

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

	September 30,	December 31,
	2017	2016
	<u>(unaudited)</u>	<u>(unaudited)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,547,059	\$ 15,105,075
Accounts receivable	13,726,565	10,925,622
Inventory	2,949,172	1,210,789
Prepaid expenses and deposits	14,712,889	6,250,555
Derivative instrument asset, current portion	559,663	172,888
Prepaid domain name registry and ancillary services fees, current portion	106,672,400	49,396,737
Income taxes recoverable	780,185	220,451
Total current assets	<u>151,947,933</u>	<u>83,282,117</u>
Prepaid domain name registry and ancillary services fees, long-term portion	23,791,150	10,993,156
Property and equipment	22,232,870	13,450,438
Deferred tax asset	-	5,708,725
Intangible assets	60,562,113	19,973,793
Goodwill	87,486,243	21,005,143
Total assets	<u>\$ 346,020,309</u>	<u>\$ 154,413,372</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,946,691	\$ 4,786,645
Accrued liabilities	8,681,752	7,098,905
Customer deposits	15,303,523	5,418,622
Deferred rent, current portion	20,947	20,854
Loan payable, current portion	18,289,853	2,233,110
Deferred revenue, current portion	131,971,919	62,795,079
Accreditation fees payable, current portion	1,201,477	528,027
Income taxes payable	1,239,754	1,548,121
Total current liabilities	<u>182,655,916</u>	<u>84,429,363</u>
Deferred revenue, long-term portion	31,219,144	15,053,977
Accreditation fees payable, long-term portion	299,909	115,084
Deferred rent, long-term portion	129,656	124,202
Loan payable, long-term portion	63,137,229	8,015,698
Deferred Gain	558,220	944,680
Deferred tax liability	18,198,544	4,827,192
Redeemable non-controlling interest	1,123,738	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; 10,577,549 shares issued and outstanding as of September 30, 2017 and 10,461,574 shares issued and outstanding as of December 31, 2016	15,284,633	14,460,500
Additional paid-in capital	1,602,181	2,857,921
Retained earnings	31,489,104	20,399,511
Accumulated other comprehensive income	322,035	99,154
Total stockholders' equity	<u>48,697,953</u>	<u>37,817,086</u>
Total liabilities and stockholders' equity	<u>\$ 346,020,309</u>	<u>\$ 154,413,372</u>

**Tucows
Consolidated Statement
(Dollar amounts in**

	Three months ended September 30,		
	2017	2016	
	(unaudited)		
Net revenues	\$ 85,008,484	\$ 49,064,327	\$
Cost of revenues:			
Cost of revenues	61,066,761	30,846,668	
Network expenses (*)	2,460,696	1,287,620	
Depreciation of property and equipment	823,441	278,746	
Amortization of intangible assets	499,032	13,421	
Total cost of revenues	<u>64,849,930</u>	<u>32,426,455</u>	
Gross profit	20,158,554	16,637,872	
Expenses:			
Sales and marketing (*)	7,578,414	5,479,445	
Technical operations and development (*)	1,910,147	1,270,107	
General and administrative (*)	2,852,345	2,166,217	
Depreciation of property and equipment	154,638	178,687	
Amortization of intangible assets	1,745,923	279,126	
Impairment of indefinite life intangible assets	1,500	2,866	
Loss (gain) on currency forward contracts	(54,075)	22,475	
Total expenses	<u>14,188,892</u>	<u>9,398,923</u>	
Income from operations	5,969,662	7,238,949	
Other income (expenses):			
Interest expense, net	(864,482)	(135,168)	
Other income	157,453	130,147	
Total other income (expenses)	<u>(707,029)</u>	<u>(5,021)</u>	
Income before provision for income taxes	5,262,633	7,233,928	
Provision for income taxes	1,823,367	2,492,649	
Net income before redeemable non-controlling interest	<u>3,439,266</u>	<u>4,741,279</u>	
Redeemable non-controlling interest	(68,635)	(254,101)	
Net income attributable to redeemable non-controlling interest	68,635	254,101	
Net income for the period	3,439,266	4,741,279	
Other comprehensive income (loss), net of tax			
Unrealized income (loss) on hedging activities	309,445	(58,821)	
Net amount reclassified to earnings	(317,516)	131,912	
Other comprehensive income (loss) net of tax of \$4,591 and \$41,580 for the three months ended September 30, 2017 and September 30, 2016, and \$126,791 and \$585,943 for the nine months ended September 30, 2017 and September 30, 2016	<u>(8,071)</u>	<u>73,091</u>	
Comprehensive income, net of tax for the period	<u>\$ 3,431,195</u>	<u>\$ 4,814,370</u>	\$
Basic earnings per common share	<u>\$ 0.33</u>	<u>\$ 0.45</u>	\$
Shares used in computing basic earnings per common share	<u>10,564,311</u>	<u>10,432,763</u>	
Diluted earnings per common share	<u>\$ 0.32</u>	<u>\$ 0.45</u>	\$
Shares used in computing diluted earnings per common share	<u>10,785,342</u>	<u>10,619,005</u>	
(*) Stock-based compensation has been included in expenses as follows:			
Network expenses	\$ 51,795	\$ 4,920	\$
Sales and marketing	\$ 197,476	\$ 60,832	\$
Technical operations and development	\$ 96,379	\$ 23,512	\$
General and administrative	\$ (142,748)	\$ 106,175	\$

