

XPEL Technologies Corp.

Condensed Interim Financial Statements

(Expressed in United States Dollars)

For the Three and Six Months Ended June 30, 2013

XPEL TECHNOLOGIES CORP.**Condensed Balance Sheet**

(Expressed in United States Dollars)

(unaudited)

	Note	June 30, 2013	December 31, 2012
Assets			
Current			
Cash and cash equivalents		\$ 1,809,509	\$ 1,396,300
Accounts receivable		1,447,879	904,453
Inventory		1,543,226	1,899,534
Prepaid expenses and sundry assets		<u>253,067</u>	<u>102,139</u>
Total current assets		5,053,681	4,302,426
Property, plant and equipment		409,900	297,483
Intangible assets		301,883	302,769
Deferred income tax asset		<u>154,000</u>	<u>493,000</u>
Total assets		<u>\$ 5,919,464</u>	<u>\$ 5,395,678</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		2,230,656	2,385,717
Current portion of long-term debt		6,417	-
Customer deposits	3	<u>15,050</u>	<u>15,050</u>
Total current liabilities		2,252,123	2,400,767
Long-term debt		<u>25,833</u>	-
Total liabilities		2,277,956	2,400,767
Equity			
Capital stock	4	6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Increase in cash during the period		<u>(5,158,755)</u>	<u>(5,805,352)</u>
Total liabilities and equity		<u>\$ 5,919,464</u>	<u>\$ 5,395,678</u>

Approved by Board of Directors:

/s/ Richard Crumly
Richard Crumly/s/ John Constantine
John Constantine

XPEL TECHNOLOGIES CORP.**Condensed Statements of Income and Comprehensive Income**

(Expressed in United States Dollars)

(unaudited)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2013	2012	2013	2012
Revenue		\$ 4,898,729	\$ 2,454,769	\$ 8,055,311	\$ 4,448,366
Expenses					
Direct costs	7	3,404,830	1,572,207	5,502,200	2,787,315
Selling, general and administrative expenses	7	908,193	663,196	1,564,926	1,198,029
Income from operations		585,706	219,366	988,185	463,022
Interest expense		433	607	733	1,432
Loss on sale of property, plant and equipment		-	-	1,855	-
		<u>433</u>	<u>607</u>	<u>2,588</u>	<u>1,432</u>
Net Income before income taxes		585,273	218,759	985,597	461,590
Deferred income tax expense		201,000	-	339,000	-
Net income and comprehensive income		<u>384,273</u>	<u>218,759</u>	<u>646,597</u>	<u>461,590</u>
Earnings per Share					
Basic and diluted		\$ 0.015	\$ 0.008	\$ 0.025	\$ 0.018
Weighted Average Number of Common Shares					
Basic and diluted		25,784,950	25,784,950	25,784,950	25,784,950

XPEL TECHNOLOGIES CORP.**Condensed Statement of Changes in Equity**

(Expressed in United States Dollars)

(unaudited)

	Capital Stock		Contributed	Deficit	Total
	Number	Amount	Surplus		
Balance as at January 1, 2012	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (6,967,559)	\$ 1,832,704
Net income and comprehensive income for the period	-	-	-	461,590	461,590
Balance as at June 30, 2012	25,784,950	6,635,133	2,165,130	(6,505,969)	2,294,294
Net income and comprehensive income for the period	-	-	-	700,617	700,617
Balance as at December 31, 2012	25,784,950	6,635,133	2,165,130	(5,805,352)	2,994,911
Net income and comprehensive income for the period	-	-	-	646,597	646,597
Balance as at June 30, 2013	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (5,158,755)	\$ 3,641,508

XPEL TECHNOLOGIES CORP.
Condensed Statement of Cash Flows
(Expressed in United States Dollars)
(unaudited)

	Six Months Ended	
	June 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 646,597	\$ 461,590
Add items not affecting cash		
Amortization of property, plant and equipment	37,891	25,526
Amortization of intangible assets	140,709	151,608
Deferred income tax expense	339,000	-
	<u>1,164,197</u>	<u>638,724</u>
Changes in non-cash working capital items		
Accounts receivable	(543,426)	(372,543)
Inventory	356,308	512,946
Prepaid expenses and sundry assets	(150,928)	(8,072)
Accounts payable and accrued liabilities	(155,056)	(429,980)
Customer deposits	-	300
Net cash provided by operating activities	<u>671,095</u>	<u>341,375</u>
Cash flows used in investing activity		
Purchase of property, plant and equipment	(116,512)	(54,903)
Development of intangible assets	(139,822)	(141,934)
Net cash used in investing activities	<u>(256,334)</u>	<u>(196,837)</u>
Cash flows from financing activity		
Cash from bank operating facility	-	-
Repayment of long-term debt	(1,552)	-
Net cash provided by financing activities	<u>(1,552)</u>	<u>-</u>
Increase in cash during the period	413,209	144,538
Cash at beginning of period	1,396,300	424,795
Cash at end of period	<u><u>\$ 1,809,509</u></u>	<u><u>\$ 569,333</u></u>

Management's Responsibility for Interim Financial Statements

The accompanying condensed unaudited interim financial statements of XPEL Technologies Corp. (the "Company") are the responsibility of management.

