XPEL Technologies Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Six Months Ended June 30, 2016

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

	Note	June 30, 2016	December 31, 2015
Assets			
Current			
Cash and cash equivalents		$ 1,984,250	$ 2,840,549
Accounts receivable		4,757,452	3,450,407
Inventory		6,028,612	6,972,768
Prepaid expenses and other current assets		434,254	522,613
Income taxes receivable		-	300,668
Total current assets		13,204,568	14,087,005
Property, plant and equipment		1,257,195	1,235,337
Intangible assets	6	2,706,083	2,434,692
Deferred tax asset		91,641	100,659
Goodwill		1,686,673	1,668,527
Total assets		$ 18,946,160	$ 19,526,220
Liabilities			
Current			
Bank indebtedness	7	2,000,000	$ 3,000,000
Accounts payable and accrued liabilities		3,554,154	4,465,819
Notes Payable		160,675	191,978
Income Tax Payable		308,257	117,649
Current portion of bank loan payable	8	553,132	542,181
Current portion of note payable - vendor loan	9	537,352	481,652
Total current liabilities		7,113,570	8,799,279
Deferred tax liability		496,505	558,116
Bank loan payable	8	725,735	1,004,369
Note payable - vendor loan	9	710,097	822,780
Total liabilities		9,045,907	11,184,544
Equity			
Capital stock		6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Accumulated other comprehensive income		(526,390)	(621,993)
Retained earnings (Deficit)		1,652,462	166,583
		9,926,335	8,344,853
Non-controlling interest		(26,082)	(3,177)
Total liabilities and equity		$ 18,946,160	$ 19,526,220

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)

	Note	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue		**$ 13,661,356**	$ 11,289,975	**$ 24,960,547**	$ 19,423,906
Expenses					
Direct costs	**5**	**9,910,430**	7,932,833	**17,922,733**	13,220,727
Selling, general and administrative expenses	**5**	**2,426,004**	2,378,526	**4,787,284**	4,403,057
Income from operations		**1,324,922**	978,616	**2,250,530**	1,800,122
Interest expense		**52,489**	62,700	**118,501**	100,864
Loss on sale of property, plant and equipment		**4,547**	2,037	**4,910**	2,037
Unrealized foreign currency loss (gain)		**3,136**	(36,774)	**14,531**	(31,640)
		60,172	27,963	**137,942**	71,261
Net income before income taxes		**1,264,750**	950,653	**2,112,588**	1,728,861
Deferred income tax (recovery) expense		**(109,577)**	153,000	**(87,852)**	259,000
Current income tax expense		**608,534**	192,000	**737,466**	192,000
		498,957	345,000	**649,614**	451,000
Net income		**$ 765,793**	$ 605,653	**$ 1,462,974**	$ 1,277,861
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**(112,218)**	45,849	**$ 95,603**	(71,389)
Total comprehensive income		**$ 653,575**	$ 651,502	**$ 1,558,577**	$ 1,206,472
Net income attributable to equity holders of the Company		**777,169**	610,139	**1,485,879**	1,307,582
Non-controlling interest		**(11,376)**	(4,486)	**(22,905)**	(29,721)
		$ 765,793	$ 605,653	**$ 1,462,974**	$ 1,277,861
Earnings per Share					
Basic and diluted		**$ 0.030**	$ 0.023	**$ 0.057**	$ 0.050
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 Consolidated Statement of Changes in Equity

(Expressed in United States Dollars)

(unaudited)

	Capital Stock Number	Capital Stock Amount	Contributed Surplus	Retained Earnings (Deficit)	Non-Controlling Interest	Accumulated Other Comprehensive Income	Total
Balance as at January 1, 2015	25,784,950	$ 6,635,133	$ 2,165,130	$ (1,387,982)	$ 87,264	$ (15,721)	$ 7,483,824
Non-controlling interest on acquistion					(29,721)		(29,721)
Net income and comprehensive income for the period				1,307,582			1,307,582
Other comprehensive income	-	-	-	-	-	(71,389)	(71,389)
Balance as at June 30, 2015	**25,784,950**	**6,635,133**	**2,165,130**	**(80,400)**	**57,543**	**(87,110)**	**8,690,296**
Non-controlling interest on acquistion	-	-	-	-	23,176	-	23,176
Net income and comprehensive income for the period	-	-	-	246,983	(83,896)	-	163,087
Other comprehensive income	-	-	-	-	-	(534,883)	(534,883)
Balance as at December 31, 2015	**25,784,950**	**6,635,133**	**2,165,130**	**166,583**	**(3,177)**	**(621,993)**	**8,341,676**
Non-controlling interest	-	-	-	-		-	-
Net income and comprehensive income for the period	-	-	-	**1,485,879**	**(22,905)**	-	1,462,974
Other comprehensive income	-	-	-	-	-	**95,603**	95,603
Balance as at June 30, 2016	**25,784,950**	**$ 6,635,133**	**$ 2,165,130**	**$ 1,652,462**	**$ (26,082)**	**$ (526,390)**	**$ 9,900,253**

