

XPEL Technologies Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended March 31, 2015

XPEL TECHNOLOGIES CORP.
Condensed Consolidated Balance Sheet
(Expressed in United States Dollars)
(unaudited)

	Note	March 31, 2015	December 31, 2014
Assets			
Current			
Cash and cash equivalents		\$ 2,397,744	\$ 1,474,130
Accounts receivable		3,148,204	2,287,342
Inventory		5,765,534	6,235,137
Prepaid expenses and sundry assets		449,121	347,472
Total current assets		<u>11,760,603</u>	<u>10,344,081</u>
Property, plant and equipment		890,996	790,343
Intangible assets	8	2,452,323	784,510
Deferred tax asset		57,000	163,000
Goodwill	9	1,622,488	526,243
Total assets		<u>\$ 16,783,409</u>	<u>\$ 12,608,177</u>
Liabilities			
Current			
Bank operating facility	3	\$ 1,750,000	\$ 900,000
Accounts payable and accrued liabilities		2,899,957	4,121,590
Customer deposits		12,350	12,350
Vehicle notes payable		83,475	90,413
Current portion of Promissory note	9	377,928	-
Current portion of Bank loan payable	11	380,000	-
Total current liabilities		<u>5,503,710</u>	<u>5,124,353</u>
Promissory note	9	1,307,213	-
Bank loan payable	11	1,488,334	-
Deferred tax liability		445,359	-
Total liabilities		<u>8,744,616</u>	<u>5,124,353</u>
Equity			
Capital stock	4	6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Accumulated other comprehensive income		(132,959)	(15,721)
Deficit		(690,540)	(1,387,982)
		<u>7,976,764</u>	<u>7,396,560</u>
Non-controlling interest		62,029	87,264
Total liabilities and equity		<u>\$ 16,783,408</u>	<u>\$ 12,608,177</u>

Approved by Board of Directors:

/s/ Richard Crumly
Richard Crumly

/s/ John Constantine
John Constantine

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

(Expressed in United States Dollars)

(unaudited)

		Three Months Ended	
		March 31,	
	Note	2015	2014
Revenue		\$ 8,133,932	\$ 5,271,873
Expenses			
Direct costs	7	5,287,895	3,492,738
Selling, general and administrative expenses	7	2,024,531	1,133,173
Unrealized foreign currency loss	7	5,134	-
Income from operations		816,372	645,962
Interest expense		38,164	2,542
Loss on sale of property, plant and equipment		-	(865)
		38,164	1,677
Net income before income taxes		778,208	644,285
Deferred income tax expense (recovery)		106,000	(13,000)
Current income tax expense		-	198,000
		106,000	185,000
Net income		\$ 672,208	\$ 459,285
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(117,238)	-
Total comprehensive income		\$ 554,970	\$ 459,285
Net income attributable to equity holders of the Company		697,443	459,285
Non-controlling interest		(25,235)	-
		\$ 672,208	\$ 459,285
Earnings per Share			
Basic and diluted		\$ 0.026	\$ 0.018

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

(Expressed in United States Dollars)

(unaudited)

	Capital Stock		Contributed	Deficit	Non-Controlling	Accumulated	
	Number	Amount	Surplus		Interest	Other	Total
						Comprehensive	
						Income	
Balance as at January 1, 2014	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (4,485,084)	\$ -	\$ -	\$ 4,315,179
Net income and comprehensive income for the period	-	-	-	459,285	-	-	459,285
Balance as at March 31, 2014	25,784,950	6,635,133	2,165,130	(4,025,799)	-	-	4,774,464
Non-controlling interest on acquisition	-	-	-	-	114,249	-	114,249
Net income and comprehensive income for the period	-	-	-	2,637,817	(26,985)	-	2,610,832
Other comprehensive income	-	-	-	-	-	(15,721)	(15,721)
Balance as at December 31, 2014	25,784,950	6,635,133	2,165,130	(1,387,982)	87,264	(15,721)	7,483,824
Non-controlling interest	-	-	-	-	(25,235)	-	(25,235)
Net income and comprehensive income for the period	-	-	-	697,443	-	-	697,443
Other comprehensive income	-	-	-	-	-	(117,238)	(117,238)
Balance as at March 31, 2015	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (690,540)	\$ 62,029	\$ (132,959)	\$ 8,038,793

XPEL TECHNOLOGIES CORP.**Condensed Consolidated Statement of Cash Flows**

(Expressed in United States Dollars)

(unaudited)

