ICTS INTERNATIONAL N.V.
Amstelveen

ANNUAL REPORT 2024

CONTENTS

DIRECTORS' REPORT

The report is available for inspection at the company's office.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2024

(after appropriation of results)

		31 December 2024		31 December 2023	
		$	$	$	$
ASSETS					
Fixed assets					
Intangible fixed assets	(1)		551,332		1,285,253
Tangible fixed assets	(2)				
Other fixed assets			4,136,522		3,933,174
Financial fixed assets	(3)				
Investments in other parties		2,025,081		2,007,243	
Other receivables		5,417,853		7,193,934	
			7,442,934		9,201,177
Current assets					
Receivables, prepayments and accrued income	(4)				
Trade receivables		54,898,898		50,699,989	
Taxes and social securities		2,752,089		1,926,455	
Other receivables and accrued income		18,560,804		24,756,088	
			76,211,791		77,382,532
Cash and cash equivalents	(5)		85,608,573		98,987,631
			173,951,152		190,789,767

		31 December 2024		31 December 2023	
		$	$	$	$
LIABILITIES					
Group equity					
Group equity of ICTS International N.V.		6,012,335		8,391,721	
(Redeemable) Non-controlling interests in subsidiaries		81,870,178		86,038,909	
			87,882,513		94,430,630
Provisions	(6)				
Deferred tax liability		-		85,127	
Other provisions		254,400		668,756	
			254,400		753,883
Non-current liabilities	(7)				
Other debt			13,966,257		21,952,840
Current liabilities	(8)				
Interest-bearing loans and borrowings		3,180,451		209,467	
Trade creditors		6,715,938		6,601,038	
Taxes and social securities		23,858,464		27,614,449	
Other liabilities, accruals		38,093,129		39,227,460	
			71,847,982		73,652,414
			173,951,152		190,789,767

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

		2024		2023	
		$	$	$	$
NET TURNOVER	(9)	483,309,585		431,541,642	
Cost of sales	(10)	425,808,154		362,430,148	
GROSS MARGIN			57,501,431		69,111,494
Selling expenses	(13)	3,834,826		3,736,227	
General & Administrative expenses	(14)	59,412,031		53,203,985	
SUM OF EXPENSES			63,246,857		56,940,212
OPERATING RESULT			-5,745,426		12,171,282
Interest and similar income	(15)	1,694,850		2,280,097	
Interest and similar expenses	(16)	-267,512		-1,407,033	
FINANCIAL INCOME AND EXPENSES			1,427,338		873,064
RESULT FROM NORMAL OPERATIONS BEFORE TAX			-4,318,088		13,044,346
Tax on result	(17)		451,907		-1,745,297
			-3,866,181		11,299,049
Result of participating interests			-		718,717
RESULT FROM NORMAL OPERATIONS AFTER TAX			-3,866,181		12,017,766
Minority interest	(18)		-331,383		-3,490,319
RESULT AFTER TAX			-4,197,564		8,527,447

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The cash flow statement has been prepared using the indirect method.

	2024		2023	
	$	$	$	$
Cash flow from operating activities				
Operating result	-5,745,426		10,731,583	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Amortization and depreciation	2,344,173		2,128,722	
Dilution shares	770,035		-	
Movement in provisions	-414,356		119,310	
Movements in working capital				
Movement of accounts receivable	2,560,037		-12,517,492	
Movement of short-term liabilities (excluding short-term part of long-term debts)	-10,546,062		13,637,597	
Cash flow from operating activities		-11,031,599		14,099,720
Interest received	1,694,850		2,280,097	
Interest paid	-267,512		-1,407,033	
Corporate income tax	-2,886,097		-5,836,877	
		-1,458,759		-4,963,813
Cash flow from operating activities		-12,490,358		9,135,907
Cash flow from investing activities				
Investments in intangible fixed assets	-		-50,663	
Investments in tangible fixed assets	-2,568,073		-1,551,058	
Investments in other related parties	-20,000		-	
Disposal of intangible fixed assets	359,181		-	
Disposal of tangible fixed assets	394,031		527,959	
Disposal of other relates parties	2,162		172,442	
Cash flow from investing activities		-1,832,699		-901,320
Cash flow from financing activities				
Issued shares premium reserve	-		1,213,961	
Dividend to be paid	-3,248,866		-	
Withdrawal debt to finance companies	2,970,984		-	
Repayments of long term receivables	1,515,523		-	
Issued loans of long term receivables	-91,798		-1,800,060	
Cash flow from financing activities		1,145,843		-586,099
Exchange and conversion differences		-201,844		-32,549
		-13,379,058		7,615,939

Compilation cash

	2024		2023	
	$	$	$	$
Compilation cash at 1 January		98,987,631		91,371,692
Movement of cash and cash equivalents		-13,379,058		7,615,939
Cash and cash equivalents at 31 December		85,608,573		98,987,631

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31, 2024

	2024		2023	
	$	$	$	$
SHARE GROUP RESULT AFTER TAX		-4,197,564		7,087,748
Translation adjustments		288,927		35,377
Total result of the legal entity		-3,908,637		7,123,125

The revaluation is recognized in the income statement on completion of the transaction; The amount of the realized revaluation is also part of the consolidated result presented to this legal entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL NOTES

Activities

ICTS International N.V. was registered at the Department of Justice in Amstelveen, Netherlands on October 9, 1992. ICTS International N.V. and subsidiaries (collectively referred to as "ICTS" or "Company") operate in four reportable segments:
a) corporate;
b) Airport security;
c) Other aviation related services; and
d) Authentication technology.

The corporate segment does not generate revenue and contains primarily non-operational expenses. The airport security segment provides security services primarily to airport authorities and airlines predominantly in Europe. The other aviation services segment provides services primarily to airlines and airport authorities in the United States of America. The authentication technology segment provides authentication services to financial and other companies, predominantly in the United States of America.

ICTS International N.V. is traded on the OTC QB Stock Market's National Market System, USA, under the symbol "ICTSF". For further information, we refer to the Form-20-F, which is kept at the office of the Company and can be viewed also at the company's website and at the SEC website.

Reporting period

These financial statements cover the period 1 January 2024 until 31 December 2024.

Going concern

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

Registered office, legal form and registration number at the chamber of commerce

The registered and actual address of ICTS International N.V. is Walaardt Sacréstraat 425-5, Schiphol-Oost, the Netherlands, from where the company carries out its principal activities, with the trade name ICTS International ("ICTS" or "The company"). The company is registered at the chamber of commerce under number 33279300.

Operational leasing

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the amounts disclosed in the financial statements. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.
If it is necessary to provide the insight required by Section 2:362 paragraph 1 of the Dutch Civil Code, the nature of these judgments and estimates, including the associated assumptions, is included in the notes to the relevant items.

Group structure

The consolidated financial statements include the financial data of ICTS International N.V., its group companies and other legal entities in which the company exercises control or over which the management is in charge. Group companies are legal entities in which ICTS International N.V. can, either directly or indirectly, exercise control by holding a majority of the voting rights or can control the financial and operational activities otherwise. This includes potential voting rights that can be exercised directly on the balance date.

Group companies and other entities in which ICTS International N.V. exercises control or whose central management it conducts are consolidated in full. Participating interests in group equity and group result are disclosed separately. Participating interests over which no control can be exercised (associates) are not included in the consolidation.

The company's interests in joint ventures are accounted for by proportionate consolidation. An entity qualifies as a joint venture if its participants exercise joint control under a collaborative agreement.

List of participating interests

ICTS International N.V. in Amstelveen is the head of a group of legal entities. The overview of the data as required in accordance with Articles 2:379 and 2:414 of the Dutch Civil Code as of December 31, 2024 is included below:

Name, statutory registered office	Share in issued capital
	%
I-SEC Global Security B.V. Amsterdam, the Netherlands	100.00
I-SEC International Security B.V. Amsterdam, the Netherlands	100.00
I-SEC Benelux Holdings B.V. Amsterdam, the Netherlands	100.00
I-SEC Nederland B.V. Amsterdam, the Netherlands	100.00
I-SEC Nederland Security Services B.V. Amsterdam, the Netherlands	100.00
I-SEC Belgium Aviation Security B.V. Amsterdam, the Netherlands	100.00
I-SEC Tech B.V. Amsterdam, the Netherlands	100.00
I-SEC German Holdings B.V.* which holds the shares of: Amsterdam, the Netherlands	100.00
I-SEC Security Services GmbH Oberursel, Germany	100.00
I-SEC German Aviation Holdings 1 B.V. which holds the shares of: Amsterdam, the Netherlands	100.00
I-SEC Verwaltungs SE ** Frankfurt am Main, Germany	100.00
I-SEC Deutsche Luftsicherheit SE & Co. KG	100.00

Frankfurt am Main, Germany	
Platin 2422 GmbH Frankfurt am Main, Germany	100.00
I-SEC German Special Operations B.V. Amsterdam, the Netherlands	100.00
I-SEC Spain Holdings B.V. which holds the shares of: Amsterdam, the Netherlands	100.00
I-SEC Spain Services Management SL Barcelona, Spain	100.00
I-SEC Spain Security Management SL Barcelona, Spain	100.00
I-SEC Aviation Security SL Barcelona, Spain	100.00
I-SEC Nordic Holdings B.V. which holds the shares of: Amsterdam, the Netherlands	100.00
I-SEC Denmark Aviation Security AS Kastrup, Denmark	100.00
I-SEC Norway Aviation Security AS Oslo, Norway	100.00
I-SEC Finland Aviation Security Oy Helsinki, Finland	100.00
I-SEC Sweden Aviation Security AB Stockholm, Sweden	100.00
I-SEC Italia S.R.L. which holds the shares of: Milan, Italy	100.00
I-SEC Italia Services S.R.L. Milan, Italy	100.00
I-SEC Japan KK Narita, Japan	100.00
I-SEC UK (inactive) London, United Kingdom	100.00
ICTS USA Inc. New York, USA	100.00
Huntleigh Corporation Inc. Missouri, USA	100.00
Aviation Mobility Solutions Inc. Dallas, USA	100.00
AU10TIX Technologies B.V. Amsterdam, the Netherlands	68.69
AU10TIX Limited which holds the shares of: Nicosia, Cyprus	100.00
AU10TIX B.V. which holds the shares of: Amsterdam, The Netherlands	100.00
AU10TIX Ltd. which holds the shares of: Hod Hasharon, Israel	100.00

AU10TIX Services Inc. Texas, USA	100.00
TSAS Ltd Hod Hasharon, Israel	100.00

TSAS Ltd has been liquidated in 2024.

*I-SEC German Aviation Holdings 1 B.V. is a limited partner (100%) of I-SEC Deutsche Luftsicherheit SE&Co.KG (Germany)
I-SEC German Aviation Holdings 1 B.V. is a limited partner (100%) of I-SEC Academy GmBH & Co.KG (Germany)
**I-SEC Verwaltungs SE is a general partner (0%) of I-SEC Deutsche Luftsicherheit SE&Co.KG (Germany).
*** Platin 2422 GmBH is a general partner (0%) of I-SEC Academy GmBH &Co.KG

Consolidation principles

Financial information relating to group companies and other legal entities which are controlled by ICTS International N.V. or where central management is conducted has been consolidated in the financial statements of ICTS International N.V. The consolidated financial statements have been prepared in accordance with the accounting principles for valuation and result determination of ICTS International N.V.

Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions. Third-party shares in equity and results of group companies are separately disclosed in the consolidated financial statements.

Financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences (the acquisition date) until the date that control ceases. At acquisition date the assets, provisions and liabilities are measured at fair values. Goodwill paid is capitalised, to which amortisation is charged based on the estimated useful life. The results of participating interests sold during the year are recognised until the moment of disposal.

The Company's interests in joint ventures are accounted for by proportionate consolidation. An entity qualifies as a joint venture if its participants exercise joint control under a collaborative agreement.

Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of ICTS International N.V. or the ultimate parent company and close relatives are regarded as related parties. Transactions with related parties are included in the notes due to their sensitive nature. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Acquisition and disposal of group companies

Identifiable assets acquired and liabilities assumed in a business combination are recognised in the consolidated financial statements from the acquisition date, being the moment that control can be exercised over the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals and deferred income (refer to the respective note).

Entities continue to be consolidated until they are sold or being liquidated; they are deconsolidated from the date that control ceases and if they are classified as groups held-for-disposal.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated annual accounts have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code and the guidelines of Dutch GAAP (Richtlijnen voor de Jaarverslaggeving).

The statement of comprehensive income (RJ 265) is not recognised separately as part of the income statement. In the absence of the items specified in the Directive, the income statement shall be considered equivalent for the statement of comprehensive income.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company. Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Comparison with previous year

The accounting policies adopted remained unchanged in comparison with the previous year.

If deemed necessary, the figures for 2023 have been reclassified in order to make them comparable to 2024. Notes regarding comprehensive changes will be opened and explained.

Foreign currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the functional and presentation currency of ICTS International N.V.

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date or according to average exchange rate for the period.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Translation differences on intragroup long-term loans that effectively constitute an increase or decrease in net investments in a foreign operation are directly recognised in equity as a component of the legal reserve for translation differences.

Translation differences on foreign currency loans contracted to finance a net investment in a foreign operation are recognised in the legal reserve for currency translation differences if and when such loans effectively hedge the exchange rate exposure on that net investment in a foreign operation.

Group companies

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the closing rate of exchange prevailing at the balance sheet date. Income and expenses of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the average rate of exchange. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

Financial instruments

Securities included in financial and current assets are stated at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading, as well as derivatives of which the underlying object is listed on a stock exchange. All other on-balance financial instruments are carried at (amortised) cost.

Fair value of financial instruments
The fair values of accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities, income taxes payable, VAT payable, notes payable-banks, long-term loan payable and loan payable to related party approximate their carrying values due to the short-term nature of the instruments. The carrying values of the other liabilities are not readily determinable because: (a) these instruments are not traded and, therefore, no quoted market prices exist upon which to base an estimate of fair value and (b) there were no readily determinable similar instruments on which to base an estimate of fair value.

Redeemable non-controlling interests

On July 3, 2019, AU10TIX entered into a Series A Preferred Subscription Agreement (the "Agreement ") with TPG Lux 2018 SC I, S.a.r.l ("TPG"), according to which AU10TIX issued 3,000,000 Series A Preferred Shares ("Series A Shares") to TPG for a subscription price of US$60,000 in cash representing approximately 24% of the outstanding share capital of AU10TIX and 23.077% of the fully-diluted share capital of AU10TIX. Transaction costs totaled $4,540 and were deducted from the redeemable non-controlling interests balance.

On November 7, 2019, AU10TIX entered into a Series A and Series A-1 Preferred Subscription Agreement with Oak HC/FT Partners II, L.P. ("Oak"), according to which AU10TIX issued 1,000,000 Series A Preferred Shares and 23,622 Series A-1 Preferred Shares ("Series A-1 Shares" and together with Series A Shares – "the Preferred Shares") to Oak for a subscription price of US$20,000 in cash representing approximately 7.401% of the outstanding share capital of AU10TIX and 7.143% of the fully-diluted share capital of AU10TIX. Transaction costs totaled $1,513 and were deducted from the respective investment amounts.

Following the Oak investment, on November 7, 2019, TPG subscribed for 307,087 Series A-1 Shares at nominal value (US$0.001 per share) (“Bonus Issue Series A-1 Shares”) in order to preserve its 23.077% ownership interest in the fully diluted share capital of AU10TIX.
On June 28, 2021, TPG, Oak, GF GW LLC (“GF”) and AU10TIX, entered into a Sale and Purchase Agreement (the “SPA”), pursuant to which Oak and GF purchased preferred shares in AU10TIX from TPG. In connection with the SPA, (i) such parties and ICTS entered into an amended and restated shareholders agreement (the “SHA”) and an amended and restated registration rights agreement (the “RRA”) and (ii) AU10TIX’s Articles of Association (the “Articles”) were amended by a deed of amendment (the “Deed of Amendment”).

Pursuant to the SPA, Oak purchased 755,906 AU10TIX Series A Preferred shares from TPG and GF purchased 1,511,811 AU10TIX Series A Preferred Shares from TPG. In connection with such purchases, all outstanding AU10TIX’s Series A Preferred Shares and Series A-1 Preferred Shares were re-designated as New Series A Preferred Shares and the Ordinary Shares owned by ICTS were re-designated as Class B Ordinary Shares.

Following the completion of the sales and purchases contemplated by the SPA on June 28, 2021: (i) ICTS owns 68.69% of the outstanding share capital of AU10TIX in the form of Class B Ordinary Shares; (ii) Oak owns 12.87% of the outstanding share capital of AU10TIX in the form of New Series A Preferred Shares; (iii) GF owned 10.93% of the outstanding share capital of AU10TIX in the form of New Series A Preferred Shares; and (iv) TPG owns 7.51% of the outstanding share capital of AU10TIX in the form of New Series A Preferred Shares. In addition, AU10TIX may issue up to 500,000 Class A Ordinary Shares under its existing employee stock option plan, which was increased in February 2023 up to 1,000,000

The new series A preferred Class A Ordinary Shares
The SHA and the Articles (as amended by the Deed of Amendment) provide for the following material matters in respect of the rights attaching to the New Series A Preferred Shares and the Ordinary Shares and the ongoing governance of AU10TIX:

The New Series A Preferred Shares are entitled to one vote per share and rank equally with the Ordinary Shares in regards to dividends. The Ordinary Shares are divided into two classes: Class A Ordinary Shares and Class B Ordinary Shares, which rank equally as to dividends. The Class A Ordinary Shares are entitled to one vote per share. The Class B Ordinary Shares are entitled to three votes per share and may only be held by ICTS and its permitted transferees.

The holders of New Series A Preferred Shares (“Series A Holders”) are entitled to a liquidation preference upon the occurrence of a (i) sale, initial public offering, which term includes certain business combinations with a SPAC (an “IPO”), merger, consolidation or reorganization, which results in change of control of AU10TIX, and (ii) winding-up, dissolution or liquidation of AU10TIX, pursuant to which the Series A Holders are entitled, on the occurrence of such event and in priority to the Ordinary Shares, to receive the greater of: (a) US$26.4583 per share, subject to adjustments for certain events affecting the capital of AU10TIX (the “Starting Price”) plus all accrued but unpaid dividends in respect of the New Series A Preferred Shares, less all dividends previously paid on the New Series A Preferred Shares, and (b) the proceeds distributable in respect of the New Series A Preferred Shares had they been converted into Class A Ordinary Shares. The Ordinary Shares rank equally in liquidation.

Conversion Rights: The New Series A Preferred Shares are subject to conversion into Class A Ordinary Shares on a 1:1 basis (subject to adjustments for certain events affecting the capital of AU10TIX): (a) upon the written request by any Series A Holder; and (b) immediately prior to a qualifying IPO of AU10TIX (being an IPO where each Class A Ordinary Share is valued at not less than 150% of the Starting Price at the completion of the IPO, subject to adjustments for certain events affecting the capital of AU10TIX) (a "Qualifying IPO").

The Class B Ordinary Shares are convertible into Class A Ordinary Shares at any time upon the written request of a holder of Class B Ordinary Shares on a 1:1 basis, subject to adjustments for certain events affecting the capital of AU10TIX.

Anti-Dilution Protection: The SHA contains customary broad-based weighted average anti-dilution protection whereby, if further shares are issued by AU10TIX at a price per new security that is less than the Starting Price, then the Series A Holders shall be entitled to receive additional Class A Ordinary Shares (at no further cost) on a weighted-average basis, reflecting the value of the equity in AU10TIX, as determined based on the subscription price paid in the new issue of securities.

Transfers: Subject to certain customary exceptions, including a transfer to a permitted transferee, any shareholder (other than TPG, Oak and GF) wishing to transfer any of the shares held by it shall first offer such shares to each shareholder holding 3% or more of AU10TIX's outstanding share capital at the same price and on the same terms at which the selling shareholder wishes to transfer such shares.

New Issuances: Subject to certain customary exceptions, each shareholder holding 3% or more of AU10TIX's outstanding share capital has the right to participate in any new issuance of securities by AU10TIX.

Information Rights: Subject to certain exceptions, each shareholder holding 3% or more of AU10TIX's outstanding share capital is entitled to receive certain financial information regarding AU10TIX including budgets, annual and quarterly accounts and details of any third party offer for the stock or assets of AU10TIX, as well as certain inspection rights.

Exit Rights: At any time from and after July 3, 2026, upon written request by Series A Holders holding at least 60% of the then outstanding New Series A Preferred Shares (the "Preferred Majority"), AU10TIX is required to use reasonable endeavors to facilitate a sale of AU10TIX within six months after such written request, and, thereafter, the Preferred Majority has the right to step-in and require AU10TIX to facilitate a sale or IPO. On the exercise of such step-in right, each other shareholder (including ICTS) is required to cooperate with the Preferred Majority regarding such sale or IPO and the Preferred Majority has the right to exercise drag rights over the shares held by other shareholders in order to facilitate such exit event.

Derivatives quoted in an open market not designated as hedging instruments

Board Arrangements: The Shareholders Agreement and Articles provide that the board of directors of AU10TIX shall be constituted by up to six directors: (i) four of whom will be appointed by the holder of a majority of the Class B Ordinary Shares (i.e., currently ICTS); (ii) one of whom will be appointed by Oak (for so long as Oak holds at least 50% of the New Series A Preferred Shares held on the date of the closing of the transactions contemplated by the SPA, subject to adjustments for certain events affecting the capital of AU10TIX); and (iii) one of whom will be appointed by GF (for so long as GF holds at least 50% of the New Series A Preferred Shares held on the date of the closing of the transactions contemplated by the SPA, subject to adjustments for certain events affecting the capital of AU10TIX). As a general matter, the board of AU10TIX is able to pass resolutions by a simple majority, subject to the consent rights of the Preferred Majority set out below.

