



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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,310	\$ 8,311
Accounts receivable	15,868	15,540
Inventory	2,317	1,875
Prepaid expenses and deposits	14,579	16,845
Derivative instrument asset, current portion	2,893	3,860
Deferred costs of fulfillment, current portion	96,861	93,467
Income taxes recoverable	1,316	1,302
Total current assets	<u>142,144</u>	<u>141,200</u>
Derivative instrument asset, long-term portion	65	-
Deferred costs of fulfillment, long-term portion	18,316	17,599
Property and equipment	129,846	117,530
Right of use operating lease asset	11,893	11,238
Contract costs	369	362
Deferred tax asset	188	226
Intangible assets	44,978	47,444
Goodwill	116,304	116,304
Total assets	<u>\$ 464,103</u>	<u>\$ 451,903</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,969	\$ 6,329
Accrued liabilities	11,028	10,235
Customer deposits	15,527	15,402
Derivative instrument liability, current portion	83	99
Operating lease liability, current portion	1,982	1,761
Deferred revenue, current portion	132,427	127,336
Accreditation fees payable, current portion	1,023	940
Income taxes payable	14	863
Total current liabilities	<u>172,053</u>	<u>162,965</u>
Derivative instrument liability, long-term portion	-	114
Deferred revenue, long-term portion	25,167	24,909
Accreditation fees payable, long-term portion	189	195
Operating lease liability, long-term portion	9,668	9,179
Loan payable, long-term portion	121,802	121,733
Other long-term liability	3,512	3,416
Deferred tax liability	24,298	24,694
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; 10,624,415 shares issued and outstanding as of March 31, 2021 and 10,612,414 shares issued and outstanding as of December 31, 2020	21,511	20,798
Additional paid-in capital	1,778	1,458
Retained earnings	82,255	80,106
Accumulated other comprehensive income	1,870	2,336
Total stockholders' equity	<u>107,414</u>	<u>104,698</u>
Total liabilities and stockholders' equity	<u>\$ 464,103</u>	<u>\$ 451,903</u>

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

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net revenues	\$ 70,875	\$ 83,985
Cost of revenues:		
Cost of revenues	46,187	53,188
Network expenses (*)	3,238	2,416
Depreciation of property and equipment	3,638	2,877
Amortization of intangible assets	299	354
Impairment of property and equipment	60	-
Total cost of revenues	<u>53,422</u>	<u>58,835</u>
Gross profit	17,453	25,150
Expenses:		
Sales and marketing (*)	8,311	8,985
Technical operations and development (*)	3,132	2,751
General and administrative (*)	4,953	4,741
Depreciation of property and equipment	121	113
Amortization of intangible assets	2,320	2,947
Loss (gain) on currency forward contracts	(253)	441
Total expenses	<u>18,584</u>	<u>19,978</u>
Income from operations	(1,131)	5,172
Other income (expenses):		
Interest expense, net	(936)	(1,150)
Gain on sale of Ting Customer Assets, net	5,395	-
Other expense, net	(96)	(87)
Total other income (expenses)	<u>4,363</u>	<u>(1,237)</u>
Income before provision for income taxes	3,232	3,935
Provision for income taxes	<u>1,083</u>	<u>1,101</u>
Net income for the period	2,149	2,834
Other comprehensive income, net of tax		
Unrealized income (loss) on hedging activities	368	(1,234)
Net amount reclassified to earnings	<u>(834)</u>	<u>43</u>
Other comprehensive income (loss) net of tax expense (recovery) of (\$140) and (\$366) for the three months ended March 31, 2021 and March 31, 2020 respectively	<u>(466)</u>	<u>(1,191)</u>
Comprehensive income, net of tax for the period	<u>\$ 1,683</u>	<u>\$ 1,643</u>
Basic earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.27</u>
Shares used in computing basic earnings per common share	<u>10,617,807</u>	<u>10,612,230</u>
Diluted earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.26</u>
Shares used in computing diluted earnings per common share	<u>10,796,762</u>	<u>10,713,678</u>
(*) Stock-based compensation has been included in expenses as follows:		
Network expenses	\$ 125	\$ 87
Sales and marketing	\$ 506	\$ 370
Technical operations and development	\$ 167	\$ 167
General and administrative	\$ 224	\$ 177

