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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Tucows Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Tucows Inc. and subsidiaries (the “Company”) as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2024, of the Company and our report dated March 13, 2025, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
March 13, 2025

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Tucows Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tucows Inc. and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of comprehensive income (loss), stockholders’ equity, and cash flows, for each of the two years in the period ended December 31, 2024, and the related notes and the Parent Company Condensed Financial Statements of Tucows Inc. (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements of the Company for the year ended December 31, 2022, before the effects of the adjustments to retrospectively adjust the segment disclosures in Note 20 for the adoption of the recent accounting pronouncement described in Note 2 to the financial statements, were audited by other auditors whose report, dated March 15, 2023, expressed an unqualified opinion on those financial statements. We have also audited the adjustments to the 2022 consolidated financial statements to retrospectively adjust the disclosures in Note 20 for the adoption of the recent accounting pronouncement described in Note 2. Our procedures included (1) examining evidence regarding the amounts and disclosures, and (2) evaluating the overall presentation of the amounts in Note 20. In our opinion, such retrospective adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Company other than with respect to the retrospective adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2025, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Revenue — Refer to Notes 10 and 20 to the financial statements***

#### *Critical Audit Matter Description*

The Company's revenues are derived from (a) the provisioning of retail fiber internet services, through Ting, (b) software solutions and professional services through Wavelo; and from (c) domain name registration contracts, other domain related value-added services, domain sale contracts, and other advertising revenue through Tucows Domains Services ("Tucows Domains").

The Company's process to record revenue for Ting and Tucows Domains is highly dependent on information technology systems ("IT systems") and is impacted by the material weakness identified by management as of December 31, 2023. While the material weakness was remediated by December 31, 2024, the internal controls over General IT Controls (GITCs) were ineffective for a portion of the year. We identified the evaluation of the appropriateness and sufficiency of audit evidence over revenue as a critical audit matter, as it required an especially high-level of auditor judgment. Auditing revenue resulted in an increased extent of audit effort and the nature of audit procedures were designed to obtain audit evidence outside of the IT systems.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to revenue for Ting and Tucows Domains, taking into account the ineffectiveness of certain key IT general controls for a portion of the year, included the following, among others:

- Reconciled the extract of revenue transactions from the billing systems to the general ledger;
- For a sample of revenue transactions from the general ledger, obtained and inspected source documents, including contracts, invoices, proof of service, subsequent cash receipts, and history of customer payments where applicable; and
- For a sample of Tucows Domains revenue transactions, agreed them to confirmations, third-party registry information and Internet Corporation for Assigned Names and Numbers (ICANN) database.

### ***Property and equipment — Refer to Notes 2 and 3 to the financial statements***

#### *Critical Audit Matter Description*

As part of the Company's 2024 Capital Efficiency Plan, management determined that certain assets under construction within the Ting operating segment would be disposed of by abandonment. Management estimated the salvage values of these assets based on historical experience, available market information, third party analysis and other assumptions believed to be reasonable under the circumstances. In addition, management considered subsequent events occurring through the reporting date. An impairment loss was recognized for the excess of the carrying amount over the estimated salvage values of the assets.

Management's estimates of the salvage values of the assets under construction involved a high degree of judgment. Consequently, we identified the salvage values of the assets under construction as a critical audit matter. Auditing these estimates required significant auditor judgment and an increased extent of audit effort.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the salvage values of the assets under construction, included the following, among others:

- Evaluated the reasonableness of the expected salvage values, including the reasonableness of management's assumptions regarding the probability of disposal by sale to third parties or outright abandonment by:
  - Conducting inquiries with finance management and operational personnel to gain an understanding of the present condition of assets under construction; and
  - Obtaining and inspecting third party correspondence related to prospective sales.
- Evaluated management's assessment of subsequent events occurring through the reporting date by:
  - Conducting inquiries regarding subsequent events with senior management; and
  - Inspecting source documents, where applicable to corroborate inquiries of management.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
March 13, 2025

We have served as the Company's auditor since 2023.

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors of Tucows Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited, before the effect of the adjustments to retrospectively apply the change in accounting described in Notes 2(x) and 20, the consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows of Tucows Inc. (the Company) for the year ended December 31, 2022, and the related notes, and the schedule of the condensed statements of income (loss) and comprehensive income (loss) and condensed statement of cash flows of Tucows Inc. for the year ended December 31, 2022 (collectively, the consolidated financial statements). The 2022 consolidated financial statements before the effects of the adjustments described in Notes 2(x) and 20 are not presented herein. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting described in Notes 2(x) and 20, present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in Notes 2(x) and 20 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We served as the Company's auditor from 2001 to 2023.

Vaughan, Canada

March 15, 2023, except for the schedule of the condensed financial statements of Tucows Inc., which is as of April 1, 2024

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

	December 31, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 56,903	\$ 92,687
Restricted cash	4,628	3,639
Accounts receivable, net of expected credit losses of \$923 as of December 31, 2024 and \$511 as of December 31, 2023	20,878	22,206
Contract asset, net	-	1,417
Inventory	3,975	6,786
Prepaid expenses and deposits	17,314	17,387
Derivative instrument asset	-	2,277
Deferred costs of fulfillment, current portion	101,467	95,649
Income taxes recoverable	217	709
<b>Total current assets</b>	<b>205,382</b>	<b>242,757</b>
Deferred costs of fulfillment, long-term portion	15,508	15,419
Investments	2,012	2,012
Secured notes reserve funds	11,707	8,652
Property and equipment, net	331,049	339,644
Right of use assets	35,640	27,467
Contract costs	2,333	2,581
Intangible assets	24,755	29,484
Goodwill	130,410	130,410
<b>Total assets</b>	<b>\$ 758,796</b>	<b>\$ 798,426</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,009	\$ 12,676
Accrued liabilities	31,227	35,356
Customer deposits	16,660	19,335
Derivative instrument liability	1,270	-
Operating lease liability, current portion	5,150	5,397
Contract liabilities, current portion	135,649	126,733
Accreditation fees payable	623	609
Income taxes payable	263	1,235
<b>Total current liabilities</b>	<b>199,851</b>	<b>201,341</b>
Contract liabilities, long-term portion	21,155	21,350
Operating lease liability, long-term portion	25,899	18,255
Syndicated revolver	194,426	210,354
Notes payable	287,646	222,895
Redeemable preferred units - no par value, 33,333,333 units authorized; 15,243,600 units issued and outstanding as of December 31, 2024 and December 31, 2023	122,156	111,390
Deferred tax liability	2,963	2,966
Stockholders' equity (deficit)		
Common stock - no par value, 250,000,000 shares authorized; 11,014,655 shares issued and outstanding as of December 31, 2024 and 10,903,405 shares issued and outstanding as of December 31, 2023	36,581	34,373
Additional paid-in capital	19,241	14,072
Accumulated deficit	(150,158)	(40,298)
Accumulated other comprehensive income (loss)	(964)	1,728
<b>Total stockholders' equity (deficit)</b>	<b>(95,300)</b>	<b>9,875</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 758,796</b>	<b>\$ 798,426</b>

See accompanying notes to consolidated financial statements

**Tucows Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
(Dollar amounts in thousands of U.S. dollars, except per share amounts)

	Year ended December 31,		
	2024	2023	2022
Net revenues	\$ 362,275	\$ 339,337	\$ 321,142
Cost of revenues			
Cost of revenues	209,747	202,256	196,268
Network, other costs	26,723	28,222	17,433
Network, depreciation of property and equipment	39,872	35,864	27,589
Network, amortization of intangible assets	1,463	1,506	1,512
Network, impairment of property and equipment	1,441	4,822	92
Total cost of revenues	279,246	272,670	242,894
Gross profit	83,029	66,667	78,248
Expenses:			
Sales and marketing	59,382	67,806	53,937
Technical operations and development	18,627	19,217	14,187
General and administrative	37,068	33,406	30,845
Depreciation of property and equipment	451	567	598
Loss (gain) on disposition of property and equipment	-	-	461
Amortization of intangible assets	3,834	9,323	9,882
Impairment of property and equipment	17,726	-	-
Restructuring charges	10,954	-	-
Total expenses	148,042	130,319	109,910
Loss from operations	(65,013)	(63,652)	(31,662)
Other income (expenses):			
Interest expense, net	(51,275)	(41,771)	(14,456)
Loss on debt extinguishment	-	(14,680)	-
Income earned on sale of transferred assets, net	13,978	17,033	18,507
Other income (expense), net	436	-	(177)
Total other income (expenses)	(36,861)	(39,418)	3,874
Loss before provision for income taxes	(101,874)	(103,070)	(27,788)
Provision for (recovery of) income taxes	7,986	(6,873)	(217)
Net loss for the period	(109,860)	(96,197)	(27,571)
Other comprehensive income (loss), net of tax			
Unrealized income (loss) on hedging activities	(2,681)	1,830	418
Net amount reclassified to earnings	(11)	(886)	23
Other comprehensive income (loss) net of tax expense (recovery) of (\$858), \$299 and \$141 for the years ended December 31, 2024, 2023 and 2022, respectively.	(2,692)	944	441
Comprehensive loss, net of tax for the period	\$ (112,552)	\$ (95,253)	\$ (27,130)
Basic and diluted loss per common share	\$ (10.02)	\$ (8.85)	\$ (2.56)
Shares used in computing basic and diluted loss per common share	10,967,581	10,864,086	10,769,280

See accompanying notes to consolidated financial statements

**Tucows Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(Dollar amounts in thousands of U.S. dollars)

	Common stock		Additional paid in capital	Retained earnings (Accumulated deficit)	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Number	Amount				
Balances, December 31, 2021	10,747,417	\$ 28,515	\$ 2,764	\$ 83,470	\$ 343	\$ 115,092
Exercise of stock options	40,459	1,593	(497)	-	-	1,096
Shares deducted from exercise of stock options for payment of withholding taxes and exercise consideration	(3,053)	-	-	-	-	-
Stock-based compensation	32,287	1,760	5,839	-	-	7,599
Net loss	-	-	-	(27,571)	-	(27,571)
Other comprehensive income (loss)	-	-	-	-	441	441
Balances, December 31, 2022	10,817,110	\$ 31,868	\$ 8,106	\$ 55,899	\$ 784	\$ 96,657
Stock-based compensation	86,295	2,505	5,966	-	-	8,471
Net loss	-	-	-	(96,197)	-	(96,197)
Other comprehensive income (loss)	-	-	-	-	944	944
Balances, December 31, 2023	10,903,405	\$ 34,373	\$ 14,072	\$ (40,298)	\$ 1,728	\$ 9,875
Exercise of stock options	-	-	43	-	-	43
Stock-based compensation	111,250	2,208	5,126	-	-	7,334
Net loss	-	-	-	(109,860)	-	(109,860)
Other comprehensive income (loss)	-	-	-	-	(2,692)	(2,692)
Balances, December 31, 2024	11,014,655	\$ 36,581	\$ 19,241	\$ (150,158)	\$ (964)	\$ (95,300)

See accompanying notes to consolidated financial statements

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

	Year ended December 31,		
	2024	2023	2022
Cash provided by:			
Operating activities:			
Net loss for the period	\$ (109,860)	\$ (96,197)	\$ (27,571)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	40,323	36,431	28,187
Impairment of property and equipment	19,167	4,822	92
Amortization of debt discount and issuance costs	4,479	3,331	685
Amortization of intangible assets	5,297	10,829	11,394
Net amortization of contract costs	248	(754)	(748)
Accretion of contingent consideration	-	-	248
Deferred income taxes (recovery)	854	(13,040)	(6,981)
Excess tax benefits on share-based compensation expense	-	-	(193)
Net Right of use assets/Operating lease liability	(776)	(406)	(897)
Disposal of domain names	7	5	7
Accretion of redeemable preferred units	9,758	14,163	3,896
Loss on debt extinguishment	-	14,680	-
Write-off of debt discount and issuance cost	-	277	-
Loss (gain) on change in the fair value of forward contracts	-	1,624	281
Amortization of discontinued cash flow hedge	-	(1,144)	(761)
Loss (gain) on disposal of property and equipment	-	-	-
Stock-based compensation expense	7,021	8,134	7,599
Remeasurement of contingent consideration	-	-	(400)
Undistributed earnings of equity method investee	(258)	-	-
Change in non-cash operating working capital:			
Accounts receivable	1,328	(3,802)	(3,825)
Contract assets	1,417	6,070	(6,709)
Inventory	2,811	361	(4,007)
Prepaid expenses and deposits	331	(382)	3,981
Deferred costs of fulfillment	(5,907)	(394)	2,037
Income taxes recoverable	(480)	734	3,355
Accounts payable	(3,391)	(5,319)	6,754
Accrued liabilities	1,826	9,044	7,411
Customer deposits	(2,675)	3,552	(1,191)
Contract liabilities	8,721	2,952	(2,667)
Accreditation fees payable	14	(342)	(101)
Net cash provided by (used in) operating activities	<u>(19,745)</u>	<u>(4,771)</u>	<u>19,876</u>
Financing activities:			
Proceeds received on exercise of stock options	43	-	1,096
Proceeds from issuance of notes payable	62,991	227,258	-
Redeemable preferred units redemption	-	(45,718)	87,500
Proceeds from redeemable preferred units	-	35,000	-
Deferred notes payable financing costs	(2,011)	(6,738)	-
Deferred preferred financing costs	-	145	(1,016)
Proceeds received on syndicated revolver	-	52,382	48,300
Repayment of syndicated revolver	(16,500)	(80,182)	(748)
Payment of syndicated revolver costs	(25)	(1,711)	-
Contingent consideration for acquisitions	-	(1,600)	(3,125)
Net cash (used in) provided by financing activities	<u>44,498</u>	<u>178,836</u>	<u>132,007</u>
Investing activities:			
Proceeds on disposal of property and equipment	542	-	-
Additions to property and equipment	(56,460)	(92,055)	(136,710)
Acquisition of other intangible assets	(575)	(528)	(782)
Net cash used in investing activities	<u>(56,493)</u>	<u>(92,583)</u>	<u>(137,492)</u>
Increase (decrease) in cash and cash equivalents, restricted cash, and restricted cash equivalents	(31,740)	81,482	14,391
Cash and cash equivalents, restricted cash, and restricted cash equivalents beginning of year	104,978	23,496	9,105
Cash and cash equivalents, restricted cash, and restricted cash equivalents end of year	<u>\$ 73,238</u>	<u>\$ 104,978</u>	<u>\$ 23,496</u>
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents within the consolidated balance sheets to the amounts shown in the consolidated statements of cash flows above:			
Cash and cash equivalents	56,903	92,687	23,496
Restricted cash included in funds held by trustee	4,628	3,639	-
Restricted cash included in secured notes reserve funds	11,707	8,652	-
Total Cash and cash equivalents, restricted cash, and restricted cash equivalents end of period	<u>\$ 73,238</u>	<u>\$ 104,978</u>	<u>\$ 23,496</u>
Supplemental cash flow information:			
Interest paid	\$ 37,961	\$ 24,736	\$ 10,289

Income taxes paid, net	\$	7,653	\$	4,929	\$	3,883
Supplementary disclosure of non-cash investing and financing activities:						
Property and equipment acquired during the period not yet paid for	\$	3,572	\$	6,948	\$	501

See accompanying notes to consolidated financial statements

**Tucows Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollar amounts in thousands of U.S. dollars, except per share amounts)**

**1. Organization of the Company:**

Tucows Inc. (referred to as the "Company", "Tucows", "we", "us" or through similar expressions) is a corporate parent, allocating capital and providing efficient shared services to its three businesses: Ting, Wavelo and Tucows Domains Services. Ting provides retail consumers and small businesses with high-speed fixed Internet access in a number of towns and cities across the United States. Wavelo offers platform services which provide solutions to support Communication Service Providers ("CSPs") including subscription and billing management, network orchestration and provisioning, individual developer tools, and other professional services. Tucows Domains Services is a global distributor of Internet services, including domain name registration, digital certificates, and email. It provides these services primarily through a global Internet-based distribution network of Internet Service Providers, web hosting companies and other providers of Internet services to end-users.

