USD 25.4 million (see Note 22).

In the year 2018, WISeKey obtained two loans: (i) a short-term Facility Agreement (the “**Yorkville Loan**”) with YA II PN, Ltd. a fund managed by Yorkville Advisors Global, LLC (“**Yorkville**”) to borrow USD 3.5 million, with an interest rate of 4% per annum payable monthly in arrears, repaid in full by June 30, 2019; and (ii) a Convertible Loan Agreement (the “**Crede Convertible Loan**”) with Crede CG III, Ltd (“**Crede**”) for an amount of USD 3.0 million, with an interest rate of 10% per annum, and repayable in WIHN class B Shares any time between November 30, 2018 and the maturity date of September 28, 2020.
In the six months to June 30, 2019, the Group secured two additional loans: (a) a Convertible Loan Agreement (the “**Yorkville Convertible Loan**”) with Yorkville for an amount of USD 3.5 million, with an interest rate of 6% per annum, repayable by August 01, 2020 in monthly instalments starting August 01 2019 either in cash or in WIHN class B Shares, and (b) a credit agreement between WISeCoin AG and ExWorks in an amount of USD 4 million, repayable by April 04, 2020, with an annual interest rate of 10%, secured on the shares of WISeCoin AG with the option to convert principal repayment, interest charges and fees into WISeSecurity Tokens issued by WISeCoin AG.
These loans demonstrate the availability of lenders to support the WISeKey Group in its activities and development. See Note 22 for details on these loans.

On January 19, 2016, the Group had closed a Share Subscription Facility (the “**Share Subscription Facility**”, the “**GEM Facility**”) with GEM LLC (Global Equity Markets, “**GEM**”) which is a CHF 60.0 million facility over 5 years and allows the Group to draw down funds at its option in exchange for WIHN class B shares (see Note 22 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 six months to June 30, 2019, WISeKey made no drawdowns under the GEM Facility. Therefore, as at June 30, 2019, the outstanding facility available remained CHF 56.1 million.
On February 08, 2018 the Group entered into a Standby Equity Distribution Agreement (“**SEDA**”) with Yorkville (see Note 22 for detail). Pursuant to the SEDA, Yorkville commits to provide equity financing to WISeKey in the aggregate amount of up to CHF 50.0 million in exchange for Class B Shares over a three-year period. Provided that a sufficient number of Class B Shares is provided through share lending, WISeKey has the right to make drawdowns 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 worth up to CHF 5.0 million by drawdown, subject to certain exceptions and limitations. In the year 2018, WISeKey made four drawdowns under the SEDA Facility, for a total amount of CHF 1.7 million. In the six months to June 30, 2019, WISeKey made one drawdown for CHF 0.3 million. As at June 30, 2019, the outstanding equity financing available was CHF 48.0 million.
Both the GEM Facility and the SEDA will be used as a safeguard should there be any difficulties in raising the necessary funds to cover the USD 0.1 million projected cash outflow noted above.

Based on the foregoing, Management believe it is correct to present these figures on a going concern basis.

Note 3. Basis of Presentation

The consolidated financial statements are prepared in United States dollars ("**USD**") on the basis of generally accepted accounting principles in the United States of America ("**US GAAP**").
The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with ASC 270 Interim Reporting and, as a consequence, do not include all information and footnotes required by US GAAP and should, therefore, be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018 included in the Annual Report 2018. These statements do include all normal recurring adjustments which the Group 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, 2019.
Except as indicated in the notes below, there have been no other material changes in the information disclosed in the notes to the consolidated financial statements included in the Group's Annual Report 2018 for the year ended December 31, 2018.

Divestiture of QuoVadis

On December 21, 2018 the Group signed a sale and purchase agreement (the "**SPA**") to sell WISeKey (Bermuda) Holding Ltd, a Bermuda-based company, and its affiliates to Digicert Inc. The Group subsidiaries making up the QuoVadis Group in scope for the sale are WISeKey (Bermuda) Holding Ltd, QuoVadis Trustlink Schweiz AG, WISeKey (UK) Ltd, QuoVadis Trustlink BVBA, QuoVadis Trustlink BV, QV BE BV, QuoVadis Trustlink GmbH, QuoVadis Services Ltd, and QuoVadis Ltd.
The sale was completed on January 16, 2019, when all QuoVadis entities except QuoVadis Services Ltd were transferred to Digicert Inc. The transfer of ownership of QuoVadis Services Ltd was conditional on receiving the consent from the Regulatory Authority in Bermuda (the "**RAB**") (the "**RAB Consent**") to the change in ultimate beneficial ownership of QuoVadis Services Ltd, being the entity holding the Communications Operating Licence in Bermuda. The RAB Consent was obtained in February 2019 and the transfer of ownership of QuoVadis Services Ltd from WISeKey to Digicert Inc. was effective on February 28, 2019. We assessed the SPA under ASC 810-10-40-6 and concluded that the terms and conditions of the SPA met the definition to account for the sale as a single transaction effective on January 16, 2019.
We assessed the SPA under ASC 205 and concluded that, for the period January 01, 2019 to January 16, 2019, the operation met the requirement to be classified as held for sale and as such qualifies as a discontinued operation.
In line with ASC 205-20-45-3A, we reported the results of the discontinued operations as a separate component of income. The divested assets and liabilities were deconsolidated from February 28, 2019 for QuoVadis Services Ltd, and from January 16, 2019 for all other QuoVadis entities. The Group elected to allocate interest to discontinued operations in accordance with ASC 205-20-45-6 to 205-20-45-8. The allocation method is detailed in Note 28.
The gain from divestiture recorded in the reporting period is USD 31,099,632, shown as a separate line within discontinued operations in the income statement.

Nonemployee Share-Based Accounting

In accordance with the Group's adoption of ASU No. 2018-07, the treatment of nonemployee share-based payments, previously subject to ASC 505, was aligned with existing guidance on employee share-based payments in ASC 718. As a result, nonemployee share-based payment transactions will be measured by estimating the fair value of the equity instruments that an entity is obligated to issue and the measurement date will be consistent with the measurement date for employee share-based payment awards (i.e., grant date for equity-classified awards).
As a result, and as per transition guidance, equity-classified unvested options to nonemployees as at December 31, 2018 were not revalued in the six months to June 30, 2019.

Note 4. Summary of Significant Accounting Policies

Leases

The Group adopted ASC 842 "Leases" as of January 01, 2019, in line with ASU 2016-02. Under the new standard, the Group, as a lessee, has recognized right-of-use assets and related lease liabilities on its balance sheet for all arrangements with terms longer than twelve months, and has reviewed its leases for classification between operating and finance leases.
We have elected the short-term lease practical expedient related to leases of various premises and equipment. We have also elected the practical expedients related to lease classification of leases that commenced before the effective date of ASC 842. See detail in Note 16.

Recent Accounting Pronouncements

In August 2018, The FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*.
Summary: ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820 as follows:
The following disclosure requirements were removed from Topic 820:

- The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; The policy for timing of transfers between levels;
- The valuation processes for Level 3 fair value measurements; and for non-public entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

The following disclosure requirements were modified in Topic 820:

- In lieu of a rollforward for Level 3 fair value measurements, a non-public entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

The following disclosure requirements were added to Topic 820:

- The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. In addition, the amendments eliminate at a minimum from the phrase "an entity shall disclose at a minimum" to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements.

Effective Date: The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 2018-13 and delay adoption of the additional disclosures until their effective date.
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 August 2018, The FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.*
Summary: ASU 2018-14 applies to all employers that sponsor defined benefit pension or other postretirement plans. The amendments modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.
ASU 2018-14 deletes the following disclosure requirements:
The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan.
For public entities, the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits.
ASU 2018-14 adds/clarifies disclosure requirements related to the following:
The weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates; An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period; The projected benefit obligation (PBO) and fair value of plan assets for plans with PBOs in excess of plan assets; The accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets.
Effective Date: The amendments are effective for fiscal years ending after December 15, 2020 for public business entities. Early adoption is permitted.
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 April 2019**,** The FASB issued Accounting Standards Update (ASU) No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, Codification improvements:*
Summary: ASU 2019-04 clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement of financial instruments to ASU 2016-01, 2016-13 & 2017-12. Since issuance of these standards, the FASB has identified areas that need clarification and correction, resulting in changes similar to those issues under its ongoing Codification improvements.
Effective Date: The amendments related to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is generally permitted.
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 Group sells to large, international customers and, as a result, may maintain individually significant trade accounts receivable balances with such customers during the year. We generally do not require collateral on trade accounts receivable.

