

Consolidated Balance Sheet

USD'000 (except share amounts)	As at December 31,		
	2019	2018	2017
Cash and cash equivalents	12,121	9,146	9,583
Restricted cash, current	2,525	618	-
Other current assets	8,938	22,354	16,488
Total current assets	23,584	32,118	26,071
Total noncurrent assets	26,320	46,335	41,085
TOTAL ASSETS	49,904	78,453	67,156
Total current liabilities	20,150	34,875	23,716
Total noncurrent liabilities	9,310	39,603	29,834
TOTAL LIABILITIES	29,460	74,478	53,550
Redeemable preferred stock	-	-	4,880
Common stock - Class A	400	400	400
CHF 0.01 par value			
Authorized - 40,021,988, 40,021,988 and 40,021,988 shares			
Issued and outstanding - 40,021,988, 40,021,988 and 40,021,988 shares			
Common stock - Class B	1,475	1,472	1,261
CHF 0.05 par value			
Authorized - 41,066,298, 41,063,901 and 35,517,168			
Issued - 28,824,086, 28,769,797 and 24,590,918			
Outstanding - 27,621,895, 26,681,736 and 24,590,918			
Total shareholders' equity (deficit) attributable to WISEKey shareholders	22,015	4,858	9,609
Noncontrolling interests in consolidated subsidiaries	(1,571)	(883)	(883)
Total shareholders' equity	20,444	3,975	8,726
TOTAL LIABILITIES AND EQUITY AND REDEEMABLE PREFERRED SHARES	49,904	78,453	67,156

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors**Risks Related to Our Business and Industry***Prolonged economic uncertainties or downturns could materially adversely affect our business.*

Our business depends on our current and prospective customers' ability and willingness to spend money in security applications, which in turn is dependent upon the overall economic health. Negative economic conditions in the global economy, including conditions resulting from financial and credit market fluctuations, could cause a decrease in corporate spending on information security software. Continuing economic challenges may cause our customers to re-evaluate decisions to purchase our solution or to delay their purchasing decisions, which could adversely impact our results of operations.

The future growth of the information technology and cybersecurity industry is uncertain.

Information (including cybersecurity) technology companies are generally subject to the following risks: rapidly changing technologies; short product life cycles; fierce competition; aggressive pricing and narrow profit margins; the loss of patent, copyright and trademark protections; cyclical market patterns; evolving industry standards; and frequent new product introductions. Technology companies may be smaller and less experienced companies, with limited product lines, markets or financial resources and fewer experienced management or marketing personnel. Information technology company stocks, especially those which are Internet related, have experienced extreme price and volume fluctuations that are often unrelated to their operating performance.

Technological Change

WISeKey needs to keep pace with changing technologies in order to provide effective identification and authentication solutions. In order to be successful, WISeKey needs to anticipate, and quickly react to, rapid changes occurring in communications technologies and to the development of new and improved devices and services that result from these changes. If WISeKey is unable to respond quickly and cost-effectively to changing communications technologies and devices and evolving industry standards, the existing service offering could become non-competitive and WISeKey may lose market share. For example, if the Internet is rendered obsolete or less important by faster, more efficient technologies, WISeKey will have to offer non-Internet-based solutions or it will risk losing current and potential clients. In addition, to the extent that mobile phones, pagers, personal digital assistants or other devices become important aspects of digital communications solutions, WISeKey needs to have the technological expertise to incorporate them into its security solutions. Therefore, WISeKey's success will depend, in part, on its ability to effectively use leading technologies critical to the business, enhance its existing solutions, find appropriate technology partners, and continue to develop new solutions and technology that address the increasingly sophisticated and varied needs of its current and prospective clients and their customers and its ability to influence and respond to technological advances, emerging industry and regulatory standards and practices and competitive service offerings. WISeKey's ability to remain technologically competitive may require substantial expenditures and lead-time. If WISeKey is unable to adapt in a timely manner to changing market conditions or customer requirements, its business, financial condition and results of operations could be seriously harmed.

WISeKey faces intense competition from companies that are larger and better known than we are, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The digital security market in which we operate faces intense competition, constant innovation and evolving security threats. There are several global security companies with strong presence in this market, including VeriSign, Inc., DigiCert Inc., Entrust Datacard, Let's Encrypt, Symantec Corporation, FireEye, Inc., Red Hat Software, VASCO Data Security International, Inc., Zix Corp, NXP Semiconductors, Infineon Technologies, STMicroelectronics and Samsung Electronics.

Some of our competitors are large companies that have the technical and financial resources and broad customer bases needed to bring competitive solutions to the market and already have existing relationships as a trusted vendor for other products. Such companies may use these advantages to offer products and services that are perceived to be as effective as ours at a lower price or for free as part of a larger product package or solely in consideration for maintenance and services fees. They may also develop different products to compete with our current security solutions and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or client requirements. Additionally, we may compete with smaller regional vendors that offer products with a more limited range of capabilities that purport to perform functions similar to our security solutions. Such companies may enjoy stronger sales and service capabilities in their particular regions.

WISeKey's competitors may have competitive advantages, such as:

- greater name recognition, a longer operating history and a larger customer base;
- larger sales and marketing budgets and resources;

- broader distribution and established relationships with distribution partners and customers;
- greater customer support resources;
- greater resources to make acquisitions;
- larger intellectual property portfolios; and
- greater financial, technical and other resources.

Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. Current or potential competitors may be acquired by third parties with access to greater available resources. As a result of such acquisitions, our current or potential competitors may be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. Larger competitors with more diverse product offerings may reduce the price of products that compete with ours in order to promote the sale of other products or may bundle them with other products, which would lead to increased pricing pressure on our products and could cause the average sales prices for our products to decline.

If WISEKey does not successfully anticipate market needs and enhance existing products or develop new products that meet those needs on a timely basis, WISEKey may not be able to compete effectively and WISEKey's ability to generate revenues will suffer.

Many of our customers operate in markets characterized by rapidly changing technologies and business plans, which require them to adapt to increasingly complex digital security infrastructures to protect internal and external corporate communications. As our customers' technologies and business plans grow more complex, we expect them to face new and increasingly sophisticated threats of security breach or counterfeiting. WISEKey faces significant challenges in ensuring that our security solutions effectively protect identities of individual customers, company information and their brands. As a result, we must continually modify and improve our products in response to changes in our customers' technology infrastructures.

WISEKey may not be able to successfully anticipate or adapt to changing technology or customer requirements on a timely basis or at all. If we fail to keep up with technological changes or to convince our customers and potential customers of the value of our security solutions even in light of new technologies, our business, results of operations and financial condition could be materially and adversely affected.

WISEKey cannot guarantee that it will be able to anticipate future market needs and opportunities or be able to develop product enhancements or new products to meet such needs or opportunities in a timely manner, if at all. Even if we are able to anticipate, develop and commercially introduce enhancements and new products, there can be no assurance that enhancements or new products will achieve widespread market acceptance.

Our product enhancements or new products could fail to attain sufficient market acceptance for many reasons, including:

- delays in releasing product enhancements or new products;
- failure to accurately predict market demand and to supply products that meet this demand in a timely fashion;
- inability to interoperate effectively with the existing or newly introduced technologies, systems or applications of our existing and prospective customers;
- defects in our products;
- negative publicity about the performance or effectiveness of our products;

- introduction or anticipated introduction of competing products by our competitors; and
- installation, configuration or usage errors by our customers.

If WISEKey fails to anticipate market requirements or fails to develop and introduce product enhancements or new products to meet those needs in a timely manner, that could cause us to lose existing customers and prevent us from gaining new customers, which would significantly harm our business, financial condition and results of operations.

Sometimes it will be necessary to make a product or product line obsolete and there may be negative impacts to sales or disruption to the customer base during the ramp down of that product.