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

	Three months ended September 30,	
	2017	2016
	(unaudited)	
Cash provided by:		
Operating activities:		
Net income for the period	\$ 3,439,266	\$ 4,741,279
Items not involving cash:		
Depreciation of property and equipment	978,079	457,433
Loss on write off of property and equipment	8,157	-
Amortization of debt discount and issuance costs	56,559	8,298
Amortization of intangible assets	2,244,955	292,547
Impairment of indefinite life intangible asset	1,500	2,866
Deferred income taxes	(1,445,241)	926,733
Excess tax benefits on share-based compensation expense	(443,718)	268,565
Amortization of deferred rent	63	13,783
Loss on disposal of domain names	7,896	4,760
Other income	(128,820)	(128,820)
Loss (gain) on change in the fair value of forward contracts	1,053	(20,114)
Stock-based compensation	202,902	195,439
Change in non-cash operating working capital:		
Accounts receivable	533,900	(1,623,719)
Inventory	(642,738)	(217,741)
Prepaid expenses and deposits	201,757	419,939
Prepaid domain name registry and ancillary services fees	3,083,506	(1,271,948)
Income taxes recoverable	2,225,254	363,244
Accounts payable	(643,327)	681,303
Accrued liabilities	981,046	(581,495)
Customer deposits	(1,904,666)	(943,579)
Deferred revenue	(1,424,673)	1,666,291
Accreditation fees payable	(50,302)	14,059
Net cash provided by operating activities	7,282,408	5,269,123
Financing activities:		
Proceeds received on exercise of stock options	68,065	48,376
Payment of tax obligations resulting from net exercise of stock options	(116,956)	(76,537)
Repurchase of common stock	-	-
Proceeds received on loan payable	-	10,989,583
Repayment of loan payable	(4,572,640)	(9,062,500)
Payment of loan payable costs	(16,463)	(383,463)
Net cash provided by (used in) financing activities	(4,637,994)	1,515,459
Investing activities:		
Additions to property and equipment	(2,859,036)	(2,091,368)
Acquisition of a portion of the minority interest in Ting Virginia, LLC.	-	-
Acquisition of Enom Incorporated, net of cash	-	-
Acquisition of intangible assets	(2,384,298)	(74,400)
Net cash used in investing activities	(5,243,334)	(2,165,768)
Increase (decrease) in cash and cash equivalents	(2,598,920)	4,618,814
Cash and cash equivalents, beginning of period	15,145,979	5,879,482
Cash and cash equivalents, end of period	\$ 12,547,059	\$ 10,498,296
Supplemental cash flow information:		
Interest paid	\$ 869,749	\$ 93,560
Income taxes paid, net	\$ 1,307,727	\$ 927,826
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 186,418	\$ 89,860

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Net income for the period	\$ 3,439	\$ 4,741	\$ 11,127	\$ 13,250
Depreciation of property and equipment	978	457	2,614	1,305
Amortization of intangible assets	2,245	293	6,070	650
Impairment of intangible assets	2	3	2	28
Interest expense, net	864	135	2,703	302
Provision for income taxes	1,823	2,493	2,781	6,476
Stock-based compensation	203	195	834	586
Unrealized loss (gain) on change in fair value of forward contracts	1	(20)	(37)	(292)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(426)	278	(760)	493
Acquisition and transition costs ¹	239	-	748	-
Adjusted EBITDA	<u>\$ 9,368</u>	<u>\$ 8,575</u>	<u>\$ 26,082</u>	<u>\$ 22,798</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.