Summarized below are the clients whose revenue or trade accounts receivable balances were 10% or higher than the respective total consolidated net sales and trade accounts receivable balance for the 6 months to June 30, 2019 and 2018, and as at June 30, 2019 and December 31, 2018, respectively:

	Revenue concentration (% of total net sales)		Receivables concentration (% of total accounts receivable)	
	6 months ended June 30, 2019 (unaudited)	6 months ended June 30, 2018 (unaudited)	As at June 30, 2019 (unaudited)	As at December 31, 2018
IoT operating segment				
Multinational electronics contract manufacturing company	12%	11%	13%	12%
International luxury watch company	5%	4%	12%	4%
International packaging solutions, technology and chips	12%	5%	11%	3%
International equipment and software manufacturer	10%	7%	6%	5%

Note 6. Fair value measurements

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

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

	As at June 30, 2019		As at December 31, 2018			
USD'000	Carrying amount	Fair value	Carrying amount	Fair value	Fair value level	Note ref.
Notes receivable - related parties	-	-	8	8	3	
Equity securities, at fair value	900	900	857	857	1	12
Equity securities, at cost	7,000	7,000	7,000	7,000	3	18
Notes payable	4,019	4,019	6,797	6,797	3	20
Convertible note payable, current	2,006	2,006	-	-	3	22
Convertible note payable, noncurrent	2,931	2,931	23,940	23,940	3	22
Derivative liabilities, current	265	265	-	-	3	6
Derivative liabilities, noncurrent	72	72	-	-	3	6

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

- Notes receivable, related parties – carrying amount approximated fair value due to their short-term nature.
- Equity securities, at fair value - fair value remeasured as at reporting period.
- Equity securities, at cost - no readily determinable fair value, measured at cost minus impairment
- Notes payable – carrying amount approximated fair value.
- Convertible note payable, current - carrying amount approximated fair value.
- Convertible note payable, noncurrent - carrying amount approximated fair value.
- Derivative liabilities, current - fair value remeasured as at reporting period.
- Derivative liabilities, noncurrent - fair value remeasured as at reporting period.

Derivative liabilities

In 2019, the Group held one derivative instrument which was measured at estimated fair value on a recurring basis and linked to embedded conversion option in the Yorkville Convertible Loan signed on June 27, 2019 (see Note 22).
The convertible note has a maturity date of August 01, 2020. It contains a conversion option into WIHN Class B shares at the election of the holder, which may be exercised at each monthly repayment date, covering any amount outstanding (principal and/or interests) that may be settled. The exercise price is set at CHF 3.00 with antidilution provision adjustments as further described in Note 22.
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. It was valued at inception at USD 257,435, and was allocated between current and noncurrent on a prorata temporis basis according to the monthly repayment schedule. The derivative component will be revalued at fair value at each reporting date in line with ASC 815-15-30-1.

As at June 30, 2019, the full principal amount was still outstanding and no conversion rights had been exercised. The derivative components was measured at fair value at the reporting date at USD 337,437, broken down as USD 265,129 current and USD 72,308 noncurrent derivative liabilities. Therefore, for the six months to June 30, 2019, WISeKey recorded in the income statement, a net loss on derivative of USD 80,002.

No debt discount amortization was recorded for the three days between the inception of the Yorkville Convertible Loan (June 27, 2019) and the period end (June 30, 2019) because the amount was highly immaterial to the accounts.

Derivative liabilities	**USD'000**
Balance as at December 31, 2018	-
Fair value of the derivative instrument (conversion option) recognized at issuance on June 27, 2019	257
Loss on derivative recognized as a separate line in the statement of loss	80
Balance as at June 30, 2019	337

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 8. Restricted cash

Restricted cash as at June 30, 2019 is made up of:

- USD 4.5 million of the consideration for the sale of QuoVadis which is held in an escrow account, and to be released in an amount of up to USD 2,5 million on January 16, 2020 and the remaining amount on January 16, 2021 (see Note 28 for further details), and
- A balance of CHF 324,073 (USD 331,976) on the liquidity account funded by WISeKey in relation to the services provided by a market maker since August 10, 2018. Upon WISeKey's request, these services were stopped from June 25, 2019 and part of the outstanding balance was refunded to WISeKey after the reporting date as detailed in Note 35.

Note 9. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	**As at June 30, 2019 (unaudited)**	**As at December 31, 2018**
Trade accounts receivable	5,224	7,607
Allowance for doubtful accounts	(5)	(4)
Accounts receivable from other related parties	8	1
Accounts receivable from underwriters, promoters, and employees	10	-
Other accounts receivable	25	16
Total accounts receivable net of allowance for doubtful accounts	**5,262**	**7,620**

The accounts receivable from other related parties consist of balances with OISTE as further detailed in Note 34.

Note 10. Inventories

Inventories consisted of the following:

USD'000	**As at June 30, 2019 (unaudited)**	**As at December 31, 2018**
Raw materials	819	1,342
Work in progress	3,444	2,844
Total inventories	**4,263**	**4,186**

Note 11. Other current assets

Other current assets consisted of the following:

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Value-Added Tax Receivable	1,058	858
Advanced payment to suppliers	221	53
Deposits, current	9	4
Other currrent assets	4	4
Total other current assets	**1,292**	**919**

Note 12. Equity securities, at fair value

On March 29, 2017, the Group announced that the respective boards of directors of WISeKey and OpenLimit Holding AG (DE: O5H) (“**OpenLimit**“) had decided that discussions in relation to a possible merger transaction between WISeKey and OpenLimit as previously announced on 25 July 2016 are not being further pursued. The then current interim financing provided by WISeKey to OpenLimit in a principal amount of EUR 750,000 was, in accordance with applicable terms of a convertible loan agreement, converted into OpenLimit Shares issued by OpenLimit out of its existing authorized share capital. The conversion price was set at 95% of the volume weighted average price (“**VWAP**”) of the OpenLimit shares traded on XETRA as reported by the XETRA for the ten trading days immediately preceding and including March 29, 2017. WISeKey received 2,200,000 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis. The conversion price was EUR 0.3409. The equity securities were fair valued at market price on the date of the transaction to USD 846,561.

As at June 30, 2019, the fair value was recalculated using the closing market price on the XETRA of EUR 0.36 (USD 0.4093) and amounted to USD 900,497. The difference of USD 43,627 from the fair value at December 31, 2018 was accounted for in the income statement as a non-operational income in the 6 months to June 30, 2019.

Note 13. Deferred tax credits

Deferred tax assets consisted of the following:

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Deferred research & development tax credits	3,056	2,505
Deferred other tax credits	36	36
Total deferred tax credits	**3,092**	**2,541**

WISeKey Semiconductors SAS is eligible for Research tax credits provided by the French government. As of June 30, 2019, and December 31, 2018, WISeKey Semiconductors SAS had a receivable balance of respectively USD 3,055,500 and USD 2,505,264 of tax credit. The credit is deductible from the entity’s income tax charge for the year or payable in cash the following year, whichever event occurs first. It is shown under noncurrent deferred tax assets in line with ASU 2015-17.

Note 14. Property, plant and equipment

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

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Machinery & equipment	3,877	3,815
Office equipment and furniture	2,485	2,469
Computer equipment and licences	1,069	1,056
Total property, plant and equipment gross	7,431	7,340
Accumulated depreciation for:		
Machinery & equipment	(2,169)	(1,828)
Office equipment and furniture	(2,218)	(2,169)
Computer equipment and licences	(1,002)	(973)
Total accumulated depreciation	(5,389)	(4,970)
Total property, plant and equipment from continuing operations, net	**2,042**	**2,370**
Depreciation charge from continuing operations for the 6 months to June 30	396	429

Note 15. Intangible assets

Intangible assets, net consisted of the following.

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Trademarks	129	128
Patents	2,281	2,281
License agreements	10,680	10,615
Other intangibles	6,108	6,070
Total intangible assets gross	19,198	19,094
Accumulated amortization for:		
Trademarks	(127)	(126)
Patents	(1,429)	(1,175)
License agreements	(10,671)	(10,591)
Other intangibles	(6,108)	(6,070)
Total accumulated amortization	(18,335)	(17,962)
Total intangible assets from continuing operations, net	**863**	**1,132**
Amortization charge from continuing operations for the 6 months to June 30	270	230

Future amortization charges are detailed below:

Future estimated aggregate amortization expense from continuing operations	USD'000
2019	263
2020	600
Total intangible assets, net	**863**

Note 16. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. WISeKey does not hold any finance lease, but holds 4 operating leases and 10 short-term leases. One of its short-term leases is for a vehicle, whilst all other leases relate to premises. We do not sublease. All of our operating leases include multiple optional renewal periods.

We have elected the short-term lease practical expedient related to leases of various premises and equipment. We have elected the practical expedients related to lease classification of leases that commenced before the effective date of ASC 842.

During the six months ended June 30, 2019 and 2018, we recognized rent expense associated with our leases as follows:

	6 months ended June 30,	
USD'000	**2019 (unaudited)**	**2018 (unaudited)**
Operating lease cost:		
Fixed rent expense	270	269
Short-term lease cost	57	41
Net lease cost	**327**	**310**
Lease cost - Cost of sales	-	-
Lease cost - SG&A	327	310
Net lease cost	**327**	**310**

During the six months ended June 30, 2019 and 2018, we had the following cash and non-cash activities associated with our leases:

USD'000	**As at June 30, 2019 (unaudited)**
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	270
Non-cash investing and financing activities :	
Additions to ROU assets obtained from:	
Net lease cost	327
New operating lease liabilities	1,756

The future payments due under operating leases are shown in Note 24.

