WISeKey International Holding Ltd

Consolidated Financial Statements

As at December 31, 2023

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

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1. Report of the Independent Registered Public Accounting Firm (BDO AG; Zurich, Switzerland; PCAOB ID# 5988)

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To the general meeting of

WISeKey International Holding Ltd
General-Guisan-Strasse 6
6300 Zug

Report on the Audit of the Consolidated Financial Statements 2023

(for the period from 01.01.2023 to 31.12.2023)

15 May 2024

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STATUTORY AUDITOR'S REPORT

To the general meeting of WISeKey International Holding Ltd, Zug

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of WISeKey International Holding Ltd and its subsidiaries (the Group), which comprise the Consolidated Balance Sheets as at December 31, 2023 and 31 December 2022 and the related Statements of Comprehensive Income / Loss, Consolidated Statements of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows for each of the three years in the period ended 31 December 2023, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion the Consolidated Financial Statements (pages F-9 to F-56) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and 31 December 2022 and its consolidated financial performance and its consolidated cash flows for each of the three years then ended in accordance with U.S. generally accepted accounting principles (US GAAP) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and U.S. federal securities laws as well as the applicable rules and regulations of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

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

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Key Audit Matter	How the Key Audit Matter was addressed in the audit

Revenue Recognition ASC 606

The Group generates revenues from the sale of semiconductor secure chips, digital certificates, Software as a Service (SaaS), Software license, post contract customer support (PCS), implementation and integration of multiple element cybersecurity solutions.

We considered revenue recognition to be a key audit matter because revenue recognition is complex and has a significant impact on the consolidated financial statements including disclosures.

We refer to Note 4 and Note 27 to the consolidated financial statements for the Group's disclosure on the nature of its major revenue sources and method for accounting.

We evaluated the related accounting policy adopted by the Group for compliance with US GAAP.

We walked through and evaluated the Group's process and controls over the different steps from contract identification to revenue recognition.

We challenged management's assessment over the identification of the contract, classifying the performance obligation, determining the transaction price, allocating the transaction price to the performance obligations, the timing and the amount of revenue recognition.

We tested a sample of revenue contracts for compliance with ASC 606.

We assessed the appropriateness of the related disclosures in Note 4 and Note 27.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Goodwill - Impairment Considerations	
The Group carries goodwill of total USD 8.3M on the consolidated balance sheet. ASC 350 requires the Group to assess whether the fair value of the respective reporting unit is less than its carrying amount. The Group selected to bypass the qualitative assessment and proceeded directly to the quantitative assessment of the relating reporting unit Internet of Things (mainly consisting of Semiconductor) by calculating the fair value based on the income approach using discounted expected future cash flows. Due to the significant impact of goodwill on the consolidated financial statements and due to the significant estimates of management involved we consider this area to be a key audit matter. We refer to Note 16 to the consolidated financial statements for additional disclosure of the Group's goodwill.	We evaluated the appropriateness of the Group's identification of the reporting units and the allocation of the net assets to the reporting units. We inspected Group's assessment on impairment consideration for appropriateness. We evaluated the budgeting approach. We challenged management's analysis around the key drivers of cash flow projections. We assessed key assumptions used, e.g. WACC and considered sensitivity of key assumptions. With the support of our internal expert, we tested the accuracy and appropriateness of the model. We assessed the appropriateness and completeness of the related disclosures in Note 16.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Valuation Deferred Income Tax Asset	
On the face of the balance sheet the Group presents Deferred Income Tax Assets amounting to USD 3.1M. Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet prepared for consolidation purposes. Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is “more likely than not” that future profits will be available and the tax loss carry-forward can be utilized. Pursuant to ASC 740 a valuation allowance must be established for deferred tax assets when it is more likely than not that they will not be realized. The Deferred Tax Asset is material to the financial statements, management used significant estimates and it required a high amount of auditor attention. Therefore, we consider this area to be a key audit matter. Note 32 provides additional information on the Deferred Income Tax Asset.	We assessed the appropriateness and accuracy of the Group's identification and support of the deferred tax assets for both, temporary differences and tax loss carry forwards. We confirmed the accuracy of the Group's calculation of the deferred tax assets. We agreed our independent calculation of the deferred tax assets to the calculation prepared by the client. We challenged management's assessment performing an independent three-year cumulative result test. We tested the estimation for the need for an amount of valuation allowance for deferred tax assets verifying negative and positive evidence available supporting the availability of future taxable profits. We evaluated the budgeting approach. We challenged management’s analysis around the key drivers of cash flow projections. We assessed the appropriateness and completeness of the related disclosures in Note 32.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information,we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles and the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation

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of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on Other Legal and Regulatory Requirements

We are a public accounting firm registered with the Swiss Federal Audit Oversight Authority (FAOA) and the PCAOB and we confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA). We are independent with respect to the Group in accordance with Swiss law and U.S. federal securities laws as well as the applicable rules and regulations of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

Geneva, 15 May 2024

BDO Ltd

Philipp Kegele	ppa. Sascha Gasser
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

2. Consolidated Statements of Comprehensive Income/(Loss)

USD'000, except earnings per share	12 months ended December 31, 2023	2022	2021	Note ref.
Net sales	30,918	23,814	17,646	27
Cost of sales	(15,754)	(13,588)	(9,893)	
Depreciation of production assets	(420)	(132)	(301)	
Gross profit	**14,744**	**10,094**	**7,452**	
Other operating income	167	2,073	183	28
Research & development expenses	(4,398)	(3,862)	(5,618)	
Selling & marketing expenses	(6,523)	(7,275)	(9,111)	
General & administrative expenses	(17,290)	(11,466)	(14,066)	
Total operating expenses	**(28,044)**	**(20,530)**	**(28,612)**	
Operating loss	**(13,300)**	**(10,436)**	**(21,160)**	
Non-operating income	2,374	3,937	2,509	30
Debt conversion expense	(562)	(827)	(325)	22
Interest and amortization of debt discount	(624)	(168)	(1,057)	22
Non-operating expenses	(3,107)	(5,551)	(3,426)	31
Loss before income tax expense	**(15,219)**	**(13,045)**	**(23,459)**	
Income tax income / (expense)	(230)	3,238	(13)	32
Loss from continuing operations, net	**(15,449)**	**(9,807)**	**(23,472)**	
Discontinued operations:				
Net sales from discontinued operations	-	1,805	4,612	
Cost of sales from discontinued operations	-	(978)	(2,976)	
Total operating and non-operating expenses from discontinued operations	-	(5,274)	(2,364)	
Income tax recovery from discontinued operations	-	25	106	
Loss on disposal of a business, net of tax on disposal	-	(15,026)	-	
Income / (loss) on discontinued operations	**-**	**(19,448)**	**(622)**	
Net income / (loss)	**(15,449)**	**(29,255)**	**(24,094)**	
Net income / (loss) attributable to noncontrolling interests	(89)	(1,780)	(3,754)	
Net income / (loss) attributable to WISeKey International Holding Ltd	**(15,360)**	**(27,475)**	**(20,340)**	
<u>Earnings per Class A Share (USD)</u>				34
Earnings per Class A Share from continuing operations				
Basic	(0.50)	(0.44)	(1.64)	
Diluted	(0.50)	(0.44)	(1.64)	
Earnings per Class A Share from discontinued operations				
Basic	-	(0.87)	(0.04)	
Diluted	-	(0.87)	(0.04)	
Earning per Class A Share attributable to WISeKey International Holding Ltd				
Basic	(0.51)	(1.22)	(1.42)	
Diluted	(0.51)	(1.22)	(1.42)	

USD'000	12 months ended December 31, 2023	2022	2021	Note ref.
Earnings per Class B Share (USD)				*34*
Earnings per Class B Share from continuing operations				
Basic	(5.01)	(4.36)	(16.38)	
Diluted	(5.01)	(4.36)	(16.38)	
Earnings per Class B Share from discontinued operations				
Basic	-	(8.65)	(0.44)	
Diluted	-	(8.65)	(0.44)	
Earning per Class B Share attributable to WISeKey International Holding Ltd				
Basic	(5.06)	(12.22)	(14.20)	
Diluted	(5.06)	(12.22)	(14.20)	
Other comprehensive income / (loss), net of tax:				
Foreign currency translation adjustments	(842)	(1,434)	(1,534)	
Change in unrealized gains related to available-for-sale debt securities	-	-	1,965	
Reclassifications out of the OCI arising during period	-	1,156	-	
Defined benefit pension plans:				*23*
Net gain (loss) arising during period	(1,151)	2,934	1,572	
Reclassification adjustments	-	-	(7,350)	
Other comprehensive income / (loss)	**(1,993)**	**2,656**	**(5,347)**	
Comprehensive income / (loss)	**(17,442)**	**(26,599)**	**(29,441)**	
Other comprehensive income / (loss) attributable to noncontrolling interests	(99)	(964)	187	
Other comprehensive income / (loss) attributable to WISeKey International Holding Ltd	**(1,894)**	**3,620**	**(5,534)**	
Comprehensive income / (loss) attributable to noncontrolling interests	(188)	(2,744)	(3,567)	
Comprehensive income / (loss) attributable to WISeKey International Holding Ltd	**(17,254)**	**(23,855)**	**(25,874)**	

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

3. Consolidated Balance Sheets

USD'000	As at December 31, 2023	As at December 31, 2022	*Note ref.*
ASSETS			
Current assets			
Cash and cash equivalents	15,311	20,706	*7*
Restricted cash, current	-	108	
Accounts receivable, net of allowance for credit losses	5,471	2,573	*8*
Notes receivable, current	63	67	*9*
Inventories	5,230	7,510	*10*
Prepaid expenses	1,290	831	
Government assistance	1,718	692	*11*
Other current assets	1,008	1,380	*12*
Total current assets	**30,091**	**33,867**	
Noncurrent assets			
Notes receivable from related parties, noncurrent	-	64	
Deferred income tax assets	3,077	3,295	*32*
Deferred tax credits	15	2	
Property, plant and equipment net of accumulated depreciation	3,392	842	*13*
Intangible assets, net of accumulated amortization	96	98	*14*
Operating lease right-of-use assets	2,052	2,289	*15*
Goodwill	8,317	8,317	*16*
Equity securities, at cost	486	472	*17*
Equity securities, at fair value	-	1	*18*
Other noncurrent assets	275	249	
Total noncurrent assets	**17,710**	**15,629**	
TOTAL ASSETS	**47,801**	**49,496**	
LIABILITIES			
Current Liabilities			
Accounts payable	12,863	13,401	*19*
Notes payable	4,164	4,196	*20*
Convertible note payable, current	190	-	*22*
Deferred revenue, current	217	174	*27*
Current portion of obligations under operating lease liabilities	638	592	*15*
Income tax payable	4	57	
Other current liabilities	832	409	*21*
Total current liabilities	**18,908**	**18,829**	
Noncurrent liabilities			
Bonds, mortgages and other long-term debt	1,820	1,850	*22*
Convertible note payable, noncurrent	1,519	1,267	*22*
Deferred revenue, noncurrent	24	23	*27*
Operating lease liabilities, noncurrent	1,443	1,727	*15*
Employee benefit plan obligation	3,001	1,759	*23*
Other deferred tax liabilities	0	8	
Other noncurrent liabilities	2	8	
Total noncurrent liabilities	**7,809**	**6,642**	
TOTAL LIABILITIES	**26,717**	**25,471**	

USD'000	As at December 31, 2023	As at December 31, 2022	Note ref.
Commitments and contingent liabilities			24
SHAREHOLDERS' EQUITY			
Common stock - Class A	400	400	25
CHF 0.25 par value			
Authorized - 2,000,880 and 2,000,880 shares			
Issued and outstanding - 1,600,880 and 1,600,880 shares			
Common stock - Class B	8,170	5,334	25
CHF 2.50 par value			
Authorized - 6,194,267 and 3,548,392			
Issued - 3,076,150 and 2,005,890			
Outstanding - 2,954,097 and 1,996,745			
Treasury stock, at cost (122,053 and 9,145 shares held)	(691)	(371)	25
Additional paid-in capital	295,716	280,597	
Accumulated other comprehensive income / (loss)	4,041	5,935	26
Accumulated deficit	(280,961)	(265,635)	
Total shareholders' equity attributable to WISeKey shareholders	**26,675**	**26,260**	
Noncontrolling interests in consolidated subsidiaries	(5,591)	(2,235)	
Total shareholders' equity	**21,084**	**24,025**	
TOTAL LIABILITIES AND EQUITY	**47,801**	**49,496**	

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

4. Consolidated Statements of Changes in Shareholders' Equity

USD'000 (except for share numbers)	Number of common shares		Common Share Capital		Total share capital	Treasury Shares	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income / (loss)	**Total stockholders' equity**	Noncontrolling interests	**Total equity**	***Note ref.***
	Class A	Class B	Class A	Class B									
As at December 31, 2021	1,600,880	1,762,401	400	4,685	5,085	(636)	268,199	(238,160)	1,407	**35,895**	5,484	**41,379**	
Common stock issued[1]	-	-	-	-	-	-	(80)	-	-	**(80)**	-	**(80)**	
Options exercised	-	3,439	-	9	9	-	16	-	-	**25**	-	**25**	
Stock-based compensation	-	-	-	-	-	-	744	-	-	**744**	-	**744**	
L1 Facility	-	73,572	-	197	197	175	5,424	-	-	**5,796**	-	**5,796**	
Anson Facility	-	166,478	-	443	443	193	5,783	-	-	**6,419**	-	**6,419**	
Production capacity investment loan	-	-	-	-	-	-	511	-	-	**511**	-	**511**	
NCI cancellation TrusteCoin	-	-	-	-	-	-	-	-	-	**-**	8	**8**	
Disposal of Arago entities	-	-	-	-	-	-	-	-	908	**908**	(4,983)	**(4,075)**	
Share buyback program	-	-	-	-	-	(103)	-	-	-	**(103)**	-	**(103)**	
Net income	-	-	-	-	-	-	-	(27,475)	-	**(27,475)**	(1,780)	**(29,255)**	
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	3,620	**3,620**	(964)	**2,656**	
As at December 31, 2022	1,600,880	2,005,890	400	5,334	5,734	(371)	280,597	(265,635)	5,935	**26,260**	(2,235)	**24,025**	
Common stock issued[1]	-	1	-	-	-	-	(41)	-	-	**(41)**	-	**(41)**	
Options exercised	-	13,878	-	38	38	-	(9)	-	-	**29**	-	**29**	
Stock-based compensation	-	-	-	-	-	-	178	-	-	**178**	-	**178**	
Changes in treasury shares	-	300,000	-	820	820	(821)	-	-	-	**(1)**	-	**(1)**	
L1 Facility	-	578,481	-	1,492	1,492	87	6,361	-	-	**7,940**	(1,576)	**6,364**	*22*
Anson Facility	-	177,900	-	486	486	414	8,630	-	-	**9,530**	(1,558)	**7,972**	*22*
Dividend in kind	-	-	-	-	-	-	-	34	-	**34**	(34)	**-**	
Net income	-	-	-	-	-	-	-	(15,360)	-	**(15,360)**	(89)	**(15,449)**	
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	(1,894)	**(1,894)**	(99)	**(1,993)**	
As at December 31, 2023	1,600,800	3,076,150	400	8,170	8,570	(691)	295,716	(280,961)	4,041	**26,675**	(5,591)	**21,084**	

1. The articles of association of the Company had not been fully updated as of December 31, 2023 with the shares issued out of conditional capital.

