

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

	<b>June 30, 2019</b>	<b>December 31, 2018 *</b>
	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,003	\$ 12,637
Accounts receivable	11,588	10,837
Inventory	3,259	3,775
Prepaid expenses and deposits	19,455	15,472
Derivative instrument asset, current portion	140	-
Prepaid domain name registry and ancillary services fees, current portion	97,788	87,782
Other assets	2,501	-
Income taxes recoverable	3,208	1,423
Total current assets	<u>149,942</u>	<u>131,926</u>
Prepaid domain name registry and ancillary services fees, long-term portion	18,060	18,745
Property and equipment	64,010	48,065
Right of use operating lease asset	11,395	-
Contract costs	1,337	1,390
Intangible assets	59,451	49,395
Goodwill	110,093	90,054
Total assets	<u>\$ 414,288</u>	<u>\$ 339,575</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 7,590	\$ 8,445
Accrued liabilities	10,789	5,899
Customer deposits	13,526	11,919
Derivative instrument liability	-	1,276
Deferred rent, current portion	-	21
Operating lease liability, current portion	1,496	-
Loan payable, current portion	-	18,400
Deferred revenue, current portion	130,499	116,734
Accreditation fees payable, current portion	1,038	985
Income taxes payable	797	1,668
Total current liabilities	<u>165,735</u>	<u>165,347</u>
Deferred revenue, long-term portion	26,720	26,960
Accreditation fees payable, long-term portion	231	250
Deferred rent, long-term portion	-	116
Operating lease liability, long-term portion	9,482	-
Loan payable, long-term portion	99,901	46,201
Deferred Gain	-	-
Deferred tax liability	25,218	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; 10,663,462 shares issued and outstanding as of June 30, 2019 and 10,627,988 shares issued and outstanding as of December 31, 2018	16,461	15,823
Additional paid-in capital	4,195	3,953
Retained earnings	66,225	60,810
Accumulated other comprehensive income (loss)	<u>120</u>	<u>(810)</u>
Total stockholders' equity	<u>87,001</u>	<u>79,776</u>
Total liabilities and stockholders' equity	<u>\$ 414,288</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

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018 *	2019	2018 *
	(unaudited)		(unaudited)	
Net revenues	\$ 84,117	\$ 81,087	\$ 163,070	\$ 176,882
Cost of revenues:				
Cost of revenues	54,873	54,501	106,805	123,473
Network expenses (*)	2,385	2,701	4,780	5,275
Depreciation of property and equipment	2,038	1,228	3,839	2,359
Amortization of intangible assets	314	499	488	998
Total cost of revenues	59,610	58,929	115,912	132,105
Gross profit	24,507	22,158	47,158	44,777
Expenses:				
Sales and marketing (*)	8,856	7,852	17,597	16,217
Technical operations and development (*)	2,752	2,355	5,275	4,450
General and administrative (*)	4,796	4,256	9,244	8,786
Depreciation of property and equipment	134	102	258	203
Amortization of intangible assets	2,251	1,827	4,117	3,659
Loss (gain) on currency forward contracts	(31)	52	(110)	49
Total expenses	18,758	16,444	36,381	33,364
Income from operations	5,749	5,714	10,777	11,413
Other income (expenses):				
Interest expense, net	(1,314)	(951)	(2,286)	(1,847)
Other income, net	-	73	-	197
Total other income (expenses)	(1,314)	(878)	(2,286)	(1,650)
Income before provision for income taxes	4,435	4,836	8,491	9,763
Provision for income taxes	1,819	1,228	3,076	2,411
Net income before redeemable non-controlling interest	2,616	3,608	5,415	7,352
Redeemable non-controlling interest	-	-	-	(26)
Net income attributable to redeemable non-controlling interest	-	-	-	26
Net income for the period	2,616	3,608	5,415	7,352
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	240	(273)	789	(256)
Net amount reclassified to earnings	80	13	141	13
Other comprehensive income (loss) net of tax (expense) recovery of (\$103) and \$84 for the three months ended June 30, 2019 and June 30, 2018, (\$298) and \$78 for the six months ended June 30, 2019 and June 30, 2018	320	(260)	930	(243)
Comprehensive income, net of tax for the period	\$ 2,936	\$ 3,348	\$ 6,345	\$ 7,109
Basic earnings per common share	\$ 0.25	\$ 0.34	\$ 0.51	\$ 0.69
Shares used in computing basic earnings per common share	10,657,124	10,597,228	10,646,045	10,592,994
Diluted earnings per common share	\$ 0.24	\$ 0.33	\$ 0.50	\$ 0.68
Shares used in computing diluted earnings per common share	10,840,005	10,803,007	10,837,456	10,797,017

