

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,775	\$ 18,049
Accounts receivable	11,529	12,376
Inventory	3,140	2,944
Prepaid expenses and deposits	14,554	14,186
Prepaid domain name registry and ancillary services fees, current portion	91,590	103,302
Income taxes recoverable	3,109	3,004
Total current assets	<u>134,697</u>	<u>153,861</u>
Prepaid domain name registry and ancillary services fees, long-term portion	19,636	23,701
Property and equipment	40,220	24,620
Contract costs	1,383	-
Intangible assets	51,505	58,414
Goodwill	90,054	90,054
Total assets	<u>\$ 337,495</u>	<u>\$ 350,650</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 8,242	\$ 7,026
Accrued liabilities	6,877	6,412
Customer deposits	11,885	15,255
Derivative instrument liability	62	-
Deferred rent, current portion	21	21
Loan payable, current portion	17,810	18,290
Deferred revenue, current portion	120,459	129,155
Accreditation fees payable, current portion	1,035	1,175
Income taxes payable	1,128	1,226
Total current liabilities	<u>167,519</u>	<u>178,560</u>
Deferred revenue, long-term portion	28,033	31,427
Accreditation fees payable, long-term portion	260	289
Deferred rent, long-term portion	121	130
Loan payable, long-term portion	46,605	58,634
Deferred Gain	258	429
Deferred tax liability	19,265	19,834
Redeemable non-controlling interest	-	1,136
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; 10,615,566 shares issued and outstanding as of September 30, 2018 and 10,583,879 shares issued and outstanding as of December 31, 2017	15,635	15,368
Additional paid-in capital	3,462	2,167
Retained earnings	56,373	42,676
Accumulated other comprehensive income	(36)	-
Total stockholders' equity	<u>75,434</u>	<u>60,211</u>
Total liabilities and stockholders' equity	<u>\$ 337,495</u>	<u>\$ 350,650</u>

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

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	(unaudited)		(unaudited)	
Net revenues	\$ 83,519	\$ 85,008	\$ 260,401	\$ 238,800
Cost of revenues:				
Cost of revenues	55,105	60,731	178,578	169,488
Network expenses (*)	2,315	2,461	7,590	7,064
Depreciation of property and equipment	1,339	823	3,698	2,128
Amortization of intangible assets	499	499	1,497	1,335
Total cost of revenues	59,258	64,514	191,363	180,015
Gross profit	24,261	20,494	69,038	58,785
Expenses:				
Sales and marketing (*)	8,412	7,384	24,629	22,051
Technical operations and development (*)	2,207	1,910	6,657	5,402
General and administrative (*)	4,120	3,381	12,906	10,124
Depreciation of property and equipment	106	155	309	486
Amortization of intangible assets	1,797	1,746	5,456	4,735
Impairment of indefinite life intangible assets	-	2	-	2
Loss (gain) on currency forward contracts	(27)	(54)	22	(115)
Total expenses	16,615	14,524	49,979	42,685
Income from operations	7,646	5,970	19,059	16,100
Other income (expenses):				
Interest expense, net	(914)	(864)	(2,761)	(2,703)
Other income, net	(16)	157	181	512
Total other income (expenses)	(930)	(707)	(2,580)	(2,191)
Income before provision for income taxes	6,716	5,263	16,479	13,909
Provision for income taxes	1,370	1,823	3,781	2,781
Net income before redeemable non-controlling interest	5,346	3,440	12,698	11,128
Redeemable non-controlling interest	-	(69)	(26)	(312)
Net income attributable to redeemable non-controlling interest	-	69	26	312
Net income for the period	5,346	3,440	12,698	11,128
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	144	309	(112)	638
Net amount reclassified to earnings	63	(318)	76	(416)
Other comprehensive income (loss) net of tax of \$ (59) and \$ 5 for the three months ended September 30, 2018 and September 30, 2017, \$ 19 and \$ (127) for the nine months ended September 30, 2018 and September 30, 2017	207	(9)	(36)	222
Comprehensive income, net of tax for the period	\$ 5,553	\$ 3,431	\$ 12,662	\$ 11,350
Basic earnings per common share	\$ 0.50	\$ 0.33	\$ 1.20	\$ 1.06
Shares used in computing basic earnings per common share	10,611,579	10,564,311	10,599,243	10,522,841
Diluted earnings per common share	\$ 0.50	\$ 0.32	\$ 1.18	\$ 1.03
Shares used in computing diluted earnings per common share	10,794,297	10,785,342	10,795,668	10,785,050

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

Network expenses	\$ 70	\$ 52	\$ 153	\$ 60
Sales and marketing	\$ 307	\$ 197	\$ 739	\$ 318
Technical operations and development	\$ 150	\$ 96	\$ 501	\$ 215
General and administrative	\$ 184	\$ -143	\$ 511	\$ 241

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 5,346	\$ 3,440	\$ 12,698	\$ 11,128
Items not involving cash:				
Depreciation of property and equipment	1,445	978	4,007	2,614
Loss on write off of property and equipment	-	8	-	17
Amortization of debt discount and issuance costs	72	57	211	204
Amortization of intangible assets	2,296	2,245	6,953	6,070
Impairment of indefinite life intangible asset	-	2	-	2
Change in capitalized contract costs	(29)	-	21	-
Deferred income taxes (recovery)	(369)	(1,445)	(861)	(3,011)
Excess tax benefits on share-based compensation expense	(191)	(444)	(532)	(2,615)
Amortization of deferred rent	(5)	-	(9)	6
Loss on disposal of domain names	5	8	70	25
Other income	-	(129)	(171)	(386)
Loss (gain) on change in the fair value of forward contracts	(30)	1	13	(37)
Stock-based compensation	711	203	1,904	834
Change in non-cash operating working capital:				
Accounts receivable	685	533	847	(332)
Inventory	108	(643)	(196)	(1,739)
Prepaid expenses and deposits	874	202	(368)	(2,169)
Prepaid domain name registry and ancillary services fees	4,229	3,084	15,777	570
Income taxes recoverable	(137)	2,225	293	1,815
Accounts payable	778	(644)	1,048	(4,682)
Accrued liabilities	107	981	465	994
Customer deposits	(1,049)	(1,905)	(3,370)	1,163
Deferred revenue	(3,559)	(1,425)	(12,090)	7,543
Accreditation fees payable	(73)	(50)	(169)	(200)
Net cash provided by operating activities	<u>11,214</u>	<u>7,282</u>	<u>26,541</u>	<u>17,814</u>
Financing activities:				
Proceeds received on exercise of stock options	23	68	62	173
Payment of tax obligations resulting from net exercise of stock options	(116)	(117)	(404)	(1,438)
Proceeds received on loan payable	-	-	2,500	86,998
Repayment of loan payable	(4,387)	(4,573)	(15,212)	(15,403)
Payment of loan payable costs	(4)	(16)	(8)	(620)
Net cash (used in) provided by financing activities	<u>(4,484)</u>	<u>(4,638)</u>	<u>(13,062)</u>	<u>69,710</u>
Investing activities:				
Additions to property and equipment	(7,003)	(2,859)	(19,439)	(9,461)
Acquisition of a portion of the minority interest in Ting Virginia, LLC	-	-	(1,200)	(2,000)
Acquisition of Enom Incorporated, net of cash	-	-	-	(76,237)
Acquisition of intangible assets	(113)	(2,384)	(114)	(2,384)
Net cash used in investing activities	<u>(7,116)</u>	<u>(5,243)</u>	<u>(20,753)</u>	<u>(90,082)</u>
Decrease in cash and cash equivalents	(386)	(2,599)	(7,274)	(2,558)
Cash and cash equivalents, beginning of period	11,161	15,146	18,049	15,105
Cash and cash equivalents, end of period	<u>\$ 10,775</u>	<u>\$ 12,547</u>	<u>\$ 10,775</u>	<u>\$ 12,547</u>
Supplemental cash flow information:				
Interest paid	\$ 919	\$ 870	\$ 2,781	\$ 2,717
Income taxes paid, net	\$ 1,793	\$ 1,308	\$ 5,370	\$ 6,313

Supplementary disclosure of non-cash investing and financing activities:

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

	Three months ended September 30,		Nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
<b>Net income for the period</b>	\$ 5,346	\$ 3,440	12,698	\$ 11,128
Depreciation of property and equipment	1,445	978	4,007	2,614
Amortization of intangible assets	2,296	2,245	6,953	6,070
Impairment of intangible assets	-	2	-	2
Interest expense, net	914	864	2,761	2,703
Provision for income taxes	1,370	1,823	3,781	2,781
Stock-based compensation	711	203	1,904	834
Unrealized loss (gain) on change in fair value of forward	(35)	1	7	(37)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(269)	(427)	191	(761)
Acquisition and other costs <sup>1</sup>	80	239	1,123	748
<b>Adjusted EBITDA</b>	<b>\$ 11,858</b>	<b>\$ 9,368</b>	<b>33,425</b>	<b>\$ 26,082</b>

<sup>1</sup>Acquisition and other costs represents transaction-related expenses, transitional expenses, such as duplicative post-acquisition expenses, primarily 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.