

# The Lifeloc Vision

Lifeloc becomes the world's leading company in real time drug and alcohol testing and monitoring



# Lifeloc Technologies

Wayne Willkomm, CEO  
Presenting

## Safe Harbor Agreement

This presentation contains forward-looking statements which reflect management's expectations regarding Lifeloc's future growth, results of operations, performance (both operational and financial) and business prospects and opportunities. Where possible words such as "plans," "expects" or "does not expect," "budget," "forecasts," "anticipates" or "does not anticipate," "believes," "intends" and similar expressions or statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this presentation reflect management's current assumptions based upon information currently available to management and based upon that which management believes to be reasonable assumptions, Lifeloc cannot be certain that actual results will be consistent with these forward looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause Lifeloc's actual results, performance, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: international and domestic operations, customer demand, regulatory matters credit and customer concentration; competition; rapid technological change; product liability claims; intellectual property; use of non-GAAP financial measures; significant shareholder; supply arrangements; and dependence upon key management personnel and executives. For more details, please see the "Risk Factors" section of our SEC filing.

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Accordingly, as noted above, you should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this presentation and, except as required by law, Lifeloc assumes no obligation to update or revise them to reflect new events or circumstances.

# Lifeloc Today

- Global leader in professional portable breathalyzers
- Installed base in over 65 countries
- Global penetration in both workplace testing and law enforcement, >25% revenue from export
- World Class Management
- Core Business is strongly cash flow positive
- Solid balance sheet
- \$8.3 million sales (12 month trailing), 33 FTE
- Big growth opportunities in offender monitoring and real time drug testing

# Lifeloc Team

Wayne Willkomm President and CEO	Ph.D. Chemical Engineering, U of Minnesota, CEO since 2016 Lifeloc BOD since 2011, previously President of Kryptane Systems and Division President of Intrex Corporation
Vern Kornelsen Chairman and CFO	CPA, Lifeloc BOD since 1991, also serves on boards of Encision and Electronic Systems Technology
Kristie LaRose VP of Finance	BS Business Administration, Joined Lifeloc in 2001
Amy Evans Sales Manager	Joined Lifeloc in 2004, MBA Past President of SAPAA (Substance Abuse Program Administrators Association)
Yolanda Gonzales Sales Manager Latin Am & Europe	Joined Lifeloc in 2009, previously International Sales Manager, Sandhill Scientific
S Radhakrishnan Sales Manager Asia & Pacific	Joined Lifeloc September 2015, BS Electronics and Telecommunication, previously Hewlett Packard General Marketing Manager South Asia Pacific
Sarah Foley Product Manager	Joined Lifeloc in 2014, MBA University of Texas, previously Product Marketing Manager, Dell
Mark Lary Engineering Director	Joined Lifeloc in 1994, has served as Lifeloc Manufacturing Manager, Product Manager, Quality Manager, Regulatory Affairs Manager