As of June 30, 2019, the weighted-average remaining lease term for all operating leases is 2.91 years.

Because we generally do not have access to the rate implicit in the lease, we utilize our incremental borrowing rate as the discount rate. The weighted average discount rate associated with operating leases as of June 30, 2019, is 3.0%.

Note 17. Goodwill

We test goodwill for impairment annually on October 1 or as and when indicators of impairment arise. After a review of the incoming orders and order backlog, we performed an ad-hoc impairment test as at March 31, 2019. As at March 31, 2019, the fair value of the net assets of the reporting unit concerned by goodwill was superior to the carrying value of the net assets and goodwill allocated. After March 31, 2019, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in the six months to June 30, 2019.

USD'000	**IoT Segment**
Goodwill balance as at December 31, 2018	**8,317**
Goodwill acquired during the year	-
Goodwill balance as at June 30, 2019	**8,317**

Note 18. Equity securities, at cost

On September 27, 2018 WISeKey purchased a warrant agreement in Tarmin Inc. from ExWorks as part of the eleventh amendment of the ExWorks Credit Agreement (see Note 22). As a result, WISeKey entered into a warrant agreement with Tarmin Inc ("**Tarmin**") (the "**Tarmin Warrant**"), a private Delaware company, leader in data & software defined infrastructure to acquire 22% of common stock deemed outstanding at the time of exercise. The warrant may be exercised in parts or in full, at an exercise price of USD 0.01 per share at nominal value USD 0.0001. The purchase price of the Tarmin Warrant was USD 7,000,000, of which USD 3,000,000 was paid in cash on October 05, 2018 and the remaining USD 4,000,000 was paid on April 08, 2019.
The Tarmin Warrant was assessed as an equity investment without a readily determinable fair value and we elected the measurement at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer as permitted by ASU 2016-01. As such, the Tarmin Warrant was initially recognized on the balance sheet at USD 7,000,000.
As at June 30, 2019, we performed a qualitative assessment to consider potential impairment indicators and did not identify impairment indicators. Therefore, no impairment loss was recorded in the six months to June 30, 2019. We also made reasonable efforts to identify any observable transactions of identical or similar investments of Tarmin, but did not identify any transaction requiring an adjustment to the carrying value of the Tarmin Warrant as at June 30, 2019. Therefore, the carrying value of the Tarmin Warrant as at June 30, 2019 was USD 7,000,000.

Note 19. Accounts Payable

The current accounts payable consisted of the following.

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Trade creditors	6,869	6,995
Factors or other financial institutions for borrowings	920	934
Accounts payable to Board Members	103	239
Accounts payable to other related parties	33	292
Accounts payable to underwriters, promoters, and employees	2,215	2,185
Other accounts payable	1,999	2,272
Total accounts payable	**12,139**	**12,917**

Accounts payable to Board Members are made up of accrued board fees. See Note 34 for details.

Accounts payable to other related parties is made up of a CHF 32,310 (USD 33,098) payable balance to OISTE foundation. See Note 34 for details.

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 20. Notes payable

Notes payable consisted of the following

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Short-term loan	3,940	6,718
Short-term loan from shareholders	79	79
Total notes payable	**4,019**	**6,797**

As at June 30, 2019, the current notes payable balance was made up of:

- a USD 3,940,023 short-term loan with ExWorks. See detail in Note 22.
- short-term loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 78,744 at closing rate (USD 79,122 as at December 31, 2018). These loans do not bear interests.

The weighted–average interest rate on current notes payable outstanding at the reporting date, excluding loans from shareholders at 0%, was respectively 10.00% per annum and 1.62% per annum as at June 30, 2019 and December 31, 2018.

Note 21. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at June 30, 2019 (unaudited)	As at December 31, 2018
Value-Added Tax Payable	285	422
Other tax payable	22	91
Customer contract liability, current	110	142
Onerous contracts, current	-	-
Other current liabilities	253	321
Total other current liabilities	**670**	**976**

Note 22. Loans and line of credit

Share Subscription Facility with GEM LLC

On January 19, 2016 the Group 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 Group 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.

In 2017, WISeKey made three drawdowns for a total of CHF 3,905,355 in exchange for a total of 825,000 WIHN class B shares issued out of authorized share capital.

There were no drawdowns made in 2018 or in the six months to June 30, 2019.

Therefore, as at June 30, 2019 the outstanding facility available is CHF 56,094,645.

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

On January 16, 2017 the Group signed an acquisition line of credit agreement with ExWorks Capital Fund I, L.P. ("**ExWorks**") (the "**ExWorks Line of Credit**") 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, a fifth amendment on September 19, 2017, a sixth amendment on February 5, 2018, a seventh amendment on March 30, 2018, an eighth amendment on June 20, 2018, a ninth amendment on July 24, 2018, a tenth amendment on August 17, 2018, and an eleventh amendment on September 27, 2018.

As of December 31, 2018, under the ExWorks Line of Credit as amended, the Group may borrow up to USD 22,646,437, including a loan of up to USD 4,000,000 to support the launch of WISeKey's WISeCoin setup. Borrowings under the ExWorks Line of Credit bear interest payable monthly at 1%. The maturity date of the arrangement is January 16, 2020 with an option to extend maturity to January 16, 2021 for a fee equal to 12% of the outstanding loan at the time WISeKey exercises the extension option. 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 ExWorks Line of Credit, the Group 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 Group 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 Group has complied with the line of credit covenants in the 12 months to December 31, 2018.

As at December 31, 2018, borrowings under the ExWorks 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 QuoVadis Trustlink Schweiz AG; (iii) any cash bank account of the Group held in Switzerland; (iv) 100% of the shares in WISeKey USA; (v) 100% of the shares in WISeKey Singapore; (vi) 100% of the shares held by the Group in WISeKey SAARC Ltd; and (vii) all shares owned by WISeKey (Bermuda) Holding Ltd in each of its subsidiaries.

The ExWorks 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 exercisable for up to 1,075,000 WIHN class B shares was 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 in 2017, 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 in 2017 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).

As at December 31, 2017, there were no unamortized debt discount/premium or debt issuance costs. 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.

The sixth amendment signed on February 05, 2018 extended maturity of the loans to January 16, 2020 (instead of January 15, 2019), reduced the monthly interest rate to 1% (instead of 1.5%), and introduced a clause whereby cash repayments are restricted in time. The amendment fee was USD 1,890,000.

The seventh amendment signed on March 30, 2018, granted an extension of USD 4m to the maximum loan amount to be used for "Other Approved Business Purpose". The amendment fee was USD 400,000. As at December 31, 2018 WISeKey has drawn USD 3,995,575 from this extended facility to fund the creation of WISeCoin AG.

Both the sixth and seventh amendments were analysed as debt modification and accounted for under ASC 470-50-40-14. Total debt issue costs of USD 2,290,000 were recorded as debt discounts and amortized over the duration of the credit line.

The eighth, ninth and tenth amendments were assessed and did not give rise to any debt modification or debt extinguishment accounting.

With the eleventh amendment on September 27, 2018 ExWorks removed liens on some intellectual property of the Group in exchange for WISeKey purchasing from ExWorks a 22% warrant in Tarmin (see note 19) for a total purchase price of USD 7,000,000 made up of a USD 3,000,000 cash payment made on October 05, 2018 and a USD 4,000,000 promissory note payable on March 31, 2019. The amendment fee was USD 250,000. The Tarmin Warrant was assessed as an equity investment without a readily determinable fair value and we elected the measurement at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer as permitted by ASU 2016-01. As such, the Tarmin Warrant was initially recognized on the balance sheet at USD 7,000,000.

In line with ASC 470-50, we compared the present value of the new debt per the eleventh amendment to the present value of the old debt under the tenth amendment and concluded that the difference was below the 10% threshold. The eleventh amendment was analysed as a debt modification and accounted for under ASC 470-50-40-14. Total debt issue costs of USD 2,540,000 were recorded as debt discounts and amortized over the duration of the credit line.

As at December 31, 2018, outstanding borrowings were USD 22,642,012.48 and unamortized debt discount USD 1,375,374.

On January 16, 2019, WISeKey repaid in cash all outstanding amounts: USD 22,618,226 of principal, USD 120,654 of accrued interests, and USD 2,595,000 of accrued fees.

For the period starting January 01, 2019 to January 16, 2019, WISeKey recorded a total debt amortization charge of USD 49,822. Therefore the unamortized debt discount as at January 16, 2019 amounted to USD 1,325,552.

