



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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 30,506	\$ 9,105
Accounts receivable	14,718	14,579
Contract asset, current portion	3,451	778
Inventory	5,888	3,277
Prepaid expenses and deposits	18,627	20,986
Derivative instrument asset, current portion	2,015	299
Deferred costs of fulfillment, current portion	94,324	94,506
Income taxes recoverable	2,745	3,474
Total current assets	172,274	147,004
Contract asset, long-term portion	4,611	-
Deferred costs of fulfillment, long-term portion	17,602	18,205
Derivative instrument asset, long-term portion	-	278
Investments	2,012	2,012
Deferred tax asset	14	22
Property and equipment	254,159	172,662
Right of use operating lease asset	20,702	17,515
Contract costs	1,687	1,079
Intangible assets	41,996	50,409
Goodwill	130,410	130,410
Total assets	\$ 645,467	\$ 539,596
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 18,538	\$ 10,016
Accrued liabilities	17,196	15,240
Customer deposits	14,773	16,974
Derivative instrument liability, current portion	1,989	125
Operating lease liability, current portion	4,591	3,150
Deferred revenue, current portion	124,468	124,116
Accreditation fees payable, current portion	802	882
Income taxes payable	1,642	102
Other current liabilities	1,950	3,078
Total current liabilities	185,949	173,683
Deferred revenue, long-term portion	22,664	23,677
Accreditation fees payable, long-term portion	153	170
Operating lease liability, long-term portion	12,828	11,853
Loan payable, long-term portion	238,840	190,748
Redeemable preferred shares	60,516	-
Other long-term liability	-	1,804
Deferred tax liability	18,966	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; 10,790,630 shares issued and outstanding as of September 30, 2022 and 10,747,417 shares issued and outstanding as of December 31, 2021	31,035	28,515
Additional paid-in capital	5,448	2,764
Retained earnings	69,344	83,470
Accumulated other comprehensive income (loss)	(276)	343
Total stockholders' equity	105,551	115,092
Total liabilities and stockholders' equity	\$ 645,467	\$ 539,596

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

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Net revenues	\$ 78,050	\$ 75,893	\$ 242,233	\$ 221,861
Cost of revenues:				
Direct cost of revenues	48,302	49,540	147,023	144,860
Network, other costs	4,244	3,445	13,188	10,295
Network, depreciation of property and equipment	7,136	4,622	19,620	12,344
Network, amortization of intangible assets	378	21	1,134	344
Network, impairment of property and equipment	3	241	30	302
Total cost of revenues	60,063	57,869	180,995	168,145
Gross profit	17,987	18,024	61,238	53,716
Expenses:				
Sales and marketing (*)	\$ 13,894	\$ 9,892	\$ 39,384	\$ 27,579
Technical operations and development (*)	2,983	3,742	10,212	10,044
General and administrative (*)	7,897	5,069	22,006	15,232
Depreciation of property and equipment	149	136	443	384
Loss on disposition of property and equipment	(19)	229	461	234
Amortization of intangible assets	2,464	2,267	7,394	6,909
Loss (gain) on currency forward contracts	-	(87)	-	(277)
Total expenses	27,368	21,248	79,900	60,105
Income from operations	(9,381)	(3,224)	(18,662)	(6,389)
Other income (expenses):				
Interest expense, net	(4,337)	(1,169)	(8,555)	(3,108)
Gain on sale of Ting Customer Assets, net	4,737	5,564	14,009	15,767
Other expense, net	(27)	(95)	(128)	(274)
Total other income (expenses)	373	4,300	5,326	12,385
Income before provision for income taxes	(9,008)	1,076	(13,336)	5,996
Provision for income taxes	(1,027)	(299)	790	665
Net income for the period	(7,981)	1,375	(14,126)	5,331
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	(1,674)	(501)	(510)	115
Net amount reclassified to earnings	(100)	(884)	(109)	(2,739)
Other comprehensive income net of tax expense (recovery) of (\$566) and (\$419) for the three months ended September 30, 2022 and September 30, 2021, (\$197) and (\$794) for the nine months ended September 30, 2022 and September 30, 2021	(1,774)	(1,385)	(619)	(2,624)
Comprehensive income, net of tax for the period	\$ (9,755)	\$ (10)	\$ (14,745)	\$ 2,707
Basic earnings per common share	\$ (0.74)	\$ 0.13	\$ (1.31)	\$ 0.50
Shares used in computing basic earnings per common share	10,779,348	10,679,309	10,766,657	10,643,798
Diluted earnings per common share	\$ (0.74)	\$ 0.13	\$ (1.31)	\$ 0.49
Shares used in computing diluted earnings per common share	10,779,348	10,819,716	10,766,657	10,800,361
(*) Stock-based compensation has been included in expenses as follows:				
Network expenses	\$ 97	\$ 131	\$ 302	\$ 400
Sales and marketing	406	443	1,129	1,498
Technical operations and development	137	209	407	610
General and administrative	929	345	2,558	849

