XPEL Technologies Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended March 31, 2017

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

	Note	March 31, 2017	December 31, 2016
Assets			
Current			
Cash and cash equivalents		$ 3,044,801	$ 1,861,089
Accounts receivable		4,749,376	4,754,524
Inventory		8,906,712	7,806,029
Prepaid expenses and other current assets		921,787	454,173
Income taxes receivable		72,553	72,553
Total current assets		17,695,229	14,948,368
Property, plant and equipment		1,339,585	1,352,120
Intangible assets	6	3,423,319	3,467,218
Deferred tax asset		136,547	135,363
Goodwill		1,903,047	1,891,948
Total assets		$ 24,497,727	$ 21,795,017
Liabilities			
Current			
Revolving line of credit	8	3,000,000	$ 2,500,000
Accounts payable and accrued liabilities		6,061,789	5,859,981
Notes Payable		-	-
Income Tax Payable		48,363	168,690
Current portion of bank loan payable	9	571,709	565,678
Current portion of note payable - Acquisition 2015	10	351,829	349,686
Current portion of note payable - Acquisition 2016	10	98,841	98,841
Total current liabilities		10,132,531	9,542,876
Deferred tax liability		503,473	524,272
Bank loan payable	9	294,766	439,688
Note payable - Acquisition 2015	10	618,904	702,589
Note payable - Acquisition 2016	10	271,592	292,148
Total liabilities		11,821,266	11,501,573
Equity			
Capital stock		6,636,961	6,635,133
Contributed surplus		4,776,831	2,165,130
Accumulated other comprehensive loss		(999,346)	(833,725)
Retained earnings		2,328,082	2,382,085
		12,742,528	10,348,623
Non-controlling interest		(66,067)	(55,179)
Total liabilities and equity		$ 24,497,727	$ 21,795,017

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 March 31, 2017	Three Months Ended March 31, 2016
Revenue		**$ 12,630,467**	$ 11,299,191
Expenses			
Direct costs	**5**	**9,297,709**	8,012,303
Selling, general and administrative expenses	**5**	**3,317,780**	2,361,280
Income from operations		**14,978**	925,608
Interest expense		**48,181**	66,011
Loss on sale of property, plant and equipment		**-**	364
Foreign exchange loss (gain)		**6,392**	11,395
		54,573	77,770
Net (loss) income before income taxes		**(39,595)**	847,838
Deferred income tax (recovery) expense		**(22,839)**	21,725
Current income tax expense		**48,092**	128,933
		25,253	150,658
Net (loss) income		**$ (64,848)**	$ 697,180
Items that may be reclassified to profit or loss:			
Cumulative differences on translation foreign operations		**(165,621)**	207,821
Total comprehensive (loss) income		**$ (230,469)**	$ 905,001
Net (loss) income attributable to:			
Shareholders of the Company		**$ (53,960)**	$ 708,709
Non-controlling interest		**(10,888)**	(11,529)
Net (loss) income		**$ (64,848)**	$ 697,180
Total comprehensive (loss) income attributable to:			
Shareholders of the Company		**$ (219,581)**	$ 916,530
Non-controlling interest		**(10,888)**	(11,529)
Total comprehensive (loss) income		**$ (230,469)**	$ 905,001
Earnings per Share attributable to owners of the parent			
Basic and diluted		**$ (0.002)**	$ 0.027
Weighted Average Number of Common Shares			
Basic and diluted		**27,612,597**	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)	Accumulated Other Comprehensive Income	Equity attributable to shareholders of the Company
Balance as at January 1, 2016 (audited)	25,784,950	$ 6,635,133	$ 2,165,130	$ 166,583	$ (621,993)	$ 8,344,853
Net income and comprehensive income for the period	-	-	-	2,215,502	-	2,215,502
Other comprehensive loss	-	-	-	-	(211,732)	(211,732)
Balance as at December 31, 2016 (audited)	25,784,950	6,635,133	2,165,130	2,382,085	(833,725)	10,348,623
Issuance of common stock (Note 14)	1,827,647	1,828	2,611,701			2,613,529
Net loss	-	-	-	(54,003)	-	(54,003)
Other comprehensive loss	-	-	-	-	(165,621)	(165,621)
Balance as at March 31, 2017	**27,612,597**	**$ 6,636,961**	**$ 4,776,831**	**$ 2,328,082**	**$ (999,346)**	**$ 12,742,528**

