



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

	June 30, 2021	December 31, 2020
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,258	\$ 8,311
Accounts receivable	14,811	15,540
Inventory	2,836	1,875
Prepaid expenses and deposits	19,637	16,845
Derivative instrument asset, current portion	1,704	3,860
Deferred costs of fulfillment, current portion	96,148	93,467
Income taxes recoverable	4,041	1,302
Total current assets	<u>146,435</u>	<u>141,200</u>
Deferred costs of fulfillment, long-term portion	18,490	17,599
Derivative instrument asset, long-term portion	83	-
Investments	2,012	-
Deferred tax asset	168	226
Property and equipment	144,187	117,530
Right of use operating lease asset	12,541	11,238
Contract costs	617	362
Intangible assets	42,695	47,444
Goodwill	116,304	116,304
Total assets	<u>\$ 483,532</u>	<u>\$ 451,903</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,430	\$ 6,329
Accrued liabilities	14,003	10,235
Customer deposits	15,812	15,402
Derivative instrument liability, current portion	110	99
Operating lease liability, current portion	2,270	1,761
Deferred revenue, current portion	130,094	127,336
Accreditation fees payable, current portion	958	940
Income taxes payable	20	863
Total current liabilities	<u>170,697</u>	<u>162,965</u>
Derivative instrument liability, long-term portion	-	114
Deferred revenue, long-term portion	24,766	24,909
Accreditation fees payable, long-term portion	183	195
Operating lease liability, long-term portion	10,202	9,179
Loan payable, long-term portion	139,867	121,733
Other long-term liability	3,607	3,416
Deferred tax liability	23,386	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; 10,665,514 shares issued and outstanding as of June 30, 2021 and 10,612,414 shares issued and outstanding as of December 31, 2020	23,457	20,798
Additional paid-in capital	2,208	1,458
Retained earnings	84,062	80,106
Accumulated other comprehensive income (loss)	1,097	2,336
Total stockholders' equity	<u>110,824</u>	<u>104,698</u>
Total liabilities and stockholders' equity	<u>\$ 483,532</u>	<u>\$ 451,903</u>

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,	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
Net revenues	\$ 75,093	\$ 82,122	\$ 145,968	\$ 166,107
Cost of revenues:				
Direct cost of revenues	49,133	51,790	95,320	104,978
Network expenses (*)	3,612	2,485	6,850	4,901
Depreciation of property and equipment	4,084	3,030	7,722	5,907
Amortization of intangible assets	24	326	323	680
Impairment of property and equipment	1	1,525	61	1,525
Total cost of revenues	56,854	59,156	110,276	117,991
Gross profit	18,239	22,966	35,692	48,116
Expenses:				
Sales and marketing (*)	\$ 9,376	\$ 9,218	\$ 17,687	\$ 18,203
Technical operations and development (*)	3,170	3,067	6,302	5,818
General and administrative (*)	5,210	5,465	10,163	10,206
Depreciation of property and equipment	127	125	248	238
Loss on disposition of property and equipment	5	-	5	-
Amortization of intangible assets	2,322	2,504	4,642	5,451
Impairment of definite life intangible assets	-	1,431	-	1,431
Loss (gain) on currency forward contracts	63	(381)	(190)	60
Total expenses	20,273	21,429	38,857	41,407
Income from operations	(2,034)	1,537	(3,165)	6,709
Other income (expenses):				
Interest expense, net	(1,003)	(846)	(1,939)	(1,996)
Gain on sale of Ting customer assets, net	4,808	-	10,203	-
Other expense, net	(83)	(85)	(179)	(172)
Total other income (expenses)	3,722	(931)	8,085	(2,168)
Income before provision for income taxes	1,688	606	4,920	4,541
Provision for income taxes	(119)	449	964	1,550
Net income for the period	1,807	157	3,956	2,991
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	248	1,114	616	(120)
Net amount reclassified to earnings	(1,021)	200	(1,855)	243
Other comprehensive income net of tax expense (recovery) of \$(235) and \$398 for the three months ended June 30, 2021 and June 30, 2020, \$(375) and \$32 for the six months ended June 30, 2021 and June 30, 2020	(773)	1,314	(1,239)	123
Comprehensive income, net of tax for the period	\$ 1,034	\$ 1,471	\$ 2,717	\$ 3,114
Basic earnings per common share	\$ 0.17	\$ 0.01	\$ 0.37	\$ 0.28
Shares used in computing basic earnings per common share	10,633,601	10,567,382	10,625,748	10,589,806
Diluted earnings per common share	\$ 0.17	\$ 0.01	\$ 0.37	\$ 0.28
Shares used in computing diluted earnings per common share	10,797,921	10,653,527	10,794,523	10,684,304

