

We improve the world's safety, security and scientific understanding by transforming challenging requirements into optical realities.

Ten years ago, I prepared my first annual letter to our shareholders, announcing the renaming of the Company, then Photonics Products Group, to Inrad Optics—an updated version of the legacy Inrad brand name. Today, as I write this communication, we are a thriving and focused organization, celebrating the 50th anniversary of the Company's founding.

Inrad Optics was established in 1973 as Interactive Radiation, by Dr. Warren Ruderman, once a young scientist on the Manhattan Project. Dr. Ruderman, both a scientist and an entrepreneur, made a defining impact in the field of crystal growth, particularly in non-linear laser materials and UV filter crystals. Although I never had the pleasure of meeting Dr. Ruderman, I know that we continue to carry his drive for exceptional quality.

Over the past 50 years, Inrad Optics has grown, morphed, and transitioned in many ways. We have persevered through global economic downturns and shifts in the optics and photonics marketplace. We have arrived at the half-century mark resilient and engaged, and we continue to fulfill the evolving and critical needs of our customers.

This past December, when Lawrence Livermore National Lab announced the historic breakthrough achievement of fusion ignition, I was reminded that we were there with the first laser crystals for both the Nova Fusion Facility in the 1980s, and the LLNL National Ignition Facility throughout the 1990s and early 2000s. Currently, we supply one-of-a-kind bent x-ray crystals to NIF and other laser plasma fusion labs, as well as to magnetic confinement fusion facilities worldwide. While commercial fusion energy may still be decades away, Inrad Optics is at the forefront of this essential research, providing our x-ray assemblies to research labs around the globe.

To enhance stakeholders' understanding of our contributions in x-ray-based research and other markets, we have made a small but vital change in how we describe product segments. The new segmentation now includes UV-IR Optics (glass and crystal), X-ray Optics, and Metal Substrate Optics, providing a clearer depiction of our product focus and operational strategy.

Looking back, 2022 was a year of mostly positive developments. We achieved the Company's second consecutive year of positive net income in each quarter. I am also delighted to report that this trend continues in Q1 & Q2 of 2023, representing a significant and long-sought operational success. Our concerted efforts to execute our strategic plan are yielding tangible results.

Record bookings of \$18.7M in 2022, slightly above the 2021 total of \$17.9M, have helped solidify our future. Customers placed multi-year orders in both of the last two years to secure capacity for their critical optical requirements. Our Process Control and Metrology market segment, where we provide both UV-IR optics and X-ray optics, continues to flourish. Government investments, such as the US Chips Act and similar European Chips legislation, are fueling demand from semiconductor equipment manufacturers as new semiconductor fabs break ground.

Although we worked hard to ramp our production capacity, revenue for the year decreased by 6.4% to \$10.6M compared to the prior year's \$11.4M. This was due to two factors: capacity constraints as we trained employees and brought on new equipment, and last-time shipments of legacy products totaling \$734K in 2021, compared to \$188K in 2022—a result we expected. I am pleased to point out that for the first half of 2023, we reported a 27% increase in shipments, totaling \$6.6M compared to \$5.2M for the same period in 2022.

In 2022 and continuing in 2023, several long-time customers partnered with us in new ways, offering assistance in funding capex to build capacity and consigning new metrology tools to help us grow our inspection capabilities. We appreciate our customers' confidence in our ability to meet their growing demand. Additionally, we were able to execute on several other significant capex purchases, while maintaining and marginally increasing cash at year-end. We continue to make careful investments in 2023 to meet current and future customer requirements.

Our leadership team is energized by the clear opportunity set before us, driven by the extraordinary demand for our unique capabilities and products. Last year, I mentioned the challenges we faced in building our workforce, and I am pleased to report that we have had good success in bringing in new talent over the past 14 months. The equipment capacity ramp continues in conjunction with the recommissioning of manufacturing space for in-demand products.

As we celebrate our 50-year mark, I am optimistic about the future and look forward to the role Inrad Optics will continue to play in enabling our customers' success. As optics and photonics assume a progressively larger role in day-to-day life, I am quite proud of the contributions we make to help improve the world. I look forward to sharing the next chapters of our story and offer my thanks for your continued support.

Amy Eskilson
August 14, 2023