



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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 110,736	\$ 23,496
Restricted cash	3,138	-
Accounts receivable	24,189	18,404
Contract asset, net, current portion	3,310	5,159
Inventory	7,788	7,284
Prepaid expenses and deposits	19,399	17,005
Derivative instrument asset, current portion	186	1,903
Deferred costs of fulfillment, current portion	97,072	94,198
Income taxes recoverable	456	2,471
Total current assets	<u>266,274</u>	<u>169,920</u>
Contract asset, net, long-term portion	-	2,328
Deferred costs of fulfillment, long-term portion	15,566	16,476
Investment	2,012	2,012
Secured notes reserve funds	8,543	-
Deferred tax asset	3	-
Property and equipment	330,874	281,495
Right of use operating lease asset	25,669	20,489
Contract costs, long-term portion	2,439	1,827
Intangible assets	32,101	39,790
Goodwill	130,410	130,410
Total assets	<u>\$ 813,891</u>	<u>\$ 664,747</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 11,680	\$ 17,171
Accrued liabilities	23,096	22,653
Customer deposits	18,740	15,783
Derivative instrument liability, current portion	-	389
Operating lease liability, current portion	5,284	4,642
Deferred revenue, current portion	128,101	122,894
Accreditation fees payable, current portion	637	809
Income taxes payable	837	2,248
Other current liabilities	-	1,600
Total current liabilities	<u>188,375</u>	<u>188,189</u>
Deferred revenue, long-term portion	21,653	22,237
Accreditation fees payable, long-term portion	-	142
Operating lease liability, long-term portion	16,659	12,438
Syndicated revolver	221,911	238,930
Notes payable	222,056	-
Redeemable preferred shares	107,069	90,434
Deferred tax liability	6,123	15,720
Stockholders' equity:		
Common stock - no par value, 250,000,000 shares authorized; 10,879,140 shares issued and outstanding as of September 30, 2023 and 10,817,110 shares issued and outstanding as of December 31, 2022	33,592	31,868
Additional paid-in capital	13,237	8,106
Retained earnings	(16,924)	55,899
Accumulated other comprehensive income (loss)	140	784
Total stockholders' equity	<u>30,045</u>	<u>96,657</u>
Total liabilities and stockholders' equity	<u>\$ 813,891</u>	<u>\$ 664,747</u>

**Tucows 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,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Net revenues	\$ 86,971	\$ 78,050	\$ 252,379	\$ 242,233
Cost of revenues:				
Direct cost of revenues	50,717	48,302	150,750	147,023
Network, other costs	7,322	4,244	20,638	13,188
Network, depreciation of property and equipment	9,138	7,136	26,331	19,620
Network, amortization of intangible assets	378	378	1,135	1,134
Network, impairment of property and equipment	2,663	3	4,679	30
Total cost of revenues	70,218	60,063	203,533	180,995
Gross profit	16,753	17,987	48,846	61,238
Expenses:				
Sales and marketing (*)	\$ 17,295	\$ 13,894	\$ 49,052	\$ 39,384
Technical operations and development (*)	4,818	2,983	14,214	10,212
General and administrative (*)	9,399	7,897	25,674	22,006
Depreciation of property and equipment	137	149	439	443
Loss on disposition of property and equipment	-	(19)	-	461
Amortization of intangible assets	2,242	2,464	6,966	7,394
Loss (gain) on currency forward contracts	29	-	52	-
Total expenses	33,920	27,368	96,397	79,900
Loss from operations	(17,167)	(9,381)	(47,551)	(18,662)
Other income (expenses):				
Interest expense, net	(10,739)	(4,337)	(29,120)	(8,555)
Loss on debt extinguishment	-	-	(14,680)	-
Income earned on sale of transferred assets, net	4,312	4,737	12,971	14,009
Other expense, net	-	(27)	-	(128)
Total other income (expenses)	(6,427)	373	(30,829)	5,326
Loss before provision for income taxes	(23,594)	(9,008)	(78,380)	(13,336)
Provision for income taxes	(822)	(1,027)	(5,557)	790
Loss for the period	(22,772)	(7,981)	(72,823)	(14,126)
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	(483)	(1,674)	163	(510)
Net amount reclassified to earnings	(181)	(100)	(807)	(109)
Other comprehensive income (loss) net of tax expense (recovery) of (\$211) and (\$566) for the three months ended September 30, 2023 and September 30, 2022, (\$204) and (\$197) for the nine months ended September 30, 2023 and September 30, 2022 (note 4)	(664)	(1,774)	(644)	(619)
Comprehensive loss, net of tax for the period	\$ (23,436)	\$ (9,755)	\$ (73,467)	\$ (14,745)
Basic and diluted earnings per common share	\$ (2.09)	\$ (0.74)	\$ (6.71)	\$ (1.31)
Shares used in computing basic and diluted earnings per common share	10,874,659	10,779,348	10,852,079	10,766,657
Diluted earnings per common share	\$ (2.09)	\$ (0.74)	\$ (6.71)	\$ (1.31)
Shares used in computing diluted earnings per common share	10,874,659	10,779,348	10,852,079	10,766,657
(*) Stock-based compensation has been included in expenses as follows				
Network expenses	\$ 137	\$ 97	\$ 423	\$ 302
Sales and marketing	\$ 672	\$ 405	\$ 1,927	\$ 1,129
Technical operations and development	\$ 224	\$ 137	\$ 671	\$ 407
General and administrative	\$ 1,275	\$ 928	\$ 3,585	\$ 2,558

