WISeKey International Holding Ltd

Consolidated Financial Statements

As at December 31, 2024

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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BDO Ltd
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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 2024

(for the period from 01.01.2024 to 31.12.2024)

April 17, 2025

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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, 2024 and 31 December 2023 and the related Consolidated Statements of Comprehensive (Loss) / Income, 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 2024, 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 2024 and 31 December 2023 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.

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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.

Key Audit Matter	How the Key Audit Matter was addressed in the audit
Accounting for Convertible Notes	
As described in note 22 to the consolidated financial statements, the group entered into two Security Purchase Agreements (SPAs) in July 2023. The lender converted all notes in full as of December 31, 2024. The SPAs contain certain conversion, redemption, and other features that require the Company to assess if such features are embedded derivatives that require bifurcation. We identified the evaluation of the embedded features and the accounting for drawdowns, conversions, and settlements as a key audit matter. Determining whether the embedded features should be bifurcated and accounted for separately as derivatives well as the accounting for the drawdowns, conversions and settlements involved the use of significant judgment in the application of highly complex accounting standards. Auditing these elements involved especially challenging and complex auditor judgment due to the nature and extent of audit effort required to evaluate management’s application of highly complex accounting standards to these elements.	We evaluated the design and implementation of control on the assessment and accounting for new loans and lines of credits. We obtained detailed accounting memorandums from the Group and assessed management's conclusion on the accounting treatment. We tested the drawdowns on a sample basis agreeing them back to the underlying legal documents and verifying the resulting journal entries for correctness. We supported a sample of conversions. In addition, we directly confirmed outstanding balances with counterparties. We also assessed the appropriateness of the accuracy and completeness of the related disclosures in Note 22.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Inventory Reserve	
As described in notes 4 and 10 to the consolidated financial statements, inventories totaled approximately $1.4 million as of December 31, 2024. 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. We identified the valuation of inventories reserves as a key audit matter due to the significant judgment and estimates required by management in determining the reserves for excess and obsolete inventories. Given the inherent uncertainty in estimating the future marketability of the Company's products, auditing management's estimates involved significant auditor judgment and increased audit effort.	We evaluated design and implementation of risk related controls. We verified significant inputs into the excess and obsolescence reserves for reasonableness. We tested the model for accuracy and appropriateness through retrospective review. We tested management's assumptions. We performed price and Net Realizable Value (NRV) testing, review methodology and computation of E&O reserves. We tested integrity of underlying reports/data. We also assessed the appropriateness of the accuracy and completeness of the related disclosures in Notes 4 and 10.

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 Consolidated Financial Statements

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

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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.

Zurich, 17 April 2025

BDO Ltd

Philipp Kegele	Sascha Gasser
Auditor in charge Licensed Audit Expert	Licensed Audit Expert

2. Consolidated Statements of Comprehensive (Loss) / Income

USD'000, except earnings per share	12 months ended December 31, 2024	2023	2022	Note ref.
Net sales	11,875	30,918	23,814	28
Cost of sales	(7,104)	(15,754)	(13,588)	
Depreciation of production assets	(478)	(420)	(132)	
Gross profit	**4,293**	**14,744**	**10,094**	
Other operating income	184	167	2,073	29
Research & development expenses	(7,026)	(4,398)	(3,862)	
Selling & marketing expenses	(8,550)	(6,523)	(7,275)	
General & administrative expenses	(16,324)	(17,290)	(11,466)	
Total operating expenses	**(31,716)**	**(28,044)**	**(20,530)**	
Operating loss	**(27,423)**	**(13,300)**	**(10,436)**	
Non-operating income	1,629	2,374	3,937	31
Debt conversion expense	(32)	(562)	(827)	22
Interest and amortization of debt discount	(1,013)	(624)	(168)	22
Non-operating expenses	(2,018)	(3,107)	(5,551)	32
Loss before income tax expense	**(28,857)**	**(15,219)**	**(13,045)**	
Income tax income / (expense)	(3,086)	(230)	3,238	33
Loss from continuing operations, net	**(31,943)**	**(15,449)**	**(9,807)**	
Discontinued operations:				
Net sales from discontinued operations	-	-	1,805	
Cost of sales from discontinued operations	-	-	(978)	
Total operating and non-operating expenses from discontinued operations	-	-	(5,274)	
Income tax recovery from discontinued operations	-	-	25	
Loss on disposal of a business, net of tax on disposal	-	-	(15,026)	
(Loss) / Income on discontinued operations	**-**	**-**	**(19,448)**	
Net loss	**(31,943)**	**(15,449)**	**(29,255)**	
Net loss attributable to noncontrolling interests	(18,497)	(89)	(1,780)	
Net loss attributable to WISeKey International Holding Ltd	**(13,446)**	**(15,360)**	**(27,475)**	
<u>**Earnings per Class A Share (USD)**</u>				35
Earnings per Class A Share from continuing operations				
Basic	(0.92)	(0.50)	(0.44)	
Diluted	(0.92)	(0.50)	(0.44)	
Earnings per Class A Share from discontinued operations				
Basic	-	-	(0.87)	
Diluted	-	-	(0.87)	
Earning per Class A Share attributable to WISeKey International Holding Ltd				
Basic	(0.39)	(0.51)	(1.22)	
Diluted	(0.39)	(0.51)	(1.22)	

USD'000	12 months ended December 31, 2024	2023	2022	Note ref.
Earnings per Class B Share (USD)				35
Earnings per Class B Share from continuing operations				
Basic	(9.17)	(5.01)	(4.36)	
Diluted	(9.17)	(5.01)	(4.36)	
Earnings per Class B Share from discontinued operations				
Basic	-	-	(8.65)	
Diluted	-	-	(8.65)	
Earning per Class B Share attributable to WISeKey International Holding Ltd				
Basic	(3.86)	(5.06)	(12.22)	
Diluted	(3.86)	(5.06)	(12.22)	
Other comprehensive income / (loss), net of tax:				
Foreign currency translation adjustments	287	(842)	(1,434)	
Reclassifications out of the OCI arising during period	-	-	1,156	
Defined benefit pension plans:				23
Net gain (loss) arising during period	(1,206)	(1,151)	2,934	
Other comprehensive (loss) / income	**(919)**	**(1,993)**	**2,656**	
Comprehensive loss	**(32,862)**	**(17,442)**	**(26,599)**	
Other comprehensive loss attributable to noncontrolling interests	(28)	(99)	(964)	
Other comprehensive (loss) / income attributable to WISeKey International Holding Ltd	**(891)**	**(1,894)**	**3,620**	
Comprehensive loss attributable to noncontrolling interests	(18,525)	(188)	(2,744)	
Comprehensive loss attributable to WISeKey International Holding Ltd	**(14,337)**	**(17,254)**	**(23,855)**	

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

3. Consolidated Balance Sheets

USD'000	As at December 31, 2024	As at December 31, 2023	Note ref.
ASSETS			
Current assets			
Cash and cash equivalents	90,600	15,311	*7*
Accounts receivable, net of allowance for credit losses	4,285	5,471	*8*
Notes receivable, current	13	63	*9*
Inventories	1,418	5,230	*10*
Prepaid expenses	1,364	1,290	
Government assistance	2,247	1,718	*11*
Other current assets	573	1,008	*12*
Total current assets	**100,500**	**30,091**	
Noncurrent assets			
Notes receivable, noncurrent	32	-	*13*
Deferred income tax assets	-	3,077	*33*
Deferred tax credits	250	15	
Property, plant and equipment net of accumulated depreciation	3,275	3,392	*14*
Intangible assets, net of accumulated amortization	96	96	*15*
Operating lease right-of-use assets	1,502	2,052	*16*
Goodwill	8,317	8,317	*17*
Equity securities, at cost	455	486	*18*
Other noncurrent assets	261	275	
Total noncurrent assets	**14,188**	**17,710**	
TOTAL ASSETS	**114,688**	**47,801**	
LIABILITIES			
Current Liabilities			
Accounts payable	13,496	12,863	*19*
Notes payable	5,900	4,085	*20*
Indebtedness to related parties, current	78	79	*20*
Convertible note payable, current	9	190	*22*
Deferred revenue, current	93	217	*28*
Current portion of obligations under operating lease liabilities	607	638	*16*
Income tax payable	2	4	
Other current liabilities	1,135	832	*21*
Total current liabilities	**21,320**	**18,908**	
Noncurrent liabilities			
Bonds, mortgages and other long-term debt	102	1,820	*22*
Convertible note payable, noncurrent	-	1,519	*22*
Deferred revenue, noncurrent	21	24	*28*
Indebtedness to related parties, noncurrent	1,387	-	*37*
Operating lease liabilities, noncurrent	853	1,443	*16*
Employee benefit plan obligation	3,877	3,001	*23*
Other noncurrent liabilities	4	2	
Total noncurrent liabilities	**6,244**	**7,809**	
TOTAL LIABILITIES	**27,564**	**26,717**	

USD'000	As at December 31, 2024	As at December 31, 2023	*Note ref.*
Commitments and contingent liabilities			*24*
SHAREHOLDERS' EQUITY			
Common stock - Class A	16	400	*25*
Par value - CHF 0.01 and CHF 0.25			
Authorized - 2,000,880 and 2,000,880 shares			
Issued and outstanding - 1,600,880 and 1,600,880 shares			
Common stock - Class B	359	8,170	*25*
Par value - CHF 0.10 and CHF 2.50			
Authorized - 6,194,267 and 6,194,267			
Issued – 3,365,560 and 3,076,150			
Outstanding - 3,309,052 and 2,954,097			
Share subscription in progress	1	-	
Treasury stock, at cost (56,508 and 122,053 shares held)	(502)	(691)	*25*
Additional paid-in capital	316,431	289,448	
Accumulated other comprehensive income / (loss)	3,150	4,041	*26*
Accumulated deficit	(294,407)	(280,961)	
Total shareholders' equity attributable to WISeKey shareholders	**25,048**	**20,407**	
Noncontrolling interests in consolidated subsidiaries	62,076	677	
Total shareholders' equity	**87,124**	**21,084**	
TOTAL LIABILITIES AND EQUITY	**114,688**	**47,801**	

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(1) Class A	Number of common shares(1) Class B	Common Share Capital(1) Class A	Common Share Capital(1) Class B	Total share capital(1)	Treasury Shares	Additional paid-in capital	Share subscription in progress	Accumulated deficit	Accumulated other comprehensive income / (loss)	**Total stockholders' equity**	Noncontrolling interests	**Total equity**	***Note ref.***
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	3,209	-	-	-	**4,788**	1,576	**6,364**	22
Anson Facility	-	177,900	-	486	486	414	5,514	-	-	-	**6,414**	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)	289,448	-	(280,961)	4,041	**20,407**	677	**21,084**	
Options exercised	-	-	-	-	-	-	(12)	1	-	-	**(11)**	-	**(11)**	
Stock-based compensation	-	-	-	-	-	-	1,182	-	-	-	**1,182**	-	**1,182**	
L1 Facilities(2)	-	-	-	-	-	189	1,083	-	-	-	**1,272**	-	**1,272**	22
Anson Facilities(3)	-	289,410	-	817	817	-	235	-	-	-	**1,052**	-	**1,052**	22
L1 SPAs(4) and warrants	-	-	-	-	-	-	6,756	-	-	-	**6,756**	40,259	**47,015**	
Anson SPAs(5) and warrants	-	-	-	-	-	-	7,265	-	-	-	**7,265**	39,632	**46,897**	
Change in par value of shares	-	-	(384)	(8,628)	(9,012)	-	9,012	-	-	-	**-**	-	**-**	
Change in ownership of WISe.ART	-	-	-	-	-	-	1,462	-	-	-	**1,462**	33	**1,495**	
Net income	-	-	-	-	-	-	-	-	(13,446)	-	**(13,446)**	(18,497)	**(31,943)**	
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	(891)	**(891)**	(28)	**(919)**	
As at December 31, 2024	1,600,880	3,365,560	16	359	375	(502)	316,431	1	(294,407)	3,150	**25,048**	62,076	**87,124**	

1. The articles of association of the Company had not been fully updated as of December 31, 2024 with the shares issued out of conditional capital.
2. The L1 Facilities refer to the L1 Facility and the 2024 L1 Facility as detailed in Note 22.
3. The Anson Facilities refer to the Anson Facility and the 2024 Anson Facility as detailed in Note 22.
4. The L1 SPAs refer to the L1 SPA as detailed in Note 22, together with the Second L1 SPA, the Third L1 SPA and the Fourth L1 SPA as detailed in Note 27.
5. The Anson SPAs refer to the Anson SPA as detailed in Note 22, together with the Second Anson SPA, the Third Anson SPA and the Fourth Anson SPA as detailed in Note 27.