The repayment of the loan was assessed as a debt extinguishment in line with ASC 405-20-40-1. As a result, the unamortized debt discount of USD 1,325,552 was expensed as loss on debt extinguishment in the income statement. Because most of the principal loan balance related to the acquisition credit line for the purchase of QuoVadis in 2017, and in application of ASC 205-20-45-6 to 205-20-45-8 after the signature of the SPA to sell QuoVadis, WISeKey further elected to apply ASC 205-20-45-8 and to allocate interest to the discontinued operations based on the debt that can be identified as specifically attributed to the operations of QuoVadis. As a result USD 1,092,783 out of the USD 1,325,552 total loss on debt extinguishment was recorded under discontinued operations and presented as a separate line item in the income / (loss) on discontinued operations presented in Note 28. The remaining USD 232,769 loss on debt extinguishment attributable to continuing operations is showing as a separate line item on the face of the income statement.

Standby Equity Distribution Agreement with YA II PN, Ltd.

On February 08, 2018 WISeKey entered into a Standby Equity Distribution Agreement with a fund managed by Yorkville Advisors Global, LLC. Under the terms of the SEDA as amended, Yorkville has committed to provide WISeKey, upon a drawdown request by WISeKey, up to CHF 50,000,000 in equity financing over a three-year period ending March 01, 2021. Provided that a sufficient number of Class B Shares is provided through share lending, WISeKey has the right to make drawdowns 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 worth up to CHF 5,000,000 by drawdown, subject to certain exceptions and limitations (including the exception that a drawdown request by WISeKey shall in no event cause the aggregate number of Class B Shares held by Yorkville to meet or exceed 4.99% of the total number of shares registered with the commercial register of the Canton of Zug). The purchase price will be 93% of the relevant market price at the time of the drawdown, determined by reference to a five-day trading period following the draw down request by WISeKey.

The instrument was assessed under ASC 815 as an equity instrument. WISeKey paid a one-time commitment fee of CHF 500,000 (USD 524,231 at historical rate) on April 24, 2018 in 100,000 WIHN Class B Shares. In line with ASU 2015-15 the commitment fee was capitalized as deferred charges to be amortized over the duration of the contract as a reduction of equity.

In 2018, WISeKey made 4 drawdowns for a total of CHF 1,749,992 (USD 1,755,378 at historical rate) in exchange for a total of 540,539 WIHN class B shares issued out of authorized share capital or treasury share capital.

On January 08, 2019 WISeKey made one drawdown for CHF 250,000 (USD 245,125 at historical rate) in exchange for 97,125 WIHN class B shares issued out of treasury share capital.

The amortization charge for the capitalized fee recognized in APIC amounted to USD 91,061 for the six months to June 30, 2019 and the remaining deferred charge balance as at June 30, 2019 was USD 306,892 broken down as USD 184,134 current and USD 122,758 noncurrent. As at June 30, 2019 the outstanding equity financing available was CHF 48,000,008, and 343,633 WIHN Class B shares were on loan to Yorkville under the share-lending arrangement, at an aggregate fair value of USD 865,952 calculated based on the market price of a share at the reporting date (CHF 2.46, USD 2.52). There is no set term for the shares on loan. WISeKey retains title over the shares on loan to Yorkville and, as such, they have been treated as treasury shares in equity and for the purpose of calculating earnings per share.

Facility Agreement and Convertible Loan Agreement with YA II PN, Ltd.

On September 28, 2018 WISeKey entered into the Yorkville Loan, a Facility Agreement with Yorkville to borrow USD 3,500,000 repayable by May 01, 2019 in monthly cash instalments starting in November 2018. The loan bears an interest rate of 4% per annum payable monthly in arrears. A fee of USD 140,000 and debt issuance costs of USD 20,000 paid at inception.
The debt instrument was assessed as a term debt. A discount of USD 160,000 was recorded at inception and will be amortized using the effective interest method over the life of the debt.
The remaining loan balance at December 31, 2018 was USD 2,717,773 including unamortized debt discount of USD 57,007.

The discount amortization expense recorded for the period to December 31, 2018 was USD 102,993.
In the period to December 31, 2018, WISeKey repaid USD 725,220 of the principal loan amount in cash.

On June 27, 2019, WISeKey entered into the Yorkville Convertible Loan, a Convertible Loan Agreement with Yorkville to borrow USD 3,500,000 repayable by August 01, 2020 in monthly instalments starting in August 01, 2019 either in cash or in WIHN class B Shares. The loan bears an interest rate of 6% per annum payable monthly in arrears. Total fees of USD 160,000 were paid at inception.
The conversion option into WIHN Class B shares is exercisable at the election of Yorkville and may be exercised at each monthly repayment date, covering any amount outstanding, be it principal and/or accrued interests. The initial exercise price is set at CHF 3.00 per WIHN class B Share but may be adjusted as a result of specific events so as to prevent any dissolution effect. The events triggering anti-dissolution adjustments are: (a) increase of capital by means of capitalization of reserves, profits or premiums by distribution of WIHN Shares, or division or consolidation of WIHN Shares, (b) issue of WIHN shares or other securities by way of conferring subscription or purchase rights, (c) spin-offs and capital distributions other than dividends, and (d) dividends.

At the date of inception of the Yorkville Convertible Loan, on June 27, 2019, an unpaid balance of USD 500,000 remained on the Yorkville Loan. There was no unamortized debt discount on the Yorkville Loan as it was amortized in accordance with the planned repayment schedule, i.e. by May 01, 2019.
In line with ASC 470-50, we compared the present value of the new debt (the Yorkville Convertible Loan) to the present value of the old debt (the Yorkville Loan) using the net method and concluded that the difference was below the 10% threshold. Therefore the Yorkville Convertible Loan was analyzed as a debt modification and accounted for under ASC 470-50-40-14.

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, thereby creating a debt discount.
The derivative liability 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. It was valued at inception at USD 257,435, and was allocated between current and noncurrent on a prorata temporis basis according to the monthly repayment schedule. The derivative component will be revalued at fair value at each reporting date in line with ASC 815-15-30-1.

On the date of the agreement, WISeKey signed an option agreement granting Yorkville the option to acquire up to 500,000 WIHN class B shares at an exercise price of CHF 3.00, exercisable between June 27, 2019 and June 27, 2022. In order to prevent any dissolution effect, the exercise price may be adjusted as a result of the same specific events listed above as adjustments to the conversion price of the principal amount. In line with ASC 470-20-25-2, the proceeds from the convertible debt with a detachable warrant was allocated to the two elements based on the relative fair values of the debt instrument net of the warrant and the embedded conversion separated out on the one side, and the warrant at time of issuance on the other side. The option agreement was assessed as an equity instrument and was fair valued at grant for an amount of USD 373,574 using the Black-Scholes model and the market price of WIHN class B shares on the date of grant, June 27, 2019, of CH 2.35. The fair value of the debt was calculated using the discounted cash flow method as USD 3,635,638. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of USD 326,126, and the credit entry was booked in APIC.

As a result of the above accounting entries, the total debt discount recorded at inception was USD 743,561, made up of USD 160,000 fees to Yorkville, USD 257,435 from the bifurcation of the embedded conversion option into derivative liabilities, and USD 326,126 from the recognition of the warrant agreement.

As at June 30, 2019, the full principal amount was still outstanding and no conversion rights had been exercised. The derivative components was measured at fair value at the reporting date at USD 337,437, broken down as USD 265,129 current and USD 72,308 noncurrent derivative liabilities. Therefore, for the six months to June 30, 2019, WISeKey recorded in the income statement, a net loss on derivative of USD 80,002.

No debt discount amortization was recorded for the three days between the inception of the Yorkville Convertible Loan (June 27, 2019) and the period end (June 30, 2019) because the amount was highly immaterial to the accounts.

Convertible Loan with Crede CG III, Ltd

On September 28, 2018 the Group closed a Convertible Loan Agreement with Crede CG III, Ltd for an amount of USD 3,000,000. The funds were made available on October 31, 2018. The loan bears a 10% p.a. interest rate, payable in arrears on a quarterly basis starting December 31, 2018, and is repayable in WIHN class B Shares any time between November 30, 2018 and the maturity date of September 28, 2020, at Crede's election. Accrued interests are payable, at WISeKey's sole election, either in cash or in WIHN class B Shares. The conversion price applicable to the prepayment of the principal amount or accrued interest is calculated as 93% of the average of the 2 lowest daily volume-weighted average prices quoted on the SIX Stock Exchange during the 10 Trading Days immediately preceding the relevant conversion date or interest payment date respectively, disregarding any day on which Crede (or its Affiliates or related party) has effected any trade, converted into USD at the exchange rate reported by Bloomberg at 9 a.m. Swiss time on the relevant conversion date or interest payment date. As at December 31, 2018 the full amount of USD 3 million remained outstanding and accrued interest of USD 50,833 were recognized in the income statement.