All products have a natural lifecycle that includes the inevitable end-of-life ("EOL") process. During the ramping down of a product, or product family, there are many ways that our business operations can be challenged. Last time buys are a typical way for customers to deal with the EOL of a product that is still critical to one of their end products. These kinds of orders show an increase in short term sales but result in the abrupt drop off of revenue from that customer, for that product, after the last time buy is delivered. Discontinuing a product also comes with the risk that we may lose that customer for good if we do not have a replacement for the product or if they decide to look at alternative suppliers because of the change in supply.

WISEKey is subject to a number of risks associated with global sales and operations.

Business practices in the global markets that we serve may differ and may require us to include non-standard terms in customer contracts, such as extended payment or warranty terms. To the extent that we enter into customer contracts that include non-standard terms related to payment, warranties or performance obligations, our results of operations may be adversely impacted.

Additionally, our global sales and operations are subject to a number of risks, including the following:

- difficulty in enforcing contracts and managing collections, as well as long collection periods;
- costs of doing business globally, including costs incurred in maintaining office space, securing adequate staffing and localizing our contracts;
- management communication and integration problems resulting from cultural and geographic dispersion;
- risks associated with trade restrictions and foreign legal requirements;
- risk of unexpected changes in regulatory practices, tariffs, tax laws and treaties;
- compliance with anti-bribery laws;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- social, economic and political instability, terrorist attacks and security concerns in general;
- reduced or uncertain protection of intellectual property rights in some countries; and
- potentially adverse tax consequences.

These factors could harm our ability to generate future global revenues and, consequently, materially impact our business, results of operations and financial condition.

Some of our larger opportunities depend on our customers' ability to be awarded significant regional or national contracts in order to fulfil the volume predictions that were used in the pricing negotiations and forecasts.

The design of many industrial device comes with the risk that the product may not see the demand that was expected in that market, or the high-volume contracts may be awarded to competing suppliers. Our customers may be bidding against several other suppliers to win a government contract and if they lose the bid, we will not see the results that were originally expected during the forecasting of the opportunity size and profitability.

Our research and development efforts may not produce successful products or enhancements to our security solutions that result in significant revenue or other benefits in the near future, if at all.

Investing in research and development personnel, developing new products and enhancing existing products is expensive and time consuming, and there is no assurance that such activities will result in significant new marketable products or enhancements to our products, design improvements, cost savings, revenues or other expected benefits. If we spend significant time and effort on research and development and are unable to generate an adequate return on our investment, our business and results of operations may be adversely affected.

If WISEkey is unable to attract new customers, our future revenues and operating results will be harmed.

Our success depends in large part on our ability to attract new customers. The number of customers that WISEkey adds in a given period impacts both our short-term and long-term revenues. If WISEkey is unable to successfully attract a sufficient number of new customers, we may be unable to generate revenue growth.

A large amount of investment in sales and marketing and support personnel is required to attract new customers. If we are unable to convince these potential new customers of a need for our products or if we are unable to persuade them of our products' efficacy, we may be unable to achieve growth and there may be a meaningful negative impact on future revenues and operating results.

Software errors and non-compliance may affect our reputation and our financial results.

WISEkey's software applications are complex and there is a risk that defects or errors could arise, particularly where new versions or enhancements are released. Similarly, regulatory and industry requirements are continuously evolving and we may not be able to keep up with them. This could result in adverse consequences for us, such as lost revenue, a delay in market acceptance or customer claims.

If we experience security breaches, we could be exposed to liability and our reputation and business could suffer.

We operate sensitive public key infrastructure ("PKI") platforms, retain certain confidential customer information in our secure data centers and registration systems, and our digital certificates and electronic signatures may be used by customers in mission critical applications. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. We may have to expend significant time and money to maintain or increase the security of our facilities and infrastructure. Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. In the event of a security breach, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various compliance certifications needed for the operation of our businesses.

WISEkey's reputation and business could be harmed based on real or perceived shortcomings, defects or vulnerabilities in our security solutions or the failure of our security solutions to meet customers' expectations.

Organizations are facing increasingly sophisticated digital security threats and threats of counterfeiting. If WISEkey fails to identify and respond to new and increasingly complex methods of counterfeiting products or hacking personal and corporate digital accounts, our business and reputation will suffer. In particular, WISEkey may suffer significant adverse publicity and reputational harm if any of our products fail to perform as advertised. An actual or perceived breach of our customers' sensitive business data, regardless of whether the breach is attributable to the failure of our products, could adversely affect the market's perception of the efficacy of our security solutions and current or potential customers may look to our competitors for alternatives to our security solutions. Similarly, an actual or perceived failure of our product to prevent counterfeit products from being detected, regardless of whether such failure is attributable to our products, could adversely affect the market's perception of the efficacy of our authentication solutions and could encourage current or potential customers to look to our competitors for an alternative to our products. The failure of our products may also subject us to product liability lawsuits and financial losses stemming from indemnification of our partners and other third parties, as well as the expenditure of significant financial resources to analyze, correct or eliminate any vulnerability. It could also cause us to suffer reputational harm, lose existing customers or deter them from purchasing additional products and services and prevent new customers from purchasing our security solutions.

International Expansion

WISeKey's strategy includes the international expansion of its business. The expansion into international markets may cause difficulties because of distance, as well as language and cultural differences. Other risks related to international operations include fluctuations in currency exchange rates, difficulties arising from staffing and managing foreign operations, legal and regulatory requirements of different countries, potential political and economic instability, and overlapping or differing tax laws. Management cannot assure that it will be able to market and operate WISeKey's services successfully in foreign markets, select appropriate markets to enter, open new offices efficiently or manage new offices profitably. If WISeKey is not successful in accessing new markets, its results of operations and financial condition could be materially and adversely affected.

If WISeKey is unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. Any of our employees may terminate their employment at any time. Competition for highly skilled personnel is frequently intense. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or have divulged proprietary or other confidential information. Further, the training and integration of new employees requires allocation of a significant amount of internal resources and, even if we make this investment, there is no guarantee that existing or new personnel will remain or become productive members of our team. Our inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in sales & marketing and research & development, may seriously harm our business, financial condition and results of operations.

Furthermore, WISeKey's performance depends on favorable labor relations with our employees and compliance with labor laws in the countries where we have employees and plans to hire new employees. Any deterioration of current relations or increase in labor costs due to our compliance with labor laws could adversely affect our business.

Dependence on key personnel and loss of such key personnel may have a negative impact on the operations and profitability of WISeKey.

Our future success depends in part on the continued service of our key personnel, particularly, the members of our senior management. We have employment agreements with our key personnel, but these do not prevent such personnel from choosing to leave the Company.

One of the cryptographic rootkeys used by WISeKey is owned by the Organisation Internationale pour la Sécurité des Transactions Electroniques OISTE. The Organisation Internationale pour la Sécurité des Transactions Electroniques OISTE has granted us a perpetual license to exclusively use the cryptographic rootkey. A termination of the license agreement would present a threat to WISeKey's existing business model.

The cryptographic rootkey used by WISeKey is owned by the Organisation Internationale pour la Sécurité des Transactions Electroniques OISTE ("OISTE") acting as a trusted third party and not-for-profit entity in charge of ensuring that the Root of Trust (the "RoT") remains neutral and trusted. The name of the RoT is OISTE/WISeKey, as shown in all major current browsers that embed the rootkey. Three members of the three-member foundation board of OISTE are WISeKey board members. Members of the foundation board of OISTE are appointed by a policy authorizing authority (the "Policy Authorizing Authority" or "PAA"), whose members are international organizations, governments and large corporations that use the OISTE/WISeKey RoT. OISTE has granted us a perpetual license to exclusively use the cryptographic rootkey and develop technologies and processes based on OISTE's trust model. The perpetual license agreement can only be terminated under limited circumstances, including if WISeKey were to move from the trust model developed by OISTE and/or changing the location of the RoT from Switzerland to another country. A termination of the license agreement would present a threat to WISeKey's current trust model.