**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,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ (7,981)	\$ 1,375	\$ (14,126)	\$ 5,331
Items not involving cash:				
Depreciation of property and equipment	7,285	4,758	20,063	12,728
Impairment of property and equipment	3	241	30	302
Amortization of debt discount and issuance costs	215	68	482	202
Amortization of intangible assets	2,842	2,288	8,528	7,253
Net amortization contract costs	(136)	(189)	(608)	(444)
Accretion of contingent consideration	50	96	198	287
Deferred income taxes (recovery)	(1,658)	(488)	(3,397)	(1,368)
Excess tax benefits on share-based compensation expense	(103)	(323)	(158)	(868)
Net Right of use operating assets/Operating lease liability	(715)	(2,378)	(771)	(2,149)
Loss on disposal of domain names	-	-	2	1
Accretion of redeemable preferred shares	1,250	-	1,250	-
Loss (gain) on change in the fair value of forward contracts	(135)	249	(135)	606
Amortization of discontinued cash flow hedge from Accumulated other income	(254)	-	(254)	-
Stock-based compensation	1,569	1,126	4,396	3,357
Change in non-cash operating working capital:				
Accounts receivable	(1,192)	(11)	(139)	718
Contract asset	892	(2,783)	(7,284)	(2,783)
Inventory	(1,092)	(275)	(2,611)	(1,236)
Prepaid expenses and deposits	684	918	2,359	(1,874)
Deferred costs of fulfillment	1,915	1,442	785	(2,130)
Income taxes recoverable	859	532	2,426	(2,502)
Accounts payable	791	271	6,949	2,289
Accrued liabilities	(491)	(1,828)	1,954	1,941
Customer deposits	(2,528)	(673)	(2,201)	(263)
Deferred revenue	(3,050)	(2,873)	(666)	(258)
Accreditation fees payable	(28)	(51)	(97)	(45)
Net cash provided by operating activities	<u>(1,008)</u>	<u>1,492</u>	<u>16,975</u>	<u>19,095</u>
Financing activities:				
Proceeds received on exercise of stock options	237	1,368	808	2,844
Proceeds from redeemable preferred shares	60,000	-	60,000	-
Deferred Preferred Financing Costs	(754)	-	(754)	-
Payment of tax obligations resulting from net exercise of stock options	-	(89)	-	(387)
Contingent consideration for acquisitions	-	-	(3,125)	-
Proceeds received on loan payable	12,600	10,000	48,300	28,000
Payment of loan payable costs	(403)	-	(668)	-
Net cash (used in) provided by financing activities	<u>71,680</u>	<u>11,279</u>	<u>104,561</u>	<u>30,457</u>
Investing activities:				
Additions to property and equipment	(46,676)	(14,488)	(100,018)	(50,093)
Investment in securities	-	-	-	(2,012)
Acquisition of intangible assets	-	(6)	(117)	(223)
Net cash used in investing activities	<u>(46,676)</u>	<u>(14,494)</u>	<u>(100,135)</u>	<u>(52,328)</u>
(Decrease) increase in cash and cash equivalents	23,996	(1,723)	21,401	(2,776)
Cash and cash equivalents, beginning of period	6,510	7,258	9,105	8,311
Cash and cash equivalents, end of period	<u>\$ 30,506</u>	<u>\$ 5,535</u>	<u>\$ 30,506</u>	<u>\$ 5,535</u>
Supplemental cash flow information:				
Interest paid	\$ 3,005	\$ 1,144	\$ 6,891	\$ 3,083
Income taxes paid, net	\$ 472	\$ 212	\$ 2,759	\$ 6,008
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 1,671	\$ 1,772	\$ 1,671	\$ 1,772

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

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
<b>Adjusted EBITDA</b>	\$ 7,879	\$ 12,205	\$ 30,890	\$ 36,083
Depreciation of property and equipment	7,285	4,758	20,063	12,728
Impairment and loss on disposition of property and equipment	(16)	470	491	536
Amortization of intangible assets	2,842	2,288	8,528	7,253
Interest expense, net	4,337	1,169	8,555	3,108
Accretion of contingent consideration	50	96	198	287
Stock-based compensation	1,569	1,126	4,396	3,357
Unrealized loss (gain) on change in fair value of foreign currency forward contracts	-	249	-	606
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	348	72	446	178
Acquisition and other costs <sup>1</sup>	472	901	1,549	2,034
Income before provision for income taxes	\$ <u>(9,008)</u>	\$ <u>1,076</u>	\$ <u>(13,336)</u>	\$ <u>5,996</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.