Preferred Majority Consent Rights: For as long as the Series A Holders hold, in the aggregate, at least 25% of the New Series A Shares Preferred Shares held on the date of the closing of the transactions contemplated by the SPA, subject to adjustments for certain events affecting the capital of AU10TIX, the consent of the Preferred Majority is required for the following actions (i) amending the SHA or the Articles in a manner that would adversely affect the rights, preferences or privileges of the New Series A Preferred Shares; (ii) issuing new securities ranking senior to or pari passu with the New Series A Preferred Shares; (iii) making of any dividend or distribution other than a dividend or distribution that is pro rata to the Series A Holders and the holders of the Ordinary Shares; (iv) redeeming any Ordinary Shares; (v) incurring debt in excess of 4.0x AU10TIX's consolidated EBITDA in the 12-month period ending on the last day of the month preceding the month in which the debt was incurred; (vi) consummating an IPO other than a Qualifying IPO; (vii) making certain changes to the size of AU10TIX's board; (viii) making any fundamental change in the nature of the business of AU10TIX and its subsidiaries; (ix) entering into related party transactions, unless such transaction is commercially reasonable and on an arm's-length basis; and (x) either amending AU10TIX's existing stock option plan or creating a new stock option plan to allow for the issuance of more than 500,000 additional Class A Common Shares.

Tag Rights: Following completion of the procedures on transfers set out above, each Series A Holder holding 3% or more of AU10TIX's outstanding shares will have the right to participate proportionately in any third-party share sale by another shareholder other than a Series A Holder (subject to certain customary exceptions).

Drag Rights: AU10TIX has the right to drag other shareholders into an exit event subject to certain requirements being satisfied (including either (i) holders of New Series A Shares receiving the greater of: (a) the Starting Price and (b) the proceeds distributable in respect of the New Series A Preferred Shares had they been converted into Class A Ordinary Shares, in each case with the approval of the Board, the Preferred Majority and the holders of a majority of the shares or (ii) a minimum value per New Series A Share of 150% of the Starting Price approved by the Board and holders of a majority of the shares, in each case subject to adjustments for certain events affecting the capital of AU10TIX) in relation to such exit transaction.

Termination: The SHA terminates upon (i) the agreement of AU10TIX, the Preferred Majority and a majority of the holders of the Ordinary Shares or (ii) the closing of a Qualifying IPO.

Tax Matters: AU10TIX is required to provide the Series A Holders with certain customary information for U.S. federal tax reporting purposes.

Confidentiality and Public Announcements: The SHA provides for customary confidentiality protections and limitations on public announcements without consent.

The RRA provides the Series A Holders (and in certain cases the holders of the Class B Ordinary Shares) with a limited number of customary long-form and short-form demand registration rights, shelf registration rights and the right to participate under certain conditions if AU10TIX determines to register its shares. In addition, AU10TIX has undertaken to (i) take certain actions to facilitate the rights of the parties under the RRA; (ii) provide customary indemnification; (iii) not agree to further registration rights superior to those granted under the RRA; and (iv) limit issuances of its shares under certain circumstances set out in the RRA.

Pre-emption Rights: The Shareholders Agreement contains a restriction on issuing any securities senior to or pari passu with the New Series A Preferred Shares for so long as the holders of the New Series A Preferred Shares on June 28, 2021 (or their transferees in accordance with the terms of the Shareholders Agreement) continue to collectively hold at least 25% of such number (appropriately adjusted for certain corporate events) of New Series A Preferred Shares. In addition, each shareholder holding in excess of 3% of AU10TIX's outstanding shares has the right to participate in any new issuance of securities by AU10TIX, subject to customary exceptions.

The table as presented section "Notes to the consolidated balance sheet as at December 31, 2024" no. 6 sets forth for the movement in the redeemable non-controlling interests.

ACCOUNTING PRINCIPLES APPLIED TO THE VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are stated at historical cost less amortisation. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realisable value.

With regard to the determination as to whether an intangible fixed asset is subject to an impairment, please refer to note "Impairment of fixed assets".

Goodwill

Goodwill resulting from acquisitions and calculated in accordance with section "Consolidation principles " is capitalised and amortised on a straight-line basis over the estimated economic life.

Tangible fixed assets

The tangible fixed assets are presented at the cost less the accumulated depreciations and, if applicable, impairments. The depreciations are based on the estimated economic lifespan and are calculated on the base of a fixed percentage of the purchase price, taking into account a residual value, if any. Depreciation is applied from the date an asset comes into use.
The accounting principles for the determination and recognition of impairments are included under the section 'Impairments of non-current assets'.

Financial fixed assets

Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as ICTS International N.V. can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired associates are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the associate has changed since the previous financial statements as a result of the net result achieved by the associate is recognised in the income statement.

Participations over which no significant influence can be exercised are valued at historical cost.

In the event of an impairment loss, valuation takes place at the realisable value (see also section "Impairment of fixed assets"); an impairment is recognised and charged to the income statement.

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred income taxes are recognised at nominal value.

Where no significant influence is exercised participations are valued at cost and if applicable less impairments in value. With the valuation of participations any impairment in value is taken into account.

Impairment of fixed assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

Receivables and deferred assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents represent cash, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value. If cash equivalents are not freely disposable, then this has been taken into account in the valuation.

(Redeemable) Non-controlling interests in subsidiaries

The Company's non-controlling interests represent the minority shareholder's ownership interests related to the Company's subsidiaries. The Company reports its non-controlling interests in subsidiaries as a separate component of equity in the consolidated balance sheets and reports net income (loss) attributable to the non-controlling interests in the consolidated statements of operations.

Redeemable Non-Controlling Interests:

Certain non-controlling interests in a subsidiary are entitled to predefined Exit Rights that, for accounting purposes, constitute a contingent redemption event that is outside of the Company's control.

After initial recognition, at the fair value of the investment less directly attributable transaction costs, the carrying value of redeemable non-controlling interests is adjusted for the non-controlling interests share in the subsidiary's profits and Other Comprehensive Income (Loss). The Company does not adjust the carrying value of the redeemable non-controlling interests to the deemed liquidation values of such shares as long as the liquidation events triggering the Exit Rights is not considered probable of occurring.

Provisions

General

A provision is recognised if the following applies:
- the company has a legal or constructive obligation, arising from a past event; and
- the amount can be estimated reliably;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are stated at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses. If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Non-current liabilities

On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

Pension liabilities

The company has various pension plans. The Dutch plans are financed through contributions to pension providers such as insurance companies or industry pension funds. The company has both defined contribution plans and defined benefit plans. Most of the foreign pension plans can be compared to the Dutch pension system.

Defined contribution plans:
In the event of defined contribution plans the company pays fixed contributions to pension insurers and funds. These fixed contributions are the company's sole payment commitments. The contributions are stated as cost item when they are due.

Industry pension fund scheme:
Some of the Dutch subsidiaries are associated with specific industry funds for the private security. The pension provided by the funds are defined benefit plans.
Defined benefit plans are being accounted as defined contribution plans, as the company has no commitment to make additional contributions in the event of a deficit other than higher future premiums.

Employee Rights Upon Retirement:
The Company is required to make severance payments to its Israeli employees upon dismissal of an employee or upon a termination of employment in certain circumstances. The Israeli pension and severance pay liability to the employees is covered mainly by deposits made at insurance companies. For its employees who are employed under the Section 14 of the Israeli Severance Pay Law, 1963 (“Section 14”), the Company makes deposits with certain insurance companies for accounts controlled by each applicable employee in order to secure the employees’ rights upon termination. In addition, the related obligation and amounts deposited on behalf of the applicable employees for such obligations are not presented on the Company’s consolidated balance sheets, as the amounts funded are not under the control of management of the Company and the Company is legally released from the obligation to pay any severance payments to the employees once the required deposits amounts have been paid.

For employees not under Section 14, severance liabilities are recorded based on the length of service and their latest monthly salary. The Company’s liabilities for the Israeli employees amounted to $1,385 and $1,388 as of December 31, 2024 and 2023, respectively and are included in other liabilities in the Company’s consolidated balance sheets. The deposits made at insurance companies to cover these liabilities amounted to $938 and $854 as of December 31, 2024 and 2023, respectively and are included in other assets in the Company’s consolidated balance sheets.

ACCOUNTING PRINCIPLES FOR THE DETERMINATION OF THE RESULT

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year.

Revenues and expenses are allocated to the period to which they relate. Profit is only included when realised on the balance sheet. Losses originated before the end of the financial year are taken into account if they have become known before preparation of the financial statement. Foreseeable obligations and possible losses orginating before the end of the financial year are considered if they have become known before the preparation of the annual accounts.

The Company usually recognizes revenue at the level of separate contracts. If it is necessary to reflect economic reality, revenue is recognized at the level of a group of contracts, for example where the Company has entered into several separate contracts, which have been negotiated as a total, separating the individual contracts in terms of pricing and profit margin that are closely related and are performed simultaneously or immediately after each other.

Amounts that the Company receives for its own account (as principal) are recognized as revenue. Amounts that the Company receives for third parties (as an agent) are not recognized as revenue. Revenues only include the gross increases in economic potential that the Company has received or has receivable for its own account.

The Company recognizes revenue for the amount to which the Company expects to be entitled in exchange for transferring promised goods or services, which is the transaction price. This amount excludes amounts received on behalf of third parties. The transaction price may consist of a fixed fee, a variable fee or a combination thereof. When determining the transaction price, the Company does not take credit risk into account. Any write-downs as a result of the credit risk are charged to the profit and loss account. In determining the transaction price, the Company assumes that the goods or services will be provided in accordance with the relevant agreement and that this agreement will not be cancelled, extended or otherwise modified. The Company measures a non-monetary consideration at fair value. When determining the transaction price, the Company takes into account, among other things, the effects of:
1 variable fees, due to discounts, returns, refunds, price concessions, performance bonuses, penalties or other similar elements that may vary in size. The Company estimates the amount of variable compensation as part of the total compensation and applies the prudence principle in doing so;
2 major financing components, where the Company adjusts the transaction price for the effects of the time value of money. In doing so, the Company applies an interest rate that is determined at the generally applicable interest rate for a comparable financing instrument of an issuer with a comparable credit rating or an interest rate that, when discounting the transaction price, results in the current spot selling price of the goods and services; and

3 payments to buyers of goods and services, which are accounted for as a reduction in the transaction price and therefore as a reduction in revenue, unless the payment to the buyer is made in exchange for a distinct good or service.

No revenue is recognized for all amounts received - or receivable - to which the Company does not expect to be entitled. The Company treats these received - or receivable - amounts in these cases as a repayment obligation. For the goods that are expected to be returned, the Company recognizes a return asset, which is presented as an accrual.
The Company recognizes revenue per separate performance obligation. A performance obligation is a commitment in a contract to supply:
- a distinct good or service or a combination of goods or services which are collectively distinguishable from other commitments in the contract; or
- a range of distinct services that are largely the same.