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, 2024	2023	2022
Cash Flows from operating activities:			
Net Income (loss)	(31,943)	(15,449)	(29,255)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant & equipment	728	624	446
Depreciation of lease building & assets, net of cash paid	(46)	-	-
Amortization of intangible assets	-	1	156
Write-off loss / (gain)	-	(48)	1,333
Debt conversion expense	32	562	827
Interest and amortization of debt discount	1,013	624	168
Stock-based compensation	1,182	178	744
Bad debt expense	-	36	4
Inventory valuation allowance	(523)	594	554
Increase (decrease) in defined benefit pension liability, net of unrealized gains and losses	(330)	232	13
Deferred tax asset write-off	3,077	-	-
Income tax expense / (recovery) net of cash paid	1	222	(3,268)
Other non cash expenses /(income)			
Expenses settled in equity	2,652	214	85
Loss on disposal of a business	-	-	15,026
Unrealized and non cash foreign currency transactions	206	(518)	1,378
Other	-	409	-
Changes in operating assets and liabilities, net of effects of businesses acquired			
Decrease (increase) in accounts receivables	1,186	(2,898)	227
Decrease (increase) in inventories	4,335	2,319	(5,354)
Decrease (increase) in government assistance	(529)	(1,069)	154
Decrease (increase) in other current assets and prepaids, net	361	(21)	(621)
Decrease (increase) in other noncurrent assets, net	14	(26)	8
Increase (decrease) in accounts payable	634	(538)	137
Increase (decrease) in deferred revenue, current	(124)	43	(34)
Increase (decrease) in income taxes payable	(2)	(53)	45
Increase (decrease) in other current liabilities	303	360	210
Increase (decrease) in deferred revenue, noncurrent	(3)	2	(77)
Increase (decrease) in other noncurrent liabilities	2	(6)	(50)
Net cash provided by (used in) operating activities	**(17,774)**	**(14,206)**	**(17,144)**
Cash Flows from investing activities:			
Change in ownership of WISe.ART	750	-	-
Sale / (acquisition) of property, plant and equipment	(571)	(3,021)	(303)
Sale of a business, net of cash and cash equivalents divested	-	-	(181)
Net cash provided by (used in) investing activities	**179**	**(3,021)**	**(484)**
Cash Flows from financing activities:			
Proceeds from options and warrants exercises	17,612	28	16
Proceeds from issuance of Common Stock	60,000	-	-
Common Stock issuance costs	(4,855)	-	-
Proceeds from convertible loan issuance	22,500	12,990	4,820
Proceeds from debt	12	-	2,000
Repayments of debt	(53)	(276)	(2,246)
Payments of debt issue costs	(2,300)	(890)	(303)
Repurchase of treasury shares	-	(2)	(102)
Net cash provided by (used in) financing activities	**92,916**	**11,850**	**4,185**
Effect of exchange rate changes on cash and cash equivalents	(32)	(126)	(102)

USD'000	12 months ended December 31, 2024	2023	2022
Cash and cash equivalents and restricted cash			
Net increase (decrease) during the period	75,289	(5,503)	(13,545)
Balance, beginning of period	15,311	20,814	34,359
Balance, end of period	**90,600**	**15,311**	**20,814**
Reconciliation to balance sheet			
Cash and cash equivalents	90,600	15,311	20,706
Restricted cash, current	-	-	108
Balance, end of period	**90,600**	**15,311**	**20,814**
Supplemental cash flow information for financing and investing activities			
Cash paid for interest, net of amounts capitalized	-	-	53
Cash paid for incomes taxes	8	8	6
Noncash conversion of convertible loans into common stock	24,515	12,875	13,800
Net effects of business acquired and disposed of (noncash)	-	-	2,831
ROU assets obtained from operating lease	62	66	29

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 SIS AG, 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's current focus is on post-quantum cryptography (PQC) in order to provide secure, quantum resistant identification means to the market. WISeKey generates digital identities from its current products and services in Cybersecurity Services, IoT (Internet of Things), Digital Brand Management and Mobile Security.
The Group leads a carefully planned vertical integration strategy through acquisitions of companies in the industry. The strategic objective is to provide integrated services to its customers and also achieve cross-selling and synergies across WISeKey. Through this vertical integration strategy and its R&D efforts around post-quantum security solutions, WISeKey anticipates being able to generate profits in the 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 27.4 million and had positive working capital of USD 79.2 million as at December 31, 2024, 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, 2026, 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.

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.

Additional paid-in capital and Noncontrolling interest
During our 2024 financial reporting process, we noted a formula error affecting WISeKey's equity presentation of the capital increases in relation to the L1 and Anson Facilities in its subsidiary, SEALSQ Corp, in the financial statements ended December 31, 2023. The error changed the allocation of the capital increase impacts between additional paid-in capital and noncontrolling interest without impacting total equity. We assessed that there was not a substantial likelihood that the error would have been viewed by the reasonable investor as having significantly altered the "total mix" of information made available, and as such concluded that a "little r" restatement was required. In application of ASC 250, we corrected the error in the current year comparative financial statements by adjusting the prior period information.

The table below shows the effect of the adjustment of the prior period information on the Condensed Consolidated Statements Changes in Shareholders' Equity.

	As reported in the financial statements ended December 31, 2023				As adjusted in the financial statements ended December 31, 2024			
USD'000	Additional paid-in capital	**Total stockholders' equity**	Noncontrolling interests	**Total equity**	Additional paid-in capital	**Total stockholders' equity**	Noncontrolling interests	**Total equity**
As at December 31, 2022	280,597	**26,260**	(2,235)	**24,025**	280,597	**26,260**	(2,235)	**24,025**
Common stock issued[1]	(41)	**(41)**	-	**(41)**	(41)	**(41)**	-	**(41)**
Options exercised	(9)	**29**	-	**29**	(9)	**29**	-	**29**
Stock-based compensation	178	**178**	-	**178**	178	**178**	-	**178**
Changes in treasury shares	-	**(1)**	-	**(1)**	-	**(1)**	-	**(1)**
L1 Facility	6,361	**7,940**	(1,576)	**6,364**	3,209	**4,788**	1,576	**6,364**
Anson Facility	8,630	**9,530**	(1,558)	**7,972**	5,514	**6,414**	1,558	**7,972**
Dividend in kind	-	**34**	(34)	**-**	-	**34**	(34)	**-**
Net income	-	**(15,360)**	(89)	**(15,449)**	-	**(15,360)**	(89)	**(15,449)**
Other comprehensive income / (loss)	-	**(1,894)**	(99)	**(1,993)**	-	**(1,894)**	(99)	**(1,993)**
As at December 31, 2023	295,716	**26,675**	(5,591)	**21,084**	289,448	**20,407**	677	**21,084**

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 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 33)
- Revenue recognition (see Note 28)
- 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 10 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 1 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 consist of accrued revenue where the Group 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 ramp-up phases, 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 that covers all employees working for SEALSQ France SAS in France.

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), except if they exceed the corridor and get amortized.

Stock-Based Compensation

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

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 fifty 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 SEALSQ France 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 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

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 Class A Shares, nominal value CHF 0.01, (the "**WIHN Class A Shares**", or, individually, a "**WIHN Class A Share**") 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 0.10 are ten times greater than the dividend rights of a WIHN Class A Share with a nominal value of CHF 0.01. 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 are 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 34.

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, 2024, the Group adopted Accounting Standards Update (ASU) 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. ASU 2023-01 requires 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.
There was no impact on the Group's results upon adoption of the standard.

The group also adopted Accounting Standards Update (ASU) 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances current segment disclosures and requires additional disclosures of significant segment expenses.
ASU 2023-07 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.
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 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.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which updates mandates that public business entities provide more detailed disclosures about specific expense categories in their financial statement notes, enhancing transparency for investors.
Summary: Entities are required to disaggregate certain expense captions presented on the income statement into the following natural expense categories, such as purchases of Inventory, Employee compensation, Depreciation and Intangible Asset Amortization. These disaggregated expenses must be presented in a tabular format within the notes to the financial statements for both annual and interim reporting periods. Additionally, entities are required to disclose the total amount of selling expenses and provide their definition.
Effective Date: ASU 2024-03 is effective for annual reporting periods for public business entities for fiscal years beginning after December 15, 2026, and for interim reporting periods within fiscal years beginning after December 15, 2027. 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 November 2024, the FASB issued ASU 2024-04, Debt - Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. This update clarifies the accounting treatment for certain settlements of convertible debt instruments that do not occur under the instruments' preexisting terms.
Summary: The update introduces a "preexisting contract approach" to determine whether an inducement offer should be accounted for as an induced conversion. Under this approach, an inducement offer is considered to preserve the form and amount of consideration if it provides the debt holder with at least the same consideration as the original conversion terms of the instrument. The assessment is based on the terms as they existed one year before the offer acceptance date, especially if the instrument was modified within that period. Additionally, the ASU clarifies that induced conversion accounting applies to convertible debt instruments within the scope of Subtopic 470-20 that are not currently convertible, provided the instrument contained a substantive conversion feature at both its issuance date and the inducement offer acceptance date.
Effective Date: ASU 2024-04 is effective for public business entities for fiscal years beginning after December 15, 2025. 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 and cash equivalents is mostly held with one large financial institution. Management believes that the financial institution that holds most of our cash and cash equivalents is financially sound and, accordingly, is subject to minimal credit risk. However, to the extent that such deposits exceed the maximum insurance levels, they are uninsured.

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 was 10% or higher than the respective total consolidated net sales for fiscal years 2024, 2023 or 2022, and the clients whose trade accounts receivable balances were 10% or higher than the respective total consolidated trade accounts receivable balance as at December 31, 2024 and December 31, 2023. In addition, we note that some of our clients are contract manufacturers for the same companies; should these companies reduce their operations or change contract manufacturers, this would cause a decrease in our customer orders which would adversely affect our operating results.

Revenue concentration (% of total net sales)	**12 months ended December 31,**		
	2024	**2023**	**2022**
IoT operating segment			
Multinational electronics contract manufacturing company	4%	15%	14%
International equipment and software manufacturer	0%	6%	5%
International digital identity & security provider	0%	12%	9%
International software services provider	2%	8%	6%
International telecommunication company	33%	5%	3%
Multinational telecommunication & hardware manufacturing company	0%	4%	5%

Receivables concentration (% of total accounts receivable and maximum amount of loss due to credit risk)	As at December 31, 2024		As at December 31, 2023	
	%	US'000	%	US'000
Multinational electronics contract manufacturing company	6%	253	14%	739
International equipment and software manufacturer	0%	-	18%	944
International digital identity & security provider	0%	-	0%	-
International software services provider	3%	137	13%	686
International telecommunication company	42%	1,804	12%	628
Multinational telecommunication & hardware manufacturing company	0%	-	11%	590

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, 2024 Carrying amount	As at December 31, 2024 Fair value	As at December 31, 2023 Carrying amount	As at December 31, 2023 Fair value	Fair value level	*Note ref.*
Nonrecurring fair value measurements						
Accounts receivable, net of allowance for credit losses	4,285	4,285	5,471	5,471	3	*8*
Notes receivable, current	13	13	63	63	3	*9*
Notes receivable, noncurrent	32	32	-	-	3	*13*
Equity securities, at cost	455	455	486	486	3	*18*
Accounts payable	13,496	13,496	12,863	12,863	3	*19*
Notes payable	5,900	5,900	4,085	4,085	3	*20*
Indebtedness to related parties, current	78	78	79	79	3	*20*
Convertible note payable, current	9	9	190	190	3	*22*
Bonds, mortgages and other long-term debt	102	102	1,820	1,820	3	*22*
Convertible note payable, noncurrent	-	-	1,519	1,846	3	*22*
Indebtedness to related parties, noncurrent	1,387	1,387	-	-	3	*37*

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, 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.
- Convertible note payable, current – 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.
-

Note 7. Cash and cash equivalents

Cash consists of deposits held at major banks.

