XPEL Technologies Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended March 31, 2018

XPEL TECHNOLOGIES CORP.

Condensed Consolidated Balance Sheet

(Expressed in United States Dollars)

(unaudited)

	Note	March 31, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		$ 3,429,034	$ 3,498,904
Accounts receivable		6,551,671	5,569,212
Inventory	3	10,867,879	10,151,594
Prepaid expenses and other current assets		700,542	689,890
Total current assets		21,549,126	19,909,600
Property, plant and equipment		2,172,523	2,153,233
Intangible assets	4	3,980,619	4,114,374
Deferred tax asset		406,381	378,014
Goodwill		2,476,363	2,490,105
Total assets		$ 30,585,012	$ 29,045,326
Liabilities			
Current			
Revolving line of credit		2,000,000	$ 2,000,000
Accounts payable and accrued liabilities		9,518,685	9,519,649
Income Tax Payable		917,842	1,126,865
Current portion of bank loan payable	6	294,820	440,126
Current portion of notes payable - acquisitions	7	498,998	624,308
Total current liabilities		13,230,345	13,710,948
Deferred tax liability		451,410	463,140
Notes payable - acquisitions	7	870,130	1,018,493
Total liabilities		14,551,885	15,192,581
Equity			
Capital stock	8	9,210,646	9,210,646
Contributed surplus		2,165,130	2,165,130
Accumulated other comprehensive loss		(820,457)	(984,281)
Retained earnings		5,594,533	3,569,430
		16,149,852	13,960,925
Non-controlling interest		(116,725)	(108,180)
Total liabilities and equity		$ 30,585,012	$ 29,045,326

Approved by Board of Directors:

/s/ Richard Crumly	/s/ John Constantine	/s/ Michael Klonne
Richard Crumly	John Constantine	Michael Klonne

XPEL TECHNOLOGIES CORP.

Condensed Consolidated Statements of Income and Comprehensive Income

(Expressed in United States Dollars)

(unaudited)

	Note	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenue	**11, 12**	**$ 25,198,741**	$ 12,630,467
Expenses			
Cost of sales	**13**	**17,705,128**	9,297,709
Selling, general, and administrative expenses	**13**	**4,899,638**	3,317,780
Income from operations		**2,593,975**	14,978
Interest expense		**57,597**	48,181
Foreign exchange (gain) loss		**(72,135)**	6,392
		(14,538)	54,573
Net income (loss) before income taxes		**2,608,513**	(39,595)
Deferred income tax recovery		**(24,206)**	(22,839)
Current income tax expense		**616,161**	48,092
		591,955	25,253
Net income (loss)		**$ 2,016,558**	$ (64,848)
Items that may be reclassified to profit or loss:			
Cumulative differences on translation foreign operations		**163,824**	(165,621)
Total comprehensive income (loss)		**$ 2,180,382**	$ (230,469)
Net (loss) income attributable to:			
Shareholders of the Company		**$ 2,025,103**	$ (53,960)
Non-controlling interest		**$ (8,545)**	(10,888)
Net income (loss)		**$ 2,016,558**	$ (64,848)
Total comprehensive (loss) income attributable to:			
Shareholders of the Company		**$ 2,188,927**	$ (219,581)
Non-controlling interest		**(8,545)**	(10,888)
Total comprehensive income (loss)		**$ 2,180,382**	$ (230,469)
Earnings per Share attributable to owners of the parent			
Basic and diluted		**$ 0.073**	$ (0.002)
Weighted Average Number of Common Shares			
Basic and diluted		**27,612,597**	27,326,261