**2. Significant Accounting Policies:**

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are stated in U.S. dollars, except where otherwise noted.

*(a) Basis of presentation*

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

*(b) Use of estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its judgments and estimates, the recoverability of goodwill and intangible assets which requires judgment over qualitative indicators of impairment and loss contingencies. If these indicators suggest potential impairment, the Company performs a quantitative impairment test as required under ASC 350. For acquired customer relationships, the Company estimates the fair value based on the income approach. The income approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows expected to be generated over the remaining useful life of the asset. This valuation involves significant subjectivity and estimation uncertainty, including assumptions related to future revenues attributable to acquired customer relationships, attrition rates and discount rates. As part of the Company's 2024 Capital Efficiency Plan, management also estimated the salvage value of certain Ting assets that the Company determined would be disposed of by abandonment. Management bases its estimates on historical experience, available market information as applicable, third party analysis and on various other assumptions that are believed to be reasonable under the circumstances at the time they are made. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of the Company's control.

*(c) Cash and cash equivalents*

All highly liquid investments, with an original term to maturity of three months or less are classified as cash and cash equivalents. This classification also extends to amounts in transit from payment providers and other clearing accounts. These in-transit balances have been initiated and collected from customers prior to the reporting date and are expected to settle shortly after the reporting date. Cash and cash equivalents are stated at cost which approximates market value.

*(d) Restricted cash*

Restricted cash is solely in connection with the 2023 Term Notes and 2024 Term Notes as defined in "Note 8 - Notes Payable" and consists of (i) securitized assets cash receipts held by trustee and (ii) liquidity reserve funds. The non-current portion of the restricted cash is presented in "Secured notes reserve funds" on the Consolidated Balance Sheet.

*(e) Inventory*

Inventory primarily consists of Internet optical network terminals and customer installation equipment. All inventory is stated at the lower of cost or net realizable value. Cost is determined based on the weighted average cost of the mobile device, accessory shipped or optical network terminals.

The net realizable value of inventory is analyzed for signs of obsolescence or damage on a regular basis. If assessments regarding the above factors adversely change, we may be required to write down the value of inventory.

*(f) Property and equipment*

Property and equipment are stated at cost, net of accumulated depreciation and impairment. Assets deemed to have been abandoned are recorded at their salvage value and are not depreciated. Depreciation is provided on a straight-line basis so as to depreciate the cost of depreciable assets over their estimated useful lives at the following rates:

Asset	Rate
Computer equipment	30%
Computer software	33 1/3 - 100%
Furniture and equipment	20%
Vehicles and tools	20%
Fiber network (years)	15
Customer equipment and installations (years)	3
Leasehold improvements	Over term of lease
Capitalized internal use software (years)	3 - 7

The Company reviews the carrying values of its property and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company performs impairment testing at the asset group level unless an asset generates independent cash flows. The Company first performs a qualitative assessment to determine whether events or circumstances indicate that it is more likely than not that the carrying amount of the asset (group) is not recoverable. If such indicators exist, the Company then compares the estimated undiscounted future cash flows expected to result from the use of the asset (group) and if their eventual disposition is less than their carrying amount. If the carrying amount exceeds the undiscounted future cash flows, the assets (group) are considered to be impaired. The amount of the impairment loss recognized is measured as the amount by which the carrying value of the asset (group) exceeds fair value, with fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the assets. For certain assets that the Company determined would be disposed of by abandonment, management estimated the salvage value. The salvage value was estimated based on management's judgment regarding realizability in secondary markets. Management based its estimates on historical experience, available market information as applicable, third party analysis and on various other assumptions that are believed to be reasonable under the circumstances at the time they are made. In instances where assets under construction or computer equipment is found to be damaged, it is written off. During the year ended December 31, 2024, the Company recorded impairment charges related to assets under construction and computer equipment no longer contributing to future operations due to the 2024 Capital Efficiency Plan. The valuation of assets under construction and computer equipment at salvage value involves significant estimates, and it is reasonably possible that salvage value could materially change in the near term due to changing market conditions, market demand and subsequent asset sales.

Additions to the fiber network are recorded at cost, including all material, labor, capitalized interest, vehicle and installation and construction costs associated with the construction of cable transmission and distribution facilities. While the Company's capitalization is based on specific activities, once capitalized, costs are tracked by fixed asset category at the fiber network level and not on a specific asset basis. For assets that are retired, the estimated historical cost and related accumulated depreciation is derecognized.

Additions to land are recorded at cost, and include any direct costs associated with the purchase, as well as any direct costs incurred to bring it to the condition necessary for its intended use, such as legal fees associated with the acquisition and the cost of permanent improvements. Land is not depreciated.

We capitalize the development costs for software to be used internally when software development projects enter the application development stage. This occurs when we complete the preliminary project stage, management authorizes and commits to funding the project, and it is feasible that the project will be completed and the software will perform the intended function. We cease to capitalize costs related to a software project when it enters the post implementation and operation stage, which is the point at which a software project is substantially completed and ready for its intended use.

Costs capitalized during the application development stage consist of payroll and related costs for employees who are directly associated with, and who devote time directly to, a project to develop software for internal use. External contractor costs who are directly associated with, and who devote time directly to, a project to develop software for internal use are also capitalized. We do not capitalize any general and administrative or overhead costs or costs incurred during the application development stage related to research and development, training or data conversion costs. Research and development costs and data conversion costs may be recorded as Costs to fulfill a contract, if they relate to a specific professional services customer contract (see Note 11 - Costs to obtain and fulfill a contract). Costs related to upgrades and enhancements to internal-use software, if those upgrades and enhancements result in additional functionality, are capitalized. If upgrades and enhancements do not result in additional functionality, those costs are expensed as incurred.

In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, we consider the effects of obsolescence, technology, competition and other economic factors.

*(g) Derivative Financial Instruments*

The Company uses derivative financial instruments to manage foreign currency exchange risk.

The Company accounts for these instruments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815, "Derivatives and Hedging" ("Topic 815"), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Topic 815 also requires that changes in our derivative financial instruments' fair values be recognized in earnings, unless specific hedge accounting and documentation criteria are met (i.e., the instruments are accounted for as hedges). The Company recorded the effective portions of the gain or loss on derivative financial instruments that were designated as cash flow hedges in accumulated other comprehensive income (loss) in our accompanying Consolidated Balance Sheets.

The fair value of the forward exchange contracts is determined using an estimated credit adjusted mark-to-market valuation which takes into consideration the Company's and the counterparty's credit risk. The valuation technique used to measure the fair values of the derivative instruments is a discounted cash flow technique, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for the derivative instruments. The discounted cash flow techniques use observable market inputs, such as foreign currency spot, SOFR rates, forward currency and interest rates.

*(h) Goodwill and Other Intangible assets*

**Goodwill**

Goodwill represents the excess of purchase price over the fair values assigned to the net assets acquired in business combinations. The Company does not amortize goodwill. Impairment testing for goodwill is performed annually in the fourth quarter of each year or more frequently if impairment indicators are present. Impairment testing is performed at the operating segment level. The Company has determined that it has three operating segments, Ting, Wavelo and Tucows Domains.

The Company performs a qualitative assessment to determine whether there are events or circumstances which would lead to a determination that it is more likely than not that goodwill has been impaired. If, after this qualitative assessment, the Company determines that it is not more likely than not that goodwill has been impaired, then no further quantitative testing is necessary. In performance of the qualitative test, an evaluation is made of the impact of various factors to the expected future cash flows attributable to its operating segments and to the assumed discount rate which would be used to present value those cash flows. Consideration is given to factors such as macro-economic, industry and market conditions including the capital markets, the competitive environment, in addition to other internal factors including changes to our market capitalization, cash inflows, obligations and access to capital of our segments. In the event that the qualitative tests indicate that there may be impairment, quantitative impairment testing is required.

If required to perform the quantitative test, the Company compares the reporting unit's carrying amount to its fair value, which is typically estimated using a discounted cash flow or income approach in which future expected cash flows at the operating segment level are converted to present value using factors that consider the timing and risk of the future cash flows. The estimate of cash flows used is prepared on an unleveraged debt-free basis. The discount rate reflects a market-derived weighted average cost of capital. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the Company's expected long-term operating and cash flow performance for its operating segment. The projections are based upon the Company's best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures.

Other significant estimates and assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital. If assumptions and estimates used to allocate the purchase price or used to assess impairment prove to be inaccurate, future asset impairment charges could be required.

**Intangibles Assets Not Subject to Amortization**

Intangible assets not subject to amortization consist of surname domain names and direct navigation domain names. While the domain names are renewed annually, through payment of a renewal fee to the applicable registry, the Company has the exclusive right to renew these names at its option. Renewals occur routinely and at a nominal cost. Moreover, the Company has determined that there are currently no legal, regulatory, contractual, economic or other factors that limit the useful life of these domain names on an aggregate basis and accordingly treat the portfolio of domain names as indefinite life intangible assets. The Company re-evaluates the useful life determination for domain names in the portfolio each year to determine whether events and circumstances continue to support an indefinite useful life.

The indefinite life intangible assets are not amortized, but are subject to an annual impairment assessment, during which the Company evaluates whether changes in circumstances indicate potential impairment. Additionally, the Company reviews individual domain names in the portfolio for potential impairment throughout the fiscal year in determining whether a particular name should be renewed. Impairment is recognized for names that are not renewed.

**Intangible Assets Subject to Amortization**

Intangible assets subject to amortization, consist of brand, customer relationships, technology and network rights and are amortized on a straight-line basis over their estimated useful lives as follows:

	(in years)
Technology	2 - 7
Brand	7
Customer relationships	3 - 7
Network rights	15

The Company continually evaluates whether events or circumstances have occurred that indicate the remaining estimated useful lives of its intangible assets subject to amortization may warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable.

*(i) Revenue recognition*

See “Note 10 – Revenue” for a description of the Company’s revenue recognition policy and a further description of the principal activities – separated by reportable segments – from which the Company generates its revenue.

*(j) Contract balances*

The Company accounts for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly. Contract assets are recorded for services delivered under contracts, to the extent that the services delivered exceed the services which have been billed to the customer at the reporting date. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract assets primarily relate to long-term mobile platform services contracts. Contract liabilities primarily relate to the unearned portion of revenues received in advance related to the unexpired term of registration fees from domain name registrations and other domain related Internet services, on both a wholesale and retail basis, net of external commissions. To a lesser extent, contract liabilities also include a portion of the transaction price received from other professional services.

*(k) Contract Costs*

See “Note 11 – Costs to obtain and fulfill a contract” for a description of the Company’s contract cost recognition policy.

*(l) Contract Modifications*

Contracts may be amended to account for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new, or changes existing, enforceable rights and obligations. When contract modifications create new performance obligations and the increase in consideration approximates the standalone selling price for services related to such new performance obligations as adjusted for specific facts and circumstances of the contract, the modification is considered to be a separate contract. If a contract modification is not accounted for as a separate contract, the Company accounts for the promised services not yet transferred at the date of the contract modification (the remaining promised services) prospectively, as if it were a termination of the existing contract and the creation of a new contract, if the remaining services are distinct from the services transferred on or before the date of the contract modification. The Company accounts for a contract modification as if it were a part of the existing contract if the remaining services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. In such case the effect that the contract modification has on the transaction price, and on the entity’s measure of progress toward complete satisfaction of the performance obligation, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (the adjustment to revenue is made on a cumulative catch-up basis).

*(m) Leases*

Under ASC 842, we determine if an arrangement is a lease at inception. Our lease agreements generally contain lease and non-lease components. Payments under our lease arrangements are primarily fixed. Non-lease components primarily include payments for maintenance and utilities. We combine fixed payments for non-lease components with lease payments and account for them together as a single lease component which increases the amount of our right of use assets and lease liabilities.

Certain lease agreements contain variable payments, which are expensed as incurred and not included in the right of use assets and lease liabilities. These payments include amounts contingent on the number of Ting internet subscribers connected to a leased fiber network, and payments for maintenance, utilities and property taxes.

We have elected to consider leases with a term of 12 months or less as short-term, and as such these have not been recognized on the balance sheet. We recognize lease expense for short-term leases on a straight-line basis over the lease term.

