

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis ("**MD&A**") describes the operating and financial results of XPEL Technologies Corp., ("**XPEL**" or "**Company**") for the six months ended June 30, 2017.

The MD&A, prepared as of August 28, 2017, should be read in conjunction with the accompanying condensed consolidated unaudited financial statements. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

These condensed consolidated unaudited interim financial statements should be read in conjunction with our 2016 annual financial statements prepared in accordance with IFRS.

Non-IFRS Measures

In addition to disclosing results in accordance with IFRS as issued by IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance.

Management uses EBITDA as a measure of company-wide performance. EBITDA is defined as earnings before interest, taxes, depreciation, and amortization. Management believes EBITDA is a useful measure to allow period-to-period comparison of the Company's operating performance. EBITDA does not have a standardized meaning under IFRS and is not necessarily comparable to measures presented by other Companies. EBITDA excludes components that are significant in understanding and assessing our results of operations and cash flows. EBITDA does not represent funds available for Management's discretionary use and is not intended to represent cash flow from operations. EBITDA should not be considered a substitute for Net Income prepared in accordance with IFRS as issued by the IASB.

Constant Currency

The Company reports results in U.S. Dollars, but does business on a global basis. Exchange rate fluctuations affect the U.S. Dollar value for foreign currency revenue and expenses and may have a significant effect on reported results. Comparisons are made to the prior year in constant currency terms, which Management believes is helpful in understanding the Company's performance. Constant currency is calculated by converting current period results using the prior year currency exchange rates.

Forward-Looking Disclaimer

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws including, among others, statements made or implied under the

headings “Strategic Overview”, “Results of Operations”, “Liquidity and Capital Resources”, “Accounting Estimates”, and “Risk Factors” relating to the Company’s objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts including, but not limited to: the ability to oversee and manage the delivery model for our products and services; the ability to leverage our distribution channels; enhancement of dealership opportunities; expansion of our presence in Europe; investments in research and development; evaluation of our risk management strategies. Forward-looking statements generally can be identified by words such as “outlook”, “believe”, “expect”, “may”, “anticipate”, “should”, “intend”, “estimates” and similar expressions. With respect to forward looking statements contained in this MD&A, assumptions have been made regarding among other things: currency exchange rates, interest rates, expected revenue from operations, the economic in which we operate, results of our customer initiatives and brand focus and continued customer demand.

This MD&A contains certain forward-looking statements in respect of various matters including upcoming events that involve known and unknown risks and uncertainties that are beyond the control of Management. Those risks and uncertainties include, among other things, risks related to: share prices, liquidity, creditworthiness, currency, lease rollover, insurance, dilution, ability to access capital markets, interest rates, dependence on key personnel and environmental matters. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. Factors and assumptions that were applied in drawing conclusions and could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, changes in interest rates, changes in governmental regulations and the Company’s ability to obtain adequate insurance and financing.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Except as required by law, the Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements are made as of August 28, 2017.

Company Overview

XPEL Technologies Corp. (“XPEL”), a Nevada corporation, based in San Antonio, Texas, USA is a Canadian reporting issuer whose common shares trade on the TSX Venture Exchange (“TSXV”) under the symbol DAP.U.

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.

In the United States, Canada and parts of Europe, the Company operates primarily by selling a complete turn-key solution directly to independent installers and new car dealerships which includes XPEL protection films, installation training, access to the Company's proprietary design software, marketing support and lead generation.

Additionally, the Company operates five Company-owned installation centers in the United States as well as one installation center each in the United Kingdom and the Netherlands that serve wholesale and/or retail customers in their respective markets.

In other parts of the world, the Company operates primarily through third party distributors, who operate under agreement with the Company to develop a market or a region under the Company's supervision and direction.

The Company operates through 100% owned subsidiaries in Canada and the Netherlands and through an 85% owned subsidiary in the United Kingdom.

Strategic Overview

The Company continues to execute on its core strategy to "Get Close to the Customer". The overall benefit from this strategy is that it allows us to oversee and manage the delivery model for our products and services. Additionally, this strategic initiative allows us to substantially differentiate ourselves from our competitors. Our industry leading proprietary pattern software creates a "sticky" relationship with our customers. The value of our proprietary software is augmented with superior products, informative "hands-on" training and creative and actionable marketing support and lead generation.

