



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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<u>(unaudited)</u>	<u>(audited)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,510	\$ 9,105
Accounts receivable	13,526	14,579
Contract asset	8,954	778
Inventory	4,796	3,277
Prepaid expenses and deposits	19,311	20,986
Derivative instrument asset, current portion	2,014	299
Deferred costs of fulfillment, current portion	95,959	94,506
Income taxes recoverable	2,274	3,474
Total current assets	<u>153,344</u>	<u>147,004</u>
Deferred costs of fulfillment, long-term portion	17,882	18,205
Derivative instrument asset, long-term portion	-	278
Property and equipment	225,202	172,662
Right of use operating lease asset	19,453	17,515
Contract costs	1,551	1,079
Deferred tax asset	17	22
Intangible assets	44,838	50,409
Goodwill	130,410	130,410
Investment	2,012	2,012
Total assets	<u>\$ 594,709</u>	<u>\$ 539,596</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 28,179	\$ 10,016
Accrued liabilities	17,685	15,240
Customer deposits	17,301	16,974
Derivative instrument liability, current portion	38	125
Operating lease liability, current portion	4,008	3,150
Loan payable, current portion	226,448	-
Deferred revenue, current portion	126,994	124,116
Accreditation fees payable, current portion	833	882
Income taxes payable	416	102
Other current liabilities	1,899	3,078
Total current liabilities	<u>423,801</u>	<u>173,683</u>
Deferred revenue, long-term portion	23,188	23,677
Accreditation fees payable, long-term portion	150	170
Operating lease liability, long-term portion	12,877	11,853
Loan payable, long-term portion	-	190,748
Other long-term liability	-	1,804
Deferred tax liability	21,193	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; 10,768,747 shares issued and outstanding as of June 30, 2022 and 10,747,417 shares issued and outstanding as of December 31, 2021	30,193	28,515
Additional paid-in capital	4,484	2,764
Retained earnings	77,325	83,470
Accumulated other comprehensive income (loss)	1,498	343
Total stockholders' equity	<u>113,500</u>	<u>115,092</u>
Total liabilities and stockholders' equity	<u>\$ 594,709</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 June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Net revenues	\$ 83,084	\$ 75,093	\$ 164,183	\$ 145,968
Cost of revenues:				
Direct cost of revenues	49,300	49,133	98,721	95,320
Network, other costs	4,764	3,612	8,944	6,850
Network, depreciation of property and equipment	6,589	4,084	12,484	7,722
Network, amortization of intangible assets (note 6)	378	24	756	323
Network, impairment of property and equipment	-	1	27	61
Total cost of revenues	61,031	56,854	120,932	110,276
Gross profit	22,053	18,239	43,251	35,692
Expenses:				
Sales and marketing (*)	\$ 13,503	\$ 9,376	\$ 25,490	\$ 17,687
Technical operations and development (*)	3,465	3,170	7,230	6,302
General and administrative (*)	6,814	5,210	14,110	10,163
Depreciation of property and equipment	146	127	294	248
Loss on disposition of property and equipment	95	5	480	5
Amortization of intangible assets	2,465	2,322	4,930	4,642
Loss (gain) on currency forward contracts	-	63	-	(190)
Total expenses	26,488	20,273	52,534	38,857
Income from operations	(4,435)	(2,034)	(9,283)	(3,165)
Other income (expenses):				
Interest expense, net	(2,422)	(1,003)	(4,217)	(1,939)
Gain on sale of Ting Customer Assets, net	4,520	4,808	9,272	10,203
Other expense, net	(50)	(83)	(100)	(179)
Total other income (expenses)	2,048	3,722	4,955	8,085
Income before provision for income taxes	(2,387)	1,688	(4,328)	4,920
Provision for income taxes	738	(119)	1,817	964
Net income for the period	(3,125)	1,807	(6,145)	3,956
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	195	248	1,163	616
Net amount reclassified to earnings	(74)	(1,021)	(8)	(1,855)
Other comprehensive income net of tax expense (recovery) of \$40 and (\$235) for the three months ended June 30, 2022 and June 30, 2021, \$369 and (\$375) for the six months ended June 30, 2022 and June 30, 2021	121	(773)	1,155	(1,239)
Comprehensive income, net of tax for the period	\$ (3,004)	\$ 1,034	\$ (4,990)	\$ 2,717
Basic earnings per common share	\$ (0.29)	\$ 0.17	\$ (0.57)	\$ 0.37
Shares used in computing basic earnings per common share	10,765,595	10,633,601	10,758,691	10,625,748
Diluted earnings per common share	\$ (0.29)	\$ 0.17	\$ (0.57)	\$ 0.37
Shares used in computing diluted earnings per common share	10,765,595	10,797,921	10,758,691	10,794,523