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

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities		
Net income	**$ 1,462,974**	$ 1,277,861
Add items not affecting cash		
Depreciation of property, plant and equipment	**142,580**	99,677
Amortization of intangible assets	**398,114**	296,757
Loss on sale of PPE	**4,910**	-
Deferred income tax (recovery) expense	**(87,852)**	259,000
Accretion on notes payable - vendor loan	**32,051**	20,104
Unrealized loss (gain) on foreign exchange	**14,531**	(26,905)
	1,967,308	1,926,494
Changes in non-cash working capital items		
Accounts receivable	**(1,307,045)**	(1,445,287)
Inventory	**944,156**	1,553,721
Prepaid expenses and other current assets	**88,359**	(340,886)
Accounts payable and accrued liabilities	**(911,665)**	(663,046)
Income tax payable	**491,276**	192,000
Net cash provided by operating activities	**1,272,389**	1,222,996
Cash flows used in investing activity		
Purchase of property, plant and equipment	**(163,725)**	(227,913)
Proceeds for sale of property, plant and equipment	**3,212**	-
Cash paid on acquisition	**-**	(1,851,271)
Development of intangible assets	**(571,810)**	(325,377)
Net cash used in investing activities	**(732,323)**	(2,404,561)
Cash flows from financing activity		
(Repayment) proceeds from bank indebtedness	**(1,000,000)**	700,000
Repayment of notes payable - vendor loan	**(183,723)**	(127,439)
Proceeds from bank loan payable	**-**	1,868,334
Repayment of bank loan payable	**(267,683)**	(95,000)
Repayment of notes payable	**(31,303)**	(14,443)
Net cash provided by (used in) financing activities	**(1,482,709)**	2,331,452
Effect of exchange rates on cash and cash equivalents	**86,344**	-
(Decrease) increase in cash during the period	**(856,299)**	1,149,887
Cash at beginning of period	**2,840,549**	1,474,130
Cash at end of period	**$ 1,984,250**	$ 2,624,017
Supplemental Disclosure		
Cash paid for income taxes	**$ 260,000**	$ -

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
Barry R. Wood CFO

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.

1. NATURE OF OPERATIONS

XPEL Technologies Corp. (the "Company") is based in San Antonio, Texas and manufactures and distributes film protection products. The Company manufactures, sells and distributes, and installs after-market automotive products, including automotive paint protection film, headlight protection film, automotive window films and other related products.

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 ("IFRS") as issued by the International Accounting Standards Board ("IASB") 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 and in accordance with the accounting policies included in its December 31, 2015 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 85% 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.

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.

Intangible Assets

Intangible assets with a finite life, which includes internally generated intangible assets and intangible asset acquired through business combinations, are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets using the following rates:

Design templates	-	2 years
Software	-	5 years
Patent	-	10 years
Contractual and Customer relationships	-	10 years
Non-compete	-	5 years

Intangible assets with an indefinite life, such as trademarks and domain names are recorded at cost and are not amortized.

Goodwill

The Company measures goodwill at the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Research and Development

Research costs are charged to operations when incurred. Development costs are expensed in the year incurred unless the Company can demonstrate all of the following criteria under IAS 38, Intangible Assets:

(i) technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) intention to complete the intangible asset and use or sell it;

(iii) ability to use or sell the intangible asset;

(iv) how the intangible asset will generate future economic benefits;

(v) availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortization commences with the successful production or use of the product.

3. 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.

(Expressed in United States Dollars)

4. 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	$	482,699
1-5 years		567,727
	$	**1,050,426**

(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.

On December 29, 2015, 3M Company and 3M Innovative Products Company filed a suit in the United States District Court for the District of Minnesota alleging that the Company has been and is infringing United States Patent No. 8,765,263. The Company denies the claims and intends to vigorously defend itself against such claims. As of period end, no provision has been recorded in connection with this lawsuit.

(c) Supply Agreement

The Company has 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. This exclusive supply and distribution agreement was renewed in February 2015. 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.

5. EXPENSES BY NATURE

Direct costs incurred by nature are as follows:

	Three months ending June 30, **2016**	2015
Employee salaries and benefits	**$ 528,326**	$ 243,930
Materials	**8,571,808**	7,080,399
Freight	**210,407**	197,506
Other	**482,991**	314,632
Amortization of intangible assets	**116,898**	96,366
	$ 9,910,430	$ 7,932,833

(Expressed in United States Dollars)

	Six months ending June 30, **2016**	2015
Employee salaries and benefits	**$ 1,053,748**	$ 415,193
Materials	**15,424,197**	11,781,596
Freight	**336,834**	300,034
Other	**876,062**	542,327
Amortization of intangible assets	**231,892**	181,577
	$17,922,733	$13,220,727

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

	Three months ending June 30, **2016**	2015
Employee salaries and benefits	**$ 1,244,783**	$ 1,324,793
Sales and marketing	**175,515**	212,374
Occupancy	**192,389**	133,732
Professional fees	**248,637**	147,905
Filing fees	**11,821**	15,074
Insurance	**75,645**	58,094
Office and general	**330,739**	365,109
Depreciation of PP&E and intangibles	**146,475**	121,445
	$ 2,426,004	$ 2,378,526