Right of use assets and lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate, because the interest rate implicit in our leases is not readily determinable. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Our lease terms include periods under options to extend the lease when it is reasonably certain that we will exercise that option, and periods covered by options terminate the lease if we are reasonably certain not to exercise that option. The lease term used in determining our right of use assets and lease liabilities is generally the non-cancelable period of the lease excluding any periods covered by an option to extend the lease or terminate the lease.

Operating lease expense is recognized on a straight-line basis over the lease term.

*(n) Translation of foreign currency transactions*

The Company's functional currency is the United States dollar. Monetary assets and liabilities of the Company and of its wholly owned subsidiaries that are denominated in foreign currencies are translated into United States dollars at the exchange rates prevailing at the balance sheet dates. Non-monetary assets and liabilities are translated at the historical exchange rates. Transactions included in operations are translated at the rate at the date of the transactions.

*(o) Income taxes*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income in the year that includes the enactment date. A valuation allowance is recorded if it is not likely that a deferred tax asset will be realized.

The Company recognizes the impact of an uncertain income tax position at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority and includes consideration of interest and penalties. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The liability for unrecognized tax benefits is classified as non-current unless the liability is expected to be settled in cash within 12 months of the reporting date.

*(p) Redeemable preferred units*

See "Note 13 - Redeemable preferred units" for the description and treatment of the Company's Series A Preferred Unit Purchase Agreement.

*(q) Stock-based compensation*

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest, reduced for estimated forfeitures. The Company recognizes stock-based compensation for both public company stock and private subsidiary stock - see "Note 15. Stock Option Plans."

*(r) Earnings per common share*

Basic earnings per common share has been calculated on the basis of net income for the year divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share gives effect to all dilutive potential common shares outstanding at the end of the year assuming that they had been issued, converted or exercised at the later of the beginning of the year or their date of issuance. In computing diluted earnings per share, the treasury stock method is used to determine the number of shares assumed to be purchased from the conversion of common share equivalents or the proceeds of the exercise of options. When there is a net loss from operations, the Company considers all options anti-dilutive for the purposes of calculating a diluted earnings per share.

*(s) Concentration of credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, restricted cash, accounts receivable and forward foreign exchange contracts. Cash equivalents consist of deposits with major commercial banks, the maturities of which are three months or less from the date of purchase. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. The counterparty to any forward foreign exchange contracts is a major commercial bank which management believes does not represent a significant credit risk. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information.

*(t) Fair value measurement*

Fair value of financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities
- Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities
- Level 3—No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The fair value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accreditation fees payable, customer deposits, accrued liabilities, syndicated revolver, notes payable and redeemable preferred units (Level 2 measurements) approximate their carrying values due to the relatively short periods to maturity of the instruments.

The fair value of the derivative financial instruments is determined using an estimated credit-adjusted mark-to-market valuation (a Level 2 measurement) which takes into consideration the Company and the counterparty credit risk.

*(u) Investments*

The Company accounts for investment in entities over which it has the ability to exert significant influence, but does not control and is not the primary beneficiary of, using the equity method of accounting. The Company includes the proportionate share of earnings (loss) of the equity method investees in Other Income in the Consolidated Statements of Comprehensive Income (Loss). The proportional shares of affiliate earnings or losses accounted for under the equity method of accounting were not material for all periods presented. Equity investments in which the Company does not have significant influence are accounted for under Topic 321 - "Accounting for Equity Interests". These investments are recorded in Investments on the Consolidated Balance Sheets. If the fair value of these investments is readily determinable, they are measured at fair value, with changes recognized in Other Income (Expense), net. If the fair value is not readily determinable, the Company applies the measurement alternative, recording investment at cost, less any impairment, and adjusting for subsequent observable price changes when an observable transaction occurs. These adjustments are recorded in Other Income (Expense). The Company has determined that the fair value of its equity investments is not readily determinable and, therefore, applies the measurement alternative, recording investments at cost, less any impairment, and adjusting for observable price changes when applicable.

Ting Memphis Co is a limited partnership established to support the marketing and local presence of the Company's internet and mobile services in Memphis, Tennessee, in which the Company holds a general partnership interest. To simplify the presentation of our consolidated financial statements, we have fully consolidated Ting Memphis Co as the non-controlling interest is considered immaterial. As a result, no separate presentation or disclosure of non-controlling interest has been made in the financial statements.

*(v) Segment reporting*

The Company is organized and managed based on three operating segments which are differentiated primarily by their services, the markets they serve and the regulatory environments in which they operate. No operating segments have been aggregated to determine our reportable segments.

Our reportable operating segments and their principal activities consist of the following:

Ting	This segment derives revenue from the retail high speed Internet access to individuals and small businesses primarily through the Ting website. Revenues are generated in the United States
Wavelo	This segment derives revenue from platform and other professional services related to communication service providers, including Mobile Network Operators and Internet Service Providers, and are primarily generated in the United States.
Tucows Domains	This segment includes wholesale and retail domain name registration services and value added services. The Company primarily earns revenues from the registration fees charged to resellers in connection with new, renewed and transferred domain name registrations; the sale of retail Internet domain name registration and email services to individuals and small businesses. Domain Services revenues are attributed to the country in which the contract originates, primarily Canada and the United States.

Our segmented results include shared services allocations to the operating segments, including a profit margin, for Finance, Human Resources and other technical services. In addition, Wavelo charges Ting a subscriber based monthly charge service rendered. Financial impacts from these allocations and cross segment charges are eliminated as part of the consolidation.

The Company's assets are primarily located in Canada, the United States and Europe.

*(w) Government Grants*

The Company is the beneficiary of government grants from the City of Greenwood Village, Colorado, to support the construction of a fiber-to-the-premises (FTTP) network. The grant is intended to subsidize network construction, with the goal of providing broadband internet access service (BIAS) to all serviceable addresses within the city. The government grant is accounted for as a reduction of the cost basis of property and equipment in the Company's Consolidated Balance Sheet. Depreciation is calculated based on the reduced cost of the asset over its estimated useful life.

(x) *Recent Accounting Pronouncements*

*Recent Accounting Pronouncements Adopted*

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information, including significant segment expenses, on an annual and interim basis. Prior to this update, Topic 280 required public entities to disclose certain information about reportable segments, including a measure of segment profit or loss used by the Chief Operating Decision Maker ("CODM") to assess performance and allocate resources. Other disclosures, such as depreciation, amortization, and depletion expenses, were required under certain conditions. ASU 2023-07 retained these existing requirements while introducing expanded disclosures. The amendments in ASU 2023-07 also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. As a result of the amendments, the Company has provided additional disclosure in respect of its significant segment expenses as well as how the CODM uses our reporting measure of segment profit or loss. The Company adopted these amendments for the fiscal year ending December 31, 2024. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures.

*Recent Accounting Pronouncements Not Yet Adopted*

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." ASU 2023-09 is intended to improve the disclosures for income taxes to allow investors to better assess, in their capital allocation decisions, how an entity's worldwide operations and related tax risks and tax planning and operational opportunities affect its income tax rate and prospects for future cashflows. The amendments in ASU 2023-09 require consistent categories and greater disaggregation of information in the rate reconciliation disclosure as well as disclosure of income taxes paid disaggregated by jurisdiction. The amendments of ASU 2023-09 are effective for annual periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" (ASU 2024-03), which requires that a public entity disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation and (d) intangible asset amortization included in each relevant expense caption presented on the face of the income statement. The standard also requires an entity to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively as well as disclose the total amount of selling expenses and, annually, the entity's definition of selling expenses. ASU 2024-03 will be effective for annual periods beginning after December 15, 2026, with either retrospective or prospective application. The standard allows for early adoption of these requirements; we are currently evaluating the disclosure impacts of our adoption.

**3. Property and Equipment:**

Property and equipment consist of the following (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024	December 31, 2023
Computer equipment	\$ 53,907	\$ 53,818
Computer software	1,935	1,926
Capitalized internal use software	50,706	38,379
Furniture and equipment	1,893	1,880
Vehicles and tools	10,638	10,594
Fiber network <sup>(1)</sup>	272,959	215,205
Customer equipment and installations	58,883	48,041
Land	1,109	1,109
Buildings	9,208	9,118
Assets under construction	25,810	75,519
Leasehold improvements	743	727
	487,791	456,316
Less:		
Accumulated depreciation	156,742	116,672
	\$ 331,049	\$ 339,644

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(1) Fiber network is presented net of \$1.6 million government grants (2023: nil), with an impact of \$0.1 million on accumulated depreciation (2023: nil).

Depreciation of property and equipment (Dollar amounts in thousands of U.S. dollars):

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Depreciation of property and equipment	\$ 40,323	\$ 36,431	\$ 28,187

*Impairment of Property and Equipment*

During the year ended December 31, 2024, the Company recognized a total impairment expense of \$19.1 million.

In the fourth quarter of 2024, the Board formally approved and the Company implemented the 2024 Capital Efficiency Plan, which included the decision to cease new market expansions in Ting (see note 21 – Restructuring Costs). As part of the 2024 Capital Efficiency plan, management conducted a review of Assets under construction, Computer equipment, Fiber network and Customer and equipment installation to determine if there were specific assets that would no longer contribute to future operations.

This review resulted in the identification of assets within Assets under construction and Computer equipment that are no longer intended for deployment in the Company's fiber network expansion. These assets relate to specific work zones under construction, related capitalized design costs, and materials held for construction (“the impaired construction assets”). Prior to the 2024 Capital Efficiency Plan, the impaired construction assets were planned for future deployment in the operations of the Company's Ting reportable segment.

The impaired construction assets were deemed to be abandoned in accordance with ASC 360-10 and recorded at their salvage value, and the impairment charge was recognized immediately. In total, \$33.6 million in assets were impaired, with an estimated salvage value of \$15.9 million, resulting in a recorded impairment charge of \$17.7 million. This charge is recorded under “Impairment of property and equipment” in the consolidated statements of comprehensive income (loss).

The remaining \$1.4 million impairment charges relate to specific network assets that were identified through routine inspections as being damaged and no longer in use and are recorded under “Network, impairment of property and equipment” in the consolidated statements of comprehensive Income (loss).

During the years ended December 31, 2023, and 2022 property and equipment with net book values of \$4.8 million, and \$0.1 million, respectively, were written off and included in network, impairment of property and equipment in the consolidated statement of comprehensive income (loss). The impairment losses incurred in 2023 related to specific network assets that were identified as being damaged and no longer in use. The full cost of the identified assets was recorded as an impairment loss.

**4. Goodwill and Other Intangible Assets:**

**Goodwill**

Goodwill represents the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed in our acquisitions.

Goodwill consists of the following (Dollar amounts in thousands of U.S. dollars):

	Ting	Wavelo	Tucows Domains	Total
Balances, December 31, 2023	\$ 22,724	\$ -	\$ 107,686	\$ 130,410
Balances, December 31, 2024	\$ 22,724	\$ -	\$ 107,686	\$ 130,410

The Company's Goodwill balance is \$130.4 million as of December 31, 2024 and December 31, 2023. The Company's goodwill relates 83% (\$107.7 million) to its Tucows Domains operating segment and 17% (\$22.7 million) to its Ting operating segment.

Goodwill is not amortized, but is subject to an annual impairment test. The Company performed a qualitative impairment analysis as outlined in “Note 2(h) – Significant Accounting Policies” and determined it was not more likely than not that Goodwill was impaired for Fiscal 2024 and Fiscal 2023.

**Other Intangible Assets**

Intangible assets consist of acquired brand, technology, customer relationships, surname domain names, direct navigation domain names and network rights. The Company considers its intangible assets consisting of surname domain names and direct navigation domain names as indefinite life intangible assets. The Company has the exclusive right to these domain names as long as the annual renewal fees are paid to the applicable registry. Renewals occur routinely and at a nominal cost. The indefinite life intangible assets are not amortized, but are subject to an annual impairment assessment, during which the Company evaluates whether changes in circumstances indicate potential impairment. Additionally, throughout the year, management assessed specific domain names acquired through the acquisition of Mailbank.com Inc. in June 2006, that were due for renewal, and decided to renew. During the years ended December 31, 2024, December 31, 2023, and December 31, 2022, no impairment of indefinite life intangible assets was recorded.

Finite-life intangible assets, comprising brand, technology, customer relationships and network rights are being amortized on a straight-line basis over periods of two to fifteen years. The weighted average amortization period for all finite-life intangible assets is 5.4 years.

Throughout 2024, the Company purchased \$0.6 million in customer relationship assets through hosting agreements whereby customer assets and domain names were obtained. These customer assets are being amortized over seven years.

Acquired intangible assets consist of the following (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024			December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Brand	\$ 15,764	15,340	\$ 424	\$ 15,764	14,894	\$ 870
Customer relationships	66,467	56,719	9,748	65,892	52,589	13,303
Technology	10,157	8,631	1,526	10,157	8,009	2,148
Network Rights	1,515	730	785	1,515	631	884
Surname domain names	11,145	-	11,145	11,151	-	11,151
Direct navigation domain names	1,127	-	1,127	1,128	-	1,128
	<u>\$ 106,175</u>	<u>\$ 81,420</u>	<u>\$ 24,755</u>	<u>\$ 105,607</u>	<u>\$ 76,123</u>	<u>\$ 29,484</u>

Amortization period	Surname domain names	Direct navigation domain names	Brand	Customer relationships	Technology	Network rights	Total
	indefinite life	indefinite life	7 years	3 - 7 years	2 -7 years	15 years	
Balances, December 31, 2022	\$ 11,155	\$ 1,129	\$ 2,940	\$ 20,813	\$ 2,770	\$ 983	\$ 39,790
Acquisition of customer relationship	-	-	-	528	-	-	528
Additions to/(disposals from) domain portfolio, net	(4)	(1)	-	-	-	-	(5)
Amortization expense	-	-	(2,070)	(8,038)	(622)	(99)	(10,829)
Balances December 31, 2023	<u>\$ 11,151</u>	<u>\$ 1,128</u>	<u>\$ 870</u>	<u>\$ 13,303</u>	<u>\$ 2,148</u>	<u>\$ 884</u>	<u>\$ 29,484</u>
Acquisition of customer relationship	-	-	-	575	-	-	575
Additions to/(disposals from) domain portfolio, net	(6)	(1)	-	-	-	-	(7)
Amortization expense	-	-	(446)	(4,130)	(622)	(99)	(5,297)
Balances December 31, 2024	<u>\$ 11,145</u>	<u>\$ 1,127</u>	<u>\$ 424</u>	<u>\$ 9,748</u>	<u>\$ 1,526</u>	<u>\$ 785</u>	<u>\$ 24,755</u>

The following table shows the estimated amortization expense for each of the next 5 years and thereafter, assuming no further additions to acquired intangible assets are made (Dollar amounts in thousands of U.S. dollars):

	Year ending December 31,
2025	\$ 5,691
2026	2,682
2027	1,634
2028	1,435
2028	232
Thereafter	809
Total	<u>\$ 12,483</u>

**5. Fair Value Measurement:**

For financial assets and liabilities recorded in our financial statements at fair value we utilize a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Equity investments without readily determinable fair value include ownership rights that do not provide the Company with control or significant influence. Such equity investments are recorded at cost, less any impairment, and adjusted for subsequent observable price changes as of the date that an observable transaction takes place. Subsequent adjustments are recorded in other income (expense), net.