Services offered by our PKI business rely on the continued integrity of public key cryptography technology and algorithms that may be compromised or proven obsolete over time.

Services offered by our PKI business are based on public key cryptography technology. With public key cryptography technology, a user possesses a public key and a private key, both of which are required to perform encryption and decryption operations. The security afforded by this technology depends on the integrity of a user's private key and ensuring that it is not lost, stolen or otherwise compromised. Advances in attacks on cryptographic algorithms and technology may weaken their effectiveness, and significant new technology requirements may be imposed by root distribution programs that require us to make significant modifications to our systems or to reissue digital certificates to some or all of our customers, which could damage our reputation or otherwise harm our business. Severe attacks on public key cryptography could render PKI services in general obsolete or unmarketable.

We are dependent on the timely supply of equipment and materials from various sub-contractors and if any one of these suppliers fail to meet, or delays, their committed delivery schedules, we can suffer with lower or lost revenues.

We use various suppliers for silicon manufacturing and testing our parts. Any one of these suppliers could not meet their commitments for on-time delivery of our products. These kinds of supply disruptions can happen due to global shortages of silicon wafers or chemicals used in the processing of the silicon packaging or shortages in the labor force due to unrest or sicknesses. Our business and operating conditions can be at risk if we cannot deliver on our product demand as committed in our customer contracts.

Failure of our third-party suppliers to handle increased volume for their services could impact our ability to take advantage of upside business opportunities.

We outsource several critical functions in our supply chain to third-party suppliers, such as the manufacture of our semiconductors. They all have a number of risks that are present in their businesses that could limit their ability to meet increased demands if we see increased orders from our customers. If our suppliers cannot satisfy our demand, we may not be able to meet our customer demands. Also, if our suppliers add higher costs to cover their increased volume, we may see drops in our gross profit margins. Many of these costs are not fixed, even though there may be contracts in place, and may be at the discretion of the third-party vendor.

Financial Risks

WISeKey has entered, and expects to continue to enter, into joint venture agreements and these activities involve risks and uncertainties.

WISeKey has entered, and expects to continue to enter, into joint venture agreements in order to effectively grow its revenue and penetrate certain geographic regions. Entering into joint venture agreements or other similar forms of partnership involves risks and uncertainties, including the risk that the partners that we enter into joint ventures with will not have the market connections that we expect them to bring to the joint venture. Additionally, there is a risk that a given joint venture could fail to satisfy its obligations, which may result in certain liabilities to us for guarantees and other commitments. Further, since we may not exercise control over our current or future joint ventures, we may not be able to require our joint ventures to take the actions that we believe are necessary to implement our business strategy. Additionally, differences in views among joint venture participants may result in delayed decisions or failures to agree on major issues. If any of these difficulties cause any of our joint ventures to deviate from our business strategy, or if this leads any of our joint ventures to fail to attract the customer base that we project it to attract, our results of operations could be materially adversely affected.

WISeKey is exposed to risks associated with acquisitions and investments.

We may in the future make acquisitions of, or investments in, existing companies or existing or new businesses. Acquisitions and investments involve numerous risks that vary depending on their scale and nature, including, but not limited to:

- diversion of management's attention from other operational matters;
- inability to complete proposed transactions as anticipated or at all (and any ensuing obligation to pay a termination fee or other costs and expenses);
- the possibility that the acquired business will not be successfully integrated or that anticipated cost savings, synergies or other benefits will not be realized;
- the acquired business or strategic partnership may lose market acceptance or profitability;
- a decrease in our cash or an increase in our indebtedness, including security interests that may have to be constituted as part of the acquisition indebtedness, may limit our ability to access additional capital when needed;
- failure to commercialize purchased technologies, intellectual property rights or partnered solutions;
- initial dependence on unfamiliar supply chains or relatively small supply partners;
- inability to obtain and protect intellectual property rights in key technologies;
- incurrence of unexpected liabilities; and
- loss of key personnel and clients or customers of acquired businesses.

In addition, if WISeKey is unsuccessful at integrating such acquisitions or the technologies associated with such acquisitions, our revenues and results of operations could be adversely affected. Any integration process may require significant time and resources, and WISeKey may not be able to manage the process successfully. WISeKey may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. WISeKey may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition. The sale of equity or incurrence of debt to finance any such acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

WISeKey has a history of losses and may not achieve profitability in the future.

WISeKey has invested substantial amounts of financial resources so far on its acquisitions, brand technology and market position. 2019 is our first profitable year since our inception with a gain on disposal of a business of USD 31.1 million and we had, on a consolidated level, an accumulated cumulative loss of USD 197,348,528 as at December 31, 2018 and USD 189,161,455 as at December 31, 2019. In the past, we made significant investments in our operations which have not resulted in corresponding revenue growth and, as a result, increased our losses. WISeKey expects to make significant future investments to support the further development and expansion of our business and these investments may not result in increased revenue or growth on a timely basis or at all.

WISeKey may also incur significant losses in the future for a number of reasons, including slowing demand for our products and services, increasing competition, weakness in the software and security industries generally, as well as other risks described herein, and we may encounter unforeseen expenses, difficulties, complications and delays, and other unknown factors. If WISeKey incurs losses in the future, we may not be able to reduce costs effectively because many of our costs are fixed. In addition, to the extent that we reduce variable costs to respond to losses, this may affect our ability to attract customers and grow our revenues. Accordingly, WISeKey may not be able to achieve or maintain profitability and we may continue to incur significant losses in the future.

Certain of the Company's large shareholders, including if acting in concert, may be able to exert significant influence on the Company and their interests may conflict with the interests of its other shareholders.

Our founder, Carlos Moreira, holds more than 50% of the Company's voting rights. Further, all holders of the Class A Shares represent approximately 57% of the Company's voting rights. Our founder, or if the holders of Class A Shares were to act in concert with each other, the holders of the Class A Shares would be able to exert significant influence over certain matters, including matters that must be resolved by the general meeting of shareholders, such as the election of members to the board of directors or the declaration of dividends or other distributions. To the extent that the interests of these shareholders may differ from the interests of the Company's other shareholders, the Company's other shareholders may be disadvantaged by any actions that these shareholders may seek to pursue.

The market for and price of Class B Shares and our ADSs may be highly volatile.

There has not been a public market in the United States for our Class B Shares, and an active market has not developed for the ADS since the listing of ADSs on NASDAQ on December 04, 2019. You may not be able to sell your ADSs quickly or at the market price if trading in the ADSs is not active.

The market price of Class B Shares and our ADSs may be highly volatile and may be affected negatively by events involving us, our competitors, the software and security industry, or the financial markets in general. Furthermore, investors might not be able to resell their Class B Shares and our ADSs at the price at which they were purchased or at a higher price or at all. Factors that could cause this volatility in the market price of Class B Shares and our ADSs include, but are not limited to:

- our operating and financial results;
- future announcements concerning our business;
- changes in revenue or earnings estimates and recommendations by securities analysts;
- changes in our business strategy and operations;
- changes in our senior management or board of directors;
- speculation of the press or the investment community;
- disposals of Class B Shares by shareholders;
- actions of competitors;
- our involvement in acquisitions, strategic alliances or joint ventures;
- regulatory factors;
- arrival and departure of key personnel;
- investment community views on technology stock;
- liquidity of the Class B Shares and our ADSs; and
- general market, economic and political conditions.

In addition, securities markets in general have from time to time, experienced significant price and volume fluctuations. Such fluctuations, as well as the economic environment as a whole, can have a substantial negative effect on the market price of our securities, regardless of our operating results or our financial position. Any such broad market fluctuations may adversely affect the trading price of our securities.

Our securities will be traded on more than one market or exchange and this may result in price variations.

