

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

	June 30,	December 31,
	2017	2016
	<u>(unaudited)</u>	<u>(unaudited)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,145,979	\$ 15,105,075
Accounts receivable	14,260,465	10,925,622
Inventory	2,306,434	1,210,789
Prepaid expenses and deposits	14,914,646	6,250,555
Derivative instrument asset, current portion	573,378	172,888
Prepaid domain name registry and ancillary services fees, current portion	109,526,920	49,396,737
Income taxes recoverable	2,184,634	220,451
Total current assets	<u>158,912,456</u>	<u>83,282,117</u>
Prepaid domain name registry and ancillary services fees, long-term portion	24,020,136	10,993,156
Property and equipment	20,405,942	13,450,438
Deferred tax asset	-	5,708,725
Intangible assets	60,432,167	19,973,793
Goodwill	87,486,243	21,005,143
Total assets	<u>\$ 351,256,944</u>	<u>\$ 154,413,372</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,635,890	\$ 4,786,645
Accrued liabilities	7,700,707	7,098,905
Customer deposits	17,208,189	5,418,622
Deferred rent, current portion	20,891	20,854
Loan payable, current portion	18,289,853	2,233,110
Deferred revenue, current portion	133,161,879	62,795,079
Accreditation fees payable, current portion	1,247,213	528,027
Income taxes payable	860,452	1,548,121
Total current liabilities	<u>185,125,074</u>	<u>84,429,363</u>
Deferred revenue, long-term portion	31,453,857	15,053,977
Accreditation fees payable, long-term portion	304,475	115,084
Deferred rent, long-term portion	129,649	124,202
Loan payable, long-term portion	67,669,773	8,015,698
Deferred Gain	687,040	944,680
Deferred tax liability	19,650,592	4,827,192
Redeemable non-controlling interest	1,111,138	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; 10,552,401 shares issued and outstanding as of June 30, 2017 and 10,461,574 shares issued and outstanding as of December 31, 2016	15,125,326	14,460,500
Additional paid-in capital	1,607,476	2,857,921
Retained earnings	28,062,438	20,399,511
Accumulated other comprehensive income	330,106	99,154
Total stockholders' equity	<u>45,125,346</u>	<u>37,817,086</u>
Total liabilities and stockholders' equity	<u>\$ 351,256,944</u>	<u>\$ 154,413,372</u>

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

	Three months ended June 30, 2017		Six months ended June 30, 2017	
	(unaudited)		(unaudited)	
	2016	2016	2016	2016
Net revenues	\$ 84,223,301	\$ 47,203,913	\$ 153,791,363	\$ 91,950,003
Cost of revenues:				
Cost of revenues	59,445,344	29,792,108	108,756,056	58,598,827
Network expenses (*)	2,260,566	1,404,826	4,603,762	2,637,757
Depreciation of property and equipment	714,629	350,920	1,304,976	697,673
Amortization of intangible assets	455,402	11,532	835,564	23,064
Total cost of revenues	62,875,941	31,559,386	115,500,358	61,957,321
Gross profit	21,347,360	15,644,527	38,291,005	29,992,682
Expenses:				
Sales and marketing (*)	7,447,225	5,230,118	14,666,547	9,695,174
Technical operations and development (*)	1,798,097	998,651	3,492,238	2,175,011
General and administrative (*)	3,286,610	2,926,608	6,743,953	5,331,535
Depreciation of property and equipment	164,693	76,922	331,010	150,190
Amortization of intangible assets	1,608,489	276,918	2,989,298	333,915
Impairment of indefinite life intangible assets	-	3,894	-	24,879
Loss (gain) on currency forward contracts	(26,776)	(8,711)	(61,201)	(119,468)
Total expenses	14,278,338	9,504,400	28,161,845	17,591,236
Income from operations	7,069,022	6,140,127	10,129,160	12,401,446
Other income (expenses):				
Interest expense, net	(970,029)	(120,528)	(1,838,022)	(166,699)
Other income	225,481	128,820	354,378	257,640
Total other income (expenses)	(744,548)	8,292	(1,483,644)	90,941
Income before provision for income taxes	6,324,474	6,148,419	8,645,516	12,492,387
Provision for income taxes	1,082,990	2,077,633	957,541	3,983,363
Net income before redeemable non-controlling interest	5,241,484	4,070,786	7,687,975	8,509,024
Redeemable non-controlling interest	(117,294)	(273,690)	(243,058)	(444,482)
Net income attributable to redeemable non-controlling interest	117,294	273,690	243,058	444,482
Net income for the period	5,241,484	4,070,786	7,687,975	8,509,024
Other comprehensive income (loss), net of tax				
Unrealized income (loss) on hedging activities	142,768	27,264	328,997	575,227
Net amount reclassified to earnings	(17,425)	79,367	(98,045)	414,924
Other comprehensive income (loss) net of tax of \$71,303 and \$60,659 for the three months ended June 30, 2017 and June 30, 2016, and \$131,382 and \$544,363 for the six months ended June 30, 2017 and June 30, 2016	125,343	106,631	230,952	990,151
Comprehensive income, net of tax for the period	\$ 5,366,827	\$ 4,177,417	\$ 7,918,927	\$ 9,499,175
Basic earnings per common share	\$ 0.50	\$ 0.39	\$ 0.73	\$ 0.80
Shares used in computing basic earnings per common share	10,528,219	10,541,659	10,501,407	10,607,843
Diluted earnings per common share	\$ 0.49	\$ 0.38	\$ 0.71	\$ 0.79
Shares used in computing diluted earnings per common share	10,793,031	10,733,860	10,785,685	10,797,458

