



**LEATT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

|   | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|---|----------------------|--------------------------|
|   | <b>Unaudited</b>     | <b>Audited</b>           |
| <b>Current Assets</b>                     |                      |                          |
| Cash and cash equivalents                 | \$ 2,627,438         | \$ 2,072,864             |
| Short-term investments                    | 58,251               | 58,239                   |
| Accounts receivable                       | 2,478,014            | 2,956,012                |
| Inventory                                 | 5,647,774            | 8,655,176                |
| Payments in advance                       | 655,931              | 447,476                  |
| Prepaid expenses and other current assets | 2,024,321            | 1,129,067                |
| <b>Total current assets</b>               | <b>13,491,729</b>    | <b>15,318,834</b>        |
| Property and equipment, net               | 2,078,940            | 2,431,061                |
| Operating lease right-of-use assets, net  | 303,424              | 411,956                  |
| <b>Other Assets</b>                       |                      |                          |
| Deposits                                  | 25,431               | 26,642                   |
| <b>Total other assets</b>                 | <b>25,431</b>        | <b>26,642</b>            |
| <b>Total Assets</b>                       | <b>\$ 15,899,524</b> | <b>\$ 18,188,493</b>     |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Current Liabilities</b>  |                      |                      |
| Accounts payable and accrued expenses   | \$ 2,426,936         | \$ 5,425,681         |
| Note payable to bank  | -                    | 300,000              |
| Operating lease liabilities, current  | 174,545              | 190,765              |
| Income tax payable  | 868,312              | 592,661              |
| Short term loan, net of finance charges   | 322,892              | 576,474              |
| <b>Total current liabilities</b>  | <b>3,792,685</b>     | <b>7,085,581</b>     |
| Paycheck Protection Program loan  | 210,732              | -                    |
| Deferred Compensation   | 200,000              | 160,000              |
| Operating lease liabilities, net of current portion   | 128,879              | 221,191              |
| <b>Commitments and contingencies</b>  |                      |                      |
| <b>Stockholders' Equity</b>   |                      |                      |
| 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, 5,386,723 shares issued and outstanding | 130,068              | 130,068              |
| Additional paid - in capital  | 8,145,716            | 8,079,774            |
| Accumulated other comprehensive loss  | (786,435)            | (529,045)            |
| Retained earnings   | 4,074,879            | 3,037,924            |
| <b>Total stockholders' equity</b>   | <b>11,567,228</b>    | <b>10,721,721</b>    |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 15,899,524</b> | <b>\$ 18,188,493</b> |

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

|   | Three Months Ended |                   | Six Months Ended    |                   |
|---|--------------------|-------------------|---------------------|-------------------|
|   | June 30            |                   | June 30             |                   |
|   | 2020<br>Unaudited  | 2019<br>Unaudited | 2020<br>Unaudited   | 2019<br>Unaudited |
| Revenues  | \$ 6,943,130       | \$ 5,277,066      | \$ 14,485,004       | \$ 11,367,994     |
| Cost of Revenues  | <u>3,688,623</u>   | <u>2,646,430</u>  | <u>7,707,044</u>    | <u>5,875,256</u>  |
| Gross Profit  | <u>3,254,507</u>   | <u>2,630,636</u>  | <u>6,777,960</u>    | <u>5,492,738</u>  |
| Product Royalty Income  | 3,182              | 6,995             | 4,659               | 15,696            |
| Operating Expenses  |                    |                   |                     |                   |
| Salaries and wages  | 622,846            | 713,736           | 1,467,452           | 1,590,640         |
| Commissions and consulting expenses   | 103,906            | 80,499            | 187,342             | 158,560           |
| Professional fees   | 213,318            | 131,569           | 534,905             | 384,537           |
| Advertising and marketing   | 357,028            | 471,888           | 981,231             | 1,035,882         |
| Office lease and expenses   | 72,386             | 68,546            | 146,200             | 138,538           |
| Research and development costs  | 336,608            | 366,219           | 724,812             | 706,315           |
| Bad debt expense (recovery)   | 41,900             | (7,022)           | 26,920              | 9,499             |
| General and administrative expenses   | 410,128            | 521,420           | 930,243             | 988,654           |
| Depreciation  | <u>190,749</u>     | <u>188,300</u>    | <u>382,801</u>      | <u>377,995</u>    |
| Total operating expenses  | <u>2,348,869</u>   | <u>2,535,155</u>  | <u>5,381,906</u>    | <u>5,390,620</u>  |
| Income from Operations  | <u>908,820</u>     | <u>102,476</u>    | <u>1,400,713</u>    | <u>117,814</u>    |
| Other Expenses  |                    |                   |                     |                   |
| Interest and other expenses, net  | <u>(9,477)</u>     | <u>(572)</u>      | <u>(18,106)</u>     | <u>(3,593)</u>    |
| Total other expenses  | <u>(9,477)</u>     | <u>(572)</u>      | <u>(18,106)</u>     | <u>(3,593)</u>    |
| Income Before Income Taxes  | 899,343            | 101,904           | 1,382,607           | 114,221           |
| Income Taxes  | <u>224,836</u>     | <u>28,204</u>     | <u>345,652</u>      | <u>31,283</u>     |
| Net Income Available to Common Shareholders   | <u>\$ 674,507</u>  | <u>\$ 73,700</u>  | <u>\$ 1,036,955</u> | <u>\$ 82,938</u>  |
| Net Income per Common Share   |                    |                   |                     |                   |
| Basic   | <u>\$ 0.13</u>     | <u>\$ 0.01</u>    | <u>\$ 0.19</u>      | <u>\$ 0.02</u>    |
| Diluted   | <u>\$ 0.12</u>     | <u>\$ 0.01</u>    | <u>\$ 0.19</u>      | <u>\$ 0.01</u>    |
| Weighted Average Number of Common Shares Outstanding                                      |                    |                   |                     |                   |
| Basic   | <u>5,386,723</u>   | <u>5,386,723</u>  | <u>5,386,723</u>    | <u>5,383,751</u>  |
| Diluted   | <u>5,548,476</u>   | <u>5,548,176</u>  | <u>5,548,476</u>    | <u>5,545,204</u>  |
| Comprehensive Income  |                    |                   |                     |                   |
| Net Income  | \$ 674,507         | \$ 73,700         | \$ 1,036,955        | \$ 82,938         |
| Other comprehensive income, net of \$-0- and \$-0- deferred income taxes in 2020 and 2019 |                    |                   |                     |                   |
| Foreign currency translation  | <u>54,897</u>      | <u>34,858</u>     | <u>(257,390)</u>    | <u>33,165</u>     |
| Total Comprehensive Income  | <u>\$ 729,404</u>  | <u>\$ 108,558</u> | <u>\$ 779,565</u>   | <u>\$ 116,103</u> |

