



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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,859	\$ 20,393
Accounts receivable	7,506	14,564
Inventory	965	3,457
Prepaid expenses and deposits	16,549	13,478
Derivative instrument asset, current portion	1,080	731
Prepaid domain name registry and ancillary services fees, current portion	96,322	91,252
Assets held-for-sale	9,027	-
Income taxes recoverable	1,326	1,800
Total current assets	<u>141,634</u>	<u>145,675</u>
Derivative instrument asset, long-term portion	611	-
Prepaid domain name registry and ancillary services fees, long-term portion	17,902	17,915
Property and equipment	101,292	82,121
Right of use operating lease asset	11,066	11,335
Contract costs	344	1,400
Deferred tax asset	340	-
Intangible assets	52,732	57,654
Goodwill	116,270	109,818
Total assets	<u>\$ 442,191</u>	<u>\$ 425,918</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 6,511	\$ 6,671
Accrued liabilities	9,915	9,373
Customer deposits	14,468	14,074
Derivative instrument liability	561	-
Liabilities held-for-sale	751	-
Operating lease liability, current portion	1,506	1,413
Deferred revenue, current portion	129,072	123,101
Accreditation fees payable, current portion	1,018	952
Income taxes payable	1,291	1,324
Total current liabilities	<u>165,093</u>	<u>156,908</u>
Derivative instrument liability	158	-
Deferred revenue, long-term portion	26,228	26,202
Accreditation fees payable, long-term portion	204	216
Operating lease liability, long-term portion	9,169	9,424
Loan payable, long-term portion	113,608	113,503
Other long-term liability	3,244	-
Deferred tax liability	27,113	25,471
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; 10,570,360 shares issued and outstanding as of June 30, 2020 and 10,585,159 shares issued and outstanding as of December 31, 2019	18,865	16,633
Additional paid-in capital	591	880
Retained earnings	77,322	76,208
Accumulated other comprehensive income (loss)	596	473
Total stockholders' equity	<u>97,374</u>	<u>94,194</u>
Total liabilities and stockholders' equity	<u>\$ 442,191</u>	<u>\$ 425,918</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,	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net revenues	\$ 82,122	\$ 84,117	\$ 166,107	\$ 163,070
Cost of revenues:				
Cost of revenues	51,790	54,873	104,978	106,805
Network expenses (*)	2,485	2,385	4,901	4,780
Depreciation of property and equipment	3,030	2,038	5,907	3,839
Amortization of intangible assets	326	314	680	488
Impairment of property and equipment	1,525	-	1,525	-
Total cost of revenues	<u>59,156</u>	<u>59,610</u>	<u>117,991</u>	<u>115,912</u>
Gross profit	22,966	24,507	48,116	47,158
Expenses:				
Sales and marketing (*)	9,218	8,856	18,203	17,597
Technical operations and development (*)	3,067	2,752	5,818	5,275
General and administrative (*)	5,465	4,796	10,206	9,244
Depreciation of property and equipment	125	134	238	258
Amortization of intangible assets	2,504	2,251	5,451	4,117
Impairment of definite life intangible assets	1,431	-	1,431	-
Loss (gain) on currency forward contracts	(381)	(31)	60	(110)
Total expenses	<u>21,429</u>	<u>18,758</u>	<u>41,407</u>	<u>36,381</u>
Income from operations	1,537	5,749	6,709	10,777
Other income (expenses):				
Interest expense, net	(846)	(1,314)	(1,996)	(2,286)
Other expense, net	(85)	-	(172)	-
Total other income (expenses)	<u>(931)</u>	<u>(1,314)</u>	<u>(2,168)</u>	<u>(2,286)</u>
Income before provision for income taxes	606	4,435	4,541	8,491
Provision for income taxes	449	1,819	1,550	3,076
Net income for the period	<u>157</u>	<u>2,616</u>	<u>2,991</u>	<u>5,415</u>
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	1,114	240	(120)	789
Net amount reclassified to earnings	200	80	243	141
Other comprehensive income (loss) net of tax (expense) recovery of \$398 and \$103 for the three months ended June 30, 2020 and June 30, 2019 and \$32 and \$298 for the six months ended June 30, 2020 and June 30, 2019	<u>1,314</u>	<u>320</u>	<u>123</u>	<u>930</u>
Comprehensive income, net of tax for the period	<u>\$ 1,471</u>	<u>\$ 2,936</u>	<u>\$ 3,114</u>	<u>\$ 6,345</u>
Basic earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.25</u>	<u>\$ 0.28</u>	<u>\$ 0.51</u>
Shares used in computing basic earnings per common share	<u>10,567,382</u>	<u>10,657,124</u>	<u>10,589,806</u>	<u>10,646,045</u>
Diluted earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.24</u>	<u>\$ 0.28</u>	<u>\$ 0.50</u>
Shares used in computing diluted earnings per common share	<u>10,653,527</u>	<u>10,840,005</u>	<u>10,684,304</u>	<u>10,837,456</u>
(*) Stock-based compensation has been included in expenses as follows:				
Network expenses	\$ 109	\$ 72	\$ 196	\$ 129
Sales and marketing	\$ 375	\$ 297	\$ 745	\$ 494
Technical operations and development	\$ 184	\$ 132	\$ 351	\$ 249
General and administrative	\$ 179	\$ 183	\$ 356	\$ 338