Our Class B Shares have been trading on the SIX since March 2016. The ADSs have been listed on NASDAQ since December 2019. Trading in Class B Shares and ADSs, as applicable, on these markets will take place in different currencies (U.S. dollars on NASDAQ and Swiss francs on the SIX), and at different times (resulting from different time zones, trading days, and public holidays in the United States and Switzerland). The trading prices of our Class B Shares and ADSs on these two markets may differ due to these and other factors. Any decrease in the price of our Class B Shares on the SIX could cause a decrease in the trading price of the ADSs on NASDAQ, and vice versa.

Future sales or issuances, or the possibility or perception of future sales or issuances, of a substantial number of Shares could cause the market price of our Class B Shares or the ADSs to fall.

The market price of our Class B Shares or ADSs could decline as a result of sales of a large number of Class B Shares in the public market in the future or the possibility or perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to issue equity securities in the future at a time and price that it deems appropriate.

Further, the Company may choose to raise additional capital by issuing additional Class B Shares, depending on market conditions or strategic considerations. In particular, under our Articles of Association, the board of directors is authorized to issue up to 8,503,041 new Class B Shares at any time until May 25, 2020 and thereby increase the Company's share capital without further shareholder approval. After May 25, 2020 (and each subsequent two-year period), the shareholders may re-approve this authorization. Further, our Articles of Association provide for a conditional share capital based on which the Company is authorized to issue up to 11,840,090 new Class B Shares, corresponding to CHF 592,004.50 in par value. Since May 14, 2019, the date of reference for the last formal recording in the Articles and the commercial register of the Canton of Zug, Switzerland, an aggregate number of 1,228,838 Class B Shares has been issued out of the Company's conditional share capital as at December 31, 2019. As a result, the available conditional share capital of the Company, as at December 31, 2019, amounted to CHF 530,562.60, corresponding to the issuance of 10,611,252 Class B Shares. Among other things, the Company's conditional share capital could be used in connection with the issuance of securities that are convertible into Class B Shares. To the extent that additional capital is raised through the issuance of Class B Shares or other securities that are convertible into Class B Shares, the issuance of such securities could dilute the Company's shareholders' interest in the Company.

On January 19, 2016, the Company entered into a share subscription facility agreement (the "SFF") with GEM Global Yield Fund LLC SCS and GEM Investments America, LLC (collectively referred to as "GEM"), according to which the Company has the right, at any date after the date on which the Class B Shares are listed on the SIX, during the period expiring on the earlier of (i) January 19, 2021 and (ii) the date on which GEM has subscribed for Class B Shares with an aggregate subscription price of CHF 60,000,000, to request GEM, in one or several steps, to subscribe for Class B Shares up to an aggregate subscription amount of CHF 60,000,000. After drawdowns made under this facility in June, August and December 2017 in the aggregate amount of CHF 3,905,355, the remaining amount available for drawdown is CHF 56,094,645 as at December 31, 2019. The subscription price for each subscription request of the Company corresponds to 90% of the average of the closing bid prices for Class B Shares on the SIX (as adjusted for variations) as reported by Bloomberg during the respective pricing period. If the Company elects to exercise its rights under the SFF, the issuance of Class B Shares would dilute the Company's shareholders' interest in the Company. As at December 31, 2019, the remaining amount available for drawdown by the Company under the SFF is CHF 56,094,645 and the estimated maximum number of Class B Shares deliverable under the SFF is 28,855,270 Class B Shares at CHF 1.944 per Class B Share (calculated based on the closing price of a Class B Share on December 30, 2019 of CHF 2.16 per Class B Share, discounted by 10%). The actual price, at which the Company may drawdown under the SFF is subject to change, and, therefore, the number of Class B Shares deliverable to GEM may vary.

In connection with the SFF, on May 06, 2016, the Company granted to GEM 1,459,127 options (the "GEM Options") for the acquisition of an equal number of Class B Shares. As a result, the maximum total number of Class B Shares that are issuable under the GEM Options at December 31, 2019 is 1,459,127 Class B Shares. The GEM Options may be exercised by GEM at any time on or before May 6, 2021, at an exercise price per GEM Option initially set to CHF 8.85432 per Class B Share (the "GEM Initial Exercise Price"). The GEM Initial Exercise Price may be adjusted using certain agreed-upon formulae more fully described in Item 10.C -- *Material Contracts – Options Issued to GEM*. In application of adjustment provisions under the relevant warrant, the exercise price of the warrant has been adjusted from CHF 8.85342 to CHF 8.8264 and the number of Class B Shares that GEM is entitled to purchase upon exercise of the warrant has been increased by 4,612 Class B Shares to 1,463,739 as at December 31, 2019. The Class B Shares issued to GEM in connection with the GEM Options would be issued out of the Company's conditional share capital or authorized share capital without triggering the pre-emptive rights of the existing shareholders of the Company. The exercise of GEM Options will dilute the Company's shareholders' interests in the Company.

On February 8, 2018 the Company entered into a Standby Equity Distribution Agreement, as amended on September 28, 2018 (the "SEDA") with YA II PN, Ltd., a fund managed by Yorkville Advisors Global, LLC (collectively referred to as "Yorkville"). Pursuant to the SEDA, the Company has the right, at any time during a three-year period, to request Yorkville, in one or several steps, to subscribe for Class B Shares up to an aggregate subscription amount of CHF 50,000,000. After drawdowns made by WISEKey under the SEDA in June, November and December 2018, and January, August, September, October and November 2019, in the aggregate amount of CHF 2,857,922.71, the remaining amount available for drawdown is CHF 47,142,077 as at December 31, 2019. As long as a sufficient number of Class B Shares is provided through share lending, WISEKey has the right to make drawdowns under the SEDA at its discretion by requesting Yorkville to subscribe for (if the Class B Shares are issued out of authorized share capital) or purchase (if the Class B Shares are delivered out of treasury) Class B Shares worth up to CHF 5,000,000 each, subject to certain exceptions and limitations (including the exception that a drawdown request by WISEKey shall in no event cause the aggregate number of Class B Shares held by Yorkville to meet or exceed 4.99% of the total number of shares registered with the commercial register of the Canton of Zug). The subscription price for each subscription request of the Company corresponds to 93% of the lowest daily volume-weighted average share price (the "VWAP") of a Class B Share, as traded and quoted on the SIX, over the five trading days following the drawdown request by WISEKey. If the Company elects to exercise its rights under the SEDA, the issuance of Class B Shares would dilute the Company's shareholders' interest in the Company. As at December 31, 2019, the remaining amount available for drawdown by the Company under the SEDA is CHF 47,142,077 (USD 48,709,692 at closing rate) and, as at December 31, 2019, the estimated maximum number of Class B Shares deliverable under the SEDA is 23,467,780 Class B Shares at CHF 2.0088 per Class B Share (calculated based on the closing price of a Class B Share on December 30, 2019 of CHF 2.16 per Class B Share, discounted by 7%). The actual price, at which the Company may drawdown under the SEDA is subject to change, and, therefore, the number of Class B Shares deliverable to Yorkville may vary.