Most of our revenue is derived from the sales of automotive paint protection and window film. Our delivery model allows for the efficient introduction of new products and services into the customer base as evidenced by our successful launch of our window tint product line in late 2015. Window tint represented 8.4% of our total second quarter revenue and 7.4% of our period to date revenue. While sales of our automotive product lines will represent the majority of our revenue for the foreseeable future, we do see significant opportunity for growth from the launch of our new commercial/residential window film lines later this year. We will leverage our existing technology to revolutionize the delivery of these new products which, in turn, will create added value for new and existing customers.

We continue to see strong growth in Canada resulting from improved economic conditions as well as effective execution of our strategy. Our European operations continues to scale and we are well positioned to capture market share in this under penetrated region.

As more fully described in Results of Operations, revenues grew 25.0% vs prior year quarter to \$17.0 million which was the highest revenue quarter in the Company's history. Gross margin for the quarter remained relatively steady vs prior year quarter. We continue to build the company to scale. We increased our inventory levels during the second quarter to better serve our customers pursuant to our Get Close to the Customer strategy. In addition, these higher inventory levels help insulate the company from potential future supply interruptions. We continue to invest in people, process and technology to ensure we are well positioned for continued growth.

Results of Operations

Three Months Ended June 30, 2017

Revenues. Revenues increased approximately \$3.4 million to \$17.0 million, or 25.0% over the prior year period. On a constant currency basis, revenues grew 26.4% to \$17.3 million. The increase in revenues is primarily a result of increases in paint protection film and window film sales.

Direct Costs. Direct Costs of sales increased approximately \$2.5 million over the prior year period and increased slightly as a percentage of revenues from 72.5% to 72.9%. Direct costs include the costs of our physical goods, the costs related to our Design Access Program software, and the costs of labor directly associated with the production of product.

Gross Margin. Gross margin for the quarter grew 23.1% to \$4.6 million vs prior year quarter and decreased slightly as a percentage of sales from 27.5% to 27.1%.

Expenses. Selling, general and administrative expenses increased \$.96 million or 39% vs. prior year period and increased as a percentage of sales to 19.8% of sales from 17.8% of sales in the prior year period. This increase was due mainly to increased personnel costs, increased occupancy costs, increased information technology costs and increased travel related costs to support the on-going growth of the business. These increased costs were partially offset by a reduction in professional fees. Additionally, the company changed its depreciation method from double declining balance to straight line resulting in additional depreciation expense of approximately \$.09 million vs. prior year quarter.

EBITDA. EBITDA increased \$.99 million or 6.23% vs. prior year period. On a constant currency basis, EBITDA increased 6.29%.

Net income. Net income before tax decreased approximately 4.7% for the quarter to \$1.20 million. Net income for the quarter decreased approximately 2.0% to \$.75 million. On a constant currency basis, net income for the quarter decreased approximately 1.9% to \$.75 million.

Six Months Ended June 30, 2017

Revenues. Revenues increased approximately \$4.7 million, or 18.9% over the prior year to date period. On a constant currency basis, revenues grew 19.4% to \$29.8 million. The increase in revenues is primarily a result of increases in paint protection film and window film sales.

Direct Costs. Direct Costs of sales increased approximately \$3.8 million over the prior year to date period and increased as a percentage of revenues from 71.8% to 73.2%. Direct costs include the costs of our physical goods, the costs related to our Design Access Program software, and the costs of labor directly associated with the production of product.

Gross Margin. Gross margin for the period grew 13.0% vs prior year quarter and decreased as a percentage of sales from 28.2% to 26.8%. This margin degradation was primarily attributable to higher first quarter warranty costs related to film quality issues from product sold late last year and early in the first quarter.

Expenses. Selling, general and administrative expenses increased \$1.91 million or 39.9% vs. prior year period and increased as a percentage of sales to 22.6% of sales from 19.2% of sales in the prior year period. This increase was due mainly to increased personnel costs, increased occupancy and insurance costs to support the on-going growth of the business, increased travel and marketing related costs related to our dealer conference we hosted in the first quarter and increased professional fees due mainly to increased legal fees resulting from the litigation which was settled late in the first quarter. Additionally, the company changed its depreciation method from double declining balance to straight line resulting in additional depreciation expense of approximately \$.18 million vs. prior year quarter.

