

Dear Fellow Shareholders:

Lifeloc Technologies experienced some recovery during 2021 from the COVID-19 global pandemic. Net revenue of \$7.054 million resulted in after tax profit of \$676 thousand in 2021, or \$0.27 per diluted share. These results compare to net revenue of \$6.357 million in 2020 and a net loss of \$922 thousand, or \$(0.38) per diluted share. 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. Low interest rates in 2021 allowed us to refinance our building mortgage, replacing the previous 4.00% mortgage maturing in October 2024 with a 2.95% fixed rate mortgage maturing in September 2031.

## 2021 Highlights

- Sales growth of 11% over 2020.
- One time gain from forgiveness of our Paycheck Protection loans.
- Customer acceptance of new L-series alcohol breath testers resulted in 65% sales growth of these devices.

The past 2 years have been dominated by the COVID-19 pandemic, government shutdowns followed by stimulus payments, and supply chain disruptions. This pandemic and the government ordered shutdowns significantly impacted Lifeloc, with decreased demand in every segment of our business. The government stimulus, specifically the PPP loans and forgiveness, allowed us to return to profitability for 2021. The stimulus programs and pandemic have led to supply chain disruptions, requiring more attention to keep key supplies flowing smoothly. Sales for 2021 partially recovered from 2020 levels, and we believe that there is still significant pent-up demand that is beginning to be released in 2022.

Our new platform LX9 and LT7 devices produced sales growth of 65% of those devices in 2021 versus 2020. The features and performance of these products have driven market penetration by meeting previously unaddressable customer needs, 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 gaining national approvals 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 into 20 different countries as of year-end 2021.

The L-series breath alcohol testers are an important and growing addition to our offerings. Along with the FC-series, Phoenix<sup>®</sup> 6.0 BT, EV30, R.A.D.A.R<sup>®</sup>, Easycal<sup>®</sup>, and Sentinel<sup>™</sup>, these units comprise our product portfolio which generates the majority of our revenue. We will continue to substantially 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 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<sup>™</sup> 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 front cover of this Annual Report shows a rendering of the first SpinDx reader with the cover open and a disk inserted. The SpinDx reader is the base product capable of reading the current disks and with firmware updates will be able read future disk offerings. The disks are the consumables used by the product. Development of additional drug panels, 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. Following this will be a device based on our recently updated LX9 breathalyzer to collect a sample for analysis from breath, which coupled with the SpinDx device, will be 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. Additional personnel and new equipment resources have been committed, with the goal of finalizing the development of the first products of the SpinDx technology platform by the end of this year. Accelerating SpinDx commercialization will be prioritized even at the expense of short-term profitability. We aim for industry-leading

customer service by investing in our employees and building a respectful, inclusive workplace. We engage with our customers and use their feedback to improve our business and product offerings.

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. 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<sup>®</sup>, Easycal<sup>®</sup>, and R.A.D.A.R.<sup>®</sup> are registered trademarks of Lifeloc Technologies, Inc.  
Sentinel<sup>™</sup> is a trademark of Lifeloc Technologies, Inc.  
SpinDx<sup>™</sup> 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, 2021 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.*