

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

	December 31,	December 31,
	2017	2016
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,049,164	\$ 15,105,075
Accounts receivable	12,376,104	10,925,622
Inventory	2,944,246	1,210,789
Prepaid expenses and deposits	14,185,586	6,250,555
Derivative instrument asset, current portion	-	172,888
Prepaid domain name registry and ancillary services fees, current portion	103,302,472	49,396,737
Income taxes recoverable	3,003,873	220,451
Total current assets	153,861,445	83,282,117
Prepaid domain name registry and ancillary services fees, long-term portion	23,700,931	10,993,156
Property and equipment	24,620,298	13,450,438
Deferred tax asset	-	5,708,725
Intangible assets	58,414,178	19,973,793
Goodwill	90,053,483	21,005,143
Total assets	\$ 350,650,335	\$ 154,413,372
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,026,282	\$ 4,786,645
Accrued liabilities	6,412,578	7,098,905
Customer deposits	15,255,305	5,418,622
Deferred rent, current portion	20,991	20,854
Loan payable, current portion	18,289,853	2,233,110
Deferred revenue, current portion	129,154,622	62,795,079
Accreditation fees payable, current portion	1,174,733	528,027
Income taxes payable	1,226,157	1,548,121
Total current liabilities	178,560,521	84,429,363
Deferred revenue, long-term portion	31,426,906	15,053,977
Accreditation fees payable, long-term portion	288,755	115,084
Deferred rent, long-term portion	129,777	124,202
Loan payable, long-term portion	58,634,174	8,015,698
Deferred Gain	429,400	944,680
Deferred tax liability	19,833,678	4,827,192
Redeemable non-controlling interest	1,136,390	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; 10,583,879 shares issued and outstanding as of December 31, 2017 and 10,461,574 shares issued and outstanding as of December 31, 2016	15,368,161	14,460,500
Additional paid-in capital	2,166,768	2,857,921
Retained earnings	42,675,805	20,399,511
Accumulated other comprehensive income	-	99,154
Total stockholders' equity	60,210,734	37,817,086
Total liabilities and stockholders' equity	\$ 350,650,335	\$ 154,413,372

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Net revenues	\$ 90,620,894	\$ 48,804,603	\$ 329,420,741	\$ 189,818,932
Cost of revenues:				
Cost of revenues	61,112,319	30,741,469	230,599,632	120,186,962
Network expenses (*)	2,259,996	1,285,123	9,324,454	5,210,500
Depreciation of property and equipment	1,013,981	343,400	3,142,398	1,319,819
Amortization of intangible assets	499,032	11,532	1,833,628	48,017
Total cost of revenues	64,885,328	32,381,524	244,900,112	126,765,298
Gross profit	25,735,566	16,423,079	84,520,629	63,053,634
Expenses:				
Sales and marketing (*)	7,372,270	5,580,133	29,422,984	20,754,752
Technical operations and development (*)	1,855,335	1,049,701	7,257,720	4,494,819
General and administrative (*)	3,467,852	3,907,041	13,593,901	11,404,793
Depreciation of property and equipment	99,776	174,987	585,424	503,864
Amortization of intangible assets	1,831,087	292,116	6,566,308	905,157
Impairment of indefinite life intangible assets	109,751	14,928	111,251	42,673
Loss (gain) on currency forward contracts	17,049	(1,984)	(98,227)	(98,977)
Total expenses	14,753,120	11,016,922	57,439,361	38,007,081
Income from operations	10,982,446	5,406,157	27,081,268	25,046,553
Other income (expenses):				
Interest expense, net	(864,652)	(147,970)	(3,567,156)	(449,838)
Other income	48,825	128,422	560,656	516,209
Total other income (expenses)	(815,827)	(19,548)	(3,006,500)	66,371
Income before provision for income taxes	10,166,619	5,386,609	24,074,768	25,112,924
Provision for income taxes	(1,032,734)	2,569,758	1,748,174	9,045,770
Net income before redeemable non-controlling interest	11,199,353	2,816,851	22,326,594	16,067,154
Redeemable non-controlling interest	(75,302)	(172,910)	(386,995)	(871,493)
Net income attributable to redeemable non-controlling interest	75,302	172,910	386,995	871,493
Net income for the period	11,199,353	2,816,851	22,326,594	16,067,154
Other comprehensive income (loss), net of tax				
Unrealized income (loss) on hedging activities	(88,095)	51,410	550,347	567,816
Net amount reclassified to earnings	(233,940)	93,954	(649,501)	640,790
Other comprehensive income (loss) net of tax of \$(183,197) and \$82,694 for the three months ended December 31, 2017 and December 31, 2016, and \$56,406 and \$668,637 for the year ended December 31, 2017 and December 31, 2016	(322,035)	145,364	(99,154)	1,208,606
Comprehensive income, net of tax for the period	\$ 10,877,318	\$ 2,962,215	\$ 22,227,440	\$ 17,275,760
Basic earnings per common share	\$ 1.06	\$ 0.27	\$ 2.12	\$ 1.53
Shares used in computing basic earnings per common share	10,580,429	10,452,765	10,537,356	10,524,856
Diluted earnings per common share	\$ 1.04	\$ 0.26	\$ 2.07	\$ 1.50
Shares used in computing diluted earnings per common share	10,802,817	10,642,853	10,793,622	10,713,595