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities		
Net (loss) income	**$ (64,848)**	$ 697,180
Add items not affecting cash		
Depreciation of property, plant and equipment	**167,506**	55,460
Amortization of intangible assets	**231,754**	192,282
Loss on sale of property, plant and equipment	**-**	364
Bad debt expense	**37,301**	-
Deferred income tax (recovery) expense	**(22,839)**	21,725
Accretion on notes payable - vendor loan 2015	**11,866**	15,602
Unrealized loss (gain) on foreign exchange	**8,769**	19,537
	369,509	1,002,150
Changes in non-cash working capital items		
Accounts receivable	**(32,153)**	(180,016)
Inventory	**(1,100,683)**	32,020
Prepaid expenses and other current assets	**(467,614)**	(211,056)
Accounts payable and accrued liabilities	**201,808**	(400,638)
Income tax payable	**(120,327)**	135,016
Net cash (used in) provided by operating activities	**(1,149,460)**	377,476
Cash flows used in investing activity		
Purchase of property, plant and equipment	**(153,115)**	(90,254)
Development of intangible assets	**(179,875)**	(291,852)
Net cash used in investing activities	**(332,990)**	(382,106)
Cash flows from financing activity		
Proceeds from issuance of common stock	**2,613,529**	-
(Repayment) proceeds from revolving line of credit	**500,000**	-
Repayment of notes payable	**-**	(15,570)
Repayment of bank loan payable	**(138,891)**	(133,199)
Repayment proceeds of notes payable - Acquisition 2015	**(93,408)**	(92,956)
Repayment proceeds of notes payable - Acquisition 2016	**(20,556)**	-
Net cash provided by (used in) financing activities	**2,860,674**	(241,725)
Effect of exchange rates on cash and cash equivalents	**(194,512)**	-
Increase in cash and cash equivalents during the period	**1,183,712**	(246,355)
Cash and cash equivalents at beginning of period	**1,861,089**	2,840,549
Cash and cash equivalents at end of period	**$ 3,044,801**	$ 2,594,194
Supplemental Disclosure		
Cash paid for income taxes	$ 187,000	$ -

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, sells, 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, 2016 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, 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. The functional currencies of the entities included in these consolidated financial statements are:

Entity	Functional Currency
XPEL Technologies Corp.	United States Dollars
XPEL Ltd.	UK Pound Sterling
ArmourfendCAD, LLC	United States Dollars
XPEL Canada Corp.	Canadian Dollar
XPEL B.V.	Euro

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in the consolidated statement of income and comprehensive income.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial statements of subsidiaries for which the functional currency is not the United States dollar are translated into United States dollars as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in accumulated other comprehensive income. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the statement of income and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into United States dollars at the balance sheet rate.

XPEL Technologies Corp., the parent company, has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the parent company's net investment in that foreign operation. Such exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in foreign operations

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 and liabilities, and recoverability of intangible assets and goodwill and fair value of financial instruments.

Significant judgments in connection with these condensed consolidated interim financial statements include determination if the acquisition is considered to be a business combination or an asset acquisition and determination of functional currency.

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.

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
DAP software platform	-	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.

Revenue Recognition

The Company recognizes revenue at the time persuasive evidence of an agreement exists, the price is fixed and determinable, the product or service is delivered to the customer and collectibility is reasonably assured.

(i) Revenue from installations, kit and material sales is recognized upon the delivery of the goods or performance of the service.

(ii) Revenue from design access fees is recognized at the time the design is shipped.

(iii) Revenue from pattern sales is recognized the time the design is shipped.

Other revenue consists of fees for training programs and the sale of equipment. Revenue earned from training programs is recognized when the services are rendered and the revenue from the sale of equipment is recognized when the equipment is shipped.