**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| Cash flows from operating activities  |                     |                     |
| Net income  | \$ 1,036,955        | \$ 82,938           |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |
| Depreciation  | 382,801             | 377,995             |
| Stock-based compensation  | 65,942              | 166,250             |
| Bad debts reserve   | 24,975              | 2,094               |
| Inventory reserve   | (17,729)            | (6,098)             |
| Gain on sale of property and equipment  | (351)               | -                   |
| (Increase) decrease in:   |                     |                     |
| Accounts receivable   | 453,023             | 250,284             |
| Inventory   | 3,025,131           | (485,696)           |
| Payments in advance   | (208,455)           | (184,889)           |
| Prepaid expenses and other current assets   | (895,254)           | (69,997)            |
| Deposits  | 1,212               | (265)               |
| Increase (decrease) in:   |                     |                     |
| Accounts payable and accrued expenses   | (2,998,745)         | 52,608              |
| Income taxes payable  | 275,651             | 3,555               |
| Deferred compensation   | 40,000              | 40,000              |
| Net cash provided by operating activities   | <u>1,185,156</u>    | <u>228,779</u>      |
| Cash flows from investing activities  |                     |                     |
| Capital expenditures  | (107,570)           | (191,888)           |
| Proceeds from sale of property and equipment                                      | 351                 | -                   |
| Increase in short-term investments, net   | (12)                | (3)                 |
| Net cash used in investing activities   | <u>(107,231)</u>    | <u>(191,891)</u>    |
| Cash flows from financing activities  |                     |                     |
| Issuance of common stock  | -                   | 15,000              |
| Repayment of note payable to bank, net  | (300,000)           | -                   |
| Proceeds from Paycheck Protection Program loan                                    | 210,732             | -                   |
| Repayments of short-term loan, net  | (253,582)           | (291,296)           |
| Net cash used in financing activities   | <u>(342,850)</u>    | <u>(276,296)</u>    |
| Effect of exchange rates on cash and cash equivalents                             | <u>(180,501)</u>    | <u>21,855</u>       |
| Net increase (decrease) in cash and cash equivalents                              | 554,574             | (217,553)           |
| Cash and cash equivalents - beginning of period                                   | <u>2,072,864</u>    | <u>1,709,900</u>    |
| Cash and cash equivalents - end of period   | <u>\$ 2,627,438</u> | <u>\$ 1,492,347</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                          |                     |                     |
| Cash paid for interest  | <u>\$ 19,883</u>    | <u>\$ 10,815</u>    |
| Cash paid for income taxes  | <u>\$ 70,000</u>    | <u>\$ 26,600</u>    |
| Other noncash investing and financing activities                                  |                     |                     |
| Common stock issued for services  | <u>\$ 65,942</u>    | <u>\$ 166,250</u>   |