Due to Crede's option to convert the loan in part or in full at any time before maturity, the Crede Convertible Loan was assessed as a share-settled debt instrument with an embedded put option. Because the value that Crede will receive at settlement does not vary with the value of the shares, the settlement provision is not considered a conversion option. We assessed the put option under ASC 815 and concluded that it is clearly and closely related to its debt host and therefore did not require bifurcation. Per ASC 480-10-25, the Crede Convertible Loan was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

On the date of the agreement, WISeKey signed an option agreement granting Crede the option to acquire up to 408,247 WIHN class B shares at an exercise price of CHF 3.84, exercisable between October 31, 2018 and October 29, 2021. Per the option agreement's term, the date of grant under US GAAP is October 29, 2018 upon issuance of a Tax Ruling from the Swiss Federal Tax Administration and the Zug tax authority. In line with ASC 470-20-25-2, the proceeds from the convertible debt with a detachable warrant was allocated to the two elements based on the relative fair values of the debt instrument without the warrant and of the warrant at time of issuance. The option agreement was assessed as an equity instrument and was fair valued at grant for an amount of USD 408,056 using the Black-Scholes model and the market price of WIHN class B shares on the date of grant, October 29, 2018, of CH 3.06. The fair value of the debt was calculated using the discounted cash flow method as USD 2,920,556. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the option agreement created a debt discount on the debt host in the amount of USD 367,771, and the credit entry was booked in APIC.

On January 03, 2019 Crede exercised a conversion in the amount of USD 73,559 in exchange for 30,000 WIHN class B shares issued out of treasury share capital.
On January 03, 2019 Crede exercised a conversion in the amount of USD 265,099 in exchange for 100,000 WIHN class B shares issued out of treasury share capital.
On February 26, 2019 Crede exercised a conversion in the amount of USD 279,525 in exchange for 100,000 WIHN class B shares issued out of treasury share capital.

As at June 30, 2019, the principal amount outstanding was USD 2,381,817. For the six months to June 30, 2019, the Group recorded a net debt discount amortization expense in the income statement of USD 59,235.

Credit Agreement with ExWorks Capital Fund I, L.P

On April 04, 2019 WISeCoin AG ("**WISeCoin**"), an affiliate of the Company, signed a credit agreement with ExWorks. Under this credit agreement, WISeCoin was granted a USD 4,000,000 term loan and may add up to USD 80,000 accrued interest to the loan principal, hence a maximum loan amount of USD 4,080,000. The loan bears an interest rate of 10% p.a. payable monthly in arrears. The maturity date of the arrangement is April 04, 2020 therefore all outstanding balances are classified as current liabilities in the balance sheet. ExWorks can elect to have part of or all of the principal loan amount and interests paid either in cash or in WISeCoin Security Tokens (the "**WCN Token**") as may be issued by WISeCoin from time to time. As at June 30, 2019, the conversion price is set at CHF 12.42 per WCN Token based on a non-legally binding term sheet.
Under the terms of the credit agreement, WISeCoin is required to not enter into agreements that would result in liens on property, assets or controlled subsidiaries, in indebtedness other than the exceptions listed in the credit agreement, in 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, asset transfer other than sale of assets in the ordinary course of business, or holding or acquiring shares and/or quotas in another person other than WISeCoin R&D. Furthermore, WISeCoin is required to maintain its existence, pay all taxes and other liabilities.
Borrowings under the line of credit are secured by first ranking security interests on all material assets and personal property of WISeCoin, and a pledge over the shares in WISeCoin representing 90% of the capital held by the Company. Under certain circumstances, additional security may be granted over the intellectual property rights of WISeCoin and WISeCoin R&D, and the shares held by WISeCoin in WISeCoin R&D.

In the six months to June 30, 2019, WISeKey recorded a total debt amortization charge of USD 70,023 and an unamortized debt discount of USD 89,977 remained as at June 30, 2019.
As at June 30, 2019, outstanding borrowings were USD 4,030,000.

Note 23. Employee Benefit Plans

Defined Benefit Post-retirement Plan

The group maintains two pension plans: one maintained by WISeKey SA covering its employees in Switzerland, and a second one maintained by WISeKey Semiconductors SAS covering its French employees.
All plans are considered defined benefit plans and accounted for in accordance with ASC 715 Compensation – Retirement Benefits. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services rateably over this period, and therefore, the income statement effects of pensions should follow a similar pattern ASC 715 requires recognition of the funded status or difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the balance sheet, with a corresponding adjustment recorded in the net loss. If the projected benefit obligation exceeds the fair value of the plan assets, then that difference or unfunded status represents the pension liability.
The Group 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 are determined based on prevailing market prices.

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

The pension liability calculated as at June 30, 2019 is based on annual personnel costs and assumptions from December 31, 2018.

The expected future cash flows to be paid by the Group for employer contribution for the year ended December 31, 2019 are USD 1,048,448.

Movement in Funded Status **USD'000**	**6 months ended June 30, 2019**	**6 months ended June 30, 2018**
Net Service cost	264	250
Interest cost/(credit)	66	50
Expected return on Assets	-	-
Amortization on Net (gain)/loss	36	47
Amortization on Prior service cost/(credit)	31	31
Total Net Periodic Benefit Cost/(credit)	**397**	**377**
Employer contributions paid in the period	(200)	(167)
Total Cashflow	**(200)**	**(167)**

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

Note 24. Commitments and contingencies

Lease Commitments

We lease certain facilities and equipment under operating leases (see Note 16). As of June 30, 2019, future minimum annual operating lease payments were as follows:

Year		**USD'000**
	2019	306
	2020	553
	2021	539
	2022	239
Total future minimum operating lease payments		**1,637**
Less effects of discounting		(128)
Lease liabilities recognized		1,509

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	**As at June 30, 2019**		**As at December 31, 2018**	
Share Capital	*Class A Shares*	*Class B Shares*	*Class A Shares*	*Class B Shares*
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	1,475,000	400,186	1,472,276
Per Articles of association and Swiss capital categories				
Authorized Capital - Total number of authorized shares	-	8,881,829	-	8,881,829
Conditional Share Capital - Total number of conditional shares	-	11,840,090	-	11,894,379
Total number of fully paid-in shares	40,021,988	28,824,086	40,021,988	28,769,797
Per US GAAP				
Total number of authorized shares	40,021,988	49,948,127	40,021,988	41,063,901
Total number of fully paid-in issued shares	40,021,988	28,824,086	40,021,988	28,769,797
Total number of fully paid-in outstanding shares	40,021,988	26,868,706	40,021,988	26,681,736
Par value per share (in CHF)	0.01	0.05	0.01	0.05
Share capital (in USD)	400,186	1,475,000	400,186	1,472,276
Total share capital (in USD)	**1,875,186**		**1,872,462**	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	1,955,380	-	2,088,061
Treasury share capital (in USD)	-	1,509,818	-	1,138,596
Total treasury share capital (in USD)	**-**	**1,509,818**	**-**	**1,138,596**

Note: unregistered conversion of conditional capital NOT deducted from total number of conditional shares, i.e. as if the issue had not taken place.

In the period to June 30, 2019, WISeKey purchased a total of 391,824 treasury shares at an average purchase price of USD 2.85 per share, and sold a total of 524,505 treasury shares at an average sale price of USD 1.42 per share. In 2018, WISeKey purchased a total of 2,729,657 treasury shares at an average purchase price of USD 0.96 per share, and sold a total of 641,596 treasury shares at an average sale price of USD 2.92 per share.

Note 26. Revenue

Disaggregation of revenue

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

Disaggregation of revenue	Typical payment	At one point in time		Over time		Total	
		6 months ended June 30,		6 months ended June 30,		6 months ended June 30,	
USD'000		**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
IoT Segment							
Payment at one point in time:							
Secure chips	Upon delivery	11,332	15,591	-	-	11,332	15,591
Total IoT segment revenue		**11,332**	**15,591**	**-**	**-**	**11,332**	**15,591**
mPKI Segment							
Certificates	Upon issuance	-	-	-	150	-	150
Licenses and integration	Upon delivery	650	781	-	-	650	781
SaaS, PCS and hosting	Quarterly or yearly	-	-	487	82	487	82
Total mPKI segment revenue		**650**	**781**	**487**	**232**	**1,137**	**1,013**
Total Revenue		**11,982**	**16,372**	**487**	**232**	**12,469**	**16,604**

For the periods ended June 30, 2019 and 2018, 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	6 months ended June 30,	
USD'000	**2019**	**2018**
IoT Segment		
Europe	4,456	7,533
North America	5,369	7,110
Asia Pacific	1,389	872
Latin America	118	76
Total IoT segment revenue	**11,332**	**15,591**
Europe	1,089	962
Asia Pacific	27	51
Latin America	21	-
Total mPKI segment revenue	**1,137**	**1,013**
Total Net sales	**12,469**	**16,604**

Contract assets and deferred revenue

Our contract assets and deferred revenue consist of:

Contract assets and contract liabilities (continuing operations)

USD'000	As at June 30, 2019	As at December 31, 2018
Trade accounts receivables		
Trade accounts receivable - IoT segment	3,863	4,871
Trade accounts receivable - mPKI segment	1,361	2,736
Total trade accounts receivables	**5,224**	**7,607**
Contract assets	-	-
Total contract assets	**-**	**-**
Deferred Revenue		
Deferred Revenue - mPKI segment	623	100
Total Deferred Revenue	**623**	**100**
Revenue recognized in the year from amounts included in the deferred revenue of the mPKI segment at the beginning of the year	65	297

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 of June 30, 2019, approximately USD 623'297 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 June 30, 2019		USD'000
	2019	68
	2020	554
	2021	1
Total remaining performance obligation		**623**

Note 27. 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 Group at the same terms, with the share exchange term of 5:1 into WIHN Class B shares.

