LEATT CORPORATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Current Assets		
Cash and cash equivalents	$ 667,671	$ 1,084,806
Short-term investments	311,263	310,329
Accounts receivable	3,532,811	2,993,681
Inventory	3,770,932	3,679,223
Payments in advance	168,710	179,653
Deferred tax asset	47,000	47,000
Prepaid expenses and other current assets	874,113	825,817
Total current assets	9,372,500	9,120,509
Property and equipment, net	1,127,707	1,372,521
Other Assets		
Deposits	44,495	33,509
Intangible assets	111,358	116,230
Total other assets	155,853	149,739
Total Assets	$ 10,656,060	$ 10,642,769

LIABILITIES AND STOCKHOLDERS' EQUITY

	2012	2011
Current Liabilities		
Accounts payable and accrued expenses	$ 2,000,554	$ 2,171,456
Customer deposits	-	265
Income taxes payable	115,000	148,000
Short term loan, net of finance charges	837,721	617,010
Total current liabilities	2,953,275	2,936,731
Deferred tax liabilities	38,000	100,000
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, 5,200,623 shares issued and outstanding	130,008	130,008
Additional paid - in capital	7,302,352	7,286,865
Accumulated other comprehensive income	164,235	199,618
Retained earnings (accumulated deficit)	65,190	(13,453)
Total stockholders' equity	7,664,785	7,606,038
Total Liabilities and Stockholders' Equity	$ 10,656,060	$ 10,642,769

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues	$ 16,577,350	$ 17,878,727
Cost of Revenues	7,668,054	7,469,581
Gross Profit	8,909,296	10,409,146
Product Royalty Income	262,566	99,268
Operating Expenses		
Salaries and wages	2,261,349	2,369,666
Commissions and consulting expenses	512,690	499,482
Professional fees	1,145,227	769,628
Advertising and marketing	1,528,949	1,578,346
Office rent and expenses	264,264	256,714
Research and development costs	1,107,042	1,224,965
Bad debt expense (recovery)	(257,223)	326,507
General and administrative expenses	2,123,270	2,226,187
Depreciation	420,770	398,389
Total operating expenses	9,106,338	9,649,884
Income from Operations	65,524	858,530
Other Income		
Interest and other income, net	60,817	23,142
Total other income	60,817	23,142
Income Before Income Taxes	126,341	881,672
Income Taxes	47,698	117,173
Net Income Available to Common Shareholders	$ 78,643	$ 764,499
Net Income per Common Share		
Basic	$ 0.015	$ 0.15
Diluted	$ 0.015	$ 0.15
Weighted Average Number of Common Shares Outstanding		
Basic	5,200,623	5,208,398
Diluted	5,200,623	5,208,398
Comprehensive Income		
Net Income	$ 78,643	$ 764,499
Other comprehensive income (loss), net of $-0- deferred income taxes in 2012 and 2011		
Foreign currency translation	(35,383)	(326,663)
Total Comprehensive Income	$ 43,260	$ 437,836

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Net income	$ 78,643	$ 764,499
Adjustments to reconcile net income to net cash provided by		
(used in) operating activities:		
Depreciation	420,770	398,389
Deferred income taxes	(62,000)	(5,100)
Stock-based compensation	15,487	-
Bad debts	7,787	36,463
Gain on sale of property and equipment	(7,712)	(8,553)
(Increase) decrease in:		
Accounts receivable	(546,917)	(182,331)
Inventory	(91,709)	(922,027)
Payments in advance	10,943	(59,503)
Prepaid expenses and other current assets	(48,296)	(14,014)
Income tax refunds receivable	-	40,300
Deposits	(10,986)	(953)
Increase (decrease) in:		
Accounts payable and accrued expenses	(170,902)	430,443
Income taxes payable	(33,000)	148,000
Customer deposits	(265)	(69,723)
Net cash provided by (used in) operating activities	(438,157)	555,890
Cash flows from investing activities		
Capital expenditures	(213,098)	(477,683)
Proceeds from sale of property and equipment	7,712	20,013
Increase in short-term investments, net	(934)	(1,094)
Net cash used in investing activities	(206,320)	(458,764)
Cash flows from financing activities		
Repurchase of common stock	-	(81,417)
Proceeds from (repayments of) short-term loan, net	220,711	(14,420)
Net cash provided by (used in) financing activities	220,711	(95,837)
Effect of exchange rates on cash and cash equivalents	6,631	(151,590)
Net decrease in cash and cash equivalents	(417,135)	(150,301)
Cash and cash equivalents - beginning of year	1,084,806	1,235,107
Cash and cash equivalents - end of year	$ 667,671	$ 1,084,806
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 11,103	$ 10,197
Cash paid for income taxes	$ 143,207	$ 1,600
Other noncash investing and financing activities		
Common stock issued for services	$ 15,487	$ -