

Dear Fellow Shareholders:

It was great to see growth return to Lifeloc Technologies in 2018 in both the top and bottom lines. Sales grew by 5.6% in 2018 to \$8.44 million, with net income after taxes of \$217 thousand, or to \$0.09 per share. This represented an increase of \$447 thousand in revenue and \$202 thousand in net income, mostly as a result of better geographic reach and improved market conditions. Although we had no new product launches in 2018, we anticipate that our strategic decision to drop short-term incremental improvements and focus our research investments on “bigger” projects will have significant positive impact in coming years. While these “bigger” product developments also have longer timelines, we believe we will experience the payoff of these investments in 2019 and in the future.

2018 Highlights

- 2018 was our 17th consecutive profitable year with net income of \$217 thousand.
- Completed the design of our new breathalyzer platform.
- Made significant progress toward the goal of developing a marijuana breathalyzer by demonstrating the detection of delta-9-THC from a vapor sample utilizing the SpinDx™ detection system.
- Implemented a major upgrade to our data infrastructure with enterprise resource planning (ERP) software.

New Breathalyzer Models

Our product pipeline is full for 2019. First, we will be introducing breathalyzers which use our new breathalyzer platform. The new breathalyzer models deliver multiple sought-after features at an excellent value. The first units were produced near the end of 2018 and underwent final testing. Production on the units is ramping up during the first quarter of 2019. In conjunction with the new breathalyzer models, an updated EASYCAL® calibration station was developed to be compatible with both the new units as well as the currently deployed fleet. These patent-protected automated calibration stations can calibrate to a wide range of our devices and introduce additional features designed to generate a more robust evidential record for legal use.

Real-Time Alcohol Detection and Reporting (R.A.D.A.R.®) Device

We anticipate the newly upgraded Real-Time Alcohol Detection and Reporting (R.A.D.A.R.®) device to be ready for release by mid-2019. The new R.A.D.A.R.® device will feature improved mechanics and 4G communication capabilities. The upgrades to the R.A.D.A.R.® device facilitate cellular reporting for real-time alcohol monitoring and also improve database infrastructure (required for tabulating and managing subscriber behavior). Our patented biometric methodology will enable full automation and identity verification. We expect these improvements will provide better service and facilitate the move towards more recurring revenue models.

The R.A.D.A.R.® device was designed to be part of an offender supervision program as an alternative to incarceration. R.A.D.A.R.® devices are assigned to offenders as a condition of parole or probation, with automated random testing and reporting throughout the day to demonstrate compliance with supervision conditions. We intend to leverage our leading position in workplace testing to expand the use of the R.A.D.A.R.® device beyond offender monitoring, into the workplace as a valuable tool for commercial fleet management.

ERP Software Upgrades

As the complexity of our business and supply chains increased, it became critical to upgrade our ERP software in advance of additional major product introductions. Our team worked hard in 2018 to seamlessly implement a new ERP software system and, as a result, we did not miss a single day of shipping during the transition to the new system.

Real-Time Drug Testing

The improvements of the breathalyzer devices and R.A.D.A.R.® device are expected to result in additional resources which will help facilitate the completion of development of the marijuana breathalyzer. The continuous expansion of marijuana legalization increases the need to regulate driver and worker-safety behavior. With expanding legalization, the ability to distinguish whether an individual is presently impaired by marijuana has become increasingly critical. 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. As an important accomplishment in the development of a marijuana breathalyzer, the SpinDx™ technology has been demonstrated to detect delta-9-THC at the

very low concentrations that some states have set as legal limits. Likewise, we are very encouraged by our research proving that delta-9-THC can be measured from a vapor sample. Lifeloc remains committed to completing development of the SpinDx™ technology as a marijuana breathalyzer operating as dependably and practically as the alcohol breathalyzers our customers have come to depend upon.

Electronic Transfer of Lifeloc Stock

In keeping with our goal of better serving our shareholders, we applied for and received approval from Depository Trust Corporation for DWAC/FAST transfer. This will enable Lifeloc's shareholders to transfer their Lifeloc stock electronically after buying or selling, without the extra burden associated with the processing of physical share certificates. DWAC/FAST transfer expedites the transaction, and also eliminates the risks associated with the loss of physical share certificates. Additionally, we have presented the Lifeloc story at investor conferences over the last two years. These steps are all directed towards making Lifeloc a more attractive investment as we aspire towards NASDAQ listing.

Our Vision

Lifeloc is committed to the vision of safer roads and workplaces worldwide. We have executed on that vision 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. Our vision is to make Lifeloc Technologies the leader in real time drug and alcohol testing and monitoring. We believe we are putting the infrastructure and products in place to realize that vision and the growth that will accompany it. We aim for industry-leading customer service by engaging with our customers and using their feedback to improve our business and product offerings.

The future is bright as we have enhanced our information infrastructure, updated our core products and monitoring products, and as we continue to develop our marijuana breathalyzer and real-time drug testing products. On behalf of all our employees, I wish to thank our customers, the board of directors and our shareholders for their continued support with the mission that you have entrusted to us. I welcome you to join in our quest.

Sincerely,

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

EASYCAL® and R.A.D.A.R.® are registered trademarks of Lifeloc Technologies, Inc.
SpinDx™ is a trademark of Sandia Corporation.

Cautionary Note Regarding Forward-Looking Statements

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, 2018 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.