



March 18, 2015

Dear Fellow Shareholders,

2014 was a successful and eventful year for Lifeloc Technologies. We executed well on our growth strategy and our financial results reflect our hard work.

- Net Revenue grew 10.9% over 2013 to a record US \$9.34 million.
- Pre-tax Net Income increased 14.8% from \$713,012 in 2013 to \$818,733 in 2014.
- Pre-tax Return on Revenue increased from 8.5% in 2013 to 8.8% in 2014.
- Earnings per share held steady at \$0.24 per share for both 2013 and 2014.

Our International and Training businesses performed exceptionally well. Revenue growth came from new products including the Sentinel Breath Screening System and the EASYCAL automatic calibration station.

Other Notable 2014 Milestones

- We purchased our corporate headquarters and manufacturing building in Wheat Ridge, Colorado, securing an additional 50% of office and factory space for future growth.
- We acquired Superior Training Solutions, a successful company in the fast growing online drug and alcohol training business.
- We received U.S. Department of Transportation approval for our new EASYCAL station, a first to market product, which automates the calibration of Lifeloc breath testing instruments.
- We implemented lean manufacturing model to reduce waste, improve first pass yield and double our production capacity.

The Lifeloc Growth Strategy

Innovation, operational excellence and teamwork underpin everything we do. Accelerating our growth requires a strategy that embraces our core alcohol testing products while also stimulating the development of new revenue streams outside of our traditional business model. We envision a future where our products are broadly described as “near and remote sensing” solutions. Accordingly, our strategy is to:

- Grow our core breath alcohol testing business,
- Acquire related products or businesses, and
- Selectively identify and commercialize new sensing technologies and products.

Our strategy reflects our optimism about the new opportunities we are pursuing and our confidence in the Lifeloc management team’s ability to execute well.

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Marijuana Impairment Testing – the Next Big Thing

In my last shareholder letter I commented that Lifeloc was “making R&D investments in technologies that may one day offer a practical, reliable and affordable way to screen for THC.” Our marijuana breathalyzer work is focused on the commercialization of a portable testing device to help Law Enforcement establish probable cause at roadside for marijuana impairment. We anticipate similar impairment testing opportunities in our Workplace and Corrections businesses.

With the nationwide trend to legalize medical and recreational marijuana gaining momentum, I am pleased to report that in 2014 Lifeloc received a \$250,000 grant from the Colorado Office of Economic Development and International Trade to accelerate the development of a Marijuana breathalyzer. We know that small amounts of Delta-9-tetrahydrocannabinol (Delta-9-THC), the main psychoactive ingredient in marijuana, are exhaled in human breath when a person is intoxicated. We have demonstrated, with the assistance of the U.S. Naval Research Laboratories, the ability to detect Delta-9-THC at levels in the area of interest (the equivalent of 5ng or more/ml of blood). The next stage in the product’s development is to devise a practical way of collecting sufficient Delta-9 from breath under real-life testing conditions.

Not content to place all of our eggs in one basket, Lifeloc is also working in partnership with other third parties on the commercialization of technology that holds the promise of affordable and practical drug detection and measurement.

Making our Workplaces, Roads and Transportation Safer

In May 2013 the National Transportation Safety Board (NTSB) recommended lowering the national Blood Alcohol Content level that constitutes drunken driving in the United States from .08 BAC to .05 BAC. Every year approximately 10,000 people in the U.S. die in alcohol-related traffic accidents and another 170,000 are injured.

The United States remains among a handful of countries that retain the legal limit at .08 BAC. Most countries in Europe, South America, Australia and New Zealand have set the legal BAC level to constitute drunken driving at .05 BAC or lower. Lifeloc supports the NTSB recommendation to reduce the legal limit to .05 BAC.

I wish to thank our customers, employees, the board of directors and our shareholders for their continued support.

Sincerely,



Barry Knott
CEO
Lifeloc Technologies

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. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our expectations regarding new product development and release, entry into agreements with third parties, and the performance of the industry in which we operate. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. 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. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Any forward-looking statement made by us in this letter is based only on information currently available to us and speaks only as of the date on which it is made. 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.