# Lifeloc Technologies 5 Year Income Statement History

Income Statement History	2014	%	2015	%	2016	%	2017	%	2018	%
<b>SALES:</b>									(6 months)	
Sales	9,023,804		8,323,913		7,888,786		7,629,474		4,136,033	
Royalties	300,533		394,895		392,603		289,588		161,423	
Rental Revenue	17,647		107,665		99,746		71,676		33,702	
<b>TOTAL NET SALES</b>	<b>9,341,984</b>		<b>8,826,473</b>		<b>8,381,135</b>		<b>7,990,738</b>		<b>4,331,158</b>	
<b>COST OF SALES</b>	<b>4,874,127</b>	<b>52%</b>	<b>4,425,106</b>	<b>50%</b>	<b>4,202,729</b>	<b>50%</b>	<b>4,277,874</b>	<b>54%</b>	<b>2,335,525</b>	<b>54%</b>
<b>GROSS PROFIT</b>	<b>4,467,857</b>	<b>48%</b>	<b>4,401,367</b>	<b>50%</b>	<b>4,178,406</b>	<b>50%</b>	<b>3,712,864</b>	<b>46%</b>	<b>1,995,633</b>	<b>46%</b>
<b>OPERATING EXPENSES:</b>										
Research and Development	1,000,266	11%	1,224,045	14%	1,037,035	12%	1,076,763	13%	591,555	14%
Sales and Marketing	1,433,839	15%	1,467,344	17%	1,359,043	16%	1,388,927	17%	666,058	15%
General and Administrative	<u>1,239,238</u>	<u>13%</u>	<u>1,267,772</u>	<u>14%</u>	<u>1,147,349</u>	<u>14%</u>	<u>1,114,534</u>	<u>14%</u>	<u>593,457</u>	<u>14%</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>3,673,343</b>	<b>39%</b>	<b>3,959,161</b>	<b>45%</b>	<b>3,543,427</b>	<b>42%</b>	<b>3,580,224</b>	<b>45%</b>	<b>1,851,070</b>	<b>43%</b>
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>794,514</b>	<b>9%</b>	<b>442,206</b>	<b>5%</b>	<b>634,979</b>	<b>8%</b>	<b>132,640</b>	<b>2%</b>	<b>143,563</b>	<b>4%</b>
<b>OTHER INCOME (EXPENSE)</b>	<b>24,219</b>	<b>0%</b>	<b>(44,249)</b>	<b>(1%)</b>	<b>(48,193)</b>	<b>(1%)</b>	<b>(53,881)</b>	<b>(1%)</b>	<b>(25,651)</b>	<b>(1%)</b>
<b>NET INCOME (PRE-TAX)</b>	<b>818,733</b>	<b>9%</b>	<b>397,957</b>	<b>5%</b>	<b>586,786</b>	<b>7%</b>	<b>78,759</b>	<b>1%</b>	<b>118,912</b>	<b>3%</b>
<b>PROVISION FOR TAXES</b>	<b>213,737</b>	<b>2%</b>	<b>115,703</b>	<b>1%</b>	<b>153,635</b>	<b>2%</b>	<b>64,156</b>	<b>1%</b>	<b>29,583</b>	<b>1%</b>
<b>NET INCOME (POST-TAX)</b>	<b>604,996</b>	<b>6%</b>	<b>282,254</b>	<b>3%</b>	<b>433,151</b>	<b>5%</b>	<b>14,603</b>	<b>0%</b>	<b>89,329</b>	<b>2%</b>
Earnings per share	0.24		0.11		0.17		0.01		0.04	
<b>EBITDA</b>	<b>1,011,608</b>	<b>11%</b>	<b>725,062</b>	<b>8%</b>	<b>922,644</b>	<b>11%</b>	<b>420,657</b>	<b>5%</b>	<b>370,570</b>	<b>9%</b>

# Lifeloc Growth Strategy

## 1) Grow the Core

Core portable breathalyzers generates free cash flow

## 2) Added Value Applications

Create and capture more value than traditional breathalyzers

## 3) Recurring Revenue

Acquisition of offender monitoring business

## 4) Marijuana and Drug Opportunities

Real time drug testing technologies

# The Alcohol Testing Market

**Market Size:** The global alcohol testing market (all segments) was approximately \$825 million in 2017 and is growing ~ 5% CAGR.

**Segments of Interest:** Workplace DOT mandated and non-regulated employee testing, Law Enforcement roadside testing, and Criminal Justice probations testing.

**Today's Technology:** Professional grade portable breath testers utilize electrochemical fuel cells for sensing.

# Competitive Landscape

- Mostly fragmented by application.

Supplier and Headquarters location	Professional Portable	Professional Desktop	Ignition Interlocks	Offender Monitoring	Consumer	Makes Fuel Cells	Estimated Segment Annual Sales (\$M)
Drager Breathalyzer Div. (DE)	Yes	Yes	Yes	Yes	Yes	Yes	200
SmartStart (USA)			Yes	Yes	Yes		120
LifeSafer (USA)			Yes			Yes	100
Intoxalock (USA)			Yes				100
Lion Labs/CMI (UK)	Yes	Yes	Yes			Yes	100
AMS (USA)				Yes			35
Intoximeters (USA)	Yes	Yes					30
Dart Sensors (UK)						Yes	25
3M Alcohol Monitoring (USA)				Yes			20
<b>Lifeloc (USA)</b>	<b>Yes</b>			<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>10</b>
Alcolizer (AUS)	Yes						10
Breathometer (USA)					Yes		10
BacTrack (USA)	Yes				Yes		10
Sentech (Korea)					Yes		5
Envitec (DE)	Yes					Yes	5
AlcoHawk (USA)	Yes				Yes		5
AK Solutions (USA)					Yes		5
Han international (China)	Yes				Yes		5
Blow and Drive (USA)			Yes				3
AlcoAlert (USA)			Yes				3
Nanopuls (Sweden)		Yes					1
B.E.S.T. Labs (USA)			Yes				1
All Others estimate							25
Estimated Market Size							828