Note 8. Accounts receivable

The breakdown of the accounts receivable balance is detailed below:

USD'000	As at December 31, 2024	As at December 31, 2023
Trade accounts receivable	4,133	5,380
Allowance for credit losses	(94)	(114)
Accounts receivable from other related parties	158	178
Accounts receivable from board members	49	-
Accounts receivable from underwriters, promoters, and employees	2	-
Other accounts receivable	37	27
Total accounts receivable, net of allowance for credit losses	**4,285**	**5,471**

As at December 31, 2024 and 2023, accounts receivable from other related parties consisted of a receivable balance from OISTE in relation to the facilities and personnel hosted by WISeKey SA and WISeKey International Holding Ltd on behalf of OISTE (see Note 37).

Note 9. Notes receivable, current

As at December 31, 2024, the notes receivable, current consisted of the current portion of a loan to an employee in an amount of CHF 41,065 (USD 45,281 at closing rate on December 31, 2024). The noncurrent portion of the loan is recorded under Notes receivable, noncurrent (see Note 13). 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 2024, the Group renegotiated the payment schedule with the employee and quarterly repayments have been scheduled until 2028. In exchange for the loan, the employee has pledged the 60,000 ESOP options that he holds on WIHN Class B Shares (see Note 30).

Note 10. Inventories

Inventories consisted of the following:

USD'000	As at December 31, 2024	As at December 31, 2023
Raw materials	764	1,025
Work in progress	482	4,205
Finished goods	172	-
Total inventories	**1,418**	**5,230**

In the years ended December 31, 2024, 2023 and 2022, the Group recorded an inventory valuation allowance in the income statement in an amount of, respectively, USD 92,284, USD 220,289 and USD 204,211 on raw materials, and a credit of USD 615,608, and debits of USD 373,469 and USD 349,623 on work in progress. The credit on work in progress in 2024 results from the release of a provision.

Note 11. Government assistance

SEALSQ France SAS is eligible for research tax credits provided by the French government (see Note 4 Summary of significant accounting policies). As at December 31, 2024 and December 31, 2023, the receivable balances in respect of these research tax credits owed to the Group were respectively USD 2,246,680 and USD 1,718,248. 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 balance as at December 31, 2024 is the aggregate of USD 1,217,490 (at closing rate) tax credit earned in relation to the year 2024 and USD 1,029,190 (at closing rate) in relation to the year 2023. 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, 2024	As at December 31, 2023
Value-Added Tax receivable	460	657
Advanced payment to suppliers	61	346
Deposits, current	5	5
Customer contract assets, current	22	-
Other current assets	25	-
Total other current assets	**573**	**1,008**

Note 13. Notes receivable, noncurrent

As at December 31, 2024, the notes receivable, noncurrent consisted of the noncurrent portion of a loan to an employee in an amount of CHF 41,065 (USD 45,281 at closing rate on December 31, 2024). The current portion of the loan is recorded under Notes receivable, current (see Note 9). 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 2024, the Group renegotiated the payment schedule with the employee and quarterly repayments have been scheduled until 2028. In exchange for the loan, the employee has pledged the 60,000 ESOP options that he holds on WIHN Class B Shares (see Note 30).

Note 14. Property, plant and equipment

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

USD'000	As at December 31, 2024	As at December 31, 2023
Office equipment and furniture	3,000	3,186
Computer equipment and licenses	1,878	1,861
Machinery & equipment	7,491	6,997
Total property, plant and equipment gross	12,369	12,044
Accumulated depreciation for:		
Office equipment and furniture	(2,946)	(3,044)
Computer equipment and licenses	(1,692)	(1,645)
Machinery & equipment	(4,456)	(3,963)
Total accumulated depreciation	(9,094)	(8,652)
Total property, plant and equipment, net	**3,275**	**3,392**
Depreciation charge for the year	728	624

The depreciation charge from continuing operations for the year 2024 was USD 727,665.

In the years ended December 31, 2024 and 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, the Group did not record any impairment charge on property, plant and equipment in the years ended December 31, 2024 and 2023.

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

- Production tools 8 to 10 years
- Office equipment and furniture 2 to 5 years
- Production masks 5 years
- Probe cards 5 years
- Licenses 3 years
- Software 1 year

Note 15. Intangible assets

Intangible assets and future amortization expenses consisted of the following:

USD'000	As at December 31, 2024	As at December 31, 2023
Intangible assets not subject to amortization:		
Cryptocurrencies	96	96
Intangible assets subject to amortization:		
Trademarks	139	149
Patents	2,281	2,281
License agreements	11,378	12,132
Other intangibles	6,499	6,933
Total intangible assets gross	20,393	21,591
Accumulated amortization for:		
Trademarks	(139)	(149)
Patents	(2,281)	(2,281)
License agreements	(11,378)	(12,132)
Other intangibles	(6,499)	(6,933)
Total accumulated amortization	(20,297)	(21,495)
Total intangible assets subject to amortization, net	-	-
Total intangible assets, net	**96**	**96**
Amortization charge for the year	-	1

The amortization charge from continuing operations for the year 2022 was USD 68,836.

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, 2024. Therefore, no impairment losses were recorded in the year ended December 31, 2024 and the balance as at December 31, 2024 remains USD 96,164.

The useful economic life of intangible assets is as follows:

- Trademarks 5 to 10 years
- Patents 5 to 10 years
- License agreements 1 to 3 years
- Other intangibles 5 years

All intangible assets subject to amortization were fully amortized as at December 31, 2024, therefore there are no amortization charges expected in future years.

Note 16. Leases

WISeKey has historically entered into a number of lease arrangements under which it is the lessee. As at December 31, 2024, WISeKey holds nine operating leases. The 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 2024, 2023, and 2022 we recognized rent expenses associated with our leases as follows:

USD'000	12 months ended December 31, 2024	2023	2022
Finance lease cost:			
Amortization of right-of-use assets	-	-	33
Interest on lease liabilities	-	-	1
Operating lease cost:			
Fixed rent expense	665	668	587
Short-term lease cost	-	-	2
Net lease cost from continuing operations	**665**	**668**	**623**
Lease cost - Cost of sales	-	-	-
Lease cost - General & administrative expenses	665	668	623
Net lease cost from continuing operations	**665**	**668**	**623**

In the years 2024 and 2023, we had the following cash and non-cash activities associated with our leases:

USD'000	As at December 31, 2024	As at December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	-	-
Operating cash flows from operating leases	657	614
Financing cash flows from finance leases	-	-
Non-cash investing and financing activities:		
Net lease cost from continuing operations	665	668
Additions to ROU assets obtained from:		
New operating lease liabilities	62	66

The following table provides the details of right-of-use assets and lease liabilities as of December 31, 2024 and December 31, 2023:

USD'000	As at December 31, 2024	As at December 31, 2023
Right-of-use assets:		
Operating leases	1,502	2,052
Total right-of-use assets	**1,502**	**2,052**
Lease liabilities:		
Operating leases	1,460	2,081
Total lease liabilities	**1,460**	**2,081**

As at December 31, 2024, future minimum annual lease payments were as follows:

Year	USD'000 Operating	USD'000 Short-term	USD'000 Finance	USD'000 Total
2025	616	-	-	616
2026	543	-	-	543
2027	288	-	-	288
2028	158	-	-	158
2029 and beyond	-	-	-	-
Total future minimum operating and short-term lease payments	**1,605**	**-**	**-**	**1,605**
Less effects of discounting	(145)	-	-	(145)
Lease liabilities recognized	**1,460**	**-**	**-**	**1,460**

As of December 31, 2024, the weighted-average remaining lease term was 2.94 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, 2024 was 3.19% and as of December 31, 2023 was 4.70%.

Note 17. Goodwill

We test goodwill for impairment annually on October 1st, or as and when indicators of impairment arise. As at October 1, 2024, 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, 2024, there were no impairment indicators identified triggering a new impairment test. Therefore, no impairment loss was recorded in 2024.

Impairment reviews have been conducted for the goodwill allocated to the reporting unit ("RU) relating to the acquisition of SEALSQ France SAS (formerly WISeKey Semiconductors SAS) in 2016. Fair value has been determined based on the market 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 SEALSQ France SAS RU has a negative carrying amount.

USD'000	IoT Segment	Total
Goodwill balance as at December 31, 2022	**8,317**	**8,317**
Goodwill acquired during the year	-	-
Impairment losses	-	-
As at December 31, 2023		
Goodwill	8,317	8,317
Accumulated impairment losses	-	-
Goodwill balance as at December 31, 2023	**8,317**	**8,317**
Goodwill acquired during the year	-	-
Impairment losses	-	-
As at June December 31, 2024		
Goodwill	8,317	8,317
Accumulated impairment losses	-	-
Goodwill balance as at December 31, 2024	**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 18. 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, 2024, 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, 2024, and the carrying value of the FOSSA investment as at December 31, 2024 was EUR 440,000 (USD 455,422 at closing rate).

Note 19. Accounts payable

The accounts payable balance consisted of the following:

USD'000	As at December 31, 2024	As at December 31, 2023
Trade creditors	3,691	3,568
Accounts payable to Board Members	2,343	826
Accounts payable to other related parties	83	104
Accounts payable to underwriters, promoters, and employees	2,572	4,200
Other accounts payable	4,807	4,165
Total accounts payable	**13,496**	**12,863**

As at December 31, 2024, accounts payable to Board Members are made up of:

- a balance of CHF 1,306,890 (USD 1,441,063) payable to Carlos Moreira in relation to accrued bonus and social charges thereon (see Note 37 for detail).
- a balance of CHF 209,716 (USD 251,062) payable to Peter Ward in relation to unused vacation allowance and his board fee (see Note 37 for detail).
- a balance of CHF 480,321 (USD 529,634) payable to John O'Hara in relation to accrued bonus and social charges thereon (see Note 37 for detail).
- a total balance of USD 121,662 payable to other Board Members in relation to their board fee (see Note 37 for detail).

As at December 31, 2024, accounts payable to other related parties are made up of CHF 75,670 (USD 83,439) payable to OISTE (see Note 37 for detail).

Accounts payable to underwriters, promoters and employees consist primarily of payable balances to employees in relation to vacation days, 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 and Indebtedness to related parties, current

Notes payable and indebtedness to related parties, current consisted of the following:

USD'000	As at December 31, 2024	As at December 31, 2023
Short-term loan	5,900	4,085
Short-term loan from shareholders	78	79
Total notes payable and indebtedness to related parties, current	**5,978**	**4,164**

As at December 31, 2024, the current notes payable balance was made up of:

- a USD 4,030,000 short-term loan with ExWorks (see description below),
- a CHF 46,600 (USD 51,384) current portion of the Covid loans with UBS (see Note 22), and
- a USD 1,818,943 production capacity investment loan agreement (see description below)

As at December 31, 2024, the indebtedness to related parties, current, balance was made up of loans from the noncontrolling shareholders of WISeKey SAARC for a total amount of USD 77,638 at closing rate (USD 78,950 as at December 31, 2023). These loans do not bear interest. See Note 37 for details.

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, 2024 and December 31, 2023.

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 Capital Fund I, L.P ("**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 outstanding borrowings were USD 4,030,000 and the loan had not been repaid.