A promised good or promised service can be distinguished if the following criteria are met:
- the buyer can use the benefits of the goods or services independently, whether or not jointly with resources that the buyer has or can obtain; and
- the commitment to provide the goods or services is distinct from the other commitments contained in the contract.

If two or more commitments in a contract by the Company to provide goods or services are indistinguishable separately, the commitments are combined into a combination of goods or services that are collectively distinct from other commitments in the agreement.

In the event of multiple performance obligations in a contract, the total transaction price is allocated to the performance obligations in proportion to the value of the performance obligations. The Company bases this value on the stand-alone selling price per performance obligation. If the standalone sales price is not known, the Company uses estimates.

Airport Security and Other Aviation Services Segment

In the airport security and other aviation services, for performance obligations that we satisfy over time, revenues are recognized by consistently applying a method of measuring hours spent on that performance obligation. We generally utilize an input measure of time (hours and attendance for specific time framed service like specific flights) of the service provided. Performance obligations are satisfied over the course of each month and continue to be performed until the contract has been terminated or cancelled.

Pricing and Reduction to Revenues

We generally determine standalone selling prices based upon the prices included in the client contracts, using expected costs plus margin, or other observable prices. The price as specified in our client contracts is generally considered the standalone selling price as it is an observable input that depicts the price as if sold to a similar client in similar circumstances. Certain client contracts have variable consideration, including quality thresholds or other similar items that could reduce the transaction price. These amounts may be constrained and revenue is recorded to the extent we do not expect a significant reversal or when the uncertainty associated with the variable consideration is resolved. Our variable consideration amounts, if any, are not material, and we do not expect significant changes to our estimates.

Contracts

Our client contracts generally include standard payment terms acceptable in each of the countries, states and territories in which we operate. The payment terms vary by the type and location of our clients and services offered. Client payments are typically due in 30 to 60 days after invoicing, but may be a shorter or longer term depending on the contract. Our contracts with main customers are generally long-term contracts, between two to five years. The timing between satisfaction of the performance obligation, invoicing and payment is not significant.

Practical Expedients and Exemptions

Because nearly all our contracts are based on input measure of time of service provided (as hours or attendance) no exemptions need to be made. We have no material contracts with material revenues expected to be recognized subsequent to December 31, 2024 related to remaining performance obligations.

Authentication Technology Segment

In the authentication technology segment, the Company offers authentication services on a cost per click basis, with a minimum yearly commitment which means the customer pays the Company according to the higher of (a) number of times the customer used the system in order to authenticate IDs or (b) according to the yearly minimum commitment. According to the agreement with the customers, each chargeable click has an agreed price and revenue is being recognized accordingly.

Pricing and Reduction to Revenues

The company determines standalone selling prices based upon the prices included in the client contracts, using expected costs plus margin, or other observable prices. The price as specified in our client contracts is considered the selling price as agreed with the customer. The Company's variable consideration, if any, amounts are not material, and we do not expect significant changes to our estimates. The Company does not expect a significant reversal or when the uncertainty associated with the variable consideration is resolved. A customer might be offering a tier-based pricing scheme, or not, and in any event of usage above the committed amount, the pricing will remain unchanged.

Contracts

Client contracts generally include standard payment terms acceptable in each of the countries, states and territories in which the company operates, and are typically set to a three-year deal duration. The payment terms vary by the type and location of our clients and services offered. The minimum commitment is usually being paid in advance. Client payments are typically due in 30 days after invoicing, but may be a shorter or longer term depending on the contract. Client contracts are usually range from one to three years, with a convenience exit every twelve months period, and at the end of the contract there is a renewal option. The timing between satisfaction of the performance obligation, invoicing and payment is not significant.

Salaries and wages

General

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively. The company applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result. The company pays premiums based on (legal) requirements, a contractual or voluntary basis to pension funds and insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

Governmental grants

Operating subsidies are recorded as income in the income statement in the year in which the subsidised costs were incurred or income was lost or when there was a subsidised operating deficit. Income is recognised when it is probable that it will be received. Received subsidies related to personnel expenses are recorded in the income statement as part of the personnel costs. The governmental support for COVID-19 is considered as a personnel related subsidy. Government taxes are recorded as expenses at the time alle conditions with regard to the applicable government tax have been met.
Hiernaar wordt ook verwezen voor wat betreft pensioenregelingen van dochterondernemingen in het buitenland.

Financial income and expenses

Interest income and interest expenses

Financial income and expenses comprise interest income and expenses for loans (issued and received), bank charges and exchange rate differences during the current period.

Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is established when realization of net deferred tax assets is not considered more likely than not.

Uncertain income tax positions are determined based upon the likelihood of the positions being sustained upon examination by taxing authorities. The benefit of a tax position is recognized in the consolidated financial statements in the period during which management believes it is more likely than not that the position will not be sustained. Income tax positions taken are not offset or aggregated with other positions. Income tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of income tax benefit that is more than 50 percent likely of being realized if challenged by the applicable taxing authority. The portion of the benefits associated with income tax positions taken that exceeds the amount measured is reflected as income taxes payable.

The Company recognizes interest related to uncertain tax positions in interest expense. The Company recognizes penalties related to uncertain tax positions in Selling, General and Administrative expenses.

PRINCIPLES FOR PREPARATION OF THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method.
The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months.

Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange difference affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash usedin financing activities. Transactions nog resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement.

The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease installments as repayments or borrowings under cash used in financing actvities and as interest paid under cash generated from operating activities.

NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2024

(US $)

FIXED ASSETS

1. Intangible fixed assets

	Develop-ment costs	Goodwill	Payments on account	Total
	$	$	$	$
Balance as at January 1, 2024				
Purchase price	3,640,579	819,693	23,756	4,484,028
Cumulative amortisation and impairment	-2,379,082	-819,693	-	-3,198,775
	1,261,497	-	23,756	1,285,253
Movement				
Exchange result on purchase price	-	-	-1,261	-1,261
Disposals	-359,181	-	-	-359,181
Amortisation	-373,479	-	-	-373,479
	-732,660	-	-1,261	-733,921
Balance as at December 31, 2024				
Purchase price	3,281,398	819,693	22,495	4,123,586
Cumulative amortisation and impairment	-2,752,561	-819,693	-	-3,572,254
	528,837	-	22,495	551,332

Amortisation rates

	%
Development costs	20 - 33.33
Goodwill	20
Payments on account	0

2. Tangible fixed assets

	Other fixed assets
	$
Balance as at January 1, 2024	
Purchase price	10,623,136
Cumulative depreciation and impairment	-6,689,962
	3,933,174
Movement	
Investments	2,568,073
Disposals	-986,507
Depreciation on disposals	592,476
Depreciation	-1,970,694
	203,348
Balance as at December 31, 2024	
Purchase price	12,204,702
Cumulative depreciation and impairment	-8,068,180
	4,136,522

Depreciation rates

	%
Other fixed assets	15 - 33.33

3. Financial fixed assets

All receivables included in the financial assets fall due in more than one year.

	31-12-2024	31-12-2023
	$	$
Investments in other parties		
Investment in Manuka, Inc. (Previously Artemis Therapeutics, Inc.)	100	100
Investment in Mesh Technologies Inc.	36,143	36,143
Investment in Arrow Ecology & Engineering Overseas (1999) Ltd.	1,750,000	1,750,000
Investment in GreenFox Logistics LLC.	100,000	100,000
Investment in SardineAI Corp.	5,838	8,000
Investments in Silver Circle One	58,000	38,000
Investments in Justt Fintech Ltd (previously Acrocharge Ltd)	50,000	50,000
Investments in Nilus OS Ltd	25,000	25,000
	2,025,081	2,007,243

For information on investments we refer to the notes of the consolidated balance sheet.

	2024	2023
	$	$
Investment in Manuka, Inc. (Previously Artemis Therapeutics, Inc.)		
Carrying amount as of 1 January	100	100
Balance as at 31 December	100	100

As of December 31, 2024 the Company owns less than 1% of the issued and outstanding share capital of Manuka, Inc. ("MNKA"). MNKA is a company incorporated in Israel engaged in developing and manufacturing skincare based on Manuka honey and bee venom. The market value of the Company's investment in MNKA as of December 31, 2024 and 2023 is $0k and $9k, respectively. The company evaluated the stock price of MNKA but as MNKA share price is low, the number of shares that are being traded is low and as MNKA still does not have any material revenue or profitable operations, the Company previously determined that the value of the investment is impaired and accordingly, valued the investment at zero.

Investment in Mesh Technologies Inc.		
Carrying amount as of 1 January	36,143	36,143
Balance as at 31 December	36,143	36,143

In January 2019, the Company invested an amount of $50k in Mesh Technologies, Inc. (“Mesh”), a company incorporated in the USA. The investment represented less than 1% of the issued and outstanding share capital of Mesh. Mesh is a technology company providing cross border payments technology by innovating on the existing payment rails of established card networks available in the market. As Mesh is a private, closely held company, there is no active market for this investment. Therefore, the Company measures the investment at cost minus impairment.

	2024	2023
	$	$
Investment in Arrow Ecology & Engineering Overseas (1999) Ltd.		
Carrying amount as of 1 January	1,750,000	1,750,000
Balance as at 31 December	1,750,000	1,750,000

In December 2019, the Company invested an amount of $1,750k in Arrow Ecology & Engineering Overseas (1999) Ltd ("Arrow"), a limited company incorporated in Israel. Arrow develops and operates a sustainable green process to recycle mixed and sorted municipal solid waste. The Company purchased few types of shares representing 22.6% of Arrow's equity for an amount of $22k and shareholders loans were purchased for a price of $1,728k ($4,146k stated value less $2,418k allowance for credit losses, which have not changed since the acquisition).

The Company has an agreement with an entity related to its main shareholder, according to which, if the value of the investment decrease, the related party entity has guaranteed to repurchase this full investment at a minimum amount of $1,750k. The guarantee is effective immediately as of the date of purchase and terminates on January 1, 2025. Because of that the Company still evaluates this investment in its books according to the guarantee value of $ 1,8 million. Some Directors and managers of Arrow are related parties of the company.

	2024	2023
Investment in GreenFox Logistics LLC.		
Carrying amount as of 1 January	100,000	100,000
Balance as at 31 December	100,000	100,000

In March 2020, the Company invested an amount of $100k in GreenFox Logistics, LLC. ("GreenFox"), a company incorporated in the USA. The investment was done as SAFE investment (Simple Agreement for Future Equity). GreenFox is an on-demand delivery/moving/transportation company. As GreenFox is a private, closely held company, there is no active market for this investment. Therefore, the Company measures the investment at cost minus impairment.

	2024	2023
Investment in SardineAI Corp.		
Carrying amount as of 1 January	8,000	50,000
Disposals	-2,162	-42,000
Balance as at 31 December	5,838	8,000

In August 2020, the Company invested an amount of $50k in SardineAI Corp ("SardineAI"), a company incorporated in the USA. In return the Company received preferred shares representing less than 1% of SardineAI equity. SardineAI is a Fraud Prevention-as-a-Service (FaaS) platform for Digital businesses to detect frauds and financial crimes. As SardineAI is a private, closely held company, there is no active market for this investment. Therefore, the Company measures the investment at cost minus impairment. In January 2023, the Company sold approximately 85% of its investment for a total amount of $756k.

