

Tucows Inc.
Consolidated Balance Sheets
(Dollar amounts in U.S. dollars)

	March 31,	December 31,
	2017	2016
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,032,821	\$ 15,105,075
Accounts receivable	13,354,774	10,925,622
Inventory	1,039,793	1,210,789
Prepaid expenses and deposits	16,101,078	6,250,555
Derivative instrument asset, current portion	356,525	172,888
Prepaid domain name registry and ancillary services fees, current portion	112,060,197	49,396,737
Income taxes recoverable	2,874,532	220,451
Total current assets	<u>160,819,720</u>	<u>83,282,117</u>
Prepaid domain name registry and ancillary services fees, long-term portion	24,463,113	10,993,156
Property and equipment	18,403,439	13,450,438
Deferred tax asset	-	5,708,725
Intangible assets	62,503,033	19,973,793
Goodwill	85,526,787	21,005,143
Total assets	<u>\$ 351,716,092</u>	<u>\$ 154,413,372</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,246,007	\$ 4,786,645
Accrued liabilities	9,518,273	7,098,905
Customer deposits	14,056,627	5,418,622
Deferred rent, current portion	20,854	20,854
Loan payable, current portion	18,289,853	2,233,110
Deferred revenue, current portion	134,459,471	62,795,079
Accreditation fees payable, current portion	1,293,276	528,027
Income taxes payable	777,971	1,548,121
Total current liabilities	<u>185,662,332</u>	<u>84,429,363</u>
Deferred revenue, long-term portion	31,429,228	15,053,977
Accreditation fees payable, long-term portion	258,560	115,084
Deferred rent, long-term portion	128,234	124,202
Loan payable, long-term portion	72,174,607	8,015,698
Other liabilities	815,860	944,680
Deferred tax liability	20,166,540	4,827,192
Redeemable non-controlling interest	1,098,589	3,086,090
Stockholders' equity:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 10,504,152 shares issued and outstanding as of March 31, 2017 and 10,461,574 shares issued and outstanding as of December 31, 2016	14,783,156	14,460,500
Additional paid-in capital	2,160,720	2,857,921
Retained earnings	22,833,503	20,399,511
Accumulated other comprehensive income (loss)	204,763	99,154
Total stockholders' equity	<u>39,982,142</u>	<u>37,817,086</u>
Total liabilities and stockholders' equity	<u>\$ 351,716,092</u>	<u>\$ 154,413,372</u>

Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)

Three months ended March 31,
2017 **2016**

(unaudited)

Net revenues	\$ 69,568,062	\$ 44,746,089
Cost of revenues:		
Cost of revenues	49,310,712	28,806,717
Network expenses (*)	2,343,196	1,232,931
Depreciation of property and equipment	590,347	346,753
Amortization of intangible assets	380,162	11,532
Total cost of revenues	<u>52,624,417</u>	<u>30,397,933</u>
Gross profit	16,943,645	14,348,156
Expenses:		
Sales and marketing (*)	7,219,322	4,465,056
Technical operations and development (*)	1,694,141	1,176,360
General and administrative (*)	3,457,343	2,404,927
Depreciation of property and equipment	166,317	73,268
Amortization of intangible assets	1,380,809	56,997
Impairment of indefinite life intangible assets	-	20,985
Loss (gain) on currency forward contracts	(34,425)	(110,757)
Total expenses	<u>13,883,507</u>	<u>8,086,836</u>
Income from operations	3,060,138	6,261,320
Other income (expenses):		
Interest expense, net	(867,993)	(46,172)
Other income	128,897	128,820
Total other income (expenses)	<u>(739,096)</u>	<u>82,648</u>
Income before provision for income taxes	2,321,042	6,343,968
Provision for income taxes	(125,449)	1,905,730
Net income before redeemable non-controlling interest	2,446,491	4,438,238
Redeemable non-controlling interest	(125,764)	(170,792)
Net (earnings) loss attributable to redeemable non-controlling interest	125,764	170,792
Net income for the period	<u>2,446,491</u>	<u>4,438,238</u>
Other comprehensive income (loss), net of tax		
Unrealized income (loss) on hedging activities	186,229	547,963
Net amount reclassified to earnings	(80,620)	335,557
Other comprehensive income (loss) net of tax of 60,079 for the three months ended March 31, 2017 and \$483,704 for the three months ended March 31, 2016	<u>105,609</u>	<u>883,520</u>
Comprehensive income, net of tax for the period	<u>\$ 2,552,100</u>	<u>\$ 5,321,758</u>
Basic earnings per common share	<u>\$ 0.23</u>	<u>\$ 0.42</u>
Shares used in computing basic earnings per common share	<u>10,474,647</u>	<u>10,674,036</u>
Diluted earnings per common share	<u>\$ 0.23</u>	<u>\$ 0.41</u>
Shares used in computing diluted earnings per common share	<u>10,776,515</u>	<u>10,861,582</u>