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

(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	$	474,593
1-5 years		498,168
	$	**966,833**

(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, a competitor 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 denied all claims asserted in this suit. Pursuant to the action, the Company filed a counterclaim against this competitor. As at period end, no provision has been recorded in connection with this lawsuit. On March 22, 2017, the parties settled this dispute and mutually agreed to dismiss the lawsuit without prejudice.

(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. The agreement is for a two year term with the option for further two year renewal terms. The option for further two-year renewal was exercised automatically at the end of the first two year term. 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 Mar 31, **2017**	2016
Employee salaries and benefits	**$ 740,490**	$ 525,422
Materials	**7,455,120**	6,852,627
Freight	**201,437**	126,427
Credit card fees	**136,614**	137,437
Warranty expense	**386,703**	59,709
Shop supplies	**71,178**	41,313
Other	**167,480**	154,374
Amortization and depreciation	**138,687**	114,994
	$ 9,297,709	$ 8,012,303

(Expressed in United States Dollars)

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

	Three months ending Mar 31, **2017**	2016
Employee salaries and benefits	**$ 1,437,994**	$ 1,243,519
Sales and marketing	**294,991**	151,295
Occupancy	**215,985**	173,250
Professional fees	**350,424**	211,006
Bank and filing fees	**23,418**	19,333
Insurance	**78,648**	52,454
Information technology costs	**102,482**	89,432
Travel related costs	**331,629**	121,463
Taxes – other	**19,059**	11,641
Office and general	**202,577**	155,139
Amortization and Depreciation	**260,573**	132,748
	$ 3,317,780	$ 2,361,280

6. INTANGIBLE ASSETS

Cost	**Balance Jan 1, 2017**	**Additions**	**Foreign Exchange**	**Balance Mar 31, 2017**
Design templates (internally generated)	$3,275,984	$ 104,098		$3,380,082
Trademarks	259,645	901		260,546
DAP software platform	1,063,776	74,876		1,138,652
Patent	100,000	-		100,000
Design templates	37,112	-	325	37,437
Domain names	7,500	-		7,500
Trade name	280,000			280,000
Contractual and customer relationships	1,760,706	-	8,662	1,769,368
Non-compete	248,765	-	907	249,672
	$7,033,488	**$179,875**	**$ 9,894**	**$7,223,257**

Accumulated Amortization	**Balance Jan 1, 2017**	**Additions**	**Foreign Exchange**	**Balance Mar 31, 2017**
Design templates (internally generated)	$2,782,340	$ 119,234		$2,901,574
Trademarks	0	0		0
DAP software platform	323,914	55,660		379,574
Patent	90,000	2,500		92,500
Design templates	37,112	0	325	37,437
Domain names	0	0	0	0
Trade name	2,208	6,625	0	8.833
Contractual and customer relationships	273,669	39,834	1,660	315,163
Non-compete	57,027	7,484	346	64,857
	$3,566,270	**$231,337**	**$2,331**	**$3,799,938**

(Expressed in United States Dollars)

Net Book Value	Balance Jan 1, 2017	Balance Mar 31, 2017
Design templates (internally generated)	$ 493,644	$ 478,508
Trademarks	259,645	260,546
DAP software platform	739,862	759,078
Patent	10,000	7,500
Design templates	0	0
Domain names	7,500	7,500
Trade name	277,792	271,167
Contractual and customer relationships	1,487,037	1,454,205
Non-compete	191,738	184,815
	$ 3,467,218	**$3,423,319**

7. ACQUISITION OF BUSINESS

On December 1, 2016, the Company acquired 100% of the net assets of a provider of film protection products in the Las Vegas, Nevada market. The aggregate purchase price for the acquisition was $1,190,989. With this acquisition, the Company expects to enhance its presence in the Las Vegas market.

The Company allocated the purchase price as follows:

Cash	$ 14,265
Accounts Receivable	97,675
Inventory	214,165
Property and equipment	31,075
Customer relationships	340,000
Non-compete	100,000
Trade Name	280,000
Goodwill	295,290
Accounts Payable	(13,343)
Other Accrued Liabilities	(168,138)
	$ 1,190,989

Consideration was comprised of:

Cash payment	$ 800,000
Promissory note (Note 10)	390,989
	$ 1,190,989

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Goodwill for this acquisition relates to the expansion of the Company into a new geographical area, being Las Vegas, Nevada. The goodwill represents the acquired employee knowledge of the Las Vegas market, distribution knowledge by the employees of the acquired business, as well as the expected synergies resulting from the acquisition and is expected to be deductible for tax purposes.