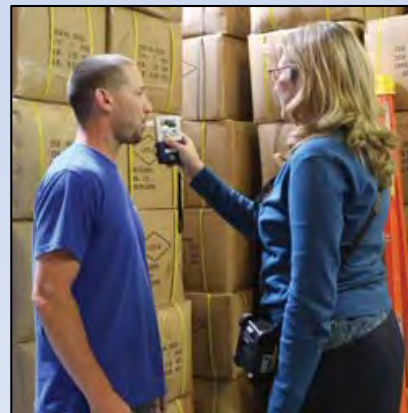
# Safer Roads

- Lifeloc well accepted by law enforcement agencies around the world
- Lifeloc offers PBTs approved for roadside evidential usage in the US (Idaho)



# Safer Workplaces

- DOT mandates random testing for safety critical positions
- This includes pre-employment and post accident testing



# New Product Platform



Lifeluc is nearing completion of its investment in updating the core product

Readily customizable

New communication modes

Remote diagnostics

# Added Value

Capture value beyond the traditional portable breathalyzer -  
Automate the calibration process

Dry Gas Calibration  
Standard

Touch Screen



EASYCAL<sup>®</sup> is a registered trademark of Lifeloc Technologies, Inc.

# EASYCAL<sup>®</sup> Calibration Station

- The only fully automated calibration station
- Patent protected
- Up to 5X faster calibrations and checks than the competition
- Takes human error out of the equation
- Creates a moat unique to the Lifeloc brand



EASYCAL<sup>®</sup> is a registered trademark of Lifeloc Technologies, Inc.

# Upgrade PBT to Control Access

The SENTINEL™ Alcohol Screening System enables high volume "zero tolerance" access control

- Completely automated
- No Mouthpieces
- Negative results delivered in less than 2 seconds
- Positive results delivered in less than 10 seconds

SENTINEL™ is a trademark of Lifeloc Technologies, Inc.



# Simple Usage



Ready for all international markets

# Recurring Revenue

## Shifting Business Model



Series of One  
off Sales



Leasing and  
Monitoring  
Service



# RADAR Acquisition

- R.A.D.A.R.® product has been acquired from the Track Group 2017
- RADAR is part of an offender management system as an alternative to incarceration



R.A.D.A.R.® is a registered trademark of Lifeloc Technologies, Inc.

# RADAR Program

- Subject receives random notice to test
- Device uses biometrics to confirm subject ID
- GPS tracking of test location
- Backend database tracks test result and provides notice for failed test
- Device can be leased plus monitoring fees



# RADAR Opportunities

- Biometrics introduce a sustainable competitive advantage
- 7 issued US patents, mostly around biometrics, plus associated international applications
- Opportunities in workplace and fleet management



# Marijuana and Drug Opportunities

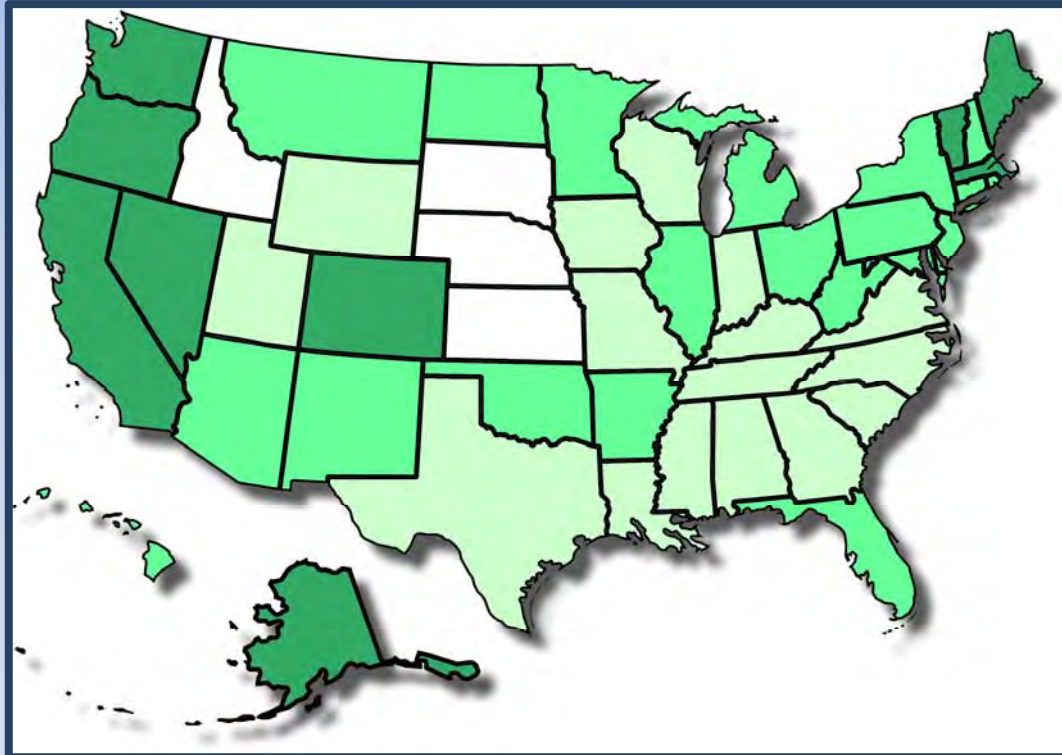
**Market Size:** The global drugs of abuse (DOA) testing market was approximately \$3 billion in 2017 and is growing at 4.5% CAGR.

