



March 30, 2016

Dear Fellow Shareholders:

I am pleased to take this opportunity to introduce myself as your new CEO. Following the resignation of Barry Knott in January, the board of directors named me as his successor. I have been a long term investor in Lifeloc and served on the board of directors since 2011. On behalf of all shareholders, I would like to thank Barry for his years of service, and I am pleased that we will benefit from his experience through his continued service as a director.

2015 was the 14<sup>th</sup> consecutive profitable year for Lifeloc Technologies. Our financial stability has never been better, with a strong cash position and our only long-term debt being the mortgage on our building.

### **2015 Financial Highlights**

- Net Revenue reached the second highest total in company history at \$8.826 million, although this was a decline of 5.5% from 2014.
- Cash and cash equivalents grew by 17% to \$3.227 million.
- Net Income decreased 53% from \$604,996 in 2014 to \$282,254.
- Diluted earnings per share fell to \$0.11 per share from \$0.24 per share in 2014.

While revenues were strong, near \$9 million, revenue was still down from 2014. We saw weakness in all areas, and in particular in the workplace testing tied to the oil and gas industries, which is traditionally a strong testing industry. On a positive note, training revenue is picking up and we are still enthusiastic about growth potential with our EASYCAL® automatic calibration station and our SENTINEL™ automated zero tolerance workplace access station.

The earnings decline was more significant; however, a large contribution to this decline was the increase in research and development spending. Research and development investment increased by \$223,779 to over \$1.224 million, reflecting a commitment to growth, investing for the future and filling the pipeline with new products.

### **The Lifeloc Growth Strategy**

We are confident in our ability to grow. Recent product introductions have been innovative and well received. We listen carefully to our customers and provide service unmatched in the industry. And our reach is global, serving over 60 countries worldwide.

Accordingly, our strategy is to:

- Grow our core breath alcohol testing business
- Expand the scope of our breath alcohol testing business, such as offering our customers automated solutions like the EASYCAL automatic calibration station and SENTINEL automated zero tolerance workplace access station
- Acquire related products or businesses
- 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 our management team's ability to execute well.

## **Future Directions**

Lifeloc has previously introduced our efforts in THC breath detection, more commonly referred to as a marijuana breathalyzer. We are taking our core competency in designing and building rugged, portable, real-time analytical devices and leveraging that with trace compound detection technology from the U.S. Naval Research Laboratories.

This work is being accelerated by a \$250,000 grant from the Colorado Office of Economic Development and International Trade to match certain R&D expenditures on this marijuana breathalyzer. Thus far, we have demonstrated the sensitivity to detect extremely small amounts of delta-9-tetrahydrocannabinol (delta-9-THC), the main psychoactive ingredient in marijuana, under perfect conditions in the laboratory. Work continues to develop this capability in a portable device and under real world conditions with interfering components as present in a breath sample.

## **Commitment to Safety**

Every year approximately 10,000 people in the U.S. die in alcohol-related traffic accidents and another 170,000 are injured. U.S. businesses face an estimated \$134 billion in alcohol related productivity losses. Lifeloc is committed to providing the most accurate, reliable and easy-to-use tools for police and safety personnel, enabling them to pursue a vigorous enforcement of laws and safety policies, keeping our workplaces, roads, and communities safe for all.

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

Sincerely,

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

EASYCAL® is a registered trademark and SENTINEL™ is a trademark of Lifeloc Technologies, Inc.

## **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, 2015 and in our other SEC filings. You can locate these reports through our website at [www.lifeloc.com](http://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.*