8. CREDIT FACILITIES

The Company has entered into a $5,000,000 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 0.75% with a floor of 4.00% and matures on June 28, 2017.

9. 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.

10. NOTE PAYABLE – ACQUISITION 2015 AND 2016

As part of the acquisition of XPEL Canada Corp. in February 2015, the Company issued a non-interest bearing promissory note to the owners 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.

As part of the acquisition of a Las Vegas based provider of film protection products in December 2016, the Company issued an interest bearing unsecured promissory note to the owner of the company. The unsecured promissory note is payable in 60 monthly installments of $8,237. The note bears interest at 3.75% and matures in December 2021.

11. 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 89% (2016 – 89%) 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)

12. 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., 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 March 31, 2017 for the three months ended March 31, 2017.

2017	**US**	**Europe**	**Canada**	**Total**
Current assets	$ 12,430,986	$ 2,061,531	$ 3,169,104	**$ 17,661,621**
Non-current assets	3,635,560	786,021	2,380,917	**6,802,498**
Total	$ 16,066,546	$ 2,847,552	$ 5,550,021	**$ 24,464,119**
Current liabilities	$ 6,935,611	$ 574,659	$ 2,620,118	**$ 10,130,388**
Non-current liabilities	733,138	-	957,740	**$ 1,690,878**
Total	$ 7,668,749	$ 574,659	$ 3,577,858	**$ 11,821,266**
Total revenue	$ 11,886,175	$ 775,256	$ 2,121,041	**$ 14,782,472**
Less: inter-segmental revenue	(2,152,005)			**$ (2,152,005)**
Total external revenue	$ 9,734,170	$ 775,256	$ 2,121,041	**$ 12,630,467**
Net income (loss)	$ (200,686)	$ 45,488	$ 90,350	**$ (64,848)**

(Expressed in United States Dollars)

The following consists of the financial information as of March 31, 2016.

	US	UK	Canada	Total
Current assets	$ 8,963,132	$ 1,116,122	$ 3,987,433	**$ 14,066,687**
Non-current assets	2,290,729	839,939	2,590,959	**5,721,628**
Total	$ 11,253,861	$ 1,956,061	$ 6,578,392	**$ 19,788,315**
Current liabilities	$ 3,445,906	$ 1,831,715	$ 3,011,521	**$ 8,289,142**
Non-current liabilities	1,100,679	-	1,151,818	**$ 2,252,497**
Total	$ 4,546,585	$ 1,831,715	$ 6,151,636	**$ 10,541,639**
Total revenue	$ 10,788,121	$ 426,087	$ 1,753,775	**$ 12,967,982**
Less: inter-segmental revenu	(1,668,791)			**$ (1,668,791)**
Total external revenue	$ 9,119,330	$ 426,087	$ 1,753,775	**$ 11,299,191**
Net income (loss)	$ 560,052	$ (77,145)	$ 214,272	**$ 697,180**

13. PRIOR YEAR COMPARATIVE FIGURES

Certain amounts in the prior year consolidated financial statements have been reclassified in order to conform to the presentation adopted in the current year. None of these changes in presentation affect previously reported results of operations.

14. PRIVATE PLACEMENT

In January 2017, the Company announced its intention to issue, by way of a non-brokered private placement up to 2,097,903 of its Common Shares at a purchase price of $1.43 USD per share for gross proceeds of up to $3,000,000. The Company completed a first tranche of this private placement resulting in the issuance of 1,659,181 Common Shares at a price of $1.43 USD per share for gross proceeds of $2,372,630. In connection with this offering, 1,260,000 Commons Shares were issued to certain directors and officers of the Company.

On March 22, 2017 the Company completed a second tranche of this private placement resulting in the issuance of an additional 168,466 Common Shares at a price of $1.43 USD per share for gross proceeds of $240,899.

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