	Three Months Ended March 31,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net income	\$ 672,208	\$ 459,285
Add items not affecting cash		
Amortization of property, plant and equipment	45,412	28,368
Amortization of intangible assets	133,208	77,550
Deferred income tax expense (recovery)	106,000	(13,000)
Accretion on Promissory Note	12,037	-
Unrealized gain on foreign exchange	(61,585)	-
	<u>907,280</u>	<u>552,203</u>
Changes in non-cash working capital items		
Accounts receivable	(273,922)	(543,862)
Inventory	972,667	(439,249)
Prepaid expenses and sundry assets	(101,649)	28,579
Accounts payable and accrued liabilities	(1,221,633)	114,329
Current income tax expense	-	198,000
Net cash provided by (used in) operating activities	<u>282,743</u>	<u>(90,000)</u>
Cash flows used in investing activity		
Purchase of property, plant and equipment	(73,844)	(141,696)
Cash paid on acquisition	(1,851,271)	-
Development of intangible assets	(145,410)	(143,742)
Net cash used in investing activities	<u>(2,070,525)</u>	<u>(285,438)</u>
Cash flows from financing activity		
Cash from bank operating facility	850,000	325,000
Proceeds from bank loan payable	1,868,334	-
Repayment of notes payable	(6,938)	(4,146)
Net cash provided by financing activities	<u>2,711,396</u>	<u>320,854</u>
Increase (decrease) in cash during the period	923,614	(54,584)
Cash at beginning of period	1,474,130	1,414,913
Cash at end of period	<u><u>\$ 2,397,744</u></u>	<u><u>\$ 1,360,329</u></u>

Management's Responsibility for Interim Financial Statements

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

The condensed consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated unaudited interim financial statements and (ii) the condensed consolidated 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 consolidated unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated unaudited interim financial statements. The condensed consolidated 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 consolidated interim financial statements by an entity's auditor. These condensed consolidated unaudited interim 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.

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

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 consolidated interim financial statements have been prepared under International Financial Reporting Standards (%FRS+) as issued by the International Accounting Standards Board (%ASB+) incorporating interpretations issued by the IFRS Interpretations Committee (%IFRICs+). These condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in its December 31, 2014 annual financial statements. These accounting policies are based on the IFRS and IFRICs applicable at that time. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Basis of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries ArmourfendCAD, LLC and XPEL Canada Corp, and its 80% owned subsidiary XPEL Ltd. Intercompany transactions and balances are eliminated on consolidation.

Functional and Presentation Currency

These consolidated financial statements have been prepared in United States dollars, which is the Company's functional and presentation currency.

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim 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.

Business Combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Gains or losses on disposals of non-controlling interests are also recorded in equity.

3. CREDIT FACILITIES

On March 28, 2011, the Company entered into a US\$150,000 revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs. On May 22, 2014, the Board of Directors approved an increase to the existing limit to US\$2,000,000. As at March 31, 2015, the balance was \$1,750,000 (December 31, 2014 - \$900,000)

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 1.5 per cent with a floor of 6 per cent and matures on June 28, 2015.

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

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

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 condensed consolidated interim financial statements.

A total of \$142,011 (2014 - \$133,430) in salaries and other short-term benefits was paid to key members of management as compensation in the first quarter of 2015, of which \$130,665 (2014 - \$123,221) is included as part of selling, general and administrative expense and \$11,346 (2014 - \$110,209) 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. The combined future minimum payments including the extension are as follows:

Less than 1 year	\$	258,690
1-5 years		599,800
		<hr/>
		\$ 858,490
		<hr/>

(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.

(c) Supply Agreement

During the year ended December 31, 2013, the Company signed an exclusive supply and distribution agreement with the supplier of their material. The agreement requires the Company to purchase a minimum of \$300,000 of material each month. The agreement is for a two year term with the option for further two year renewal terms. The supplier agrees to provide exclusivity to the Company for the purchase of the material.

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

7. EXPENSES BY NATURE

Direct costs incurred by nature are as follows:

	Three months ending March 31,	
	2015	2014
Employee salaries and benefits	\$ 171,263	\$ 111,535
Materials	4,701,244	3,083,505
Freight	102,547	58,956
Other	227,635	170,395
Amortization of intangible assets	85,206	68,347
	\$ 5,287,895	\$ 3,492,738

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

	Three months ending March 31,	
	2015	2014
Employee salaries and benefits	\$ 1,088,976	\$ 666,085
Sales and marketing	174,571	83,304
Occupancy	127,091	67,209
Professional fees	207,958	57,188
Filing fees	4,341	4,059
Insurance	31,965	25,094
Office and general	296,215	201,274
Amortization of PP&E and intangibles	93,414	28,960
	\$ 2,024,531	\$ 1,133,173

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

8. INTANGIBLE ASSETS

Cost	Balance Jan 1, 2015	Additions	Balance Mar. 31, 2015
Design templates (internally generated)	\$2,316,255	\$ 99,165	\$2,415,422
Trademarks	92,027	311	92,338
DAP software platform	318,137	47,459	365,596
Patent	100,000	-	100,000
Design templates	46,906	(2,436)	44,470
Domain names	7,500	-	7,500
Contractual relationships	-	933,734	933,734
Customer relationships	-	564,948	564,948
Non-compete	-	156,930	156,930
	\$2,880,825	\$1,800,111	\$4,680,938