The following table provides a summary of the fair values of the Company's derivative instruments measured at fair value on a recurring basis as at December 31, 2024 (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024			
	Fair Value Measurement Using			Assets (Liabilities) at Fair value
	Level 1	Level 2	Level 3	
Derivative instrument asset (liability), net	\$ -	\$ (1,270)	\$ -	\$ (1,270)
Total assets (liabilities), net	\$ -	\$ (1,270)	\$ -	\$ (1,270)

The following table provides a summary of the fair values of the Company's derivative instruments measured at fair value on a recurring basis as at December 31, 2023 (Dollar amounts in thousands of U.S. dollars):

	December 31, 2023			
	Fair Value Measurement Using			Assets (Liabilities) at Fair value
	Level 1	Level 2	Level 3	
Derivative instrument asset (liability), net	\$ -	\$ 2,277	\$ -	\$ 2,277
Total assets (liabilities), net	\$ -	\$ 2,277	\$ -	\$ 2,277

**6. Derivative Instruments and Hedging Activities:**

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are foreign exchange rate risk and interest rate risk.

Since October 2012, the Company has employed a hedging program with a Canadian chartered bank to limit the potential foreign exchange fluctuations incurred on its future cash flows related to a portion of payroll, taxes, rent and payments to Canadian domain name registry suppliers that are denominated in Canadian dollars and are expected to be paid by its Canadian operating subsidiary. In May 2020, the Company entered into a pay-fixed, receive-variable interest rate swap with a Canadian chartered bank to limit the potential interest rate fluctuations incurred on its future cash flows related to variable interest payments on the Second Amended 2019 Credit Facility. The notional value of the interest rate swap was \$70 million. During the third quarter of fiscal year 2022, the Company elected to discontinue its application of hedge accounting to its interest rate swaps prospectively. Until the interest rate swaps matured in June 2023, the derivatives continued to be carried at fair value in the accompanying Consolidated Balance Sheets with changes in their fair value from the date of discontinuance recognized in current period earnings in Interest expense, net in the Consolidated Statements of Operations and Comprehensive Loss. Unrealized gains and losses in Accumulated other comprehensive income ("AOCI") as of the date of discontinuance were realized in net income over the remaining term of the underlying forecasted interest payments into interest expense over the original term of the hedged debt. Prior to the discontinuance, for the interest rate swap contracts, unrealized gains or losses on the effective portion of these contracts had been included in other comprehensive income (OCI) and reclassified to earnings when the hedged transaction settled. As of December 31, 2024, there are no interest swaps held by the Company.

The Company does not use hedging forward contracts for trading or speculative purposes. The foreign exchange contracts typically mature between one and twelve months, and the interest rate swap fully matured as of June 30, 2023.

The Company has designated certain of these foreign exchange transactions as cash flow hedges of forecasted transactions under ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (“ASC Topic 815”). For certain contracts, as the critical terms of the hedging instrument, and of the entire hedged forecasted transaction, are the same, in accordance with ASC Topic 815, the Company has been able to conclude that changes in fair value and cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. The Company designated the interest rate swap as a cash flow hedge of expected future interest payments at the inception of the contract. Accordingly, for the foreign exchange, unrealized gains or losses on the effective portion of these contracts were included within other comprehensive income (loss) and reclassified to earnings when the hedged transaction is settled. Cash flows from hedging activities were classified under the same category as the cash flows from the hedged items in the consolidated statements of cash flows. The fair value of the contracts, as of December 31, 2024 and December 31, 2023, is recorded as derivative instrument assets or liabilities. For certain contracts where the hedged transactions are no longer probable to occur, the loss on the associated forward contract is recognized in earnings.

As of December 31, 2024, the notional amount of forward contracts that the Company held to sell U.S. dollars in exchange for Canadian dollars was \$29.4 million, of which \$29.4 million met the requirements of ASC Topic 815 and were designated as hedges.

As of December 31, 2023 the notional amount of forward contracts that the Company held to sell U.S. dollars in exchange for Canadian dollars was \$61.4 million, of which \$61.4 million met the requirements of ASC Topic 815 and were designated as hedges.

As of December 31, 2022 the notional amount of forward contracts that the Company held to sell U.S. dollars in exchange for Canadian dollars was \$49.7 million, of which \$49.7 million met the requirements of ASC Topic 815 and were designated as hedges.

As of December 31, 2024, we had the following outstanding forward contracts to trade U.S. dollars in exchange for Canadian dollars:

<b>Maturity date (Dollar amounts in thousands of U.S. dollars)</b>	<b>Notional amount of U.S. dollars</b>	<b>Weighted average exchange rate of U.S. dollars</b>	<b>Fair value</b>
January - March 2025	\$ 18,218	1.3697	\$ (812)
April - June 2025	11,181	1.3692	(458)
	<u>\$ 29,399</u>	1.3695	<u>\$ (1,270)</u>

*Fair value of derivative instruments and effect of derivative instruments on financial performance*

The effect of these derivative instruments on our consolidated financial statements as of, and for the years ended December 31, 2024 and 2023, were as follows (amounts presented do not include any income tax effects).

*Fair value of derivative instruments in the consolidated balance sheets (see “Note 5 – Fair Value Measurement”)*

<b>Derivatives (Dollar amounts in thousands of U.S. dollars)</b>	<b>Balance Sheet Location</b>	<b>As of December 31, 2024 Fair Value Asset (Liability)</b>	<b>As of December 31, 2023 Fair Value Asset (Liability)</b>
Foreign Currency forward contracts designated as cash flow hedges (net)	Derivative instruments	\$ (1,270)	\$ 2,277
Total foreign currency forward contracts (net)	Derivative instruments	<u>\$ (1,270)</u>	<u>\$ 2,277</u>

*Movement in AOCI balance for the year ended December 31, 2024 (Dollar amounts in thousands of U.S. dollars)*

	Gains and losses on cash flow hedges	Tax impact	Total AOCI
Opening AOCI balance - December 31, 2023	\$ 2,275	\$ (547)	\$ 1,728
Other comprehensive income (loss) before reclassifications	(3,536)	855	(2,681)
Amount reclassified from AOCI	(14)	3	(11)
Other comprehensive income (loss) for the year ended December 31, 2024	(3,550)	858	(2,692)
Ending AOCI Balance - December 31, 2024	\$ (1,275)	\$ 311	\$ (964)

*Movement in AOCI balance for the year ended December 31, 2023 (Dollar amounts in thousands of U.S. dollars)*

	Gains and losses on cash flow hedges	Tax impact	Total AOCI
Opening AOCI balance - December 31, 2022	\$ 1,032	\$ (248)	\$ 784
Other comprehensive income (loss) before reclassifications	2,413	(583)	1,830
Amount reclassified from AOCI	(52)	14	(38)
Amortization of discontinued cash flow hedge	(1,118)	270	(848)
Other comprehensive income (loss) for the year ended December 31, 2023	1,243	(299)	944
Ending AOCI Balance - December 31, 2023	\$ 2,275	\$ (547)	\$ 1,728

*Movement in AOCI balance for the year ended December 31, 2022 (Dollar amounts in thousands of U.S. dollars)*

	Gains and losses on cash flow hedges	Tax impact	Total AOCI
Opening AOCI balance - December 31, 2021	\$ 450	\$ (107)	\$ 343
Other comprehensive income (loss) before reclassifications	550	(132)	418
Amount reclassified from AOCI	793	(193)	600
Amortization of discontinued cash flow hedge	(761)	184	(577)
Other comprehensive income (loss) for the year ended December 31, 2022	582	(141)	441
Ending AOCI Balance - December 31, 2022	\$ 1,032	\$ (248)	\$ 784

*Effects of derivative instruments on income and other comprehensive income (OCI) (Dollar amounts in thousands of U.S. dollars)*

<b>Derivatives in Cash Flow Hedging Relationship</b>	<b>Amount of Gain or (Loss) Recognized in OCI, net of tax, on Derivative</b>	<b>Location of Gain or (Loss) Reclassified from AOCI into Income</b>	<b>Amount of Gain or (Loss) Reclassified from AOCI into Income</b>
Foreign currency forward contracts for the year ended December 31, 2024	\$ (2,681)	Operating expenses Cost of revenues	\$ (20) \$ 6
Foreign currency forward contracts for the year ended December 31, 2023	\$ 1,830	Operating expenses Cost of revenues	\$ 46 \$ 6
Foreign currency forward contracts for the year ended December 31, 2022	\$ (1,014)	Operating expenses Cost of revenues	\$ (691) \$ (171)
Interest rate swap contract for the year ended December 31, 2022	\$ 1,430	Interest expense, net	\$ 69

## 7. Syndicated Revolver:

### *2023 Credit Facility*

On September 22, 2023, the Company and its wholly owned subsidiaries, Tucows.com Co., Ting Inc., Tucows (Delaware) Inc., Wavelo, Inc. and Tucows (Emerald), LLC (each, a "Borrower" and together, the "Borrowers," collectively with the Company, "Tucows") and certain other subsidiaries of the Company, as guarantors, entered into a Credit Agreement (the "2023 Credit Agreement") with Bank of Montreal, as administrative agent ("BMO" or the "Agent"), and the lenders party thereto, to, among other things, provide the Borrowers with a revolving credit facility in an aggregate amount not to exceed \$240 million (the "2023 Credit Facility"). The Borrowers may request an increase to the Credit Facility through new commitments of up to \$60 million if the Total Funded Debt to Adjusted EBITDA Ratio (as defined in the Credit Agreement) is less than 3.75:1.00. The Credit Facility expires on September 22, 2026, which is the third anniversary of the effective date of the Credit Agreement.

In connection with the 2023 Credit Facility, the Company incurred \$0.9 million of fees paid to the Lenders and \$0.3 million of legal fees related to the debt issuance. These fees have been reflected as a reduction to the carrying amount of the loan payable and will be amortized over the term of the credit facility agreement. The Company evaluated the issuance of the 2023 Credit Facility and the termination of the 2019 Credit Facility (collectively referred to as the "Debt Transactions") under the loan modification and extinguishment guidance within ASC 470. The Debt Transactions were accounted for as a partial modification, partial extinguishment and new debt issuance at the syndicated lender level. Based on the application of the loan modification and extinguishment guidance within ASC 470 to the Debt Transactions, the Company has treated \$50.9 million of the loan principal under the 2019 Credit Facility as an extinguishment of debt and \$50.9 million of the loan principal under the 2023 Credit Facility as issuance of new debt. The remaining loan principal on the 2023 Credit Facility was treated as a loan modification within the guidance of ASC 470. In accordance with the debt extinguishment, the Company expensed \$0.1 million of the unamortized debt issuance costs to Interest expense, net in the Consolidated Statements of Comprehensive Income (Loss).

During the twelve months ended December 31, 2024, the Company made repayments of \$16.5 million on the 2023 Credit Facility. During the year ended December 31, 2023, the Company made net cash repayments of \$17.8 million and \$10.0 million under the 2019 Credit Facility and the 2023 Credit Facility, respectively.

### *Third Amended 2019 Credit Facility*

In connection with entering into the 2023 Credit Facility, on September 22, 2023, the Company paid off the principal balance, including accrued interest thereon, of the revolving loans outstanding under the Third Amended and Restated Credit Agreement (the "RBC Credit Agreement"), dated as of August 8, 2022, as amended, by and among the Company, certain subsidiaries of the Company as borrowers, certain other subsidiaries of the Company as guarantors, Royal Bank of Canada, as administrative agent ("RBC"), and the lenders party thereto, pursuant to which Tucows' prior credit facility that provided the Borrowers with a \$240 million revolving credit facility (the "2019 Credit Facility"). The RBC Credit Agreement automatically terminated upon the receipt by RBC of certain backstop letters of credit delivered by BMO.

### *2023 Credit Facility Terms*

The 2023 Credit Agreement contains customary representations and warranties, affirmative and negative covenants, and events of default. The 2023 Credit Agreement requires that the Company comply with certain customary non-financial covenants and restrictions. In addition, the Company has agreed to comply with the following financial covenants: (1) a leverage ratio by maintaining at all times a Total Funded Debt to Adjusted EBITDA Ratio of not more than (i) 4.50:1.00 at any time from and after the Closing Date to and including December 30, 2023; (ii) 4.25:1.00 from December 31, 2023 to and including March 30, 2024; (iii) 4.00:1.00 from March 31, 2024 to and including June 29, 2024; and (iv) 3.75:1.00 thereafter; and (2) an interest coverage ratio by maintaining as of the end of each rolling four financial quarter period, an Interest Coverage Ratio (as defined in the Credit Agreement) of not less than 3.00:1.00. The required principal repayment of \$195.4 million is due in September 2026.

During the years ended December 31, 2024 and December 31, 2023 the Company was in compliance with the covenants under its credit agreements in effect at the time.