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

5. Consolidated Statements of Cash Flows

USD'000	12 months ended December 31, 2023	2022	2021
Cash Flows from operating activities:			
Net Income (loss)	(15,449)	(29,255)	(24,094)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant & equipment	624	446	513
Amortization of intangible assets	1	156	481
Write-off loss / (gain)	(48)	1,333	-
Debt conversion expense	562	827	325
Interest and amortization of debt discount	624	168	1,057
Stock-based compensation	178	744	3,783
Bad debt expense	36	4	18
Inventory valuation allowance	594	554	-
Increase (decrease) in defined benefit pension liability, net of unrealized gains and losses	232	13	(570)
Income tax expense / (recovery) net of cash paid	222	(3,268)	(131)
Other non cash expenses /(income)			
Expenses settled in equity	214	85	146
Loss on disposal of a business	-	15,026	-
Unrealized gains related to available-for-sale debt securities recorded in the income statement after acquisition of arago	-	-	(5,553)
Unrealized and non cash foreign currency transactions	(518)	1,378	172
Other	409	-	300
Changes in operating assets and liabilities, net of effects of businesses acquired			
Decrease (increase) in accounts receivables	(2,898)	227	207
Decrease (increase) in inventories	2,319	(5,354)	(236)
Decrease (increase) in government assistance	(1,069)	154	464
Decrease (increase) in other current assets and prepaids, net	(21)	(621)	737
Decrease (increase) in other noncurrent assets, net	(26)	8	1,805
Increase (decrease) in accounts payable	(538)	137	2,061
Increase (decrease) in deferred revenue, current	43	(34)	(723)
Increase (decrease) in income taxes payable	(53)	45	8
Increase (decrease) in other current liabilities	360	210	(2,370)
Increase (decrease) in deferred revenue, noncurrent	2	(77)	81
Increase (decrease) in other noncurrent liabilities	(6)	(50)	(272)
Net cash provided by (used in) operating activities	**(14,206)**	**(17,144)**	**(21,791)**
Cash Flows from investing activities:			
Sale / (acquisition) of equity securities	-	-	(476)
Sale / (acquisition) of property, plant and equipment	(3,021)	(303)	(36)
Sale of a business, net of cash and cash equivalents divested	-	(181)	-
Acquisition of a business, net of cash and cash equivalents acquired	-	-	(2,013)
Net cash provided by (used in) investing activities	**(3,021)**	**(484)**	**(2,525)**
Cash Flows from financing activities:			
Proceeds from options exercises	28	16	4
Proceeds from issuance of Common Stock	-	-	226
Proceeds from convertible loan issuance	12,990	4,820	44,362
Proceeds from debt	-	2,000	-
Repayments of debt	(276)	(2,246)	(5,276)
Payments of debt issue costs	(890)	(303)	(2,341)
Repurchase of treasury shares	(2)	(102)	-
Net cash provided by (used in) financing activities	**11,850**	**4,185**	**36,975**
Effect of exchange rate changes on cash and cash equivalents	(126)	(102)	(63)

Cash and cash equivalents and restricted cash

USD'000	12 months ended December 31, 2023	2022	2021
Net increase (decrease) during the period	(5,503)	(13,545)	12,596
Balance, beginning of period	20,814	34,359	21,763
Balance, end of period	**15,311**	**20,814**	**34,359**
Reconciliation to balance sheet			
Cash and cash equivalents	15,311	20,706	34,201
Restricted cash, current	-	108	110
Cash and cash equivalents from discontinued operations	-	-	48
Balance, end of period	**15,311**	**20,814**	**34,359**
Supplemental cash flow information			
Cash paid for interest, net of amounts capitalized	-	53	409
Cash paid for incomes taxes	8	6	-
Noncash conversion of convertible loans into common stock	12,875	13,800	43,704
Net effects of business acquired and disposed of (noncash)	-	2,831	-
Purchase of equity securities	-	-	476
ROU assets obtained from operating lease	66	29	2,375

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

6. Notes to the Consolidated Financial Statements

Note 1. The WISeKey Group

WISeKey International Holding Ltd, together with its consolidated subsidiaries ("**WISeKey**" or the "**Company**" or the "**Group**" or the "**WISeKey Group**"), has its headquarters in Switzerland. WISeKey International Holding Ltd, the ultimate parent of the WISeKey Group, was incorporated in December 2015 and is listed on the Swiss Stock Exchange, SIX SAG, with the valor symbol "WIHN" since March 2016 and on the NASDAQ Capital Market exchange with the valor symbol "WKEY" since December 2019.
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. In the first half of 2022, the Group decided to divest its Artificial Intelligence ("AI") segment and sell arago GmbH in order to refocus on its core operations.
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, WISeKey anticipates being able to generate profits in the near future.

Note 2. Future operations and going concern

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 13.3 million and had positive working capital of USD 11.2 million as at December 31, 2023, calculated as the difference between current assets and current liabilities. Based on the Group's cash projections for the next 12 months to May 31, 2025, it has sufficient liquidity 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 July 11, 2023, the Group entered into a Securities Purchase Agreement with L1 Capital Global Opportunities Master Fund ("**L1**") and a Securities Purchase Agreement with Anson Investments Master Fund LP ("**Anson**"), pursuant to which L1 and Anson may enter into a private placement in the form of Senior Unsecured Original Issue 4% Discount Convertible Promissory Notes (see Note 22 for detail).
After December 31, 2023, the Group signed two amendments to the Securities Purchase Agreement, providing for up to three additional funding tranches. The second tranche for an aggregate amount of USD 10 million was paid on January 10, 2024. The third tranche for an aggregate amount of USD 10 million was paid on March 1, 2024.

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

Reverse stock split

On June 29, 2023, after market close, the Group effected a reverse stock split of WISeKey's common stock (the "**Reverse Stock Split**") as follows:

- Class A shares, par value CHF 0.01 per share at a ratio of one-for-twenty-five, and
- Class B shares, par value CHF 0.05 per share at a ratio of one-for-fifty.

The Group's common stock began trading on a split-adjusted basis on June 30, 2023. Where the Reverse Stock Split of Class B shares resulted in fractions of 'new' Class B shares for the individual shareholder, the resulting fractions in new Class B shares were rounded down to the next whole number of 'new' Class B shares and shareholders were compensated for the remaining fractions in cash at a fixed price of CHF 8.735 per 'new' Class B share corresponding to a three-day volume-weighted average price of the WISeKey Class B Shares on the SIX Swiss Exchange prior to the ex-date of the Reverse Stock Split. WISeKey paid a total amount of CHF 1,747 (USD 1,952) in compensation for fractions. All share, warrant and options numbers, as well as share and per share amounts in the consolidated financial statements and notes thereto have been retroactively adjusted for all periods presented to give effect to the Reverse Stock Split.

Spin-off

On April 27, 2023, the shareholders approved the partial spin-off of the Group's IoT Semiconductors Vertical into a publicly traded company, SEALSQ Corp ("**SEALSQ**"), which was completed through the distribution of 20% of the ordinary share capital of SEALSQ Corp to the shareholders of WISeKey on May 23, 2023.
As a result of the spin-off of SEALSQ Corp, the Group distributed net negative assets of USD 34,209 to noncontrolling interests, which was reflected as a reduction in Retained earnings and an increase in Noncontrolling interests in consolidated subsidiaries.

The results of operations of SEALSQ Corp are included in the continuing operations of the IoT operating segment for all periods presented and, from the date of the distribution, the consolidated comprehensive results of SEALSQ Corp are attributed to owners of the Group and to the noncontrolling interests in proportion to their relative ownership interests. The assets and liabilities of SEALSQ Corp are consolidated in the Group's financial statements. Intercompany income and expenses, including unrealized gross profits from internal group transactions and intercompany receivables, payables and loans have been eliminated.

Earnings per share

The Company's share capital is divided into WIHN Class B Shares, par value CHF 2.50, which are listed on the SIX Swiss Stock Exchange, and WIHN Class A Shares, par value CHF 0.25, which are not listed on any exchange.

Historically, basic earnings per share were calculated using WISeKey International Holding Ltd's weighted-average outstanding WIHN Class B Shares. When the effects are not antidilutive, diluted earnings per share were calculated using the weighted-average outstanding WIHN Class B Shares and the dilutive effect of stock options as determined under the treasury stock method. The Company had assessed that the other class of shares, the non-listed WIHN Class A Shares, were not eligible for dividend and, as a result, did not apply the two-class method required for companies with multiple classes of common stock.

However, in the course of 2023, the dividend in kind voted by the board of directors was distributed to both shareholders of WIHN Class B Shares and WIHN Class A Shares. We have therefore amended our presentation of earnings per share to show the allocation between both classes of shares.

As a result of this assessment, basic earnings per share are calculated using the two-class method required for companies with multiple classes of common stock. The two-class method determines net earnings per common share for each class of common stock according to dividends declared or accumulated and participation rights in distributed and undistributed earnings or losses. The two-class method requires income available to common stockholders for the period to be allocated between each class of common stock based upon their respective rights to receive dividends as if all income for the period had been distributed.

For WISeKey, the dividend rights of the holders of WIHN Class A Shares and WIHN Class B Shares (collectively, the "common stock") differ. Dividend rights are proportionate to the nominal value of each class of shares. The dividend rights of a WIHN Class B Share with a nominal value of CHF 2.50 are ten times greater than the dividend rights of a WIHN Class A Share with a nominal value of CHF 0.25. Undistributed earnings are allocated to the classes of common stock proportionately to their dividend rights and the resulting net results per share will, therefore, vary for each class of common stock. In line with ASC 260-10-45, the Group has presented the net earnings attributed to its common stock for each class of common stock. The earnings per share calculation is based on the weighted average number of shares in issue of each class.

Below is a summary of the impact of the change in policy on the previous years' presentation of earnings per share.

USD	12 months ended December 31, 2022	2021	12 months ended December 31, 2022	2021
	As previously reported		Restated amount	
Earnings per Class A Share				
Earnings per Class A Share from continuing operations				
Basic	-	-	(0.44)	(1.64)
Diluted	-	-	(0.44)	(1.64)
Earnings per Class A Share from discontinued operations				
Basic	-	-	(0.87)	(0.04)
Diluted	-	-	(0.87)	(0.04)
Earning per Class A Share attributable to WISeKey International Holding Ltd				
Basic	-	-	(1.22)	(1.42)
Diluted	-	-	(1.22)	(1.42)
Earnings per Class B Share				
Earnings per Class B Share from continuing operations				
Basic	(4.50)	(16.5)	(4.36)	(16.38)
Diluted	(4.50)	(16.5)	(4.36)	(16.38)
Earnings per Class B Share from discontinued operations				
Basic	(8.50)	(0.50)	(8.65)	(0.44)
Diluted	(8.50)	(0.50)	(8.65)	(0.44)
Earning per Class B Share attributable to WISeKey International Holding Ltd				
Basic	(12.00)	(14.00)	(12.22)	(14.20)
Diluted	(12.00)	(14.00)	(12.22)	(14.20)

Note 4. Summary of significant accounting policies

Fiscal Year

The Group's fiscal year ends on December 31.

Principles of Consolidation

The consolidated financial statements include the accounts of WISeKey and its wholly-owned or majority-owned subsidiaries over which the Group has control.
The consolidated comprehensive loss and net loss of non-wholly owned subsidiaries is attributed to owners of the Group and to the noncontrolling interests in proportion to their relative ownership interests.
Intercompany income and expenses, including unrealized gross profits from internal group transactions and intercompany receivables, payables and loans have been eliminated.

General Principles of Business Combinations

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

Use of Estimates

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

- Inventory Valuation (see Note 10)
- Recoverability of deferred tax assets (see Note 32)
- Revenue recognition (see Note 27)
- Bonds, mortgages and other long-term debt (see Note 22)
- Convertible note payable, current and noncurrent (see Note 22)

Fair Value of Financial Instruments

The Group's financial instruments are primarily composed of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities, other liabilities, and debt obligations.
Fair value is the price that would be received to sell an asset or the amount paid to transfer a liability, also referred to as the "exit price," in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, as described in Note 6, the fair value measurement classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.
Fair values of financial instruments are estimated using public market prices, quotes from financial institutions and other available information. Due to their short-term maturity, the carrying amounts of cash and cash equivalents, accounts receivable and contract assets, accounts payable and other current liabilities approximate their fair values, and management also believes that the carrying values of notes and other receivables and outstanding balances on the Group's credit and term loan facilities approximate their fair values, based on their specific asset and/or liability characteristics, including having terms consistent with current market conditions. The fair value of convertible note payable is calculated based on the present value of the future cash flows as of the reporting date.

Foreign Currency

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

Cash and Cash Equivalents

Cash consists of deposits held at major banks that are readily available. Cash equivalents consist of highly liquid investments that are readily convertible to cash and with original maturity dates of three months or less from the date of purchase. The carrying amounts approximate fair value due to the short maturities of these instruments.

Accounts Receivable

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

Allowance for Credit losses

We recognize an allowance for credit losses to present the net amount of receivables expected to be collected as of the balance sheet date. The allowance is based on the credit losses expected to arise over the asset's contractual term taking into account historical loss experience, customer-specific data as well as forward-looking estimates. Expected credit losses are estimated individually.
Accounts receivables are written off when deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries, which are not to exceed the amount previously written off, are considered in determining the allowance balance at the balance sheet date.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives which range from 1 to 5 years. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the lease terms, as appropriate. Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible Assets

Those intangible assets that are considered to have a finite useful life are amortized over their useful lives, which generally range from 3 to 10 years. Each period we evaluate the estimated remaining useful lives of intangible assets and whether events or changes in circumstances require a revision to the remaining periods of amortization or that an impairment review be carried out.
Intangible assets with indefinite lives are not amortized but are subject to annual reviews for impairment.

Leases

In line with ASC 842, the Group, as a lessee, recognizes right-of-use assets and related lease liabilities on its balance sheet for all arrangements with terms longer than twelve months, and reviews its leases for classification between operating and finance leases. Obligations recorded under operating and finance leases are identified separately on the balance sheet. Assets under finance leases and their accumulated amortization are disclosed separately in the notes. Operating and finance lease assets and operating and finance lease liabilities are measured initially at an amount equal to the present value of minimum lease payments during the lease term, as at the beginning of the lease term.
We have elected the short-term lease practical expedient whereby we do not present short-term leases on the consolidated balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that we are reasonably certain to exercise.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized but are subject to impairment analysis at least once annually.
Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. We review our goodwill and indefinite lived intangible assets annually for impairment, or sooner if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We use October 1st as our annual impairment test measurement date.
In line with ASC 830, the goodwill balance is recorded in the functional currency of the acquired business and translated at each period end with the exchange rate impact booked into other comprehensive income.

Equity Securities

Equity securities are any security representing an ownership interest in an entity or the right to acquire or dispose of an ownership interest in an entity at fixed or determinable prices, in accordance with ASC 321, i.e., investments that do not qualify for accounting as a derivative instrument, an investment in consolidated subsidiaries, or an investment accounted for under the equity method.
We account for these investments in equity securities at fair value at the reporting date, except for those investments without a readily determinable fair value where we have elected the measurement at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, in line with ASC 321. Changes in fair value are accounted for in the income statement as a non-operating income/expense.

Revenue Recognition

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

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

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

Contract Assets

Contract assets consists of accrued revenue where WISeKey has fulfilled its performance obligation towards the customer but the corresponding invoice has not yet been issued. Upon invoicing, the asset is reclassified to trade accounts receivable until payment.

Deferred Revenue

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

Contract Liability

Contract liability consists of either:

- amounts that have been invoiced and not yet paid nor recognized as revenue. Upon payment, the liability is reclassified to deferred revenue if the amounts still have not been recognized as revenue. Contract liability that will be realized during the succeeding 12-month period is recorded as current and the remaining contract liability recorded as noncurrent. This would relate to multi-year certificates or licenses.
- advances from customers not supported by invoices.

Sales Commissions

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

Cost of Sales and Depreciation of Production Assets

Our cost of sales consists primarily of expenses associated with the delivery and distribution of our services and products. These include expenses related to the license to the Global Cryptographic ROOT Key, the global Certification authorities as well as the digital certificates for people, servers and objects, expenses related to the preparation of our secure elements and the technical support provided on the Group's ongoing production and on the ramp-up phase, including materials, labor, test and assembly suppliers, and subcontractors, freights costs, as well as the amortization of probes, wafers and other items that are used in the production process. This amortization is disclosed separately under depreciation of production assets on the face of the income statement.

Research and Development and Software Development Costs

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

Advertising Costs

All advertising costs are expensed as incurred.

Pension Plan

The Group maintains three defined benefit post retirement plans:

- one that covers all employees working for WISeKey SA in Switzerland,
- one that covers all employees working for WISeKey International Holding Ltd in Switzerland, and
- one for the French employees of WISeKey Semiconductors SAS.

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

Stock-Based Compensation

Stock-based compensation costs are recognized in earnings using the fair-value based method for all awards granted. Fair values of options and awards granted are estimated using a Black-Scholes option pricing model. The model's input assumptions are determined based on available internal and external data sources. The risk-free rate used in the model is based on the Swiss treasury rate for the expected contractual term. Expected volatility is based on historical volatility of WIHN Class B Shares.

Compensation costs for unvested stock options and awards are recognized in earnings over the requisite service period based on the fair value of those options and awards at the grant date.

Nonemployee share-based payment transactions are 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).

Litigation and Contingencies

Should legal proceedings and tax matters arise, due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues liability and/or discloses the relevant circumstances, as appropriate.

Income Taxes

Taxes on income are accrued in the same period as the income and expenses to which they relate.

Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of our companies prepared for consolidation purposes, with the exception of temporary differences arising on investments in foreign subsidiaries where WISeKey has plans to permanently reinvest profits into the foreign subsidiaries.

Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is "more likely than not" that future profits will be available, and the tax loss carry-forward can be utilized.

Changes to tax laws or tax rates enacted at the balance sheet date are taken into account in the determination of the applicable tax rate provided that they are likely to be applicable in the period when the deferred tax assets or tax liabilities are realized.

WISeKey is required to pay income taxes in a number of countries. WISeKey recognizes the benefit of uncertain tax positions in the financial statements when it is more likely than not that the position will be sustained on examination by the tax authorities. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on settlement with the tax authority, assuming full knowledge of the position and all relevant facts. WISeKey adjusts its recognition of these uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax positions.

Government Assistance - Research Tax Credits

Research tax credits are provided by the French government to give incentives for companies to perform technical and scientific research. Our subsidiary WISeKey Semiconductors SAS is eligible to receive such tax credits.