On September 28, 2018, WISEKey entered into a convertible loan agreement ("Crede Convertible Loan Agreement") with Crede CG III, Ltd., Hamilton, Bermuda ("Crede"), pursuant to which Crede committed to grant a loan to WISEKey in the amount of USD 3,000,000 (the "Crede Principal Amount"). The Crede Principal Amount will mature on October 30, 2020 ("Crede Maturity"). The Crede Principal Amount is to be repaid through the delivery of such number of Class B Shares, as corresponds to the quotient of the Crede Principal Amount then outstanding and a conversion price corresponding to 93% of the average of the two lowest daily VWAPs of a Class B Share, as traded and quoted on the SIX during the ten trading days immediately preceding the relevant conversion date, converted into USD at the relevant exchange rate. Crede may request a conversion of the Crede Principal Amount, in parts or in full, at any time before the Crede Maturity. The loan granted in accordance with the Crede Convertible Loan Agreement bears interest at a yearly rate of 10% (the "Crede Interest"). WISEKey has the right, at its discretion, to pay Crede Interest accrued on the outstanding Crede Principal Amount in cash or by delivery of such number of Class B Shares as corresponds to the quotient of the respective Crede Interest payment amount and a conversion price corresponding to 93% of the average of the two lowest daily VWAPs of a Class B Share, as traded and quoted on the SIX during the ten trading days immediately preceding the relevant conversion date, converted into USD at the relevant exchange rate. After conversions in January, February, July, September and December 2019, as requested by Crede, representing an aggregate repayment amount of USD 1,771,101, the remaining Crede convertible loan amount outstanding is USD 1,228,899 as at December 31, 2019. The conversion of the Crede Principal Amount and, if applicable, the Crede Interest, into Class B Shares will dilute the Company's shareholders' interest in the Company. The number of Class B Shares deliverable by the Company to Crede in connection with conversions of the Crede Principal Amount and the Crede Interest will depend on the applicable conversion price. As at December 31, 2019, the estimated maximum number of Class B Shares deliverable by the Company under the Crede Convertible Loan Agreement (for payment of Crede Principal Amount and maximum Crede Interest until maturity) is 636,803 Class B Shares (calculated based on the closing price of a Class B Share on the SIX on December 30, 2019 of CHF 2.16 per Class B Share discounted by 7% and converted into USD at the relevant exchange rate). Note that the actual price at which Crede may convert the Crede Principal Amount and at which the Company may convert the Crede Interest into Class B Shares is subject to change, and, as a consequence, the number of Class B Shares deliverable to Crede may vary. As at December 31, 2019, the Company holds 1,202,191 Class B Shares in treasury, either directly or through a subsidiary, in order to be able to comply with its obligations under the Crede Convertible Loan Agreement (including the conversion of the Crede Principal Amount and the Crede Interest into Class B Shares).

In connection with the Crede Convertible Loan Agreement, on September 28, 2018, the Company granted to Crede 498,247 options (the "Crede Options") for the acquisition of an equal number of Class B Shares. As a result, the maximum total number of Class B Shares that are issuable under the Crede Options as at December 31, 2019 is 498,247 Class B Shares. The Crede Options may be exercised by Crede at any time on or before October 29, 2021, at an exercise price per Crede Option equal to CHF 3.84 per Class B Share. The Class B Shares issued to Crede in connection with the Crede Options would be issued out of the Company's conditional share capital or authorized share capital without triggering the pre-emptive rights of the existing shareholders of the Company. The exercise of Crede Options will dilute the Company's shareholders' interests in the Company.

On June 27, 2019, WISEKey entered into a convertible loan agreement ("Yorkville Convertible Loan ") with YA II PN, Ltd., a fund managed by Yorkville, pursuant to which Yorkville committed to grant a loan to WISEKey in the amount of USD 3,500,000 (the "Yorkville Principal Amount"). The Yorkville Convertible Loan is repayable in monthly cash instalments starting August 01, 2019 up until its maturity on August 01, 2020. The loan granted in accordance with the Yorkville Convertible Loan bears interest at a yearly rate of 6% (the "Yorkville Interest"). Yorkville, at its sole discretion, may elect to request that any amount due and outstanding, be it principal or interests, be paid in Class B Shares using a conversion price of CHF 3.00 per Class B Share (the "Initial Conversion Price") and, as exchange rate, any publicly available spot rate of exchange selected by Yorkville in the New York foreign exchange market at the applicable date. The Initial Conversion Price may be adjusted using certain agreed-upon formulae in case of (a) an increase of capital by means of capitalization of reserves, profits or premiums by distribution of WISEKey shares, or division or consolidation of WISEKey shares; (b) an issue of WISEKey shares or other securities by way of conferring subscription or purchase rights; (c) spin-offs and capital distributions other than dividends; and (d) dividends. As at December 31, 2019, and as agreed with Yorkville, WISEKey has repaid an aggregate amount of USD 1,162,607, therefore the remaining Yorkville Convertible Loan amount outstanding is USD 2,337,393. The conversion of the Yorkville Principal Amount and, if applicable, the related interest, into Class B Shares will dilute the Company's shareholders' interest in the Company. The number of Class B Shares deliverable by the Company to Yorkville in connection with conversions of the Yorkville Principal Amount and the Yorkville Interest will depend on the applicable conversion price. Based on the Initial Yorkville Conversion Price on the date of execution of the Yorkville Convertible Loan (CHF 3.00) converted into USD at the relevant exchange rate, the estimated maximum number of Class B Shares deliverable under the Yorkville Convertible Loan (for the payment of Yorkville Principal Amount outstanding as at December 31, 2019 and Yorkville Interest until maturity) is 772,968 Class B Shares. Note that the actual price at which Yorkville may convert the Yorkville Principal Amount and Yorkville Interest into Class B Shares is subject to change, and, as a consequence, the number of Class B Shares deliverable to Yorkville may vary.

In connection with the Yorkville Convertible Loan, on June 27, 2019, the Company granted to Yorkville 500,000 options (the "Yorkville Options") for the acquisition of an equal number of Class B Shares. As a result, the maximum total number of Class B Shares that are issuable under the Yorkville Options as at December 31, 2019 is 500,000 Class B Shares. The Yorkville Options may be exercised by Yorkville at any time on or before June 27, 2022, at an exercise price per Yorkville Option initially set to CHF 3.00 per Class B Share (the "Yorkville Initial Exercise Price"). The Yorkville Initial Exercise Price may be adjusted using certain agreed-upon formulae more fully described in Item 10C – *Contracts – Options Issued to Yorkville*. The Class B Shares issued to Yorkville in connection with the Yorkville Options would be issued out of the Company's conditional share capital or authorized share capital without triggering the pre-emptive rights of the existing shareholders of the Company. The exercise of Yorkville Options will dilute the Company's shareholders' interests in the Company.

On December 16, 2019, WISEKey entered into a Convertible Term Loan Facility Agreement (the "LSI Convertible Facility") with Long State Investment Limited ("LSI"), a Hong Kong-based investment company, to borrow up to CHF 30,000,000 (the "LSI Principal Amount"). Under the terms of the LSI Convertible Facility, WISEKey is able to drawdown individual term loans of up to CHF 500,000 or, if so agreed between the parties, up to CHF 2,500,000 at an interest rate of 1.5% per annum (the "LSI Interest"), up to an aggregate amount of CHF 30,000,000 over a commitment period of 24 months. LSI have the right to convert a drawdown tranche into Class B Shares or, if so agreed among the parties and permitted by law, into ADSs, within a period of 21 SIX trading days after each individual drawdown at 95% of the higher of (i) the then prevailing market rate and (ii) the minimum conversion price of CHF 1.80. Any term loan not converted by LSI initially will automatically convert into Class B Shares, or ADSs, 20 SIX trading days before the expiration of the commitment period at the applicable conversion price. Under certain circumstances, interest payments may be "paid in kind" by capitalizing such interest and adding to it the aggregate principal balance of the loan outstanding. As at December 31, 2019, WISEKey has not made any drawdown under the LSI Convertible Facility, therefore the remaining amount available for drawdown is CHF 30,000,000. The conversion of the LSI Principal Amount and, if applicable, the LSI Interest, into Class B Shares will dilute the Company's shareholders' interest in the Company. The number of Class B Shares deliverable by the Company to LSI in connection with conversions of the LSI Principal Amount and the LSI Interest will depend on the applicable conversion price. As at December 31, 2019, the remaining amount available for drawdown by the Company under the LSI Convertible Facility is CHF 30,000,000 (USD 30,997,590 at closing rate) and, as at December 31, 2019, the estimated maximum number of Class B Shares deliverable under the LSI Convertible Facility is 14,619,883 Class B Shares at CHF 2.052 per Class B Share (calculated based on the closing price of a Class B Share on the SIX on December 30, 2019 of CHF 2.16 per Class B Share discounted by 5%). Note that the actual price at which LSI may convert each tranche under the LSI Convertible Facility is subject to change, and, therefore, the number of Class B Shares deliverable to LSI may vary.