Grants

In the 6 months to June 30, 2019, the Group granted a total of 133,383 options, each option being exercisable into one class B share, as per below.
The options granted consist of:

- 41,420 options with immediate vesting granted to external advisors, 36,420 of which had been exercised as of June 30, 2019;
- 80,463 warrants with immediate vesting granted to employees, 43,964 of which had been exercised as of June 30, 2019; and
- 11,500 options with conditional vesting granted to an external advisor, which has not yet vested as of June 30, 2019.

The options granted were valued at grant date using the Black-Scholes model.

Stock Option Charge to the Income Statement

The Group calculates the fair value of options granted by applying the Black-Scholes option pricing model. Expected volatility is based on historical volatility of WIHN class B shares.

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

Assumption	June 30, 2019	June 30, 2018
Dividend yield	None	None
Risk-free interest rate used (average)	1.00%	1.00%
Expected market price volatility	56.86%	57.88%
Average remaining expected life of stock options (years)	3.60	2.36

As a result of the entry into force of ASU 2018-07 and its transitional guidance, unvested options to external advisers which were previously revalued to their fair value at reporting date, are no longer revalued in 2019.

Unvested options to employees as at June 30, 2019 were recognized prorata temporis over the service period (grant date to vesting date).

Following from the sale of QuoVadis, a total of 333,905 options granted to former employees in 2018 were forfeited in the six months to June 30, 2019, out of which 79,256 had vested and 254,649 remained unvested at the date of forfeiture. In line with ASU 2016-09, the compensation cost previously recognized in relation to unvested forfeited options were reversed to the income statement upon forfeiture. This resulted in a credit to the income statement of USD 240,259. There was no credit recorded for the forfeiture of vested options.

As a result, in the 6 months to June 30, 2019, a total charge of USD 163,019 for options granted to employees and nonemployees was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant.

The following table illustrates the development of the Group's non-vested options during the 6 months ended June 30, 2019.

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, 2018	**431,368**	**2.99**
Granted	133,383	2.80
Vested	(121,883)	2.80
Non-vested forfeited or cancelled	(254,649)	3.75
Non-vested options as at June 30, 2019	**188,219**	**1.94**

As at June 30, 2019, there was an unrecognized compensation expense of USD 18,258 related to non-vested stock option based on compensation arrangements.

The following table summarizes the Group's stock option activity for the 6 months ended June 30, 2019.

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, 2018	**1,342,819**	**2.76**	**3.00**	**(895,404)**
Of which vested	911,451	3.28	2.26	(1,082,233)
Of which non-vested	431,368	-	-	-
Granted	133,383	**3.31**	-	-
Exercised or converted	(128,449)	3.18	-	284,216
Forfeited or cancelled	(333,905)	0.05	-	-
Expired	(199,000)	5.12	-	-
Outstanding as at June 30, 2019	**814,848**	**3.31**	**1.83**	**(854,777)**
Of which vested	626,629	3.18	1.89	(571,245)
Of which non-vested	188,219	-	-	-

Summary of Stock-Based Compensation Expenses

Stock-based compensation expenses **USD'000**	**6 months ended** **June 30, 2019**	**6 months ended** **June 30, 2018**
In relation to Employee Stock Option Plans (ESOP)	149	1,164
In relation to non-ESOP Option Agreements	14	(114)
Total	**163**	**1,050**

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

Stock-based compensation expenses **USD'000**	**6 months ended** **June 30, 2019**	**6 months ended** **June 30, 2018**
Selling & marketing expenses / (credit)	(108)	218
General & administrative expenses	297	832
Research & development expenses / (credit)	(26)	-
Total	**163**	**1,050**

Note 28. Divestiture and Discontinued operations

Classification as discontinued operations of the QuoVadis Group

On December 21, 2018 the Group signed a sale and purchase agreement (the "**SPA**") to sell WISeKey (Bermuda) Holding Ltd and its affiliates to Digicert Inc, excluding the ISTANA product line. The group subsidiaries making up the QuoVadis Group in scope for the sale were WISeKey (Bermuda) Holding Ltd, QuoVadis Trustlink Schweiz AG, WISeKey (UK) Ltd, QuoVadis Trustlink BVBA, QuoVadis Trustlink BV, QV BE BV, QuoVadis Trustlink GmbH, QuoVadis Services Ltd, and QuoVadis Ltd.
The completion of the sale was conditional on: (i) the release of liens on QuoVadis companies held by ExWorks; (ii) consent from Edmund Gibbons Ltd, the joint venture partner holding 49% of QuoVadis Services Ltd; (iii) consent from the Bermuda Monetary Authority; and (iv) consent from the Regulatory Authority in Bermuda (the "**RAB**") (the "**RAB Consent**") to the change in ultimate beneficial ownership of QuoVadis Services Ltd, being the entity holding the Communications Operating Licence in Bermuda. The SPA states that should the RAB Consent not have been obtained when the other completion conditions are satisfied, WISeKey or Digicert Inc may require to complete the transaction except for QuoVadis Services Ltd, in which case the transfer of ownership of all QuoVadis entities to Digicert Inc would occur except for the shares held by WISeKey (Bermuda) Holding Ltd in QuoVadis Services Ltd which would be transferred to WISeKey International Holding AG until the RAB Consent is obtained.

We assessed the SPA under ASC 205 and concluded that the operation met the requirement to be classified as held for sale and as such qualifies as a discontinued operation from the date of the SPA, December 21, 2018. In line with ASC 205-20-45-3A and ASC 205-20-45-10 respectively, we reported the results of the discontinued operations as a separate component of income for the six months to June 30, 2019 and 2018, and we classified their assets and liabilities separately as held for sale in the balance sheet for the year to December 31, 2018.
No gain or loss on classification as held for sale was recorded in 2018.

The table below shows the reconciliation of the major classes of line items constituting income / (loss) on discontinued operations to the income / (loss) on discontinued operations reported in discontinued operations in the income statement:

USD'000	6 months ended June 30, 2019	6 months ended June 30, 2018
Net sales from discontinued operations	1,935	9,300
Cost of sales from discontinued operations	(791)	(4,168)
Gross profit	**1,144**	**5,132**
Research & development expenses	(121)	(1,227)
Selling & marketing expenses	(143)	(1,453)
General & administrative expenses	(337)	(5,075)
Non-operating income	36	36
Non-operating expenses	(103)	(63)
Gain / (loss) on debt extinguishment	(1,093)	-
Interest and amortization of debt discount	(41)	(1,733)
Gain on disposal of a business	31,100	-
Total operating and non-operating expenses from discontinued operations	**29,298**	**(9,515)**
Income / (loss) from discontinued operations before income tax	**30,442**	**(4,383)**
Income tax (expense) / recovery from discontinued operations	42	(1,098)
Income / (loss) on discontinued operations	**30,484**	**(5,481)**
Less: Net income on discontinued operations attributable to noncontrolling interests	58	(88)
Net income / (loss) on discontinued operations attributable to WISeKey International Holding AG	**30,426**	**(5,393)**

The depreciation charge from discontinued operations for the six months ended June 30, 2018 was USD 240,269. In line with ASC 205, the depreciation of property, plant and equipment from discontinued operations stopped on the day that they qualified as held for sale. As a result, we did not record any depreciation charge from discontinued operations for the six months ended June 30, 2019.
The amortization charge from discontinued operations for the six months ended June 30, 2018 was USD 917,698. In line with ASC 205, the amortization of intangible assets from discontinued operations stopped on the day that they qualified as held for sale. As a result, we did not record any amortization charge from discontinued operations for the six months ended June 30, 2019.

WISeKey considered guidance on allocation of interest to discontinued operations per ASC 205-20-45-6 to 205-20-45-8. In the year 2017, the Group secured an acquisition line of credit agreement with ExWorks with an annual interest rate of 12% (see note 24 for detail). The purpose of this line of credit was the acquisition of the QuoVadis group which was completed on April 03, 2017. Although the debt and interest on debt will not be assumed by Digicert Inc nor is required to be repaid upon disposal, we have assessed that the amount of debt and related interest contracted for the acquisition of the QuoVadis Group is not directly attributable to or related to other operations of WISeKey, and elected to allocate those interests relating to the debt to acquire QuoVadis to discontinued operations. We reviewed the method of allocation based on net assets proposed under ASC 205-20-45-7 and considered that such allocation would not provide meaningful results because it would spread the interest onto other operations of the entity to which the interest is not directly attributable or related. Therefore WISeKey further elected to apply ASC 205-20-45-8 and to allocate interest to the discontinued operations based on the debt that can be identified as specifically attributed to the operations of QuoVadis.
The interest amounts allocated to and included in discontinued operations were respectively USD 1,233,324 and USD 1,764,519 for the six months ended June 30, 2019 and 2018.