These research tax credits are presented as a reduction of research & development expenses in the income statement when companies that have qualifying expenses can receive such grants in the form of a tax credit irrespective of taxes ever paid or ever to be paid, the corresponding research and development efforts have been completed and the supporting documentation is available. 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. The tax credit is therefore considered to be a refundable R&D tax credit which is s not within the scope of the income tax standard (ASC 740). It is included in current assets under government assistance in the balance sheet in line with ASC 832.

Earnings per Share

Historically, basic earnings per share were calculated using WISeKey International Holding Ltd's weighted-average outstanding WIHN Class B Shares. When the effects are not antidilutive, diluted earnings per share were calculated using the weighted-average outstanding WIHN Class B Shares and the dilutive effect of stock options as determined under the treasury stock method. The Company had assessed that the other class of shares, the non-listed WIHN Class A Shares, were not eligible for dividend and, as a result, did not apply the two-class method required for companies with multiple classes of common stock.

However, in the course of 2023, the dividend in kind voted by the board of directors was distributed to both shareholders of WIHN Class B Shares and WIHN Class A Shares. We have therefore amended our presentation of earnings per share to show the allocation between both classes of shares.
As a result of this assessment, basic earnings per share are calculated using the two-class method required for companies with multiple classes of common stock. The two-class method determines net earnings per common share for each class of common stock according to dividends declared or accumulated and participation rights in distributed and undistributed earnings or losses. The two-class method requires income available to common stockholders for the period to be allocated between each class of common stock based upon their respective rights to receive dividends as if all income for the period had been distributed.
For WISeKey, the dividend rights of the holders of WIHN Class A Shares and WIHN Class B Shares (collectively, the "**common stock**") differ. Dividend rights are proportionate to the nominal value of each class of shares. The dividend rights of a WIHN Class B Share with a nominal value of CHF 2.50 are ten times greater than the dividend rights of a WIHN Class A Share with a nominal value of CHF 0.25. Undistributed earnings are allocated to the classes of common stock proportionately to their dividend rights and the resulting net results per share will, therefore, vary for each class of common stock. In line with ASC 260-10-45, the Group has presented the net earnings attributed to its common stock for each class of common stock. The earnings per share calculation is based on the weighted average number of shares in issue of each class.
When the effects are not antidilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares and the dilutive effect of stock options as determined under the treasury stock method.

Segment Reporting

Our chief operating decision maker, who is also our Chief Executive Officer, regularly reviews information collated into two segments for purposes of allocating resources and assessing budgets and performance. We report our financial performance based on this segment structure described in Note 33.

Comprehensive Income / (Loss)

Comprehensive income includes net income and other comprehensive income ("OCI"). Other comprehensive income consists of revenues, expenses, gains, and losses to be included in comprehensive income but excluded from net income as listed in ASC 220-10-45-10A.
In line with ASC 220 (Income Statement - Reporting Comprehensive Income), we have elected to report comprehensive income in a single continuous financial statement with two sections: net income and other comprehensive income.
We present each of the components of other comprehensive income separately, based on their nature, in the statement of comprehensive income.

Recent Accounting Pronouncements

<u>Adoption of new FASB Accounting Standard in the current year – Prior-Year Financial Statements not restated:</u>

As of January 1, 2023, the Group adopted Accounting Standards Update (ASU) 2021-08, Business Combinations (topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.
ASU 2021-08 amends ASC 805 to "require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination." Under current GAAP, an acquirer generally recognizes such items at fair value on the acquisition date. ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606 (meaning the acquirer should assume it has entered the original contract at the same date and using the same terms as the acquiree). This new ASU applies to contract assets and contract liabilities acquired in a business combination and to other contracts that directly/indirectly apply the requirements of ASC 606.
There was no impact on the Group's results upon adoption of the standard.

The group also adopted Accounting Standards Update (ASU) 2022-02, Financial instruments – Credit Losses (Topic 326) Troubled Debt Restructuring and Vintage Disclosures.
ASU 2022-02 eliminates troubled debt restructuring guidance for organizations that adopted the amendments in ASU 2016-13 while providing for additional disclosures for loan modifications. It eliminates guidance for troubled debt restructuring by creditors. In addition to the elimination of TDR guidance, an entity that has adopted ASU 2022-02 no longer considers renewals, modifications, and extensions that result from reasonably expected TDRs in their calculation of the allowance for credit losses in accordance with ASC 326-20. Additionally, ASU 2022-02 enhances disclosure requirements for certain loan modifications by creditors for borrowers experiencing financial difficulty. ASU 2022-02 also amends the vintage disclosure guidance for public business entities.
There was no impact on the Group's results upon adoption of the standard.

<u>New FASB Accounting Standard to be adopted in the future:</u>

In March 2023, The FASB issued ASU No. 2023-01, Leases (Topic 842): Common Control Arrangements, which requires all companies to amortize leasehold improvements associated with common control leases over the asset's useful life to the common control group regardless of the lease term.
Summary: The amendments allow a private company to elect to account for a common control leasing arrangement using the written terms and conditions without having to determine if those terms and conditions are legally enforceable. If the terms of the arrangement are not in writing, then the entity would apply existing guidance to determine the legally enforceable terms and conditions of the arrangement. The amendments also require leasehold improvements associated with leases between entities under common control to be amortized over the

useful life of the improvements until the lessee ceases to control the use of the underlying asset through a lease, at which time the remaining value of the leasehold improvement would be accounted for as a transfer between entities under common control.
Effective Date: ASU 2023-01 is effective for public business entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. An entity should apply the amendments prospectively to business combinations occurring on or after the effective dates. Early adoption is permitted.
The Group expects to adopt all 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 October 2023, the FASB issued ASU No 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative, which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the "Codification").
Summary: This amendment represents a change to clarify or improve disclosure and presentation requirements of a variety of topics. Also, the amendments align the requirements in the codification with the SEC's regulations.
Effective Date: ASU 2023-06 effective date for entities subject to SEC disclosure requirements will be the same as the SEC's effective date to remove the related disclosure from Regulation S-X and Regulation S-K. Each amendment will be effective for all other entities two years later. Entities must adopt all amendments prospectively, and early adoption is prohibited. If by June 30, 2027, the SEC has not removed the existing disclosure requirement from Regulations S-X or S-K, the corresponding disclosure pending requirement will be removed from the Codification and will not become effective.
The Group expects to adopt all 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 November 2023, the FASB issued ASU No 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances current segment disclosures and requires additional disclosures of significant segment expenses.
Summary: The amendments improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements.
Effective Date: ASU 2023-07 is effective for public business entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.
The Group expects to adopt all 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 December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements.
Summary: The intent of this standard is to enhance the decision usefulness of income tax disclosures. The standard applies to all entities subject to ASC Topic 740, Income Taxes. In addition, entities will be required to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes. They will also disclose the amount of income taxes paid (net of refunds) disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. The standard also outlines additional disclosure requirements for all entities and specific updates for public business entities.
Effective Date: ASU 2023-09 is effective for public business entities for fiscal years beginning after December 15, 2024. Early adoption is permitted.
The Group expects to adopt all 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 were 10% or higher than the respective total consolidated net sales for fiscal years 2023, 2022 or 2021, and the clients whose trade accounts receivable balances were 10% or higher than the respective total consolidated trade accounts receivable balance for fiscal years 2023 and 2022:

	Revenue concentration (% of total net sales) 12 months ended December 31,			Receivables concentration % of total accounts receivable) As at December 31,	
	2023	**2022**	**2021**	**2023**	**2022**
IoT operating segment					
Multinational electronics contract manufacturing company	15%	14%	10%	14%	30%
International equipment and software manufacturer	6%	5%	8%	18%	11%
International digital identity & security provider	12%	9%	0%	0%	6%
International software services provider	8%	6%	5%	13%	4%
International telecommunication company	5%	3%	2%	12%	2%
Multinational telecommunication & hardware manufacturing company	4%	5%	5%	11%	7%

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.

USD'000	As at December 31, 2023 Carrying amount	Fair value	As at December 31, 2022 Carrying amount	Fair value	Fair value level	*Note ref.*
Nonrecurring fair value measurements						
Accounts receivable, net of allowance for credit losses	5,471	5,471	2,573	2,573	3	*8*
Notes receivable, current	63	63	67	67	3	*9*
Notes receivable from related parties, noncurrent	-	-	64	64	3	
Equity securities, at cost	486	486	472	472	3	*17*
Accounts payable	12,863	12,863	13,401	13,401	3	*19*
Notes payable	4,164	4,164	4,196	4,196	3	*20*
Bonds, mortgages and other long-term debt	1,820	1,820	1,850	1,850	3	*22*
Convertible note payable, noncurrent	1,519	1,846	1,267	1,267	3	*22*
Recurring fair value measurements						
Equity securities, at fair value	-	-	1	1	1	*18*

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

- Accounts receivable, net of allowance for credit losses – carrying amount approximated fair value due to their short-term nature.
- Notes receivable, current – carrying amount approximated fair value due to their short-term nature.
- Notes receivable from related parties, noncurrent- carrying amount approximated fair value because time-value considerations are immaterial to the accounts.
- Equity securities, at cost - no readily determinable fair value, measured at cost minus impairment.
- Accounts payable – carrying amount approximated fair value due to their short-term nature.
- Notes payable – carrying amount approximated fair value due to their short-term nature.
- Bonds, mortgages and other long-term debt – carrying amount approximated fair value.
- Convertible note payable, noncurrent – fair value is calculated based on the present value of the future cash flows as of the reporting date.
- Equity securities, at fair value – fair value remeasured as at reporting period.

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks and a USD 2.5 million investment with original maturity of 90 days.

Note 8. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at December 31, 2023	As at December 31, 2022
Trade accounts receivable	5,380	2,463
Allowance for credit losses	(114)	(64)
Accounts receivable from other related parties	178	171
Accounts receivable from shareholders	-	-
Accounts receivable from underwriters, promoters, and employees	-	-
Other accounts receivable	27	3
Total accounts receivable, net of allowance for credit losses	**5,471**	**2,573**

As at December 31, 2023 and 2022, accounts receivable from other related parties consisted of a receivable from OISTE in relation to the facilities and personnel hosted by WISeKey SA and WISeKey International Holding Ltd on behalf of OISTE (see Note 36).

Note 9. Notes receivable, current

As at December 31, 2023, the notes receivable, current consisted of:

- a loan to an employee of CHF 61,818 (USD 63,268 and USD 66,872 at closing rate on December 31, 2023 and 2022 respectively). The loan bears an interest rate of 0.5% per annum. The loan and accrued interest were initially to be repaid in full on or before December 31, 2021, extended to December 31, 2022. In exchange for the loan, the employee has pledged the 60,000 ESOP options that he holds on WIHN Class B Shares (see Note 29).
- a short-term receivable from Carlos Moreira in an amount of CHF 397.21 (USD 472.11) made up of non-business expenses on his company credit card, not yet repaid as at December 31, 2023 (see Note 36).

Note 10. Inventories

Inventories consisted of the following:

USD'000	As at December 31, 2023	As at December 31, 2022
Raw materials	1,025	4,523
Work in progress	4,205	2,987
Total inventories	**5,230**	**7,510**

In the years ended December 31, 2023, 2022 and 2021, the Group recorded an inventory valuation allowance in the income statement in an amount of, respectively, USD 220,289, USD 204,211 and USD 57,302 on raw materials, and USD 373,469, USD 349,623 and USD 404,509 on work in progress.

Note 11. Government assistance

WISeKey Semiconductors SAS is eligible for research tax credits provided by the French government (see Note 4 Summary of significant accounting policies). As at December 31, 2023 and December 31, 2022, the receivable balances in respect of these research tax credits owed to the Group were respectively USD 1,718,248 and USD 692,314. 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. However, due to administrative delays, the R&D tax credit due at December 31, 2022 was not paid in full in 2023, therefore the balance as at December 31, 2023 is the aggregate of USD 1,052,514 (at closing rate) tax credit earned in relation to the year 2023 and USD 665,734 (at closing rate) in relation to prior periods. Refundable R&D tax credits are considered to be government assistance in line with ASC 832.

Note 12. Other current assets

Other current assets consisted of the following:

USD'000	As at December 31, 2023	As at December 31, 2022
Value-Added Tax receivable	657	352
Advanced payment to suppliers	346	1,025
Deposits, current	5	3
Total other current assets	**1,008**	**1,380**

Note 13. Property, plant and equipment

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

USD'000	As at December 31, 2023	As at December 31, 2022
Machinery & equipment	6,997	4,132
Office equipment and furniture	3,186	2,944
Computer equipment and licenses	1,861	1,558
Total property, plant and equipment gross	12,044	8,634
Accumulated depreciation for:		
Machinery & equipment	(3,963)	(3,707)
Office equipment and furniture	(3,044)	(2,703)
Computer equipment and licenses	(1,645)	(1,382)
Total accumulated depreciation	(8,652)	(7,792)
Total property, plant and equipment, net	**3,392**	**842**
Depreciation charge from continuing operations for the year	624	443

The depreciation charge from continuing operations for the year 2021 was USD 491,137.

In 2023, WISeKey did not identify any events or changes in circumstances indicating that the carrying amount of any asset may not be recoverable. As a result, WISeKey did not record any impairment charge on property, plant and equipment in the year 2023.

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

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

Note 14. Intangible assets

Intangible assets and future amortization expenses consisted of the following:

USD'000	As at December 31, 2023	As at December 31, 2022
Intangible assets not subject to amortization:		
Cryptocurrencies	96	96
Intangible assets subject to amortization:		
Trademarks	149	136
Patents	2,281	2,281
License agreements	12,132	11,195
Other intangibles	6,933	6,393
Total intangible assets gross	21,591	20,101
Accumulated amortization for:		
Trademarks	(149)	(136)
Patents	(2,281)	(2,281)
License agreements	(12,132)	(11,193)
Other intangibles	(6,933)	(6,393)
Total accumulated amortization	(21,495)	(20,003)
Total intangible assets subject to amortization, net	-	2
Total intangible assets, net	**96**	**98**
Amortization charge from continuing operations for the year	1	69

The amortization charge from continuing operations for the year 2021 was USD 72,872.

Intangible assets not subject to amortization are made up of a balance of USD 96,164 in cryptocurrencies acquired in the normal course of business to allow the Group to make purchases in cryptocurrencies. The cryptocurrency balance was initially recorded at cost. The Group did not identify any impairment factors in the year ended December 31, 2023. Therefore, no impairment losses were recorded in the year ended December 31, 2023 and the balance as at December 31, 2023 remains USD 96,164.

The useful economic life of intangible assets is as follow:

- Trademarks: 5 to 10 years
- Patents: 5 to 10 years
- License agreements: 3 to 5 years
- Other intangibles: 3 to 10 years

All intangible assets subject to amortization were fully amortized as at December 31, 2023, therefore there are no amortization charges expected in future years.

Note 15. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. As at December 31, 2023, WISeKey holds nine operating leases, and one short-term lease. The short-term leases and operating leases relate to premises and office equipment. We do not sublease. All of our operating leases include multiple optional renewal periods which are not reasonably certain to be exercised.

In the years 2023, 2022, and 2021 we recognized rent expenses associated with our leases as follows:

USD'000	12 months ended December 31, 2023	2022	2021
Finance lease cost:			
Amortization of right-of-use assets	-	33	68
Interest on lease liabilities	-	1	7
Operating lease cost:			
Fixed rent expense	668	587	695
Short-term lease cost	-	2	7
Net lease cost from continuing operations	**668**	**623**	**777**
Lease cost - Cost of sales	-	-	-
Lease cost - General & administrative expenses	668	623	777
Net lease cost from continuing operations	**668**	**623**	**777**

In the years 2023 and 2022, we had the following cash and non-cash activities associated with our leases:

USD'000	As at December 31, 2023	As at December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	-	61
Operating cash flows from operating leases	614	610
Financing cash flows from finance leases	-	1
Non-cash investing and financing activities :		
Net lease cost from continuing operations	668	623
Additions to ROU assets obtained from:		
New operating lease liabilities	66	56

The following table provides the details of right-of-use assets and lease liabilities as of December 31, 2023:

USD'000	As at December 31, 2023
Right-of-use assets:	
Operating leases	2,052
Total right-of-use assets	**2,052**
Lease liabilities:	
Operating leases	2,081
Total lease liabilities	**2,081**

As at December 31, 2023, future minimum annual lease payments were as follows:

Year	USD'000 Operating	USD'000 Short-term	USD'000 Finance	USD'000 Total
2024	641	-	-	641
2025	615	-	-	615
2026	561	-	-	561
2027	292	-	-	292
2028 and beyond	160	-	-	160
Total future minimum operating and short-term lease payments	**2,269**	**-**	**-**	**2,269**
Less effects of discounting	(188)	-	-	(188)
Lease liabilities recognized	**2,081**	**-**	**-**	**2,081**

As of December 31, 2023, the weighted-average remaining lease term was 3.81 years for operating leases.