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Borrowings under the 2023 Credit Agreement will accrue interest and standby fees based on the Company's Total Funded Debt to Adjusted EBITDA ratio and the availability type as follows:

Availability type or fee	If Total Funded Debt to Adjusted EBITDA is:				
	Less than 2.00	Greater than or equal to 2.00 and less than 2.75	Greater than or equal to 2.75 and less than 3.50	Greater than or equal to 3.50 and less than 4.00	Greater than or equal to 4.00
Canadian dollar borrowings based on the Canadian overnight repo rate average or U.S. dollar borrowings based on SOFR and letter of credit fees (Margin)	1.50%	2.00%	2.50%	3.00%	3.50%
Canadian borrowings based on Prime Rate or Canadian or U.S. dollar borrowings based on Base Rate (Margin)	0.25%	0.75%	1.25%	1.75%	2.25%
Standby fees	0.30%	0.40%	0.50%	0.60%	0.70%

The following table summarizes the Company's borrowings under the credit facilities (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024	December 31, 2023
Revolver	\$ 195,400	\$ 211,900
Less: unamortized debt discount and issuance costs	(974)	(1,546)
<b>Total Syndicated Revolver, long-term portion</b>	<b>\$ 194,426</b>	<b>\$ 210,354</b>

The following table summarizes our scheduled principal repayments as of December 31, 2024 (Dollar amounts in thousands of U.S. dollars):

2025	\$ -
2026	195,400
	<b>\$ 195,400</b>

**8. Notes Payable:**

*2023 Term Notes*

On May 4, 2023 (the "Closing Date"), Tucows Inc. through its indirect and wholly owned subsidiaries, including Ting Fiber, LLC entered into a definitive agreement relating to a securitized financing facility related the 2023 Term Notes. On the Closing Date, Ting Issuer LLC, a Delaware limited liability company (the "Issuer"), a limited purpose, bankruptcy-remote, indirect wholly owned subsidiary of the Company issued (i) \$168,357,000 of its 5.95% Secured Fiber Revenue Notes, Series 2023-1, Class A-2, (ii) \$23,289,000 of its 7.40% Secured Fiber Revenue Notes, Series 2023-1, Class B and (iii) \$46,859,000 initial principal amount of 9.95% Secured Fiber Revenue Notes, Series 2023-1, Class C, together, the "2023 Term Notes". The offering was exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). The net proceeds from the issuance of the 2023 Term Notes were \$220.5 million, after deducting a debt discount of \$11.2 million and issuing costs of \$6.7 million.

The debt discount and issuance costs of the 2023 Term Notes are being amortized using the straight line method over a five-year period between the Closing date and the anticipated repayment date.

The 2023 Term Notes are issued under an indenture, dated May 4, 2023 (the "Base Indenture") between the Issuer and Citibank, N.A., as trustee (the "Indenture Trustee") as supplemented by the Series 2023-1 supplemental indenture dated May 4, 2023, (the "Series 2023-1 Supplement" and, together with the Base Indenture, the "Indenture"), between the Issuer and the Trustee. Interest payments on the 2023 Term Notes are payable on a monthly basis. The legal final maturity date of the 2023 Term Notes is in April of 2053, but, unless earlier prepaid to the extent permitted under the Indenture, the anticipated repayment date of the 2023 Term Notes will be in April 2028. If the Issuer has not repaid or refinanced the 2023 Term Notes prior to the anticipated repayment date, additional interest will accrue on the 2023 Term Notes in an amount equal to the greater of (A) 5.00% per annum and (B) a per annum interest rate equal to the excess, if any, by which the sum of the following exceeds the original interest rate of such 2023 Term Note (i) the yield to maturity (adjusted to a "mortgage equivalent basis" pursuant to the standards and practices of the Securities Industry and Financial Markets Association) on such anticipated repayment date of the United States Treasury Security having a term closest to 10 years, plus (ii) 5.00%, plus (iii) (x) for the 2023 Class A-2 Notes, 3.50%, (y) for the 2023 Class B Notes, 5.00% and (z) for the 2023 Class C Notes, 7.82%.

2024 Term Notes

On August 20, 2024, Tucows Inc., through its indirect and wholly owned subsidiaries, including Ting Fiber, LLC, entered into a definitive agreement relating to a securitized financing facility related to a privately placed securitization transaction. On August 20, 2024, the Issuer, a limited purpose, bankruptcy-remote, indirect wholly owned subsidiary of the Company, issued: (i) \$55,000,000 of its 5.63% Secured Fiber Revenue Notes, Series 2024-1, Class A-2 (the “2024 Class A-2 Notes”), (ii) \$8,000,000 of its 6.85% Secured Fiber Revenue Notes, Series 2024-1, Class B (the “2024 Class B Notes”), and (iii) \$16,000,000 initial principal amount of 9.15% Secured Fiber Revenue Notes, Series 2024-1, (the “Class C Notes” together with the 2024 Class A-2 Notes and the 2024 Class B Notes, the “2024 Term Notes”). The Tranche C notes were not sold in this transaction, and they remain available for future sale depending on market conditions. The net proceeds from the issuance of the 2024 Term Notes were \$61.0 million, after deducting a debt discount of Nil and issuance costs of \$2.0 million.

The 2024 Term Notes were issued under the Base Indenture dated May 4, 2023, and the related Series 2024-1 Supplement (the “Series 2024- 1 Supplement”), dated August 20, 2024, by and between the Issuer, the asset parties thereto, and the Indenture Trustee Citibank, N.A., and securities intermediary. The Base Indenture and the Series 2024-1 Supplement allow the Issuer to issue additional series of notes in the future, subject to certain conditions set forth therein. Interest payments on the 2024 Term Notes are payable on a monthly basis. The legal final maturity date of the 2024 Term Notes is in August of 2054, but, unless earlier prepaid to the extent permitted under the Indenture, the anticipated repayment date of the 2024 Term Notes will be in August 2029.

The debt discount and issuance costs of the 2024 Term Notes are being amortized using the straight-line method over a five-year period between August 20, 2024 and the anticipated repayment date.

The 2023 Term Notes and 2024 Term Notes are secured by certain of the Company’s revenue-generating assets, consisting principally of fiber-network related agreements, fiber-network assets and customer contracts (collectively, the “Securitized Assets”) that are owned by certain other limited-purpose, bankruptcy-remote, wholly owned indirect subsidiaries of the Company that act as the Guarantors (collectively with the Issuer, the “Obligor”) under the Base Indenture. The 2023 Term Notes and 2024 Term Notes are subject to a series of covenants, restrictions and other investor protections including (i) that the Issuer maintains specified reserve accounts to be used to make required payments in respect of the 2023 Term Notes and 2024 Term Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, (iii) certain indemnification payments, (iv) the guarantors comply with standard bankruptcy-remoteness covenants, including not guaranteeing or being liable for other affiliates debts or liabilities, and (v) covenants relating to recordkeeping, access to information, and similar matters.

As of December 31, 2024, the Company was in compliance with all required covenants. As of December 31, 2024, the Company’s scheduled principal repayments for the 2023 Term Notes of \$238.5 million is due in April 2028 and 2024 Term Notes of \$63.0 million is due in August 2029.

During the twelve months ended December 31, 2024, the Company recognized \$3.7 million of interest expense related to the amortization of the debt discount and issuance costs of the 2023 Term Notes and 2024 Term Notes. During the twelve months ended December 31, 2023, the Company recognized \$2.4 million of interest expense related to the amortization of the debt discount and issuance costs of the 2023 Notes.

As of December 31, 2024, the Company was in compliance with all required covenants. As of December 31, 2024, the Company's scheduled principal repayments for the 2023 Term Notes and 2024 Term Notes are set to occur after 2027.

The following table summarizes Ting Issuer LLC. borrowings under the 2023 Term Notes and 2024 Term Notes (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024	December 31, 2023
Principal	\$ 301,505	\$ 238,505
Less: unamortized issuance costs	(6,341)	(5,847)
Less: unamortized discount	(7,518)	(9,763)
Note payable, long-term portion <sup>(1)</sup>	<u>\$ 287,646</u>	<u>\$ 222,895</u>

(1) The Company capitalizes interest expenses directly attributable to the development of qualifying assets. Qualifying assets include internal use software (IUS), assets under construction (AUC), equipment, or other long-lived assets that meet the capitalization criteria prescribed by ASC 350. During the year ended December 31, 2024, the Company capitalized \$1.2 million of interest pertaining to the 2023 and 2024 Notes that were directly attributable to the development of certain AUC assets. During the year ended December 31, 2023, the Company capitalized \$1.0 million of interest expenses pertaining to the 2023 Notes directly attributable to the development of certain AUC assets.

*Restricted Cash*

Under the terms of the Indenture, revenues generated from the Securitized Assets are deposited into accounts controlled by the Indenture Trustee within two business days of receipt. The Company has no access to or control of the funds held in trust until they are disbursed by the Indenture Trustee on the 20th day of each calendar month (the “Payment Date”). In accordance with the Indenture, on each Payment Date the Indenture Trustee disburses, on behalf of the Obligor, administration fees to service providers, interest payments to the noteholders, liquidity reserve top-ups (if required), and the remaining funds to accounts controlled by the Obligor. Funds held in trust with the Indenture Trustee at the reporting date are presented as “Restricted cash” on the Company’s Consolidated Balance Sheet.

As of December 31, 2024 and December 31, 2023, Restricted cash totaled \$4.6 million and \$3.6 million, respectively.

Under the terms of the Indenture, the Company is also required to maintain a liquidity reserve fund equal to the sum of (A) six times the total amount of fund administration fees payable on each payment date after May 20, 2023 and (B) six times the total amount of monthly interest on the 2023 and 2024 Term Notes due and payable on each payment date after May 20, 2023. The liquidity reserve is maintained with the Indenture Trustee until the maturity of the 2023 and 2024 Term Notes and the balance is presented as “Secured notes reserve funds” on the Company’s Consolidated Balance Sheet.

As of December 31, 2024 and December 31, 2023, Secured notes reserve funds totaled \$11.7 million and \$8.7 million, respectively.

**9. Income Taxes:**

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 21% for the years ended December 31, 2024, December 31, 2023 and December 31, 2022, to income before provision for income taxes as a result of the following (Dollar amounts in thousands of U.S. dollars):

	Year ended December 31,		
	2024	2023	2022
Income (loss) for the year before provision for income taxes	\$ (101,874)	\$ (103,070)	\$ (27,788)
Computed federal tax expense (recovery)	(21,394)	(21,644)	(5,836)
Increase (decrease) in income tax expense resulting from:			
State income taxes	(2,804)	(2,891)	845
Foreign earnings	5,039	5,976	386
Changes in valuation allowance	22,886	11,213	4,023
Foreign income tax deduction	(1,302)	(1,571)	-
Adjustments recognized in the current period for income tax of prior periods	4,819	1,569	250
Permanent differences	(87)	(90)	(112)
Shortfall (excess) tax benefits on share-based compensation	-	-	138
Others	829	565	89
Provision (recovery) for income taxes	\$ 7,986	\$ (6,873)	\$ (217)

Our effective tax rate is mainly driven by changes in valuation allowance on net operating losses, interest expense limitation that we are not expected to realize in future years, and the impact of foreign earnings.

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2024, and December 31, 2023 are presented below (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024	December 31, 2023
Deferred tax assets:		
Net operating losses	\$ 71,429	\$ 55,574
Foreign tax credits	12,534	13,040
Share based compensation	6,093	4,976
Contract liabilities	5,086	5,132
Interest expense limitation	4,417	4,606
Limited life intangible assets	629	2,034
Accruals, including foreign exchange and other	1,442	146
Total deferred tax assets	101,630	85,508
Valuation allowance	(51,653)	(28,767)
Total deferred tax assets	\$ 49,977	\$ 56,741
Deferred tax liabilities:		
Investment in partnership	\$ (27,130)	\$ (32,550)
Prepaid registry fees and expenses	(20,640)	(19,216)
Indefinite life intangible assets	(2,965)	(2,966)
Fixed assets	(2,205)	(4,862)
Foreign branch deferred tax liabilities	-	(113)
Total deferred tax liabilities	\$ (52,940)	\$ (59,707)
Net deferred tax liabilities	\$ (2,963)	\$ (2,966)

In assessing the need for a valuation allowance, historical and future levels of income, expectations and risks associated with estimates of future taxable income and tax planning strategies are considered. In 2024, we have determined that it is not more likely than not that we will ultimately be able to fully utilize the net operating losses, foreign tax credits and interest expense limitation in future years. As of December 31, 2024, a valuation allowance of \$51.7 million is recorded against net deferred tax assets. The increase in the valuation allowance was primarily attributable to an increase in deferred tax assets resulting from the loss from operations.

As of December 31, 2024, the Company had net federal and state operating loss carryforwards of approximately \$295.7 million and interest expense carryforwards of \$18.1 million respectively. The majority of the net operating loss and interest expense carryforwards can be carried forward indefinitely.

As of December 31, 2024, the Company had foreign tax credit carryforwards of \$12.5 million. The foreign tax credit will expire beginning in the year ending December 31, 2027 if not utilized.

The Company had nil total gross unrecognized tax benefits as of both December 31, 2024 and December 31, 2023. The Company does not expect its total gross unrecognized tax benefits will change within the next 12 months.

The Company recognizes interest and penalties related to income tax matters within the provision for income taxes. As of December 31, 2024, the Company recorded \$0.7 million of interest in income taxes, primarily due to Sec. 453A interest on deferred tax liability for U.S. tax purposes. No other material interest and penalties were recognized as of December 31, 2024.

**10. Revenue:**

*Significant accounting policy*

The Company's revenues are derived from (a) the provisioning of retail fiber Internet services through Ting, (b) the Communication Service Providers ("CSP") solutions and professional services through Wavelo; and from (c) domain name registration contracts, other domain related value-added services, domain sale contracts, and other advertising revenue through Tucows Domains Services. Certain revenues are disclosed under Corporate and all other as they are considered non-core business activities including retail mobile services, Transition Services Agreement ("TSA") revenue and eliminations of intercompany revenue. Amounts received in advance of meeting the revenue recognition criteria described below are recorded as contract liabilities. All products are generally sold without the right of return or refund.

Revenue is measured based on the consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

*Nature of goods and services*

The following is a description of principal activities – separated by reportable segments – from which the Company generates its revenue. For more detailed information about reportable segments See Note 20 – Segment Reporting.