	2024	2023
	$	$
Investments in Silver Circle One		
Carrying amount as of 1 January	38,000	38,000
Investments	20,000	-
Balance as at 31 December	58,000	38,000

As of December 31, 2024 the Company invested an amount of $58k in Silver Circle One, a capital fund which aims to invest in private emerging companies with focus on consumer, commerce and technology companies. The company committed to invest up to $100k on the pool.

As Silver Circle One is a private, closely held fund, there is no active market for this investment. Therefore the company measures the investment at cost minus impairment.

Investments in Justt Fintech Ltd (previously Acrocharge Ltd)		
Carrying amount as of 1 January	50,000	50,000
Balance as at 31 December	50,000	50,000

In December 2021, the Company invested an amount of $50k in Justt Fintech Ltd ("Justt"), a company incorporated in Israel. As of December 31, 2024, the investment represented less than 1% of the issued and outstanding share capital of Justt Fintech Ltd. Justt is a technology company which fully automated chargeback disputes on behalf of online merchants. As Justt is a private, closely held company, there is not active market for this investment. Therefore, the Company measures the investment at cost minus impairment.

Investments in Nilus OS Ltd		
Carrying amount as of 1 January	25,000	25,000
Balance as at 31 December	25,000	25,000

In March 2022, the Company invested an amount of $25k in Nilus OS Ltd. ("Nilus"), a company incorporated in Israel. As of December 31, 2024, the investment represented less than 1% of the issued and outstanding share capital of Nilus. Nilus is a company that automates payment and financial workflows for platforms that involve transfers of money. As Nilus is a private, closely held company, there is no active market for this investment. Therefore, the Company measures the investment at cost minus impairment.

	31-12-2024	31-12-2023
	$	$
Other receivables		
Long term deposits and guarantees	3,249,251	4,601,833
Deferred tax assets	1,223,112	1,575,468
Deposits at insurance companies	938,024	853,692
Other receivables	7,466	162,941
	5,417,853	7,193,934

	2024	2023
	$	$
Long term deposits and guarantees		
Carrying amount as of 1 January	4,601,833	9,134,498
Movement	-1,352,582	-4,532,665
Balance as at 31 December	3,249,251	4,601,833
Deferred tax assets		
Carrying amount as of 1 January	1,575,468	1,518,265
Movement	-352,356	57,203
Balance as at 31 December	1,223,112	1,575,468

The ultimate realization of the net deferred tax assets in each jurisdiction the Company does business in is dependent upon the generation of future taxable income in that jurisdiction during the periods in which net operating loss carry forwards are available and items that gave rise to the net deferred tax assets become deductible. At present, the Company does not have a sufficient history of generating taxable income in the various jurisdictions it does business in, or positive expected core earnings to conclude that it is more likely than not that the Company will be able to realize its net deferred tax assets in the near future and, therefore, a valuation allowance was established for the carrying value of the net deferred tax assets, with the exception of few locations, which are currently generating taxable income. A valuation allowance will be maintained until sufficient positive evidence exists to support the reversal of any portion of the valuation allowance in other jurisdictions.

As of December 31, 2024, the Company has net operating losses carry forwards of $29,926k and carry forward interest of $3,819 in the Netherlands. These losses can be carried forward and do not expire but starting 2023 the yearly utilization is limited to one million Euro per year, plus 50% of the excess taxable income. As of December 31, 2024, the Company has net operating loss carry forwards of $3,476k in the United States of America, which will expire in 2031 through 2037 except $3,060 which do not expire but can offset up to 80% of taxable income every year. In addition, in the United States, the Company has interest of $ 4,070 which can be carried forward and does not expire.

As of December 31, 2024, the Company has $480k in tax credits for the welfare to work and work opportunity programs in the United States of America that expire in 2025 through 2029.

As of December 31, 2024 and 2023, ther are $86k of unrecognized tax benefits that if recognized would reduce the effective tax rate. Interest and penalties assessed by taxing authorities on an underpayment of income taxes are included as components of income tax provision in the consolidated statements of operations and comprehensive income.

The Company files income tax returns in the Netherlands and other foreign jurisdictions. Income tax returns for the years since 2018 are subject to examination in the Netherlands. In the United States of America, income tax returns for the years since 2021 are subject to examination. Income tax returns for the tax years since 2019 are subject to examination in foreign jurisdictions.

	2024	2023
	$	$
Deposits at insurance companies		
Carrying amount as of 1 January	853,692	1,049,028
Movement	84,332	-195,336
Long-term part as at 31 December	938,024	853,692

The deposits made at insurance companies to cover the liabilities as described in the notes of the financial statements "Employee Rights Upon Retirement".

CURRENT ASSETS

4. Receivables, prepayments and accrued income

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

	31-12-2024	31-12-2023
	$	$
Trade receivables		
Trade debtors	56,072,377	51,459,267
Less: provision for bad debt	-1,173,479	-759,278
	54,898,898	50,699,989

The allowance for credit losses is based on historical collection experience, factors related to specific customers and current economic trends. The Company writes off accounts receivable when determined to be uncollectible and are recognized as a reduction to the allowance for credit losses.

Taxes and social securities		
Corporate income tax	2,256,204	866,908
VAT	403,546	959,952
Payroll taxes and social security charges	32,891	60,527
Salaries and wages	5,501	5,622
Other taxes	53,947	33,446
	2,752,089	1,926,455

Other receivables and accrued income		
Other receivables	350,000	512,000
Prepayments and accrued income	18,210,804	24,244,088
	18,560,804	24,756,088

	31-12-2024	31-12-2023
	$	$
Other receivables		
German authorities	350,000	512,000

In Germany, the employees were eligible for payroll support. The company pays to its German employees their full salary and the Company is being reimbursed by the German government for the payroll support amount. In the Netherlands, the Company was eligible for payroll support.

Prepayments and accrued income		
Unbilled revenues	13,436,606	19,742,076
Interest from bank deposit	458,200	529,000
Prepaid uniforms	814,000	712,000
Prepaid insurance	576,000	532,000
Prepaid licenses	685,000	541,000
Others	2,240,998	2,188,012
	18,210,804	24,244,088

5. Cash and cash equivalents

Current account	64,631,929	37,695,332
Restricted bank accounts	2,858,265	9,766,339
Deposits	18,082,772	51,495,567
Petty cash	35,607	30,393
	85,608,573	98,987,631

Restricted cash as of December 31, 2024 consists of: (a) $142k held in bank accounts that serve as cash collateral for outstanding letters of credit, (b) $1,872k held in several bank accounts in the Netherlands, which is restricted for payments to local tax authorities and (c) $0k secured for derivative instruments and (d) $844k short tem bank deposits.

Equity and liabilities

	2024	2023
	$	$
(Redeemable) Non-controlling interests in subsidiaries		
Carrying amount as of 1 January	86,038,909	81,581,363
(Investment) Allocation non-controlling interests	-1,162,693	910,451
Dividend	-3,248,866	-
(Investment) Redeemable non-controlling interests	242,828	3,547,095
Balance as at 31 December	81,870,178	86,038,909

As of December 31, 2024 and 2023, the non-controlling interests related to stock option plan in subsidiaries amounts to $305,490 and $1,468,183, respectively.

As of December 31, 2024 and 2023, the non-controlling interests in subsidiaries amounts to -/- $181,581 and $0, respectively.

As of December 31, 2024 and 2023, the redeemable non-controlling interests amounts to $81,746,269 and $84,570,726.

The Company’s non-controlling interests represent the minority shareholder’s ownership interests related to the Company’s subsidiaries. The Company reports its non-controlling interests in subsidiaries as a separate component of equity in the consolidated balance sheets and reports net income (loss) attributable to the non-controlling interests in the consolidated statement of operations.

For a description of the Redeemable non-controlling interests, we refer to the notes to the consolidated financial statements.

6. Provisions

	31-12-2024	31-12-2023
	$	$
Other provisions		
Legal proceedings	167,400	502,866
Restructuring provision	87,000	165,890
	254,400	668,756

	2024	2023
	$	$
Legal proceedings		
Carrying amount as of 1 January	502,866	334,353
Mutation	-335,466	168,513
Balance as at 31 December	167,400	502,866

1) FNV - I-SEC recorded an obligation related to a claim of the FNV (federation of Dutch Trade Unions). As such, a provision of December 31, 2024 of € 155k ($ 167k as of December 31, 2024) and € 155k ($ 170k as of December 31, 2023) respectively has been recognised. On March 18, 2025, the court ruled against FNV. Therefore, the provision is released as per that date.
2) A provision has been formed for the settlement of labor agreements of acquired personnel. The provision amounts to € 300k ($ 335k). The agreements have been settled in 2024 and therefore there is no provision held anymore as per December 31, 2024.

	2024	2023
Restructuring provision		
Carrying amount as of 1 January	165,890	215,093
Mutation	-78,890	-49,203
Balance as at 31 December	87,000	165,890

In order to enhance operational efficiency and to maintain customer satisfaction, management decided to restructure the internal organization. As such a restructuring provision was been accounted as of December 31, 2024 of € 81k ($ 87k as of December 31, 2024) and as of December 31, 2023 of € 150k ($ 165k as of December 31, 2023).

7. Non-current liabilities

	31-12-2024	31-12-2023
	$	$
Other debt		
Long term payables to the Dutch tax authorities (1)	12,074,032	20,056,000
Severance pay liability (2)	1,881,878	1,838,144
Other	10,347	58,696
	13,966,257	21,952,840

(1) Companies financially impacted by COVID-19 had the opportunity to postpone the regular payment of corporate income tax, wage tax and/or value added tax. The repayment terms are 60 installments started from October 2022. The interest rate till June 30, 2022 is 0,01% and increases up to 4% from January 1, 2024.

(2) The company recorded for Israeli employees severance liabilities based on the length of service and their latest monthly salary (see note "Employee rights upon retirement").

8. Current liabilities

	31-12-2024	31-12-2023
	$	$
Interest-bearing loans and borrowings		
Notes payable banks	3,180,451	209,467

United States of America
The Company's U.S. subsidiary secured a three-year credit with its primary bank in September, 2023. The credit facility has a maximum borrowing base limit of $7,500. The borrowing base limitation is equivalent to: (i) 85% of eligible non-investment grade receivables and 90% of eligible investment grade receivables, plus (ii) 80% of direct labor payroll for the previous two pay periods plus 20%. The company is required to maintain a fixed charge ratio of 1.00. Borrowings on the credit facility are subject to interest at SOFR plus 7.14% as of December 31, 2024 and a minimum annual interest charge of $60. As of December 31, 2024, the Company has not yet borrowed funds under the credit facility and the unused available amount of the line is $7,500.