For our operating leases and because we generally do not have access to the implicit rate in the lease, we calculated an estimate rate based upon the estimated incremental borrowing rate of the entity holding the lease. The weighted average discount rate associated with operating leases as of December 31, 2023 was 4.70% and as of December 31, 2022 was 3.21%.

Note 16. Goodwill

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 1, 2023, 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 October 1, 2023, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2023.

Impairment reviews have been conducted for the goodwill allocated to the reporting unit ("RU) relating to the acquisition of WISeKey Semiconductors SAS in 2016. Fair value has been determined based on the income approach. Cash flows have been projected over 5 years from the date of the assessment and have been discounted at the pre-tax weighted average cost of capital. Fair value is higher than its carrying value. The WISeKey Semiconductors SAS RU has a negative carrying amount.

USD'000	IoT Segment	Total
Goodwill balance as at December 31, 2021	**8,317**	**8,317**
Goodwill acquired during the year	-	-
Impairment losses	-	-
As at December 31, 2022		
Goodwill	8,317	8,317
Accumulated impairment losses	-	-
Goodwill balance as at December 31, 2022	**8,317**	**8,317**
Goodwill acquired during the year	-	-
Impairment losses	-	-
As at June December 31, 2023		
Goodwill	8,317	8,317
Accumulated impairment losses	-	-
Goodwill balance as at December 31, 2023	**8,317**	**8,317**

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

Note 17. Equity securities, at cost

Investment in FOSSA SYSTEMS s.l.

On April 8, 2021, WISeKey E.L.A. s.l. invested EUR 440,000 (USD 475,673 at historical rate) to acquire 15% of the share capital of FOSSA SYSTEMS s.l. ("**FOSSA**"), a Spanish aerospace company providing picosatellites for Low Earth Orbit (LEO) services as a vertically integrated service: from design to launch and operations.
The FOSSA investment 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 FOSSA investment was initially recognized on the balance sheet at EUR 440,000 (USD 475,673 at historical rate).
As at December 31, 2023, we performed a qualitative assessment to consider potential impairment indicators. We made reasonable efforts to identify any observable transactions of identical or similar investments but did not identify any such transaction. Therefore, no impairment loss was recorded in the year to December 31, 2023, and the carrying value of the FOSSA investment as at December 31, 2023 was EUR 440,000 (USD 485,715 at closing rate).

Warrant agreement in Tarmin

On September 27, 2018, WISeKey purchased a warrant agreement in Tarmin Inc. ("**Tarmin**") from ExWorks Capital Fund I, L.P ("**ExWorks**"). As a result, WISeKey entered into a warrant agreement with Tarmin Inc (the "**Tarmin Warrant**"), a private Delaware company, leader in data and 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 million.
The Tarmin Warrant was assessed as an equity investment without a readily determinable fair value, initially recognized on the balance sheet at USD 7 million. In 2020, we recorded an impairment loss of the full USD 7 million then carrying value of the Tarmin Warrant. Therefore, the carrying value of the Tarmin Warrant as at December 31, 2023 is USD nil.

Note 18. 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 July 25, 2016 were not being further pursued. The interim financing provided by WISeKey to OpenLimit in a principal amount of EUR 750,000 was, in accordance with applicable terms of a convertible loan agreement, converted into OpenLimit Shares issued by OpenLimit out of its existing authorized share capital. The conversion price was set at 95% of the volume weighted average price ("**VWAP**") of the OpenLimit shares traded on the Frankfurt stock exchange as reported by the Frankfurt stock exchange for the ten trading days immediately preceding and including March 29, 2017. WISeKey received 2,200,000 newly issued fully fungible listed OpenLimit Shares representing – post issuance of these new shares – an 8.4% stake in OpenLimit on an issued share basis. The effective conversion ratio was EUR 0.3409 per share. The equity securities were fair valued at market price on the date of the transaction to USD 846,561.
As at December 31, 2023, OpenLimit Holding AG has gone into liquidation. As a result, WISeKey decided to write-off the investment in full, hence an expense USD 1,180 was recorded in the income statement as part of non-operating expenses in year ended December 31, 2023.

Note 19. Accounts payable

The accounts payable balance consisted of the following:

USD'000	As at December 31, 2023	As at December 31, 2022
Trade creditors	3,568	5,207
Accounts payable to Board Members	826	353
Accounts payable to other related parties	104	70
Accounts payable to underwriters, promoters, and employees	4,200	3,918
Other accounts payable	4,165	3,853
Total accounts payable	**12,863**	**13,401**

As at December 31, 2023, accounts payable to Board Members are made up of:

- a balance of CHF 386,683 (USD 459,600) payable to Carlos Moreira in relation to accrued bonus and social charges thereon (see Note 36 for detail), and
- a balance of CHF 248,480 (USD 295,337) payable to Peter Ward in relation to accrued bonus and social charges thereon (see Note 36 for detail).
- a total balance of USD 71,000 payable to other Board Members in relation to their board fee (see Note 36 for detail).

As at December 31, 2023, accounts payable to other related parties are made up of CHF 87,595 (USD 104,114) payable to (see Note 36 for detail).

Accounts payable to underwriters, promoters and employees consist primarily of payable balances to employees in relation to holidays, 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 December 31, 2023	As at December 31, 2022
Short-term loan	4,085	4,121
Short-term loan from shareholders	79	75
Total notes payable	**4,164**	**4,196**

As at December 31, 2023, the current notes payable balance was made up of:

- a USD 4,030,000 short-term loan with ExWorks (see detail in Note 22), and
- a CHF 46,600 (USD 55,388) current portion of the Covid loans with UBS (see Note 22).

As at December 31, 2023, the short-term loan from shareholders was made up of loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 78,950 at closing rate (USD 75,038 as at December 31, 2022). These loans do not bear interest. See Note 36 for detail.

The weighted–average interest rate on current notes payable, excluding loans from shareholders at 0% interest rate, was respectively 10% and 10% per annum as at December 31, 2023 and December 31, 2022.

Note 21. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2023	As at December 31, 2022
Other tax payable	319	108
Customer contract liability, current	353	105
Other current liabilities	160	196
Total other current liabilities	**832**	**409**

Note 22. Loans and line of credit

Credit Agreement with ExWorks Capital Fund I, L.P

On April 4, 2019, WISeCoin AG ("**WISeCoin**"), an affiliate of the Group, 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 was April 4, 2020, therefore all outstanding balances are classified as current liabilities in the balance sheet. ExWorks can elect to have part 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 was 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 Group. Under certain circumstances, additional security may be granted over the intellectual property rights of WISeCoin.

Total debt issue costs of USD 160,000 were recorded as debt discount and amortized over the duration of the loan. As at December 31, 2020, the debt discount was fully amortized.

As at December 31, 2023, the loan had not been repaid and the outstanding borrowings were USD 4,030,000, meaning that the loan is past due under the terms of the credit agreement with ExWorks. The Group has been in contact with ExWorks regarding a potential sale of its investment in Tarmin, a company in which ExWorks is also a significant shareholder (see Note 17). It is the view of the management of the Group that the sale of the investment in Tarmin and the repayment of the credit agreement are codependent and therefore the loan will be repaid at such time as the investment is sold. ExWorks continues to charge interest on the loan at the rate of 10% p.a.

Loan Agreements with UBS SA

On March 26, 2020, two members of the Group, WISeKey International Holding Ltd and WISeKey SA, entered into the Covid loans to borrow funds under the Swiss Government supported COVID-19 Credit Facility with UBS SA. Under the terms of the Agreement, UBS has lent such Group members a total of CHF 571,500. The loans are repayable in full by March 30, 2028, as amended, being the eighth anniversary of the date of deposit of the funds by UBS. Semi-annual repayments have started since March 31, 2022, and will be spread on a linear basis over the remaining term. Full repayment of the loans is permitted at any time. The interest rate is determined by Swiss COVID-19 Law and currently the Covid loans carry an interest rate of 0%. There were no fees or costs attributed to the Covid loans and as such there is no debt discount of debt premium associated with the loan facility.

Under the terms of the loans, the relevant companies are required to use the funds solely to cover the liquidity requirements of the Group. In particular, the Group cannot use the funds for the distribution of dividends and directors' fees as well as the repayment of capital contributions, the granting of active loans; refinancing of private or shareholder loans; the repayment of intra-group loans; or the transfer of guaranteed loans to a group company not having its registered office in Switzerland, whether directly or indirectly linked to applicant.

During the year ended December 31, 2023, the loans accrued interest in a total amount of CHF 715 (USD 850) and WISeKey repaid CHF 232,400 out of the loans, bringing the total repayment to date to CHF 386,200 (USD 459,027 at closing rate). Therefore, as at December 31, 2023, the outstanding balance on the loans was CHF 185,300 (USD 220,243).

Credit Agreement with L1 Capital Global Opportunities Master Fund

On June 29, 2021, WISeKey entered into an Agreement for the Subscription of up to $22M Convertible Notes (the "**L1 Facility**") with L1 Capital Global Opportunities Master Fund ("**L1**"), pursuant to which L1 committed to grant a loan to WISeKey for up to a maximum amount of USD 22 million divided into tranches of variable sizes, during a commitment period of 24 months ending June 28, 2023. The initial tranche was agreed in the L1 Facility agreement as USD 11 million to be funded on June 29, 2021 (the "**L1 Initial Tranche**"). For the remaining facility, WISeKey has the right to request L1 to subscribe for four additional note tranches of USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes of USD 100,000 each that bear interest of 6% per annum. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares within a period of 24 months from issuance (the "**L1 Conversion Period**"). Conversion takes place upon request by L1 during the L1 Conversion Period, but in any case no later than at the expiry of the L1 Conversion Period. Each calendar month, L1 can request conversion of up to 12.5% of the principal amount of all issued tranches at a conversion price of 95% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date, and , should L1 wish to convert more than 12.5% of the principal amount of all issued tranches in a calendar month, the conversion price for the additional converted amounts is set at the higher of (i) the Fixed Conversion price applicable to relevant tranche, and (ii) 95% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date (the "**Original L1 Conversion Price**").

Due to L1's option to convert the loan in part or in full at any time before maturity, the L1 Facility was assessed as a share-settled debt instrument with an embedded put option. In line with ASC 480-10-55-43 and ASC 480-10-55-44, because the value that L1 will predominantly 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 L1 Facility was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Debt issue costs made up of legal expenses of USD 36,745, a commission of USD 802,500 to the placement agent, a fee of USD 220,000 to L1 representing 2% of the principal value of the initial tranche, and a subscription fee of USD 220,000 to L1 representing 2% of the principal value of the initial tranche payable in WIHN Class B Shares were due upon issuance of the Initial Tranche and recorded as a debt discount against the L1 Initial Tranche principal amount. The subscription fee was paid in WIHN Class B Shares and was fair valued at CHF 183,901 (USD 200,871) based on the market value of the shares at issuance. Upon subscription of each subsequent tranche under the L1 Facility, debt issue costs corresponding to the fair value of the L1 subscription fee payable in WIHN Class B Shares representing 2% of the principal value of the subscribed funds and an L1 fee representing 2% of the principal value of the subscribed funds will be recorded as a debt discount against each tranche.

On September 27, 2021, WISeKey and L1 entered into the First Amendment to the Subscription Agreement (the "**L1 First Amendment**"), pursuant to which WISeKey has the right to request L1 to subscribe for four "accelerated" note tranches of between USD 1 million and USD 2,750,000 each or any other amount agreed between the parties (the "**L1 Accelerated Tranches**"), at the date and time determined by WISeKey during the commitment period, subject to certain conditions. The terms and conditions of the L1 Accelerated Tranches issued under the L1 First Amendment remain the same as the terms and conditions of the L1 Facility except for the conversion price of the L1 Accelerated Tranches which is set at 90% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date, regardless of the conversion amount (the "**New L1 Conversion Price**").

On March 3 ,2022, WISeKey and L1 entered into the Second Amendment to the Subscription Agreement (the "**L1 Second Amendment**"), pursuant to which, for the remaining facility of USD 5 million, WISeKey has the right to request L1 to subscribe for five "additional accelerated" note tranches (the "**L1 Additional Accelerated Tranches**") of between USD 1 million and USD 5 million each or any other amount agreed between the parties, up until March 2, 2024, subject to certain conditions. The terms and conditions of the L1 Additional Accelerated Tranches issued under the L1 Second Amendment remain the same as the terms and conditions of the L1 Facility except for the conversion price of the L1 Additional Accelerated Tranches which is the New L1 Conversion Price.

In line with ASC 470-50-15-3, the New L1 Conversion Price under the L1 First Amendment was assessed as a change to the conversion privileges provided in the L1 Facility for the purpose of inducing conversion, whereby the New L1 Conversion Price provides a reduction of the Original L1 Conversion Price and results in the issuance of additional WIHN Class B Shares, which is governed by ASC 470-20-40. Therefore, in line with ASC 470-20-40-16 and ASC 470-20-40-17, for conversions of L1 Accelerated Tranches and L1 Additional Accelerated Tranches, we recognize the fair value of the additional shares delivered by applying the New L1 Conversion Price in comparison with the Original L1 Conversion Price as an expense to the income statement classified as debt conversion expense.

Additionally, per the terms of the L1 Facility, upon each tranche subscription under the L1 Facility and the L1 First Amendment, WISeKey granted L1 the option to acquire WIHN Class B Shares at an exercise price of the higher of (a) 1.5 times the 5-trading day volume-weighted average price of the WIHN Class B Shares on the SIX Swiss Stock Exchange immediately preceding the tranche closing date and (b) CHF 250. The number of warrants granted at each tranche subscription was calculated as 25% of the principal amount of each tranche divided by the volume-weighted average price of the trading day immediately preceding the tranche closing date. Each warrant agreement has a 3-year exercise period starting on the relevant subscription date. In line with ASC 470-20-25-2, for each subscription, the proceeds from the convertible notes with a detachable warrant were 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. When assessed as an equity instrument, the warrant agreement was fair valued at grant using the Black-Scholes model and the market price of WIHN Class B Shares on the date of the subscription. The fair value of the debt was calculated using the discounted cash flow method.

During the year to December 31, 2021, WISeKey made a total of six subscriptions for a total of USD 17 million under the L1 Facility and the L1 First Amendment. Per the terms of the L1 Facility, WISeKey issued L1 with a total of 61,576 warrants on WIHN Class B Shares at an exercise price of CHF 250. The warrant agreements were all assessed as equity instruments and were fair valued at grant at an aggregate amount of USD 479,872 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant. For each

subscription, the fair value of the debt was calculated using the discounted cash flow method then, applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host and the credit entry was booked in additional paid-in capital ("**APIC**"). The cumulated fair value of the debt for the six subscriptions was USD 17,819,019, with a cumulated debt discount in relation to warrants of USD 445,331.
In the year ended December 31, 2021, L1 converted a total of USD 8.2 million out of the L1 Initial Tranche and USD 5.3 million out of the L1 Accelerated Tranches, resulting in the delivery of a total of 237,176 WIHN Class B Shares. A debt discount charge of USD 185,528 was amortized to the income statement, a debt conversion expense of USD 325,424 was recorded in the income statement, and a total debit of USD 1,376,983 was booked to APIC on conversions as per ASC 470-02-40-4.

During the year to December 31, 2022, WISeKey made a total of six subscriptions for a total of USD 5 million under the L1 Facility and the L1 Second Amendment. Per the terms of the L1 Facility, WISeKey issued L1 with a total of 98,231 warrants on WIHN Class B Shares at an exercise price of CHF 250. The warrant agreements were all assessed as equity instruments and were fair valued at grant at an aggregate amount of USD 12,856 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant. For each subscription, the fair value of the debt was calculated using the discounted cash flow method then, applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host and the credit entry was booked in APIC. The cumulated fair value of the debt for the six subscriptions was USD 5,171,238, with a cumulated debt discount in relation to warrants of USD 11,831.
In the year ended December 31, 2022, L1 converted a total of USD 2,8 million out of the L1 Initial Tranche, and USD 4.3 million out of the L1 Accelerated Tranches and L1 Additional Accelerated Tranches, resulting in the delivery of a total of 584,512 WIHN Class B Shares. A debt discount charge of USD 87,795 was amortized to the income statement, a debt conversion expense of USD 366,116 was recorded in the income statement, and a total debit of USD 304,019 was booked to APIC on conversions as per ASC 470-02-40-4.
As at December 31, 2022, the L1 Facility had been fully drawn. Convertible notes in an aggregate amount of USD 1,400,000 remained unconverted and the unamortized debt discount balance was USD 133,471, hence a carrying value of USD 1,266,529.

During the year ended December 31, 2023, L1 converted a total of USD 1.2 million out of the L1 Additional Accelerated Tranches, resulting in the delivery of a total of 145,975 WIHN Class B Shares. A debt discount charge of USD 16,094 was amortized to the income statement, a debt conversion expense of USD 177,209 was recorded in the income statement, and a total debit of USD 69,560 was booked to APIC on conversions as per ASC 470-02-40-4.
As at December 31, 2023, convertible notes in an aggregate amount of USD 200,000 remained unconverted and the unamortized debt discount balance was USD 9,728, hence a carrying value of USD 190,272.