(a) Ting

The Company generates Ting revenues primarily through the provisioning of fixed high-speed Internet access, Ting Internet.

Ting Internet contracts provide customers Internet access at their home or business through the installation and use of our fiber optic network. Ting Internet contracts are generally prepaid and grant customers with unlimited bandwidth based on a fixed price per month basis. Because consideration is collected before the service period, revenue is initially deferred and recognized as the Company performs its obligation to provide Internet access. Though the Company does not consider the installation of fixed Internet access to be a distinct performance obligation, the fees related to installation are immaterial and therefore revenue is recognized as billed.

Ting Internet access services are primarily contracted through the Ting website, for one month at a time and contain no commitment to renew the contract following each customer's monthly billing cycle. The Company's billing cycle for all Ting Internet customers is computed based on the customer's activation date. In addition, revenue from the sale of internet hardware to subscribers is recognized when control transfers, which occurs upon shipment. Incentive marketing credits given to customers are recorded as a reduction of revenue.

In those cases where payment is not received at the time of sale, revenue is not recognized at contract inception unless the collection of the related accounts receivable is reasonably assured. The Company records expected refunds, rebates and credit card charge-backs as a reduction of revenues at the time of the sale based on historical experiences and current expectations.

(b) Wavelo

The Company generates Wavelo revenues by providing billing and provisioning platform services to CSPs to whom we also provide other professional services.

Platform service agreements contain both platform services and professional services. Platform services offer a variety of solutions that support CSPs, including subscription and billing management, network orchestration and provisioning, and individual developer tools through a single, cloud based service. Professional services provided under platform service arrangements can include implementation, training, consulting or software development/modification services. Platform services and professional services are considered to be separate performance obligations.

Consideration under platform service arrangements includes both a variable component that changes each month depending on the number of subscribers hosted on the platform, as well as a fixed component of platform payments and credits.

Platform payments and the associated credits are allocated between the platform services and professional services performance obligations by estimating the standalone selling price ("SSP") of each performance obligation.

The Company estimates the SSP of professional services based on observable standalone sales. The SSP of platform services is derived using the residual approach by estimating the total contract consideration and subtracting the SSP of professional services.

Each month of providing access to the platform is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided, therefore, the performance obligation consists of a series of distinct service periods. Accordingly, the platform services represent a single promise to provide continuous access (i.e. a stand-ready performance obligation) to the platform. Accordingly, the platform payment revenue allocated to platform services is recognized evenly over the term of the contract. Variable subscriber fees are allocated to the platform services and are recognized as the fees are invoiced.

Revenues related to professional services are distinct from the other promises in the contract(s) and are recognized as the related services are performed, on the basis of hours consumed.

Other professional services consist of professional service arrangements with platform services customers which are billed based on separate Statement of Work ("SOW") arrangements for bespoke feature development. Revenues for professional services contracted through separate SOWs are recognized at a point-in-time when the final acceptance criteria have been met.

(c) Tucows Domains

Domain registration contracts, which can be purchased for terms of one to ten years, provide our resellers and retail registrant customers with the exclusive right to a personalized internet address from which to build an online presence. The Company enters into domain registration contracts in connection with each new, renewed and transferred-in domain registration. At the inception of the contract, the Company charges and collects the registration fee for the entire registration period. Though fees are collected upfront, revenue from domain registrations are recognized ratably over the registration period as domain registration contracts contain a ‘right to access’ license of IP, which is a distinct performance obligation measured over time. The registration period begins once the Company has confirmed that the requested domain name has been appropriately recorded in the registry under contractual performance standards.

Domain related value-added services like digital certifications, WHOIS privacy, website hosting and hosted email provide our resellers and retail registrant customers with tools and additional functionality to be used in conjunction with domain registrations. All domain related value-added services are considered distinct performance obligations which transfer the promised service to the customer over the contracted term. Fees charged to customers for domain related value-added services are collected at the inception of the contract, and revenue is recognized on a straight-line basis over the contracted term, consistent with the satisfaction of the performance obligations.

The Company is an ICANN accredited registrar. Thus, the Company is the primary obligor with our reseller and retail registrant customers and is responsible for the fulfillment of our registrar services to those parties. As a result, the Company reports revenue in the amount of the fees we receive directly from our reseller and retail registrant customers. Our reseller customers maintain the primary obligor relationship with their retail customers, establish pricing and retain credit risk to those customers. Accordingly, the Company does not recognize any revenue related to transactions between our reseller customers and their ultimate retail customers.

The Company also sells the rights to the Company’s portfolio domains or names acquired through the Company’s domain expiry stream. The domain expiry stream involves domain names whose registration has expired and as per ICAANN regulations are placed into a 40-day grace period. Though the domain names do not belong to the Registrant during the 40-day grace period, the Company is restricted from allowing others to register them. The Company monetizes its domain expiry stream both through the sale of names and by allowing advertisers to place parked pages advertisements on the domains. Revenue generated from sale of domain name contracts, containing a distinct performance obligation to transfer the domain name rights under the Company’s control, is generally recognized once the rights have been transferred and payment has been received in full.

Advertising revenue is derived through domain parking monetization, whereby the Company contracts with third-party Internet advertising publishers to direct web traffic from the Company’s domain expiry stream domains, surname domains and direct navigation domains to advertising websites. Compensation from Internet advertising publishers is calculated variably on a cost-per-action basis based on the number of advertising links that have been visited in a given month. Given that the variable consideration is calculated and paid on a monthly basis, no estimation of variable consideration is required.

*Disaggregation of Revenue*

The following is a summary of the Company’s revenue earned from each significant revenue stream (Dollar amounts in thousands of U.S. dollars):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Ting:</b>			
Fiber Internet Services	\$ 59,732	\$ 50,937	\$ 42,425
<b>Wavelo:</b>			
Platform Services	39,824	37,082	22,594
Other professional services	37	1,588	1,750
Total Wavelo	<u>39,861</u>	<u>38,670</u>	<u>24,344</u>
<b>Tucows Domains:</b>			
<b>Wholesale</b>			
Domain Services	197,113	189,013	187,542
Value Added Services	19,882	17,712	20,712
Total Wholesale	<u>216,995</u>	<u>206,725</u>	<u>208,254</u>
<b>Retail</b>			
Total Tucows Domains	<u>37,644</u>	<u>35,372</u>	<u>34,904</u>
	<u>254,639</u>	<u>242,097</u>	<u>243,158</u>
<b>Corporate and all other:</b>			
Mobile Services and eliminations	8,043	7,633	11,215
	<u>\$ 362,275</u>	<u>\$ 339,337</u>	<u>\$ 321,142</u>

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As of December 31, 2024, one customer represented 56% of total accounts receivable. As of December 31, 2023 one customer represented 59% of total accounts receivable.

During the years ended December 31, 2024 and December 31, 2023 one customer within the Wavelo segment accounted for 10.7% of revenue, amounting to \$38.8 million and \$36.2 million, respectively. For the year ended December 31, 2022 no customer accounted for more than 10% of total revenue.

The following is a summary of the Company's cost of revenue from each significant revenue stream (Dollar amounts in thousands of U.S. dollars):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Ting:</b>			
Fiber Internet Services	\$ 18,754	\$ 20,151	\$ 17,004
<b>Wavelo:</b>			
Platform Services	1,248	1,337	1,294
Other professional services	25	1,289	1,632
Total Wavelo	<u>1,273</u>	<u>2,626</u>	<u>2,926</u>
<b>Tucows Domains:</b>			
Wholesale			
Domain Services	158,383	150,664	147,894
Value Added Services	2,075	2,249	2,514
Total Wholesale	<u>160,458</u>	<u>152,913</u>	<u>150,408</u>
Retail			
Total Tucows Domains	<u>16,625</u>	<u>16,501</u>	<u>16,482</u>
<b>Corporate and all other:</b>			
Mobile Services and eliminations	<u>12,637</u>	<u>10,065</u>	<u>9,448</u>
<b>Network Expenses:</b>			
Network, other costs	26,723	28,222	17,433
Network, depreciation and amortization costs	41,335	37,370	29,101
Network, impairment	1,441	4,822	92
Total Network Expenses	<u>69,499</u>	<u>70,414</u>	<u>46,626</u>
	<u>\$ 279,246</u>	<u>\$ 272,670</u>	<u>\$ 242,894</u>

*Contract Balances*

The following table provides information about contract liabilities from contracts with customers. The Company accounts for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Some of the Company's long-term contracts with customers are billed in advance of service, such as domain contracts and some professional service contracts. Consideration received from customers related to performance obligations which have not yet been satisfied are recorded as contract liabilities.

Contract liabilities primarily relate to the portion of the transaction price received in advance related to the unexpired term of domain name registrations and other domain related value-added services, on both a wholesale and retail basis, net of external commissions.

Significant changes in contract liabilities for the year ended December 31, 2024 were as follows (Dollar amounts in thousands of U.S. dollars):

	<u>Year ended December 31, 2024</u>
Balance, beginning of period	\$ 148,083
Contract liabilities	241,863
Recognized revenue	<u>(233,142)</u>
Balance, end of period	<u>\$ 156,804</u>

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Significant changes in contract liabilities for the year ended December 31, 2023 were as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year ended December 31, 2023</b>
Balance, beginning of period	\$ 145,131
Contract liabilities	250,130
Recognized revenue	(247,178)
Balance, end of period	<u>\$ 148,083</u>

*Remaining Performance Obligations:*

As the Company fulfills its performance obligations, the following table includes revenues expected to be recognized in the future related performance obligations that are unsatisfied (or partially unsatisfied) as at December 31, 2024 (Dollar amounts in thousands of U.S. dollars)

	<b>December 31, 2024</b>
2025	\$ 135,649
2026	10,245
2027	4,365
2028	2,584
2029	1,613
Thereafter	2,348
Total	<u>\$ 156,804</u>

For retail mobile and internet access services, where the performance obligation is part of contracts that have an original expected duration of one year or less (typically one month), the Company has elected to apply a practical expedient to not disclose revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied).

Although domain registration contracts are deferred over the lives of the individual contracts, which can range from one to ten years, approximately 80 percent of our contract liabilities balance related to domain contracts is expected to be recognized within the next twelve months.

Professional services revenue related to platform services agreements is deferred and recognized as hours are incurred over the contract term. Any revenue for unused professional service hours is recognized as revenue at the end of the contract period.

#### 11. Costs to obtain and fulfill a contract

(a) Deferred costs of acquisition

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the period of benefit of those costs to be longer than one year and those costs are expected to be recoverable under the term of the contract. We have identified certain sales incentive programs and other customer acquisition fees that meet the requirements to be capitalized, and therefore, capitalized them as contract costs in the amount of \$2.3 million at December 31, 2024.

Capitalized contract acquisition costs are amortized into operating expense typically over three years, based on the transfer of goods or services to which the assets relate. The breakdown of the movement in the deferred costs of acquisition balance for the year ended December 31, 2024 is as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year ended December 31, 2024</b>
Balance, beginning of period	\$ 2,581
Capitalization of costs	1,451
Amortization of costs	(1,699)
Balance, end of period	<u>\$ 2,333</u>

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The breakdown of the movement in the deferred costs of acquisition balance for the year ended December 31, 2023 is as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year ended December 31, 2023</b>
Balance, beginning of period	\$ 1,827
Capitalization of costs	1,987
Amortization of costs	<u>(1,233)</u>
Balance, end of period	<u>\$ 2,581</u>

When the amortization period for costs incurred to obtain a contract with a customer is less than one year, we have elected to apply a practical expedient to expense the costs as incurred. These costs include our internal sales compensation program, certain partner sales incentive programs and other customer acquisition fees.

(b) Deferred costs of fulfillment

Deferred costs to fulfill contracts primarily consist of domain registration costs which have been paid to a domain registry, and are capitalized as deferred costs of fulfillment. These costs are deferred and amortized over the life of the domain which generally ranges from one to ten years. The Company also defers certain technology design and data migration costs it incurs to fulfill its performance obligations contained in our platform services arrangements. There were no impairment losses recognized in relation to the costs capitalized during the year ended December 31, 2024. Amortization expense is primarily included in cost of revenue. The breakdown of the movement in the deferred costs of fulfillment balance for the year ended December 31, 2024 is as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year ended December 31, 2024</b>
Balance, beginning of period	\$ 111,068
Deferral of costs	185,174
Recognized costs	<u>(179,267)</u>
Balance, end of period	<u>\$ 116,975</u>

The breakdown of the movement in the deferred costs of fulfillment balance for the year ended December 31, 2023 is as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year ended December 31, 2023</b>
Balance, beginning of period	\$ 110,674
Deferral of costs	179,477
Recognized costs	<u>(179,083)</u>
Balance, end of period	<u>\$ 111,068</u>

**12. Leases**

We lease datacenters, corporate offices, antenna towers and fiber-optic cables under operating leases. The Company does not have any leases classified as finance leases.

Our leases have remaining lease terms of 1 year to 20 years, some of which may include options to extend the leases for up to 5 years, and some of which may include options to terminate the leases within 1 year.

The components of lease expense were as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Operating lease expense (leases with a total term greater than 12 months)	\$ 7,134	\$ 5,710
Short-term lease expense (leases with a total term of 12 months or less)	34	196
Variable lease expense	2,343	1,878
Total lease expense	<u>\$ 9,511</u>	<u>\$ 7,784</u>

Lease expense is presented in general and administrative expenses and direct cost of revenues within our consolidated statements of operations and comprehensive income (loss).

Variable lease payments are determined based on specific terms and conditions outlined in the lease agreements. These may include payments for utilities, which are based on actual usage, and maintenance costs, which are determined based on expenses incurred.