As at December 31, 2024, the outstanding borrowings were USD 4,030,000 and the loan had not been repaid, meaning that the loan is past due under the terms of the credit agreement with ExWorks. The Group has been in contact with the receiver of ExWorks Capital Fund I, L.P in relation to the outstanding borrowings and continues to accrue interest on the loan at the rate of 10% p.a.

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 SEALSQ 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.
As of December 31, 2024, WISeKey has not repaid any amount due to a change in the product mix of the client. The loan balance remains USD 2 million with an unamortized debt discount balance of USD 181,057, thus leaving a carrying value of USD 1,818,943.
The Group recorded a debt discount amortization expense of USD 165,147 in the year 2024 and USD 164,924 in the year 2023. No debt discount charge was recorded to the income statement in 2022.

Note 21. Other current liabilities

Other current liabilities consisted of the following:

USD'000	As at December 31, 2024	As at December 31, 2023
Other tax payable	583	319
Customer contract liability, current	392	353
Other current liabilities	160	160
Total other current liabilities	**1,135**	**832**

Note 22. Loans and line of credit

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. At inception, the Covid loans carried an interest rate of 0%, which was updated to an interest rate of 1.5% per annum paid quarterly from April 1, 2023. 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.

The outstanding balance on the loans as at December 31, 2023 was CHF 185,300 (USD 220,243).
During the year ended December 31, 2024, the loans accrued interest in a total amount of CHF 2,476 (USD 2,730 at closing rate) and WISeKey repaid CHF 46,600 out of the loans, bringing the total repayment to date to CHF 432,800 (USD 477,234 at closing rate). Therefore, as at December 31, 2024, the outstanding balance on the loans was CHF 138,700 (USD 152,940).

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.

During the year ended December 31, 2024, L1 converted the remaining balance of USD 200,000 out of the L1 Additional Accelerated Tranches, resulting in the delivery of a total of 64,287 WIHN Class B Shares. A debt discount charge of USD 2,444 was amortized to the income statement, a debt conversion expense of USD 32,231 was recorded in the income statement, and a total credit of USD 24,947 was booked to APIC on conversions as per ASC 470-02-40-4.
As at December 31, 2024, all convertible notes had been converted, hence a USD nil carrying value, and the facility was fully used.

Share Purchase Agreement with L1 Capital Global Opportunities Master Fund dated July 11, 2023

On July 11, 2023, the Group entered into a Securities Purchase Agreement (the “**L1 SPA**”) with L1 Capital Global Opportunities Master Fund Ltd (“**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 Notes shall have a 24-month maturity and bear interest at a rate of 4% per annum, subject to adjustment. The Notes will be convertible into Ordinary Shares of SEALSQ Corp (“**SEALSQ**”), a subsidiary of WISeKey, partially or in full, at an initial conversion price equal to the lesser of (i) a fixed conversion price of USD 30 per Ordinary Share, which, on the six-month anniversary of the tranche closing date, may reset at 130% of the daily volume weighted average price (“**VWAP**”) of the Ordinary Shares for the trading day immediately prior to the reset date and (ii) 92% of the lowest daily VWAP of the Ordinary Shares during the ten trading days immediately preceding the conversion notice of the Note, with a floor price of USD 2.50. The covenants include the requirement for the Group to maintain a minimum cash balance of USD 4 million and to ensure that indebtedness of the Group does not exceed 15% of the average market capitalization.

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, the Group 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, by L1. the Group 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 L1 Warrant**”). the Group 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 L1 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 L1 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.

On January 9, 2024, the Group and L1 entered into an Amendment to the Securities Purchase Agreement (the "**First L1 Amendment**"), to amend some of the original terms and conditions of the L1 SPA and 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 Notes will be convertible into Ordinary Shares of SEALSQ, partially or in full, at an initial conversion price equal to the lesser of (i) a fixed conversion price of USD 4 per Ordinary Share, which, on the six-month anniversary of the tranche closing date, may reset at 130% of the daily VWAP of the Ordinary Shares for the trading day immediately prior to the reset date and (ii) 92% of the lowest daily volume VWAP of the Ordinary Shares during the ten trading days immediately preceding the conversion notice of the Note, with a floor price of USD 0.55. The warrants issued upon each tranche closing under the First L1 Amendment will have a fixed exercise price of USD 4 and the reset of the exercise price of the First L1 Warrant is deleted. All other significant terms of the L1 SPA remain unchanged.

The second tranche of USD 5 million was funded on January 11, 2024, by L1. the Group issued to L1 (i) a Senior Original Issue 4% Discount Convertible Promissory Note of USD 5 million (the "**Second L1 Note**"), convertible into SEALSQ's Ordinary Shares, and (ii) 1,144,339 warrants on the Ordinary Shares of SEALSQ with a 5-year maturity (the "**Second L1 Warrant**"). The Group also created a capital reserve of 45,000,000 Ordinary Shares from its duly authorized Ordinary Shares for issuance under the Second L1 Note and the Second L1 Warrant. Debt issue costs made up of legal expenses totaling USD 70,279 and a commission of USD 250,000 to the placement agent were due upon issuance of the Second L1 Note, and a fee of USD 200,000 representing 4% of the principal value of the Second L1 Note was paid to L1 at closing.
The Second L1 Warrant was assessed as an equity instrument and was fair valued at grant at an amount of USD 709,490 using the Black-Scholes model and the market price of the Ordinary Shares of SEALSQ on the date of grant of USD 1.60. The fair value of the debt was calculated using the discounted cash flow method as USD 4,594,061. 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 668,882, 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 277,433 and a debit to APIC of USD 42,846. Including the fee paid to L1, a total debt discount of USD 1,146,315 was recorded against the Second L1 Note's principal amount.

On March 1 ,2024, the Group and L1 entered into the Second Amendment to the Securities Purchase Agreement (the "**Second L1 Amendment**"), to amend some of the terms and conditions of the L1 SPA and 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 2.5% Discount Convertible Promissory Notes. The Notes will be convertible into Ordinary Shares of SEALSQ, partially or in full, at an initial conversion price equal to the lesser of (i) a fixed conversion price of USD 5.5 per Ordinary Share, which, on the six-month anniversary of the tranche closing date, may reset at 130% of the daily VWAP of the Ordinary Shares for the trading day immediately prior to the reset date and (ii) 93% of the lowest daily volume VWAP of the Ordinary Shares during the ten trading days immediately preceding the conversion notice of the Note, with a floor price of USD 0.55.The warrants issued upon each tranche closing under the Second L1 Amendment will have a fixed exercise price of USD 5.5. All other significant terms of the L1 SPA, as amended by the First L1 Amendment, remain unchanged.

The third tranche of USD 5 million was funded on March 1, 2024, by L1. The Group issued to L1 (i) a Senior Original Issue 2.5% Discount Convertible Promissory Note of USD 5 million (the "**Third L1 Note**"), convertible into SEALSQ's Ordinary Shares, and (ii) 768,679 warrants on the Ordinary Shares of SEALSQ with a 5-year maturity (the "**Third L1 Warrant**"). Debt issue costs made up of legal expenses totaling USD 53,184 and a commission of USD 250,000 to the placement agent were due upon issuance of the Third L1 Note, and a fee of USD 125,000 representing 2.5% of the principal value of the Third L1 Note was paid to L1 at closing.
The Third L1 Warrant was assessed as an equity instrument and was fair valued at grant at an amount of USD 553,449 using the Black-Scholes model and the market price of the Ordinary Shares of SEALSQ on the date of grant of USD 1.98. The fair value of the debt was calculated using the discounted cash flow method as USD 4,549,701. 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 542,262, 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 270,303 and a debit to APIC of USD 32,881. Including the fee paid to L1, a total debt discount of USD 937,565 was recorded against the First L1 Note's principal amount.

During the year ended December 31, 2024, L1 converted all notes in full for a total conversion amount of USD 11 million, resulting in the delivery of a total of 21,494,587 Ordinary Shares of SEALSQ. A total debt discount charge of USD 432,091 was amortized to the income statement and unamortized debt discounts totaling USD 1,822,783 were booked to APIC on conversion in line with ASC 470-02-40-4.
As at December 31, 2024, there was no unconverted balance in relation to the L1 SPA, as amended.

Share Purchase Agreement with Anson Investments Master Fund dated July 11, 2023

On July 11, 2023, the Group entered into a Securities Purchase Agreement (the "**Anson SPA**") with Anson Investments Master Fund LP ("**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 Notes shall have a 24-month maturity and bear interest at a rate of 4% per annum, subject to adjustment. The Notes will be convertible into Ordinary Shares of SEALSQ, partially or in full, at an initial conversion price equal to the lesser of (i) USD 30 per Ordinary Share, which, on the six-month anniversary of the tranche closing date, may reset at 130% of the daily VWAP of the Ordinary Shares for the trading day immediately prior to the reset date and (ii) 92% of the lowest daily VWAP 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. The covenants include the requirement for the Group to maintain a minimum cash balance of USD 4 million and to ensure that indebtedness of the Group does not exceed 15% of the average market capitalization.

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, the Group 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, by Anson. The Group 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 Anson Warrant**"). The Group 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 Anson 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 Anson 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 to Anson as a result of a share ledger correction, thus a total delivery for the year of 4,004,677 Ordinary Shares.

On January 9, 2024, the Group and Anson entered into an Amendment to the Securities Purchase Agreement (the "**First Anson Amendment**"), to amend some of the original terms and conditions of the Anson SPA and 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 Notes will be convertible into Ordinary Shares of SEALSQ, partially or in full, at an initial conversion price equal to the lesser of (i) a fixed conversion price of USD 4 per Ordinary Share, which, on the six-month anniversary of the tranche closing date, may reset at 130% of the daily VWAP of the Ordinary Shares for the trading day immediately prior to the reset date and (ii) 92% of the lowest daily volume VWAP of the Ordinary Shares during the ten trading days immediately preceding the conversion notice of the Note, with a floor price of USD 0.55. The warrants issued upon each tranche closing under the First Anson Amendment will have a fixed exercise price of USD 4 and the reset of the exercise price of the First Anson Warrant is deleted. All other significant terms of the Anson SPA remain unchanged.

The second tranche of USD 5 million was funded on January 10, 2024, by Anson. The Group issued to Anson (i) a Senior Original Issue 4% Discount Convertible Promissory Note of USD 5 million (the "**Second Anson Note**"), convertible into SEALSQ's Ordinary Shares, and (ii) 1,144,339 warrants on the Ordinary Shares of SEALSQ with a 5-year maturity (the "**Second Anson Warrant**"). The Group also created a capital reserve of 45,000,000 Ordinary Shares from its duly authorized Ordinary Shares for issuance under the Second Anson Note and the Second Anson Warrant. Debt issue costs made up of legal expenses totaling USD 55,279 and a commission of USD 250,000 to the placement agent were due upon issuance of the Second Anson Note, and a fee of USD 200,000 representing 4% of the principal value of the Second Anson Note was paid to Anson at closing.

The Second Anson Warrant was assessed as an equity instrument and was fair valued at grant at an amount of USD 709,490 using the Black-Scholes model and the market price of the Ordinary Shares of SEALSQ on the date of grant of USD 1.60. The fair value of the debt was calculated using the discounted cash flow method as USD 4,594,171. 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 668,868, 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 264,441 and a debit to APIC of USD 40,838. Including the fee paid to Anson, a total debt discount of USD 1,133,309 was recorded against the Second Anson Note's principal amount.

On March 1, 2024, the Group and Anson signed a second Amendment to Securities Purchase Agreement (the "**Second Anson Amendment**"), to amend some of the terms and conditions of the Anson SPA and 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 2.5% Discount Convertible Promissory Notes. The Notes will be convertible into Ordinary Shares of SEALSQ, partially or in full, at an initial conversion price equal to the lesser of (i) a fixed conversion price of USD 5.5 per Ordinary Share, which, on the six-month anniversary of the tranche closing date, may reset at 130% of the daily VWAP of the Ordinary Shares for the trading day immediately prior to the reset date and (ii) 93% of the lowest daily volume VWAP of the Ordinary Shares during the ten trading days immediately preceding the conversion notice of the Note, with a floor price of USD 0.55.The warrants issued upon each tranche closing under the Second Anson Amendment will have a fixed exercise price of USD 5.5. All other significant terms of the Anson SPA, as amended by the First Anson Amendment, remain unchanged.