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

Network expenses	\$ 50,378	\$ 4,920	\$ 109,988	\$ 21,704
Sales and marketing	\$ 254,156	\$ 59,968	\$ 571,682	\$ 236,063
Technical operations and development	\$ 145,062	\$ 23,146	\$ 360,415	\$ 98,059
General and administrative	\$ 172,989	\$ 125,546	\$ 414,487	\$ 443,608

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 11,199,353	\$ 2,816,851	\$ 22,326,594	\$ 16,067,154
Items not involving cash:				
Depreciation of property and equipment	1,113,757	518,387	3,727,822	1,823,683
Loss on write off of property and equipment	-	-	16,951	-
Amortization of debt discount and issuance costs	69,139	22,868	273,010	31,166
Amortization of intangible assets	2,330,119	303,648	8,399,936	953,174
Impairment of indefinite life intangible asset	109,751	14,928	111,251	42,673
Deferred income taxes	(326,029)	(435,844)	(3,336,824)	1,194,232
Excess tax benefits on share-based compensation expense	(181,367)	144,347	(2,796,171)	859,111
Amortization of deferred rent	165	(5,718)	5,712	24,729
Loss on disposal of domain names	266,132	4,110	290,793	29,691
Other income	(128,820)	(128,820)	(515,280)	(515,280)
Loss (gain) on change in the fair value of forward contracts	54,431	(30,599)	17,328	(322,732)
Stock-based compensation	622,585	213,580	1,456,572	799,434
Change in non-cash operating working capital:				
Accounts receivable	1,339,690	681,016	1,009,620	(3,754,234)
Inventory	4,926	291,644	(1,733,457)	(307,014)
Prepaid expenses and deposits	527,303	(242,830)	(1,642,016)	(1,182,765)
Prepaid domain name registry and ancillary services fees	3,460,147	529,988	4,030,485	(4,640,923)
Income taxes recoverable	(2,241,488)	1,623,008	(426,068)	3,176,532
Accounts payable	855,788	392,880	(3,825,526)	390,887
Accrued liabilities	(2,269,175)	2,672,288	(1,274,773)	1,243,219
Customer deposits	(78,372)	190,743	1,084,933	281,713
Deferred revenue	(2,609,535)	(517,636)	4,933,478	6,255,027
Accreditation fees payable	(37,898)	8,116	(237,730)	59,331
Net cash provided by operating activities	14,080,602	9,066,955	31,896,640	22,508,808
Financing activities:				
Proceeds received on exercise of stock options	48,684	38,718	221,587	146,390
Payment of tax obligations resulting from net exercise of stock options	(23,154)	(44,515)	(1,461,651)	(363,285)
Repurchase of common stock	-	-	-	(7,180,257)
Proceeds received on loan payable	-	-	86,998,000	16,989,583
Repayment of loan payable	(4,572,194)	(258,276)	(19,975,574)	(9,758,276)
Payment of loan payable costs	-	3,298	(620,217)	(513,665)
Net cash provided by (used in) financing activities	(4,546,664)	(260,775)	65,162,145	(679,510)
Investing activities:				
Additions to property and equipment	(3,473,767)	(3,994,717)	(12,934,872)	(7,917,822)
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	(558,066)	(204,684)	(2,942,364)	(6,529,654)
Net cash used in investing activities	(4,031,833)	(4,199,401)	(94,114,696)	(14,447,476)
Increase (decrease) in cash and cash equivalents	5,502,105	4,606,779	2,944,089	7,381,822
Cash and cash equivalents, beginning of period	12,547,059	10,498,296	15,105,075	7,723,253
Cash and cash equivalents, end of period	\$ 18,049,164	\$ 15,105,075	\$ 18,049,164	\$ 15,105,075
Supplemental cash flow information:				
Interest paid	\$ 870,176	\$ 126,760	\$ 3,587,554	\$ 420,298
Income taxes paid, net	\$ 1,501,900	\$ 1,258,996	\$ 7,815,208	\$ 3,766,664
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 213,836	\$ 446,821	\$ 213,836	\$ 446,821