

**LEATT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
Current Assets		
Cash and cash equivalents	\$ 1,518,157	\$1,103,003
Short-term investments	58,221	58,196
Accounts receivable	2,420,656	2,217,840
Inventory	5,034,310	4,578,125
Payments in advance	565,124	569,498
Income tax refunds receivable	130,171	83,567
Prepaid expenses and other current assets	847,442	847,032
Total current assets	<u>10,574,081</u>	<u>9,457,261</u>
Property and equipment, net	2,113,855	1,190,688
Deferred tax asset, net	-	42,900
Other Assets		
Deposits	26,081	24,892
Intangible assets	76,364	69,133
Total other assets	<u>102,445</u>	<u>94,025</u>
Total Assets	<u><u>\$12,790,381</u></u>	<u><u>\$10,784,874</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities		
Accounts payable and accrued expenses	\$ 4,433,665	\$ 3,021,618
Short term loan, net of finance charges	518,130	542,532
Total current liabilities	<u>4,951,795</u>	<u>3,564,150</u>
Deferred tax liabilities, net	38,100	-
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, \$.001 par value, 28,000,000 shares authorized, 5,366,382 and 5,362,992 shares issued and outstanding	130,053	130,053
Additional paid - in capital	7,687,367	7,469,694
Accumulated other comprehensive loss	(485,286)	(610,083)
Retained earnings	465,352	228,060
Total stockholders' equity	<u>7,800,486</u>	<u>7,220,724</u>
Total Liabilities and Stockholders' Equity	<u><u>\$12,790,381</u></u>	<u><u>\$10,784,874</u></u>

**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

	Three Months Ended		Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	\$ 5,356,631	\$ 3,263,501	\$ 20,139,785	\$ 16,416,465
Cost of Revenues	<u>3,107,631</u>	<u>1,971,276</u>	<u>10,674,447</u>	<u>8,178,017</u>
Gross Profit	<u>2,249,000</u>	<u>1,292,225</u>	<u>9,465,338</u>	<u>8,238,448</u>
Product Royalty Income	7,725	33,611	98,038	103,366
Operating Expenses				
Salaries and wages	726,147	578,124	2,603,707	2,332,167
Commissions and consulting expenses	135,091	121,633	523,629	566,105
Professional fees	174,672	175,058	694,345	538,076
Advertising and marketing	431,897	371,683	1,690,408	1,588,599
Office rent and expenses	65,832	65,205	266,933	258,950
Research and development costs	391,671	359,468	1,358,512	1,443,451
Bad debt expense	55,607	69,008	64,213	62,667
General and administrative expenses	405,023	406,989	1,659,565	1,873,981
Depreciation	<u>153,723</u>	<u>94,950</u>	<u>476,552</u>	<u>409,534</u>
Total operating expenses	<u>2,539,663</u>	<u>2,242,118</u>	<u>9,337,864</u>	<u>9,073,530</u>
Income from Operations	<u>(282,938)</u>	<u>(916,282)</u>	<u>225,512</u>	<u>(731,716)</u>
Other Income (Expenses)				
Interest and other income (expenses), net	<u>(3,807)</u>	<u>31,982</u>	<u>(9,457)</u>	<u>97,521</u>
Total other income (expenses)	<u>(3,807)</u>	<u>31,982</u>	<u>(9,457)</u>	<u>97,521</u>
Income (Loss) Before Income Taxes	(286,745)	(884,300)	216,055	(634,195)
Income Taxes	(179,851)	(288,283)	(21,237)	(178,958)
Net Income (Loss) Available to Common Shareholders	<u>\$ (106,894)</u>	<u>\$ (596,017)</u>	<u>\$ 237,292</u>	<u>\$ (455,237)</u>
Net Income (Loss) per Common Share				
Basic	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>	<u>\$ 0.04</u>	<u>\$ (0.09)</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>	<u>\$ 0.04</u>	<u>\$ (0.08)</u>
Weighted Average Number of Common Shares Outstanding				
Basic	<u>5,366,382</u>	<u>5,362,992</u>	<u>5,365,137</u>	<u>5,310,966</u>
Diluted	<u>5,546,169</u>	<u>5,500,968</u>	<u>5,544,925</u>	<u>5,448,942</u>
Comprehensive Income (Loss)				
Net Income	\$ (106,894)	\$ (596,017)	\$ 237,292	\$ (455,237)
Other comprehensive income, net of \$10,300 and \$17,100 deferred income taxes in 2017 and 2016				
Foreign currency translation	<u>117,453</u>	<u>(10,788)</u>	<u>124,797</u>	<u>99,949</u>
Total Comprehensive Income (Loss)	<u>\$ 10,559</u>	<u>\$ (606,805)</u>	<u>\$ 362,089</u>	<u>\$ (355,288)</u>

**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Cash flows from operating activities		
Net income (loss)	\$ 237,292	\$ (455,237)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	476,552	409,534
Deferred income taxes	81,000	(900)
Stock-based compensation	217,673	157,458
Other income	-	(73,533)
Bad debts	(15,895)	(30,446)
Inventory reserve	(108,299)	5,592
Gain on sale of property and equipment	(3,125)	-
(Increase) decrease in:		
Accounts receivable	(186,921)	714,305
Inventory	(347,886)	(342,577)
Payments in advance	4,374	(361,468)
Prepaid expenses and other current assets	(410)	223,742
Income tax refunds receivable	(46,604)	(83,567)
Other receivables	-	90,000
Deposits	(1,189)	(8,399)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,412,047	460,638
Income taxes payable	-	(384,950)
Net cash provided by operating activities	<u>1,718,609</u>	<u>320,192</u>
Cash flows from investing activities		
Capital expenditures	(1,361,453)	(239,336)
Proceeds from sale of property and equipment	3,125	-
Increase in short-term investments, net	(25)	(24)
Net cash used in investing activities	<u>(1,358,353)</u>	<u>(239,360)</u>
Cash flows from financing activities		
Issuance of common stock	-	39,000
Proceeds from (repayments of ) short-term loan, net	(24,402)	(116,107)
Net cash used in financing activities	<u>(24,402)</u>	<u>(77,107)</u>
Effect of exchange rates on cash and cash equivalents	<u>79,300</u>	<u>44,528</u>
Net increase in cash and cash equivalents	415,154	48,253
Cash and cash equivalents - beginning of year	<u>1,103,003</u>	<u>1,054,750</u>
Cash and cash equivalents - end of year	<u>\$1,518,157</u>	<u>\$1,103,003</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 13,397</u>	<u>\$ 12,779</u>
Cash paid for income taxes	<u>\$ 87,207</u>	<u>\$ 273,359</u>
Other noncash investing and financing activities		

Common stock issued for services	<u>\$ 217,673</u>	<u>\$ 157,458</u>
Cancellation of shares as settlement of debt	<u>\$ -</u>	<u>\$ (73,533)</u>