

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

	<b>March 31, 2019</b>	<b>December 31, 2018*</b>
	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,035	\$ 12,637
Accounts receivable	13,120	10,837
Inventory	3,367	3,775
Prepaid expenses and deposits	16,498	15,472
Prepaid domain name registry and ancillary services fees, current portion	99,962	87,782
Income taxes recoverable	2,048	1,423
Total current assets	<u>146,030</u>	<u>131,926</u>
Prepaid domain name registry and ancillary services fees, long-term portion	18,599	18,745
Property and equipment	55,486	48,065
Right of use operating lease	12,206	-
Contract costs	1,371	1,390
Intangible assets	61,991	49,395
Goodwill	109,777	90,054
Total assets	<u>\$ 405,460</u>	<u>\$ 339,575</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 8,459	\$ 8,445
Accrued liabilities	8,055	5,899
Customer deposits	14,571	11,919
Derivative instrument liability	353	1,276
Deferred rent, current portion	-	21
Operating lease liability, current portion	1,917	-
Loan payable, current portion	24,788	18,400
Deferred revenue, current portion	131,801	116,734
Accreditation fees payable, current portion	1,076	985
Income taxes payable	702	1,668
Total current liabilities	<u>191,722</u>	<u>165,347</u>
Deferred revenue, long-term portion	27,618	26,960
Accreditation fees payable, long-term portion	239	250
Deferred rent, long-term portion	-	116
Operating lease liability, long-term portion	9,793	-
Loan payable, long-term portion	68,026	46,201
Deferred Gain	-	-
Deferred tax liability	24,621	20,925
Redeemable non-controlling interest	-	-
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; 10,643,750 shares issued and outstanding as of March 31, 2019 and 10,627,988 shares issued and outstanding as of December 31, 2018	16,188	15,823
Additional paid-in capital	3,844	3,953
Retained earnings	63,609	60,810
Accumulated other comprehensive income	(200)	(810)
Total stockholders' equity	<u>83,441</u>	<u>79,776</u>
Total liabilities and stockholders' equity	<u>\$ 405,460</u>	<u>\$ 339,575</u>

\*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)

	<b>Three months ended March 31,</b>	
	<u>2019</u>	<u>2018<sup>1</sup></u>
	(unaudited)	
Net revenues	\$ 78,953	\$ 95,795
Cost of revenues:		
Cost of revenues	51,932	68,972
Network expenses (*)	2,395	2,574
Depreciation of property and equipment	1,801	1,131
Amortization of intangible assets	174	499
Total cost of revenues	<u>56,302</u>	<u>73,176</u>
Gross profit	22,651	22,619
Expenses:		
Sales and marketing (*)	8,741	8,365
Technical operations and development (*)	2,523	2,095
General and administrative (*)	4,448	4,530
Depreciation of property and equipment	124	101
Amortization of intangible assets	1,866	1,832
Loss (gain) on currency forward contracts	(79)	(3)
Total expenses	<u>17,623</u>	<u>16,920</u>
Income from operations	5,028	5,699
Other income (expenses):		
Interest expense, net	(972)	(896)
Other income, net	-	124
Total other income (expenses)	<u>(972)</u>	<u>(772)</u>
Income before provision for income taxes	4,056	4,927
Provision for income taxes	<u>1,257</u>	<u>1,183</u>
Net income before redeemable non-controlling interest	2,799	3,744
Redeemable non-controlling interest	-	(26)
Net income attributable to redeemable non-controlling interest	-	26
Net income for the period	<u>2,799</u>	<u>3,744</u>
Other comprehensive income, net of tax		
Unrealized income (loss) on hedging activities	549	17
Net amount reclassified to earnings	<u>61</u>	<u>-</u>
Other comprehensive income (loss) net of tax of \$ (194) and \$ (6) for the three months ended March 31, 2019 and March 31, 2018	<u>610</u>	<u>17</u>
Comprehensive income, net of tax for the period	<u>\$ 3,409</u>	<u>\$ 3,761</u>
Basic earnings per common share	<u>\$ 0.26</u>	<u>\$ 0.35</u>
Shares used in computing basic earnings per common share	<u>10,634,842</u>	<u>10,588,718</u>
Diluted earnings per common share	<u>\$ 0.26</u>	<u>\$ 0.35</u>
Shares used in computing diluted earnings per common share	<u>10,835,897</u>	<u>10,792,613</u>

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

Network expenses	\$ 57	\$ 56
Sales and marketing	\$ 196	\$ 188
Technical operations and development	\$ 117	\$ 177
General and administrative	\$ 155	\$ 159

<sup>1</sup>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)

	<b>Three months ended March 31,</b>	
	<b>2019</b>	<b>2018*</b>
	<b>(unaudited)</b>	
Cash provided by:		
Operating activities:		
Net income for the period	\$ 2,799	\$ 3,744
Items not involving cash:		
Depreciation of property and equipment	1,925	1,232
Loss on write off of property and equipment	22	-
Amortization of debt discount and issuance costs	78	70
Amortization of intangible assets	2,040	2,331
Net amortization contract costs	19	25
Deferred income taxes (recovery)	462	(47)
Excess tax benefits on share-based compensation expense	(356)	(144)
Net Right of use operating assets/Operating lease liability	(30)	-
Loss on disposal of domain names	4	37
Other income	-	(129)
Loss (gain) on change in the fair value of forward contracts	(118)	(3)
Stock-based compensation	525	578
Change in non-cash operating working capital:		
Accounts receivable	(1,188)	(309)
Inventory	408	46
Prepaid expenses and deposits	(390)	(525)
Prepaid domain name registry and ancillary services fees	(1,716)	11,344
Income taxes recoverable	(1,236)	265
Accounts payable	786	2,132
Accrued liabilities	1,321	759
Customer deposits	287	(2,275)
Deferred revenue	3,269	(9,598)
Accreditation fees payable	80	40
Net cash provided by operating activities	<u>8,991</u>	<u>9,573</u>
Financing activities:		
Proceeds received on exercise of stock options	72	7
Payment of tax obligations resulting from net exercise of stock options	(339)	(147)
Proceeds received on loan payable	32,940	-
Repayment of loan payable	(4,600)	(4,572)
Payment of loan payable costs	(207)	(4)
Net cash (used in) provided by financing activities	<u>27,866</u>	<u>(4,716)</u>
Investing activities:		
Additions to property and equipment	(10,435)	(5,117)
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)	(28,024)	-
Acquisition of intangible assets	-	(1)
Net cash used in investing activities	<u>(38,459)</u>	<u>(6,318)</u>
(Decrease) increase in cash and cash equivalents	(1,602)	(1,461)
Cash and cash equivalents, beginning of period	12,637	18,049
Cash and cash equivalents, end of period	<u>\$ 11,035</u>	<u>\$ 16,588</u>
Supplemental cash flow information:		
Interest paid	\$ 976	\$ 901
Income taxes paid, net	\$ 2,118	\$ 1,337
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 392	\$ 398

\*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)

	<b>Three months ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<u>          </u>	<u>          </u>
<b>Net income for the period</b>	\$ 2,799	\$ 3,744
Depreciation of property and equipment	1,925	1,232
Amortization of intangible assets	2,040	2,331
Interest expense, net	972	896
Provision for income taxes	1,257	1,183
Stock-based compensation	525	578
Unrealized loss (gain) on change in fair value of forward contracts	(118)	(3)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(328)	176
Acquisition and other costs <sup>1</sup>	359	241
Adjusted EBITDA	<u>\$ 9,431</u>	<u>\$ 10,378</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.