

**XPEL Technologies Corp.**

**Condensed Consolidated Interim Financial Statements**

(Expressed in United States Dollars)

**For the Nine Months Ended September 30, 2016**

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

	Note	September 30, 2016	December 31, 2015
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,991,173	\$ 2,840,549
Accounts receivable		4,913,381	3,450,407
Inventory		5,717,822	6,972,768
Prepaid expenses and other current assets		786,640	522,613
Income taxes receivable		-	300,668
<b>Total current assets</b>		<b>14,409,016</b>	<b>14,087,005</b>
Property, plant and equipment		1,291,613	1,235,337
Intangible assets	6	2,781,412	2,434,692
Deferred tax asset		55,747	100,659
Goodwill		1,647,562	1,668,527
<b>Total assets</b>		<b>\$ 20,185,350</b>	<b>\$ 19,526,220</b>
<b>Liabilities</b>			
<b>Current</b>			
Bank indebtedness	7	2,000,000	\$ 3,000,000
Accounts payable and accrued liabilities		4,452,665	4,465,819
Notes Payable		-	191,978
Income Tax Payable		491,217	117,649
Current portion of bank loan payable	8	559,316	542,181
Current portion of note payable - vendor loan	9	520,145	481,652
<b>Total current liabilities</b>		<b>8,023,343</b>	<b>8,799,279</b>
Deferred tax liability		473,693	558,116
Bank loan payable	8	584,021	1,004,369
Note payable - vendor loan	9	630,601	822,780
<b>Total liabilities</b>		<b>9,711,658</b>	<b>11,184,544</b>
<b>Equity</b>			
Capital stock		6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Accumulated other comprehensive loss		(676,359)	(621,993)
Retained earnings		2,394,095	166,583
		10,517,999	8,344,853
Non-controlling interest		(44,307)	(3,177)
<b>Total liabilities and equity</b>		<b>\$ 20,185,350</b>	<b>\$ 19,526,220</b>

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 September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
<b>Revenue</b>		<b>\$ 13,549,976</b>	<b>\$ 10,874,243</b>	<b>\$ 38,510,523</b>	<b>\$ 30,298,220</b>
<b>Expenses</b>					
Direct costs	5	9,741,681	7,579,123	27,664,414	20,801,634
Selling, general and administrative expenses	5	2,583,189	2,628,513	7,370,473	7,031,569
<b>Income from operations</b>		<b>1,225,106</b>	<b>666,607</b>	<b>3,475,636</b>	<b>2,465,017</b>
Interest expense		61,654	72,185	180,154	173,049
Loss on sale of property, plant and equipment		(36)	1,603	4,874	3,641
Unrealized foreign currency loss (gain)		(3,186)	(9,263)	11,345	(37,346)
		<u>58,432</u>	<u>64,525</u>	<u>196,373</u>	<u>139,344</u>
<b>Net income before income taxes</b>		<b>1,166,674</b>	<b>602,082</b>	<b>3,279,263</b>	<b>2,325,673</b>
Deferred income tax (recovery) expense		15,639	(59,000)	(72,213)	200,000
Current income tax expense		427,627	263,000	1,165,094	455,000
		<u>443,266</u>	<u>204,000</u>	<u>1,092,881</u>	<u>655,000</u>
<b>Net income</b>		<b>\$ 723,408</b>	<b>\$ 398,082</b>	<b>\$ 2,186,382</b>	<b>\$ 1,670,673</b>
<b>Items that may be reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations		(150,278)	(384,675)	(54,366)	(456,064)
<b>Total comprehensive income</b>		<b><u>\$ 573,130</u></b>	<b><u>\$ 13,407</u></b>	<b><u>\$ 2,132,016</u></b>	<b><u>\$ 1,214,609</u></b>
<b>Net income attributable to equity holders of the Company</b>		<b>741,810</b>	<b>410,760</b>	<b>2,227,512</b>	<b>1,713,309</b>
<b>Non-controlling interest</b>		<b>(18,402)</b>	<b>(12,678)</b>	<b>(41,130)</b>	<b>(42,636)</b>
		<b>\$ 723,408</b>	<b>\$ 398,082</b>	<b>\$ 2,186,382</b>	<b>\$ 1,670,673</b>
<b>Earnings per Share</b>					
Basic and diluted		<b>\$ 0.028</b>	<b>\$ 0.015</b>	<b>\$ 0.085</b>	<b>\$ 0.065</b>
<b>Weighted Average Number of Common Shares</b>					
Basic and diluted		<b>25,784,950</b>	<b>25,784,950</b>	<b>25,784,950</b>	<b>25,784,950</b>