EBITDA. EBITDA decreased .65 million to \$2.12 million vs prior year period. On a constant currency basis, EBITDA decreased to 23.59% to \$2.11 million.

Net income. Net income before tax decreased to \$1.17 million for the period. Net income for the period decreased to \$.69 million. On a constant currency basis, net income for the period decreased \$.68 million.

EBITDA

The Company has provided a reconciliation of IFRS net income to EBITDA in the following table. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Management believes that EBITDA is a useful measure that facilitates period to period operating comparisons.

	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Net Income	750,105	765,793	685,257	1,462,974
Interest	59,872	52,489	108,054	118,501
Taxes	480,532	498,957	524,843	649,614
Depreciation	169,239	73,271	336,746	142,580
Amortization	234,379	204,337	466,133	396,619
EBITDA	1,694,127	1,594,847	2,121,033	2,770,288

Summary of Quarterly Results

The financial information set out below presents the required financial information for the eight most recently completed fiscal quarters of the Company. Quarterly information below has been prepared under IFRS.

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenues	17,048.5	12,630.5	13,248.8	13,549.9	13,661.4	11,299.2	11,171.9	10,874.3
Net Income (Loss) Before Taxes	1,216.1	(39.6)	(249.6)	1,166.7	1,264.7	847.8	108.4	602.10
Net Income (Loss)	750.1	(64.8)	(22.9)	723.4	765.8	697.2	(200.0)	398.1
Net Income (Loss) per Share	.027	(0.002)	(0.001)	0.028	0.030	0.027	(0.008)	0.015
Amounts in thousands, except per share amounts								

Liquidity and Capital Resources

Cash flows used in operations totaled approximately \$3.7 million due mainly to increases in inventory levels in a conscious effort to maintain higher inventory levels to better service our customers and to hedge against potential future supply disruption.

Cash flows used in investing activities totaled approximately \$.84 million during the six months ended June 30, 2017 representing a slight increase vs prior quarter.

Cash flows provided by financing activities during the period totaled approximately \$4.6 million, an increase of \$6.1 million vs. prior period due primarily to proceeds received from issuance of common stock related to our private placement during the first quarter and increase in our revolving line of credit borrowings.

Debt obligations at June 30, 2017 totaled approximately \$7.0 million compared with \$4.9 million at December 31, 2016. The increase is mainly due increases in our revolving line of credit.

Legal Proceedings

3M Lawsuit

On December 29, 2015, 3M Company and 3M Innovative Properties 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 and were seeking a permanent injunction to prevent the Company from selling the allegedly infringing product. On May 16, 2016, the Company filed an answer to the suit denying infringement and challenging the validity of the patent in question. On March 22, 2017, the parties settled this dispute and mutually agreed to dismiss the lawsuit without prejudice. The Company does not expect this settlement to have a material impact on our business going forward.

Disclosure Controls

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining its disclosure controls and procedures.

The CEO and CFO have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that the material information relating to the Company would have been known to them.

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 Common 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.

Share Capital

The Company is authorized to issue up to 100,000,000 common shares and 10,000,000 preferred shares. At March 31, 2017, the Company has issued 27,612,597 common shares of common stock and no preferred shares. As referenced above, 1,827,647 common shares were issued commensurate with the January 2017 private placement. As of the date of this filing, the Company has issued 27,612,597 common shares of common stock and no preferred shares.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial and Other Instruments

The Company's operations did not require the use of derivative financial instruments such as swaps, futures or hedging contracts. The Company is in process of evaluating and/or implementing certain risk management strategies. This evaluation could result in the use of derivative financial instruments in the future.

Accounting 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 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 determination of the useful life of property, plant and equipment and intangible assets, measurement of warranty provision, recognition of deferred tax assets and liabilities, valuation of intangible assets for impairment, fair value of financial instruments and the determination of the fair value of assets and liabilities relating to acquisition of certain assets.

Significant judgments in connection with these condensed consolidated interim financial statements include the determination of the acquisition assets meet the definition of a business combination and determination of functional currency.

Recent Accounting Pronouncements Issued and Not Yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2016 or later periods. Many are not applicable or do not have a

significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- (a) IFRS 9 Financial Instruments was issued by the IASB on July 24, 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets and liabilities. This new standard completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

- (b) In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue—Barter Transactions Involving Advertising Services. The Company is in the process of assessing the impact of the adoption of this interpretation on its consolidated financial statements.