(*) Stock-based compensation has been included in expenses as follows:

Network expenses	\$ 4,383	\$ 6,795
Sales and marketing	\$ 59,001	\$ 54,878
Technical operations and development	\$ 61,410	\$ 26,398
General and administrative	\$ 193,026	\$ 112,157

Tucows Inc.
Consolidated Statements of Cash Flows
(Dollar amounts in U.S. dollars)

Three months ended March 31,

	2017	2016
	(unaudited)	
Cash provided by:		
Operating activities:		
Net income for the period	\$ 2,446,491	\$ 4,438,238
Items not involving cash:		
Depreciation of property and equipment	756,664	420,021
Amortization of debt discount and issuance costs	67,105	-
Amortization of intangible assets	1,760,971	68,529
Impairment of indefinite life intangible asset	-	20,985
Deferred income taxes	1,319,819	273,159
Excess tax benefits on share-based compensation expense	(989,332)	61,360
Amortization of deferred rent	4,032	11,915
Disposal of domain names	9,789	8,220
Other income	(128,820)	(128,820)
Loss (gain) on change in the fair value of forward contracts	(138,107)	(243,042)
Stock-based compensation	317,820	200,228
Change in non-cash operating working capital:		
Accounts receivable	41,721	(890,510)
Inventory	170,996	(239,087)
Prepaid expenses and deposits	(3,557,508)	(252,924)
Prepaid domain name registry and ancillary services fees	(5,489,422)	(797,920)
Income taxes recoverable	(2,660,528)	1,226,454
Accounts payable	(3,446,427)	549,796
Accrued liabilities	1,830,922	(451,246)
Customer deposits	(83,591)	(179,923)
Deferred revenue	10,240,649	1,508,582
Accreditation fees payable	(71,327)	10,619
Net cash provided by operating activities	2,401,917	5,614,634
Financing activities:		
Proceeds received on exercise of stock options	19,869	19,558
Payment of tax obligations resulting from net exercise of stock options	(712,234)	(36,685)
Repurchase of common stock	-	(2,180,279)
Proceeds received on loan payable	86,998,000	6,000,000
Repayment of loan payable	(6,258,278)	(218,750)
Payment of loan payable costs	(591,175)	-
Net cash used in financing activities	79,456,182	3,583,844
Investing activities:		
Additions to property and equipment	(3,692,893)	(856,336)
Remaining payment for the acquisition of Ting Virginia, LLC., net of cash	(2,000,000)	-
Acquisition of Enom Incorporated, net of cash	(76,237,460)	-
Acquisition of intangible assets	-	(6,054,546)
Net cash used in investing activities	(81,930,353)	(6,910,882)
Increase (decrease) in cash and cash equivalents	(72,254)	2,287,596
Cash and cash equivalents, beginning of period	15,105,075	7,723,253
Cash and cash equivalents, end of period	\$ 15,032,821	\$ 10,010,849
Supplemental cash flow information:		
Interest paid	\$ 872,645	\$ 46,381
Income taxes paid, net	\$ 2,342,916	\$ 329,169
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 250,847	\$ 11,338

Tucows Inc.
Reconciliation of Net income to Adjusted EBITDA
(In Thousands of US Dollars)

	Three months ended March 31,	
	<u>2017</u>	<u>2016</u>
	(unaudited)	
Net income for the period	\$ 2,446	\$ 4,438
Depreciation of property and equipment	757	420
Amortization of intangible assets	1,761	69
Impairment of intangible assets	-	21
Interest expense, net	868	46
Provision for income taxes	(125)	1,906
Stock-based compensation	318	200
Unrealized loss (gain) on change in fair value of forward contracts	(18)	(243)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(193)	461
Acquisition and transition costs ¹	382	-
Adjusted EBITDA	<u>\$ 6,196</u>	<u>\$ 7,318</u>

¹ Acquisition and transition costs represent non-recurring costs incurred in connection with the acquisition of eNom, Incorporated in January 2017. These costs are primarily comprised of professional fees for legal, accounting and other services.