Credit Agreement with Anson Investments Master Fund LP

On June 29,2021, WISeKey entered into an Agreement for the Issuance and Subscription of Convertible Notes (the "**Anson Facility**") with Anson Investments Master Fund LP ("**Anson**"), pursuant to which Anson committed to grant a loan to WISeKey for up to a maximum amount of USD 22 million divided into tranches of variable sizes, during a commitment period of 24 months ending June 28, 2023. The initial tranche was agreed in the Anson Facility agreement as USD 11 million to be funded on June 29, 2021 (the "**Anson Initial Tranche**"). For the remaining facility, WISeKey has the right to request Anson to subscribe for four additional note tranches of USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into convertible notes of USD 100,000 each that bear interest of 6% per annum. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares within a period of 24 months from issuance (the "**Anson Conversion Period**"). Conversion takes place upon request by Anson during the Anson Conversion Period, but in any case no later than at the expiry of the Anson Conversion Period. Each calendar month, Anson can request conversion of up to 12.5% of the principal amount of all issued tranches at a conversion price of 95% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date, and, should Anson wish to convert more than 12.5% of the principal amount of all issued tranches in a calendar month, the conversion price for the additional converted amounts is set at the higher of (i) the Fixed Conversion price applicable to relevant tranche, and (ii) 95% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 5 trading days preceding the relevant conversion date (the "**Original Anson Conversion Price**").

Due to Anson's option to convert the loan in part or in full at any time before maturity, the Anson Facility was assessed as a share-settled debt instrument with an embedded put option. In line with ASC 480-10-55-43 and ASC 480-10-55-44, because the value that Anson will predominantly 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 Anson Facility was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Debt issue costs made up of legal expenses of USD 4,197, a commission of USD 802,500 to the placement agent, a fee of USD 220,000 to Anson representing 2% of the principal value of the Anson Initial Tranche, and a subscription fee of USD 220,000 to Anson representing 2% of the principal value of the Anson Initial Tranche payable in WIHN Class B Shares were due upon issuance of the Anson Initial Tranche and recorded as a debt discount against the Anson Initial Tranche principal amount. The subscription fee was paid in WIHN Class B Shares and was fair valued at CHF 183,901 (USD 200,871) based on the market value of the shares at issuance. Upon subscription of each subsequent tranche under the Anson Facility, debt issue costs corresponding to the fair value of the subscription fee payable in WIHN Class B Shares representing 2% of the principal value of the subscribed funds and a fee representing 2% of the principal value of the subscribed funds will be recorded as a debt discount against each tranche.

On September 27, 2021, WISeKey and Anson entered into the Anson First Amendment, pursuant to which WISeKey has the right to request Anson to subscribe for four Anson Accelerated Tranches of between USD 1 million and USD 2,750,000 each or any other amount agreed between the parties, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. The terms and conditions of the Anson Accelerated Tranches issued under the Anson First Amendment remain the same as the terms and conditions of the Anson Facility except for the conversion price of the Anson Accelerated Tranches which is set at 90% of the lowest daily volume-weighted average price of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date, regardless of the conversion amount (the "**New Anson Conversion Price**").

In line with ASC 470-50-15-3, the New Anson Conversion Price under the Anson First Amendment was assessed as a change to the conversion privileges provided in the Anson Facility for the purpose of inducing conversion, whereby the New Anson Conversion Price provides a reduction of the Original Anson Conversion Price and results in the issuance of additional WIHN Class B Shares, which is governed by ASC 470-20-40. Therefore, in line with ASC 470-20-40-16 and ASC 470-20-40-17, for conversions of Anson Accelerated Tranches, we recognize the fair value of the additional shares delivered by applying the New Anson Conversion Price in comparison with the Original Anson Conversion Price as an expense to the income statement classified as debt conversion expense.

Additionally, per the terms of the Anson Facility, upon each tranche subscription under the Anson Facility and the Anson First Amendment, WISeKey granted Anson the option to acquire WIHN Class B Shares at an exercise price of the higher of (a) 1.5 times the 5-trading day volume-weighted average price of the WIHN Class B Shares on the SIX Swiss Stock Exchange immediately preceding the tranche closing date and (b) CHF 250. The number of warrants granted at each tranche subscription was calculated as 25% of the principal amount of each tranche divided by the volume-weighted average price of the trading day immediately preceding the tranche closing date. Each warrant agreement has a 3-year exercise period starting on the relevant subscription date. In line with ASC 470-20-25-2, for each subscription, the proceeds from the convertible notes with a detachable warrant were 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. When assessed as an equity instrument, the warrant agreement was fair valued at grant using the Black-Scholes model and the market price of WIHN Class B Shares on the date of the subscription. The fair value of the debt was calculated using the discounted cash flow method.

During the year ended December 31, 2021, WISeKey made a total of three subscriptions for a total of USD 16.5 million under the Anson Facility and the Anson First Amendment. Per the terms of the Anson Facility, WISeKey issued Anson with a total of 56,437 warrants on WIHN Class B Shares at an exercise price of CHF 5. The warrant agreements were all assessed as equity instruments and were fair valued at grant at an aggregate amount of USD 480,046 using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant. For each subscription, the fair value of the debt was calculated using the discounted cash flow method then, applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host and the credit entry was booked in APIC. The cumulated fair value of the debt for the three subscriptions was USD 17,000,080, with a cumulated debt discount in relation to warrants of USD 453,095.

During the year ended December 31, 2021, Anson converted a total of USD 9.8 million out of the Anson Initial Tranche, resulting in the delivery of a total of 164,565 WIHN Class B Shares. A debt discount charge of USD 248,449 was amortized to the income statement, and a total debit of USD 1,182,876 was booked to APIC on conversions as per ASC 470-02-40-4.

During the year ended December 31, 2022, WISeKey did not make any new subscriptions under the Anson Facility.

During the year ended December 31, 2022, Anson converted a total of USD 1.2 million out of the Anson Initial Tranche, and USD 5.5 million out of the Anson Accelerated Tranches, resulting in the delivery of a total of 287,033 WIHN Class B Shares. A debt discount charge of USD 79,707 was amortized to the income statement, a debt conversion expense of USD 460,956 was recorded in the income statement, and a total debit of USD 222,195 was booked to APIC on conversions as per ASC 470-02-40-4.

During the year ended December 31, 2023, WISeKey made four subscriptions under the Anson Facility and the Anson Second Amendment as follows:

- On February 3, 2023, an Anson Additional Accelerated Tranche for convertibles notes in the amount USD 500,000. The funds were received on February 7, 2023. On February 3, 2023, in line with the terms of the Anson Facility, WISeKey issued Anson with 10,672 warrants on WIHN Class B Shares at an exercise price of CHF 250.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 11.025. The fair value of the debt was calculated using the discounted cash flow method as USD 481,711.
- On March 1, 2023, an Anson Additional Accelerated Tranche for convertibles notes in the amount USD 1,000,000. The funds were received on March 2, 2023. On March 1, 2023, in line with the terms of the Anson Facility, WISeKey issued Anson with 18,704 warrants on WIHN Class B Shares at an exercise price of CHF 250.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 12.375. The fair value of the debt was calculated using the discounted cash flow method as USD 963,627.
- On April 27, 2023, an Anson Additional Accelerated Tranche for convertibles notes in the amount USD 1,000,000. The funds were received on April 28, 2023. On April 27, 2023, in line with the terms of the Anson Facility, WISeKey issued Anson with 19,689 warrants on WIHN Class B Shares at an exercise price of CHF 250.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 11.275. The fair value of the debt was calculated using the discounted cash flow method as USD 962,885.
- On June 15, 2023, an Anson Additional Accelerated Tranche for convertibles notes in the amount USD 1,000,000. The funds were received on June 15, 2023. On June 15, 2023, in line with the terms of the Anson Facility, WISeKey issued Anson with

23,339 warrants on WIHN Class B Shares at an exercise price of CHF 250.00. The warrant agreement was assessed as an equity instrument and was fair valued at grant at an amount of USD nil using the Black-Scholes model and the market price of WIHN Class B Shares on the date of grant of CHF 9.70. The fair value of the debt was calculated using the discounted cash flow method as USD 963,246.

During the year ended December 31, 2023, Anson converted a total of USD 3.5 million out of the Anson Additional Accelerated Tranches, resulting in the delivery of a total of 558,213 WIHN Class B Shares. A debt discount charge of USD 33,695 was amortized to the income statement, a debt conversion expense of USD 385,035 was recorded in the income statement, and a total credit of USD 68,730 was booked to APIC on conversions as per ASC 470-02-40-4.

As at December 31, 2023, all convertible notes had been converted, hence a USD nil carrying value. At the end of the official commitment period on June 28, 2023, the outstanding Anson Facility available was USD 2 million which management believes may be the subject of a later amendment.

Production Capacity Investment Loan Agreement

In November 2022, WISeKey entered into a loan agreement with a third-party client to borrow funds for the purpose of increasing their production capacity. Under the terms of the Agreement, the client has lent to WISeKey a total of USD 2,000,000. The loan will be reimbursed by way of a volume rebate against future sales volumes from the WISeKey Semiconductors group to the client during the period from July 1, 2023, through to December 31, 2025. The volume rebate is based upon quarterly sales volumes in excess of a base limit on a yearly projected basis. Any amount still outstanding as at December 31, 2025 falls due for repayment on this date. The loan does not bear any interest and there were no fees or costs attributed to the loan.
An unamortized debt discount totaling USD 511,128 was calculated and booked to APIC in 2022. WISeKey had not repaid any amount as at December 31, 2022, and no debt discount charge was recorded to the income statement in 2022. As at December 31, 2022, the loan balance was USD 2 million and the unamortized debt discount balance was USD 511,128, leaving a carrying value of USD 1,488,872.
As of December 31, 2023, WISeKey has not repaid any amount. The Group recorded a debt discount amortization expense of USD 164,924 in the year 2023. Therefore, as at December 31, 2023, the loan balance remains USD 2 million with an unamortized debt discount balance of USD 346,204, thus leaving a carrying value of USD 1,653,796.

Share Purchase Agreement with L1 Capital Global Opportunities Master Fund

On July 11, 2023, the Group entered into a Securities Purchase Agreement (the "**L1 SPA**") with L1 pursuant to which L1 may enter into a private placement of up to a maximum amount of USD 10 million, divided into two equal tranches, in the form of Senior Unsecured Original Issue 4% Discount Convertible Promissory Notes (the "**L1 Notes**"). The L1 Notes shall have a 24-month maturity and bear interest at a rate of 4% per annum, subject to adjustment. The L1 Notes will be convertible into ordinary shares of SEALSQ Corp, partially or in full, at an initial conversion price equal to the lesser of (i) USD 30 per ordinary share and (ii) 92% of the lowest daily volume weighted average price of the ordinary shares during the ten trading days immediately preceding the notice of partial or full conversion of the L1 Note, with a floor price of USD 2.50.

Due to L1's option to convert the loan in part or in full at any time before maturity, the L1 SPA was assessed as a share-settled debt instrument with an embedded put option. In line with ASC 480-10-55-43 and ASC 480-10-55-44, because the value that L1 will predominantly 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 L1 SPA was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Additionally, per the terms of the L1 SPA, upon each tranche closing under the L1 SPA, SEALSQ will grant L1 the option to acquire ordinary shares of SEALSQ at an initial exercise price of USD 30, which may reset at 120% of the closing VWAP on the six-month anniversary of the tranche closing date. The number of warrants granted at each tranche subscription is calculated as 30% of the principal amount of each tranche divided by the VWAP of the ordinary shares of SEALSQ on the trading day immediately preceding the tranche closing date. Each warrant agreement has a 5-year exercise period starting on the relevant tranche closing date. In line with ASC 470-20-25-2, for each tranche closing, the proceeds from the convertible notes with a detachable warrant were 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. When assessed as an equity instrument, the warrant agreement is fair valued at grant using the Black-Scholes model and the market price of the ordinary shares on the tranche closing date. The fair value of the debt is calculated using the discounted cash flow method.

The first tranche of USD 5 million was funded on July 12, 2023. SEALSQ issued to L1 (i) a Senior Original Issue 4% Discount Convertible Promissory Note of USD 5 million (the "**First L1 Note**"), convertible into SEALSQ's ordinary shares, and (ii) 122,908 warrants on the ordinary shares of SEALSQ with a 5-year maturity (the "**First Tranche Warrant**"). SEALSQ also created a capital reserve of 8,000,000 ordinary shares from its duly authorized ordinary shares for issuance under the First L1 Note and the First Tranche Warrant. Debt issue costs made up of legal expenses totaling USD 114,832 and a commission of USD 250,000 to the placement agent were due upon issuance of the First L1 Note, and a fee of USD 200,000 representing 4% of the principal value of the First L1 Note was paid to L1 at closing.
The First Tranche Warrant was assessed as an equity instrument and was fair valued at grant at an amount of USD 632,976 using the Black-Scholes model and the market price of the ordinary shares of SEALSQ on the date of grant of USD 11.42. The fair value of the debt was calculated using the discounted cash flow method as USD 4,987,363. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 563,112, with the credit entry recorded

in APIC, and the debt issue costs created a debt discount on the debt host in the amount of USD 323,744 and a debit to APIC of USD 41,088. Including the fee paid to L1, a total debt discount of USD 1,086,856 was recorded against the First L1 Note's principal amount.

During the year ended December 31, 2023, L1 converted a total of USD 4 million of the First L1 Note, resulting in the delivery of a total of 3,940,630 ordinary shares of SEALSQ. A debt discount charge of USD 210,290 was amortized to the income statement and unamortized debt discounts totaling USD 705,572 were booked to APIC on conversions in line with ASC 470-02-40-4.
As at December 31, 2023, the outstanding L1 SPA available was USD 5 million, the unconverted balance on the First L1 Note was USD 1 million and the unamortized debt discount balance was USD 170,994, hence a carrying value of USD 829,006.

Share Purchase Agreement with Anson Investments Master Fund

On July 11, 2023, the Group entered into a Securities Purchase Agreement (the "**Anson SPA**") with Anson, pursuant to which Anson may enter into a private placement of up to a maximum amount of USD 10 million, divided into two equal tranches, in the form of Senior Unsecured Original Issue 4% Discount Convertible Promissory Notes (the "**Anson Notes**"). The Anson Notes shall have a 24-month maturity and bear interest at a rate of 4% per annum, subject to adjustment. The Anson Notes will be convertible into ordinary shares of SEALSQ Corp, partially or in full, at an initial conversion price equal to the lesser of (i) USD 30 per ordinary share and (ii) 92% of the lowest daily volume weighted average price of the ordinary shares during the ten trading days immediately preceding the notice of partial or full conversion of the Note, with a floor price of USD 2.50.

Due to Anson's option to convert the loan in part or in full at any time before maturity, the Anson SPA was assessed as a share-settled debt instrument with an embedded put option. In line with ASC 480-10-55-43 and ASC 480-10-55-44, because the value that Anson will predominantly 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 Anson SPA was accounted for as a liability measured at fair value using the discounted cash flow method at inception.

Additionally, per the terms of the Anson SPA, upon each tranche closing under the Anson SPA, SEALSQ will grant Anson the option to acquire ordinary shares of SEALSQ at an initial exercise price of USD 30, which may reset at 120% of the closing VWAP on the six-month anniversary of the tranche closing date. The number of warrants granted at each tranche subscription is calculated as 30% of the principal amount of each tranche divided by the VWAP of the ordinary shares of SEALSQ on the trading day immediately preceding the tranche closing date. Each warrant agreement has a 5-year exercise period starting on the relevant tranche closing date. In line with ASC 470-20-25-2, for each tranche closing, the proceeds from the convertible notes with a detachable warrant were 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. When assessed as an equity instrument, the warrant agreement is fair valued at grant using the Black-Scholes model and the market price of the ordinary shares on the tranche closing date. The fair value of the debt is calculated using the discounted cash flow method.

The first tranche of USD 5 million was funded on July 12, 2023. SEALSQ issued to Anson (i) a Senior Original Issue 4% Discount Convertible Promissory Note of USD 5 million (the "**First Anson Note**"), convertible into SEALSQ's ordinary shares, and (ii) 122,908 warrants on the ordinary shares of SEALSQ with a 5-year maturity (the "**First Tranche Warrant**"). SEALSQ also created a capital reserve of 8,000,000 ordinary shares from its duly authorized ordinary shares for issuance under the First Anson Note and the First Tranche Warrant. Debt issue costs made up of legal expenses totaling USD 64,832 and a commission of USD 250,000 to the placement agent were due upon issuance of the First Anson Note, and a fee of USD 200,000 representing 4% of the principal value of the First Anson Note was paid to Anson at closing.
The First Tranche Warrant was assessed as an equity instrument and was fair valued at grant at an amount of USD 632,976 using the Black-Scholes model and the market price of the ordinary shares of SEALSQ on the date of grant of USD 11.42. The fair value of the debt was calculated using the discounted cash flow method as USD 4,987,363. Applying the relative fair value method per ASC 470-20-25-2, the recognition of the warrant agreement created a debt discount on the debt host in the amount of USD 563,112, with the credit entry recorded in APIC, and the debt issue costs created a debt discount on the debt host in the amount of USD 279,375 and a debit to APIC of USD 35,457. Including the fee paid to Anson, a total debt discount of USD 1,042,487 was recorded against the First Anson Note's principal amount.