	Six months ending June 30, **2016**	2015
Employee salaries and benefits	**$ 2,488,302**	$ 2,413,843
Sales and marketing	**326,810**	386,946
Occupancy	**365,638**	260,834
Professional fees	**459,643**	355,861
Filing fees	**20,301**	19,415
Insurance	**128,099**	90,061
Office and general	**719,268**	661,241
Amortization of PP&E and intangibles	**279,223**	214,856
	$ 4,787,284	$ 4,403,057

(Expressed in United States Dollars)

6. INTANGIBLE ASSETS

Cost	Balance Jan 1, 2016	Additions	Foreign Exchange	Balance June 30, 2016
Design templates (internally generated)	$2,786,520	$ 256,967		$3,043,487
Trademarks	107,608	34,416		142,024
Software	599,533	280,427		879,960
Patent	100,000	-		100,000
Design templates	44,592	-	(3,992)	40,600
Domain names	7,500	-		7,500
Contractual relationships	856,639	-	62,184	918,823
Customer relationships	518,303	-	37,623	555,926
Non-compete	143,973	-	10,451	154,424
	$5,164,668	**$571,810**	**$106,266**	**$5,842,744**

Accumulated Amortization	Balance Jan 1, 2016	Additions	Foreign Exchange	Balance June 30, 2016
Design templates (internally generated)	$2,322,195	$ 216,131		$2,538,326
Software	147,480	77,654		225,134
Patent	80,000	5,000		85,000
Design templates	27,870	10,150	(2,495)	35,525
Contractual relationships	78,525	45,941	5,701	130,167
Customer relationships	47,511	27,796	3,449	78,756
Non-compete	26,395	15,442	1,916	43,753
	$2,729,976	**$398,114**	**$8,571**	**$3,136,661**

Net Book Value	Balance Jan 1, 2016	Balance June 30, 2016
Design templates (internally generated)	$ 464,325	$ 505,161
Trademark	107,608	142,024
Software	452,053	654,826
Patent	20,000	15,000
Design templates	16,722	5,075
Domain names	7,500	7,500
Contractual relationships	778,114	788,656
Customer relationships	470,792	477,170
Non-compete	117,578	110,671
	$ 2,434,692	**$2,706,083**

7. CREDIT FACILITIES

The Company has entered into a $3,500,000 revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs. 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 .75% with a floor of 4.00% and matures on June 28, 2017.

8. 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 of a Canadian distributor of paint protection and window tint products (the "Acquisition"). The original principle of the loan was for $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.

9. NOTE PAYABLE – VENDOR LOAN

As part of the Acquisition (See Note 8), XPEL Canada Corp. issued a non-interest bearing promissory note to the vendors of the company acquired. The promissory note is payable in 20 quarterly installments of CAD$120,413 discounted at a rate of 4.75%, and matures in January 2020.

10. ECONOMIC DEPENDENCY

The Company depends directly or indirectly on suppliers to supply goods and services necessary for carrying on its core business, including a sole manufacturing facility, a urethane supplier and an adhesive supplier and other suppliers of other intermediate manufacturing elements. Approximately 88% (2015 – 90%) of the Company's inventory purchases are dependent on these direct and indirect 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.

(Expressed in United States Dollars)

11. SEGMENTED REPORTING

The Company sells paint protection film and related kit and material sales to customers across multiple geographic regions. It considers the basis on which it is organized, including geographic areas and service offerings; in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company. The operating segments are based on the regional geographic areas. The regional geographic areas are evaluated at the subsidiary level whereby US includes XPEL Technologies Corp. and ArmourfendCAD LLC, UK includes XPEL Ltd. and Canada includes XPEL Canada Corp. Specifically for revenues, the amounts included are from the originating country. Below are breakdowns, by operating segment, of current and non-current assets, current and non-current liabilities, revenues and net earnings.

Geographic Segments

The following consists of the financial information as of June 30, 2016 and for the six months ended June 30, 2016.

	US	UK	Canada	Total
Current assets	$ 7,305,560	$ 1,232,892	$ 4,666,116	**$ 13,204,568**
Non-current assets	2,415,713	784,221	2,541,658	**5,741,592**
Total	$ 9,721,273	$ 2,017,113	$ 7,207,774	**$ 18,946,160**
Current liabilities	$ 1,516,687	$ 1,960,787	$ 3,636,096	**$ 7,113,570**
Non-current liabilities	860,655	-	1,071,682	**$ 1,932,337**
Total	$ 2,377,342	$ 1,960,787	$ 4,707,778	**$ 9,045,907**
Total revenue	$ 23,611,736	$ 1,003,535	$ 4,142,347	**$ 28,757,618**
Less: inter-segmental revenue	(3,797,071)			**$ (3,797,071)**
Total external revenue	$ 19,814,665	$ 1,003,535	$ 4,142,347	**$ 24,960,547**
Net income (loss)	$ 1,350,474	$ (154,709)	$ 267,209	**$ 1,462,974**