**Target Segments of Interest:** Law Enforcement roadside testing, Criminal Justice probations testing and Workplace employee testing.

**Today's Technology:** Urine testing predominates for employee and criminal justice testing. Blood testing via GC/MS (expensive with a delayed response) for law enforcement.

**Incumbents:** Alere and Quest Diagnostics

# Marijuana: Our Newest Challenge

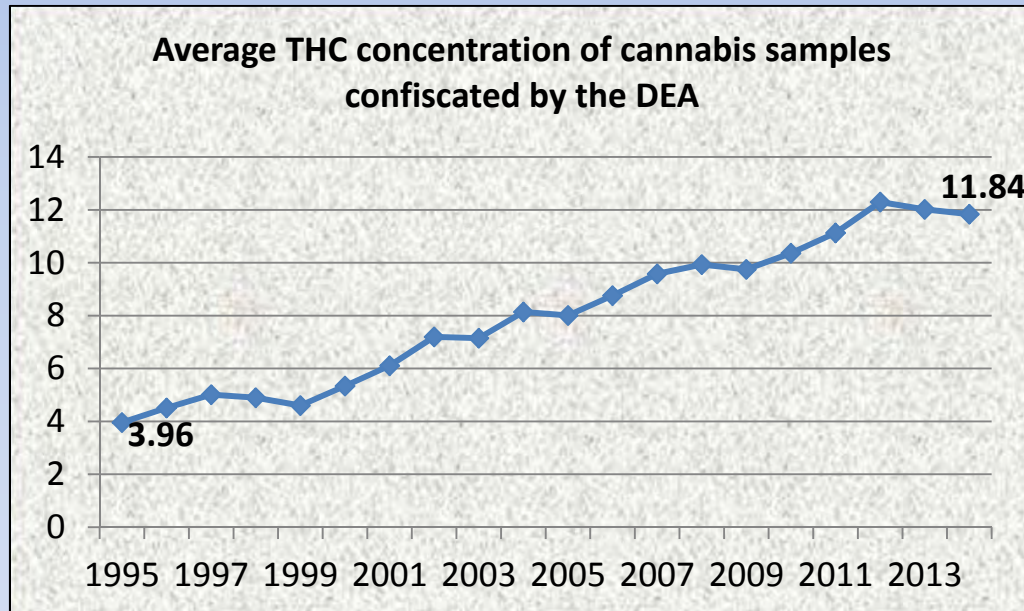


- Adult- & medical-use laws (9)
- Comprehensive medical laws (21)
- Limited medical – CBD/low-THC – laws (16)
- No marijuana legalization (4)