During the year ended December 31, 2023, Anson converted a total of USD 4,175,000 of the First Anson Note, resulting in the delivery of a total of 3,996,493 ordinary shares of SEALSQ. A debt discount charge of USD 198,984 was amortized to the income statement and unamortized debt discounts totaling USD 708,062 were booked to APIC on conversions in line with ASC 470-02-40-4.
Additionally, on July 10, 2023, the Group issued 8,184 new ordinary shares of SEALSQ to Anson as a result of a share ledger correction, thus a total delivery for the year of 4,004,677 ordinary shares.
As at December 31, 2023, the outstanding Anson SPA available was USD 5 million, the unconverted balance on the First Anson Note was USD 825,000 and the unamortized debt discount balance was USD 135,441, hence a carrying value of USD 689,559.

Note 23. Employee benefit plans

Defined benefit post-retirement plan

The Group maintains three pension plans: one maintained by WISeKey SA and one by WISeKey International Holding Ltd, both covering its employees in Switzerland, as well as one maintained by WISeKey Semiconductors SAS covering WISeKey's 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 ratably over this period, and therefore, the income statement effects of pensions should follow a similar pattern. ASC 715 requires recognition of the funded status or difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the balance sheet, with a corresponding adjustment recorded in the net loss. If the projected benefit obligation exceeds the fair value of the plan assets, then that difference or unfunded status represents the pension liability.
The Group records net service cost as an operating expense and other components of defined benefit plans as a non-operating expense in the statement of comprehensive loss.
The liabilities and annual income or expense of the pension plan are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return (based on the market-related value of assets). The fair value of plan assets is determined based on prevailing market prices.

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

The pension liability calculated as at December 31, 2023 is based on annual personnel costs and assumptions as of December 31, 2023.

Personnel Costs USD'000	**As at December 31, 2023**	**As at December 31, 2022**	**As at December 31, 2021**
Wages and Salaries	12,507	12,401	12,208
Social security contributions	3,611	3,123	3,320
Net service costs	449	422	671
Other components of defined benefit plans, net	(45)	14	(78)
Total	**16,522**	**15,960**	**16,121**

	As at December 31,					
Assumptions	**2023**	**2023**	**2022**	**2022**	**2021**	**2021**
	France	**Switzerland**	**France**	**Switzerland**	**France**	**Switzerland**
Discount rate	3.05%	1.52%	3.65%	2.25%	0.75%	0.33%
Expected rate of return on plan assets	n/a	3.04%	n/a	3.00%	n/a	1.50%
Salary increases	3%	2%	3%	1.50%	3%	1.50%

For WISeKey SA and WISeKey International Holding Ltd's funded plans, the expected long-term rate of return on assets is based on the pension fund's asset allocation.

As at December 31, 2023 and December 31, 2022 the Group's accumulated benefit obligation amounted respectively to USD 13,879,000 and USD 11,665,000.

Reconciliation to Balance Sheet start of year **USD'000** **Fiscal year**	**2023**	**2022**	**2021**
Fair value of plan assets	(10,108)	(12,169)	(12,332)
Projected benefit obligation	11,867	16,938	19,100
Surplus/deficit	**1,759**	**4,769**	**6,768**
Opening balance sheet liability / (asset) (funded status)	**1,759**	**4,769**	**6,768**
Reconciliation of benefit obligation during the year			
Projected benefit obligation at start of year	11,867	16,938	19,100
Net service cost	237	213	263
Interest expense	279	52	29
Plan participant contributions	98	98	153
Net benefits paid to participants	(100)	(2,225)	(278)
Prior service costs	(19)	-	(123)
Actuarial losses / (gains)	606	(2,892)	(1,407)
Curtailment & Settlement	-	-	(194)
Currency translation adjustment	1,175	(317)	(605)
Projected benefit obligation at end of year	**14,143**	**11,867**	**16,938**
Reconciliation of plan assets during year			
Fair value of plan assets at start of year	(10,108)	(12,169)	(12,332)
Employer contributions paid over the year	(184)	(190)	(263)
Plan participant contributions	(98)	(98)	(153)
Net benefits paid to participants	78	2,201	162
Interest income	(311)	(157)	(177)
Return in plan assets, excl amounts included in net interest	501	82	224
Currency translation adjustment	(1,020)	223	370
Fair value of plan assets at end of year	**(11,142)**	**(10,108)**	**(12,169)**
Reconciliation to balance sheet end of year			
Fair value of plan assets	(11,142)	(10,108)	(12,169)
Defined benefit obligation - funded plans	14,143	11,867	16,938
Surplus/deficit	**3,001**	**1,759**	**4,769**
Closing balance sheet liability / (asset) (funded status)	**3,001**	**1,759**	**4,769**

Movement in Funded Status USD'000 Fiscal year	2023	2022	2021
Opening balance sheet liability (funded status)	**1,759**	**4,769**	**6,768**
Net service cost	237	213	263
Net interest cost / (credit)	(32)	(105)	(148)
Amortization of net (gain) / loss	-	152	270
Amortization of prior service cost / (credit)	(26)	(28)	(12)
Settlement / curtailment cost / (credit)	-	-	(194)
Currency translation adjustment	(2)	(5)	6
Total net periodic benefit cost / (credit)	**177**	**227**	**185**
Actuarial (gain) / loss on liabilities from changes to financial assumptions	1,005	(3,001)	(420)
Actuarial (gain) / loss on liabilities from changes to demographic assumptions	-	-	(645)
Actuarial (gain) / loss on liabilities due to experience	(399)	109	(342)
Return in plan assets, excl. amounts included in net interest	501	82	224
Prior service cost / (credit)	(19)	-	(123)
Amortization of net (gain) / loss	-	(152)	(270)
Amortization of prior service cost / (credit)	26	28	12
Currency translation adjustment	37	0	(8)
Total (gain) / loss recognized via other comprehensive income	**1,151**	**(2,934)**	**(1,572)**
Employer contributions paid in the year	(184)	(190)	(263)
Cashflow required to pay benefit payments	(22)	(24)	(116)
Total cashflow	**(206)**	**(214)**	**(379)**
Currency translation adjustment	120	(89)	(233)
Closing balance sheet liability (funded status)	**3,001**	**1,759**	**4,769**
Reconciliation of unrecognized (gain) / loss			
Unrecognized (gain) / loss at beginning of year	(338)	2,651	4,237
Amortization during the year	-	(152)	(270)
Actuarial (gain) / loss on liabilities	606	(2,892)	(1,407)
Actuarial (gain) / loss on assets	535	82	224
Currency translation adjustment	(8)	(27)	(133)
Unrecognized (gain) / loss at year-end	**795**	**(338)**	**2,651**
Reconciliation of unrecognized prior service cost / (credit)			
Unrecognized prior service cost / (credit) at beginning of year	(503)	(537)	(440)
Prior service cost for the current period	(19)	-	(123)
Amortization during the year	26	28	12
Currency translation adjustment	(46)	6	14
Unrecognized prior service cost / (credit) at year-end	**(542)**	**(503)**	**(537)**
Amounts recognized in accumulated other comprehensive income			
Net loss / (gain)	795	(338)	2,651
Prior service cost / (credit)	(542)	(503)	(537)
Deficit	**253**	**(841)**	**2,114**
Estimated amount to be amortized from accumulated other comprehensive income into net periodic benefit cost / (credit) over next fiscal year			
Net loss / (gain)	-	152	270
Prior service cost / (credit)	(26)	(28)	(12)

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. In line with ASC 820’s three-tier fair value hierarchy, pension assets belong to the fair value level 2.

The table below shows the breakdown of expected future contributions payable to the Plan :

Period USD'000	Switzerland	France
2024	418	38
2025	410	-
2026	2,270	53
2027	632	52
2028	543	42
2029 to 2033	3,024	347

The Group expects to make contributions of approximately USD 235,000 in 2024.

There are no plan assets expected to be returned to the employer during the 12-month period following December 31, 2023.

Note 24. Commitments and contingencies

Lease commitments

The future payments due under leases are shown in Note 15.

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

Stockholders' equity consisted of the following:

WISeKey International Holding Ltd	As at December 31, 2023		As at December 31, 2022	
Share Capital	*Class A Shares*	*Class B Shares*	*Class A Shares*	*Class B Shares*
Par value per share (in CHF)	0.25	2.50	0.25	2.50
Share capital (in USD)	400,186	8,170,070	400,186	5,334,177
Per Articles of association and Swiss capital categories				
Conditional Share Capital - Total number of conditional shares(1)	400,000	1,500,000	400,000	1,042,000
Total number of fully paid-in shares	1,600,880	3,076,150	1,600,880	2,005,890
Per US GAAP	-	-	-	-
Total number of authorized shares	2,000,880	6,194,267	2,000,880	3,548,392
Total number of fully paid-in issued shares(1)	1,600,880	3,076,150	1,600,880	2,005,890
Total number of fully paid-in outstanding shares(1)	1,600,880	2,954,097	1,600,880	1,996,745
Par value per share (in CHF)	0.25	2.50	0.25	2.50
Share capital (in USD)	400,186	8,170,070	400,186	5,334,177
Total share capital (in USD)	**8,570,256**		**5,734,363**	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	122,053	-	9,145
Treasury share capital (in USD)	-	691,280	-	370,744
Total treasury share capital (in USD)	**-**	**691,280**	**-**	**370,744**

(1) Conversions of conditional capital that were not registered with the commercial register as of December 31, 2023 are not deducted from the total number of conditional shares, i.e. the number shown is as if the issues had not taken place.

In line with the revised provisions of Swiss corporate law effective January 1, 2023, shareholders approved, at WISeKey's Annual General Meeting of Shareholders (AGM) in June 2023, the introduction of a capital band ranging from 90 percent to 150 percent of the issued share capital entered in the commercial register at that time. The capital band replaced 500,000 Class B Shares of authorized capital outstanding as of December 31, 2022, which no longer exist under the revised law. Within this capital band, the Board of Directors is authorized to increase or reduce the share capital once or several times until June 21, 2028, or until an earlier expiry of the capital band.

In the years to December 31, 2023 and 2022 respectively, WISeKey purchased a total of 300,202 treasury shares (including 202 shares from the repurchase of fractional shares from the reverse stock split) and 2,707 treasury shares at an average purchase price of USD 2.71 and USD 37 per share, and sold a total of 187,294 and 137,597 treasury shares at an average sale price of USD 9.33 and USD 31.5 per share.

Share buyback program

On July 9, 2019, the Group started a share buyback program on the SIX Swiss Exchange to buy back Class B Shares up to a maximum 10% of the share capital and 5.35% of the voting rights. In compliance with Swiss Law, at no time will the group hold more than 10% of its own registered shares. The share buyback program ended on July 8, 2022.
As at December 31, 2023, WISeKey's treasury share balance included 8,347 Class B Shares purchased through the share buyback program.

Voting rights

Each share carries one vote at a general meeting of shareholders, irrespective of the difference in par value of Class A Shares (CHF 0.25 per share) and Class B Shares (CHF 2.50 per share). Our Class A Shares have a lower par value (CHF 0.25) than our Class B Shares (CHF 2.50) but have same voting right as the higher par value Class B Shares, namely one (1) vote per share. This means that, relative to their respective per share contribution to the share capital, the holders of our Class A Shares have a greater relative per share voting power than the holders of our Class B Shares for matters that require approval on the basis of a specified majority of shares present at the shareholders meeting.
Shareholder resolutions and elections (including elections of members of the board of directors) require the affirmative vote of an absolute majority of the votes represented (in person or by proxy) at a general meeting of shareholders (each Class A Share and each Class B Share having one vote), unless otherwise stipulated by law or our Articles. The following matters require approval by a majority of the par value of the shares represented at the general meeting (each Class A Share having a par value of CHF 0.25 per share and each Class B Share having a par value of CHF 2.50 per share):

- electing our auditor;
- appointing an expert to audit our business management or parts thereof;
- adopting any resolution regarding the instigation of a special investigation; and
- adopting any resolution regarding the initiation of a derivative liability action.

In addition, under Swiss corporation law and our Articles, approval by two-thirds of the shares represented at the meeting, and by the absolute majority of the par value of the shares represented is required for:

- amending our corporate purpose;
- creating or cancelling shares with preference rights;
- restricting the transferability of registered shares;
- restricting the exercise of the right to vote or the cancellation thereof;
- creating authorized or conditional share capital;
- increasing the share capital out of equity, against contributions in kind or for the purpose of acquiring specific assets and granting specific benefits;
- limiting or withdrawing shareholder's pre-emptive rights;
- relocating our registered office;
- converting registered shares into bearer shares and vice versa;
- our dissolution or liquidation; and
- transactions among corporations based on Switzerland's Federal Act on Mergers, Demergers, Transformations and the Transfer of Assets of 2003, as amended (the "Swiss Merger Act") including a merger, demerger or conversion of a corporation.

In accordance with Swiss law and generally accepted business practices, our Articles do not provide attendance quorum requirements generally applicable to general meetings of shareholders.

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

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

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

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

Note 26. Accumulated other comprehensive income

USD'000		
Accumulated other comprehensive income as at December 31, 2021		**1,407**
Total net foreign currency translation adjustments	(470)	
Total defined benefit pension adjustment	2,934	
Total reclassification adjustments under ASC 830-30-40-1	2,402	
Total other reclassification adjustments	(338)	
Total other comprehensive income/(loss), net		4,528
Accumulated other comprehensive income as at December 31, 2022		**5,935**
Total net foreign currency translation adjustments	(743)	
Total defined benefit pension adjustment	(1,151)	
Total other comprehensive income/(loss), net		(1,894)
Accumulated other comprehensive income as at December 31, 2023		**4,041**

There is no income tax expense or benefit allocated to other comprehensive income.

Note 27. Revenue

Nature of goods and services

The following is a description of the principal activities – separated by reportable segment – from which the Group generates its revenue. For more detailed information about reportable segments, see Note 33 - Segment information and geographic data.

- IoT Segment

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

- mPKI Segment

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

Product and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Certificates	The Group recognizes revenue on a straight-line basis over the validity period of the certificate, which is usually one to three years. This period starts after the certificate has been issued by the Certificate Authority and may be used by the customer for authentication and signature, by checking the certificate validity against the Root of Trust which is maintained by the Group on its IT infrastructure. Customers pay for certificates when certificates are issued and invoiced. The excess of payments over recognized revenue is shown as deferred revenue.
SaaS	The Group's SaaS arrangement cover the provision of cloud-based certificate life-cycle-management solutions and signing and authentication solutions. The Group recognizes revenue on a straight-line basis over the service period which is usually yearly renewable. Customers usually pay ahead of quarterly or yearly service periods; the paid amounts which have not yet been recognized are shown as deferred revenue.
Software	The Group provides software for certificates life-cycle management and signing and authentication solutions. The Group recognizes license revenue when the software has been delivered and PCS revenue over the service period which is usually one-year renewable. Customers pay upon delivery of the software or over the PCS.
Implementation, integration and other services	The Group provides services to implement and integrate multi-element cybersecurity solutions. Most of the time the solution elements are off-the-shelve non-customized components which represent distinct performance obligations. Implementation and integration services are payable when rendered, while other revenue elements are payable and recognized as per their specific description in this section. WISeKey also provides hosting and monitoring of infrastructure services which are distinct performance obligations and are paid and recognized over the service period.

Disaggregation of revenue

The following table shows the Group'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		
USD'000		2023	2022	2021	2023	2022	2021	2023	2022	2021
IoT Segment										
Secure chips	Upon delivery	30,044	23,198	16,867	14	-	-	30,058	23,198	16,867
Total IoT segment revenue		**30,044**	**23,198**	**16,867**	**14**	**-**	**-**	**30,058**	**23,198**	**16,867**
mPKI Segment										
Certificates	Upon issuance	-	-	-	180	111	153	180	111	153
Licenses and integration	Upon delivery	-	107	607	387	149	-	387	256	607
SaaS, PCS and hosting	Quarterly or yearly	-	-	-	293	249	19	293	249	19
Total mPKI segment revenue		**-**	**107**	**607**	**860**	**509**	**172**	**860**	**616**	**779**
Total revenue from continuing operations		**30,044**	**23,305**	**17,474**	**874**	**509**	**172**	**30,918**	**23,814**	**17,646**

For the years ended December 31, 2023, 2022, and 2021 the Group recorded no revenues related to performance obligations satisfied in prior periods.