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

(Expressed in United States Dollars)

(unaudited)

	Capital Stock		Contributed	Retained	Non-Controlling	Accumulated	
	Number	Amount	Surplus	Earnings (Deficit)	Interest	Other Comprehensive Income	Total
<b>Balance as at January 1, 2015 (audited)</b>	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (1,387,982)	\$ 87,264	\$ (15,721)	\$ 7,483,824
Non-controlling interest on acquisition					(49,768)		(49,768)
Net income and comprehensive income for the period				1,713,309			1,713,309
Other comprehensive loss	-	-	-	-	-	(456,064)	(456,064)
<b>Balance as at September 30, 2015</b>	<b>25,784,950</b>	<b>6,635,133</b>	<b>2,165,130</b>	<b>325,327</b>	<b>37,496</b>	<b>(471,785)</b>	<b>8,691,301</b>
Non-controlling interest on acquisition	-	-	-	(158,744)	43,223	-	(115,521)
Net income and comprehensive income for the period	-	-	-	-	(83,896)	-	(83,896)
Other comprehensive loss	-	-	-	-	-	(150,208)	(150,208)
<b>Balance as at December 31, 2015 (audited)</b>	<b>25,784,950</b>	<b>6,635,133</b>	<b>2,165,130</b>	<b>166,583</b>	<b>(3,177)</b>	<b>(621,993)</b>	<b>8,341,676</b>
Non-controlling interest	-	-	-	-	-	-	-
Net income and comprehensive income for the period	-	-	-	2,227,512	(41,130)	-	2,186,382
Other comprehensive loss	-	-	-	-	-	(54,366)	(54,366)
<b>Balance as at September 30, 2016</b>	<b>25,784,950</b>	<b>\$ 6,635,133</b>	<b>\$ 2,165,130</b>	<b>\$ 2,394,095</b>	<b>\$ (44,307)</b>	<b>\$ (676,359)</b>	<b>\$ 10,473,692</b>

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

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 2,186,382	\$ 1,670,673
Add items not affecting cash		
Depreciation of property, plant and equipment	218,930	169,988
Amortization of intangible assets	621,838	466,867
Loss on sale of PPE	4,873	-
Deferred income tax (recovery) expense	(72,213)	(59,000)
Accretion on notes payable - vendor loan	46,085	48,042
Unrealized loss (gain) on foreign exchange	11,345	(375,828)
	<u>3,017,240</u>	<u>1,920,742</u>
Changes in non-cash working capital items		
Accounts receivable	(1,462,974)	(921,050)
Inventory	1,254,946	1,032,766
Prepaid expenses and other current assets	(264,027)	(566,979)
Accounts payable and accrued liabilities	(13,154)	(591,069)
Income tax payable	674,236	455,000
<b>Net cash provided by operating activities</b>	<u>3,206,267</u>	<u>1,329,410</u>
<b>Cash flows used in investing activity</b>		
Purchase of property, plant and equipment	(293,793)	(487,598)
Proceeds for sale of property, plant and equipment	3,482	-
Cash paid on acquisition	-	(1,851,271)
Development of intangible assets	(893,868)	(529,731)
<b>Net cash used in investing activities</b>	<u>(1,184,179)</u>	<u>(2,868,600)</u>
<b>Cash flows from financing activity</b>		
(Repayment) proceeds from bank indebtedness	(1,000,000)	1,900,000
Repayment of notes payable - vendor loan	(272,318)	(196,026)
Proceeds from bank loan payable	-	1,868,334
Repayment of bank loan payable	(403,213)	(190,000)
(Repayment) proceeds of notes payable	(191,978)	50,270
<b>Net cash provided by (used in) financing activities</b>	<u>(1,867,509)</u>	<u>3,432,578</u>
<b>Effect of exchange rates on cash and cash equivalents</b>	<u>(3,955)</u>	<u>-</u>
<b>Increase in cash and cash equivalents during the period</b>	<u>150,624</u>	<u>1,893,388</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>2,840,549</u>	<u>1,474,130</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,991,173</u>	<u>\$ 3,367,518</u>
<b>Supplemental Disclosure</b>		
<b>Cash paid for income taxes</b>	<u>\$ 495,000</u>	<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  
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.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2016**

