



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

	March 31, 2022	December 31 2021
	<u>(unaudited)</u>	<u>(unaudited)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,201	\$ 9,105
Accounts receivable	16,391	14,579
Contract asset	3,283	778
Inventory	3,558	3,277
Prepaid expenses and deposits	23,221	20,986
Derivative instrument asset, current portion	1,358	299
Deferred costs of fulfillment, current portion	96,986	94,506
Income taxes recoverable	3,249	3,474
Total current assets	<u>154,247</u>	<u>147,004</u>
Deferred costs of fulfillment, long-term portion	17,674	18,205
Derivative instrument asset, long-term portion	459	278
Property and equipment	191,456	172,662
Right of use operating lease asset	18,136	17,515
Contract costs	1,306	1,079
Deferred tax asset	20	22
Intangible assets	47,659	50,409
Goodwill	130,410	130,410
Investment	2,012	2,012
Total assets	<u>\$ 563,379</u>	<u>\$ 539,596</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 14,103	\$ 10,016
Accrued liabilities	16,351	15,240
Customer deposits	16,351	16,974
Derivative instrument liability, current portion	-	125
Operating lease liability, current portion	3,463	3,150
Deferred revenue, current portion	128,413	124,116
Accreditation fees payable, current portion	882	882
Income taxes payable	307	102
Other current liabilities	2,974	3,078
Total current liabilities	<u>182,844</u>	<u>173,683</u>
Derivative instrument liability, long-term portion	-	-
Deferred revenue, long-term portion	23,753	23,677
Accreditation fees payable, long-term portion	156	170
Operating lease liability, long-term portion	12,220	11,853
Loan payable, long-term portion	207,183	190,748
Other long-term liability	-	1,804
Deferred tax liability	22,211	22,569
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; 10,762,581 shares issued and	29,655	28,515
Additional paid-in capital	3,530	2,764
Retained earnings	80,450	83,470
Accumulated other comprehensive income (loss)	1,377	343
Total stockholders' equity	<u>115,012</u>	<u>115,092</u>
Total liabilities and stockholders' equity	<u>\$ 563,379</u>	<u>\$ 539,596</u>

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

	Three months ended March 31,	
	2022	2021
	(unaudited)	
Net revenues	\$ 81,099	\$ 70,875
Cost of revenues:		
Direct cost of revenues	49,421	46,187
Network, other costs	4,180	3,238
Network, depreciation of property and equipment	5,895	3,638
Network, amortization of intangible assets (note 6)	378	299
Network, impairment of property and equipment	27	60
Total cost of revenues	59,901	53,422
Gross profit	21,198	17,453
Expenses:		
Sales and marketing (*)	\$ 11,987	\$ 8,311
Technical operations and development (*)	3,765	3,132
General and administrative (*)	7,296	4,953
Depreciation of property and equipment	148	121
Loss on disposition of property and equipment	385	-
Amortization of intangible assets	2,465	2,320
Loss (gain) on currency forward contracts	-	(253)
Total expenses	26,046	18,584
Income from operations	(4,848)	(1,131)
Other income (expenses):		
Interest expense, net	(1,796)	(936)
Gain on sale of Ting Customer Assets, net	4,752	5,395
Other expense, net	(50)	(96)
Total other income (expenses)	2,906	4,363
Income before provision for income taxes	(1,942)	3,232
Provision for income taxes	1,078	1,083
Net income for the period	(3,020)	2,149
Other comprehensive income, net of tax		
Unrealized income (loss) on hedging activities	968	368
Net amount reclassified to earnings	66	(834)
Other comprehensive income net of tax expense (recovery) of	1,034	(466)
Comprehensive income, net of tax for the period	\$ (1,986)	\$ 1,683
Basic earnings per common share	\$ (0.28)	\$ 0.20
Shares used in computing basic earnings per common share	10,754,758	10,617,807
Diluted earnings per common share	\$ (0.28)	\$ 0.20
Shares used in computing diluted earnings per common share	10,754,758	10,796,762

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

Network expenses	\$ 110	\$ 125
Sales and marketing	\$ 375	\$ 505
Technical operations and development	\$ 118	\$ 167
General and administrative	\$ 788	\$ 225

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

	Three months ended March 31,	
	2022	2021
	(unaudited)	
Cash provided by:		
Operating activities:		
Net income for the period	\$ (3,020)	\$ 2,149
Items not involving cash:		
Depreciation of property and equipment	6,043	3,759
Impairment of property and equipment	27	60
Amortization of debt discount and issuance costs	120	67
Amortization of intangible assets	2,843	2,619
Net amortization contract costs	(227)	(7)
Accretion of contingent consideration	98	96
Deferred income taxes (recovery)	(686)	(220)
Excess tax benefits on share-based compensation expense	(52)	(172)
Net Right of use operating assets/Operating lease liability	59	55
Loss on disposal of domain names	2	1
Loss (gain) on change in the fair value of forward contracts	-	166
Disposal of Ting Mobile customer assets	-	-
Stock-based compensation	1,391	1,022
Change in non-cash operating working capital:		
Accounts receivable	(1,812)	(328)
Contract asset	(2,505)	-
Inventory	(281)	(442)
Prepaid expenses and deposits	(2,235)	2,266
Deferred costs of fulfillment	(1,949)	(4,111)
Income taxes recoverable	482	(689)
Accounts payable	2,267	1,451
Accrued liabilities	1,111	793
Customer deposits	(623)	125
Deferred revenue	4,368	5,349
Accreditation fees payable	(14)	77
Net cash provided by operating activities	5,407	14,086
Financing activities:		
Proceeds received on exercise of stock options	515	229
Payment of tax obligations resulting from net exercise of stock options	-	(218)
Proceeds received on loan payable	16,500	-
Payment of loan payable costs	(177)	-
Contingent consideration for acquisition of Cedar Holdings Group	(2,000)	-
Net cash (used in) provided by financing activities	14,838	11
Investing activities:		
Additions to property and equipment	(23,054)	(13,944)
Investment in securities	(95)	(154)
Net cash used in investing activities	(23,149)	(14,098)
(Decrease) increase in cash and cash equivalents	(2,904)	(1)
Cash and cash equivalents, beginning of period	9,105	8,311
Cash and cash equivalents, end of period	\$ 6,201	\$ 8,310
Supplemental cash flow information:		
Interest paid	\$ 1,683	\$ 949
Income taxes paid, net	\$ 896	\$ 2,381
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 1,909	\$ 3,320

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

(unaudited)	Three months ended March 31,	
	2022 (unaudited)	2021 (unaudited)
Adjusted EBITDA	\$ 11,311	\$ 12,724
Depreciation of property and equipment	6,043	3,759
Impairment and loss on disposition of property and equipment	412	60
Amortization of intangible assets	2,843	2,619
Impairment of indefinite life intangible assets	-	-
Interest expense, net	1,796	936
Accretion of contingent consideration	98	96
Stock-based compensation	1,391	1,022
Unrealized loss (gain) on change in fair value of forward contracts	-	166
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	53	67
Acquisition and other costs ¹	617	767
Income before provision for income taxes	\$ <u>(1,942)</u>	\$ <u>3,233</u>

¹Acquisition and other costs represent transaction-related expenses, transitional expenses, such as redundant post-acquisition expenses, primarily related to our acquisitions, including Simply Bits in November 2021. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.