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

	<b>Three months ended March 31,</b>	
	<u><b>2021</b></u>	<u><b>2020</b></u>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Cash provided by:		
Operating activities:		
Net income for the period	\$ 2,149	\$ 2,834
Items not involving cash:		
Depreciation of property and equipment	3,759	2,990
Loss on write off of property and equipment	60	-
Amortization of debt discount and issuance costs	67	67
Amortization of intangible assets	2,619	3,301
Net amortization contract costs	(7)	29
Accretion of contingent consideration	96	87
Deferred income taxes (recovery)	(220)	(190)
Excess tax benefits on share-based compensation expense	(172)	(180)
Net Right of use operating assets/Operating lease liability	55	(179)
Loss on disposal of domain names	1	13
Loss (gain) on change in the fair value of forward contracts	166	348
Stock-based compensation	1,022	801
Change in non-cash operating working capital:		
Accounts receivable	(328)	2,151
Inventory	(442)	904
Prepaid expenses and deposits	2,266	25
Deferred costs of fulfillment	(4,111)	(2,853)
Income taxes recoverable	(689)	500
Accounts payable	1,451	1,771
Accrued liabilities	793	(1,831)
Customer deposits	125	58
Deferred revenue	5,349	3,342
Accreditation fees payable	77	85
Net cash provided by operating activities	<u>14,086</u>	<u>14,073</u>
Financing activities:		
Proceeds received on exercise of stock options	229	17
Payment of tax obligations resulting from net exercise of stock options	(218)	(182)
Repurchase of common stock	-	(3,117)
Payment of loan payable costs	-	(25)
Net cash provided by (used in) financing activities	<u>11</u>	<u>(3,307)</u>
Investing activities:		
Additions to property and equipment	(13,944)	(9,943)
Acquisition of Cedar Networks, net of cash of \$66	-	(8,770)
Acquisition of intangible assets	(154)	-
Net cash used in investing activities	<u>(14,098)</u>	<u>(18,713)</u>
(Decrease) increase in cash and cash equivalents	(1)	(7,947)
Cash and cash equivalents, beginning of period	<u>8,311</u>	<u>20,393</u>
Cash and cash equivalents, end of period	<u>\$ 8,310</u>	<u>\$ 12,446</u>
Supplemental cash flow information:		
Interest paid	\$ 949	\$ 1,154
Income taxes paid, net	\$ 2,381	\$ 956
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 3,320	\$ 1,102
Fair value of shares issued for acquisition of Cedar Holdings Group	\$ -	\$ 2,000
Fair value of contingent consideration for acquisition of Cedar Holdings Group	\$ -	\$ 3,065

**Reconciliation of Income before Provision for Income Taxes to Adjusted EBITDA  
(In Thousands of U.S. Dollars)**

**Three months ended March 31,**

**(unaudited)**

**2021 (unaudited)**

**2020 (unaudited)**

	2021 (unaudited)	2020 (unaudited)
<b>Adjusted EBITDA</b>	\$ 12,724	\$ 12,681
Depreciation of property and equipment	3,759	2,990
Impairment of property and equipment	60	-
Amortization of intangible assets	2,619	3,301
Interest expense, net	936	1,150
Accretion of contingent consideration	96	87
Stock-based compensation	1,022	801
Unrealized loss (gain) on change in fair value of forward contracts	166	348
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	67	(42)
Acquisition and other costs <sup>1</sup>	767	111
Income before provision for income taxes	\$ <u>3,232</u>	\$ <u>3,935</u>

<sup>1</sup>Acquisition and other costs represents transaction-related expenses, transitional expenses, such as redundant post-acquisition expenses. Expenses include severance and transitional costs associated with department, operational, or overall company restructuring efforts, including geographic alignments.