The third tranche of USD 5 million was funded on March 1, 2024, by Anson. The Group issued to Anson (i) a Senior Original Issue 2.5% Discount Convertible Promissory Note of USD 5 million (the "**Third Anson Note**"), convertible into SEALSQ's Ordinary Shares, and (ii) 768,679 warrants on the Ordinary Shares of SEALSQ with a 5-year maturity (the "**Third Anson Warrant**"). Debt issue costs made up of legal expenses totaling USD 38,184 and a commission of USD 250,000 to the placement agent were due upon issuance of the Third Anson Note, and a fee of USD 125,000 representing 2.5% of the principal value of the Third Anson Note was paid to Anson at closing.
The Third Anson Warrant was assessed as an equity instrument and was fair valued at grant at an amount of USD 553,449 using the Black-Scholes model and the market price of the Ordinary Shares of SEALSQ on the date of grant of USD 1.98. The fair value of the debt was calculated using the discounted cash flow method as USD 4,549,701. 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 542,262, 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 256,930 and a debit to APIC of USD 31,254. Including the fee paid to Anson, a total debt discount of USD 924,192 was recorded against the Third Anson Note's principal amount.

During the year ended December 31, 2024, Anson converted all notes in full for a total conversion amount of USD 10,825,000, resulting in the delivery of a total of 19,260,369 Ordinary Shares of SEALSQ. A total debt discount charge of USD 376,774 was amortized to the income statement and unamortized debt discounts totaling USD 1,816,168 were booked to APIC on conversion in line with ASC 470-02-40-4.
As at December 31, 2024, there was no unconverted balance in relation to the Anson SPA, as amended.

Subscription Agreement with L1 Capital Global Opportunities Master Fund

On October 23, 2024, the Group entered into a Subscription Agreement for the Subscription of up to $15M Convertible Notes (the "**2024 L1 Facility**") with L1, pursuant to which L1 committed to grant a loan to WISeKey for up to a maximum amount of USD 15 million divided into tranches of variable sizes, during a commitment period of 24 months ending October 22, 2026. The 2024 L1 Facility plans for an initial tranche USD 1.25 million (the "**2024 L1 Initial Tranche**") and subsequent tranches in an aggregate principal amount or aggregate principal amounts to be agreed upon between WISeKey and L1, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into unsecured convertible notes of USD 100,000 each that bear no interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares upon request by L1 within a period of 12 months from issuance and, in any case, no earlier than 40 days after the tranche closing and no later than at the expiry of the 12 months. For each tranche, the conversion price is determined as the lower of (i) a Fixed Conversion Price set at a premium of 100% to the daily VWAP of a WIHN Class B Share as traded on the SIX Swiss Exchange on the trading day prior to the date of completion of each tranche, and (ii) 94% of the lowest daily VWAP of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date.

Due to L1's option to convert the loan in part or in full at any time before maturity, the 2024 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 2024 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 11,319, a commission of USD 67,500 to the placement agent and an aggregated fee of USD 137,500 to L1 were due upon issuance of the 2024 L1 Initial Tranche on October 25, 2024 and recorded as a debt discount against the 2024 L1 Initial Tranche principal amount. Upon subscription of each subsequent tranche under the 2024 L1 Facility, debt issue costs to L1 representing an aggregate of 11% of the principal value of the subscribed funds will be recorded as a debt discount against each tranche.

During the year ended December 31, 2024, WISeKey made one subscription under the 2024 L1 Facility in an amount of USD 1.25 million, the 2024 L1 Initial Tranche. For each subscription, the fair value of the debt is calculated using the discounted cash flow method creating a debt discount or a debt premium on the debt host with the credit or debit entry booked to APIC. The fair value of the debt for the 2024 L1 Initial Tranche was USD 1,328,458, giving rise to a debt premium of USD 78,458.
In the year ended December 31, 2024, L1 converted a total of USD 1,24 million out of the 2024 L1 Initial Tranche, resulting in the delivery of a total of 344,598 WIHN Class B Shares. A debt discount charge of USD 17,746 was amortized to the income statement and a total debit of USD 119,212 was booked to APIC on conversions as per ASC 470-02-40-4.
As at December 31, 2024, convertible notes in an aggregate amount of USD 10,000 remained unconverted and the unamortized debt discount balance was USD 903, hence a carrying value of USD 9,097. The outstanding 2024 L1 Facility available was USD 13.75 million.

Subscription Agreement with Anson Investments Master Fund LP

On October 23, 2024, the Group entered into a Subscription Agreement for the Subscription of up to $15M Convertible Notes (the "**2024 Anson Facility**") with Anson, pursuant to which Anson committed to grant a loan to WISeKey for up to a maximum amount of USD 15 million divided into tranches of variable sizes, during a commitment period of 24 months ending October 22, 2026. The 2024 Anson Facility plans for an initial tranche USD 1.25 million (the "**2024 Anson Initial Tranche**") and subsequent tranches in an aggregate principal amount or aggregate principal amounts to be agreed upon between WISeKey and Anson, at the date and time determined by WISeKey during the commitment period, subject to certain conditions. Each tranche is divided into unsecured convertible notes of USD 100,000 each that bear no interest. Subject to a cash redemption right of WISeKey, the convertible notes are mandatorily convertible into WIHN Class B Shares upon request by Anson within a period of 12 months from issuance and, in any case, no earlier than 40 days after the tranche closing and no later than at the expiry of the 12 months. For each tranche, the conversion price is determined as the lower of (i) a Fixed Conversion Price set at a premium of 100% to the daily VWAP of a WIHN Class B Share as traded on the SIX Swiss Exchange on the trading day prior to the date of completion of each tranche, and (ii) 94% of the lowest daily VWAP of a WIHN Class B Share as traded on the SIX Swiss Exchange during the 10 trading days preceding the relevant conversion date.

Due to Anson's option to convert the loan in part or in full at any time before maturity, the 2024 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 2024 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 11,319, a commission of USD 67,500 to the placement agent and an aggregated fee of USD 137,500 to Anson were due upon issuance of the 2024 Anson Initial Tranche on October 23, 2024 and recorded as a debt discount against the 2024 Anson Initial Tranche principal amount. Upon subscription of each subsequent tranche under the 2024 Anson Facility, debt issue costs to Anson representing an aggregate of 11% of the principal value of the subscribed funds will be recorded as a debt discount against each tranche.

During the year ended December 31, 2024, WISeKey made one subscription under the 2024 Anson Facility in an amount of USD 1.25 million, the 2024 Anson Initial Tranche. For each subscription, the fair value of the debt is calculated using the discounted cash flow method creating a debt discount or a debt premium on the debt host with the credit or debit entry booked to APIC. The fair value of the debt for the 2024 Anson Initial Tranche was USD 1,328,458, giving rise to a debt premium of USD 78,458.

In the year ended December 31, 2024, Anson converted the 2024 Anson Initial Tranche in full, resulting in the delivery of a total of 346,820 WIHN Class B Shares. A debt discount charge of USD 18,774 was amortized to the income statement and a total debit of USD 119,087 was booked to APIC on conversions as per ASC 470-02-40-4.

As at December 31, 2024, there were no unconverted notes, hence a carrying value of USD nil. The outstanding 2024 Anson Facility available was USD 13.75 million.

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 SEALSQ France SAS (formerly WISeKey Semiconductors SAS) covering WISeKey's employees in France.

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 is the discount rate.

The defined benefit pension plan maintained by SEALSQ France SAS, and its 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, which means that there are no plan assets.

The pension liability calculated as at December 31, 2024 is based on annual personnel costs and assumptions as of December 31, 2024.

Personnel Costs USD'000	As at December 31, 2024	As at December 31, 2023	As at December 31, 2022
Wages and Salaries	13,139	12,507	12,401
Social security contributions	3,977	3,611	3,123
Net service costs	350	449	422
Other components of defined benefit plans, net	29	(45)	14
Total	**17,495**	**16,522**	**15,960**

	As at December 31,					
Assumptions	**2024**	**2024**	**2023**	**2023**	**2022**	**2022**
	France	**Switzerland**	**France**	**Switzerland**	**France**	**Switzerland**
Discount rate	3.10%	0.97%	3.05%	1.52%	3.65%	2.25%
Expected rate of return on plan assets	n/a	3.05%	n/a	3.04%	n/a	3.00%
Salary increases	3%	2%	3%	2%	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, 2024 and December 31, 2023 the Group's accumulated benefit obligation amounted respectively to USD 14,604,000 and USD 13,879,000.

Reconciliation to Balance Sheet start of year USD'000 Fiscal year	2024	2023	2022
Fair value of plan assets	(11,142)	(10,108)	(12,169)
Projected benefit obligation	14,143	11,867	16,938
Surplus/deficit	**3,001**	**1,759**	**4,769**
Opening balance sheet liability / (asset) (funded status)	**3,001**	**1,759**	**4,769**
Reconciliation of benefit obligation during the year			
Projected benefit obligation at start of year	14,143	11,867	16,938
Net service cost	225	237	213
Interest expense	214	279	52
Plan participant contributions	118	98	98
Net benefits paid to participants	177	(100)	(2,225)
Prior service costs	-	(19)	-
Actuarial losses / (gains)	1,067	606	(2,892)
Currency translation adjustment	(1,040)	1,175	(317)
Projected benefit obligation at end of year	**14,904**	**14,143**	**11,867**
Reconciliation of plan assets during year			
Fair value of plan assets at start of year	(11,142)	(10,108)	(12,169)
Employer contributions paid over the year	(218)	(184)	(190)
Plan participant contributions	(118)	(98)	(98)
Net benefits paid to participants	(184)	78	2,201
Interest income	(326)	(311)	(157)
Return in plan assets, excl amounts included in net interest	115	501	82
Currency translation adjustment	846	(1,020)	223
Fair value of plan assets at end of year	**(11,027)**	**(11,142)**	**(10,108)**
Reconciliation to balance sheet end of year			
Fair value of plan assets	(11,027)	(11,142)	(10,108)
Defined benefit obligation - funded plans	14,904	14,143	11,867
Surplus/deficit	**3,877**	**3,001**	**1,759**
Closing balance sheet liability / (asset) (funded status)	**3,877**	**3,001**	**1,759**

Movement in Funded Status **USD'000** **Fiscal year**	**2024**	**2023**	**2022**
Opening balance sheet liability (funded status)	**3,001**	**1,759**	**4,769**
Net service cost	225	237	213
Net interest cost / (credit)	(112)	(32)	(105)
Amortization of net (gain) / loss	22	-	152
Amortization of prior service cost / (credit)	(48)	(26)	(28)
Currency translation adjustment	-	(2)	(5)
Total net periodic benefit cost / (credit)	**87**	**177**	**227**
Actuarial (gain) / loss on liabilities from changes to financial assumptions	1,067	1,005	(3,001)
Actuarial (gain) / loss on liabilities due to experience	-	(399)	109
Return in plan assets, excl. amounts included in net interest	115	501	82
Prior service cost / (credit)	-	(19)	-
Amortization of net (gain) / loss	(22)	-	(152)
Amortization of prior service cost / (credit)	48	26	28
Currency translation adjustment	-	37	0
Total (gain) / loss recognized via other comprehensive income	**1,208**	**1,151**	**(2,934)**
Employer contributions paid in the year	(218)	(184)	(190)
Cashflow required to pay benefit payments	(7)	(22)	(24)
Total cashflow	**(225)**	**(206)**	**(214)**
Currency translation adjustment	(194)	120	(89)
Closing balance sheet liability (funded status)	**3,877**	**3,001**	**1,759**
Reconciliation of unrecognized (gain) / loss			
Unrecognized (gain) / loss at beginning of year	795	(338)	2,651
Amortization during the year	(22)	-	(152)
Actuarial (gain) / loss on liabilities	1,067	606	(2,892)
Actuarial (gain) / loss on assets	112	535	82
Currency translation adjustment	(61)	(8)	(27)
Unrecognized (gain) / loss at year-end	**1,891**	**795**	**(338)**
Reconciliation of unrecognized prior service cost / (credit)			
Unrecognized prior service cost / (credit) at beginning of year	(542)	(503)	(537)
Prior service cost for the current period	-	(19)	-
Amortization during the year	48	26	28
Currency translation adjustment	38	(46)	6
Unrecognized prior service cost / (credit) at year-end	**(456)**	**(542)**	**(503)**
Amounts recognized in accumulated other comprehensive income			
Net loss / (gain)	1,891	795	(338)
Prior service cost / (credit)	(456)	(542)	(503)
Deficit	1,435	253	(841)
Estimated amount to be amortized from accumulated other comprehensive income into net periodic benefit cost / (credit) over next fiscal year			
Net loss / (gain)	(94)	-	152
Prior service cost / (credit)	(101)	(26)	(28)

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
2025	422	30
2026	431	50
2027	2,227	53
2028	535	39
2029	855	-
2030 to 2034	2,539	394

The Group expects to make contributions of approximately USD 242,000 in 2025.