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

Network expenses	\$ 72	\$ 28	\$ 129	\$ 84
Sales and marketing	\$ 297	\$ 245	\$ 494	\$ 432
Technical operations and development	\$ 132	\$ 174	\$ 249	\$ 351
General and administrative	\$ 183	\$ 168	\$ 338	\$ 327

\*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 June 30,		Six months ended June 30,	
	2019	2018 *	2019	2018 *
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 2,616	\$ 3,608	\$ 5,415	\$ 7,352
Items not involving cash:				
Depreciation of property and equipment	2,172	1,330	4,097	2,562
Loss on write off of property and equipment	-	-	22	-
Amortization of debt discount and issuance costs	90	69	168	139
Amortization of intangible assets	2,565	2,326	4,605	4,657
Net amortization contract costs	34	25	53	50
Deferred income taxes (recovery)	1,449	(445)	1,911	(492)
Excess tax benefits on share-based compensation expense	(381)	(197)	(737)	(341)
Amortization of deferred rent	-	(4)	-	(4)
Net Right of use operating assets/Operating lease liability	79	-	49	-
Loss on disposal of domain names	2	28	6	65
Other income	-	(42)	-	(171)
Loss (gain) on change in the fair value of forward contracts	(70)	46	(188)	43
Stock-based compensation	685	615	1,210	1,193
Change in non-cash operating working capital:				
Accounts receivable	1,031	471	(157)	162
Inventory	108	(350)	516	(304)
Prepaid expenses and deposits	(2,524)	(717)	(2,914)	(1,242)
Prepaid domain name registry and ancillary services fees	1,651	204	(65)	11,548
Income taxes recoverable	(1,639)	165	(2,875)	430
Accounts payable	(1,170)	(1,862)	(384)	270
Accrued liabilities	2,266	(401)	3,587	358
Customer deposits	(808)	(46)	(521)	(2,321)
Deferred revenue	(1,131)	1,067	2,138	(8,531)
Accreditation fees payable	(46)	(136)	34	(96)
Net cash provided by operating activities	6,979	5,754	15,970	15,327
Financing activities:				
Proceeds received on exercise of stock options	122	32	194	39
Payment of tax obligations resulting from net exercise of stock options	(185)	(141)	(524)	(288)
Proceeds received on loan payable	7,431	2,500	40,371	2,500
Repayment of loan payable	(3)	(6,253)	(4,603)	(10,825)
Payment of loan payable costs	(434)	-	(641)	(4)
Net cash (used in) provided by financing activities	6,931	(3,862)	34,797	(8,578)
Investing activities:				
Additions to property and equipment	(10,414)	(7,319)	(20,849)	(12,436)
Acquisition of a portion of the minority interest in Ting Virginia, LLC	-	-	-	(1,200)
Acquisition of other assets	(2,501)	-	(2,501)	-
Acquisition of Ascio Technologies Inc. (net of cash of \$1,437)	-	-	(28,024)	-
Acquisition of intangible assets	(27)	-	(27)	(1)
Net cash used in investing activities	(12,942)	(7,319)	(51,401)	(13,637)
(Decrease) increase in cash and cash equivalents	968	(5,427)	(634)	(6,888)
Cash and cash equivalents, beginning of period	11,035	16,588	12,637	18,049
Cash and cash equivalents, end of period	\$ 12,003	\$ 11,161	\$ 12,003	\$ 11,161
Supplemental cash flow information:				
Interest paid	\$ 1,318	\$ 961	\$ 2,294	\$ 1,862
Income taxes paid, net	\$ 2,046	\$ 2,240	\$ 4,164	\$ 3,577
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 674	\$ 258	\$ 674	\$ 258

\*The Company has initially applied ASC 2016-02 (Topic 842) using the modified retrospective method. Under this

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

	Three months ended June 30,		Six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
<b>Net income for the period</b>	\$ 2,616	\$ 3,608	\$ 5,415	\$ 7,352
Depreciation of property and equipment	2,172	1,330	4,097	2,562
Amortization of intangible assets	2,565	2,326	4,605	4,657
Interest expense, net	1,314	951	2,286	1,847
Provision for income taxes	1,819	1,228	3,076	2,411
Stock-based compensation	685	615	1,210	1,193
Unrealized loss (gain) on change in fair value of forward contracts	(70)	46	(188)	43
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(162)	282	(490)	459
Acquisition and other costs <sup>1</sup>	547	802	906	1,043
<b>Adjusted EBITDA</b>	\$ <u>11,486</u>	\$ <u>11,188</u>	\$ <u>20,917</u>	\$ <u>21,567</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.