The condensed unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the condensed unaudited interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the condensed unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the condensed unaudited interim financial statements and (ii) the condensed unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Ryan L. Pape, CEO

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of the Company is responsible for the preparation of the accompanying condensed unaudited interim financial statements. The condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor. These condensed unaudited financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

1. NATURE OF OPERATIONS

XPEL Technologies Corp. (the "Company") is based in San Antonio, Texas and manufactures and distributes after-market automotive products. The focus of the Company is the aftermarket for automotive paint and headlight protection products which it serves through its offerings of bulk paint protection film (PPF) and pre-cut PPF and headlight protection kits.

The Company was incorporated by articles of incorporation in the state of Nevada, U.S.A. in October 2003 and its registered office is 618 W. Sunset Road, San Antonio, Texas, 78216. The Company is a public company listed on the TSX Venture Exchange trading under the symbol "DAP.U".

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) incorporating interpretations issued by the IFRS Interpretations Committee (IFRICs). These condensed interim financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim financial statements have been prepared in accordance with the accounting policies included in its December 31, 2012 annual financial statements. These accounting policies are based on the IFRS and IFRICs applicable at that time. The condensed interim financial statements do not include all of the information required for full annual financial statements.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant estimates made by the Company include allowances for potentially uncollectable accounts receivable, useful life of property, plant and equipment and intangibles, measurement of warranty provision, recognition of deferred tax assets, valuation of property, plant and equipment and intangible assets for impairment, and fair value of financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in accounting policies

The Company adopted the following accounting standards on January 1, 2013. There has been no impact to the financial statements due to these adoptions.

- (a) IFRS 13 Fair Value Measurement (IFRS 13) defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments will be extended by IFRS 13 to cover all assets and liabilities within its scope.
- (b) IAS 1 Presentation of Financial Statements was amended whereby items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

3. CREDIT FACILITIES

The Company previously entered into a revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs. The Board of Directors approved an increase to \$500,000 on May 16, 2013.

The Company must satisfy certain non-financial covenants on a continuing basis. The Bank of San Antonio has been granted a security interest in substantially all of the Company's current and future assets. The line has a variable interest rate of the Wall Street Journal prime rate plus 2 per cent with a floor of 6 per cent and matures on June 28, 2014.

4. CAPITAL STOCK

Authorized

- 100,000,000 common shares with par value of \$0.001 per share
- 10,000,000 preferred shares with par value of \$0.001 per share

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
June 30, 2013

5. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

A total of \$122,236 (2012 - \$104,741) in salaries and other short-term benefits was paid to key members of management as compensation in the second quarter of 2013, of which \$112,227 (2012 - \$95,765) is included as part of selling, general and administrative expense and \$10,009 (2012 - \$8,976) was capitalized into deferred development costs for design templates.

6. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitment

The Company has entered into lease agreements for premises and financing for two vehicles. In April 2013, the Company entered into an amended real estate lease agreement to expand the premises and extend the lease term for an additional twenty-four month period through January 2019. In May 2013, the Company entered into a lease agreement for thirty-six months for an additional location in Austin, TX. The combined future minimum payments including the extension are as follows:

Less than 1 year	\$	205,427
1-5 years		802,198
	\$	1,007,625

(b) Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

XPEL Technologies Corp.
Notes to Financial Statements
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7. EXPENSES BY NATURE

Direct costs incurred by nature are as follows:

	Three months ending June 30,	
	2013	2012
Employee salaries and benefits	\$ 84,062	\$ 49,842
Materials	3,014,210	1,286,517
Freight	40,399	43,081
Other	195,951	116,857
Amortization of intangible assets	70,208	75,910
	\$ 3,404,830	\$ 1,572,207

	Six months ending June 30,	
	2013	2012
Employee salaries and benefits	\$ 145,957	\$ 81,774
Materials	4,809,665	2,268,047
Freight	72,272	67,836
Other	333,597	218,050
Amortization of intangible assets	140,709	151,608
	\$ 5,502,200	\$ 2,787,315

Selling, general and administrative expenses incurred by nature are as follows:

	Three months ending June 30,	
	2013	2012
Employee salaries and benefits	\$ 586,311	\$ 423,808
Sales and marketing	56,486	49,908
Occupancy	47,117	39,788
Professional fees	52,630	22,951
Filing fees	5,132	4,118
Insurance	19,156	9,921
Office and general	121,376	99,175
Amortization of property, plant and equipment	19,985	13,527
	\$ 908,193	\$ 663,196

XPEL Technologies Corp.
Notes to Financial Statements
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June 30, 2013

Selling, general and administrative expenses incurred by nature are as follows:

	Six months ending June 30,	
	2013	2012
Employee salaries and benefits	\$ 994,636	\$ 775,505
Sales and marketing	80,705	70,397
Occupancy	92,401	79,091
Professional fees	87,477	41,360
Filing fees	7,467	6,384
Insurance	33,347	19,482
Office and general	231,002	180,284
Amortization of property, plant and equipment	37,891	25,526
	\$ 1,564,926	\$ 1,198,029

8. ECONOMIC DEPENDENCY

The Company depends directly or indirectly on several sole suppliers to supply goods and services necessary for carrying on its core business, including a sole manufacturing facility, sole urethane supplier and sole adhesive supplier and other sole suppliers of other intermediate manufacturing elements. Approximately 90% of the Company's inventory purchases are dependent on these direct and indirect sole suppliers. If any of these suppliers were unwilling or unable to provide such products in the future, the Company's ability to provide products and services to its customers may be adversely affected and the Company might not be able to obtain similar products or services from alternate suppliers on a timely basis or on terms favorable to the Company.