## Recent Facts:

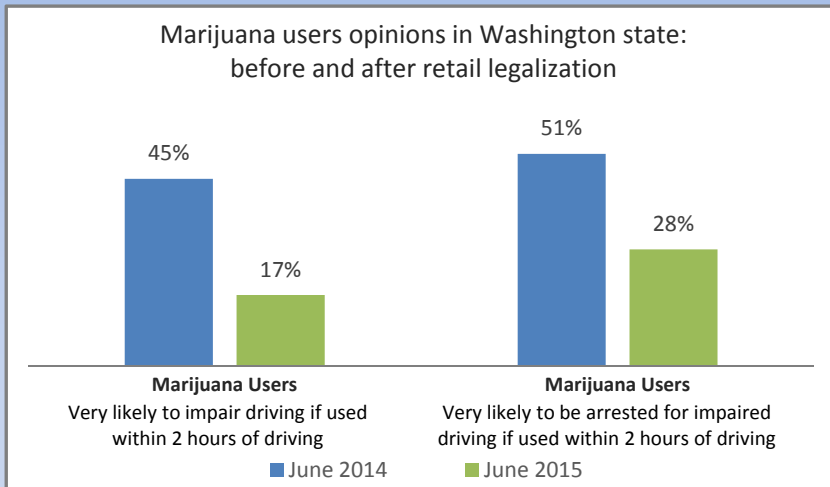
- >95% of Americans live in a state with some form of marijuana legalization
- 64% of Americans now support the legalization of marijuana use
- \$247 million collected marijuana taxes, licenses, and fee revenue in CO, 2017
- 491 retail marijuana stores in CO (as of June 2017) versus 208 McDonald's and 292 Starbucks

# Marijuana: More Potent



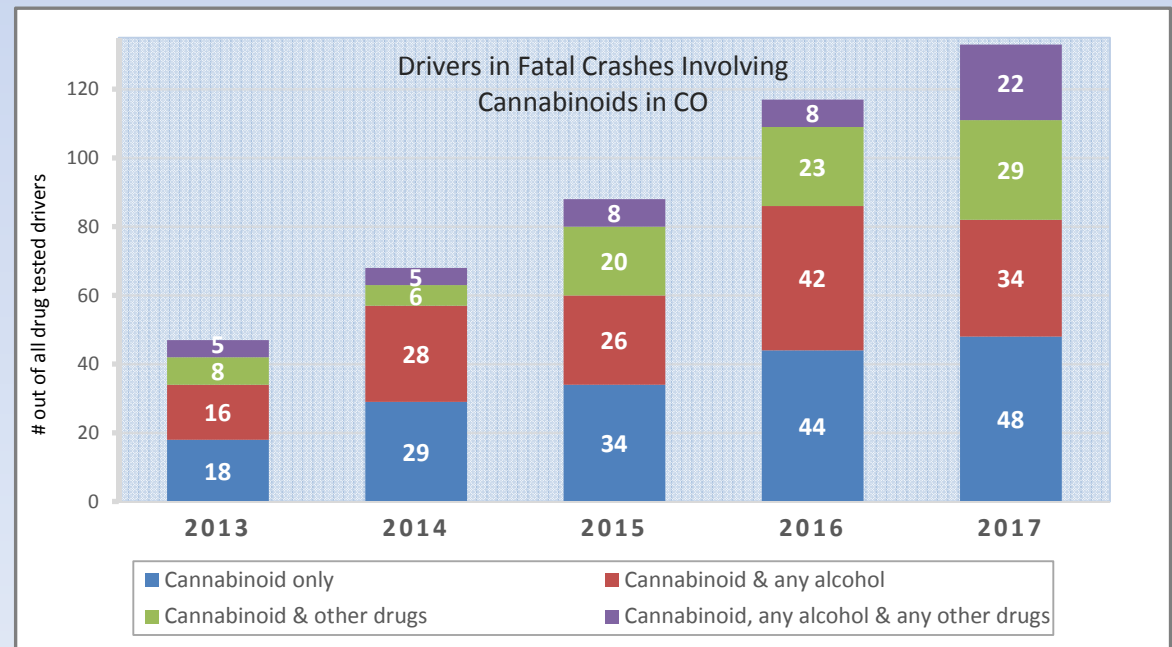
- In the 1960s, marijuana had an average content of **1% THC**
- The average THC level in Colorado's legal marijuana is **17.1%** with concentrates averaging **62.1%**

# Marijuana: Fatalities Up, Perceived Risk Down



- Legalization is fostering complacency about safety on roads
- CDOT surveys found 40% of recreational users do not believe marijuana affects their ability to drive safely
- 10% of all users think marijuana makes them a better driver

- From 2013 to 2017, there was an 86% increase of drivers in fatal crashes testing positive for the presence of cannabinoids
- Perception and reality are diverging