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

	Capital Stock				Accumulated	Equity		
	Number	Amount	Contributed Surplus	Retained Earnings (Deficit)	Other Comprehensive Income (Loss)	attributable to shareholders of the Company	Non-controlling Interest	Total Equity
Balance as at January 1, 2017 (audited)	25,784,950	$ 6,635,133	$ 2,165,130	$ 2,382,085	$ (833,725)	$ 10,348,623	$ (55,179)	$ 10,293,444
Issuance of common shares	1,827,647	2,613,529	-	-	-	2,613,529	-	2,613,529
Common share issuance cost	-	(38,016)	-	-	-	(38,016)	-	(38,016)
Net loss and comprehensive loss for the period	-	-	-	(54,003)	-	$ (54,003)	$ (10,888)	$ (64,891)
Other comprehensive loss	-	-	-	-	(165,621)	$ (165,621)	$ -	$ (165,621)
Balance as at March 31, 2017	**27,612,597**	**9,210,646**	**2,165,130**	**$ 2,328,082**	**$ (999,346)**	**12,704,512**	**(66,067)**	**12,638,445**
Issuance of common shares	-	-	-	-	-	-		
Common share issuance cost	-	-	-	-	-	-		
Net income and comprehensive income for the period	-	-	-	1,241,348	-	1,241,348	(42,113)	1,199,235
Other comprehensive income	-	-	-	-	15,065	15,065	-	15,065
Balance as at December 31, 2017 (audited)	**27,612,597**	**9,210,646**	**2,165,130**	**3,569,430**	**(984,281)**	**13,960,925**	**(108,180)**	**13,852,745**
Net income	-	-	-	2,025,103	-	2,025,103	(8,545)	2,016,558
Other comprehensive income	-	-	-	-	163,824	163,824	-	163,824
Balance as at March 31, 2018	**27,612,597**	**$ 9,210,646**	**$ 2,165,130**	**$ 5,594,533**	**$ (820,457)**	**$ 16,149,852**	**$ (116,725)**	**$ 16,033,127**

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash flows from operating activities		
Net income (loss)	**$ 2,016,558**	$ (64,848)
Add items not affecting cash		
Depreciation of property, plant and equipment	**159,318**	167,506
Amortization of intangible assets	**259,945**	231,754
Bad debt expense	**136,418**	37,301
Deferred income tax recovery	**(24,206)**	(22,839)
Accretion on notes payable - acquisitions	**25,737**	11,866
Unrealized loss on foreign exchange	**32,903**	8,769
	2,606,673	369,509
Changes in non-cash working capital items		
Accounts receivable	**(982,459)**	(32,153)
Inventory	**(716,285)**	(1,100,683)
Prepaid expenses and other current assets	**(10,652)**	(467,614)
Accounts payable and accrued liabilities	**(964)**	201,808
Income tax payable	**(209,023)**	(120,327)
Net cash provided by (used in) operating activities	**687,290**	(1,149,460)
Cash flows used in investing activity		
Purchase of property, plant and equipment	**(148,693)**	(153,115)
Development of intangible assets	**(167,860)**	(179,875)
Net cash used in investing activities	**(316,553)**	(332,990)
Cash flows from financing activity		
Proceeds from issuance of common stock	**-**	2,613,529
Proceeds from revolving line of credit	**-**	500,000
Repayment of bank loan payable	**(145,306)**	(138,891)
Repayment of notes payable - acquisitions	**(273,673)**	(113,964)
Net cash (used in) provided by financing activities	**(418,979)**	2,860,674
Effect of exchange rates on cash and cash equivalents	**(21,628)**	(194,512)
(Decrease) increase in cash and cash equivalents during the period	**(69,870)**	1,183,712
Cash and cash equivalents at beginning of period	**3,498,904**	1,861,089
Cash and cash equivalents at end of period	**$ 3,429,034**	$ 3,044,801
Supplemental Disclosure		
Cash paid for income taxes	$ 807,369	$ 187,000
Cash paid for interest	$ 47,295	$ 48,181

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, 2017 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., XPEL de Mexico S. de R.L. de C.V., XPEL Acquisition Corp., Protex Canada Inc. and its 85% owned subsidiary XPEL Ltd. Intercompany transactions and balances are eliminated on consolidation.

Functional and Presentation Currency

These condensed 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
XPEL de Mexico S. de R.L. de C.V.	Mexican Peso
XPEL Acquisition Corp.	Canadian Dollar
Protex Canada Inc.	Canadian Dollar

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment loss (if any). Depreciation is calculated over the estimated useful lives of the assets on a straight-line basis as follows:

Furniture and fixtures	-	5 years
Computer equipment	-	3-4 years
Vehicles	-	5 years
Equipment	-	5-7 years
Leasehold improvements	-	shorter of lease term or estimate useful life
Plotters	-	4 years

Useful lives, residual values and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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. Total costs deferred from immediate expense recognition according to the above noted policies were $167,860 for the three months ended March 31, 2018 (March 31, 2017 – $179,875).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 shipment 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.

(iv) 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.