**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,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Loss for the period	\$ (22,772)	\$ (7,981)	\$ (72,823)	\$ (14,126)
Items not involving cash:				
Depreciation of property and equipment	9,275	7,285	26,770	20,063
Impairment of property and equipment	2,663	3	4,679	30
Amortization of debt discount and issuance costs	1,140	215	2,271	482
Amortization of intangible assets	2,620	2,842	8,101	8,528
Net amortization contract costs	(255)	(136)	(612)	(608)
Accretion of contingent consideration	-	50	-	198
Deferred income taxes (recovery)	(3,258)	(1,658)	(9,381)	(3,397)
Excess tax benefits on share-based compensation expense	-	(103)	-	(158)
Net Right of use operating assets/Operating lease liability	(220)	(715)	(317)	(771)
Loss on disposal of domain names	3	-	3	2
Accretion of redeemable preferred shares	2,872	1,250	9,247	1,250
Loss on Debt Extinguishment	-	-	14,680	-
Write off of debt discount and issuance cost	277	-	277	-
Loss (gain) on change in the fair value of forward contracts	-	(135)	1,624	(135)
Amortization of discontinued cash flow hedge	-	(254)	(1,144)	(254)
Stock-based compensation	2,308	1,569	6,606	4,396
Change in non-cash operating working capital:				
Accounts receivable	(677)	(1,192)	(5,785)	(139)
Contract asset	1,293	892	4,177	(7,284)
Inventory	12	(1,092)	(504)	(2,611)
Prepaid expenses and deposits	1,049	684	(2,394)	2,359
Deferred costs of fulfillment	1,520	1,915	(1,964)	785
Income taxes recoverable	1,445	859	589	2,426
Accounts payable	(334)	791	(5,433)	6,949
Accrued liabilities	(4,000)	(491)	293	1,954
Customer deposits	(708)	(2,528)	2,957	(2,201)
Deferred revenue	(1,216)	(3,050)	4,623	(666)
Accreditation Fees Payable	27	(28)	(314)	(97)
Net cash provided by operating activities	<u>(6,936)</u>	<u>(1,008)</u>	<u>(13,774)</u>	<u>16,975</u>
Financing activities:				
Proceeds received on exercise of stock options	-	237	-	808
Proceeds from issuance of notes payable	-	-	227,258	-
Redeemable preferred shares redemption	-	60,000	(45,718)	60,000
Proceeds from redeemable preferred shares	-	-	35,000	-
Deferred notes payable financing costs	70	-	(6,675)	-
Deferred preferred financing costs	-	(754)	145	(754)
Contingent payments for acquisitions	-	-	(1,600)	(3,125)
Proceeds received on syndicated revolver	52,382	12,600	52,382	48,300
Repayment of syndicated revolver	(58,852)	-	(68,652)	-
Deferred syndicate revolver issued	(1,238)	(403)	(1,554)	(668)
Net cash (used in) provided by financing activities	<u>(7,638)</u>	<u>71,680</u>	<u>190,586</u>	<u>104,561</u>
Investing activities:				
Additions to property and equipment	(22,572)	(46,676)	(77,476)	(100,018)
Acquisition of intangible assets	(32)	-	(415)	(117)
Net cash used in investing activities	<u>(22,604)</u>	<u>(46,676)</u>	<u>(77,891)</u>	<u>(100,135)</u>
(Decrease) increase in cash and cash equivalents	(37,178)	23,996	98,921	21,401
Cash and cash equivalents, restricted cash, and restricted cash equivalents beginning of period	159,595	6,510	23,496	9,105
Cash and cash equivalents, restricted cash, and restricted cash equivalents end of period	\$ 122,417	\$ 30,506	\$ 122,417	\$ 30,506
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents within the interim consolidated balance sheets to the amounts shown in the interim consolidated statements of cash flows above:				
Cash and cash equivalents	110,736	30,506	110,736	30,506
Restricted cash included in funds held for trustee	3,138	-	3,138	-
Restricted cash included in secured notes reserve funds	8,543	-	8,543	-
Total Cash and cash equivalents, restricted cash, and restricted cash equivalents end of period	<u>122,417</u>	<u>30,506</u>	<u>122,417</u>	<u>30,506</u>
Supplemental cash flow information:				
Interest paid	\$ 5,483	\$ 3,005	\$ 15,810	\$ 6,891
Income taxes paid, net	\$ 1,367	\$ 472	\$ 3,342	\$ 2,759
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 74	\$ 1,671	\$ 74	\$ 1,671

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

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
<b>Net Loss for the Period</b>	\$ (22,772)	\$ (7,981)	\$ (72,823)	\$ (14,126)
Less:				
Provision for income taxes	(822)	(1,027)	(5,557)	790
Depreciation of property and equipment	9,275	7,285	26,770	20,063
Impairment and loss on disposition of property and equipment	2,663	(16)	4,679	491
Amortization of intangible assets	2,620	2,842	8,101	8,528
Interest expense, net	10,739	4,337	29,120	8,555
Loss on debt extinguishment	-	-	14,680	-
Accretion of contingent consideration	-	50	-	198
Stock-based compensation	2,308	1,569	6,606	4,396
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	340	348	254	446
Acquisition and other costs <sup>1</sup>	121	472	1,067	1,549
<b>Adjusted EBITDA</b>	\$ <u>4,472</u>	\$ <u>7,879</u>	\$ <u>12,897</u>	\$ <u>30,890</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.