Europe

The Company has a credit arrangement in Sweden to provide it with up to 4,000k SEK ($363k as of December 31, 2024) in borrowings. Borrowings under the line of credit bear annual interest of 5.3% and subject to annual extension by the financial institution. The line of credit is secured by accounts receivable of the Swedish subsidiary. As of December 31, 2024 and 2023, the Company had 2,212 SEK and 2,098 SEK ($201k and $209k as of December 31, 2024 and 2023) respectively in outstanding borrowing under the line of credit facility.

On November 2023, the Company entered into a loan agreement with a commercial bank in Spain to provide it with up to €1,000 ($1,041 as of December 31, 2024). Interest rate will be determined by the bank at the time the loan will be taken. This loan was renewed in November 2024. There are no outstanding balances per year end.

During the year ended December 31, 2023 the Company has been taking from time to time revolving short term loans from the same commercial bank, of variable amounts. The loans ranged between €250 to €1,415 ($274 and $1,555 as of December 31, 2024) with interest rates between 5.25% to 5.90% and for periods between three to six months. On December 2023, an agreement with the commercial bank was extended, to provide loans up to €1,500 ($1,561 as of December 31, 2024). These loans can be used only for paying different taxes to the Spanish tax authorities. The interest rate is being determined at the time the loans are being taken. The loan agreement can be terminated by both sides at any time. As of December 31, 2024 and 2023 the outstanding balances were €1,000 and €0 ($1,041 and $0 as of December 31, 2024 and 2023), with interest rate of 4.00% and 0.00% respectively.

In March 2024, the Company signed a non-recourse factoring agreement with the same commercial bank under which it factors certain accounts receivable related to invoices issued to a specific customer up to €3,000 ($3,122 as of December 31, 2024). The maximum amount provided by the bank cannot exceed 75% of the monthly invoice for that customer. The agreement is in place until April 2025. Subsequently in March 2025 the agreement was extended for one year and the facility was increased up to €4,000 ($4,329 as of March 31, 2025). Under the terms of this agreement, the factor assumes all rewards and credit risks associated with the purchased receivables and the Company has no further obligation related to their collection. Accordingly, the factored receivables are derecognized from the Company's balance sheet once the funds are being received by the Company. The arrangement does not create any liability and therefore no loan or financing obligation is recorded in the Company's financial statements. The Company is also subject to a 0.2% fee for every factored invoice issued under the agreement and with interest equal Euribor plus 0.60% (3.59% as of December 31, 2024) tilluntil the date the payment is anticipated.

In June 2024, the Company signed a factoring agreement with a commercial bank for an unlimited period. According to the agreement, the Company factors certain receivable relted to invoices issued to certain customers up to the amount of €11,650 ($12,123 as of December 31, 2024). The amounts can be used only for payroll costs in Germany. The company is being charged fees until the collection date equal to Euribor plus 3.00% (5.89% as of December 31, 2024). The company was also subject to a 1.5% fee at the signing date of the agreement. As of December 31, 2024, the outstanding balance was €1,863 ($1,939 as of December 31, 2024).

	31-12-2024	31-12-2023
	$	$
Trade creditors		
Creditors	6,715,938	6,601,038
Taxes and social securities		
Corporate income tax	509,373	2,725,310
VAT	9,137,946	10,758,776
Payroll taxes and social security charges	12,722,406	12,534,462
Salaries and wages	1,466,847	1,574,708
Other taxes	21,892	21,193
	23,858,464	27,614,449
Other liabilities, accruals		
Accruals	38,093,129	39,227,460
Accruals		
Provision for vacation allowances	14,254,414	11,805,829
Net wages and other related payroll costs	9,963,440	11,129,866
Bonuses	206,555	2,384,178
Provision commissions	877,155	256,326
Deferred revenue	8,309,530	9,988,901
Severance payments	571,475	490,245
Other short term payables	3,910,560	3,172,115
	38,093,129	39,227,460

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

Commitments and contingent liabilities

Contingent liabilities

General

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the normal course of its business activities. Liabilities for such contingencies are recognized when: (a) information available prior to the issuance of the consolidated financial statements indicates that it is probable that a liability had been incurred at the date of the consolidated financial statements and (b) the amount of loss can reasonably be estimated.

Letters of Credit and guarantees

As of December 31, 2024, the Company has $2,878k in outstanding letters of credit. Such letters of credit are being secured by the same amounts in restricted cash with commercial banks or with deposits provided to customers which serve as a collateral in order to guarantee the performance and quality of services provided to the customers.

As of December 31, 2024, the Company has commercial guarantees of €1,700 ($1,768 as of December 31, 2024) which is not secured by restricted cash or deposits provided to customer. The guarantee is part of an agreement between the Company and one of its customers to guarantee the performance and quality of the services provided to that customer.

Agency agreements

In April 2013, prior to the purchase of one of the current subsidiaries in Europe, the Company entered into an agency agreement with a third party to assist it with this transaction. According to the agreement, in the event that the operations in that country are sold in the future, the third-party agent is entitled to a payment of €3,000k ($3,122k as of December 31, 2024).

Convertible notes payable to a related party

The Company had an agreement with an entity owned by its main shareholder to provide it with up to $2,000 in revolving loans through January 2024. Loans received under the arrangement bear interest at the interest rate of 2.5%, which is compounded semi-annually and payable at maturity. In connection with the arrangement, the holder was granted in May 2019 an option to convert up to $2,000 of the loan into a maximum of 5,000,000 shares at a price of $0.4 per share. In October 2020, the entity converted $800 into 2,000,000 shares. In November 2023, the Company and the related party agreed to extend the length of the note until January 2026 and to adjust the terms of the option to convert the loan into a maximum of 5,000,000 shares at a price of $0.75 per share.

The Company’s weighted average interest during the years ended December 31, 2024 and 2023 is 0.0% and 2.5%, respectively. Total interest expense related to the note is $0 and $21 for the years ended December 2024 and 2023, respectively. As of December 31, 2024, and 2023, convertible notes payable to this related party consist of $25 and $0, respectively included in accrued expenses and other current liabilities.

Legal proceedings

General

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. These claims are primarily related to grievances filed by current and former employees for unfair labor practices or discrimination, and for passenger aviation claims. Management recognizes a liability for any matter when the likelihood of an unfavorable outcome is deemed to be probable and the amount is able to be reasonably estimated. Management has concluded that such claims, in the aggregate, would not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

Inquiry Proceedings
In June 2021, a minority shareholder initiated inquiry proceedings by requesting the EnterpriseAmsterdam Court of Appeal to order an inquiry into have been previously disclosed by the Company in its periodic filings with the SEC for the fiscal years 2020 and 2019 as well as in its financial statementsaccepted the Company’s defense on all items except two and ordered an investigation into those two aspects of the policy and affairs of the Company, being (a) the issuance of shares to directors and certain employees at USD 0.40 in May 2019 (the May 2019 Issuance) and (b) the adjustment of the conversion price under a convertible shareholder loan to USD 0.40 in May 2019 (the May 2019 Adjustment of the Issue Price), and (ii) appointed an investigator for this purpose.

Following the filing of the investigation report with the Enterprise Chamber in November 2023, the minority shareholder filed three new requests with the Enterprise Chamber, including a request to establish mismanagement on the basis of the investigation report and to order certain definitive measures at the Company. Each of these requests was dismissed in full.

As part of the above procedures the Company committed in 2023 to repurchase the shares issued under the May 2019 issuance for the same price they were issued, thereby undoing the issuance. The Company will repurchase those shares as soon as the financials of the Company allow according to Dutch law. As of December 31, 2024 and 2023 the Company included a liability for this purchase in the amount of $1,518 in its balance sheet with a corresponding reduction to shareholders deficiency. In order to achieve this goal, in December 2024 the Company initiated a reduction of the Company's issued share capital by reducing the nominal value of each of the shares in the Company from EUR 0.45 to EUR 0.01 per share in order to be able to purchase the shares. Consequently, the authorized capital of the Company was reduced to a total of EUR 1,500 resulting in a decrease of $18,760 in common stock and increase of the same amount in additional paid-in capital. The nominal value per share has been reduced as referred to in Section 2:99 paragraph 1 of the Dutch Civil Code without repayment to the shareholders. The Company concluded that the capital reduction did not result a value transfer to or from the shareholders. The Company recorded such capital reduction by a corresponding reduction in the common stock and an increase to additional paid-in capital.

In February 2025, the minority shareholder appealed the Enterprise Chamber's judgment on its request to establish mismanagement on the basis of the investigation report and to order certain definitive measures at the Company to the Dutch Supreme Court. The appeal proceedings are currently pending.

Inquiry proceedings revolve around corporate governance disputes and no formal liability can be established or damages can be claimed in such proceedings.

Class Action Lawsuit

Au10tix is currently named as a defendant in a class action lawsuit pending in U.S. federal court (Case No. 1:24-cv-08122, U.S. District Court for the Northern District of Illinois). The complaint asserts two claims. First, the plaintiff alleges that Au10tix violated the Illinois Biometric Privacy Act, 740 ILCS 14/1 et seq. by collecting biometric information without obtaining necessary consent. Second, the plaintiff alleges that Au10tix violated the Illinois Driver's License Act, 625 ILCS 5/6-117.1 by using end-user driver's licenses for machine learning to improve Au10tix's products. The plaintiff seeks to represent two classes consisting of Illinois residents in relation to both claims. Au10tx denies that it violated either statute. On February 13, 2025, Au10tix filed a motion seeking dismissal of all claims.

Long-term financial obligations

Operating leases

The Company leases certain premises under various operating leases. Maturities of operating lease liabilities as of December 31, 2024 were as follows:

2025	$ 5.5 million
2026	$ 3.1 million
2027	$ 2.4 million
2028	$ 1.5 million
2029	$ 0.7 million
Therafter	$ 2.2 million

Lease expenses for the years ended December 31, 2024, 2024 and 2022 are $ 7.9 million, $ 6.5 million and $ 6.2 million, respectively.

Stock-based compensation

In June 2016, one of the Company’s subsidiaries adopted a Stock Option Plan and reserved 500,000 shares of common stock for that subsidiary’s future issuance. As of December 31, 2024, the subsidiary has 13,000,000 authorized shares of which 12,500,000 shares are issued and outstanding. Under the stock option plan, stock options may be granted to that subsidiary’s employees, officers, directors, consultants and service providers of the subsidiary at an exercise price as determined by the subsidiary’s board of directors with expiration terms of not more than ten years after the date such option is granted. Options granted under the plan generally vest over a period of four years.

In August 2020, AU10TIX’s board of directors agreed to move the option plan from AU10TIX Limited to AU10TIX. During the year ended December 31, 2021, 193,000 options were granted by AU10TIX. The non-vested options as of December 31, 2024 are 475,450. The weighted average exercise price was $0.94 and the weighted average remaining contractual term as of December 31, 2024 is 7 years.

As of December 31, 2024, there are 191,900 options outstanding and exercisable.

During the years ended December 31, 2024, 2023 and 2022, there was $859, $714 and $513 of compensation expenses.