Our financial results may be affected by fluctuations in exchange rates.

Due to the broad scope of our international operations, a portion of our revenue and our expenses are denominated in currencies other than USD, our reporting currency. As a result, our business is exposed to transactional and translational currency exchange risks caused by fluctuations in exchange rates among those different currencies.

The functional currency of most of our operating subsidiaries is the applicable local currency. The translation from the applicable functional currencies into our reporting currency is performed for balance sheet accounts using exchange rates in effect at the balance sheet date, and, for the statement of operations accounts, using average exchange rates prevailing during the relevant period. Functional currency exchange rates for our operating subsidiaries have in the past, and may in the future, fluctuate significantly against the USD. Because we prepare our consolidated financial statements in USD, these fluctuations may have an effect both on our results of operations and on the reported value of our assets, liabilities, revenue and expenses as measured in USD, which in turn may significantly affect reported earnings, either positively or negatively, and the comparability of period-to-period results of operations.

In addition to currency translation risks, we are exposed to currency transaction risks. Currency transaction risk is the risk that the domestic currency value of a future foreign currency denominated cash flow (payments or receipts from a committed or uncommitted contract or credit facility) varies as a direct result of changes in exchange rates. Fluctuations in currencies may adversely impact our ability to compete on a global basis and our results of operations and our financial condition.

Our operating results can vary significantly due to the impairment of goodwill and other tangible and intangible assets due to changes in the business environment.

Our operating results can also vary significantly due to impairments of intangible assets, including goodwill, and other fixed assets. As of December 31, 2019, the value of our goodwill as recorded on our balance sheet was USD 8,316,892 and the value of acquired technologies and other intangible assets was USD 600,123, net of impairment and amortization. Because the market for our products is characterized by rapidly changing technologies, our future cash flows may not support the value of goodwill and other intangibles recorded in our consolidated financial statements. According to U.S. GAAP, we are required to annually test our recorded goodwill and indefinite-lived intangible assets, if any, and to assess the carrying values of other intangible assets when impairment indicators exist. As a result of such tests, we could be required to book impairment charges in our statement of operations if the carrying value is greater than the fair value. The amount of any potential impairment is not predictable.

Factors that could trigger an impairment of such assets include, but are not limited to, the following:

- underperformance relative to projected future operating results;
- negative industry or economic trends, including changes in borrowing rates or weighted average cost of capital;

- applicable tax rates;
- changes in working capital;
- the market multiples utilized in our fair value calculations;
- changes in the manner or use of the acquired assets or the strategy for our overall business; and
- changes in our organization or management reporting structure, which could require greater aggregation or disaggregation in our analysis by reporting unit and potentially alternative methods/ assumptions of estimating fair values.

Any potential future impairment, if required, could have a material adverse effect on our business, financial condition and results of operations.

We may need additional capital in the future and it may not be available on terms favorable to us or at all.

We may require additional capital in the future to do, among other things, the following:

- fund our operations;
- finance investments in equipment and infrastructure needed to maintain our manufacturing capabilities;
- enhance and expand the range of products and services we offer;
- respond to potential strategic opportunities, such as investments, acquisitions and expansions; and
- service or refinance other indebtedness.

Our ability to obtain external financing in the future is subject to a variety of uncertainties, including: (i) our financial condition, results of operations and cash flows, and (ii) general market conditions for financing activities.

The terms of available financing may also restrict our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could have a material adverse effect on our business, financial condition and results of operations.

The Company is a holding company with no direct cash generating operations and relies on its subsidiaries to provide it with funds necessary to pay dividends to shareholders.

The Company is a holding company with no significant assets other than the equity interests in its subsidiaries. The Company's subsidiaries own substantially all the rights to its revenue streams. The Company has no legal obligation to, and may not, declare dividends or other distributions on its shares. The Company's ability to pay dividends to its shareholders depends on the availability of sufficient legally distributable profits from previous years, which depends on the performance of its subsidiaries and their ability to distribute funds to the Company, and/or on the availability of distributable reserves from capital contributions at the Company level, and on the need for shareholder approval.

The ability of a subsidiary to make distributions to the Company could be affected by a claim or other action by a third party, including a creditor, or by laws which regulate the payment of dividends by companies. In addition, the subsidiaries' ability to distribute funds to the Company depends on, among other things, the availability of sufficient legally distributable profit of such subsidiaries. The Company cannot offer any assurance that legally distributable profit or reserves from capital contributions will be available in any given financial year.

Even if there is sufficient legally distributable profit or reserves from capital contributions available, the Company may not be able to pay a dividend or distribution of reserves from capital contributions for a variety of reasons. Payment of future dividends and other distributions will depend on our liquidity and cash flow generation, financial condition and other factors, including regulatory and liquidity requirements, as well as tax and other legal considerations.

Legal Risks

We are subject to anti-takeover provisions.

Our Articles and Swiss law contain provisions that could prevent or delay an acquisition of the Company by means of a tender offer, a proxy contest or otherwise. These provisions may also adversely affect prevailing market prices for our Class B Shares and our ADSS. These provisions provide, among other things:

- an opting-out from the obligation of an acquirer of Shares to make a public offer pursuant to article 135 and 163 of the Swiss Financial Market Infrastructure Act, including its implementing directives, circulars and other regulations (the "FMIA");
- that the share capital is divided into different classes of shares, of which only Class B Shares are listed on the SIX, whereas Class A Shares are not listed and tradable;
- that the Board is currently authorized, at any time until May 25, 2020, to issue up to 8,881,829 new Class B Shares and to limit or withdraw the pre-emptive rights of existing shareholders in various circumstances;
- that any shareholder who is entitled to propose any business or to nominate a person or persons for election as member of the Board at an annual meeting may only do so if advance notice is given to the Company;
- that a merger or demerger transaction requires the affirmative vote of the holders of at least two-thirds of voting rights and an absolute majority of the par value of the shares, each as represented (in person or by proxy) at the general meeting of shareholders and the possibility of a so-called "cash-out" or "squeeze-out" merger if the acquirer controls 90% of the outstanding shares entitled to vote at a general meeting of shareholders; and
- that any action required or permitted to be taken by the holders of shares must be taken at a duly called annual or extraordinary general meeting of shareholders of the Company.

Each Class A Share and each Class B Share has one vote despite the difference in par value

Each Class A Share and each Class B Share carries one vote per share but our Class A Shares have a lower par value (CHF 0.01 per share) than our Class B Shares (CHF 0.05 per share). This means that, relative to their respective per share contribution to the Company's 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.

However, to the extent shareholder resolutions require as the relevant majority standard a majority of the par value of the shares present at the meeting, Class A Shares as a class have less votes than Class B Shares as a class (as the Class B Shares have a par value of CH 0.05 per Class B Share as compared to CH 0.01 per Class A Share). The majority of par value standard for approval of resolutions applies (i) to shareholder resolutions on certain specific matters (see *Item 10B -Memorandum and Articles of Association - Dual Voting Rights*) and (ii) to the extent that Swiss corporate law requires that a shareholder resolution be adopted with a majority of (A) two-thirds of the voting rights attached to, and (B) the absolute majority of the par value of, the shares, each as represented at the relevant meeting (see also *Item 10B-Memorandum and Articles of Association - Voting Requirements*).