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

Network expenses	\$ 95	\$ 144	\$ 205	\$ 269
Sales and marketing	\$ 349	\$ 550	\$ 724	\$ 1,056
Technical operations and development	\$ 151	\$ 234	\$ 270	\$ 401
General and administrative	\$ 841	\$ 281	\$ 1,629	\$ 505

**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,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ (3,125)	\$ 1,807	\$ (6,145)	\$ 3,956
Items not involving cash:				
Depreciation of property and equipment	6,735	4,211	12,778	7,970
Impairment of property and equipment	-	1	27	61
Amortization of debt discount and issuance costs	147	67	267	134
Amortization of intangible assets	2,843	2,346	5,686	4,965
Net amortization contract costs	(245)	(248)	(472)	(255)
Accretion of contingent consideration	50	95	148	191
Deferred income taxes (recovery)	(1,053)	(660)	(1,739)	(880)
Excess tax benefits on share-based compensation expense	(4)	(372)	(55)	(544)
Net Right of use operating assets/Operating lease liability	(115)	174	(56)	229
Loss on disposal of domain names	-	-	2	1
Loss (gain) on change in the fair value of forward contracts	-	191	-	357
Stock-based compensation	1,436	1,209	2,828	2,231
Change in non-cash operating working capital:				
Accounts receivable	2,865	1,057	1,053	729
Contract asset	(5,671)	-	(8,176)	-
Inventory	(1,238)	(519)	(1,519)	(961)
Prepaid expenses and deposits	3,910	(5,058)	1,675	(2,792)
Deferred costs of fulfillment	819	539	(1,130)	(3,572)
Income taxes recoverable	1,086	(2,345)	1,568	(3,034)
Accounts payable	3,891	568	6,158	2,019
Accrued liabilities	1,334	2,975	2,444	3,768
Customer deposits	950	285	327	410
Deferred revenue	(1,984)	(2,734)	2,384	2,615
Accreditation fees payable	(55)	(71)	(69)	6
Net cash provided by operating activities	<u>12,576</u>	<u>3,518</u>	<u>17,983</u>	<u>17,604</u>
Financing activities:				
Proceeds received on exercise of stock options	56	1,247	570	1,476
Payment of tax obligations resulting from net exercise of stock	-	(80)	-	(298)
Proceeds received on loan payable	19,200	18,000	35,700	18,000
Payment of loan payable costs	(88)	(1)	(265)	(1)
Contingent consideration for acquisition of Cedar Holdings Group	(1,125)	-	(3,125)	-
Net cash (used in) provided by financing activities	<u>18,043</u>	<u>19,166</u>	<u>32,881</u>	<u>19,177</u>
Investing activities:				
Additions to property and equipment	(30,288)	(21,661)	(53,342)	(35,605)
Investment in securities	-	(2,012)	-	(2,012)
Acquisition of intangible assets	(22)	(63)	(117)	(217)
Net cash used in investing activities	<u>(30,310)</u>	<u>(23,736)</u>	<u>(53,459)</u>	<u>(37,834)</u>
(Decrease) increase in cash and cash equivalents	309	(1,052)	(2,595)	(1,053)
Cash and cash equivalents, beginning of period	6,201	8,310	9,105	8,311
Cash and cash equivalents, end of period	<u>\$ 6,510</u>	<u>\$ 7,258</u>	<u>\$ 6,510</u>	<u>\$ 7,258</u>
Supplemental cash flow information:				
Interest paid	\$ 2,351	\$ 995	\$ 4,033	\$ 1,940
Income taxes paid, net	\$ 1,391	\$ 3,415	\$ 2,287	\$ 5,796
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 12,102	\$ 212	\$ 12,102	\$ 212

**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,	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
<b>Adjusted EBITDA</b>	\$ 11,700	\$ 11,158	\$ 23,012	\$ 23,881
Depreciation of property and equipment	6,735	4,211	12,778	7,970
Impairment and loss on disposition of property and equipment	95	6	507	66
Amortization of intangible assets	2,843	2,346	5,686	4,965
Interest expense, net	2,422	1,003	4,217	1,939
Accretion of contingent consideration	50	95	148	191
Stock-based compensation	1,436	1,209	2,828	2,231
Unrealized loss (gain) on change in fair value of forward contracts	-	191	-	357
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	46	42	100	106
Acquisition and other costs <sup>1</sup>	460	367	1,076	1,136
Income before provision for income taxes	\$ <u>(2,387)</u>	\$ <u>1,688</u>	\$ <u>(4,328)</u>	\$ <u>4,920</u>

<sup>1</sup>Acquisition 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.