- (c) IFRS 16 Leases was issued by the IASB in January 2016 and will replace IAS 17 Leases. It is effective for annual periods beginning on or after January 1, 2019. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15. The Company is in the process of assessing the impact of the adoption of this interpretation on its consolidated financial statements.

Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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 notes payable and bank loan payable approximate their fair values as the contract rates approximate current market rates. The carrying value of the notes payable – acquisition 2015 and 2016 approximates their fair value.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and vendor and bank references. While the Company does not require collateral in respect of trade and other receivables, on certain product lines, the Company requires a valid credit card as back-up for any amount purchased on terms. The Company has no significant concentration of credit risk arising from customers.

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in money market accounts in credit worthy banking institutions. The Company periodically monitors the accounts and is satisfied with the credit ratings of its banks.

Interest Rate Risk

The Company is exposed to interest rate risk since the Company's credit facilities are bearing interest at a variable rate. Interest rates for notes payable, bank loan payable and note payable-vendor loan are fixed.

Currency Risk

The Company's functional currency is the US dollar. Through its subsidiaries with foreign functional currencies, the Company is exposed to foreign currency risk. In respect of the monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level.

Additional Financing

Our ability to continue to maintain operating profitability and growth is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis and

our ability to secure long-term financing as required. Additional financing may be required to develop the Company's products and services.

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Litigation

In the normal course of the Company's operations, it may become involved in, be named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceeding, the proceeding could be costly and time-consuming and may divert the attention of management and key personnel from the Company's business operations. For specific disclosure of current legal proceedings, see "*Legal Proceedings*" in this MD&A.

Additional Risk Factors

There are various risks associated with investing in the business of the Company including those described below that should be considered in conjunction with the other information included in this MD&A. There may be additional risks and uncertainties in addition to those listed below, including those that are unknown to the Company at this time or believed by the Company to be unimportant at this time that could, in the future, have a material adverse effect on the business, financial condition or results of operations of the Company.

Market Penetration

There can be no assurance that the Company can generate sufficient interest in its products to permit the Company to achieve its required level of market penetration. There are many products competing for the consumer's aftermarket products dollars and the Company may not be able to make its products a priority for consumers.

Demand for Company's Products

There can be no assurance that the Company will be able to maintain or increase demand for its products. Any significant shortfall of demand in relation to expectation for the Company's products would have an adverse impact on the Company.

Economic

The Company's sales are partially tied to the success of the automotive industry, specifically new car sales. While new car sales have recovered off their low during the recession, there is no guarantee current sales levels will continue. A decline in new car sales globally could negatively impact the Company's performance.

Competition

The Company is experiencing competition for its products. The Company continues to see new entrants in to the paint protection market and increased emphasis on the paint protection film marketplace from existing competitors. The Company believes it has significant competitive advantages through its database of products, proprietary product distribution software, training curriculum and facilities, and established sales channels; however, the Company must continually upgrade and improve its products, or develop new products. The Company will be negatively affected if other products similar to those of the Company with similar or superior features at lower prices become available.

Vulnerability to Substitutes

The Company's products, once installed, are generally virtually invisible and without branding, allowing for substitution and bait-and-switch tactics by the installer base not known to the consumer. This could create a false negative perception of the Company's products if the substitutes are inferior in quality or reduce the return on the Company's sales and marketing activities if the quality is acceptable.

The Company's revenue is derived primarily from the sale of automotive paint protection film. Should alternative technologies provide suitable paint protection in another manner, or should automotive paint technology improve in a material fashion so as to not need protection, the market for the Company's products may diminish.

Reliance on Suppliers

The Company is dependent on its suppliers and partners, their knowledge, ability and equipment to continue to manufacture its paint protection film at sufficient quantities and of acceptable quality. The manufacture of paint protection film requires the use of equipment and facilities and other supply chain elements that are highly specialized and not widely available. As the Company's products advance technologically, the Company is increasingly more reliant on these suppliers and partners and their specialized technology. Any disruption to these facilities, relationships or to the supply chain could adversely affect the Company's ability to produce product. Suitable alternatives for the

Company's suppliers, partners, production facilities or other supply chain elements may not exist or may not be available to the Company. Any disruption in the source of supplies, internally or externally, could adversely affect the Company's business.