Assuming a total of approximately 68 million of our shares are outstanding, of which approximately 40 million are Class A Shares and approximately 28 million are Class B Shares, the Class A Shares as a class contribute 22% of the aggregate par value of the Company, have 58% of the total votes for matters that require approval on the basis of a specified majority of the number of shares present at the shareholders meeting, but 22% of the total votes for matters that require approval on the basis of a specified majority of the par value of the shares present at the shareholders meeting. Assuming the same total of approximately 68 million of our shares are outstanding, of which approximately 40 million are Class A Shares and approximately 28 million are Class B Shares, Class B Shares as a class contribute 78% of the aggregate par value of the Company, have 42% of the total votes for matters that require approval on the basis of a specified majority of the number of shares present at the shareholders meeting, but 78% of the total votes for matters that require approval on the basis of a specified majority of the par value of the shares present at the shareholders meeting.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate, including tax rules limiting the deductibility of interest expense, could result in a higher tax rate on our earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We operate in various jurisdictions. Consequently, we are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate, which could include laws or policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws or policies, or their interpretation, of any country in which we have significant operations, or in which we are incorporated or resident, including the limitation of deductibility of interest expense, could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results.

We may become exposed to costly and damaging intellectual property or liability claims, and our product liability may not cover all damages from such claims.

We are exposed to potential intellectual property or product liability claims. We currently have not been involved in any such legal proceedings. However, the current and future use of our products may expose us to such claims. Any claims made against us, regardless of their merit, could be difficult and costly to defend, and could compromise the market acceptance of our products and any prospects for future products. Such legal proceedings could have a material adverse effect on our business, financial condition, or results of operations.

If WISEKey is unable to adequately protect its proprietary technology and intellectual property rights, its business could suffer substantial harm.

Our intellectual property rights are important to our business. We rely on a combination of confidentiality clauses, trade secrets, copyrights and trademarks to protect our intellectual property and know-how. In addition, we have filed a number of applications for patents to protect our technologies and have been granted two patents in Switzerland for the company's verification and authentication of valuable objects on the Internet in connection with technology involving the internet of things ("IoT") when connecting to each other or to the cloud. Further, in connection with the acquisition of WISEKey Semiconductors SAS from Inside Secure SA, we have acquired 39 patent families.

The steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create solutions and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our solutions may be unenforceable under the laws of certain jurisdictions.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to our proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our solutions. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including but not limited to our trademarks and patent applications. While we aim to acquire adequate protection of our brand through registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar brands for solutions that also address the cybersecurity, authentication or mobile application markets. Additionally, the process of seeking patent protection can be lengthy and expensive. Any of our pending or future patent or trademark applications, whether challenged or not, may not be issued with the scope of the claims we seek, if at all.

From time to time, we may discover that third parties are infringing, misappropriating or otherwise violating our intellectual property rights. However, policing unauthorized use of our intellectual property and misappropriation of our technology is difficult and we may therefore not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop solutions with the same or similar functionality as our solutions. If competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if such competitors are able to develop solutions with the same or similar functionality as ours without infringing our intellectual property, our competitive position and results of operations could be harmed and our legal costs could increase.

WISeKey may incur fines or penalties, damage to its reputation or other adverse consequences if its employees, agents or business partners violate, or are alleged to have violated, anti-bribery, competition or other laws.

WISeKey's internal controls may not always protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate Swiss, U.S. or other laws, including anti-bribery, competition, trade sanctions and regulations and other related laws. Any such improper actions could subject WISeKey to administrative, civil or criminal investigations in the competent jurisdictions, could lead to substantial civil or criminal monetary and non-monetary penalties against WISeKey or our subsidiaries, and could damage our reputation. Even the allegation or appearance of WISeKey's employees, agents or business partners acting improperly or illegally could damage our reputation and result in significant expenditures in investigating and responding to such actions.

We could be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

As WISeKey continues to expand products, partnerships, sales and distribution, the risk of being involved in legal proceedings will invariably increase. While WISeKey has successfully avoided being involved in legal proceedings in the past, it may not be able to do so in the future. Legal proceedings, especially when involving intellectual property rights and product liability, may have material adverse effects on WISeKey's financial condition, results of operations and cash flows.

We process and store personal information, which subjects us to data protection laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.

The personal information we process is subject to an increasing number of laws regarding privacy and data protection, as well as contractual commitments. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions, fines, or cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Risks Related to Our Shares and ADSs

As a foreign private issuer, we are permitted to rely on exemptions from certain corporate governance standards.

As a foreign private issuer, we are permitted to, and we are relying on exemptions from certain NASDAQ corporate governance standards applicable to domestic U.S. issuers. This may afford less protection to holders of our ordinary shares and the ADSs.

We are exempted from certain corporate governance requirements of NASDAQ by virtue of being a foreign private issuer. We are required to provide a brief description of the significant differences between our corporate governance practices and the corporate governance practices required to be followed by domestic U.S. companies listed on NASDAQ. The standards applicable to us are considerably different than the standards applied to domestic U.S. issuers. For instance, we are not required to:

- have a majority of the board be independent (although all of the members of the audit committee must be independent under the U.S. Securities Exchange Act of 1934, as amended, or the "Exchange Act");

- have a compensation committee or a nominating or corporate governance committee consisting entirely of independent directors; or
- have regularly scheduled executive sessions with only independent directors.

We have relied on and intend to continue to rely on some of these exemptions. As a result, you may not be provided with the benefits of certain corporate governance requirements of NASDAQ.

As a foreign private issuer, we are exempt from certain disclosure requirements under the Exchange Act, which may afford less protection to our shareholders and ADS holders than they would enjoy if we were a domestic U.S. company.

As a foreign private issuer, we are exempt from, among other things, the rules prescribing the furnishing and content of proxy statements under the Exchange Act. In addition, our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit and recovery provisions contained in Section 16 of the Exchange Act. We are also not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic U.S. companies with securities registered under the Exchange Act. As a result, our shareholders and ADS holders may be afforded less protection than they would under the Exchange Act rules applicable to domestic U.S. companies.

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

As a foreign private issuer, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. In order to maintain our current status as a foreign private issuer, either (a) a majority of our common shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors may not be United States citizens or residents, (ii) more than 50 percent of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. These criteria are tested annually. If we lost this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and stock exchange rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time-consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

We are an "emerging growth company", and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies may make the ADSs less attractive to investors and, as a result, adversely affect the price of the ADSs and result in a less active trading market for the ADSs.

We are an "emerging growth company" as defined in the U.S. Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. For example, we have elected to rely on an exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act relating to internal control over financial reporting, and we will not provide such an attestation from our auditors. We may avail ourselves of these disclosure exemptions until we are no longer an emerging growth company. We cannot predict whether investors will find the ADSs less attractive because of our reliance on some or all of these exemptions. If investors find the ADSs less attractive, it may adversely affect the price of the ADSs and there may be a less active trading market for the ADSs.

We will cease to be an emerging growth company upon the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of USD 1,070,000,000 (as such amount is indexed for inflation every five years by the United States Securities and Exchange Commission, or SEC) or more;

- the last day of our fiscal year following the fifth anniversary of the completion of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act;
- the date on which we have, during the previous three-year period, issued more than USD 1,070,000,000 in non-convertible debt; or
- the date on which we are deemed to be a "large accelerated filer", as defined in Rule 12b-2 of the Exchange Act, which would occur if the market value of our ordinary shares and ADSs that are held by non-affiliates exceeds USD700,000,000 as of the last day of our most recently-completed second fiscal quarter.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Depending on the circumstances, we may or may not take advantage of the extended transition period under Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards and therefore our financial statements may not be comparable to companies that comply with public company effective dates.

The requirements of being a public company may strain our resources and distract our management.

Following the listing of the ADSs on NASDAQ, we are required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements will be time-consuming and will result in increased costs to us, either or both of which could have a negative effect on our business, financial condition and results of operations.