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

Net sales by region	12 months ended December 31,		
USD'000	2023	2022	2021
IoT Segment			
Switzerland	1,436	751	406
Rest of EMEA	8,549	6,026	3,721
North America	16,531	13,609	10,631
Asia Pacific	3,466	2,745	2,062
Latin America	76	67	47
Total IoT segment revenue	**30,058**	**23,198**	**16,867**
mPKI Segment			
Switzerland	316	253	596
Rest of EMEA	394	234	98
North America	115	68	58
Asia Pacific	-	-	-
Latin America	35	61	27
Total mPKI segment revenue	**860**	**616**	**779**
Total net sales from continuing operations	**30,918**	**23,814**	**17,646**

*EMEA means Europe, Middle East and Africa

Contract assets, deferred revenue and contract liability

Our contract assets, deferred revenue and contract liability consist of:

USD'000	As at December 31, 2023	As at December 31, 2022
Trade accounts receivables		
Trade accounts receivable - IoT segment	5,103	2,269
Trade accounts receivable - mPKI segment	277	194
Total trade accounts receivables	**5,380**	**2,463**
Contract assets	-	-
Total contract assets	**-**	**-**
Contract liabilities - current	353	105
Contract liabilities - noncurrent	3	8
Total contract liabilities	**356**	**113**
Deferred revenue		
Deferred revenue - mPKI segment	241	197
Deferred revenue - IoT segment	-	-
Total deferred revenue	**241**	**197**
Revenue from continuing operations recognized in the period from amounts included in the deferred revenue at the beginning of the year	179	209

Increases or decreases in trade accounts receivable, contract assets, deferred revenue and contract liability were primarily due to normal timing differences between our performance and customer payments.

Remaining performance obligations

As of December 31, 2023, approximately USD 597,000 is expected to be recognized from remaining performance obligations for mPKI and IoT contracts. We expect to recognize revenue for these remaining performance obligations during the next two years approximately as follows:

Estimated revenue from remaining performance obligations as at December 31, 2023		USD'000
	2023	570
	2024	27
Total remaining performance obligation from continuing operations		**597**

Note 28. Other operating income

	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Accounts payable write-off	-	1,899	-
Other operating income from related parties	119	66	71
Other operating income - other	48	108	112
Total other operating income from continuing operations	**167**	**2,073**	**183**

In the years 2023 and 2022, other operating income from related parties was made up of the amounts invoiced by WISeKey to the OISTE Foundation for the use of its premises and equipment (see Note 36).

Note 29. Stock-based compensation

Employee stock option plans

The Stock Option Plan ("ESOP 1") was approved on December 31, 2007 by the stockholders of WISeKey SA, representing 2,632,500 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.
The Stock Option Plan ("ESOP 2") was approved on December 31, 2011 by the stockholders of WISeKey SA, representing 16,698,300 options convertible into WISeKey SA shares with an exercise price of CHF 0.01 per share.
At March 22, 2016 as part of the reverse acquisition transaction, both ESOP plans in existence in WISeKey SA were transferred to WISeKey International Holding Ltd at the same terms, with the share exchange term of 5:1 into WIHN Class B Shares.

Grants

In the 12 months to December 31, 2021, the Group granted a total of 2,029,821 options exercisable in WIHN Class B Shares. Each option is exercisable into one WIHN Class B Share.
The options exercisable in WIHN Class B Shares granted consisted of:

- 1,883,544 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2021;
- 16,714 options with immediate vesting granted to employees and Board members, all of which had been exercised as of December 31, 2021;
- 33,000 options vesting on May 1, 2022 granted to employees;
- 33,000 options vesting on May 1, 2023 granted to employees;
- 34,000 options vesting on May 1, 2024 granted to employees;
- 23,042 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2021;
- 6,521 options with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2021.

In the 12 months to December 31, 2021, the Group also granted a total of 9,818,000 options exercisable in WIHN Class A Shares with immediate vesting to employees and Board members, none of which had been exercised as of December 31, 2021. Each option is exercisable into one Class A Share.

In the 12 months to December 31, 2022, the Group granted a total of 4,054,980 options exercisable in WIHN Class B Shares. Each option is exercisable into one WIHN Class B Share.
The options granted consisted of:

- 3,864,188 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2022;
- 164,271 options with immediate vesting granted to Board members, all of which had been exercised as of December 31, 2022;
- 6,600 options vesting on July 1, 2023 granted to employees;
- 6,600 options vesting on July 1, 2024 granted to employees;
- 6,800 options vesting on July 1, 2025 granted to employees;
- 6,521 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2022;

The options granted were valued at grant date using the Black-Scholes model.
There was no grant of options on WIHN Class A Shares in the year ended December 31, 2023.

In the 12 months to December 31, 2023, the Group granted a total of 18,418 options exercisable in WIHN Class B Shares. Each option is exercisable into one WIHN Class B Share.
The options granted consisted of:

- 14,582 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2023;
- 200 options with immediate vesting granted to external advisors and which had not been exercised as of December 31, 2023; and
- 3,636 options with immediate vesting granted to external advisors, all of which had been exercised as of December 31, 2023.

The options granted were valued at grant date using the Black-Scholes model.
There was no grant of options on WIHN Class A Shares in the year ended December 31, 2023.

Stock option charge to the income statement

The Group calculates the fair value of options granted by applying the Black-Scholes option pricing model, using the market price of a WIHN Class B Share. Expected volatility is based on historical volatility of WIHN Class B Shares.
In the year ended December 31, 2023, a total charge of USD 177,619 was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant, in relation to options:

- USD 138,592 for options granted to employees and Board members; and
- USD 39,027 for options granted to nonemployees.

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

Assumption	December 31, 2023	December 31, 2022	December 31, 2021
Dividend yield	None	None	None
Risk-free interest rate used (average)	1.00%	1.00%	1.00%
Expected market price volatility	69.77 – 70.72%	69.58 - 87.74%	61.33 - 99.64%
Average remaining expected life of stock options on WIHN Class B Shares (years)	5.23	4.25	4.31
Average remaining expected life of stock options on WIHN Class A Shares (years)	1.40	2.40	3.40

Unvested options to employees as at December 31, 2023 were recognized prorata temporis over the service period (grant date to vesting date).

The following table illustrates the development of the Group's non-vested options for the years ended December 31, 2023 and 2022.

	Options on WIHN Class B Shares		Options on WIHN Class A Shares	
Non-vested options	**Number of shares under options**	**Weighted-average grant date fair value (USD)**	**Number of shares under options**	**Weighted-average grant date fair value (USD)**
Non-vested options as at December 31, 2021	**2,333**	**64.0**	**-**	**-**
Granted	81,099	8.50	-	-
Vested	(81,692)	9.00	-	-
Non-vested forfeited or cancelled	-	-	-	-
Non-vested options as at December 31, 2022	**1,740**	**37.50**	**-**	**-**
Granted	18,418	10.00	-	-
Vested	(19,210)	11.00	-	-
Non-vested forfeited or cancelled	(680)	46.22	-	-
Non-vested options as at December 31, 2023	**268**	**7.50**	**-**	**-**

As at December 31, 2023, there was a USD 978 unrecognized compensation expense related to non-vested stock option-based compensation arrangements. Non-vested stock options outstanding as at December 31, 2023 were accounted for using the graded-vesting method, as permitted under ASC 718-10-35-8, and we therefore recognized compensation costs calculated using the Black-Scholes model and the market price of WIHN Class B Shares at grant date, over the requisite service period.

The following tables summarize the Group's stock option activity for the years ended December 31, 2023, 2022 and 2021.

Options on WIHN Class B 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, 2021	**76,218**	35.50	**5.28**	**2,468,898**
Of which vested	73,885	34.50	5.25	2,455,994
Of which non-vested	2,333	-	-	-
Granted	81,095	2.50	-	-
Exercised or converted	(6,256)	2.50	-	39,661
Forfeited or cancelled	-	-	-	-
Expired	(10,440)	218.00	-	-
Outstanding as at December 31, 2022	**140,617**	3.00	**6.10**	**887,345**
Of which vested	138,877	3.00	6.11	878,378
Of which non-vested	1,740	-	-	-
Granted	18,418	2.85	-	-
Exercised or converted	(10,086)	2.50	-	7,867
Forfeited or cancelled	(680)	2.50	-	-
Expired	(230)		-	-
Outstanding as at December 31, 2023	**148,039**	3.11	**5.23**	**111,306**
Of which vested	147,771	3.11	5.23	111,104
Of which non-vested	268	-		-

Options on WIHN Class A Shares	WIHN Class A Shares under options	Weighted-average exercise price (USD)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (USD)
Outstanding as at December 31, 2021	**392,720**	**0.25**	**6.90**	**1,520,393**
Granted	**-**	**-**	**-**	**-**
Outstanding as at December 31, 2022	**392,720**	**0.25**	**5.90**	**248,950**
Of which vested	392,720	0.25	5.90	248,950
Granted	**-**	**-**	**-**	**-**
Outstanding as at December 31, 2023	**392,720**	**0.25**	**4.90**	**23,339**
Of which vested	392,720	0.25	4.90	23,339

Summary of stock-based compensation expenses

Stock-based compensation expenses from continuing operations	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
In relation to Employee Stock Option Plans (ESOP)	178	743	3,761
In relation to non-ESOP Option Agreements	-	1	22
Total	**178**	**744**	**3,783**

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

Stock-based compensation expenses from continuing operations	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Research & development expenses	-	177	485
Selling & marketing expenses	67	280	820
General & administrative expenses	111	287	2,478
Total	**178**	**744**	**3,783**

Note 30. Non-operating income

Non-operating income consisted of the following:

	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Foreign exchange gain	1,315	3,813	2,379
Sale of arago intellectual property	900	-	-
Financial income	36	9	-
Interest income	90	5	9
Other	33	110	121
Total non-operating income from continuing operations	**2,374**	**3,937**	**2,509**

The Group divested arago GmbH in 2022 but retained a pledge over the intellectual property ("IP") of the business which was written off as of December 31, 2022 at the disposal. In 2023, WISeKey identified a purchaser for this IP and transferred it at a purchase price of USD 900,000.

Note 31. Non-operating expenses

Non-operating expenses consisted of the following:

	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Foreign exchange losses	2,134	3,618	2,146
Financial charges	261	56	158
Interest expense	702	565	893
Other components of defined benefit plans, net	(45)	14	(78)
Accounts receivable write-off	-	1,282	-
Other	55	16	307
Total non-operating expenses from continuing operations	**3,107**	**5,551**	**3,426**

Note 32. Income taxes

The components of income before income taxes are as follows:

Income / (Loss)	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Switzerland	(18,766)	(16,314)	(14,756)
Foreign	3,547	3,269	(8,703)
Income/(loss) before income tax from continuing operations	**(15,219)**	**(13,045)**	**(23,459)**

Income taxes relating to the Group are broken down as follows:

	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Switzerland	-	-	-
Foreign	(230)	3,238	(13)
Income tax income / (expense) from continuing operations	**(230)**	**3,238**	**(13)**

The difference between the income tax recovery (expense) at the Swiss statutory rate compared to the Group's income tax recovery (expense) as reported is reconciled below:

	12 months ended December 31,		
USD'000	**2023**	**2022**	**2021**
Net income/(loss) from continuing operations before income tax	(15,219)	(13,045)	(23,459)
Statutory tax rate	14%	14%	14%
Expected income tax (expense) / recovery	2,131	1,825	3,282
Change in tax loss carryforwards	2,778	5,760	(341)
Change in loss carryforwards in relation to the debt remission of WISeKey Semiconductors SAS	(514)	1,342	-
Change in valuation allowance	(2,682)	(3,129)	(2,849)
Permanent difference in relation to stock-based compensation	2	-	(92)
Permanent difference	(1,945)	(2,560)	(13)
Income tax (expense) / recovery from continuing operations	**(230)**	**3,238**	**(13)**

The Group assesses the recoverability of its deferred tax assets and, to the extent recoverability does not satisfy the "more likely than not" recognition criterion under ASC 740, records a valuation allowance against its deferred tax assets. The Group considered its recent operating results and anticipated future taxable income in assessing the need for its valuation allowance.

The Group's deferred tax assets and liabilities consist of the following:

	12 months ended December 31,	
USD'000	**2023**	**2022**
Switzerland	-	-
Foreign	3,077	3,295
Deferred income tax assets / (liabilities)	**3,077**	**3,295**

USD'000	**As at December 31, 2023**	**As at December 31, 2022**
Stock-based compensation	(2)	-
Defined benefit accrual	363	161
Tax loss carry-forwards	23,537	20,759
Add back loss carryforwards used for the debt remission by WISeKey Semiconductors SAS	828	1,342
Valuation allowance	(21,649)	(18,967)
Deferred income tax assets / (liabilities)	**3,077**	**3,295**

As of December 31, 2023, the Group's operating cumulated loss carry-forwards of all jurisdictions for its continuing operations are as follows:

Operating loss-carryforward as of December 31, 2023

USD	United States	Switzerland	Spain	France	UK	India	Vietnam	Saudi Arabia	Gibraltar	Total
2024	-	6,146	-	-	-	-	-	-	-	6,146
2025	-	11,260	-	-	-	-	-	-	-	11,260
2026	-	6,652	-	-	-	-	-	-	-	6,652
2027	-	22,986	-	-	-	-	3	-	-	22,989
2028	-	28,346	-	-	-	-	4	-	-	28,350
2029	-	63,887	-	-	-	-	-	-	-	63,887
2030	-	24,150	-	-	-	-	-	-	-	24,150
2031	-	-	-	-	-	13	-	-	-	13
2032	21	-	-	-	-	84	-	-	-	105
2033	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-
2035	247	-	-	-	-	-	-	-	-	247
2036	-	-	-	-	-	-	-	-	-	-
2037	159	-	-	-	-	-	-	-	-	159
2038	-	-	-	-	-	-	-	-	-	-
2039	220	-	-	-	-	-	-	-	-	220
2040	90	-	-	-	-	-	-	-	-	90
2041	-	-	-	-	-	-	-	-	-	-
2042	45	-	-	-	-	-	-	-	-	45
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
No expiry	n/a	n/a	3,632	13,740	6	n/a	n/a	39	7	17,424
Total operating loss carry-forwards	782	163,427	3,632	13,740	6	97	7	39	7	181,737

The following tax years remain subject to examination:

Significant jurisdictions	**Open years**
Switzerland	2022 - 2023
USA	2022 - 2023
France	2022 - 2023
Spain	2018 - 2023
Japan	2023
Taiwan	2023
India	2023
Germany	2022 - 2023
UK	2017 - 2023
Arabia	2023
Vietnam	2023
Gibraltar	2023

As at December 31, 2022, WISeKey Semiconductors SAS had recorded a USD 39,901 tax provision following a tax audit started in 2018 in relation to prior years. Although the final conclusions have not yet been communicated formally, management believes that it is more probable than not that the entity will have to pay additional taxes and has calculated the provision based on preliminary discussions with the tax authorities. As at December 31, 2023 the group has fully reversed the tax provision outstanding as at December 31, 2022 and has not recorded any new tax provision.

The Group has no unrecognized tax benefits.

Note 33. 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 (three in prior period, with the AI segment) for purposes of allocating resources and assessing budgets and performance.
The IoT segment encompasses the design, manufacturing, sales and distribution of microprocessors operations.
The mPKI segment includes all operations relating to the provision of secured access keys, authentication, signing software, certificates and digital security applications.