In previous annual and interim reports, the results of the discontinued operations were included in the mPKI segment.

The table below shows the total operating and investing cash flows of the discontinued operation:

USD'000	6 months ended June 30, 2019	6 months ended June 30, 2018
Net cash provided by (used in) operating activities	783	1,061
Net cash provided by (used in) investing activities	-	(419)

Divestiture of the QuoVadis Group

The sale was completed on January 16, 2019, when all QuoVadis entities except QuoVadis Services Ltd were transferred to Digicert Inc. The transfer of ownership of QuoVadis Services Ltd was conditional on receiving the consent from the Regulatory Authority in Bermuda (the "**RAB**") (the "**RAB Consent**") to the change in ultimate beneficial ownership of QuoVadis Services Ltd, being the entity holding the Communications Operating Licence in Bermuda. The RAB Consent was obtained in February 2019 and the transfer of ownership of QuoVadis Services Ltd from WISeKey to Digicert Inc. was effective on February 28, 2019. We assessed the SPA under ASC 810-10-40-6 and concluded that the terms and conditions of the SPA met the definition to account for the sale as a single transaction effective on January 16, 2019.

The purchase price set in the SPA was USD 45,000,000 to be split USD 40,500,000 at completion of the sale and USD 4,500,000 to be paid into an escrow account used for the settlement of any post-completion claims and released in an amount up to USD 2,500,000 on the first anniversary of the completion and the remaining amount on the second anniversary of completion. The net purchase price of USD 35,839,960 paid to WISeKey was adjusted for the following items: (a) all accounts payable items and other liability items due for payment on or before December 31, 2018 were paid in full; (b) the QuoVadis Group companies was transferred free of indebtedness including any loan with WISeKey; and (c) the equivalent of USD 4,000,000 in cash in aggregate was retained in the bank accounts of the QuoVadis companies.
ISTANA-related contracts and rights were transferred to WISeKey SA prior to December 31, 2018.

The gain from divestiture recorded in the reporting period is USD 31,099,632, shown as a separate line within discontinued operations in the income statement.

WISeKey did not have any involvement with the QuoVadis Group or Digicert Inc after it had been deconsolidated. Digicert Inc was not and is not a related party of WISeKey, and neither the QuoVadis Group nor Digicert Inc are related parties to WISeKey after the deconsolidation.

Note 29. Non-operating income

Non-operating income consisted of the following:

	Unaudited 6 months ended June 30,	
USD'000	**2019**	**2018**
Foreign exchange gain	939	105
Financial income	50	51
Other	100	244
Total non-operating income from continuing operations	**1,089**	**400**

Note 30. Non-operating expenses

Non-operating expenses consisted of the following:

	Unaudited 6 months ended June 30,	
USD'000	**2019**	**2018**
Foreign exchange losses	1,397	479
Financial charges	105	107
Interest Expense	256	-
Other components of defined benefit plans, net	70	71
Other	6	394
Total non-operating expenses from continuing operations	**1,834**	**1,051**

Note 31. Segment Information and Geographic Data

The Group has two segments: Internet of Things ("**IoT**", previously referred to as "Semiconductors") and managed Public Key Infrastructure ("**mPKI**", previously referred to as "Others"). The Group's chief operating decision maker, who is its Chief Executive Officer, reviews financial performance according to these two segments for purposes of allocating resources and assessing budgets and performance.
The IoT segment encompasses the design, manufacturing, sales and distribution of microprocessors operations. The mPKI segment includes all operations relating to the provision of secured access keys, authentication, signing software, certificates and digital security applications.

6 months to June 30, 2019

USD'000	IoT	mPKI	Total
Revenues from external customers	11,332	1,137	12,469
Intersegment revenues	128	1,394	1,522
Interest revenue	23	77	100
Interest expense	15	594	610
Depreciation and amortization	653	13	666
Segment income /(loss) before income taxes	552	(9,556)	(9,004)
Profit / (loss) from intersegment sales	6	66	72
Income tax recovery /(expense)	-	(1)	(1)
Other significant non cash items			
Share-based compensation expense	-	163	163
Interest and amortization of debt discount and expense	-	143	143
Segment assets	17,329	60,327	77,656

Revenue reconciliation	**USD'000**
Total revenue for reportable segment	13,991
Elimination of intersegment revenue	(1,522)
Total consolidated revenue	12,469

Loss reconciliation	**USD'000**
Total profit / (loss) from reportable segments	(9,004)
Elimination of intersegment profits	(72)
Loss before income taxes	(9,076)

Assets	**USD'000**
Total assets from reportable segments	77,656
Elimination of intersegment receivables	(7,343)
Elimination of intersegment investment and goodwill	(11,421)
Consolidated total assets	**58,892**

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 from continuing operations	**6 months ended June 30,**	
USD'000	**2019**	**2018**
Europe	5,544	8,495
North America	5,369	7,111
Asia Pacific	1,416	922
Latin America	140	76
Total Net sales from continuing operations	**12,469**	**16,604**

Property, plant and equipment, net of depreciation by region	As at June 30,	As at December 31,
USD'000	**2019**	**2018**
Europe	2,022	2,345
North America	1	1
Asia Pacific	19	23
Total Property, plant and equipment, net of depreciation	**2,042**	**2,370**

Note 32. Gain / (loss) per share

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

	6 months ended June 30,	
Gain / (loss) per share	**2019**	**2018**
Net gain / (loss) attributable to WISeKey International Holding AG (USD'000)	21,768	(10,712)
Shares used in net gain / (loss) per share computation:		
Weighted average shares outstanding - basic	35,544,665	33,266,555
Effect of potentially dilutive equivalent shares	1,260,387	N/A
Weighted average shares outstanding - diluted	36,805,052	N/A
Net gain / (loss) per share		
Basic weighted average loss per share attributable to WIHN (USD)	0.61	(0.32)
Diluted weighted average loss per share attributable to WIHN (USD)	0.60	(0.32)

For the six months ended June 30, 2018, for purposes of the diluted net loss per share calculation, stock options, share subscriptions in progress, 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 six months ended June 30, 2018 due to the Group's net loss position.

Note 33. Legal proceedings

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

Note 34. Related parties disclosure

Subsidiaries

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

Group Company Name	Country of incorporation	Share Capital		% ownership as of June 30, 2019	% ownership as of December 31, 2018	Nature of business
WISeKey SA	Switzerland	CHF	933,436	95.55%	95.35%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	France	EUR	1,298,162	100.0%	100.0%	Chip manufacturing, sales & distribution
WiseTrust SA	Switzerland	CHF	680,000	100.0%	100.0%	Non-operating investment company
WISeKey (Suisse) SA	Switzerland	CHF	100,000	100.0%	100.0%	Dormant
WISeKey ELA SL	Spain	EUR	4,000,000	100.0%	100.0%	Sales & support
WISeKey SAARC Ltd	U.K.	GBP	100,000	51.0%	51.0%	Non trading
WISeKey USA Inc*	U.S.A	USD	6,500	100%*	100%*	Sales & support
WISeKey India Private Ltd***	India	INR	1,000,000	45.9%	45.9%	Sales & support
WISeKey Singapore Pte Ltd**	Singapore	SGD	100,000	100.0%	100.0%	Sales & distribution
WISeKey KK	Japan	JPY	1,000,000	100.0%	100.0%	Sales & distribution
WISeKey Taiwan	Taiwan	TWD	100,000	100.0%	100.0%	Sales & distribution
WISeCoin AG	Switzerland	CHF	100,000	90.0%	90.0%	Sales & distribution
WISeKey Equities AG	Switzerland	CHF	100,000	100.0%	100.0%	Financing, Sales & distribution
WISeCoin France R&D Lab SAS	France	EUR	10,000	90.0%	not incorporated	Research & development
WISeKey Semiconductors GmbH	Germany	EUR	25,000	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

*** 88% owned by WISeKey SAARC which is controlled by WISeKey International Holding AG

WISeKey France SAS and WISeKey Italia s.r.l. were liquidated in the period and as a result are no longer listed in the consolidated subsidiaries as at June 30, 2019.
WISeCoin France R&D Lab SAS was incorporated on March 4, 2019. It is controlled and 90%-owned by the Group, and was therefore consolidated from the date of its incorporation.
WISeKey Semiconductors GmbH was acquired on April 26, 2019 as an empty shell company. It is 100% controlled and owned by the Group, and was therefore consolidated from the date of its acquisition.