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**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, XPEL B.V. 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.



**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
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**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.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
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**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	\$	385,963
1-5 years		485,394
		<hr/>
		<b>\$ 871,357</b>

**(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 Sept 30,	
	2016	2015
Employee salaries and benefits	\$ 553,260	\$ 270,689
Materials	8,362,401	6,714,529
Freight	273,098	163,890
Credit card fees	164,471	150,469
Warranty expense	85,276	40,620
Shop supplies	54,616	16,486
Other	114,794	119,931
Amortization of intangible assets	133,765	102,509
	<hr/>	
	<b>\$ 9,741,681</b>	<b>\$ 7,579,123</b>

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2016**

	Nine months ending Sept 30,	
	2016	2015
Employee salaries and benefits	<b>\$ 1,607,008</b>	\$ 665,882
Materials	<b>23,870,730</b>	18,554,075
Freight	<b>609,932</b>	468,784
Credit card fees	<b>466,160</b>	374,516
Warranty expense	<b>246,161</b>	152,381
Shop supplies	<b>133,565</b>	55,710
Other	<b>365,202</b>	246,200
Amortization of intangible assets	<b>365,656</b>	284,086
	<b>\$27,664,414</b>	\$20,801,634

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

	Three months ending Sept 30,	
	2016	2015
Employee salaries and benefits	<b>\$ 1,257,410</b>	\$ 1,455,908
Sales and marketing	<b>169,678</b>	250,084
Occupancy	<b>193,030</b>	150,637
Professional fees	<b>316,943</b>	154,100
Filing fees	<b>3,821</b>	5,458
Insurance	<b>65,066</b>	48,809
Office and general	<b>424,182</b>	425,809
Amortization and Depreciation	<b>153,059</b>	137,708
	<b>\$ 2,583,189</b>	\$ 2,628,513

	Nine months ending Sept 30,	
	2016	2015
Employee salaries and benefits	<b>\$ 3,746,129</b>	\$ 3,869,757
Sales and marketing	<b>496,488</b>	637,031
Occupancy	<b>558,668</b>	412,572
Professional fees	<b>776,586</b>	509,961
Filing fees	<b>24,122</b>	24,873
Insurance	<b>193,165</b>	138,870
Office and general	<b>1,143,033</b>	1,085,737
Amortization and Depreciation	<b>432,282</b>	352,768
	<b>\$ 7,370,473</b>	\$ 7,031,569

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2016**

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**6. INTANGIBLE ASSETS**

<b>Cost</b>	<b>Balance Jan 1, 2016</b>	<b>Additions</b>	<b>Foreign Exchange</b>	<b>Balance Sept 30, 2016</b>
Design templates (internally generated)	\$2,786,520	\$ 374,969		\$3,161,489
Trademarks	107,608	141,249		248,857
Software	599,533	377,650		977,183
Patent	100,000	-		100,000
Design templates	44,592	-	(5,515)	39,077
Domain names	7,500	-		7,500
Contractual relationships	856,639	-	47,642	904,281
Customer relationships	518,303	-	28,825	547,128
Non-compete	143,973	-	8,007	151,980
	<b>\$5,164,668</b>	<b>\$893,868</b>	<b>\$ 78,959</b>	<b>\$6,137,495</b>