As of December 31, 2024 and 2023, the Company has $1,816 and $2,502, respectively of unrecognized compensation cost related to stock options.

In 2024, the Company was working to issue shares to employees that asked to exercise their options. As of May 1, 2024, 277,750 options were exercised.

Financial instruments

General

For the notes to the primary financial instruments, reference is made to the specific item-by-item explanation. The associated risks are explained below.

Foreign currency risk

The foreign currency policy is to retain the operational margin of the company. Therefore forward currency contracts are used in order to control foreign currency fluctuations.

Interest rate risk

Interest rate derivatives are used to control interest rate fluctuations in fixed and variable loans taken up and granted.

Market risk

The market risk for the company is insignificant.

Credit risk

Credit risks are reduced by doing solely business with third parties who have a high credit risk profile, for each entity a limit structure regarding credit risk profiles is formulated.

Liquidity risk

The risk of the company that future cash flows related to monetary financial instruments will fluctuate in size is minimal, because the long-term receivables and debt have a fixed interest rate over the entire term.

NOTES TO THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

(US $)

	2024	2023
	$	$
9. Net turnover		
Airport security	362,798,400	309,334,704
Other aviation related services	74,526,000	66,463,000
Technology	45,985,185	55,743,938
	483,309,585	431,541,642

The Company operates in four reportable segments:
(a) corporate;
(b) airport security
(c) other aviation related services; and
(d) authentication technology.

The corporate segment does not generate revenue and contains primarily non-operational expenses. The airport security and other aviation services segment provides security and other aviation services to airlines and airport authorities, predominantly in Europe and the United States of America. The authentication technology segment is predominantly involved in the development and sale of authentication security software to financial and other institutions, predominantly in the United States of America and Europe. All inter-segment transactions are eliminated in consolidation. The accounting policies of the segments are the same as the accounting policies of the Company as a whole.

Total revenue increased from $431.5 million in 2023 to $483 million in 2024.

Revenue generated in Germany was $128.2 million in 2024 compared to $114.2 million in 2023.
Revenue generated in the Netherlands was $106 million in 2024 compared to $101.5 million in 2023.
Revenue generated in the United States of America was $97 million in 2024, compared to $99.7 million in 2023.
Revenue generated in Spain was $113.1 million in 2024, compared to $82.2 million in 2023.
Revenue in other countries was totaled $38.8 million in 2024 compared to $33.9 million in 2023.

	2024	2023
	$	$
10. Cost of sales		
Operational costs of labour	383,849,851	324,800,617
Other operational costs	41,958,303	37,629,531
	425,808,154	362,430,148
Wages and salaries	277,390,262	225,787,640
Holiday allowances	26,667,987	25,440,786
Social securities	53,012,868	42,142,180
Pension premiums	4,426,224	3,594,105
Travel and parking expenses	4,296,749	4,030,493
Severance payments	992,200	1,178,092
Freelance / external employees	17,063,561	22,627,321
	383,849,851	324,800,617
Operational insurance expenses	3,699,625	3,545,312
Operational uniform and ID card expenses	2,778,784	2,343,098
Operational rent and other accommodation expenses	2,813,694	2,705,429
Operational car, lease and other equipments	7,098,405	6,158,059
Operational training and recruitment expenses	1,926,637	1,759,593
Operational IT and communication expenses	5,688,134	5,126,817
Research and development expenses	13,599,012	12,432,665
Other operational expenses	4,354,012	3,558,558
	41,958,303	37,629,531
	425,808,154	362,430,148

Staff

As of December 31, 2024, the Company has 9,583 employees, of which 7,166 employees are located in Europe, Far East and Israel and 2,417 are located in the United States of America.
As of December 31, 2023, the Company has 8,263 employees, of which 6,196 employees are located in Europe, Far East and Israel and 2,067 are located in the United States of America.

11. Amortisation of intangible fixed assets

	2024	2023
Development costs	373,479	911,938
	373,479	911,938
Allocated depreciations	114,246	-396,565
Allocated depreciations	-487,725	-515,373
	-	-

12. Depreciation of tangible fixed assets

	2024	2023
Other fixed assets	1,970,694	1,216,784
	1,970,694	1,216,784
Allocated depreciation	-1,970,694	-1,216,784
	-	-

	2024	2023
	$	$
13. Selling expenses		
Marketing, advertisements and other sales expenses	3,834,826	3,736,227
14. General & Administrative expenses		
Other staff expenses	37,271,028	33,486,877
Accommodation expenses	730,556	795,008
External service provider expenses	7,166,548	4,967,563
Amortisation / depreciation on (in)tangible fixed assets	1,588,693	1,732,158
IT expenses	3,532,497	2,579,816
Insurance expenses	384,367	402,704
General & other expenses	8,738,342	9,239,859
	59,412,031	53,203,985
15. Interest and similar income		
Interest bank	1,694,850	1,791,484
Hedging income	-	488,613
	1,694,850	2,280,097
16. Interest and similar expenses		
Interest Tax Authorities	53,769	-1,182,500
Exchange results	-74,538	-127,011
Capital loss	-80,431	-61,936
Other interest payable	-166,312	-35,586
	-267,512	-1,407,033
17. Tax on result		
Corporate income tax	-356,696	-2,556,173
Corporate income tax prior years	1,141,425	753,673
Movement of deferred tax assets	-332,822	57,203
	451,907	-1,745,297

The applicable taxation rate for the Dutch taxes varies between 19-25,8%. ICTS International N.V. together with Dutch Subsidiaries of I-SEC Global Security B.V. forms a fiscal unity for corporate income tax. Due to the valuation of the compensable losses there is a difference between the nominal and effective tax rate.

ICTS International N.V. does not record any corporate income tax charges in their profit and loss account (for the Dutch Corporate Income Tax) due to the tax losses carry forward. The presented CIT is related to payables taxes in the profitable foreign subsidiaries.

	2024	2023
18. Minority interest		
Minority interests AU10TIX Technologies B.V.	-331,383	-3,490,319

	2024	2023
	$	$
Auditor's fees		
Audit of the financial statements	164,900	154,000
Other audit services	-	39,600
Other non-audit services	20,200	19,600
	185,100	213,200

The table above sets forth the aggregate fees billed by independent registered public accounting firm, Newtone Audit N.V. The fees mentioned in the table for the audit of the financial statement 2024 (2023) relate to the total fees for the audit of the financial statements 2024 (2023), irrespective of whether the activitities have been performed during the financial year 2024 (2023).

The audit committee has considered whether the provision of these services is compatible with maintaining the principal accountant's independence and has concluded that such services are compatible. All fees were reviewed and pre-approved by the audit committee.

COMPANY FINANCIAL STATEMENTS 2024

COMPANY BALANCE SHEET AS AT DECEMBER 31, 2024

(after appropriation of result and in US $ in thousands)

		31 December 2024		31 December 2023	
		$	$	$	$
ASSETS					
Fixed assets					
Tangible fixed assets	(19)				
Other fixed assets			306,071		69,604
Financial fixed assets	(20)				
Participations in group companies		-		323,791	
Investments in other parties		2,019,243		1,999,243	
Other receivables		5,270		5,316	
			2,024,513		2,328,350
Current assets					
Receivables, prepayments and accrued income	(21)				
Receivables from group companies		14,956,302		14,366,614	
Taxes and social securities		75,421		116,016	
Other receivables and accrued income		219,018		174,865	
			15,250,741		14,657,495
Cash and cash equivalents	(22)		18,915,614		17,113,820
			36,496,939		34,169,269

		31 December 2024		31 December 2023	
		$	$	$	$
EQUITY AND LIABILITIES					
Equity	(23)				
Issued share capital		426,379		19,187,066	
Additional paid-in capital		47,600,305		26,818,335	
Revaluation reserve		-9,148,865		-8,945,760	
Legal reserves		528,837		1,261,497	
Other reserves		-33,394,321		-29,582,675	
			6,012,335		8,738,463
Provisions	(24)		29,290,755		24,024,168
Non-current liabilities	(25)				
Other debt			328,081		305,901
Current liabilities	(26)				
Trade creditors		643,304		521,903	
Loans from participations in group companies		-		21,631	
Taxes and social securities		-		1,853	
Other liabilities, accruals		222,464		555,350	
			865,768		1,100,737
			36,496,939		34,169,269

Not audited

COMPANY INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	$	$
SHARE IN RESULT OF PARTICIPATING INTERESTS AFTER TAXES	-2,546,805	8,791,946
Other income and expenses after taxation	-1,997,501	-1,357,456
RESULT AFTER TAXATION	-4,544,306	7,434,490

NOTES TO THE COMPANY BALANCE SHEET AND INCOME STATEMENT

The company financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements of Dutch GAAP (Richtlijnen voor de Jaarverslaggeving).

For the general principles for the preparation of the annual account, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated annual account, if there is no further explanation provided.

Financial fixed assets

Participating interests in group companies where extensive influence is exerted on business and financial policies are valued based on the net capital value that is, however, not lower than zero. This net capital value is calculated based on the principles of ICTS International N.V.

Participating interests with a negative net capital value are valued at zero. When the company guarantees (wholly or partially) debts of the participating interest concerned, a provision is created primarily at the expense of claims against this participating interest and for the remainder under the provisions of the remaining part in the losses of the participating interest or the expected payments by the company on behalf of these participating interests.

NOTES TO THE COMPANY BALANCE SHEET AS AT DECEMBER 31, 2024

(after appropriation of result and in US $ in thousands)

Assets

FIXED ASSETS

19. Tangible fixed assets

	Other fixed assets
	$
Balance as at January 1, 2024	
Purchase price	331,929
Cumulative depreciation and impairment	-262,325
	69,604
Movement	
Investments	304,423
Disposals	-240,761
Depreciation on disposals	240,761
Depreciation	-67,956
	236,467
Balance as at December 31, 2024	
Purchase price	395,591
Cumulative depreciation and impairment	-89,520
	306,071

Depreciation rates

	%
Other fixed assets	15 - 33.33

20. Financial fixed assets

	31-12-2024	31-12-2023
	$	$
Participations in group companies		
I-SEC Global Security B.V.	-	323,791

	2024	2023
	$	$
I-SEC Global Security B.V.		
Carrying amount as of 1 January	323,791	-13,344,902
Exchange rate adjustments	63,499	-557,515
Conversion of shares	-	11,303,395
Share in result	-2,166,991	2,922,813
	-1,779,701	323,791
Provision	1,779,701	-
Balance as at 31 December	-	323,791

The share in result of 2024 includes an amount of $ 346,742 related to the negative equity of I-SEC Italy Srl.

