

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

	March 31,	December 31,
	2018	2017
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,587,886	\$ 18,049,164
Accounts receivable	12,685,140	12,376,104
Inventory	2,898,383	2,944,246
Prepaid expenses and deposits	14,710,902	14,185,586
Derivative instrument asset, current portion	21,515	-
Prepaid domain name registry and ancillary services fees, current portion	95,019,044	103,302,472
Income taxes recoverable	2,625,063	3,003,873
Total current assets	144,547,933	153,861,445
Derivative instrument asset, long-term portion	4,588	-
Prepaid domain name registry and ancillary services fees, long-term portion	20,640,539	23,700,931
Property and equipment	28,688,762	24,620,298
Contract costs	1,378,336	-
Intangible assets	56,047,310	58,414,178
Goodwill	90,053,483	90,053,483
Total assets	\$ 341,360,951	\$ 350,650,335
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,343,179	\$ 7,026,282
Accrued liabilities	7,171,475	6,412,578
Customer deposits	12,980,327	15,255,305
Deferred rent, current portion	21,048	20,991
Loan payable, current portion	18,289,853	18,289,853
Deferred revenue, current portion	122,203,880	129,154,622
Accreditation fees payable, current portion	1,226,544	1,174,733
Income taxes payable	984,707	1,226,157
Total current liabilities	172,221,013	178,560,521
Deferred revenue, long-term portion	28,779,438	31,426,906
Accreditation fees payable, long-term portion	277,022	288,755
Deferred rent, long-term portion	129,885	129,777
Loan payable, long-term portion	54,127,120	58,634,174
Deferred Gain	300,580	429,400
Deferred tax liability	20,116,385	19,833,678
Redeemable non-controlling interest	-	1,136,390
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; 10,592,115 shares issued and outstanding as of March 31, 2018 and 10,583,879 shares issued and outstanding as of December 31, 2017	15,426,104	15,368,161
Additional paid-in capital	2,547,140	2,166,768
Retained earnings	47,418,839	42,675,805

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

Three months ended March 31,
2018 **2017**
(unaudited)

Net revenues	\$ 95,795,691	\$ 69,568,062
Cost of revenues:		
Cost of revenues	68,972,220	49,310,712
Network expenses (*)	2,574,087	2,343,196
Depreciation of property and equipment	1,131,143	590,347
Amortization of intangible assets	499,032	380,162
Total cost of revenues	<u>73,176,482</u>	<u>52,624,417</u>
Gross profit	22,619,209	16,943,645
Expenses:		
Sales and marketing (*)	8,364,787	7,219,322
Technical operations and development (*)	2,094,689	1,694,141
General and administrative (*)	4,531,412	3,457,343
Depreciation of property and equipment	101,072	166,317
Amortization of intangible assets	1,831,730	1,380,809
Loss (gain) on currency forward contracts	(3,093)	(34,425)
Total expenses	<u>16,920,597</u>	<u>13,883,507</u>
Income from operations	5,698,612	3,060,138
Other income (expenses):		
Interest expense, net	(895,962)	(867,993)
Other income	123,960	128,897
Total other income (expenses)	<u>(772,002)</u>	<u>(739,096)</u>
Income before provision for income taxes	4,926,610	2,321,042
Provision for income taxes	<u>1,182,918</u>	<u>(125,449)</u>
Net income before redeemable non-controlling interest	3,743,692	2,446,491
Redeemable non-controlling interest	(26,336)	(125,764)
Net income attributable to redeemable non-controlling interest	<u>26,336</u>	<u>125,764</u>
Net income for the period	3,743,692	2,446,491
Other comprehensive income (loss), net of tax		
Unrealized income (loss) on hedging activities	17,425	186,229
Net amount reclassified to earnings	-	(80,620)
Other comprehensive income (loss) net of tax of \$5,585 and \$60,079 for the three months ended March 31, 2018 and March 31, 2017	<u>17,425</u>	<u>105,609</u>
Comprehensive income, net of tax for the period	<u>\$ 3,761,117</u>	<u>\$ 2,552,100</u>
Basic earnings per common share	<u>\$ 0.35</u>	<u>\$ 0.23</u>
Shares used in computing basic earnings per common share	<u>10,588,718</u>	<u>10,474,647</u>
Diluted earnings per common share	<u>\$ 0.35</u>	<u>\$ 0.23</u>
Shares used in computing diluted earnings per common share	<u>10,792,613</u>	<u>10,776,515</u>

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

Network expenses	\$ 55,838	\$ 4,383
Sales and marketing	\$ 186,940	\$ 59,001
Technical operations and development	\$ 176,511	\$ 61,410
General and administrative	\$ 158,893	\$ 193,026

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

Three months ended March 31,

2018 2017

(unaudited)

Cash provided by:		
Operating activities:		
Net income for the period	\$ 3,743,692	\$ 2,446,491
Items not involving cash:		
Depreciation of property and equipment	1,232,215	756,664
Amortization of debt discount and issuance costs	69,533	67,105
Amortization of intangible assets	2,330,762	1,760,971
Net amortization of capitalized contract costs	25,272	-
Deferred income taxes (recovery)	(47,034)	1,199,661
Excess tax benefits on share-based compensation expense	(143,969)	(989,332)
Amortization of deferred rent	165	4,032
Loss on disposal of domain names	37,478	9,789
Other income	(128,820)	(128,820)
Loss (gain) on change in the fair value of forward contracts	(3,093)	(17,949)
Stock-based compensation	578,182	317,820
Change in non-cash operating working capital:		
Accounts receivable	(309,036)	41,721
Inventory	45,863	170,996
Prepaid expenses and deposits	(525,316)	(3,557,508)
Prepaid domain name registry and ancillary services fees	11,343,820	(5,489,422)
Income taxes recoverable	264,829	(2,660,528)
Accounts payable	2,132,453	(3,446,427)
Accrued liabilities	758,897	1,830,922
Customer deposits	(2,274,978)	(83,591)
Deferred revenue	(9,598,210)	10,240,649
Accreditation fees payable	40,078	(71,327)
Net cash provided by operating activities	<u>9,572,783</u>	<u>2,401,917</u>
Financing activities:		
Proceeds received on exercise of stock options	7,201	19,869
Payment of tax obligations resulting from net exercise of stock options	(147,068)	(712,234)
Proceeds received on loan payable	-	86,998,000
Repayment of loan payable	(4,571,843)	(6,258,278)
Payment of loan payable costs	(4,125)	(591,175)
Net cash (used in) provided by financing activities	<u>(4,715,835)</u>	<u>79,456,182</u>
Investing activities:		
Additions to property and equipment	(5,116,854)	(3,692,893)
Acquisition of a portion of the minority interest in Ting Virginia, LLC.	(1,200,000)	(2,000,000)
Acquisition of Enom Incorporated, net of cash	-	(76,237,460)
Acquisition of intangible assets	(1,372)	-
Net cash used in investing activities	<u>(6,318,226)</u>	<u>(81,930,353)</u>
Decrease in cash and cash equivalents	(1,461,278)	(72,254)
Cash and cash equivalents, beginning of period	<u>18,049,164</u>	<u>15,105,075</u>
Cash and cash equivalents, end of period	<u>\$ 16,587,886</u>	<u>\$ 15,032,821</u>
Supplemental cash flow information:		
Interest paid	\$ 901,344	\$ 872,645
Income taxes paid, net	\$ 1,337,123	\$ 2,342,916
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 397,661	\$ 250,847

Reconciliation of Net income to Adjusted EBITDA
(In Thousands of US Dollars)
(unaudited)

	Three months ended March 31,	
	2018	2017
	(unaudited)	(unaudited)
Net income for the period	\$ 3,744	\$ 2,446
Depreciation of property and equipment	1,232	757
Amortization of intangible assets	2,331	1,761
Interest expense, net	896	868
Provision for income taxes	1,183	(125)
Stock-based compensation	578	318
Unrealized loss (gain) on change in fair value of forward contracts	(3)	(18)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	176	(50)
Acquisition and other costs ¹	241	382
 Adjusted EBITDA	 <u>\$ 10,378</u>	 <u>\$ 6,339</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.