Fair Value

Fair values on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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;

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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. INVENTORIES

The components of inventory are summarized as follows:

		Balance March 31, 2018		Balance December 31, 2017
Film and film based products	**$**	**9,720,079**	$	9,157,799
Other products		**854,300**		761,242
Packaging and supplies		**293,500**		232,553
	$	**10,867,879**	$	10,151,594

4. INTANGIBLE ASSETS

Cost	**Balance January 1, 2018**	**Additions**	**Foreign Exchange**	**Balance March 31, 2018**
Design templates (internally generated)	$3,783,300	$136,520	$ -	$ 3,919,820
Trademarks	286,812	-	-	286,812
DAP software platform	1,244,397	31,340	-	1,275,737
Patent	100,000	-	-	100,000
Design templates	40,635	-	1,600	42,235
Domain names	7,500	-	-	7,500
Trade name	383,398	-	(2,619)	380,779
Contractual and customer relationships	2,625,157	-	(52,777)	2,572,380
Non-compete	259,074	-	(4,029)	255,045
	$8,730,273	**167,860**	**$(57,825)**	**$ 8,840,308**

Accumulated Amortization	**Balance January 1, 2018**	**Additions**	**Foreign Exchange**	**Balance March 31, 2018**
Design templates (internally generated)	$3,265,921	$ 123,040	$ -	$3,388,961
Trademarks	-	-	-	-
DAP software platform	560,011	63,366	-	623,377
Patent	100,000	-	-	100,000
Design templates	40,635	-	1,600	42,235
Domain names	-	-	-	-
Trade name	32,869	-	(14,937)	17,932
Contractual and customer relationships	487,559	-	65,319	552,878
Non-compete	128,904	-	5,402	134,306
	$4,615,899	**$ 186,406**	**$ 57,384**	**$ 4,859,689**

(Expressed in United States Dollars)

4. INTANGIBLE ASSETS (cont'd)

Net Book Value	Balance March 31, 2018	Balance December 31, 2017
Design templates (internally generated)	530,859	517,379
Trademarks	286,812	286,812
DAP software platform	652,360	684,386
Patent	-	-
Design templates	-	-
Domain names	7,500	7,500
Trade name	362,847	350,529
Contractual and customer relationships	2,019,502	2,137,598
Non-compete	120,739	130,170
	3,980,619	**4,114,374**

5. CREDIT FACILITIES

The Company has entered into a $8,500,000 (December 31, 2017 - $8,500,000) revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs. The Company must satisfy certain financial and 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 August 5, 2018. The interest rate during the period ended March 31, 2018 was 5.50%.

6. 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 100% of the issued and outstanding shares of a distributor of paint protection and window tint products in the Canadian market. The original principal of the loan was for $1,900,000 with monthly blended interest and principal repayments of $49,785. The loan has a three-year term maturing on September 3, 2018 and is based on a five-year amortization schedule and bears a fixed interest rate of 4.25%. The Bank of San Antonio has been granted a security interest in substantially all of the Company's current and future assets. As at March 31, 2018, the principal outstanding was $294,820 (December 31, 2017 - $440,126).

7. NOTE PAYABLE – ACQUISITIONS

(i) As part of the acquisition of a Canadian distributor of paint protection and window tint products in 2015, 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, which was adjusted from CAD$120,413 as a result of the agreed upon working capital adjustment. The promissory note is discounted at a rate of 4.75%, and matures in January 2020. As at March 31, 2018, the principal outstanding was CAD$940,268 (December 31, 2017 - CAD$1,001,059). The carrying value of this loan was $601,184 at March 31, 2018 (December 31, 2017 $796,505).

(ii) As part of the acquisition of the Las Vegas distributor (Note 7(ii)), the Company issued an interest bearing unsecured promissory note. The unsecured promissory note is payable in 60 monthly installments of $8,237. The note bears interest at 3.75%, is discounted at a rate of 10% and matures in December 2021. As at March 31, 2018, the principal outstanding was $370,652 (December 31, 2017 – $366,609). The carrying value of this loan was $309,896 at March 31, 2018 (December 31, 2017 $347,648).

