

April 3, 2023

Dear Fellow Shareholders:

Lifeloc Technologies sales grew 20% in 2022 with the economic reopening following the COVID-19 global pandemic. Net revenue of \$8.482 million resulted in after tax loss of \$456 thousand in 2022, or \$(0.19) per diluted share. These results compare to net revenue of \$7.054 million in 2021 and a net profit of \$676 thousand, or \$0.27 per diluted share. The 2022 results include a one-time gain of \$107 thousand from the Employee Retention Tax Credit, while the 2021 results included a one-time gain of \$936 thousand from the forgiveness of both the 2021 and 2020 SBA Paycheck Protection Program (PPP) loans.

2022 Highlights

- Sales growth of 20% over 2021 to \$8.482 million.
- One time gain from the Employee Retention Tax Credit.
- Customer acceptance of new L-series alcohol breath testers resulted in 360% sales growth of these devices.

Even with sales growing to almost \$8.5 million, Lifeloc reported a loss, which was primarily a result of increasing research and development investments focused on the completion of the SpinDx development as well as R.A.D.A.R.[®] developments. We purchased the assets of R.A.D.A.R. 100 in 2017, knowing the product needed significant upgrading, which was completed and released in 2019 as R.A.D.A.R. 200. This product met with little market acceptance as a result of the underperformance of one feature, namely, the biometric identification confirmation. In order to meet certain SpinDx milestone commitments, and to optimally allocate resources, we withdrew R.A.D.A.R. 200 from the market and made the decision to write off all related assets in 2022. We have outsourced the development of R.A.D.A.R. 300 to a third party, which, if successful, will result in proof of concept showing that the above problem has been resolved.

Our new platform LX9 and LT7 devices produced sales growth of 360% for those devices in 2022 over the prior year. The features and performance of the L-series devices have been successful in opening market opportunities by meeting previously unaddressable customer demands, such as wider temperature ranges and fast customization that incorporates local languages. We expect that most L-series sales will be incremental to FC-series devices rather than displacing FC sales. The L-series devices are currently in the approval process with several national governments and meeting the requirements of the most modern registration standards, such as SAI's (Standards Australia International) latest AS 3547:2019 standards for Breath Alcohol Detectors. These devices have been sold in 24 different countries.

The L-series breath alcohol testers are an important and growing addition to our offerings. Along with the FC-series, Phoenix[®] 6.0 BT, EV30, R.A.D.A.R.[®], Easycal[®], and Sentinel[™], these units comprise the product portfolio that generates the majority of our revenue. We will continue to invest in our most important growth opportunity: real-time drug testing. Our top priority remains the convergence of the global need for rapid detection of drugs of abuse with Lifeloc's capability of building easy-to-use portable testing equipment. The continuous global expansion of marijuana legalization critically increases the need to distinguish whether a driver or worker is presently impaired by marijuana. The demand for a solution to rapidly quantify the level of delta-9-THC (the primary psychoactive component of marijuana) influencing a driver or worker at a given moment in time is higher than ever.

We intend to use the SpinDx[™] technology platform, sometimes referred to as "Lab on a Disk", to develop a series of devices and tests that can be used at the roadside, in emergency rooms and in workplace testing to obtain a rapid and quantitative measure for a panel of drugs of abuse. The SpinDx reader is the base product capable of reading the current disks and with firmware updates will be able to read future disk offerings. Firmware updates will be distributed through a subscription model. The disks and sample collection kits are the consumables used by the product to produce a significant recurring revenue stream. Development of broader drug panels, improved accuracy, and sampling methods according to market demands is ongoing.

The first test we intend to offer is the SpinDx device with disks for delta-9-THC detection from an oral fluid sample collected from a test subject. We anticipate that both quantitative and pass/fail disks will be made available, making this offering the only rapid quantitative saliva test for delta-9-THC available on the market. Following this we expect to release a system based on our recently updated LX9 breathalyzer to collect a sample for analysis from breath, which, coupled with the SpinDx device, will complete our marijuana breathalyzer system. We have improved the detection

sensitivity for delta-9-THC as well as the robustness of the device. We are continuing to work on developing this system into a device that can be used for roadside testing, as well as other venues requiring fast response. We have committed additional personnel and new equipment resources to this effort, with the goal of placing beta test units in 2023 with validation partners who have already been identified. We anticipate full commercialization to begin in 2024. Human trials have begun validating SpinDx detection of delta-9-THC at the detection limits of 10 ng/ml in real-world human samples. We intend to prioritize the acceleration of SpinDx even at the expense of short-term profitability, with research and development investments, including validation testing, expected to be even higher in 2023.

Lifeloc is committed to the vision of safer roads and workplaces worldwide, and to making Lifeloc Technologies the leader in real-time drug and alcohol testing and monitoring. We have successfully carried out this mission for decades by placing cost effective and reliable alcohol testing devices along with automated solutions in the hands of law enforcement and workplace security personnel. We engage with our customers, solicit and use their feedback to improve our business and product offerings. We aim for industry-leading customer service by investing in our employees and building a respectful, inclusive workplace. The future is bright, and I am excited about the products that we are rolling out. On behalf of all our employees, I wish to thank our customers, the board of directors and our shareholders for their continued support on the critical mission of Lifeloc Technologies.

Sincerely,

Wayne Willkomm, Ph.D.
President and CEO
Lifeloc Technologies, Inc.

Phoenix[®], EasyCal[®], and R.A.D.A.R.[®] are registered trademarks of Lifeloc Technologies, Inc.
Sentinel[™] is a trademark of Lifeloc Technologies, Inc.
SpinDx[™] is a trademark of Sandia Corporation.

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This letter contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, among others, statements we make regarding our strategies, expectations about new and existing products, market demand, acceptance of new and existing products, technologies and opportunities, market size and growth, and return on investments in products and market. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. More details about these and other risks that may impact our business are included in our Form 10-K for the fiscal year ended December 31, 2022 and in our other SEC filings. You can locate these reports through our website at www.lifeloc.com. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.