	2024	2023
ICTS USA Inc.		
Carrying amount as of 1 January	-19,008,374	-17,213,528
Share in result	-1,129,627	-1,794,846
	-20,138,001	-19,008,374
Provision	20,138,001	19,008,374
Balance as at 31 December	-	-

	2024	2023
AU10TIX Technologies B.V.		
Carrying amount as of 1 January	-24,032,625	-31,624,976
Exchange difference	-103,981	-72,138
Share in result	749,813	7,664,489
	-23,386,793	-24,032,625
Dividend	-6,751,134	-
Provision	28,116,644	24,032,625
Share in direct capital movement	2,021,283	-
Balance as at 31 December	-	-

	2024	2023
	$	$
TSAS Ltd		
Carrying amount as of 1 January	-2,490	-1,252
Disposals	2,490	-
Exchange difference	-	-728
Share in result	-	-510
	-	-2,490
Provision	-	2,490
Balance as at 31 December	-	-

	31-12-2024	31-12-2023
	$	$
Investments in other parties		
Investment in Manuka, Inc. (Previously Artemis Therapeutics, Inc.)	100	100
Investment in Mesh Technologies Inc.	36,143	36,143
Investment in Arrow Ecology & Engineering Overseas (1999) Ltd.	1,750,000	1,750,000
Investment in GreenFox Logistics LLC.	100,000	100,000
Investments in Silver Circle One	58,000	38,000
Investments in Justt Fintech Ltd (previously Acrocharge Ltd)	50,000	50,000
Investments in Nilus OS Ltd	25,000	25,000
	2,019,243	1,999,243

For information on investments we refer to the notes of the consolidated balance sheet.

Other receivables		
Long term deposits and guarantees	5,270	5,316

	2024	2023
	$	$
Long term deposits and guarantees		
Carrying amount as of 1 January	5,316	5,060
Movement	-46	256
Balance as at 31 December	5,270	5,316

For the disclosure of the long term deposits we refer tot the disclosure of the long term deposits of the consolidated financial statements.

CURRENT ASSETS

21. Receivables, prepayments and accrued income

	31-12-2024	31-12-2023
	$	$
Receivables from group companies		
I-SEC Global Security B.V.	1	-
ICTS USA Inc.	14,956,301	14,366,614
	14,956,302	14,366,614

I-SEC Global Security B.V.

	2024	2023
	$	$
Carrying amount as of 1 January	-	-
Movements	605,591	-
	605,591	-
Provision	-605,590	-
Balance as at 31 December	1	-

An interest rate of 0% (2023: 0%) per annum applies to the average intercompany balances. In respect of repayment and securities provided to most of the balances no agreements have been made.

ICTS USA Inc.

Carrying amount as of 1 January	33,374,988	37,868,321
Movements	1,719,314	-4,493,333
	35,094,302	33,374,988
Provision	-20,138,001	-19,008,374
Balance as at 31 December	14,956,301	14,366,614

An interest rate of 4% (2023: 0%) per annum applies to the average intercompany balances. In respect of repayment and securities provided to most of the balances no agreements have been made.

	31-12-2024	31-12-2023
	$	$
Taxes and social securities		
VAT	69,920	110,394
Salaries and wages	5,501	5,622
	75,421	116,016

	31-12-2024	31-12-2023
	$	$
Other receivables and accrued income		
Prepayments and accrued income	219,018	174,865

Prepayments and accrued income		
Interest from bank deposit	139,612	-
Prepaid insurance	37,857	-
Others	41,549	174,865
	219,018	174,865

22. Cash and cash equivalents

Current account	12,165,614	337,179
Deposits	6,750,000	16,776,641
	18,915,614	17,113,820

An amount of $ 6,750,000 (2023: € 16,776,641) is not freely disposable.

23. Equity

	31-12-2024	31-12-2023
	$	$
Issued share capital		
Share capital	426,379	19,187,066

The General Meeting (at the proposal of the Supervisory Board) may resolve to reduce the issued share capital by (i) cancellation of Shares or (ii) amending the Articles of Association to reduce the nominal value of the Shares. In either case, this reduction would be subject to provisions of Dutch law and the Articles of Association. Only Shares held by ICTS or Shares for which it holds the depositary receipts may be cancelled. Under Dutch law, a resolution of the General Meeting to reduce the number of Shares must designate the shares to which the resolution applies and must lay down rules for the implementation of the resolution. A resolution by the General Meeting to reduce the issued share capital of ICTS must be approved by at least a two third majority of the votes cast, in a meeting in which holders of at least half of ICTS' issued and outstanding share capital is present or represented. The resolution to reduce the issued share capital needs to be filed with the Netherlands Chamber of Commerce and an announcement in a Dutch daily newspaper needs to be published stating that such filings took place (upon which a two-months creditor opposition period starts).

In December 2024, the Company, by an amendment to its Articles of Association, reduced the nominal value of its Shares from EUR 0.45 to EUR 0.01. This reduction was recorded by a corresponding reduction in the issued share capital and an increase to the additional paid-in capital.

	Share capital
	$
Carrying amount as of 1 January 2024	19,187,066
Dilution	-18,760,687
Carrying amount as of 31 December 2024	426,379

	2024	2023
	$	$
Additional paid-in capital		
Carrying amount as of 1 January	26,818,335	25,604,374
Addition	20,781,970	1,213,961
Balance as at 31 December	47,600,305	26,818,335
Revaluation reserve		
Carrying amount as of 1 January	-8,945,760	-8,910,383
Exchange rate adjustments	-203,105	-35,377
Balance as at 31 December	-9,148,865	-8,945,760

	2024	2023
	$	$
Reserve for research and development		
Carrying amount as of 1 January	1,261,497	2,865,450
Allocation	-732,660	-1,603,953
Balance as at 31 December	528,837	1,261,497
Other reserves		
Carrying amount as of 1 January	-29,582,675	-38,621,118
Allocation of financial year net result	-4,544,306	7,434,490
Allocation legal and statutory reserves	732,660	1,603,953
Balance as at 31 December	-33,394,321	-29,582,675
Reconciliation company capital		
Consolidated capital	6,012,335	8,391,721
I-SEC Italia S.R.L.	-	346,742
Equity	6,012,335	8,738,463
Reconciliation company capital by result		
Consolidated result	-4,197,564	7,087,748
I-SEC Italia S.R.L.	-346,742	346,742
result	-4,544,306	7,434,490

	31-12-2024	31-12-2023
	$	$
24. Provisions		
Other provisions	29,290,755	24,024,168
Provision subsidiaries		
I-SEC Global Security B.V.	1,174,111	-
AU10TIX Technologies B.V.	28,116,644	24,024,168
	29,290,755	24,024,168

25. Non-current liabilities

Other debt

Severance pay liability (2)	328,081	305,901

For information on long term liabilities we refer to the notes of the consolidated balance sheet.

26. Current liabilities

	31-12-2024	31-12-2023
	$	$
Trade creditors		
Creditors	643,304	521,903
Loans from participations in group companies		
I-SEC Global Security B.V.	-	21,631
Taxes and social securities		
Payroll taxes and social security charges	-	1,853
Other liabilities, accruals		
Accruals	222,464	555,350
Accruals		
Provision for vacation allowances	115,042	305,959
Other short term payables	107,422	249,391
	222,464	555,350

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

Contingent liabilities and assets

Contingent liabilities

Fiscal unity

The company is the head of the fiscal entity for corporate income tax and VAT. On this basis the company is jointly and severally liable for the taxes payable by the fiscal entity as a whole.

NOTES TO THE COMPANY INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

Staff

During 2024, 3 employees were employed on a full-time basis (2023: 3).

27. Result of participating interests

	2024	2023
	$	$
Share in result of I-SEC Global Security B.V.	-2,166,991	2,922,813
Share in result of ICTS USA Inc.	-1,129,627	-1,794,846
Share in result of AU10TIX Technologies B.V.	749,813	7,664,489
Share in result of TSAS Ltd	-	-510
	-2,546,805	8,791,946

OTHER DISCLOSURE NOTES

Subsequent events

In February 2025, following the minority's proceedings against the Company, the minority shareholder has filed an appeal with the Dutch Supreme Court against the judgement of the Enterprise Chamber of the Amsterdam Court of Appeal dated November 14, 2024, in which all of the requests by the minority shareholder were fully dismissed.

Appropriation of the result for the 2023 financial year

The financial statements of 2023 have been adopted by the General Meeting held on August 15, 2024. The proposal of the appropriation of profits, as processed in the financial statements, have been approved.

Recognition of the loss for 2024

In accordance with the legal provisions, the loss of $ 4,544,306 over 2024 has been deducted from the other reserves. This proposal has been processed in the annual account in advance of the adoption by the General Meeting.

Emoluments of directors and supervisory directors

The following sets forth information concerning the aggregate compensation paid or accrued on behalf of all of our directors and executive officers as a group for the year ended December 31, 2024:

Salaries, fees, commissions and bonuses in total $3,990k (2023: $3,693k).
- Supervisory Directors as a group (9 persons) $445k (2023: $308k); and
- Officers as a group (6 persons) $3,545k (2023: $3,385k).

Pension, retirement and other similar benefits $407k (2023: $431k).
- Supervisory Directors as a group (9 persons) $0k (2023: $0); and
- Officers as a group (6 persons) $407k (2023: $431k).

Each member of the Supervisory Board who is not an employee of the Company received during 2024 an annual fee of $40 thousands and a fee for each Supervisory Board or committee meeting attended of $2 thousands. The Chairman of the Audit Committee receives an additional $20 thousands per year. The Chairman of the Board receives an annual fee of $60 thousands. Managing Directors are being employed by the Company and the total expenses regarding the employment of the current Managing Directors for the year ended December 31, 2024 was $1 million.

Signing of the financial statements

Preparation financial statements

The consolidated and company financial statements are prepared and approved by the management and Supervisory Board.

Amstelveen, XXX

Management Board:

A. Raich

Supervisory Directors:

M. Atzmon

R. Atzmon

G. Atzmon

G.F. Lieberman

I. Nir

F. van Westen

OTHER INFORMATION

Articles of association governing profit appropriation

The articles of Association's provision governing the appropriation of profits (article 20) reads as follows:

1. The profit shall be determined in accordance with generally accepted accounting principles.

2. Of the profit appearing from the annual accounts adopted by the General Meeting such a sum can be reserved as shall be fixed by the Supervisory Board.

3. The remaining profits after the application of paragraph 2 of this Article shall be available to the General Meeting. The company may make distributions of profit to shareholders only to the extent that the shareholders equity exceeds the paid and called up part of the capital increased by the amount of the reserves which it is required to maintain by law or by these Articles of Association.

4. Distribution of profit shall be made only after the adoption of the annual account which shows that such distribution is possible.

5. In calculating the distribution of profit shares or the depository receipts thereof, the full ownership which is vested in the Company or in respect of which the Company has usufruct shall not be counted.

6. The Company may pay interim dividends with due observance of the provisions of paragraph 4. The resolution to distribute an interim dividend shall be passed by the Management Board after the approval of the Supervisory Board has been obtained.

7. The date on which dividends and other distributions become payable, no later than three months from the date such dividends have been declared shall be determined by the Supervisory Board and announced in accordance with the provisions of Article 16, Section 4.

8. Dividends which have not been claimed within five years after the date on which they were made payable shall be forfeited to the benefit of the Company.

No opinion included

Because the activities of the provided engagement have not been finished yet, we are not allowed to include an opinion in this report.