As a public company, we are (subject to certain exceptions) subject to the reporting requirements of the Exchange Act and the other rules and regulations of the SEC, including the Sarbanes-Oxley Act and the listing and other requirements of NASDAQ. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual and current reports with respect to our business and financial performance. The Sarbanes-Oxley Act requires that we maintain disclosure controls and procedures and internal control over financial reporting. To improve the effectiveness of our disclosure controls and procedures and our internal control over financing reporting, we need to commit significant resources and provide additional management oversight. We are implementing additional procedures and processes for the purpose of addressing the U.S. standards and requirements applicable to public companies. These activities may divert management's attention from other business concerns and we will incur significant legal, accounting and other expenses that we did not have prior to the listing on NASDAQ, which could have a material adverse effect on our business, financial condition and results of operations.

We have never paid dividends on our share capital, and we do not anticipate paying cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our share capital. We do not anticipate paying cash dividends on our shares in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to compliance with applicable laws and covenants under current or future credit facilities, which may restrict or limit our ability to pay dividends and will depend on our financial condition, operating results, capital requirements, distributable profits and/or distributable reserves from capital contributions, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation, if any, of our securities will be your sole source of gain for the foreseeable future.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiffs in any such action.

The deposit agreement governing the ADSs representing our Class B Shares provides that, to the fullest extent permitted by applicable law, ADSs holders waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to our Class B Shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. The waiver to right to a jury trial of the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of our or the depository's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

If we or the depositary oppose a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. The enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depositary. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcome than a trial by jury would have had, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or our ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Your voting rights as a holder of our ADSs are limited by the terms of the deposit agreement.

You may exercise your voting rights with respect to the ordinary shares underlying your ADSs only in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions from you in the manner set forth in the deposit agreement, the depositary for our ADSs will endeavor to vote your underlying ordinary shares in accordance with these instructions. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter at the meeting. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but you may not receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. As a result, you may not be able to exercise your right to vote.

The depositary for our ADSs will give a discretionary proxy to vote the ordinary shares underlying your ADSs if you do not give timely voting instructions, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for our ADSs, the depositary will, to the extent permitted under applicable law, give a discretionary proxy to the independent proxy holder elected by the Company's shareholders to exercise the voting rights of the ordinary shares underlying your ADSs at shareholders' meetings if you do not give voting instructions to the depositary, unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that, if you fail to give voting instructions to the depositary, you cannot prevent the ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence our management.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may not receive distributions on our Class B Shares or any value for them if it is illegal or impractical to make them available to you as an ADS holder.

The depositary of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for the Class B Shares represented by ADSs after deducting its fees and expenses. You will receive these distributions in proportion to the number of our Class B Shares that your ADSs represent. However, the depositary is not responsible for making such payments or distributions if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depositary. We have no obligation to take any other action to permit the distribution of our ADSs, Class B Shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our Class B Shares or any value for them if it is illegal or impractical for us to make them available to you as an ADS holder. These restrictions may reduce the value of your ADSs.

The rights accruing to holders of our shares may differ from the rights typically accruing to shareholders of a U.S. corporation.

We are organized under the laws of Switzerland. The rights of holders of Class B Shares and, therefore, certain of the rights of ADSs, are governed by the laws of Switzerland and by our Articles of Association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. See the sections entitled "Description of Share Capital and Articles of Association - Differences in Corporate Law" and "Description of Share Capital and Articles of Association - Articles of Association - Other Swiss Law Considerations" for a description of the principal differences between the provisions of Swiss law applicable to us and, for example, the Delaware General Corporation Law relating to shareholders' rights and protections.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under the laws of Switzerland. Certain of directors reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments obtained in U.S. courts against them or us, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. The United States and Switzerland do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in Switzerland. In addition, uncertainty exists as to whether Swiss courts would entertain original actions brought in Switzerland against us or our directors predicated upon the securities laws of the United States or any state in the United States. Any final and conclusive monetary judgment for a definite sum obtained against us in U.S. courts would be reviewed by the courts of Switzerland. Whether these requirements are met in respect of a judgment based upon the civil liability provisions of the U.S. securities laws, including whether the award of monetary damages under such laws would constitute a penalty, is an issue for the court making such decision. If a Swiss court gives judgment for the sum payable under a U.S. judgment, the Swiss judgment will be enforceable by methods generally available for this purpose. These methods generally permit the Swiss court discretion to prescribe the manner of enforcement. As a result, U.S. investors may not be able to enforce against us or certain of our directors, or certain experts named herein who are residents of Switzerland or countries other than the United States, any judgments obtained in U.S.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of ADSs or our Class B Shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Inadequate internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our ADSs or our Class B Shares.

Management will be required to assess the effectiveness of our internal controls annually. However, for as long as we are an "emerging growth company", our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements requiring us to incur the expense of remediation and could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our ADSs or our Class B Shares and their respective trading volumes could decline.

The trading market for our ADSs and our Class B Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. Since we have not undertaken an initial public offering of ADSs in connection with the listing of our ADSs on NASDAQ, we do not anticipate that many or any industry analysts in the United States will publish such research and reports in the United States about our Class B Shares or our ADSs. If no or too few securities or industry analysts commence or continue coverage on us, the trading price for our ADSs and our Class B Shares could be affected. If one or more of the analysts who may eventually cover us downgrade our ADSs or our Class B Shares or publish inaccurate or unfavorable research about our business, the trading price of our ADSs or our Class B Shares would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our ADSs or Class B Shares could decrease, which might cause the price of such securities and their respective trading volumes to decline.

Although we believe that we were not a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes in 2019, there can be no assurance in this regard, and if we are a PFIC in any year, U.S. holders of our ADSs may be subject to adverse U.S. federal income tax consequences.

Under the Internal Revenue Code of 1986, as amended, or the Code, we will be a PFIC for any taxable year in which, after the application of certain look-through rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of passive income or (ii) 50% or more of the average quarterly value of our assets consists of assets that produce, or are held for the production of, passive income. Based on our financial statements, business plan and certain estimates and projections, including as to the relative values of our assets, we do not believe that we were a PFIC for our 2019 taxable year and do not expect to be a PFIC in the foreseeable future. However, there can be no assurance that the Internal Revenue Service (the "IRS") will agree with our conclusion regarding our PFIC status, and whether we are or will be classified as a PFIC in any particular year is uncertain because we currently own a substantial amount of passive assets, including cash, and the valuation of certain of our assets is uncertain and may vary substantially over time. Accordingly, there can be no assurance that we will not be a PFIC for any taxable year.

If we are a PFIC for any taxable year during which a U.S. investor holds ADSs, we generally would continue to be treated as a PFIC with respect to that U.S. investor for all succeeding years during which the U.S. investor holds ADSs, even if we ceased to meet the threshold requirements for PFIC status. Such a U.S. investor may be subject to adverse U.S. federal income tax consequences, including (i) the treatment of all or a portion of any gain on disposition as ordinary income, (ii) the application of a deferred interest charge on such gain and the receipt of certain dividends and (iii) compliance with certain reporting requirements. We do not intend to provide the information that would enable investors to make a qualified electing fund election that could mitigate the adverse U.S. federal income tax consequences should we be classified as a PFIC.

For further discussion, see "Taxation—Material U.S. Federal Income Tax Considerations for U.S. Holders."

If a United States person is treated as owning at least 10% of our shares or ADSs, such holder may be subject to adverse U.S. federal income tax consequences.

If a U.S. investor owns or is treated as owning (indirectly or constructively) at least 10% of the value or voting power of our shares or ADSs, such investor may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). Because our group includes a U.S. subsidiary, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether or not we are treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of "Subpart F income," "global intangible low-taxed income," and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. Failure to comply with these reporting obligations may subject a United States shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such shareholder's U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any investor is treated as a United States shareholder with respect to any such controlled foreign corporation or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult its advisors regarding the potential application of these rules to an investment in our ADSs.