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

Network expenses	\$ 3,432	\$ 5,069	\$ 7,815	\$ 11,864
Sales and marketing	\$ 61,049	\$ 60,385	\$ 120,050	\$ 115,263
Technical operations and development	\$ 57,564	\$ 25,003	\$ 118,974	\$ 51,401
General and administrative	\$ 191,220	\$ 99,730	\$ 384,246	\$ 211,887

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 5,241,484	\$ 4,070,786	\$ 7,687,975	\$ 8,509,024
Items not involving cash:				
Depreciation of property and equipment	879,322	427,842	1,635,986	847,863
Loss on write off of property and equipment	8,794	-	8,794	-
Amortization of debt discount and issuance costs	80,207	-	147,312	-
Amortization of intangible assets	2,063,891	288,450	3,824,862	356,979
Impairment of indefinite life intangible asset	-	3,894	-	24,879
Deferred income taxes	(2,885,373)	430,184	(1,565,554)	703,343
Excess tax benefits on share-based compensation expense	(1,181,754)	384,839	(2,171,086)	446,199
Amortization of deferred rent	1,452	4,749	5,484	16,664
Loss on disposal of domain names	6,976	12,601	16,765	20,821
Other income	(128,820)	(128,820)	(257,640)	(257,640)
Loss (gain) on change in the fair value of forward contracts	(162,813)	(28,977)	(300,920)	(272,019)
Stock-based compensation	313,265	190,187	631,085	390,415
Change in non-cash operating working capital:				
Accounts receivable	(905,691)	(1,921,021)	(863,970)	(2,811,531)
Inventory	(1,266,641)	(141,830)	(1,095,645)	(380,917)
Prepaid expenses and deposits	1,186,432	(1,106,950)	(2,371,076)	(1,359,874)
Prepaid domain name registry and ancillary services fees	2,976,254	(3,101,043)	(2,513,168)	(3,898,963)
Income taxes recoverable	2,513,458	(36,174)	(147,070)	1,190,280
Accounts payable	(591,560)	(1,233,092)	(4,037,987)	(683,296)
Accrued liabilities	(1,817,566)	(396,328)	13,356	(847,574)
Customer deposits	3,151,562	1,214,472	3,067,971	1,034,549
Deferred revenue	(1,272,963)	3,597,790	8,967,686	5,106,372
Accreditation fees payable	(78,203)	26,537	(149,530)	37,156
Net cash provided by operating activities	<u>8,131,713</u>	<u>2,558,096</u>	<u>10,533,630</u>	<u>8,172,730</u>
Financing activities:				
Proceeds received on exercise of stock options	84,969	37,209	104,838	56,767
Payment of tax obligations resulting from net exercise of stock options	(609,307)	(203,019)	(1,321,541)	(239,704)
Repurchase of common stock	-	(4,999,978)	-	(7,180,257)
Proceeds received on loan payable	-	-	86,998,000	6,000,000
Repayment of loan payable	(4,572,462)	(218,750)	(10,830,740)	(437,500)
Payment of loan payable costs	(12,579)	(133,500)	(603,754)	(133,500)
Net cash provided by (used in) financing activities	<u>(5,109,379)</u>	<u>(5,518,038)</u>	<u>74,346,803</u>	<u>(1,934,194)</u>
Investing activities:				
Additions to property and equipment	(2,909,176)	-	(6,602,069)	-
Gross proceeds from the waiver of rights to .online registry	-	(975,401)	-	(1,831,737)
Acquisition of a portion of the minority interest in Ting Virginia, LLC.	-	-	(2,000,000)	-
Acquisition of Enom Incorporated, net of cash	-	-	(76,237,460)	-
Acquisition of intangible assets	-	(196,024)	-	(6,250,570)
Net cash used in investing activities	<u>(2,909,176)</u>	<u>(1,171,425)</u>	<u>(84,839,529)</u>	<u>(8,082,307)</u>
Increase (decrease) in cash and cash equivalents	113,158	(4,131,367)	40,904	(1,843,771)
Cash and cash equivalents, beginning of period	15,032,821	10,010,849	15,105,075	7,723,253
Cash and cash equivalents, end of period	<u>\$ 15,145,979</u>	<u>\$ 5,879,482</u>	<u>\$ 15,145,979</u>	<u>\$ 5,879,482</u>
Supplemental cash flow information:				
Interest paid	\$ 974,984	\$ 120,566	\$ 1,847,629	\$ 166,947
Income taxes paid, net	\$ 2,662,666	\$ 1,274,739	\$ 5,005,582	\$ 1,591,959
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 232,290	\$ 46,632	\$ 232,290	\$ 46,632

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Net income for the period	\$ 5,241	\$ 4,071	\$ 7,688	\$ 8,509
Depreciation of property and equipment	879	428	1,636	848
Amortization of intangible assets	2,064	288	3,825	357
Impairment of intangible assets	-	4	-	25
Interest expense, net	970	121	1,838	167
Provision for income taxes	1,083	2,078	958	3,983
Stock-based compensation	313	190	631	390
Unrealized loss (gain) on change in fair value of forward contracts	(20)	(29)	(38)	(272)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(317)	(246)	(511)	215
Acquisition and transition costs ¹	127	-	509	-
Adjusted EBITDA	<u>\$ 10,340</u>	<u>\$ 6,905</u>	<u>\$ 16,536</u>	<u>\$ 14,222</u>

¹Acquisition and other costs represents transaction-related expenses, transitional expenses, such as duplicative post-acquisition expenses, related to our acquisition of eNom in January 2017. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.