Information related to leases was as follows (Dollar amounts in thousands of U.S. dollars):

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<i>Supplemental cashflow information:</i>		
Operating lease - operating cash flows (fixed payments)	\$ 7,623	\$ 6,088
Operating lease - operating cash flows (liability reduction)	\$ 5,940	\$ 5,170
New right of use assets - operating leases	\$ 14,206	\$ 11,388

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<i>Supplemental balance sheet information related to leases:</i>		
Incremental borrowing rate	8.09%	6.92%
Weighted average remaining lease term	14.60 yrs	10.57 yrs

Maturity of lease liability as of December 31, 2024 (Dollar amounts in thousands of U.S. dollars):

	<b>December 31, 2024</b>
2025	\$ 7,225
2026	5,429
2027	3,880
2028	3,097
2029	3,026
Thereafter	32,669
Total future lease payments	<u>55,326</u>
Less: interest	24,277
Total	<u>\$ 31,049</u>

Operating lease payments include payments under the non-cancellable term, without any additional amounts related to options to extend lease terms that are not reasonably certain of being exercised.

As of December 31, 2024, we have not entered into any lease agreements that have not yet commenced, and therefore are not included in the lease liability.

The Company has elected to use the single exchange rate approach when accounting for lease modifications. Under the single exchange rate approach, the entire right of use asset is revalued at the date of modification in the Company's functional currency provided the re-measurement is not considered a separate contract or if the re-measurement is related to change the lease term or assessment of a lessee option to purchase the underlying asset being exercised.

### 13. Redeemable preferred units:

The Company entered into a Series A Preferred Unit Purchase Agreement (the "Unit Purchase Agreement") with Generate TF Holdings, LLC, a Delaware limited liability company ("Generate") on August 8, 2022 (the "Effective Date"), and closed the transaction contemplated thereby on August 11, 2022 (the "Transaction Close") pursuant to which the Company issued and sold 10,000,000 units of its Series A Preferred Units to Generate at a cash purchase price of \$6.00 per unit ("Initial Funding"). Under the Unit Purchase Agreement, after the Transaction Close until the third anniversary of the Effective Date (the "End Date") and upon the achievement of pre-determined operational and financial drawdown milestones, the Company will issue and sell in subsequent fundings an aggregate of 23,333,333.34 units of additional Series A Preferred Units on the same terms and conditions as in the Initial Funding ("Milestone Fundings"). The investment provided the Company with \$60 million of capital upon the Initial Funding, with an additional \$140 million of capital commitments available to the Company over the subsequent three-year period if the milestones are achieved. From the Transaction Close until the earlier of (i) the End Date and (ii) the date upon which Generate has paid \$140 million pursuant to Milestone Fundings, the Company is required to pay Generate a standby fee at a rate of 0.50% of any portion of the unpaid \$140 million capital commitment which will be paid quarterly. The Series A Preferred Units accrue a preferred return to the holder at a rate of 15% per annum, subject to adjustments based on the value of approved projects under the Equity Capital Contribution Agreement (the "ECC Agreement"). The preferred return on the Series A Preferred Units purchased under the Unit Purchase Agreement may be adjusted down to a floor of 13% or up to a ceiling of 17% per annum based on commitment and contribution amounts under the ECC Agreement. The preferred return accrues daily, and is compounded quarterly. The preferred return accrued during the first two years is not payable unless and until the Series A Preferred Units are redeemed. The preferred return accrued after the second anniversary of the Transaction Close is payable by the Company quarterly. If the Company should redeem the Series A Preferred Units prior to the fourth anniversary of the Transaction Close, the Company is required to pay a make-whole premium, which is calculated as the cumulative and compounded preferred return that would have accrued (at the preferred return rate in effect immediately prior to such redemption) on the outstanding unreturned capital balance with respect to the Series A Preferred Units through and including the six-year anniversary of the Transaction Close had such Series A Preferred Unit not been redeemed, discounted at an agreed upon treasury rate plus 50 basis points, compounded quarterly (the "Make-Whole-Premium").

The Company's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), states that in the event that (i) the Company fails to pay the preferred return for two consecutive quarters, (ii) the Company fails to pay the redemption price in connection with any redemption of the Series A Preferred Units, (iii) the Company materially breaches its obligations under the LLC Agreement, (iv) there occurs an event of default (or similar term) under Tucows Inc.'s or its affiliates' credit agreement, (v) there occurs material breach if not cured or otherwise remedied in accordance with the terms of any credit facility (taking into account any cure periods), by the Company or any of its Subsidiaries under any debt facilities where the Company or any of its Subsidiaries incurs indebtedness for borrowed money, or (vi) the Company breaches any covenant under the Unit Purchase Agreement, Generate has the option to either (i) convert Series A Preferred Units based on the Redemption Price into common units of the Company based on the then applicable conversion price ; or (ii) compelling the sale of certain assets of the Company or its subsidiaries of equal value to the Redemption Price.

Under the terms of the LLC Agreement, the Company is mandatorily required to redeem the redeemable preferred units prior to the earliest of (i) a sale of the Company, (ii) a public offering, (iii) an event of default (or similar term) by Tucows Inc. or any of its affiliates under, (iv) a material breach if not cured or otherwise remedied in accordance with the terms of any credit facility (taking into account any cure periods), by the Company or any of its Subsidiaries under any debt facilities where the Company or any of its Subsidiaries incurs indebtedness for borrowed money, (v) the Company failed to pay the preferred return for two consecutive quarters, and (vi) the six-year anniversary of the Transaction Close. Due to the fact that the redeemable preferred units are mandatorily redeemable, the redeemable preferred units are classified as a liability in the accompanying consolidated balance sheets. The liability was initially recorded at fair value and subsequently recorded at the present value of the settlement amount, which includes the preferred return payments required until the instrument's expected maturity on the sixth anniversary of the Transaction Close, August 10, 2028 using the implicit rate of return of the instrument, 15%. The Company recorded a \$10.7 million accretion expense on the redeemable preferred units for the year ended December 31, 2024, recorded as interest expense, net in the accompanying consolidated statements of comprehensive income (loss).

The Company incurred \$0.8 million of legal fees related to the redeemable preferred unit issuance, which have been reflected as a reduction to the carrying amount of the redeemable preferred unit balance and will be amortized to interest expense, net in the accompanying consolidated statements of operations and comprehensive income (loss) over the expected six-year term instrument.

On January 30, 2023, the Company issued and sold an additional 5,000,000 units of its Series A Preferred Units to Generate at a cash purchase price of \$6.00 per unit. The Milestone Funding provided the Company with an additional \$30.0 million of capital.

On April 21, 2023, the Company issued and sold an additional 833,333 units of Series A Preferred Units to Generate at a cash purchase price of \$6.00 per unit pursuant to the Unit Purchase Agreement. The Milestone Funding provided the Company with an additional \$5.0 million of capital and reduced Generate's future capital commitment under the Unit Purchase Agreement to \$77.5 million.

On May 4, 2023, Ting Fiber, LLC executed the Ting Class C Notes - Redemption Agreement (the "Redemption Agreement") and the Ting Class C Notes – Side Letter (the "Side Letter Agreement") with Generate. Under the terms of the Redemption Agreement, Ting Fiber, LLC redeemed 5,173,067 Series A Preferred Units held by Generate at \$6 per unit, totaling a redemption of \$31 million. The terms of the redemption were modified by the Side Letter Agreement, which granted a 30% discount on the make-whole premium which amounted to \$14.7 million for a total redemption price of \$45.7 million inclusive of the make-whole premium. The Company has accounted for the redemption of the preferred units as an extinguishment of debt in accordance with ASC 470 - Debt. The resulting loss on debt extinguishment has been recognized as 'Other Income/Expense' in the financial statements. Terms of the Side Letter Agreement also preclude Ting Fiber, LLC from issuing additional Series A Preferred Units for 365 days from the closing of the Redemption Agreement during which time standby fees will be suspended.

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As of December 31, 2024, the redeemable preferred units have an aggregate liquidation preference of \$91.5 million, plus a Make-Whole Premium should redemption occur before the fourth anniversary of the Transaction Date and are senior to the Ting Fiber, LLC common shares with respect to sale, dissolution, liquidation or winding up of the Company.

The following table summarizes the Company's borrowings under the preferred unit agreement (Dollar amounts in thousands of U.S. dollars):

	December 31, 2024	December 31, 2023
Opening Balance	\$ 111,899	\$ 91,396
Add: Milestone Funding	-	35,000
Add: Accretion of redeemable preferred units <sup>(1)</sup>	10,657	16,541
Add: Loss on debt extinguishment	-	14,680
Less: Redemption of preferred units	-	(45,718)
Redeemable preferred units balance	122,556	111,899
Less: Deferred preferred financing costs	(400)	(509)
Total Redeemable preferred units	\$ 122,156	\$ 111,390

(1) The Company capitalizes interest expenses directly attributable to the development of qualifying assets. Qualifying assets include internally use software (IUS), assets under construction (AUC), equipment, or other long-lived assets that meet the capitalization criteria prescribed by ASC 350. During the years ended December 31, 2024, and December 31, 2023 the Company capitalized \$1.3 million and \$2.4 million of interest expenses pertaining to the redeemable preferred units directly attributable to the development of certain AUC assets, respectively.

The following table summarizes our scheduled repayments as of December 31, 2024 (Dollar amounts in thousands of U.S. dollars):

2025	\$ 18,639
2026	18,536
2027	18,639
2028	135,474
	\$ 191,288

#### 14. Common Shares

The Company's authorized common share capital is 250 million shares of common stock without nominal or par value. On December 31, 2024, there were 11,014,655 shares of common stock outstanding (December 31, 2023: 10,903,405).

Repurchase of common shares:

(a) Normal Course Issuer Bids:

##### *2025 Stock Buyback Program*

On February 13 2025, the Company announced that its Board of Directors ("Board") has approved a stock buyback program to repurchase up to \$40 million of its common stock in the open market. The \$40 million buyback program commenced on February 14, 2025 and is expected to terminate on February 13, 2026.

##### *2024 Stock Buyback Program*

On February 22, 2024, the Company announced that its Board had approved a stock buyback program to repurchase up to \$40 million of its common stock in the open market. The \$40 million buyback program commenced on February 23, 2024 and terminated on February 13, 2025. The Company did not repurchase shares under this program.

##### *2023 Stock Buyback Program*

On February 9, 2023, the Company announced that its Board had approved a stock buyback program to repurchase up to \$40 million of its common stock in the open market. The \$40 million buyback program commenced on February 10, 2023 and terminated on February 9, 2024. The Company did not repurchase shares under this program.

##### *2022 Stock Buyback Program*

On February 10, 2022, the Company announced that its Board had approved a stock buyback program to repurchase up to \$40 million of its common stock in the open market. The \$40 million buyback program commenced on February 11, 2022 and terminated on February 9, 2023. The Company did not repurchase shares under this program.

*2021 Stock Buyback Program*

On February 9, 2021, the Company announced that its Board had approved a stock buyback program to repurchase up to \$40 million of its common stock in the open market. The \$40 million buyback program commenced on February 10, 2021 and terminated on February 9, 2022. The Company did not repurchase shares under this program.

(b) Net Exercise of Stock Options

Our current equity-based compensation plans include provisions that allow for the “net exercise” of stock options by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option holder can be paid for by having the option holder tender back to the Company a number of shares at fair value equal to the amounts due. These transactions are accounted for by the Company as a purchase and retirement of shares and are included in the table on the following page as common stock received in connection with share-based compensation.

The following table summarizes our share repurchase activity for the periods covered below (Dollar amounts in thousands of US dollars, except for share data):

	Year Ended December 31,		
	2024	2023	2022
Common stock received in connection with share-based compensation			
Number of shares	-	-	3,053
Aggregate market value of shares (in thousands)	\$ -	\$ -	\$ 197
Average price per share	\$ -	\$ -	\$ 64.67

**15. Stock Option Plans:**

*2006 Tucows Equity Compensation Plan*

On November 22, 2006, the shareholders of the Company approved the Company’s 2006 Equity Compensation Plan (the “2006 Plan”), which was amended and restated effective July 29, 2010 and which serves as a successor to the 1996 Plan. The 2006 Plan has been established for the benefit of the employees, officers, directors and certain consultants of the Company. The maximum number of common shares which have initially set aside for issuance under the 2006 Plan is 1.25 million shares. On October 8, 2010, the 2006 Plan was amended to increase the number of shares set aside for issuance by an additional 0.475 million shares to 1.725 million shares. In September 2015, the 2006 Plan was amended to increase the number of shares set aside for issuance by an additional 0.75 million shares to 2.475 million shares. In November 2020, the 2006 Plan was amended to increase the number of shares set aside for issuance by an additional 1.53 million shares to 4.0 million shares. Generally, options issued under the 2006 Plan vest over a four-year period and have a term not exceeding seven years, except for automatic formula grants of non-qualified stock options, which vest after one year and have a five-year term. Prior to the September 2015 amendment to the 2006 Plan, automatic formula grants of non-qualified stock options vested immediately upon grant.

Our current equity-based compensation plans include provisions that allow for the “net exercise” of stock options by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option holder can be paid for by having the option holder tender back to the Company a number of shares at fair value equal to the amounts due. These transactions are accounted for by the Company as a purchase and retirement of shares.

The fair value of each option grant (“Company Option”) is estimated on the date of grant using the Black-Scholes option-pricing model. Because option-pricing models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. The assumptions presented in the table below represent the weighted average of the applicable assumption used to value stock options at their grant date. The Company calculates expected volatility based on historical volatility of the Company’s common shares. The expected term, which represents the period of time that options granted are expected to be outstanding, is estimated based on historical exercise experience. The Company evaluated historical exercise behavior when determining the expected term assumptions. The risk-free rate assumed in valuing the options is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The Company determines the expected dividend yield percentage by dividing the expected annual dividend by the market price of Tucows Inc. common shares at the date of grant.