**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,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Cash provided by:				
Operating activities:				
Net income for the period	\$ 157	\$ 2,616	\$ 2,991	\$ 5,415
Items not involving cash:				
Depreciation of property and equipment	3,155	2,172	6,145	4,097
Loss on write off/impairment of property and equipment	1,525	-	1,525	22
Amortization of debt discount and issuance costs	67	90	134	168
Amortization of intangible assets	2,830	2,565	6,131	4,605
Net amortization contract costs	95	34	124	53
Accretion of contingent consideration	85	-	172	-
Impairment of definite life intangible asset	1,431	-	1,431	-
Other	223	-	223	-
Deferred income taxes (recovery)	(917)	1,449	(1,107)	1,911
Excess tax benefits on share-based compensation expense	(164)	(381)	(344)	(737)
Net Right of use operating assets/Operating lease liability	291	79	112	49
Loss on disposal of domain names	2	2	15	6
Loss (gain) on change in the fair value of forward contracts	(436)	(70)	(88)	(188)
Stock-based compensation	847	685	1,648	1,210
Change in non-cash operating working capital:				
Accounts receivable	401	1,031	2,552	(157)
Inventory	900	108	1,804	516
Prepaid expenses and deposits	(3,247)	(2,524)	(3,222)	(2,914)
Prepaid domain name registry and ancillary services fees	(2,204)	1,651	(5,057)	(65)
Income taxes recoverable	294	(1,639)	794	(2,875)
Accounts payable	(1,521)	(1,170)	250	(384)
Accrued liabilities	2,165	2,266	334	3,587
Customer deposits	336	(808)	394	(521)
Deferred revenue	2,655	(1,131)	5,997	2,138
Accreditation fees payable	(31)	(46)	54	34
Net cash provided by operating activities	<u>8,939</u>	<u>6,979</u>	<u>23,012</u>	<u>15,970</u>
Financing activities:				
Proceeds received on exercise of stock options	29	122	46	194
Payment of tax obligations resulting from net exercise of stock options	(165)	(185)	(347)	(524)
Repurchase of common stock	(164)	-	(3,281)	-
Proceeds received on loan payable	-	7,431	-	40,371
Repayment of loan payable	-	(3)	-	(4,603)
Payment of loan payable costs	(7)	(434)	(32)	(641)
Net cash (used in) provided by financing activities	<u>(307)</u>	<u>6,931</u>	<u>(3,614)</u>	<u>34,797</u>
Investing activities:				
Additions to property and equipment	(12,150)	(10,414)	(22,093)	(20,849)
Acquisition of other assets	-	(2,501)	-	(2,501)
Acquisition of Cedar Holdings Group (net of cash of \$66)	-	-	(8,770)	-
Acquisition of Ascio Technologies (net of cash of \$1)	-	-	-	(28,024)
Acquisition of intangible assets	(69)	(27)	(69)	(27)
Net cash used in investing activities	<u>(12,219)</u>	<u>(12,942)</u>	<u>(30,932)</u>	<u>(51,401)</u>
(Decrease) increase in cash and cash equivalents	(3,587)	968	(11,534)	(634)
Cash and cash equivalents, beginning of period	<u>12,446</u>	<u>11,035</u>	<u>20,393</u>	<u>12,637</u>
Cash and cash equivalents, end of period	<u>\$ 8,859</u>	<u>\$ 12,003</u>	<u>\$ 8,859</u>	<u>\$ 12,003</u>
Supplemental cash flow information:				
Interest paid	\$ 686	\$ 1,318	\$ 1,840	\$ 2,294
Income taxes paid, net	\$ 1,243	\$ 2,046	\$ 2,200	\$ 4,164
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 635	\$ 674	\$ 635	\$ 674
Fair value of shares issued for acquisition of Cedar Holdings Group	\$ -	\$ -	\$ 2,000	\$ -
Fair value of contingent consideration for acquisition of Cedar Holdings Group	\$ 7	\$ -	\$ 3,072	\$ -

Tucows Inc. Reconciliation of Net income to Adjusted EBITDA (Dollar amounts in thousands of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Net income for the period	\$ 157	\$ 2,616	\$ 2,991	\$ 5,415
Depreciation of property and equipment	3,155	2,172	6,145	4,097
Loss on write off/impairment of property and equipment	1,525	-	1,525	-
Amortization of intangible assets	2,830	2,565	6,131	4,605
Impairment of definite life intangible asset	1,431	-	1,431	-
Interest expense, net	846	1,314	1,996	2,286
Accretion of contingent consideration	85	-	172	-
Provision for income taxes	449	1,819	1,550	3,076
Stock-based compensation	847	685	1,648	1,210
Unrealized loss (gain) on change in fair value of forward contracts	(436)	(70)	(88)	(188)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	441	(162)	399	(490)
Acquisition and other costs <sup>1</sup>	845	547	956	906
Adjusted EBITDA	\$ <u>12,175</u>	\$ <u>11,486</u>	\$ <u>24,856</u>	\$ <u>20,917</u>

<sup>1</sup>Acquisition and other costs represents transaction-related expenses, transitional expenses, such as duplicative post-acquisition expenses, primarily related to our acquisition of eNom in January 2017, Ascio in March 2019, Cedar in January 2020 and the costs associated with various DISH agreements executed in August of 2020. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.