



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

	September 30,	December 31,
	2021	2020
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,535	\$ 8,311
Accounts receivable	14,822	15,540
Contract asset, current portion	2,783	-
Inventory	3,111	1,875
Prepaid expenses and deposits	18,719	16,845
Derivative instrument asset, current portion	-	3,860
Deferred costs of fulfillment, current portion	94,970	93,467
Income taxes recoverable	3,892	1,302
Total current assets	<u>143,832</u>	<u>141,200</u>
Deferred costs of fulfillment, long-term portion	18,226	17,599
Derivative instrument asset, long-term portion	78	-
Property and equipment	155,236	117,530
Right of use operating lease asset	16,138	11,238
Contract costs	806	362
Deferred tax asset	153	226
Intangible assets	40,413	47,444
Goodwill	116,304	116,304
Investment	2,012	-
Total assets	<u>\$ 493,198</u>	<u>\$ 451,903</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,260	\$ 6,329
Accrued liabilities	12,176	10,235
Customer deposits	15,139	15,402
Derivative instrument liability, current portion	453	99
Operating lease liability, current portion	2,588	1,761
Deferred revenue, current portion	127,792	127,336
Accreditation fees payable, current portion	913	940
Income taxes payable	62	863
Total current liabilities	<u>168,383</u>	<u>162,965</u>
Derivative instrument liability, long-term portion	-	114
Deferred revenue, long-term portion	24,195	24,909
Accreditation fees payable, long-term portion	177	195
Operating lease liability, long-term portion	11,103	9,179
Loan payable, long-term portion	149,937	121,733
Other long-term liability	3,703	3,416
Deferred tax liability	22,481	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; 10,696,779 shares issued and outstanding as of September 30, 2021 and 10,612,414 shares issued and outstanding as of December 31, 2020	25,520	20,798
Additional paid-in capital	2,550	1,458
Retained earnings	85,437	80,106
Accumulated other comprehensive income (loss)	(288)	2,336
Total stockholders' equity	<u>113,219</u>	<u>104,698</u>
Total liabilities and stockholders' equity	<u>\$ 493,198</u>	<u>\$ 451,903</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
Net revenues	\$ 75,893	\$ 74,311	\$ 221,861	\$ 240,418
Cost of revenues:				
Direct cost of revenues	49,540	48,330	144,860	153,308
Network expenses (*)	3,445	2,612	10,295	7,513
Depreciation of property and equipment	4,622	2,985	12,344	8,892
Amortization of intangible assets	21	330	344	1,010
Impairment of property and equipment	241	113	302	1,638
Total cost of revenues	57,869	54,370	168,145	172,361
Gross profit	18,024	19,941	53,716	68,057
Expenses:				
Sales and marketing (*)	\$ 9,892	\$ 8,318	\$ 27,579	\$ 26,521
Technical operations and development (*)	3,742	3,162	10,044	8,980
General and administrative (*)	5,069	4,868	15,232	15,074
Depreciation of property and equipment	136	125	384	363
Loss on disposition of property and equipment	229	-	234	-
Amortization of intangible assets	2,267	2,315	6,909	7,766
Impairment of definite life intangible assets	-	-	-	1,431
Loss (gain) on currency forward contracts	(87)	(159)	(277)	(99)
Total expenses	21,248	18,629	60,105	60,036
Income from operations	(3,224)	1,312	(6,389)	8,021
Other income (expenses):				
Interest expense, net	(1,169)	(760)	(3,108)	(2,756)
Gain on sale of Ting Customer Assets, net	5,564	1,090	15,767	1,090
Other expense, net	(95)	(86)	(274)	(258)
Total other income (expenses)	4,300	244	12,385	(1,924)
Income before provision for income taxes	1,076	1,556	5,996	6,097
Provision for income taxes	(299)	840	665	2,390
Net income before redeemable non-controlling interest	1,375	716	5,331	3,707
Redeemable non-controlling interest	-	-	-	-
Net income attributable to redeemable non-controlling interest	-	-	-	-
Net income for the period	1,375	716	5,331	3,707
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	(501)	729	115	609
Net amount reclassified to earnings	(884)	46	(2,739)	289
Other comprehensive income net of tax expense (recovery) of \$(419) and \$230 for the three months ended September 30, 2021 and September 30, 2020, (\$794) and \$262 for the nine months ended September 30, 2021 and September 30, 2020	(1,385)	775	(2,624)	898
Comprehensive income, net of tax for the period	\$ (10)	\$ 1,491	\$ 2,707	\$ 4,605
Basic earnings per common share	\$ 0.13	\$ 0.07	\$ 0.50	\$ 0.35
Shares used in computing basic earnings per common share	10,679,309	10,577,731	10,643,798	10,585,785
Diluted earnings per common share	\$ 0.13	\$ 0.07	\$ 0.49	\$ 0.35
Shares used in computing diluted earnings per common share	10,819,716	10,682,808	10,800,361	10,679,162
(*) Stock-based compensation has been included in expenses as follows:				
Network expenses	\$ 131	\$ 138	\$ 400	\$ 333
Sales and marketing	443	457	1,498	1,203
Technical operations and development	209	208	610	558
General and administrative	344	214	849	570

