

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,709,900	\$ 1,518,157
Short-term investments	58,232	58,221
Accounts receivable	2,049,331	2,420,656
Inventory	4,815,215	5,034,310
Payments in advance	473,286	565,124
Income tax refunds receivable	-	130,171
Prepaid expenses and other current assets	1,247,233	847,442
Total current assets	<u>10,353,197</u>	<u>10,574,081</u>
Property and equipment, net	2,317,490	2,113,855
Other Assets		
Deposits	25,380	26,081
Intangible assets	40,466	76,364
Total other assets	<u>65,846</u>	<u>102,445</u>
Total Assets	<u>\$ 12,736,533</u>	<u>\$ 12,790,381</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	\$ 2,779,182	\$ 4,433,665
Income tax payable	70,258	-
Short term loan, net of finance charges	582,128	518,130
Total current liabilities	<u>3,431,568</u>	<u>4,951,795</u>
Deferred tax liabilities, net	170,900	38,100
Deferred Compensation	80,000	-
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, 5,370,028 and 5,366,382 shares issued and outstanding	130,053	130,053
Additional paid - in capital	7,868,119	7,687,367
Accumulated other comprehensive loss	(609,303)	(485,286)
Retained earnings	1,662,196	465,352
Total stockholders' equity	<u>9,054,065</u>	<u>7,800,486</u>
Total Liabilities and Stockholders' Equity	<u>\$ 12,736,533</u>	<u>\$ 12,790,381</u>

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended		Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	\$5,514,400	\$5,356,631	\$ 24,392,312	\$ 20,139,785
Cost of Revenues	<u>3,059,491</u>	<u>3,107,631</u>	<u>12,820,453</u>	<u>10,674,447</u>
Gross Profit	<u>2,454,909</u>	<u>2,249,000</u>	<u>11,571,859</u>	<u>9,465,338</u>
Product Royalty Income	15,481	7,725	43,686	98,038
Operating Expenses				
Salaries and wages	824,533	726,147	2,808,090	2,603,707
Commissions and consulting expenses	62,119	135,091	445,534	523,629
Professional fees	150,124	174,672	611,269	694,345
Advertising and marketing	383,939	431,897	1,881,368	1,690,408
Office rent and expenses	67,433	65,832	278,592	266,933
Research and development costs	353,497	391,671	1,412,866	1,358,512
Bad debt expense	75,648	55,607	96,755	64,213
General and administrative expenses	462,734	405,023	1,873,502	1,659,565
Impairment loss	25,000	-	25,000	-
Depreciation	193,340	153,723	695,605	476,552
Total operating expenses	<u>2,598,367</u>	<u>2,539,663</u>	<u>10,128,581</u>	<u>9,337,864</u>
Income (Loss) from Operations	<u>(127,977)</u>	<u>(282,938)</u>	<u>1,486,964</u>	<u>225,512</u>
Other Income (Expenses)				
Interest and other income (expenses), net	47,440	(3,807)	39,120	(9,457)
Total other income (expenses)	<u>47,440</u>	<u>(3,807)</u>	<u>39,120</u>	<u>(9,457)</u>
Income (Loss) Before Income Taxes	(80,537)	(286,745)	1,526,084	216,055
Income Taxes	(79,673)	(179,851)	329,240	(21,237)
Net Income (Loss) Available to Common Shareholders	<u>\$ (864)</u>	<u>\$ (106,894)</u>	<u>\$ 1,196,844</u>	<u>\$ 237,292</u>
Net Income (Loss) per Common Share				
Basic	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ 0.22</u>	<u>\$ 0.04</u>
Diluted	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ 0.22</u>	<u>\$ 0.04</u>
Weighted Average Number of Common Shares Outstanding				
Basic	<u>5,368,799</u>	<u>5,366,382</u>	<u>5,366,712</u>	<u>5,365,137</u>
Diluted	<u>5,534,427</u>	<u>5,546,169</u>	<u>5,532,339</u>	<u>5,544,925</u>
Comprehensive Income (Loss)				
Net Income	\$ (864)	\$ (106,894)	\$ 1,196,844	\$ 237,292
Other comprehensive income, net of \$25,200 and \$10,300 deferred income taxes in 2018 and 2017				
Foreign currency translation	<u>(1,689)</u>	<u>117,453</u>	<u>(124,017)</u>	<u>124,797</u>
Total Comprehensive Income (Loss)	<u>\$ (2,553)</u>	<u>\$ 10,559</u>	<u>\$ 1,072,827</u>	<u>\$ 362,089</u>

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Net income	\$ 1,196,844	\$ 237,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	695,605	476,552
Deferred income taxes	132,800	81,000
Stock-based compensation	180,752	217,673
Bad debts	(1,584)	(15,895)
Inventory reserve	25,196	(108,299)
Gain on sale of property and equipment	(1,260)	(3,125)
Impairment loss	25,000	-
(Increase) decrease in:		
Accounts receivable	372,909	(186,921)
Inventory	193,899	(347,886)
Payments in advance	91,838	4,374
Prepaid expenses and other current assets	(399,791)	(410)
Income tax refunds receivable	130,171	(46,604)
Deposits	701	(1,189)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,654,483)	1,412,047
Income taxes payable	70,258	-
Deferred compensation	80,000	-
Net cash provided by operating activities	<u>1,138,855</u>	<u>1,718,609</u>
Cash flows from investing activities		
Capital expenditures	(978,167)	(1,361,453)
Proceeds from sale of property and equipment	1,308	3,125
Increase in short-term investments, net	(11)	(25)
Net cash used in investing activities	<u>(976,870)</u>	<u>(1,358,353)</u>
Cash flows from financing activities		
Proceeds from (repayments of) short-term loan, net	<u>63,998</u>	<u>(24,402)</u>
Net cash provided by (used in) financing activities	<u>63,998</u>	<u>(24,402)</u>
Effect of exchange rates on cash and cash equivalents	<u>(34,240)</u>	<u>79,300</u>
Net increase in cash and cash equivalents	191,743	415,154
Cash and cash equivalents - beginning of year	<u>1,518,157</u>	<u>1,103,003</u>
Cash and cash equivalents - end of year	<u>\$ 1,709,900</u>	<u>\$ 1,518,157</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 16,110</u>	<u>\$ 13,397</u>
Cash paid for income taxes	<u>\$ 100,892</u>	<u>\$ 87,207</u>
Other noncash investing and financing activities		
Common stock issued for services	<u>\$ 180,752</u>	<u>\$ 217,673</u>