There are no plan assets expected to be returned to the employer during the 12-month period following December 31, 2024.

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, 2024		As at December 31, 2023	
	Class A	*Class B*	*Class A*	*Class B*
Share Capital	*Shares*	*Shares*	*Shares*	*Shares*
Par value per share (in CHF)	0.01	0.10	0.25	2.50
Share capital (in USD)	16,007	359,485	400,186	8,170,070
Per Articles of association and Swiss capital categories				
Conditional Share Capital - Total number of conditional shares(1)	400,000	1,210,590	400,000	1,500,000
Total number of fully paid-in shares	1,600,880	4,070,522	1,600,880	3,076,150
Per US GAAP	-	-	-	-
Total number of authorized shares	2,000,880	6,194,267	2,000,880	6,194,267
Total number of fully paid-in issued shares(1)	1,600,880	3,365,560	1,600,880	3,076,150
Total number of fully paid-in outstanding shares(1)	1,600,880	3,309,052	1,600,880	2,954,097
Par value per share (in CHF)	0.01	0.10	0.25	2.50
Share capital (in USD)	16,007	359,485	400,186	8,170,070
Total share capital (in USD)	**375,492**		**8,570,256**	
Treasury Share Capital				
Total number of fully paid-in shares held as treasury shares	-	56,508	-	122,053
Treasury share capital (in USD)	-	501,644	-	691,280
Total treasury share capital (in USD)	**-**	**501,644**	**-**	**691,280**

(1) Conversions of conditional capital that were not registered with the commercial register as of December 31, 2024 are not deducted from the total number of conditional shares, i.e. the number shown is as if the issues had not taken place.

On June 27, 2024, shareholders approved, at WISeKey's Annual General Meeting of Shareholders (AGM), the Board of Directors' proposals to proceed with a reduction of the nominal value of: (i) each WIHN Class B Share with a nominal value of CHF 2.50 by an amount of CHF 2.40 to CHF 0.10; and (ii) each WIHN Class A Share with a nominal value of CHF 0.25 by an amount of CHF 0.24 to CHF 0.01, and an allocation of the aggregate nominal value reduction amount of CHF 8,461,555.20 to the Company's statutory capital reserves from capital contribution.

In the years to December 31, 2024 and 2023 respectively, WISeKey purchased a total of nil treasury shares and 300,202 treasury shares (including 202 shares from the repurchase of fractional shares from the reverse stock split) at an average purchase price of USD nil and USD 2.71 per share, and sold a total of 65,545 and 187,294 treasury shares at an average sale price of USD 2.97 and USD 9.33 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, 2024, 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 0.01 per share) and Class B Shares (CHF 0.10 per share). Our Class A Shares have a lower par value (CHF 0.01) than our Class B Shares (CHF 0.10) 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 0.01 per share and each Class B Share having a par value of CHF 0.10 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, 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**
Total net foreign currency translation adjustments	315	
Total defined benefit pension adjustment	(1,206)	
Total other comprehensive income/(loss), net		(891)
Accumulated other comprehensive income as at December 31, 2024		**3,150**

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

Note 27. Net loss attributable to WISeKey International Holding Ltd and transfers to/from the noncontrolling interest

The purpose of this schedule is to disclose the effects of the changes in WISeKey's ownership interest in its subsidiaries on WISeKey' equity.

	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
Net loss attributable to WISeKey International Holding Ltd	(23,216)	(15,213)	(27,475)
Increase / (decrease) in APIC for the sale of 84,592,712, 9,445,607 and nil Ordinary Shares of SEALSQ Corp	9,812	(147)	-
Decrease in APIC for the sale of 14,286, nil and nil shares of WISe.ART AG	(42)	-	-
Net transfers (to) from noncontrolling interest	9,770	(147)	-
Change from net loss attributable to WISeKey International Holding Ltd's shareholders and transfers (to) from noncontrolling interest	**(13,446)**	**(15,360)**	**(27,475)**

Share Purchase Agreements with L1 Capital Global Opportunities Master Fund signed in 2024

On December 12, 2024, the Group entered into a Securities Purchase Agreement (the "Second L1 SPA") with L1 to purchase 3,846,154 Ordinary Shares of SEALSQ for a subscription price of USD 5 million.
On December 16, 2024, the Group entered into a Securities Purchase Agreement (the "Third L1 SPA") with L1 to purchase 6,578,948 Ordinary Shares of SEALSQ for a subscription price of USD 12.5 million.
On December 17, 2024, the Group entered into a Securities Purchase Agreement (the "Fourth L1 SPA") with L1 to purchase 6,578,948 Ordinary Shares of SEALSQ for a subscription price of USD 12.5 million.
The Second L1 SPA, Third L1 SPA and Fourth L1 SPA together with the exercise of some warrants on the Ordinary Shares of SEALSQ held by L1 resulted in a decrease of WISeKey's ownership interest in SEALSQ Corp, resulting in a credit to APIC of USD 87.3 million and a debit to noncontrolling interest by USD 40.3 million.

Share Purchase Agreements with Anson Investments Master Fund signed in 2024

On December 12, 2024, the Group entered into a Securities Purchase Agreement (the "Second Anson SPA") with Anson to purchase 3,846,154 Ordinary Shares of SEALSQ for a subscription price of USD 5 million.
On December 16, 2024, the Group entered into a Securities Purchase Agreement (the "Third Anson SPA") with Anson to purchase 6,578,948 Ordinary Shares of SEALSQ for a subscription price of USD 12.5 million.
On December 17, 2024, the Group entered into a Securities Purchase Agreement (the "Fourth Anson SPA") with Anson to purchase 6,578,948 Ordinary Shares of SEALSQ for a subscription price of USD 12.5 million.

The Second Anson SPA, Third Anson SPA and Fourth Anson SPA together with the exercise of some warrants on the Ordinary Shares of SEALSQ held by Anson resulted in a decrease of WISeKey's ownership interest in SEALSQ Corp, resulting in a credit to APIC of USD 86.5 million and a debit to noncontrolling interest by USD 39.6 million.

Note 28. 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 34 - Segment information and geographic data. The Corporate segment does not generate external revenue for the Group.

- Semiconductors segment

The Semiconductors 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.

- Revenue from non-reportable segments

The Group's non-reportable segments generate revenue from Digital Certificates, Software as a Service, Software license and Postcontract 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.
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.
SaaS	The Group's SaaS arrangement cover the provision of cloud-based certificate life-cycle-management solutions and signing and authentication solutions, as well as cloud-based certificates for authentication purposes such as Device Attestation Certificates (DACs) for MATTER Protocol, IoT Device-to-Cloud Authentication, or Device-to-Device Authentication. The Group recognizes revenue on a straight-line basis over the service period which is usually yearly renewable. Where lifelong certificates are issued, the Group recognizes revenue when the certificate is delivered and usable by the customer. Customers usually pay ahead of quarterly or yearly service periods; the paid amounts which have not yet been recognized as revenue are shown as deferred revenue on the balance sheet.
Software and INeS Certificate Management Platform	The Group provides software for certificates life-cycle management and signing and authentication solutions, including through its INeS Certificate Management Platform. The Group recognizes revenue when the software has been delivered or the platform has been set up, 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 USD'000	Typical payment	At one point in time 2024	At one point in time 2023	At one point in time 2022	Over time 2024	Over time 2023	Over time 2022	Total 2024	Total 2023	Total 2022
Semiconductors segment										
Secure chips	Upon delivery	10,937	30,044	23,198	-	-	-	10,937	30,044	23,198
Certificates	Upon issuance	39	-	-	5	14	-	44	14	-
Total Semiconductors segment		**10,976**	**30,044**	**23,198**	**5**	**14**	**-**	**10,981**	**30,058**	**23,198**
Total Corporate segment		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Non-reportable segments		**57**	**-**	**107**	**837**	**860**	**509**	**894**	**860**	**616**
Total Revenue from continuing operations		**11,033**	**30,044**	**23,305**	**842**	**874**	**509**	**11,875**	**30,918**	**23,814**

For the years ended December 31, 2024, 2023, and 2022 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 USD'000	12 months ended December 31, 2024	2023	2022
Semiconductors segment			
Europe, Middle East and Africa	1,839	9,985	6,777
North America	7,500	16,531	13,609
Asia Pacific	1,642	3,466	2,745
Latin America	-	76	67
Total Semiconductors segment	**10,981**	**30,058**	**23,198**
Total Corporate segment	**-**	**-**	**-**
Total Non-reportable segments	**894**	**860**	**616**
Total net sales from continuing operations	**11,875**	**30,918**	**23,814**

*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, 2024	As at December 31, 2023
Trade accounts receivables		
Trade accounts receivable - Semiconductors segment	3,645	5,103
Trade accounts receivable - Non-reportable segments	488	277
Total trade accounts receivables	**4,133**	**5,380**
Contract assets	-	-
Total contract assets	**-**	**-**
Contract liabilities - current	392	353
Contract liabilities - noncurrent	3	3
Total contract liabilities	**395**	**356**
Deferred revenue		
Deferred revenue - Semiconductors segment	5	-
Deferred revenue - Non-reportable segments	109	241
Total deferred revenue	**114**	**241**
Revenue from continuing operations recognized in the period from amounts included in the deferred revenue at the beginning of the year	218	179

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, 2024, approximately USD 508,000 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, 2024		**USD'000**
	2025	484
	2026	24
Total remaining performance obligation from continuing operations		**508**

Note 29. Other operating income

	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
Accounts payable write-off	-	-	1,899
Other operating income from related parties	181	119	66
Other operating income - other	3	48	108
Total other operating income from continuing operations	**184**	**167**	**2,073**

In the years 2024 and 2023, 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 37).

Note 30. 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, 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.

In the 12 months to December 31, 2024, the Group granted a total of 152,090 options exercisable in WIHN Class B Shares. Each option is exercisable into one WIHN Class B Share.
The options granted consisted of:

- 128,520 options with immediate vesting granted to employees and Board members, none of which had been exercised as of December 31, 2024;
- 23,570 options with immediate vesting granted to Board members, all of which had been exercised as of December 31, 2024;

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, 2024.

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, 2024, a total charge of USD 1,033,395 was recognized in the consolidated income statement calculated by applying the Black-Scholes model at grant, in relation to options granted to employees and Board members.

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

Assumption	December 31, 2024	December 31, 2023	December 31, 2022
Dividend yield	None	None	None
Risk-free interest rate used (average)	1.00%	1.00%	1.00%
Expected market price volatility	71.29 – 71.60%	69.77 - 70.72%	69.58 - 87.74%
Average remaining expected life of stock options on WIHN Class B Shares (years)	4.30	5.23	4.25
Average remaining expected life of stock options on WIHN Class A Shares (years)	0.40	1.40	2.40

Unvested options to employees as at December 31, 2024 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, 2024 and 2023.