Related Party Transactions and Balances

Related Parties (in USD'000)	Receivables as at June 30, 2019	Receivables as at December 31, 2018	Payables as at June 30, 2019	Payables as at December 31, 2018	Net expenses to in the 6 months ended June 30, 2019	Net expenses to in the 6 months ended June 30, 2018	Net income from in the 6 months ended June 30, 2019	Net income from in the 6 months ended June 30, 2018
1 Carlos Moreira	-	8	-	-	9	-	-	-
2 Maryla Shingler-Bobbio	-	-	-	-	71	51	-	-
3 Philippe Doubre	-	-	23	54	55	54	-	-
4 Juan Hernández Zayas	-	-	30	62	82	55	-	-
5 Thomas Hürlimann	-	-	20	24	47	3	-	-
6 Dourgam Kummer	-	-	-	68	31	163	-	-
7 David Fergusson	-	-	30	31	67	34	-	-
8 Roman Brunner	-	-	-	418	426	6	87	-
9 Anthony Nagel	-	-	-	-	-	-	58	-
10 Harald Steger	-	-	-	-	-	445	-	-
11 Don Tapscott	-	-	-	200	-	194	-	-
12 Wei Wang	-	-	-	-	-	187	-	-
13 OISTE	8	-	33	92	110	112	14	-
14 Todd Ruppert	-	-	-	-	-	354	-	-
15 Edmund Gibbons Limited	-	-	-	451	29	86	36	200
16 Terra Ventures Inc	-	-	31	31	-	-	-	-
17 SAI LLC (SBT Ventures)	-	-	32	32	-	-	-	-
18 GSP Holdings Ltd	-	-	16	16	-	-	-	-
19 Indian Potash Limited	-	-	-	-	-	-	-	44
Total	8	8	215	1,479	927	1,744	195	244

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey.

2. Maryla Shingler Bobbio is a Board member of the Group, and member of the Group's audit committee and nomination & compensation committee. The expenses recorded in the income statement in the six months to June 30, 2019 relate to her Board fees.

3. Philippe Doubre is a Board member of the Group, and member of the Group's nomination & compensation committee, as well as a shareholder. The payable to Philippe Doubre as at June 30, 2019 and expenses recorded in the income statement in the six months to June 30, 2019 relate to his Board fees.

4. Juan Hernández Zayas is a Board member of the Group, and member of the Group's audit committee and strategy committee, as well as a shareholder. The payable to Juan Hernández Zayas as at June 30, 2019 and expenses recorded in the income statement in the six months to June 30, 2019 relate to his Board fees.

5. Thomas Hürlimann was a Board member of the Group for the 2018/2019 Board term. Mr. Hürlimann did not stand for re-election at the Group's last Annual General Meeting on May 21, 2019 and is therefore no longer a Board member as at June 30, 2019. The payable to Thomas Hürlimann as at June 30, 2019 and expenses recorded in the income statement in the six months to June 30, 2019 relate to his 2018/2019 Board fees.

6. Dourgam Kummer is the Vice-Chairman of the Board of the Group, as well as a shareholder. Since January 07, 2019, Mr. Kummer is employed by the Company as Head Corporate M&A and, in line with the articles of association, is no longer entitled to compensation for his Board services. The expenses recorded in the income statement in the six months to June 30, 2019 relate to his Board fees up until December 31, 2018.

7. David Fergusson is a Board member of the Group, and member of the Group's audit committee and nomination & compensation committee, as well as a shareholder. The payable to David Fergusson as at June 30, 2019 and expenses recorded in the income statement in the six months to June 30, 2019 relate to his Board fees.

8. Roman Brunner was the Chief Revenue Officer of the Group up until the divestiture of QuoVadis on January 16, 2019, and is a shareholder. Mr. Brunner entered into a loan agreement with WISeKey (Bermuda) Holding Ltd, an entity that is part of QuoVadis, in 2007 and has made loans to WISeKey (Bermuda) Holding Ltd of varying amounts since 2004. The loans carried an interest rate of 5% per annum. On January 16, 2019, immediately prior to the divestiture of QuoVadis, WISeKey repaid the outstanding loan to Roman Brunner in full for a total amount of USD 418,832, recorded as an expense to the income statement. The remaining expenses in the six months to June 30, 2019 represent the charge incurred in relation to the unvested options granted to Mr. Brunner for the period January 01, 2019 to January 16, 2019. The credit to the income statement in the six months to June 30, 2019 is the reversal of the charges previously incurred on the unvested options forfeited following the divestiture.

9. Anthony Nagel was the Chief Operations Officer of QuoVadis up until the divestiture of QuoVadis on January 16, 2019, and is a shareholder. The expenses recorded in the income statement in the six months to June 30, 2019 represent the charge incurred in relation to the unvested options granted to Mr. Nagel for the period January 01, 2019 to January 16, 2019. The credit to the income statement in the six months to June 30, 2019 is the reversal of the charges previously incurred on the unvested options forfeited following the divestiture.

10. Harald Steger was a member of the Group's strategy committee until December 31, 2018.

11. Don Tapscott is a member of the Group's strategy committee, and cofounder of The Tapscott Group Inc. In December 2018, WISeKey entered into an agreement with the Blockchain Research Institute, a division of The Tapscott Group Inc., to establish BlockChain Centers of Excellence and promote BlockChain technology worldwide.

12. Wei Wang was a member of the Group's strategy committee until December 31, 2018.

13. 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. Several members of the Board of Directors of WISeKey are also members of the Counsel of the Foundation, which gives rise to the related party situation.
OISTE is also the minority shareholder in WISeCoin AG with a 10% ownership.
The expenses relating to OISTE recognized in the six months to June 30, 2019 relate solely to the license fee for the six months to June 30, 2019 under the contract agreement with WISeKey SA. As at June 30, 2019 WISeKey had a payable balance of USD 33,098 with OISTE. The income from OISTE related to IT services provided by WISeKey SA.

14. Todd Ruppert is a former shareholder.

15. Edmund Gibbons Limited had a 49% shareholding in QuoVadis Services Ltd before the entity, which was part of QuoVadis, was divested. QuoVadis Services Ltd had issued a promissory note to Edmund Gibbons Limited for USD 450,000 outstanding as at December 31, 2018. The note was non-interest bearing. On January 16, 2019, immediately prior to the divestiture of QuoVadis, WISeKey repaid the outstanding loan to Edmund Gibbons Limited in full for a total amount of USD 450,134, recorded as an expense to the income statement.
Up until the divestiture, Edmund Gibbons Ltd charged total rental fees of USD 28,757 to QuoVadis Services Ltd. The revenue of USD 35,562 recognized for the period up until divestiture relates to a Managed Services contract between Clarien Bank and QuoVadis Services Ltd.

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

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

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

19. Indian Potash Limited ("IPL") has a 10% shareholding in WISeKey India Private Ltd.

Note 35. Subsequent events

Crede Convertible Loan

On June 24, 2019 Crede exercised a conversion in the amount of USD 208,755 in exchange for 100,000 WIHN class B shares issued out of treasury share capital. The shares were delivered on July 01, 2019, date when the transaction was recorded in the accounts.
The convertible loan balance outstanding after this conversion was USD 2,173,061.

Release of restricted cash

Following from WISeKey's decision to stop the services of a market maker on June 25, 2019, a balance of CHF 300,000 (USD 307,316 at closing rate) was refunded from the liquidity account to WISeKey on July 03, 2019. The remaining balance on the liquidity after this refund was CHF 24,073 (USD 24,660). See Note 8.

SEDA drawdown

On August 15, 2019 WISeKey made one drawdown for CHF 250,000 (USD 245,125 at historical rate) in exchange for 120,250 WIHN class B shares issued out of treasury share capital. The outstanding equity financing available after this drawdown was CHF 47,750,008, and 223,383 WIHN Class B shares remained on loan to Yorkville under the share-lending arrangement.

Yorkville Convertible Loan

At the time of release of this annual report, WISeKey has repaid USD 300,000 toward the Yorkville Convertible Loan in cash, bringing the principal amount of the loan down to USD 3,200,000.

Share buyback program

On July 09, 2019, WISeKey started a share buyback program, to buy back WIHN class B shares up to a maximum 10.00% of the share capital and 5.35% of the voting rights. The repurchased registered class B shares shall be used as a reserve for future M&A transactions. In compliance with Swiss Law, at no time will WISeKey hold more than 10% of his own registered shares.

Liquidation of WISeKey Singapore Pte Ltd

On August 02, 2019 the appointed liquidator held the final meeting to close WISeKey Singapore Pte Ltd, a dormant entity of the group. The liquidation is expected to be effective in November 2019.

Confidential draft registration statement on Form 20-F under the US Securities Exchange Act of 1934 to the U.S. Securities and Exchange Commission (SEC)

On August 26, 2019 WISeKey announced that following the board of directors approval of a proposed listing of its Class B Shares in the form of American Depositary Shares on a U.S. stock exchange, it has submitted a confidential draft registration statement on Form 20-F under the U.S. Securities Exchange Act of 1934 to the U.S. Securities and Exchange Commission (SEC). A registration statement is a set of documents, including a prospectus, which a company must file with the U.S. Securities and Exchange Commission before it proceeds with the listing of its shares on a U.S. stock exchange.
No new securities will be issued in connection with the listing, which is expected to commence after the SEC completes its review process.
The announcement was made pursuant to, and in accordance with, Rule 135 under the Securities Act of 1933, as amended (the "Securities Act") and shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities. Any offers, solicitations or offers to buy, or any sales of securities will be made in accordance with the registration requirements of the Securities Act.