(Expressed in United States Dollars)

7. NOTE PAYABLE – ACQUISITIONS (Cont'd)

(iii) As part of the 2017 acquisitions, the Company issued an unsecured, non-interest bearing promissory note to the owner of the company acquired in Boise, ID. The unsecured promissory note is payable in 5 annual installments of $40,000. Payment of these installments is contingent on the business meeting certain predetermined performance targets during each year. The maximum amount payable in any given year is $40,000. The promissory note is discounted at a rate of 10% and matures in November 2022. As at March 31, 2018, the principal outstanding was $200,000 (December 31, 2017 – $200,000). The carrying value of this loan was $160,477 at March 31, 2018 (December 31, 2017 - $156,686).

(iv) As part of the 2017 acquisitions, the Company issued an unsecured, non-interest bearing promissory note to the owner of the company acquired in Montreal, Quebec. The unsecured promissory note is payable in 20 quarterly installments of CAD$28,000. The promissory note is discounted at a rate of 10% and matures in June 2022. As at December 31, 2017, the principal outstanding was CAD$383,851 (December 31, 2017 – CAD$532,000). The carrying value of this loan was $297,571 at March 31, 2018 (December 31, 2017 – $341,961).

8. 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

9. FAIR VALUE

The carrying value of the Company's cash and cash equivalents, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities, approximate fair values due to the relatively short-term maturities of the instruments. The bank loan payable approximates its fair value as the contract rate approximates current market rates. The fair value of notes payable - acquisitions as of March 31, 2018 is $1,405,559 (December 31, 2017 - $1,619,675).

10. 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	$ 761,038
1-5 years	1,755,759
Greater than 5 years	755,019
	$ 3,271,816

(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.

(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 Company's operating subsidiaries. Revenues reflect sales made from the subsidiary, generally, to customers in that geographic region. US and ROW (rest of world) includes XPEL Technologies Corp., ArmourfendCAD LLC and Mexico S. de R.L de C.V. and generally includes sales made within the United States, Mexico and to customers in other parts of the world not buying from one of our other subsidiaries. Europe includes XPEL Ltd. and XPEL B.V., which generally serve the broader European countries. Canada includes XPEL Canada Corp. and its subsidiaries which generally serve Canada. Below are breakdowns by operating segment revenues and net income (loss).

Operating Segments

Revenue and net income by operating segment as of March 31, 2018 are as follows:

2018	U.S. & ROW	Europe	Canada	Total
Total Revenue	$ 23,141,964	$ 2,275,792	$ 4,144,797	**$ 29,562,553**
Less: inter-segmental revenue	(4,363,812)	-	-	**(4,363,812)**
Total external revenue	18,778,152	2,275,792	4,144,797	**25,198,741**
Net income (loss)	$ 1,921,963	$ (36,715)	$ 131,310	**$ 2,016,558**

Revenue and net income by operating segment as of March 31, 2017 are as follows:

2017	U.S. & ROW	Europe	Canada	Total
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)

12. REVENUE COMPONENTS

Revenue earned from each product line are as follows:

	Three months ending Mar 31, **2018**	2017
Paint protection film	**$ 20,881,496**	$ 9,605,331
Installation	**1,316,628**	819,405
Window film	**1,252,803**	851,734
Software	**950,318**	833,970
Other products	**797,496**	520,027
	$ 25,198,741	$ 12,630,467

13. EXPENSES

Cost of sales incurred by nature are as follows:

	Three months ending Mar 31, **2018**	2017
Employee salaries and benefits	**$ 841,224**	$ 740,490
Materials	**15,733,081**	7,455,120
Freight	**295,202**	201,437
Credit card fees	**235,146**	136,614
Warranty expense	**94,640**	386,703
Shop supplies	**76,572**	71,178
Import duties	**96,410**	22,444
Other customer related costs	**75,508**	31,951
Other	**102,886**	113,085
Amortization and depreciation	**154,459**	138,687
	$17,705,128	$ 9,297,709

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

	Three months ending Mar 31, **2018**	2017
Employee salaries and benefits	**$ 2,157,365**	$ 1,437,994
Sales and marketing	**581,970**	294,991
Occupancy	**404,721**	215,985
Professional fees	**443,432**	350,424
Filing fees	**19,080**	23,418
Insurance	**97,890**	78,647
Information technology costs	**173,275**	102,481
Intercompany freight costs	**107,583**	71,030
Travel related costs	**299,689**	331,629
Taxes – other	**33,750**	19,059
Office and general	**316,079**	131,548
Amortization and depreciation	**264,804**	260,574
	$ 4,899,638	$ 3,317,780

14. 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 86% (2017 – 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.

15. 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.