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

	Three months ended September 30,		Nine months ended September 30	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 1,375	\$ 716	\$ 5,331	\$ 3,707
Items not involving cash:				
Depreciation of property and equipment	4,758	3,110	12,728	9,255
Impairment of property and equipment	241	113	302	1,638
Amortization of debt discount and issuance costs	68	68	202	202
Amortization of intangible assets	2,288	2,645	7,253	8,776
Net amortization contract costs	(189)	(15)	(444)	109
Impairment of definite life intangible assets	-	-	-	1,431
Other	-	-	-	223
Accretion of contingent consideration	96	86	287	258
Deferred income taxes (recovery)	(488)	180	(1,368)	(927)
Excess tax benefits on share-based compensation expense	(323)	(164)	(868)	(508)
Net Right of use operating assets/Operating lease liability	(2,378)	137	(2,149)	249
Loss on disposal of domain names	-	-	1	15
Loss (gain) on change in the fair value of forward contracts	249	(175)	606	(263)
Write-down on disposal of Ting Mobile customer assets	-	3,513	-	3,513
Stock-based compensation	1,126	1,016	3,357	2,664
Change in non-cash operating working capital:				
Accounts receivable	(11)	118	718	2,670
Contract asset	(2,783)	-	(2,783)	-
Inventory	(275)	(123)	(1,236)	1,681
Prepaid expenses and deposits	918	2,905	(1,874)	(317)
Deferred costs of fulfillment	1,442	984	(2,130)	(4,073)
Income taxes recoverable	532	(2,475)	(2,502)	(1,681)
Accounts payable	271	509	2,289	759
Accrued liabilities	(1,828)	(668)	1,941	(334)
Customer deposits	(673)	69	(263)	463
Deferred revenue	(2,873)	(1,070)	(258)	4,927
Accreditation fees payable	(51)	(47)	(45)	7
Net cash provided by operating activities	<u>1,492</u>	<u>11,432</u>	<u>19,095</u>	<u>34,444</u>
Financing activities:				
Proceeds received on exercise of stock options	1,368	632	2,844	678
Payment of tax obligations resulting from net exercise of stock options	(89)	(132)	(387)	(479)
Repurchase of common stock	-	-	-	(3,281)
Proceeds received on loan payable	10,000	-	28,000	-
Payment of loan payable costs	-	-	-	(32)
Net cash (used in) provided by financing activities	<u>11,279</u>	<u>500</u>	<u>30,457</u>	<u>(3,114)</u>
Investing activities:				
Cost of Domain Names acquired	-	-	-	-
Additions to property and equipment	(14,488)	(10,636)	(50,093)	(32,729)
Gross proceeds from the waiver of rights to .online registry	-	-	-	-
Acquisition of other assets	-	-	-	-
Acquisition of Cedar Holdings Group, net of cash of \$66	-	-	-	(8,770)
Acquisition of Ascio Technologies Inc. (net of cash of \$1,437)	-	-	-	-
Acquisition of intangible assets	(6)	-	(223)	(69)
Investment in securities	-	-	(2,012)	-
Net cash used in investing activities	<u>(14,494)</u>	<u>(10,636)</u>	<u>(52,328)</u>	<u>(41,568)</u>
(Decrease) increase in cash and cash equivalents	(1,723)	1,296	(2,776)	(10,238)
Cash and cash equivalents, beginning of period	7,258	8,859	8,311	20,393
Cash and cash equivalents, end of period	<u>\$ 5,535</u>	<u>\$ 10,155</u>	<u>\$ 5,535</u>	<u>\$ 10,155</u>
Supplemental cash flow information:				
Interest paid	\$ 1,144	\$ 635	\$ 3,038	\$ 2,638
Income taxes paid, net	\$ 212	\$ 3,249	\$ 6,008	\$ 5,449
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 1,772	\$ 1,697	\$ 1,772	\$ 1,697
Fair value of shares issues for acquisition of Cedar Holdings Group	-	-	-	2,000
Fair value of contingent consideration for acquisition of Cedar Holdings Group	-	-	-	3,072

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

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Net income for the period	\$ 1,375	\$ 716	\$ 5,331	\$ 3,707
Depreciation of property and equipment	4,758	3,110	12,728	9,255
Impairment of property and equipment	470	113	536	1,638
Amortization of intangible assets	2,288	2,645	7,253	8,776
Impairment of indefinite life intangible assets	-	-	-	1,431
Write-down on disposal of Ting Mobile assets	-	3,513	-	3,513
Interest expense, net	1,169	760	3,108	2,756
Accretion of contingent consideration	96	86	287	258
Provision for income taxes	(299)	840	665	2,390
Stock-based compensation	1,126	1,016	3,357	2,664
Unrealized loss (gain) on change in fair value of forward contracts	249	(175)	606	(263)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	72	81	178	479
Acquisition and other costs ¹	901	565	2,034	1,520
Adjusted EBITDA	<u>\$ 12,205</u>	<u>\$ 13,270</u>	<u>\$ 36,083</u>	<u>\$ 38,124</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.