Reliance on Raw Materials or Indirect Suppliers

The Company's suppliers are reliant on raw and finished materials from other suppliers that may be discontinued, on allocation, of questionable quality or suffer wild price fluctuations. These components may have few alternate suppliers. Due to the indirect nature of these suppliers, the Company may have limited visibility to these problems and may have limited ability to mitigate them. Additionally, due the indirect nature of the supplier, the Company may have little advance notice regarding supply disruptions or any other problems that ultimately affect the Company's business.

Susceptibility to Fluctuations and Structural Changes to the Automotive Industry

The majority of the Company's sales are ultimately targeted towards new cars. Should the sale of new cars decline for any temporary reason, such as: supply disruption, lack of credit availability or for any longer term reason such as: structure changes to the transportation industry due to self-driving cars, ride-sharing services or changing consumer preferences, the Company's sales may be impacted. If such changes are dramatic enough, it could materially impact the Company's sales or profitability.

Risk Associated with Intellectual Property

The Company sells a variety of products (both physical and electronic) that are applied and used in a variety of ways. The products sold, the manner in which they are used and the mechanisms by which they are applied may all potentially infringe on other's intellectual property. While the Company attempts to monitor such intellectual property filings and, where appropriate, protect its own, given the broad scope and nature of the products and their uses, it is not possible to guarantee perfect knowledge or interpretation of all intellectual property risks.

Reliance on Ability to Forecast and Manage Supply Chain

The company must accurately forecast and schedule production of its products. Due to lack of personnel, historical data or for other unforeseen circumstances it may not be possible to forecast demand accurately. This could result in the Company having incorrect inventory levels to meet demand, including inventory levels higher than needed which could create cash-flow challenges for the Company or inventory levels lower than needed which could inhibit the Company's ability to make sales and deliver product on-time and at the quantity requested. If the Company fails to meet customer demand for products, it may lose customers to competitors.

UK/European Union

As a result of the U.K.'s decision to leave the European Union through a negotiated exit over a period of time, it is possible there will be increased regulatory complexities, as well as potential referenda in the U.K. and/or European Union countries that could cause uncertainty in European or worldwide economic conditions. In the short term, the decision created volatility in certain foreign currency exchange rates, which may continue. Any of these effects, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

Information Technology System Failures

We are increasingly reliant on technological systems as well as technologies which facilitate communication and collaboration internally, with affiliated entities, or with independent third parties to conduct our business, including technology-enabled solutions provided to us by third parties. Any failure of these systems and solutions could significantly impact our operations and customer perception. Despite the implementation of security measures, those technology systems and solutions could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or other catastrophic events. The third party solutions also present the risks faced by the third party's business. If those systems or solutions were to fail or otherwise be unavailable, and we were unable to recover in a timely way, we could experience an interruption in our operations. Furthermore, security breaches involving our systems, the systems of the parties we communicate or collaborate with or those of third party providers may occur, such as unauthorized access, denial of service, computer viruses and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers and employees as well as financial, proprietary, and other confidential information related to our business. An actual or alleged security breach could result in system disruptions, shutdowns, theft or unauthorized disclosure of confidential information. The occurrence of any of these incidents could result in adverse publicity, loss of customer confidence, reduced sales and profits and criminal penalties or civil liabilities.

Increasing Legal Complexity

Increasing legal complexity will continue to affect our operations and results in material ways. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, employment and personal injury claims, landlord/tenant disputes, disputes with current or former suppliers and intellectual property claims. Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to litigation.

Key Personnel

The Company is currently heavily reliant on the experience and expertise of its senior management. If any of these should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected. In addition, the Company may require additional management employees to develop its business.

Challenge to Profitability

The Company has produced an operating profit since 2009. Prior to 2009, the Company produced consistent losses. The Company anticipates continued profitability; however, market opportunities may produce circumstances in the future where profitability is challenged or intentionally reduced to increase sales.

Dividends

The Company does not anticipate paying dividends in the foreseeable future.

Additional Information

Additional information relating to the Company may be accessed on the Internet at www.sedar.com.

Cautionary Note

Some of the statements contained in this report are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements