



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

	<b>December 31, 2019</b>	<b>December 31, 2018 *</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20,393	\$ 12,637
Accounts receivable	14,564	10,837
Inventory	3,457	3,775
Prepaid expenses and deposits	13,478	15,472
Derivative instrument asset, current portion	731	-
Prepaid domain name registry and ancillary services fees, current portion	91,252	87,782
Income taxes recoverable	1,800	1,423
Total current assets	145,675	131,926
Prepaid domain name registry and ancillary services fees, long-term portion	17,915	18,745
Property and equipment	82,121	48,065
Right of use operating lease asset	11,335	-
Contract costs	1,400	1,390
Intangible assets	57,654	49,395
Goodwill	109,818	90,054
Total assets	\$ 425,918	\$ 339,575
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 6,671	\$ 8,445
Accrued liabilities	9,373	5,899
Customer deposits	14,074	11,919
Derivative instrument liability	-	1,276
Deferred rent, current portion	-	21
Operating lease liability, current portion	1,413	-
Loan payable, current portion	-	18,400
Deferred revenue, current portion	123,101	116,734
Accreditation fees payable, current portion	952	985
Income taxes payable	1,324	1,668
Total current liabilities	156,908	165,347
Deferred revenue, long-term portion	26,202	26,960
Accreditation fees payable, long-term portion	216	250
Deferred rent, long-term portion	-	116
Operating lease liability, long-term portion	9,424	-
Loan payable, long-term portion	113,503	46,201
Deferred tax liability	25,471	20,925
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; 10,585,159 shares issued and outstanding as of December 31, 2019 and 10,627,988 shares issued and outstanding as of December 31, 2018	16,633	15,823
Additional paid-in capital	880	3,953
Retained earnings	76,208	60,810
Accumulated other comprehensive income (loss)	473	(810)
Total stockholders' equity	94,194	79,776
Total liabilities and stockholders' equity	\$ 425,918	\$ 339,575

\*The Company has initially applied ASC 2016-02 (Topic 842) using the modified retrospective method. Under this method, the comparative information is not restated.

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

	Three months ended December 31,		Year ended December 31,	
	2019	2018 *	2019	2018 *
	(unaudited)		(unaudited)	
Net revenues	\$ 85,946	\$ 85,612	\$ 337,145	\$ 346,013
Cost of revenues:				
Cost of revenues	55,018	53,525	217,579	232,103
Network expenses (*)	2,156	2,256	9,190	9,846
Depreciation of property and equipment	2,405	1,601	8,475	5,298
Amortization of intangible assets	322	499	1,124	1,996
Total cost of revenues	<u>59,901</u>	<u>57,881</u>	<u>236,368</u>	<u>249,243</u>
Gross profit	26,045	27,731	100,777	96,770
Expenses:				
Sales and marketing (*)	7,904	8,434	34,270	33,063
Technical operations and development (*)	1,566	2,091	9,717	8,748
General and administrative (*)	4,062	4,804	17,880	17,710
Depreciation of property and equipment	111	115	486	424
Loss on disposition of property and equipment	-	-	73	-
Amortization of intangible assets	2,548	1,791	9,209	7,247
Loss (gain) on currency forward contracts	(108)	232	(198)	254
Total expenses	<u>16,083</u>	<u>17,467</u>	<u>71,437</u>	<u>67,446</u>
Income from operations	9,962	10,264	29,340	29,324
Other income (expenses):				
Interest expense, net	(1,220)	(926)	(4,769)	(3,687)
Other income, net	-	337	-	518
Total other income (expenses)	<u>(1,220)</u>	<u>(589)</u>	<u>(4,769)</u>	<u>(3,169)</u>
Income before provision for income taxes	8,742	9,675	24,571	26,155
Provision for income taxes	<u>2,964</u>	<u>5,239</u>	<u>9,173</u>	<u>9,020</u>
Net income before redeemable non-controlling interest	5,778	4,436	15,398	17,135
Redeemable non-controlling interest	-	-	-	(26)
Net income attributable to redeemable non-controlling interest	-	-	-	26
Net income for the period	<u>5,778</u>	<u>4,436</u>	<u>15,398</u>	<u>17,135</u>
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	487	(910)	1,101	(1,022)
Net amount reclassified to earnings	<u>15</u>	<u>136</u>	<u>182</u>	<u>212</u>
Other comprehensive income (loss) net of tax (expense) recovery of (\$161) and \$241 for the three months ended December 31, 2019 and December 31, 2018, (\$412) and \$259 for the years ended December 31, 2019 and December 31, 2018	<u>502</u>	<u>(774)</u>	<u>1,283</u>	<u>(810)</u>
Comprehensive income, net of tax for the period	<u>\$ 6,280</u>	<u>\$ 3,662</u>	<u>\$ 16,681</u>	<u>\$ 16,325</u>
Basic earnings per common share	<u>\$ 0.55</u>	<u>\$ 0.42</u>	<u>\$ 1.45</u>	<u>\$ 1.62</u>
Shares used in computing basic earnings per common share	<u>10,577,080</u>	<u>10,621,181</u>	<u>10,623,799</u>	<u>10,604,722</u>
Diluted earnings per common share	<u>\$ 0.54</u>	<u>\$ 0.41</u>	<u>\$ 1.43</u>	<u>\$ 1.59</u>
Shares used in computing diluted earnings per common share	<u>10,693,430</u>	<u>10,791,940</u>	<u>10,772,812</u>	<u>10,794,170</u>

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

Network expenses	\$ 82	\$ 70	\$ 307	\$ 223
Sales and marketing	\$ 395	\$ 287	\$ 1,251	\$ 1,025
Technical operations and development	\$ 168	\$ 135	\$ 596	\$ 636
General and administrative	\$ 191	\$ 179	\$ 722	\$ 690

\*The Company has initially applied ASC 2016-02 (Topic 842) using the modified retrospective method. Under this method, the comparative information is not restated.

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

	Three months ended December 31,		Year ended December 31,	
	2019	2018 *	2019	2018 *
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 5,778	\$ 4,436	\$ 15,398	\$ 17,135
Items not involving cash:				
Depreciation of property and equipment	2,516	1,716	8,961	5,722
Loss on write off of property and equipment	-	-	142	-
Amortization of debt discount and issuance costs	65	70	297	281
Amortization of intangible assets	2,870	2,290	10,333	9,243
Net amortization contract costs	(2)	(7)	(10)	14
Deferred income taxes (recovery)	(456)	1,899	1,285	1,038
Excess tax benefits on share-based compensation expense	156	(165)	(634)	(697)
Amortization of deferred rent	-	(5)	-	(14)
Net Right of use operating assets/Operating lease liability	(27)	-	(32)	-
Loss on disposal of domain names	43	271	115	341
Other income	-	(258)	-	(429)
Loss (gain) on change in the fair value of forward contracts	(109)	194	(313)	207
Stock-based compensation	836	670	2,876	2,574
Change in non-cash operating working capital:				
Accounts receivable	(1,095)	692	(3,015)	1,539
Inventory	446	(635)	318	(831)
Prepaid expenses and deposits	6,147	(918)	2,904	(1,286)
Prepaid domain name registry and ancillary services fees	3,924	4,699	7,678	20,476
Income taxes recoverable	1,210	2,398	(89)	2,691
Accounts payable	1,556	(877)	(1,222)	171
Accrued liabilities	(4,945)	(978)	2,329	(513)
Customer deposits	(846)	34	27	(3,336)
Deferred revenue	(4,838)	(4,798)	(6,900)	(16,888)
Accreditation fees payable	(33)	(60)	(67)	(229)
Net cash provided by operating activities	<u>13,196</u>	<u>10,668</u>	<u>40,381</u>	<u>37,209</u>
Financing activities:				
Proceeds received on exercise of stock options	83	50	395	112
Payment of tax obligations resulting from net exercise of stock options	(4)	(41)	(548)	(445)
Repurchase of common stock	-	-	(4,986)	-
Proceeds received on loan payable	12,000	4,500	57,371	7,000
Repayment of loan payable	(3,530)	(4,384)	(8,130)	(19,596)
Payment of loan payable costs	(2)	-	(641)	(8)
Net cash (used in) provided by financing activities	<u>8,547</u>	<u>125</u>	<u>43,461</u>	<u>(12,937)</u>
Investing activities:				
Additions to property and equipment	(12,913)	(8,480)	(44,070)	(27,919)
Acquisition of a portion of the minority interest in Ting Virginia, LLC	-	-	-	(1,200)
Acquisition of Ascio Technologies Inc. (net of cash of \$1,437)	(426)	-	(28,450)	-
Acquisition of intangible assets	-	(451)	(3,566)	(565)
Net cash used in investing activities	<u>(13,339)</u>	<u>(8,931)</u>	<u>(76,086)</u>	<u>(29,684)</u>
(Decrease) increase in cash and cash equivalents	8,404	1,862	7,756	(5,412)
Cash and cash equivalents, beginning of period	11,989	10,775	12,637	18,049
Cash and cash equivalents, end of period	<u>\$ 20,393</u>	<u>\$ 12,637</u>	<u>\$ 20,393</u>	<u>\$ 12,637</u>
Supplemental cash flow information:				
Interest paid	\$ 1,224	\$ 931	\$ 4,785	\$ 3,712
Income taxes paid, net	\$ 1,818	\$ 1,742	\$ 7,941	\$ 7,112
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 548	\$ 1,462	\$ 548	\$ 1,462

\*The Company has initially applied ASC 2016-02 (Topic 842) using the modified retrospective method. Under this method, the comparative information is not restated.

**Reconciliation of Net income to Adjusted EBITDA**  
(In Thousands of U.S. Dollars)

(unaudited)	Three months ended December 31,		Year ended December 31,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
<b>Net income for the period</b>	\$ 5,778	\$ 4,436	\$ 15,398	\$ 17,135
Depreciation of property and equipment	2,516	1,716	8,961	5,722
Loss on disposition of property and equipment	-	-	73	-
Amortization of intangible assets	2,870	2,290	10,333	9,243
Interest expense, net	1,220	926	4,769	3,687
Provision for income taxes	2,964	5,239	9,173	9,020
Stock-based compensation	836	670	2,876	2,574
Unrealized loss (gain) on change in fair value of forward contracts	(109)	194	(313)	207
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(180)	749	(581)	940
Acquisition and other costs <sup>1</sup>	260	403	1,216	1,526
<b>Adjusted EBITDA</b>	<u>\$ 16,155</u>	<u>\$ 16,623</u>	<u>\$ 51,905</u>	<u>\$ 50,054</u>

<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 and Ascio in March 2019. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.