	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, 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**	**-**	**-**
Granted	152,090	6.79	-	-
Vested	(152,222)	6.79	-	-
Non-vested forfeited or cancelled	-	-	-	-
Non-vested options as at December 31, 2024	**136**	**7.55**	**-**	**-**

As at December 31, 2024, there was a USD 188 unrecognized compensation expense related to non-vested stock option-based compensation arrangements. Non-vested stock options outstanding as at December 31, 2024 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, 2024, 2023 and 2022.

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, 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	-		-
Granted	152,090	1.35	-	-
Exercised or converted	(23,570)	0.11	-	496,406
Forfeited or cancelled	-	-	-	-
Expired	(300)	-	-	-
Outstanding as at December 31, 2024	**276,259**	2.40	**5.25**	**5,235,260**
Of which vested	276,123	2.40	5.24	5,226,771
Of which non-vested	136	-	-	-

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, 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
Granted	**-**	**-**	**-**	**-**
Outstanding as at December 31, 2024	**392,720**	**0.25**	**3.90**	**723,175**
Of which vested	392,720	0.25	3.90	723,175

Summary of stock-based compensation expenses

Stock-based compensation expenses from continuing operations	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
In relation to Employee Stock Option Plans (ESOP)	1,034	178	743
In relation to non-ESOP Option Agreements	-	-	1
In relation to SEALSQ Corp's Option Agreements	148	-	-
Total	**1,182**	**178**	**744**

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	**2024**	**2023**	**2022**
Research & development expenses	-	-	177
Selling & marketing expenses	-	67	280
General & administrative expenses	1,182	111	287
Total	**1,182**	**178**	**744**

We note that the above tables include a difference due to rounding from the total charge of USD 1,033,395 recognized in the consolidated income statement In the year ended December 31, 2024 in relation to Employee Stock Option Plans (ESOP).

Note 31. Non-operating income

Non-operating income consisted of the following:

	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
Foreign exchange gain	686	1,315	3,813
Sale of arago intellectual property	-	900	-
Financial income	684	36	9
Interest income	174	90	5
Other	85	33	110
Total non-operating income from continuing operations	**1,629**	**2,374**	**3,937**

Note 32. Non-operating expenses

Non-operating expenses consisted of the following:

	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
Foreign exchange losses	775	2,134	3,618
Financial charges	317	261	56
Interest expense	884	702	565
Other components of defined benefit plans, net	29	(45)	14
Accounts receivable write-off	-	-	1,282
Other	13	55	16
Total non-operating expenses from continuing operations	**2,018**	**3,107**	**5,551**

Note 33. Income taxes

The components of income before income taxes are as follows:

Income / (Loss)	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
Switzerland	(18,571)	(18,766)	(16,314)
Foreign	(10,286)	3,547	3,269
Income / (loss) before income tax from continuing operations	**(28,857)**	**(15,219)**	**(13,045)**

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

	12 months ended December 31,		
USD'000	**2024**	**2023**	**2022**
Switzerland	-	-	-
Foreign	(3,086)	(230)	3,238
Income tax income / (expense) from continuing operations	**(3,086)**	**(230)**	**3,238**

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:

USD'000	12 months ended December 31, 2024	2023	2022
Net income / (loss) from continuing operations before income tax	(28,857)	(15,219)	(13,045)
Statutory tax rate	14.7%	14%	14%
Expected income tax (expense) / recovery	4,242	2,131	1,825
Change in tax loss carryforwards	5,469	2,778	5,760
Change in loss carryforwards in relation to the debt remission of SEALSQ France SAS	(52)	(514)	1,342
Change in valuation allowance	(8,656)	(2,682)	(3,129)
Permanent difference in relation to stock-based compensation	(21)	2	-
Foreign tax effects	(1,521)	509	466
Nontaxable or nondeductible items	(2,730)	(2,759)	(2,310)
Other	183	305	(716)
Income tax (expense) / recovery from continuing operations	**(3,086)**	**(230)**	**3,238**

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.
In the year ended December 31, 2022, the Group assessed that the recoverability of its deferred tax assets partially satisfied the "more likely than not" recognition criterion under ASC 740 as at December 31, 2022 and recorded a deferred tax asset of $3,295,546 which was partially utilized in 2023. However, in view of the Group's loss before income tax in the year ended December 31, 2024, and of the anticipated future taxable income per management's forecast, the Group assessed that the recoverability of its deferred tax assets no longer satisfied the "more likely than not" recognition criterion under ASC 740 as at December 31, 2024 and, therefore, increased the valuation allowance previously recorded accordingly.

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

USD'000	12 months ended December 31, 2024	2023
Switzerland	-	-
Foreign	-	3,077
Deferred income tax assets / (liabilities)	**-**	**3,077**

USD'000	As at December 31, 2024	As at December 31, 2023
Stock-based compensation	21	(2)
Defined benefit accrual	502	363
Tax loss carryforwards	29,006	23,537
Add back loss carryforwards used for the debt remission by SEALSQ France SAS	776	828
Valuation allowance	(30,305)	(21,649)
Deferred income tax assets / (liabilities)	**-**	**3,077**

As of December 31, 2024, the Group’s operating cumulated loss carryforwards of all jurisdictions for its continuing operations are as follows:

Operating loss-carryforward as of December 31, 2024

USD'000	USA	Switzerland	Spain	France	UK	Germany	India	Vietnam	Saudi Arabia	Gibraltar	Total
2025	-	10,447	-	-	-	-	-	-	-	-	10,447
2026	-	6,165	-	-	-	-	-	-	-	-	6,165
2027	-	21,325	-	-	-	-	-	3	-	-	21,328
2028	-	26,297	-	-	-	-	-	4	-	-	26,301
2029	-	59,188	-	-	-	-	-	4	-	-	59,192
2030	-	22,626	-	-	-	-	-	-	-	-	22,626
2031	-	20,887	-	-	-	-	9	-	-	-	20,896
2032	-	-	-	-	-	-	81	-	-	-	81
2033	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-
2035	185	-	-	-	-	-	-	-	-	-	185
2036	-	-	-	-	-	-	-	-	-	-	-
2037	159	-	-	-	-	-	-	-	-	-	159
2038	-	-	-	-	-	-	-	-	-	-	-
2039	220	-	-	-	-	-	-	-	-	-	220
2040	91	-	-	-	-	-	-	-	-	-	91
2041	-	-	-	-	-	-	-	-	-	-	-
2042	45	-	-	-	-	-	-	-	-	-	45
2043	-	-	-	-	-	-	-	-	-	-	-
2044	19	-	-	-	-	-	-	-	-	-	19
No expiry	n/a	n/a	3,475	23,753	7	2	n/a	n/a	82	2	27,321
Total operating loss carry-forwards / Year of expiration if applicable to jurisdiction	**719**	**166,935**	**3,475**	**23,753**	**7**	**2**	**90**	**11**	**82**	**2**	**195,076**

The following tax years remain subject to examination:

Significant jurisdictions	Open years
Switzerland	2023 - 2024
USA	2024
France	2021 - 2024
Spain	2021 - 2024
Japan	2024
Taiwan	2024
India	2024
Germany	2024
UK	2020 - 2024
Arabia	2024
Vietnam	2024
Gibraltar	2024

The Group has no unrecognized tax benefits.

Note 34. Segment information and geographic data

The Group has two operating segments that meet the criteria set in ASC 280-10-50: Semiconductors and Corporate. The Semiconductors reportable segment is a strategic business unit that offers specific products and is managed separately because it requires dedicated resources and a targeted marketing strategy. The Semiconductors segment encompasses the design, manufacturing, sales and distribution of high-end, Common Criteria EAL5+ & FIPS 140-3-certified secure microprocessors. The Corporate reportable segment requires separate disclosure based on the asset test; it is a strategic business unit that integrates corporate services and the Group's financing strategy, and is managed separately because it requires dedicated resources. The Corporate reportable segment did not exist prior to January 1, 2023, when SEALSQ Corp acquired SEALSQ France SAS.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Group's chief operating decision maker, who is its Chief Executive Officer, evaluates performance for its reportable segments based on segment net sales and gross profit where applicable, and on operating income or loss for purposes of allocating resources (including employees, property, plant and equipment, and financial resources) and assessing budgets and performance. The chief operating decision maker considers budget-to-actual variances on a quarterly basis.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

12 months ended December 31,	2024			2023		
USD'000	**Semiconductors**	**Corporate**	**Total**	**Semiconductors**	**Corporate**	**Total**
Revenue from external customers	10,981	-	10,981	30,058	-	30,058
Intersegment revenue		-	-	-	-	-
	10,981	-	10,981	30,058	-	30,058
Reconciliation of revenue						
Elimination of intersegment revenue			-			-
Other revenue[2]			894			860
Total consolidated revenue			11,875			30,918
Less:[1]						
Cost of revenue	7,253	-	7,253	16,009	-	16,009
Segment gross profit	3,728	-	3,728	14,049	-	14,049
Less:[1]						
Total operating expenses	12,845	8,166	21,011	12,300	1,303	13,603
Other segment items	(109)	951	842	(1,706)	5,216	3,510
Segment profit /(loss) before income taxes	(9,008)	(9,117)	(18,125)	3,455	(6,519)	(3,064)
Reconciliation of profit or loss (segment profit / (loss))						
Other profit or loss[2]			(10,732)			(12,155)
Elimination of intersegment profits			-			-
Loss before income tax expense			(28,857)			(15,219)
Other segment disclosures						
Interest revenue	160	611	771	88	5	93
Interest expense	95	471	566	109	189	298
Depreciation and amortization	628	2	630	571	-	571
Profit / (loss) from intersegment sales	-	-	-	-	-	-
Income tax recovery / (expense)	(3,077)	-	(3,077)	(218)	-	(218)
Segment assets	13,564	110,338	123,902	23,736	23,958	47,694

12 months ended December 31,	2022		
USD'000	**Semiconductors**	**Corporate**	**Total**
Revenue from external customers	23,198	n/a	23,198
Intersegment revenue	-	n/a	-
	23,198	n/a	23,198
Reconciliation of revenue			
Other revenue[2]			616
Elimination of intersegment revenue			-
Total consolidated revenue			23,814
Less:[1]			
Cost of revenue	13,399	n/a	13,399
Segment gross profit	9,799	n/a	9,799

Less:[1]			
Total operating expenses	7,233	n/a	7,233
Other segment items	61	n/a	61
Segment profit / (loss) before income taxes	2,505	n/a	2,505
Reconciliation of profit or loss (segment profit / (loss))			
Other profit or loss[2]			(15,550)
Elimination of intersegment profits			-
Loss before income tax expense			(13,045)
Other segment disclosures			
Interest revenue	-	n/a	-
Interest expense	250	n/a	250
Depreciation and amortization	408	n/a	408
Profit / (loss) from intersegment sales	-	n/a	-
Income tax recovery / (expense)	3,251	n/a	3,251
Segment assets	21,587	n/a	21,587

(1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker. Intersegment expenses are included within the amounts shown.
(2) Other revenue and Other profit or loss are attributable to subsidiaries that do not meet the definition of an operating segment and the activities of which include sales, support and distribution of our products, R&D, financing and anon-operating investment company.

Other segment items for each reportable segment are made up of non-operating expenses, including management expenses, foreign exchanges gains and losses, debt discount amortization and financing costs.

	As at December 31,	
USD'000	**2024**	**2023**
Asset reconciliation		
Total assets from reportable segments	123,902	47,694
Other assets[1]	17,286	20,054
Elimination of intersegment receivables	(7,168)	(615)
Elimination of intersegment investment and goodwill	(19,332)	(19,332)
Consolidated total assets	**114,688**	**47,801**

(1) Other assets are attributable to subsidiaries that do not meet the definition of an operating segment and the activities of which include sales, support and distribution of our products, R&D, financing and anon-operating investment company.

