BIO-key Announces Definitive Agreement to Purchase Enterprise IAM, IDaaS Provider PistolStar
Accretive Acquisition adds Comprehensive
Multi-factor Authentication Platform, Deep IAM Expertise

WALL, NJ – June 10, 2020 - BIO-key International, Inc. (Nasdaq: BKYI), an innovative provider of biometric software and hardware solutions for enterprise authentication, announced today that it has entered into a definitive agreement to buy privately-held PistolStar, an established provider of large-scale on-premise and Identity-as-a-Service (IDaaS) identity and access management (IAM) solutions, for $2.5 million in cash. PistolStar's highly complementary team and products will become part of BIO-key's organization and offerings.

The acquisition will be immediately accretive to both revenue and operating income and is subject to customary closing conditions. The transaction is expected to close by the end of Q2 2020. BIO-key will fund the purchase with a combination of cash on hand, an escrowed deposit, short term financing, and a 12-month promissory note. PistolStar's founder will remain in a consulting role to assist BIO-key after the acquisition. PistolStar's 2019 revenues were $1.65 million and net profit excluding prior owner compensation of $455K (unaudited).

PistolStar's flagship product is PortalGuard®, a highly regarded enterprise multi-factor authentication (MFA) and single sign-on (SSO) platform deployed and used by millions of users at hundreds of customers around the world. PortalGuard delivers a flexible but uniform cloud or workstation logon MFA experience for cohesively securing an enterprise's users and cloud applications. PortalGuard supports nearly every cloud authentication federation standard, all major directories, and a wide variety of authenticators, including BIO-key's world-class passwordless biometric capabilities.

PistolStar is complementary to BIO-key in three strategic growth areas. First, it will allow BIO-key to capitalize on a growing demand for biometrics as an MFA factor, by providing "super-MFA" IDaaS, hybrid, or on-prem solutions that offer BIO-key-based advantages and options simply not found in competing MFA offerings, while allowing enterprises to leverage existing investments in factors their users already have.

Second, adding PistolStar's experienced team and outstanding product line significantly expands BIO-key's market reach and revenue potential, combining an already proven suite of IAM and IDaaS solutions with BIO-key's superior biometric user experience and value proposition. Going forward, PortalGuard customers can start with the authenticators their users already have, then raise their MFA ceiling by strategically adding BIO-key's powerful server-based biometrics to provide users with a persistent, portable positive authenticator that doesn't rely on a token or phone, and can't be shared or lost. The combination of PortalGuard and BIO-key solutions will make BIO-key the only biometric IDaaS provider owning its entire biometric IP stack, which is important when committing to a strategic technology like biometrics.

In addition to BIO-key's server biometric platform, PortalGuard supports all major authentication factors found in the enterprise, including Windows Hello, FIDO/WebAuthn hardware keys such as YubiKey and Feitan, RSA SecurID hard and soft tokens, Google and Microsoft Authenticator apps, printed bar codes, and challenge questions. PortalGuard also supports leading federation and SSO standards including, SAML, OAuth v2.0/OpenIDConnect, Shibboleth, CAS v3.0, RADIUS, and desktop Kerberos, making it compatible with most SaaS and web-based applications such as Zoom, Microsoft Office 365, Workday, AWS, GSuite, Atlassian, SAP, DocuSign, as well as common IAM frameworks such as Okta, ForgeRock, Ping, IBM ISAM, and CA/Symantec SiteMinder. PortalGuard integrates with Microsoft Active Directory (on-prem or Azure AD), OpenLDAP, IBM

System I, Lotus Domino or custom SQL directories.

Third, the PortalGuard customer base includes over 200 institutions and enterprises, with a strong presence in higher education, and has little overlap with BIO-key's existing customer base, thereby creating significant cross-selling potential. The combined organizations will benefit from consolidation of sales, administration and finance functions, while allowing PistolStar's development team to continue to innovate their product line. BIO-key also expects to generate improved gross margins by eliminating licensing payments on PistolStar technology currently included in BIO-key's ID Director for Windows solution.

BIO-key's CEO Michael DePasquale, commented, "PistolStar's PortalGuard, and the talented team behind it, are the perfect complement to BIO-key's industry-leading suite of biometric security and authentication solutions. Cyber-attacks are growing threats to global enterprises and small businesses alike, and implementing MFA is high on most IAM roadmaps. Still, large functionality gaps exist in traditional MFA solutions, including how to handle roving and work-from-anywhere users, how to prevent unauthorized account delegation, and absorbing the cost of multiple authenticators per user to prevent lost token downtime. Phone authenticators only authenticate the phone, not the user, and many workplaces prohibit phones for safety or security reasons. The time for secure, privacy-by-design server-based biometric authentication is now.   PortalGuard and BIO-key will allow enterprises to leverage whatever legacy authenticators they have, and then elevate their capabilities using biometrics where it makes sense. The acquisition will be immediately accretive to both revenue and operating income, in addition to enhancing our suite of solutions to include an IDaaS and significantly expanding our global sales potential, while reducing time to value."

About PistolStar/PortalGuard (www.portalguard.com)
PistolStar Inc. is a pioneer in authentication solutions and technology since 1999. Its PortalGuard solution helps organizations of any size better secure access to information and applications by optimizing the authentication processes while simplifying the login process. PortalGuard's simplified single sign-on and self-service password management boost usability (and user satisfaction) while decreasing IT Help Desk support calls and related business friction and expense.

About BIO-key International, Inc. (www.bio-key.com)
BIO-key is revolutionizing authentication with biometric solutions that enable convenient and secure access to devices, information, applications and high-value transactions. BIO-key's software and hardware finger scanning solutions offer secure, user-friendly and attractively priced alternatives to passwords, PINs, tokens and security cards, enabling enterprises and consumers to secure their networks and devices as well as their information in the cloud.

BIO-key Safe Harbor Statement
All statements contained in this press release other than statements of historical facts are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 (the "Act"). The words "estimate," "project," "intends," "expects," "anticipates," "believes" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are made based on management's beliefs, as well as assumptions made by, and information currently available to, management pursuant to the "safe-harbor" provisions of the Act. These statements are not guarantees of future performance or events and are subject to risks and uncertainties that may cause actual results to differ materially from those included within or implied by such forward-looking statements. These risks and uncertainties include, without limitation, our history of losses and limited revenue; our ability to raise additional capital; our ability to protect our intellectual property; changes in business conditions; changes in our sales strategy and product development plans; changes in the marketplace; continued services of our executive management team; security breaches; competition in the biometric technology industry; market acceptance of biometric products generally and our products under development; our ability to execute and deliver on contracts in Africa; our ability to expand into Asia, Africa and other foreign markets; the duration and severity of the current coronavirus COVID-19 pandemic and its effect on our business operations, sales cycles,

personnel, and the geographic markets in which we operate; delays in the development of products and statements of assumption underlying any of the foregoing as well as other factors set forth under the caption see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 and other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as required by law, the Company undertakes no obligation to disclose any revision to these forward-looking statements whether as a result of new information, future events, or otherwise. Additionally, there may be other factors of which the Company is not currently aware that may affect matters discussed in forward-looking statements and may also cause actual results to differ materially from those discussed. In particular, the consequences of the coronavirus outbreak to economic conditions and the industry in general and the financial position and operating results of our company in particular have been material, are changing rapidly, and cannot be predicted.

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