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

Network expenses	\$ 144	\$ 109	\$ 269	\$ 196
Sales and marketing	\$ 550	\$ 374	\$ 1,056	\$ 745
Technical operations and development	\$ 234	\$ 183	\$ 401	\$ 350
General and administrative	\$ 281	\$ 179	\$ 505	\$ 356

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

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 1,807	\$ 157	\$ 3,956	\$ 2,991
Items not involving cash:				
Depreciation of property and equipment	4,211	3,155	7,970	6,145
Impairment of property and equipment	1	1,525	61	1,525
Amortization of debt discount and issuance costs	67	67	134	134
Amortization of intangible assets	2,346	2,830	4,965	6,131
Net amortization contract costs	(248)	95	(255)	124
Impairment of definite life intangible assets	-	1,431	-	1,431
Other	-	223	-	223
Accretion of contingent consideration	95	85	191	172
Deferred income taxes (recovery)	(660)	(917)	(880)	(1,107)
Excess tax benefits on share-based compensation expense	(372)	(164)	(544)	(344)
Net Right of use operating assets/Operating lease liability	174	291	229	112
Loss on disposal of domain names	-	2	1	15
Loss (gain) on change in the fair value of forward contracts	191	(436)	357	(88)
Stock-based compensation	1,209	847	2,231	1,648
Change in non-cash operating working capital:				
Accounts receivable	1,057	401	729	2,552
Inventory	(519)	900	(961)	1,804
Prepaid expenses and deposits	(5,058)	(3,247)	(2,792)	(3,222)
Deferred costs of fulfillment	539	(2,204)	(3,572)	(5,057)
Income taxes recoverable	(2,345)	294	(3,034)	794
Accounts payable	568	(1,521)	2,019	250
Accrued liabilities	2,975	2,165	3,768	334
Customer deposits	285	336	410	394
Deferred revenue	(2,734)	2,655	2,615	5,997
Accreditation fees payable	(71)	(31)	6	54
Net cash provided by operating activities	<u>3,518</u>	<u>8,939</u>	<u>17,604</u>	<u>23,012</u>
Financing activities:				
Proceeds received on exercise of stock options	1,247	29	1,476	46
Payment of tax obligations resulting from net exercise of stock options	(80)	(165)	(298)	(347)
Repurchase of common stock	-	(164)	-	(3,281)
Proceeds received on loan payable	18,000	-	18,000	-
Payment of loan payable costs	(1)	(7)	(1)	(32)
Net cash (used in) provided by financing activities	<u>19,166</u>	<u>(307)</u>	<u>19,177</u>	<u>(3,614)</u>
Investing activities:				
Additions to property and equipment	(21,661)	(12,150)	(35,605)	(22,093)
Acquisition of Cedar Holdings Group, net of cash of \$66	-	-	-	(8,770)
Acquisition of intangible assets	(63)	(69)	(217)	(69)
Investment in securities	(2,012)	-	(2,012)	-
Net cash used in investing activities	<u>(23,736)</u>	<u>(12,219)</u>	<u>(37,834)</u>	<u>(30,932)</u>
(Decrease) increase in cash and cash equivalents	(1,052)	(3,587)	(1,053)	(11,534)
Cash and cash equivalents, beginning of period	<u>8,310</u>	<u>12,446</u>	<u>8,311</u>	<u>20,393</u>
Cash and cash equivalents, end of period	<u>\$ 7,258</u>	<u>\$ 8,859</u>	<u>\$ 7,258</u>	<u>\$ 8,859</u>
Supplemental cash flow information:				
Interest paid	\$ 995	\$ 686	\$ 1,940	\$ 1,840
Income taxes paid, net	\$ 3,415	\$ 1,243	\$ 5,796	\$ 2,200
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 212	\$ 635	\$ 212	\$ 635
Fair value of shares issues for acquisition of Cedar Holdings Group	-	-	-	2,000
Fair value of contingent consideration for acquisition of Cedar Holdings Group	-	7	-	3,072

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

	Three months ended June 30,		Six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Adjusted EBITDA	\$ 11,158	\$ 12,175	\$ 23,881	\$ 24,856
Depreciation of property and equipment	4,211	3,155	7,970	6,145
Impairment and loss on disposition of property and equipment	6	1,525	66	1,525
Amortization of intangible assets	2,346	2,830	4,965	6,131
Impairment of definite life intangible assets	-	1,431	-	1,431
Interest expense, net	1,003	846	1,939	1,996
Accretion of contingent consideration	95	85	191	172
Stock-based compensation	1,209	847	2,231	1,648
Unrealized loss (gain) on change in fair value of forward contracts	191	(436)	357	(88)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	42	441	106	399
Acquisition and other costs ¹	367	845	1,136	956
Income before provision for income taxes	\$ <u>1,688</u>	\$ <u>606</u>	\$ <u>4,920</u>	\$ <u>4,541</u>

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