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	**2024**	**2023**	**2022**
Switzerland	571	1,752	1,004
Rest of EMEA*	1,964	8,943	6,260
North America	7,642	16,646	13,677
Asia Pacific	1,642	3,466	2,745
Latin America	56	111	128
Total net sales from continuing operations	**11,875**	**30,918**	**23,814**

*EMEA means Europe, Middle East and Africa

Property, plant and equipment, net of depreciation, by region USD'000	**As at December 31, 2024**	**As at December 31, 2023**
Switzerland	74	162
Rest of EMEA	3,201	3,230
Total Property, plant and equipment, net of depreciation	**3,275**	**3,392**

Note 35. Earnings / (Loss) per share

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

Earnings / (loss) per share	12 months ended December 31, 2024	2023	2022
Net earnings / (loss) attributable to WISeKey International Holding Ltd (USD'000)	(13,446)	(15,360)	(27,475)
Effect of potentially dilutive instruments on net gain (USD'000)	n/a	n/a	n/a
Net earnings / (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 0.01, CHF 0.25 and CHF 0.25			
Shares used in net earnings / (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 earnings / (loss) per Class A Share			
Basic weighted average loss per Class A Share attributable to WISeKey International Holding Ltd (USD)	(0.39)	(0.51)	(1.22)
Diluted weighted average loss per Class A Share attributable to WISeKey International Holding Ltd (USD)	(0.39)	(0.51)	(1.22)
Class B Shares, par value CHF 0.10, CHF 2.50 and CHF 2.50			
Shares used in net earnings / (loss) per Class B Share computation:			
Weighted average Class B Shares outstanding - basic	3,323,581	2,878,136	2,087,972
Effect of potentially dilutive equivalent shares	n/a	n/a	n/a
Weighted average Class B Shares outstanding - diluted	3,323,581	2,878,136	2,087,972
Net earnings / (loss) per Class B Share			
Basic weighted average loss per Class B Share attributable to WISeKey International Holding Ltd (USD)	(3.86)	(5.06)	(12.22)
Diluted weighted average loss per Class B Share attributable to WISeKey International Holding Ltd (USD)	(3.86)	(5.06)	(12.22)

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, 2024, 2023 and 2022, 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	2024	2023	2022
Class B Shares			
Total stock options on Class B Shares	275,791	147,371	135,251
Total convertible instruments on Class B Shares	3,086	62,324	173,730
Total number of Class B Shares from dilutive vehicles with anti-dilutive effect	**278,877**	**209,695**	**308,981**
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	**392,270**	**392,720**	**392,720**

Note 36. Legal proceedings

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

Note 37. 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, 2024	% ownership as at December 31, 2023	Nature of business
WISeKey SA	Switzerland	1999	CHF 933,436	95.75%	95.75%	Main operating company. Sales and R&D services
SEALSQ France SAS	France	2010	EUR 1,473,162	12.55%	58.83%	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	95.75%	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	12.55%	58.83%	Sales & distribution
SEALSQ France, Taiwan Branch[3]	Taiwan	2017	TWD 100,000	12.55%	58.83%	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 114,286	87.5%	100%	Sales & distribution
WISeKey Vietnam Ltd	Vietnam	2021	VND 689,400,000	95.75%	95.75%	R&D
SEALSQ Corp[4]	British Virgin Islands	2022	USD 229,453	12.55%	58.83%	Sales & support
WISeKey (Gibraltar) Limited	Gibraltar	2022	GBP 100	100%	100%	Sales & support
WISeSat.Space AG	Switzerland	2023	CHF 100,000	100%	100%	Sales & distribution
SEALSQ USA Ltd	U.S.A.	2024	USD -	100%	-	Sales & support
SEALCOIN AG	Switzerland	2024	CHF -	100%	-	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 WISeKey IoT Taiwan
[4] Formerly SEAL (BVI) Corp.

Related party transactions and balances

	Related Parties (in USD'000)	Receivables as at December 31, 2024	2023	Payables as at December 31, 2024	2023	Net expenses to in the year ended December 31, 2024	2023	2022	Net income from in the year ended December 31, 2024	2023	2022
1	Carlos Moreira	-	-	1,441	460	-	-	-	-	-	-
2	John O'Hara	-	-	529	-	-	-	-	-	-	-
3	María Pía Aqueveque Jabbaz	-	-	14	10	78	116	34	-	-	-
4	Philippe Doubre	-	-	18	-	109	39	63	-	-	-
5	David Fergusson	49	-	-	10	429	61	68	-	-	-
6	Jean-Philippe Ladisa	-	-	19	14	179	116	53	-	-	-
7	Philippe Monnier	-	-	19	-	106	-	-	-	-	-
8	Peter Ward	-	-	1,638	295	272	-	-	-	-	-
9	Ruma Bose	-	-	13	11	97	33	-	-	-	-
10	Cristina Dolan	-	-	13	10	163	76	67	-	-	-
11	Danil Kerimi	-	-	13	6	105	8	-	-	-	-
12	Eric Pellaton	-	-	13	10	165	76	87	-	-	-
13	Hans-Christian Boos	-	-	-	-	-	-	158	-	-	-
14	Nicolas Ramseier	-	-	-	-	-	-	1	-	-	-
15	OISTE	158	178	83	104	309	321	252	184	119	157
16	Terra Ventures Inc	-	-	31	31	-	-	-	-	-	-
17	GSP Holdings Ltd	-	-	16	16	-	-	-	-	-	-
18	SAI LLC (SBT Ventures)	-	-	31	32	-	-	-	-	-	-
19	Related parties of Carlos Moreira	-	-	-	-	372	298	200	-	-	-
	Total	**207**	**178**	**3,891**	**1,009**	**2,384**	**1,144**	**983**	**184**	**119**	**157**

1. Carlos Moreira is the Chairman of the Board and CEO of WISeKey. Mr. Moreira is also the Chairman of the board of directors of SEALSQ Corp. A short-term payable to Carlos Moreira in an amount of USD 1,441,063 was outstanding as at December 31, 2024, made up of accrued bonuses.

2. John O'Hara is a member of the Board and CFO of WISeKey. Mr. O'Hara is also a member of the board of directors of SEALSQ Corp. A short-term payable to John O'Hara in an amount of USD 529,634 was outstanding as at December 31, 2024, made up of accrued bonuses.

3. María Pía Aqueveque Jabbaz is a Board member of the Group. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2024 relate to her Board fee.

4. Philippe Doubre is a Board member of the Group, member of the Group's nomination & compensation committee, and a former advisor to the Group. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2024 relate to his Board fee.

5. David Fergusson is a Board member of the Group, chairman of the Group's nomination & compensation committee and member of the Group's audit committee. Mr. Fergusson is also a member of the board of directors of SEALSQ Corp, chairman of the SEALSQ Corp's nomination & compensation committee and member 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, 2024 relate to his Board fees.

6. Jean-Philippe Ladisa is a Board member of the Group, chairman of the Group's audit committee and member of the Group's nomination & compensation committee. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2024 relate to his Board fee.

7. Philippe Monnier is a Board member of the Group. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2024 relate to his Board fee.

8. Peter Ward is a Board member of the Group and was the CFO of WISeKey up until June 30, 2024. Mr. Ward is also a member of the board of directors of SEALSQ Corp and was SEALSQ Corp's CFO up until January 24, 2024. A payable balance of USD 1,638,539.98 is owing to Mr. Ward as at, December 31, 2024 in relation to accumulated unused vacation allowance while he was employed by the Group; it is disclosed in the balance sheet under accounts payable to Board Members for its current portion of USD 251,062 (see Note 19) and as indebtedness to related parties, noncurrent for its noncurrent portion of USD 1,387,478. The remaining payable balance to Mr. Ward as at, December 31, 2024 relates to his Board fee. The expenses recorded in the income statement in the year to December 31, 2024 relate to his Board fee. In line with ASC 850, the expenses incurred in the year to December 31, 2024 related to his compensation while he was employed by the Group do not require specific disclosure.

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, 2024 relate to her Board fee.

10. Cristina Dolan is a member of the board of directors of SEALSQ Corp and the Chairwoman of the audit committee of SEALSQ Corp. Ms. Dolan is also a former Board member of the Group, a former member of the Group's audit committee and a former member of the Group's nomination & compensation committee. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2024 relate to her Board fees.

11. 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, 2024 relate to his Board fee.

12. Eric Pellaton is a member of the board of directors of SEALSQ Corp, member of the SEALSQ Corp's nomination & compensation committee and member of the audit committee of SEALSQ Corp. Mr. Pellaton is also a former Board member of the Group and a former member of the Group's nomination & compensation committee. The expenses recorded in the income statement in the year to, and the payable balance as at, December 31, 2024 relate to his Board fees.

13. 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.

14. Nicolas Ramseier 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, 2024 and income recorded in the income statement in the year ended December 31, 2024 relate to the facilities and personnel hosted by WISeKey SA and WISeKey International Holding Ltd on behalf of OISTE. In the year 2024, the Group invoiced OISTE a total of CHF 161,307 (USD 183,876). The payable to OISTE as at December 31, 2024 and expenses relating to OISTE recognized in 2024 are made up of license and royalty fees for the year 2024 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 2024. 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 326,388 (USD 372,055) recorded in the income statement in 2024.

Note 38. Subsequent events

Repayment of loan from Credit Agreement with ExWorks Capital Fund I, L.P

On February 14, 2025, the Group paid USD 2.5 million as full and final settlement of the loan with ExWorks (see detail in Note 22).

M&A negotiations with the shareholders of IC'ALPS SAS

On February 27, 2025, the Group announced that it has entered into exclusive negotiations with the shareholders of IC'ALPS SAS ("IC'ALPS"), an ASIC design and supply specialist based in Grenoble, France, to acquire 100% of the share capital and voting rights of IC'ALPS. These exclusive negotiations result from the execution of a Letter of Intent with IC'ALPS and its shareholders. The acquisition is subject to, amongst other items, the completion of the appropriate due diligence, execution of definitive agreements, and authorization by French regulatory authorities. This strategic acquisition would reinforce SEALSQ's commitment to advancing its Application-Specific Integrated Circuit (ASIC) development to meet the growing demand in the sector and add approximately 100 highly-skilled staff based out of IC'ALPS' current centers in Grenoble and Toulouse, France.

Note 39. 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, 2024, WISeKey assessed the consequences of the war for its financial disclosures and considered the impacts on key judgments and significant estimates, and 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, 2024, WISeKey assessed the consequences of the war for its financial disclosures and considered the impacts on key judgments and significant estimates, and concluded that no changes were required. WISeKey will continue to monitor these areas of increased risk for material changes.

Our business could suffer as a result of tariffs and trade sanctions or similar actions

The imposition by the United States of tariffs, sanctions or other restrictions on goods exported from the United States or imported into the United States, or countermeasures imposed in response to such government actions, could adversely affect our operations or our ability to sell our products globally, which could adversely affect our operating results and financial condition. Recently, U.S. government leaders have increased their frequency of discussion of the imposition of stronger tariffs, sanctions, and other restrictions on goods exported from the United States or imported into the United States, and non-U.S. government leaders have increased their discussion of countermeasures. For example, in February 2025, the United States announced a proposed 25% tariff on imports of all semiconductor chips into the United States. As of March 2025, the U.S. President has reserved for further increases in the scope and amount of tariffs in the event of retaliatory countermeasures, and the future of existing tariffs, and as a result, the possibility for new tariffs and countermeasures, remains very uncertain. Although a large amount of our supply chain does not currently directly import products to the United States as we supply to contract manufacturers outside the United States, there is a possibility that any future tariffs may still impact upon our ability to sell our product and to remain competitive in the market. Such escalations in these trade measures may directly impair our business by increasing trade-related costs or disrupting established supply chains and may indirectly impair our business by causing a negative effect on global economic conditions and financial markets. The ultimate impact of these trade measures is uncertain and may be affected by various factors, including whether and when such trade measures are implemented, the timing when such measures may become effective, and the amount, scope, or nature of such trade measures.

As at December 31, 2024, WISeKey assessed the impact of these uncertainties for its financial disclosures and considered the impacts on key judgments and significant estimates, and concluded that no changes were required. WISeKey will continue to monitor these areas of increased risk for material changes.