Accumulated Amortization	Balance Jan 1, 2015	Additions	Balance Mar. 31, 2015
Design templates (internally generated)	\$1,961,797	\$ 77,008	\$2,038,804
DAP software platform	58,655	17,330	75,985
Patent	70,000	2,500	72,500
Design templates	5,863	5,254	11,118
Contractual relationships	-	15,562	15,562
Customer relationships	-	9,416	9,416
Non-compete	-	5,231	5,231
	\$2,096,315	\$ 132,301	\$2,228,616

Net Book Value	Balance Jan 1, 2015	Balance Mar. 31, 2015
Design templates (internally generated)	\$ 354,458	\$ 376,618
Trademarks	92,027	92,338
DAP software platform	259,482	289,611
Patent	30,000	27,500
Design templates	41,043	33,352
Domain names	7,500	7,500
Contractual relationships	-	918,172
Customer relationships	-	555,532
Non-compete	-	151,699
	\$ 784,510	\$2,452,323

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

9. ACQUISITION OF COMPANIES

On February 5, 2015, XPEL Canada, a wholly owned subsidiary of the Company acquired 100% of the issued and outstanding securities of a distributor of paint protection and window tint products in the Canadian market. The aggregate purchase price for the acquisition was \$3,567,672.

The Company has allocated the purchase price as follows:

Accounts receivable	\$	586,940
Inventory		503,063
Property and equipment		83,879
Contractual relationships		957,831
Customer relationships		579,528
Non-compete		160,980
Goodwill		1,152,304
Deferred tax liability		<u>(456,853)</u>
		<u>\$ 3,567,672</u>

Consideration is comprised of:

Cash payment	\$	1,851,270
Promissory note		<u>1,716,402^a</u>
		<u>\$ 3,567,672</u>

Acquisition cost incurred related to the acquisition totaled \$90,545 (2014 - \$20,711; 2015 - \$69,834), which is included in Selling, General and Administrative expenses.

The Company has followed guidance provided by IFRS 3 - Business Combinations, which allows the Company one year to finalize purchase price allocation of an acquired company fixed assets and liabilities. Over the next year, the Company will analyze the acquired assets and liabilities and make final allocation at this time.

^a The promissory note is non-interest bearing, is payable in 20 quarterly installments of CD\$120,413, and is discounted at a rate of 4.75%.

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

9. ACQUISITION OF COMPANIES (Cont'd)

On September 11, 2014, XPEL Ltd, a subsidiary of the Company, acquired 100% of the issued and outstanding securities of a pattern design company located in the United Kingdom. The aggregate purchase price for the acquisition was \$368,750.

The Company has allocated the purchase price as follows:

Design templates	\$	50,000
Goodwill		318,750
	\$	<u>368,750</u>

Consideration comprised of:

Cash payment	\$	295,000
Shares issued of XPEL Ltd.		73,750
	\$	<u>368,750</u>

Acquisition cost incurred related to the acquisition totaled \$55,502, which was included in Selling, General and Administrative expenses in 2014.

On September 11, 2014, ArmourfendCAD LLC, a subsidiary of the Company, acquired 100% of the net business assets of a pattern design company located in the United States. The aggregate purchase price for acquisition was \$37,194.

The Company has allocated the purchase price as follows:

Cash	\$	294
Account receivable		31,900
Goodwill		5,000
	\$	<u>37,194</u>

Consideration comprised of:

Cash payment	\$	37,194
--------------	----	--------

Acquisition cost incurred related to the acquisition totaled \$10,037, which was included in Selling, General and Administrative expenses in 2014.

XPEL Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in United States Dollars)
March 31, 2015

9. ACQUISITION OF COMPANIES (Cont'd)

On September 11, 2014, XPEL Ltd, a subsidiary of the Company, acquired 100% of the net business assets of an installation company located in the United Kingdom. The aggregate purchase price was GBP100,000.

The Company has allocated the purchase price as follows:

Goodwill	\$161,994 (GBP100,000)
----------	------------------------

Consideration comprised of:

Cash payment	\$161,994 (GBP100,000)
--------------	------------------------

Acquisition cost incurred related to the acquisition totaled \$9,829, which was included in selling, general and administrative expenses in 2014.

The Company has followed guidance provided by IFRS 3 - Business Combinations, which allows the Company one year to finalize purchase price allocation of an acquired company fixed assets and liabilities. Over the next year, the Company will analyze the acquired assets and liabilities and make final allocation at this time.

10. 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.

11. BANK LOAN PAYABLE

The Company entered into a loan during the first quarter of 2015 with the Company's primary lender, The Bank of San Antonio, to help fund the acquisition. The loan is for US\$1,900,000, payable monthly. The loan has a three year term and is based on a five year amortization schedule and bears an interest rate of 4.5%. The Bank of San Antonio has been granted a security interest in substantially all of the Company's current and future assets.