# DOA Testing Limitations

## **Roadside Drug Testing (Blood)**

- Time intensive. Intoxicating effects can wear off on trip to station.
- Sample-to-result time often measured in days. Results not real time.
- Prohibitively expensive, especially for frequent negative results.
- Too invasive for roadside. Requires officer Phlebotomy training.
- Expensive testing infrastructure required.
- Saliva testing is not evidential

## **Workplace and Criminal Justice (Urine)**

- Useless for marijuana intoxication testing
- Invasive and subject to adulteration.
- Time intensive. Requires travel to clinic for sampling and subsequent transport to lab for testing. Results not available in real time.
- Expensive testing infrastructure required.



# DOA Opportunity

- The DOA market is ripe for a new technology play to replace traditional blood and urine testing, improve customer service and reduce prices.
- The Alcohol testing market is fragmented with excellent product and segment consolidation opportunities.
- No one company provides a comprehensive alcohol and drug testing solution set to the marketplace.
- The opportunity is to build a \$1 billion business in 10 years.

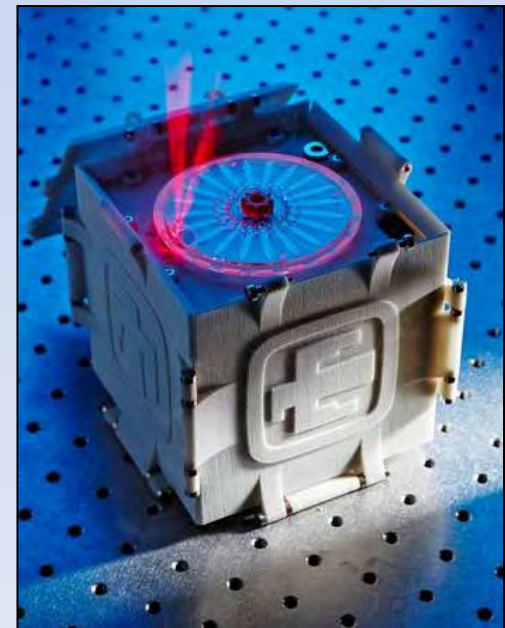
# SpinDx: Our New Drug Testing Technology

**Solution:** A mobile DOA analyzer to identify and quantify drug types from a fluid sample in under 10 minutes.

**Approach:** Partnering with Sandia National Labs to adapt newly commercialized technology for DOA analysis (including THC). Four issued patents with exclusive license to Lifeloc in selected DOA fields of use.

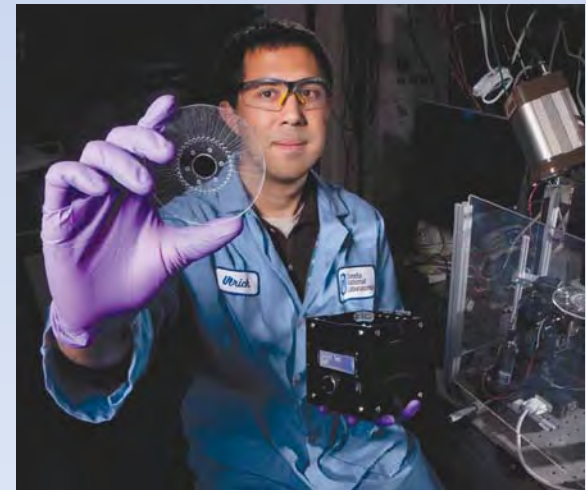
**Technology:** “lab-on-a-disk” technology, using centrifugally driven microfluidics to manipulate unique reagent beads with the test fluid in small disks.

Detection platform for bodily fluid analysis for a panel of drugs and marijuana breathalyzer.



# SpinDx Development Status

- Lifeloc has exclusive license Drugs of Abuse field of use following a cooperative research and development agreement
- Technology already licensed and commercialized for other fields of use
- Lifeloc has demonstrated detection of  $\Delta$ -9 THC down to 5 ng/ml
- Lifeloc has existing channel to both Law Enforcement and Workplace markets



# Lifeloc Growth Summary

The core business is strong and able to fund growth opportunities. Core business investments near completion.

Value added applications like automated calibration and access control differentiate Lifeloc.

RADAR acquisition is moving business model to recurring revenue through monitoring.

Real time drug testing is an enormous need with a potential solution in development and demonstrated drug detection.