<b>Accumulated Amortization</b>	<b>Balance Jan 1, 2016</b>	<b>Additions</b>	<b>Foreign Exchange</b>	<b>Balance Sept 30, 2016</b>
Design templates (internally generated)	\$2,322,195	\$ 342,453		\$2,664,648
Software	147,480	124,816		272,296
Patent	80,000	7,500		87,500
Design templates	27,870	15,416	(4,209)	39,077
Contractual relationships	78,525	67,821	4,368	150,714
Customer relationships	47,511	41,035	2,642	91,188
Non-compete	26,395	22,797	1,468	50,660
	<b>\$2,729,976</b>	<b>\$621,838</b>	<b>\$4,269</b>	<b>\$3,356,083</b>

<b>Net Book Value</b>	<b>Balance Jan 1, 2016</b>		<b>Balance Sept 30, 2016</b>
Design templates (internally generated)	\$ 464,325		\$ 496,841
Trademark	107,608		248,857
Software	452,053		704,887
Patent	20,000		12,500
Design templates	16,722		0
Domain names	7,500		7,500
Contractual relationships	778,114		753,567
Customer relationships	470,792		455,940
Non-compete	117,578		101,320
	<b>\$ 2,434,692</b>		<b>\$2,781,412</b>

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
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**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\$117,533 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.

**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, Europe includes XPEL Ltd. and XPEL B.V. (see Note 12), 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.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2016**

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**Geographic Segments**

The following consists of the financial information as of September 30, 2016 for the nine months ended September 30, 2016.

<b>2016</b>	<b>US</b>	<b>Europe</b>	<b>Canada</b>	<b>Total</b>
Current assets	\$ 7,402,843	\$ 1,794,912	\$ 5,211,261	<b>\$ 14,409,016</b>
Non-current assets	2,563,368	733,244	2,479,722	<b>5,776,334</b>
<b>Total</b>	<b>\$ 9,966,211</b>	<b>\$ 2,528,156</b>	<b>\$ 7,690,983</b>	<b>\$ 20,185,350</b>
Current liabilities	\$ 1,334,769	\$ 2,574,507	\$ 4,114,067	<b>\$ 8,023,343</b>
Non-current liabilities	704,937	-	983,378	<b>\$ 1,688,315</b>
<b>Total</b>	<b>\$ 2,039,706</b>	<b>\$ 2,574,507</b>	<b>\$ 5,097,445</b>	<b>\$ 9,711,658</b>
Total revenue	\$ 36,200,236	\$ 1,566,042	\$ 6,651,115	<b>\$ 44,417,393</b>
Less: inter-segmental revenue	(5,906,870)			<b>\$ (5,906,870)</b>
<b>Total external revenue</b>	<b>\$ 30,293,366</b>	<b>\$ 1,566,042</b>	<b>\$ 6,651,115</b>	<b>\$ 38,510,523</b>
Net income (loss)	\$ 2,087,963	\$ (267,268)	\$ 365,687	<b>\$ 2,186,382</b>

**12. ACQUISITION OF CERTAIN ASSETS**

On August 23, 2016 the Company acquired certain inventory and fixed assets from an existing customer located in Tilburg, The Netherlands. Commensurate with this acquisition of certain assets, the Company formed XPEL B.V., a wholly owned subsidiary of the Company, in order to expand its presence in Europe. This acquisition of assets does not meet the definition of a business combination pursuant to IFRS 3. As such, the inventory and fixed assets acquired are reflected in these financial statements at their fair values at the date of purchase.