12 months to December 31,	2023			2022			2021		
USD'000	IoT	mPKI	Total	IoT	mPKI	Total	IoT	mPKI	Total
Revenues from external customers	30,058	860	30,918	23,198	616	23,814	16,867	779	17,646
Intersegment revenues	-	1,040	1,040	-	1,931	1,931	128	2,506	2,634
Interest revenue	88	2	90	10	5	15	1	54	55
Interest expense	189	513	702	4	572	576	30	976	1,006
Depreciation and amortization	571	54	625	408	104	512	470	94	564
Segment income /(loss) before income taxes	(3,043)	(12,081)	(15,124)	4,589	(17,542)	(12,953)	(1,302)	(22,032)	(23,334)
Profit / (loss) from intersegment sales	-	95	95	-	92	92	6	119	125
Income tax recovery /(expense)	(225)	(5)	(230)	3,251	(12)	3,238	-	(13)	(13)
Other significant non cash items									
Share-based compensation expense	-	178	178	-	744	744	-	3,783	3,783
Interest and amortization of debt discount and expense	574	50	624	-	168	168	-	1,057	1,057
Segment assets	27,935	65,072	93,007	29,145	53,713	82,858	11,377	89,410	100,787

Revenue and Loss reconciliations	12 months ended December 31,		
USD'000	2023	2022	2021
Revenue reconciliation			
Total revenue for reportable segment	31,958	25,745	20,280
Elimination of intersegment revenue	(1,040)	(1,931)	(2,634)
Total consolidated revenue	30,918	23,814	17,646
Loss reconciliation			
Total profit / (loss) from reportable segments	(15,124)	(12,953)	(23,334)
Elimination of intersegment profits	(95)	(92)	(125)
Loss before income taxes	(15,219)	(13,045)	(23,459)

Asset reconciliation	As at December 31,	
USD'000	2023	2022
Total assets from reportable segments	93,007	82,858
Elimination of intersegment receivables	(1,378)	(6,112)
Elimination of intersegment investment and goodwill	(43,828)	(27,250)
Consolidated total assets	**47,801**	**49,496**

Revenue and property, plant and equipment by geography

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

Net sales by region	12 months ended December 31,		
USD'000	2023	2022	2021
Switzerland	1,752	1,004	1,002
Rest of EMEA*	8,943	6,260	3,819
North America	16,646	13,677	10,689
Asia Pacific	3,466	2,745	2,062
Latin America	111	128	74
Total net sales from continuing operations	**30,918**	**23,814**	**17,646**

*EMEA means Europe, Middle East and Africa

Property, plant and equipment, net of depreciation, by region USD'000	As at December 31, 2023	As at December 31, 2022
Switzerland	162	231
Rest of EMEA	3,230	608
North America	-	1
Asia Pacific	-	2
Total Property, plant and equipment, net of depreciation	**3,392**	**842**

Note 34. Earnings/(Loss) per share

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

	12 months ended December 31,		
Gain / (loss) per share	**2023**	**2022**	**2021**
Net gain / (loss) attributable to WISeKey International Holding Ltd (USD'000)	(15,360)	(27,475)	(20,340)
Effect of potentially dilutive instruments on net gain (USD'000)	n/a	n/a	n/a
Net income / (loss) attributable to WISeKey International Holding Ltd after effect of potentially dilutive instruments (USD'000)	n/a	n/a	n/a
Class A Shares, par value CHF 0.25			
Shares used in net gain / (loss) per Class A Share computation:			
Weighted average Class A Shares outstanding - basic	1,600,880	1,600,880	1,600,880
Effect of potentially dilutive equivalent shares	n/a	n/a	n/a
Weighted average Class A Shares outstanding - diluted	1,600,880	1,600,880	1,600,880
Net gain / (loss) per Class A Share			
Basic weighted average loss per Class A Share attributable to WISeKey International Holding Ltd (USD)	(0.51)	(1.22)	(1.42)
Diluted weighted average loss per Class A Share attributable to WISeKey International Holding Ltd (USD)	(0.51)	(1.22)	(1.42)
Class B Shares, par value CHF 2.50			
Shares used in net gain / (loss) per Class B Share computation:			
Weighted average Class B Shares outstanding - basic	2,878,136	2,087,972	1,272,761
Effect of potentially dilutive equivalent shares	n/a	n/a	n/a
Weighted average Class B Shares outstanding - diluted	2,878,136	2,087,972	1,272,761
Net gain / (loss) per Class B Share			
Basic weighted average loss per Class B Share attributable to WISeKey International Holding Ltd (USD)	(5.06)	(12.22)	(14.20)
Diluted weighted average loss per Class B Share attributable to WISeKey International Holding Ltd (USD)	(5.06)	(12.22)	(14.20)

For purposes of the diluted net loss per share calculation, stock options, convertible instruments and warrants are considered potentially dilutive securities and are excluded from the calculation of diluted net loss per share, because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share was the same for the years ended December 31, 2023, 2022 and 2021, due to the Group's net loss position.

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

Dilutive vehicles with anti-dilutive effect	**2023**	**2022**	**2021**
Class B Shares			
Total stock options on Class B Shares	147,371	135,251	63,438
Total convertible instruments on Class B Shares	62,324	173,730	295,099
Total number of Class B Shares from dilutive vehicles with anti-dilutive effect	**209,695**	**308,981**	**358,537**
Class A Shares			
Total stock options on Class A Shares	392,720	392,720	392,720
Total number of Class A Shares from dilutive vehicles with anti-dilutive effect	**392,720**	**392,720**	**392,720**

Note 35. Legal proceedings

We are currently not party to any legal proceedings and claims that is not provided for in our financial statements.

Note 36. Related parties disclosure

Subsidiaries

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

Group Company Name	Country of incorporation	Year of incorporation	Share Capital	% ownership as at December 31, 2023	% ownership as at December 31, 2022	Nature of business
WISeKey SA	Switzerland	1999	CHF 933,436	95.75%	95.75%	Main operating company. Sales and R&D services
WISeKey Semiconductors SAS	France	2010	EUR 1,473,162	58.83%	100%	Main operating company. Chip manufacturing, sales & distribution
WiseTrust SA	Switzerland	1999	CHF 680,000	100%	100%	Non-operating investment company
WISeKey ELA SL	Spain	2006	EUR 4,000,000	95.75%	95.75%	Sales & support
WISeKey SAARC Ltd	U.K.	2016	GBP 100,000	51%	51%	Non trading
WISeKey USA Inc[1]	U.S.A	2006	USD 6,500	97.88%*	97.88%*	Sales & support
WISeKey India Private Ltd[2]	India	2016	INR 1,000,000	45.9%	45.9%	Sales & support
WISeKey IoT Japan KK	Japan	2017	JPY 1,000,000	58.83%	100%	Sales & distribution
WISeKey IoT Taiwan	Taiwan	2017	TWD 100,000	58.83%	100%	Sales & distribution
WISeCoin AG	Switzerland	2018	CHF 100,000	90%	90%	Sales & distribution
WISeKey Equities AG	Switzerland	2018	CHF 100,000	100%	100%	Financing, Sales & distribution
WISeKey Semiconductors GmbH	Germany	2019	EUR 25,000	100%	100%	Sales & distribution
WISeKey Arabia - Information Technology Ltd	Saudi Arabia	2019	SAR 200,000	51%	51%	Sales & distribution
WISe.ART AG	Switzerland	2020	CHF 100,000	100%	100%	Sales & distribution
WISeKey Vietnam Ltd	Vietnam	2021	VND 689,400,000	95.75%	95.75%	R&D
SEALSQ Corp[3]	British Virgin Islands	2022	USD 229,453	58.83%	100%	Sales & support
WISeKey (Gibraltar) Limited	Gibraltar	2022	GBP 100	100%	100%	Sales & support
WISeSat.Space AG	Switzerland	2023	CHF 100,000	100%	n/a	Sales & distribution
Trust Protocol Association	Switzerland	2019	CHF -	100%	100%	Association cofounded by WISeKey Equities AG involved in Internet security

[1] 50% owned by WISeKey SA and 50% owned by WiseTrust SA
[2] 88% owned by WISeKey SAARC which is controlled by WISeKey International Holding Ltd
[3] Formerly SEAL (BVI) Corp.

Related party transactions and balances

	Related Parties (in USD'000)	Receivables as at December 31, 2023	2022	Payables as at December 31, 2023	2022	Net expenses to in the year ended December 31, 2023	2022	2021	Net income from in the year ended December 31, 2023	2022	2021
1	Carlos Moreira	-	-	460	353	-	-	-	-	-	-
2	Peter Ward	-	-	295	-	-	-	-	-	-	-
3	Philippe Doubre	-	-	-	-	39	63	179	-	-	-
4	David Fergusson	-	-	10	-	61	68	78	-	-	-
5	Jean-Philippe Ladisa	-	-	14	-	116	53	68	-	-	-
6	Eric Pellaton	-	-	10	-	76	87	92	-	-	-
7	Cristina Dolan	-	-	10	-	76	67	-	-	-	-
8	María Pía Aqueveque Jabbaz	-	-	10	-	116	34	2	-	-	-
9	Ruma Bose	-	n/a	11	n/a	33	n/a	n/a	-	n/a	n/a
10	Danil Kerimi	-	n/a	6	n/a	8	n/a	n/a	-	n/a	n/a
11	Hans-Christian Boos	-	-	-	-	-	158	125	-	-	-
12	Nicolas Ramseier	-	-	-	-	-	1	-	-	-	-
13	Philippe Gerwill	-	-	-	-	-	-	10	-	-	-
14	Geoffrey Lipman	-	-	-	-	-	-	8	-	-	-
15	OISTE	178	171	104	70	321	252	350	119	157	71
16	Terra Ventures Inc	-	-	31	30	-	-	-	-	-	-
17	GSP Holdings Ltd	-	-	16	13	-	-	-	-	-	-
18	SAI LLC (SBT Ventures)	-	-	32	30	-	-	-	-	-	-
19	Related parties of Carlos Moreira	-	-	-	-	298	200	224	-	-	-
	Total	**178**	**171**	**1,009**	**496**	**1,144**	**983**	**1,136**	**119**	**157**	**71**

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey. A short-term receivable in an amount of CHF 397.21 (USD 472.11) to Carlos Moreira was outstanding as at December 31, 2023, made up of non-business expenses on his company credit card not yet repaid. A short-term payable in an amount of CHF 386,683 (USD 459,601) to Carlos Moreira was outstanding as at December 31, 2023, made up of accrued bonuses.

2. Peter Ward is a member of the Board and CFO of WISeKey. A short-term payable in an amount of CHF 248,480 (US 295,335) to Peter Ward was outstanding as at December 31, 2023, made up of accrued bonuses.

3. Philippe Doubre is a former Board member of the Group, and former member of the Group's nomination & compensation committee, as well as a shareholder. The expenses recorded in the income statement in the year to December 31, 2023 relate to compensation for additional services to WISeKey during the year.

4. David Fergusson is a Board member of the Group and chairman of the Group's audit committee and nomination & compensation committee, as well as a shareholder. Mr. Fergusson is also a member of the board of directors of SEALSQ Corp and a member of the audit committee and the nomination & compensation committee of SEALSQ Corp. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to his Board fee.

5. Jean-Philippe Ladisa is a Board member of the Group, and chairman of the Group's audit committee. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to his Board fee.

6. Eric Pellaton is a Board member of the Group, and member of the Group's nomination & compensation committee, as well as a shareholder. Mr. Pellaton is also a member of the board of directors of SEALSQ Corp and a member of the audit committee and the nomination & compensation committee of SEALSQ Corp. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to his Board fee.

7. Cristina Dolan is a Board member of the Group, and member of the Group's audit committee and nomination & compensation committee. Ms. Dolan is also a member of the board of directors of SEALSQ Corp and the chair of the audit committee of SEALSQ Corp. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to her Board fee.

8. María Pía Aqueveque Jabbaz is a Board member of the Group and former member of the Group's advisory committee. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to her Board fee.

9. Ruma Bose is a member of the board of directors of SEALSQ Corp. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to her Board fee.

10. Danil Kerimi is a member of the board of directors of SEALSQ Corp. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2023 relate to her Board fee.

11. Hans-Christian Boos was the managing director of arago GmbH and, until WISeKey divested it in 2022, the former minority shareholder of arago GmbH through two personal companies, Aquilon Invest GmbH and OGARA GmbH. A shareholder of OGARA GmbH, the company that purchased WISeKey's minority interest in arago, he was one of the beneficial owners benefitting from the purchase of WISeKey's 51% controlling interest in arago. Mr. Boos is also a former Board member of the Group.

12. Nicolas Ramseier is a former member of the Group's advisory committee.

13. Philipp Gerwill is a former member of the Group's advisory committee.

14. Geoffrey Lipman is a former member of the Group's advisory committee.

15. 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. Two 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 receivable from OISTE as at December 31, 2023 and income recorded in the income statement in the year to December 31, 2023 relate to the facilities and personnel hosted by WISeKey SA and WISeKey International Holding Ltd on behalf of OISTE. In the year 2023, the Group invoiced OISTE a total of CHF 105,224 (USD 118,886). The payable to OISTE as at December 31, 2023 and expenses relating to OISTE recognized in 2023 are made up of license and royalty fees for the year 2023 under the contract agreement with WISeKey SA.

16. Terra Ventures Inc has a 49% 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. GSP Holdings Ltd is a former shareholder in WISeKey SAARC Ltd. GSP Holdings Ltd granted a GBP 12,500 loan to WISeKey SAARC Ltd on February 2, 2017. The loan is non-interest bearing and has no set repayment date.

18. SAI LLC, doing business as SBT Ventures, is a former shareholder 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.

19. Three immediate family members of Carlos Moreira were employed by WISeKey SA in 2023. In line with ASC 850-10-50-5, transactions involving related parties cannot be presumed to be carried out on an arm's-length basis. The aggregate employment remuneration of these three immediate family members amounted to CHF 267,325 (USD 297,531) recorded in the income statement in 2023.

Note 37. Subsequent events

Short-term receivable from Carlos Moreira

After December 31, 2023, Carlos Moreira repaid in full the short-term receivable balance of CHF 397.21 (USD 472.11) outstanding as at December 31, 2023, and made up of non-business expenses on his company credit card (see Note 9 and Note 36).

L1 Facility

After December 31, 2023, L1 issued a total of one conversion notice, resulting in the aggregated conversion of USD 150,000 and the delivery of 47,611 WIHN Class B Shares.

L1 SPA

After December 31, 2023, L1 fully converted the remaining USD 1 million of the First L1 Note, resulting in the delivery of a total of 963,326 ordinary shares of SEALSQ.

On January 9, 2024, SEALSQ and L1 signed an Amendment to Securities Purchase Agreement (the "**L1 Amendment**") amending some of the terms of the second tranche of USD 5 million to be issued and extending the SPA to include a third tranche of funding with a maximum aggregate principal amount of notes of up to USD 5 million and having substantially similar terms as the second tranche notes as amended.
The second tranche of USD 5 million was funded on January 11, 2024 (the "**Second L1 Note**").
After December 31, 2023, L1 converted USD 3.9 million of the Second L1 Note, resulting in the delivery of a total of 2,354,394 ordinary shares of SEALSQ.

On March 1, 2024, SEALSQ and L1 signed a second Amendment to Securities Purchase Agreement (the "**Second L1 Amendment**") amending some of the terms of the third tranche of USD 5 million to be issued and extending the SPA to include up to two additional tranches of funding with a maximum aggregate principal amount of notes of up to USD 5 million per tranche and having substantially similar terms as the third tranche notes as amended.
The third tranche of USD 5 million was funded on March 1, 2024 (the "**Third L1 Note**").
After December 31, 2023, L1 had not requested any conversion out of the Third L1 Note.

Anson SPA

After December 31, 2023, Anson fully converted the remaining USD 825,000 of the First Anson Note, resulting in the delivery of a total of 816,990 ordinary shares of SEALSQ.

On January 9, 2024, SEALSQ and Anson signed an Amendment to Securities Purchase Agreement (the "**Anson Amendment**") amending some of the terms of the second tranche of USD 5 million to be issued and extending the SPA to include a third tranche of funding with a maximum aggregate principal amount of notes of up to USD 5 million and having substantially similar terms as the second tranche notes as amended.
The second tranche of USD 5 million was funded on January 10, 2024 (the "**Second Anson Note**").
After December 31, 2023, Anson converted USD 5 million of the Second Anson Note, resulting in the delivery of a total of 3,153,114 ordinary shares of SEALSQ.

On March 1, 2024, SEALSQ and Anson signed a second Amendment to Securities Purchase Agreement (the "**Second Anson Amendment**") amending some of the terms of the third tranche of USD 5 million to be issued and extending the SPA to include up to two additional tranches of funding with a maximum aggregate principal amount of notes of up to USD 5 million per tranche and having substantially similar terms as the third tranche notes as amended.
The third tranche of USD 5 million was funded on March 1, 2024 (the "**Third Anson Note**").
After December 31, 2023, Anson had not requested any conversion out of the Third Anson Note.

Incorporation of SEALSQ USA, Ltd

On April 1, 2024, the Group incorporated SEALSQ USA, Ltd in Arizona, U.S.A., to serve as its headquarters for its semiconductor's operations in North America.

Options granted under WISeKey ESOP

After December 31, 2023, a total of 64,875 options on WIHN Class B Shares were granted under the Group's Employee Stock Option Plans.

Credit Agreement with ExWorks Capital Fund I, L.P

After December 31, 2023, the Group was contacted by the receiver of ExWorks Capital Fund I, L.P in relation to the outstanding borrowings.

Note 38. Impacts of ongoing conflicts

Impacts of the war in Ukraine

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. There has been an abrupt change in the geopolitical situation, with significant uncertainty about the duration of the conflict, changing scope of sanctions and retaliation actions including new laws.
The WISeKey group does not have any operation or customer in Russia, Belarus or Ukraine, and, as such, does not foresee any direct impact of the war on its operations. However, the war has also contributed to an increase in volatility in currency markets, energy prices, raw material and other input costs, which may impact the Group's supply chain in the future.
As at December 31, 2023, WISeKey has assessed the consequences of the war for its financial disclosures and considered the impacts on key judgments and significant estimates, and has concluded that no changes were required. WISeKey will continue to monitor these areas of increased risk for material changes.

Impacts of the Israel–Hamas conflict

Israel's declaration of war on Hamas in October 2023 has degraded the geopolitical environment in the region and created uncertainty.
The WISeKey group does not have any operation or customer in that region, and, as such, does not foresee any direct impact of the war on its operations. However, depending on its duration and intensity, the war may adversely affect the global economy, financial markets and the Group's supply chain in the future.
As at December 31, 2023, WISeKey has assessed the consequences of the war for its financial disclosures and considered the impacts on key judgments and significant estimates, and has concluded that no changes were required. WISeKey will continue to monitor these areas of increased risk for material changes.