

May 6, 2024

Dear Fellow Shareholders:

Lifeloc Technologies has been innovating in the alcohol testing space for over 35 years, serving the law enforcement, workplace, corrections, original equipment manufacturing and consumer markets with a variety of supplies, accessories, services, and training to support customers' alcohol testing programs. In recent years, we have turned our R&D focus to leveraging Lifeloc's capability of building easy-to-use portable testing equipment to address the global need for rapid detection of drugs of abuse. The domestic and global expansion of marijuana legalization has increased the need for finer-tuned technology that can 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.

This year stands out for Lifeloc, both in terms of growth within our core market and in the progress we have made toward bringing our SpinDx "Lab on a Disk" technology to the market.

Our sales grew 10% in 2023, due to demand growth and the easing of supply chain constraints. Net revenue of \$9.330 million resulted in after tax net profit of \$206 thousand in 2023, or \$0.08 per diluted share. These results compare to net revenue of \$8.482 million in 2022 and a loss of \$456 thousand, or \$(0.19) per diluted share, after accounting for a one-time gain of \$107 thousand from the Employee Retention Tax Credit.

2023 Highlights

- Sales growth of 10% over 2022 to a near record \$9.330 million.
- Gross margin improved from 36.3% in 2022 to 43.3% in 2023.

Our newer portable breathalyzer platform, the L-series LX9 and LT7 devices, are finding broader market acceptance and growth. The features and performance of the L-series devices have been successful in opening market opportunities by meeting previously unaddressable customer demands, such as wider temperature ranges and fast customization that incorporates local languages. Additionally, we expect to launch smart phone pairing for the LX9 units in 2024. We expect that most L-series sales will be incremental to sales of our legacy FC-series devices rather than displacing FC sales. The L-series devices meet the requirements of most modern registration standards, including SAI's (Standards Australia International) latest AS 3547:2019 standards for Breath Alcohol Detectors.

The L-series, along with the FC-series, Phoenix® 6.0 BT, EV30, Easycal®, and Sentinel™, comprise the product portfolio that currently generates the majority of our revenue.

But we believe that our most important growth opportunity at this time is real-time drug testing. Our SpinDx™ technology platform or "Lab on a Disk", which we anticipate bringing to market in 2025, consists of 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 SpinDx reader is the base product, which we anticipate will ship with the ability to read disks for delta-9-THC detection from an oral fluid sample collected from a test subject. With firmware updates, we expect the SpinDx to be able to read future disk offerings for a broader array of drug panels. Firmware updates will be available to customers through a subscription model, with disks and sample collection kits as consumables, together producing a potentially significant recurring revenue stream.

We anticipate that both quantitative and pass/fail disks will be made available, which would make this offering the only rapid, quantitative saliva test for delta-9-THC available on the market. Following this we expect to release a system based on our LX9 breathalyzer to collect a sample for analysis from breath, which, coupled with the SpinDx reader, we expect to complete our marijuana breathalyzer system.

We have improved the detection sensitivity for delta-9-THC as well as the robustness of the device. Our first utility patent application was filed in early 2024 covering some of the improvements that we have made on the SpinDx technology. We are continuing to work on developing this system into an easily portable device that can be used for roadside testing, as well as other venues requiring fast response. We have committed additional personnel and new equipment resources to this effort, with the goal of placing beta test units in 2024 with validation partners who have already been identified. We anticipate full commercialization and revenue contribution to begin in 2025. Human trials

have begun validating SpinDx detection of delta-9-THC at the detection limits of 10 ng/ml in real-world human samples. We intend to prioritize the acceleration of SpinDx even at the expense of short-term profitability, with research and development investments, including validation testing, expected to remain high in 2024.

Lifeloc is committed to the vision of safer roads and workplaces worldwide, and to making Lifeloc Technologies the leader in real-time drug and alcohol testing and monitoring. We have successfully carried out this mission 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. We engage with our customers, solicit and use their feedback to improve our business and product offerings. We aim for industry-leading customer service by investing in our employees and building a respectful, inclusive workplace. The future is bright, and we anticipate our long and substantial investment in SpinDx to transition Lifeloc from the leader in alcohol testing technology to leadership in the larger field of drugs of abuse.

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.

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Sentinel[™] is a trademark of Lifeloc Technologies, Inc.
SpinDx[™] is a trademark of Sandia Corporation.

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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, 2023 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.