

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Current Assets		
Cash and cash equivalents	\$ 1,445,845	\$ 1,518,157
Short-term investments	58,225	58,221
Accounts receivable	2,656,560	2,420,656
Inventory	5,034,375	5,034,310
Payments in advance	435,203	565,124
Income tax refunds receivable	83,232	130,171
Prepaid expenses and other current assets	473,626	847,442
Total current assets	10,187,066	10,574,081
Property and equipment, net	2,161,304	2,113,855
Other Assets		
Deposits	26,417	26,081
Intangible assets	79,867	76,364
Total other assets	106,284	102,445
Total Assets	\$ 12,454,654	\$ 12,790,381

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	\$ 3,921,359	\$ 4,433,665
Short term loan, net of finance charges	345,326	518,130
Total current liabilities	4,266,685	4,951,795
Deferred tax liabilities, net	38,100	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 shares issued and outstanding	130,053	130,053
Additional paid - in capital	7,837,699	7,687,367
Accumulated other comprehensive loss	(427,054)	(485,286)
Retained earnings	606,171	465,352
Total stockholders' equity	8,149,869	7,800,486
Total Liabilities and Stockholders' Equity	\$ 12,454,654	\$ 12,790,381

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended	
	March 31	
	2018	2017
	Unaudited	Unaudited
Revenues	\$ 5,502,542	\$ 5,817,769
Cost of Revenues	<u>2,746,097</u>	<u>2,907,670</u>
Gross Profit	<u>2,756,445</u>	<u>2,910,099</u>
Product Royalty Income	12,309	10,956
Operating Expenses		
Salaries and wages	777,763	759,243
Commissions and consulting expenses	125,339	153,048
Professional fees	168,471	310,791
Advertising and marketing	504,162	401,554
Office rent and expenses	70,438	66,051
Research and development costs	323,280	323,243
Bad debt expense (recovery)	9,767	(4,641)
General and administrative expenses	435,560	401,413
Depreciation	162,764	88,965
Total operating expenses	<u>2,577,544</u>	<u>2,499,667</u>
Income from Operations	<u>191,210</u>	<u>421,388</u>
Other Expenses		
Interest and other expenses, net	<u>(3,452)</u>	<u>(2,988)</u>
Total other expenses	<u>(3,452)</u>	<u>(2,988)</u>
Income Before Income Taxes	187,758	418,400
Income Taxes	<u>46,939</u>	<u>146,440</u>
Net Income Available to Common Shareholders	<u>\$ 140,819</u>	<u>\$ 271,960</u>
Net Income per Common Share		
Basic	<u>\$ 0.03</u>	<u>\$ 0.05</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.05</u>
Weighted Average Number of Common Shares Outstanding		
Basic	<u>5,366,382</u>	<u>5,362,992</u>
Diluted	<u>5,545,564</u>	<u>5,499,103</u>
Comprehensive Income		
Net Income	\$ 140,819	\$ 271,960
Other comprehensive income, net of \$0 and \$0 deferred income taxes in 2018 and 2017		
Foreign currency translation	<u>58,232</u>	<u>52,721</u>
Total Comprehensive Income	<u>\$ 199,051</u>	<u>\$ 324,681</u>

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Net income	\$ 140,819	\$ 271,960
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	162,764	88,965
Deferred income taxes	-	(62,000)
Stock-based compensation	150,332	177,113
Bad debts	6,503	(6,717)
Inventory reserve	16,522	117,039
(Increase) decrease in:		
Accounts receivable	(242,407)	(739,731)
Inventory	(16,587)	948,717
Payments in advance	129,921	(177,481)
Prepaid expenses and other current assets	373,816	385,604
Income tax refunds receivable	46,939	83,567
Deposits	(336)	(602)
Increase (decrease) in:		
Accounts payable and accrued expenses	(512,306)	(834,598)
Income taxes payable	-	64,391
Net cash provided by operating activities	<u>255,980</u>	<u>316,227</u>
Cash flows from investing activities		
Capital expenditures	(201,157)	(61,267)
Increase in short-term investment, net	(4)	(5)
Net cash used in investing activities	<u>(201,161)</u>	<u>(61,272)</u>
Cash flows from financing activities		
Repayments of short-term loan, net	<u>(172,804)</u>	<u>(241,759)</u>
Net cash used in financing activities	<u>(172,804)</u>	<u>(241,759)</u>
Effect of exchange rates on cash and cash equivalents	<u>45,673</u>	<u>27,310</u>
Net increase (decrease) in cash and cash equivalents	(72,312)	40,506
Cash and cash equivalents - beginning of period	<u>1,518,157</u>	<u>1,103,003</u>
Cash and cash equivalents - end of period	<u>\$ 1,445,845</u>	<u>\$ 1,143,509</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 4,085</u>	<u>\$ 3,443</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 60,482</u>
Other non-cash investing and financing activities		
Common stock issued for services	<u>\$ 150,332</u>	<u>\$ 177,113</u>