

Geneva, June 30, 2005

## **Security -**

Wisekey to raise 100 million dollars for four subsidiaries

The young Geneva company refines its structure in order to ensure distribution of its new digital identification service.

## **Sylvie Gardel**

In economics, clear and efficient structures are often a natural accompaniment to expansion. And Wisekey is the proof. At the general shareholders meeting held at the end of last week, the shareholders of the Geneva company adopted the principal of a structure based on four subsidiaries: Wisekey Suisse (Wisekey Switzerland), Wisekey USA, Wisekey Royaume-Uni (Wisekey United Kingdom) and Wisekey Corée du Sud (Wisekey South Korea). In addition, a specialized body will be created in India at the start of 2006 to carry out cross-company functions such as support services or authentication processes. "This expansion of Wisekey through subsidiaries is part of a process of positioning the group designed to take up the challenge posed by competition in a proactive manner at a time when the various markets and governments are preparing to ratify and generalize the use of digital identities in the e-government sector," explained Carlos Moreira, president, co-founder and co-director of the world's leading electronic security company (further details below).

It will cost around 100 million dollars to set up this new structure, which will be placed under the governance of Wisekey SA, the ultimate holding company in the group. This company is based in Geneva and holds the intellectual property rights, manages partner relations and makes decisions regarding which areas of technology to develop.

## **Very specific responsibilities**

The basic functions of these subsidiaries will be the management, administration and implementation of projects allocated by geographic area in order to ensure that the new digital identification service, launched in Geneva a few weeks ago by Wisekey, Microsoft and HP (see 'L'Agefi' of May 30th) is available all over the world.

Each subsidiary will initially consist of a core group of 5 to 10 people, and will also take on specific responsibilities designed to support the strategic growth of the Geneva company. Wisekey USA, which has been active for two months, will have its own high-security calculation center and also its own cryptographic root. This infrastructure will be used for distributing digital identities in the North American market, in particular for the DestiNY USA project signed at the start of the year (see 'L'Agefi' of April 20th, 2005).

The British subsidiary will focus on the application of identification technologies in the health sector. As for the Korean unit, it will deal with securization in international commercial transactions and for the virtual backbone which will link the World Trade Centers of South Korea, Geneva and Washington (see 'L'Agefi' of May 9th, 2005). And finally, the Swiss entity based at Zurich's Techno Park will work on the development of the Swiss market and the emerging markets in eastern countries, while the Geneva branch will concentrate its efforts on security in intergovernmental relations and for international organizations.

### **In search of local investors**

The capital of the various subsidiaries will be open to local investors, with priority being given to institutional investors, in order to 'achieve optimal integration in the target markets without, however, diluting the capital of the holding company'. These partnerships will take the form of joint-ventures with companies 'with a strong international reputation in the field of computer security in order to complete the operation of expanding our group'. The management intends to conclude this process prior to the Stock Exchange listing planned for 2007.

Wisekey's raison d'être is the creation and development of authentication certificates based on PKI (public key infrastructure) technology. These are certificates with numeric keys, or in other words digital signatures. Due to their complex nature, these certificates are aimed at various markets through a range of products called CertifyID. The standard version, costing 3000 dollars a unit, will be distributed by Microsoft, with which Wisekey signed an initial framework agreement in June 2004. The intermediate model, 'CertifyID Advanced', which uses the same technology platform, authorizes a higher level of security by providing stricter control. This product sells for 10,500 dollars each, and is intended for large entities (companies, international organizations, etc.). And last but not least, the premium version ('CertifyID Qualified', costing 150,000 dollars each) has been developed to cater for complex requirements where a fully customized product is needed, such as the public and financial sectors and multinational companies. 'Our solutions have been implemented directly on the Windows platform, which means that they cost less than the market prices,' added Wisekey CEO.

### **The number one in electronic security has entered its industrial phase**

Wisekey has thus embarked upon a new phase in its expansion process, working towards the target of entering the Stock Exchange in 2007. Carlos Moreira, president, co-founder and co-director of the company, outlines this strategy.

### **What are the implications of this subsidiary-based structure?**

Carlos Moreira: First of all, our growth. Wisekey has certainly gone beyond

the point where it can be considered a start-up. As a young company, we now need to establish our development and our viability not only through contracts and partnerships but also through a clear and effective expansion strategy.

Also, we need to organize things in this way for legal reasons. Each national subsidiary, in order to comply with the law in the various countries, needs its own cryptographic root similar to the one we created five years ago and which is now sealed in a bunker under the Swiss Alps.

### **How is a root transported abroad?**

We are going to hold a ceremony for the creation of extensions of the algorithm which constitutes the parent root in the presence of the governments of the countries concerned so that the offspring roots will be compatible with the laws of each country. We will then physically transfer these extensions by a highly secure method into the bunkers of our respective subsidiaries, where they will be stored in secure conditions similar to those we use in Switzerland. In this way, we preserve the substance, quality and neutrality of our model.

### **This branching of the Wisekey root is something unique in the market. Is it really necessary?**

Yes, it is, due to trust issues. Since the events of September 11th, 2001, countries have been aware of the importance of holding the source of their own identity processes. Nobody wants to be dependent on another country for the management of its own system of national identity cards, for example.

### **When will this subsidiary-based structure become operational?**

Our American company has already been formed and is located in the Ronald Reagan Center opposite the White House. We now need to raise about 20 million dollars to build the bunker in which the American root will be stored. With the support of UBS New York and the Sanders Morris Harris group, we should be able to get these funds together by September. Our British subsidiary has signed a letter of intention with a major group, and this should enable us to finalize the financing by the end of the year. South Korea is also involved thanks to our partnership with the American group HDR. Both the South Korean government and a number of South Korean pension funds have expressed an interest in investing in this structure. In Switzerland, the Geneva company has been in existence since last year and will very shortly open a structure in the Swiss-German region.

### **After completing that phase, what comes next?**

From 2006 we will see the multiplier effect of this new structure, which should allow us to double our turnover. It has taken us five years to set up this root because we were still just a start-up. We have succeeded thanks to

the funds raised and thanks to our commitment. We now have everything in place and, with the support of our partners HP and Microsoft, we are becoming more efficient at every stage. In short, we are laying the highways today with a view to the proceeds from the toll booths of tomorrow. Wisekey has entered its industrial phase.

### **And you're still planning your IPO for 2007...**

The only question you need to ask yourself when thinking of entering the Stock Exchange is this: what revenues are you going to generate within one year, and then within five years? We are confident because our international and ubiquitous technology provides a very valuable service. Moreover, we meet the criteria of a substantial number of subscribers and a great range of applications with our digital identification systems. The proof is that we are already on most brokers' lists...(smiles).

#### **Source:**

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