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The fair value of Company Options granted during the years ended December 31, 2024, December 31, 2023 and December 31, 2022 was estimated using the following weighted average assumptions:

	Year Ended December 31,		
	2024	2023	2022
Volatility	48.4%	42.6%	34.9%
Risk-free interest rate	4.2%	4.2%	3.4%
Expected life (in years)	4.45	4.46	4.60
Dividend yield	0.0%	0.0%	0.0%
The weighted average grant date fair value for options issued, with the exercise price equal to market value on the date of grant	\$ 9.61	\$ 10.34	\$ 14.93

Details of Company Option transactions are as follows:

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share
Outstanding, beginning of period	1,132,632	\$ 54.61	1,036,748	\$ 59.97	904,151	\$ 64.36
Granted	323,358	21.02	172,305	25.04	262,980	42.15
Exercised	-	-	-	-	(40,459)	31.95
Forfeited	(135,098)	27.76	(41,126)	58.89	(55,234)	68.11
Expired	(198,192)	56.86	(35,295)	68.58	(34,690)	58.92
Outstanding, end of period	1,122,700	45.86	1,132,632	54.61	1,036,748	59.97
Options exercisable, end of period	602,505	\$ 58.58	731,945	\$ 61.05	520,679	\$ 62.74

As of December 31, 2024, the exercise prices, weighted average remaining contractual life of outstanding options and intrinsic values were for Company Options were as follows:

Exercise price	Options outstanding				Options exercisable			
	Number outstanding	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value	Number exercisable	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value
\$16.47 - \$19.93	57,500	\$ 19.63	5.1	\$ 72	31,250	\$ 19.38	3.9	\$ 47
\$20.25 - \$28.37	385,617	22.84	6.2	46	30,843	25.87	5.6	-
\$30.70 - \$30.74	8,750	30.72	2.9	-	2,500	30.74	4.9	-
\$40.04 - \$48.00	171,790	42.32	4.2	-	91,677	42.65	4.4	-
\$51.82 - \$59.98	55,650	56.33	1.1	-	55,650	56.33	1.1	-
\$60.01 - \$68.41	240,406	62.09	1.5	-	238,698	62.10	1.5	-
\$70.13 - \$79.51	187,425	78.37	2.9	-	139,513	78.40	2.9	-
\$80.61 - \$82.07	15,562	81.23	2.3	-	12,374	81.27	2.1	-
	1,122,700	\$ 45.86	4.0	\$ 118	602,505	\$ 58.58	2.6	\$ 47

Total unrecognized compensation cost relating to unvested Company Options at December 31, 2024, prior to the consideration of expected forfeitures, is approximately \$4.4 million and is expected to be recognized over a weighted average period of 2.6 years.

There were no exercises of Company Options during the years ended December 31, 2024 and December 31, 2023. The total intrinsic value of Company Options exercised during the year ended December 31, 2022 was \$0.8 million. Cash received from the exercise of stock options during the year ended December 31, 2022 was \$1.1 million.

The Company recorded stock-based compensation for Company options amounting to \$5.2 million, \$6.0 million and \$5.8 million for the years ended December 31, 2024, 2023 and 2022 respectively. Stock-based compensation for the Company stock has been included in operating expenses as follows (Dollar amounts in thousands of US dollars):

	Year Ended December 31,		
	2024	2023	2022
Network, other costs	\$ 395	\$ 399	\$ 399
Sales and marketing	962	1,423	1,498
Technical operations and development	601	634	545
General and administrative	3,235	3,577	3,337
	<u>\$ 5,193</u>	<u>\$ 6,033</u>	<u>\$ 5,779</u>

**2022 Wavelo Equity Compensation Plan**

On November 9, 2022 the Board of Wavelo approved Wavelo's Equity Compensation Plan (Wavelo ECP), which has been established for the benefit of the employees, officers, directors and certain consultants of Wavelo or Tucows. The Wavelo stock options were introduced in order to provide variable compensation that helps retain executives and ensures that our executives' interests are aligned with those stakeholders of the business to grow long-term value. Wavelo is a wholly owned subsidiary of Tucows. The maximum number of Wavelo common shares which have been set aside for issuance under the 2022 Plan is 20 million shares, currently there are 100 million shares outstanding. The options issued under the ECP primarily vest over a period of three years and have a 7-year term. For the initial grants under the plan, the first 25% became exercisable within three months and vesting ratably monthly thereafter, subsequently for three years. Compensation costs for awards of stock-based compensation settled in shares are determined based on the fair value of the share-based instrument at the time of the grant and are recognized as expense over the vesting period of the share-based instrument. The Company recognizes forfeitures as they occur.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Because option-pricing models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. The Company calculates expected volatility based on the actual volatility of comparable publicly traded companies. The risk-free rate assumed in valuing the options is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The Company assumes the expected dividend yield to be zero.

The fair value of stock options granted during the year ended December 31, 2024 was estimated using the following weighted average assumptions:

	Year Ended December 31,		
	2024	2023	2022
Volatility	42.7%	40.6%	40.7%
Risk-free interest rate	4.6%	4.3%	4.4%
Expected life (in years)	4.38	4.17	4.16
Dividend yield	0.0%	0.0%	0.0%
The weighted average grant date fair value for options issued, with the exercise price equal to market value on the date of grant	<u>\$ 0.52</u>	<u>\$ 0.49</u>	<u>\$ 0.49</u>

Details of Wavelo's stock option transactions are as follows:

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share
Outstanding, beginning of period	16,333,233	\$ 1.28	15,975,528	\$ 1.27	-	\$ -
Granted	1,415,000	1.75	865,000	1.37	15,975,528	1.27
Exercised	(33,750)	1.27	-	-	-	-
Forfeited	(1,430,832)	1.28	(451,708)	1.27	-	-
Expired	(395,654)	1.27	(55,587)	1.27	-	-
Outstanding, end of period	<u>15,887,997</u>	<u>1.28</u>	<u>16,333,233</u>	<u>1.28</u>	<u>15,975,528</u>	<u>1.27</u>
Options exercisable, end of period	<u>11,009,285</u>	<u>\$ 1.27</u>	<u>7,752,114</u>	<u>\$ 1.27</u>	<u>15,975,528</u>	<u>\$ 1.27</u>

The total intrinsic value of the Wavelo stock options exercised during the year ended December 31, 2024 was \$0.1 million, and the cash received from the exercise of those stock options was \$0.1 million. No Wavelo stock options were exercised for the years ended December 31, 2023 and December 31, 2022.

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As of December 31, 2024, the exercise prices, weighted average remaining contractual life of outstanding options and intrinsic values were for Wavelo stock options were as follows:

Exercise price	Options outstanding			Options exercisable				
	Number outstanding	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value	Number exercisable	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value
\$0 - \$1.78	15,887,997	\$ 1.32	4.8	\$ 7,347	11,009,285	\$ 1.27	4.9	\$ 5,588
	<u>15,887,997</u>	<u>\$ 1.32</u>	<u>4.8</u>	<u>\$ 7,347</u>	<u>11,009,285</u>	<u>\$ 1.27</u>	<u>4.9</u>	<u>\$ 5,588</u>

Total unrecognized compensation cost relating to unvested Wavelo stock options at December 31, 2024, prior to the consideration of expected forfeitures, is approximately \$3.3 million and is expected to be recognized over a weighted average period of 1.8 years.

The Company recorded stock-based compensation for Wavelo options amounting to \$1.6 million, \$1.8 million and \$1.8 million for the years ended December 31, 2024, 2023 and 2022, respectively. Stock-based compensation for the Wavelo stock has been included in operating expenses as follows (Dollar amounts in thousands of US dollars):

	Year Ended December 31,		
	2024	2023	2022
Network, other costs	\$ 104	\$ 131	\$ 104
Sales and marketing	950	931	508
Technical operations and development	261	259	407
General and administrative	325	434	801
	<u>\$ 1,640</u>	<u>\$ 1,755</u>	<u>\$ 1,820</u>

**2022 Ting Equity Compensation Plan**

On January 16, 2023, the Board of Ting Fiber, LLC approved Ting's Equity Compensation Plan (Ting ECP), which has been established for the benefit of the employees, officers, directors and certain consultants of Ting or Tucows. The Ting stock options were introduced in order to provide variable compensation that helps retain executives and ensure that our executives' interests are aligned with those stakeholders of the business to grow the long-term value. The maximum number of Ting common units that have been set aside for issuance under the plan is 10 million units, currently there are 100 million common units outstanding. Generally, options issued under the ECP vest over a four-year period and have a term not exceeding seven years. Compensation costs for awards of stock-based compensation settled in shares are determined based on the fair value of the share-based instrument at the time of the grant and are recognized as expense over the vesting period of the share based instrument.

The Company calculates expected volatility based on the actual volatility of comparable publicly traded companies. The risk-free rate assumed in valuing the options is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The Company assumes the expected dividend yield to be zero.

The fair value of stock options granted during the year ended December 31, 2024 was estimated using the following weighted average assumptions:

	Year Ended December 31,		
	2024	2023	2022
Volatility	36.3%	35.8%	N/A
Risk-free interest rate	3.8%	3.8%	N/A
Expected life (in years)	4.36	4.18	N/A
Dividend yield	0.0%	0.0%	N/A
The weighted average grant date fair value for options issued, with the exercise price equal to market value on the date of grant	\$ 0.13	\$ 0.11	N/A

Details of Ting's stock option transactions are as follows:

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share
Outstanding, beginning of period	7,504,269	\$ 6.00	-	\$ -	N/A	N/A
Granted	123,000	6.00	8,044,000	6.00	N/A	N/A
Exercised	-	-	-	-	N/A	N/A
Forfeited	(1,382,845)	6.00	(438,381)	6.00	N/A	N/A
Expired	(284,764)	6.00	(101,350)	6.00	N/A	N/A
Outstanding, end of period	5,959,660	6.00	7,504,269	6.00	N/A	N/A
Options exercisable, end of period	4,462,430	\$ 6.00	3,156,281	\$ 6.00	N/A	N/A

As of December 31, 2024, the exercise prices, weighted average remaining contractual life of outstanding options and intrinsic values were for Ting stock options were as follows:

Exercise price	Options outstanding				Options exercisable			
	Number outstanding	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value	Number exercisable	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value
\$0 - \$6.00	5,959,660	\$ 6.00	5.2	\$ -	4,462,430	\$ 6.00	5.3	\$ -
	5,959,660	\$ 6.00	5.2	\$ -	4,462,430	\$ 6.00	5.3	\$ -

Total unrecognized compensation cost relating to unvested stock options at December 31, 2024, prior to the consideration of expected forfeitures, is approximately \$0.5 million and is expected to be recognized over a weighted average period of 2.2 years.

The Company recorded stock-based compensation for Ting options amounting to \$0.2 million, \$0.3 million and nil for the years ended December 31, 2024, 2023 and 2022 respectively. Stock-based compensation for the Ting stock has been included in operating expenses as follows (Dollar amounts in thousands of US dollars):

	Year Ended December 31,		
	2024	2023	2022
Network, other costs	\$ 34	\$ 45	\$ -
Sales and marketing	71	139	-
Technical operations and development	-	6	-
General and administrative	83	156	-
	\$ 188	\$ 346	\$ -

The Company recorded stock-based compensation expense of \$7.0 million for year ended December 31, 2024 and \$8.1 million and \$7.6 million for the years ended December 31, 2023 and December 31, 2022, respectively. The Company details of the stock-based compensation expense are as follows:

	Year Ended December 31,		
	2024	2023	2022
Company options	\$ 5,288	\$ 6,060	\$ 5,779
Wavelo options	1,858	2,065	1,820
Ting options	188	346	-
Capitalized stock-based compensation	(313)	(337)	-
Total Stock Based-Compensation expense	\$ 7,021	\$ 8,134	\$ 7,599

The Company capitalizes stock-based compensation costs directly attributable to the development of qualifying assets. Qualifying assets include internal use software (IUS), assets under construction (AUC), equipment, or other long-lived assets that meet the capitalization criteria prescribed by ASC 350. During the year ended December 31, 2024 and December 31, 2023, the Company capitalized \$0.3 million of stock-based compensation each, directly attributable to the development of certain IUS assets.

## 16. Foreign Exchange:

A foreign exchange loss amounting to \$0.1 million has been recorded in general and administrative expenses during the year ended December 31, 2024. A foreign exchange loss amounting to \$0.1 million has been recorded in general and administrative expenses during the year ended December 31, 2023. A foreign exchange loss amounting to \$0.2 million has been recorded in general and administrative expenses during the year ended December 31, 2022.

**17. Other Income (Expenses):**

On August 1, 2020, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement"), by and between the Company and DISH Wireless L.L.C. ("EchoStar" DISH's post-merger parent). Under the Purchase Agreement and in accordance with the terms and conditions set forth therein, the Company sold to EchoStar its mobile customer accounts that are marketed and sold under the Ting brand (other than certain customer accounts associated with one network operator) ("Transferred Assets"). For a period of 10 years following the execution of the Purchase Agreement, EchoStar will pay a monthly fee to the Company generally equal to an amount of net revenue received by EchoStar in connection with the transferred customer accounts minus certain fees and expenses, as further set forth in the Purchase Agreement.

The following table summarizes the Income earned on the sale of transferred assets:

	For the twelve months ended		
	2024	2023	2022
Income earned on sale of transferred assets	\$ 13,978	\$ 17,033	\$ 18,507

The Company recorded interest income amounting to \$3.2 million, \$4.5 million and \$0.1 million for the years ended December 31, 2024, 2023 and 2022 respectively. This income primarily relates to the strategic investment of excess 2023 and 2024 Term Notes proceeds into Money Market Deposit Accounts ("MMDAs") and Certificates of Deposit ("CDs"). Interest expense, net has been included in "Other Income" as follows (Dollar amounts in thousands of US dollars):

	For the twelve months ended		
	2024	2023	2022
Interest expense	\$ (54,433)	\$ (46,256)	\$ (14,588)
Interest income	3,158	4,485	132
Interest expense, net	\$ (51,275)	\$ (41,771)	\$ (14,456)

**18. Earnings Per Common Share:**

The following table reconciles the numerators and denominators of the basic and diluted earnings per common share computation (Dollar amounts in thousands of US dollars, except for share data):

	Year ended December 31,		
	2024	2023	2022
Numerator for basic and diluted earnings per common share:			
Net income (loss) for the period	\$ (109,860)	\$ (96,197)	\$ (27,571)
Denominator for basic and diluted earnings per common share:			
Basic weighted average number of common shares outstanding	10,967,581	10,864,086	10,769,280
Effect of outstanding stock options	-	-	-
Diluted weighted average number of shares outstanding	10,967,581	10,864,086	10,769,280
Basic and diluted earnings per common share	\$ (10.02)	\$ (8.85)	\$ (2.56)

For the year ended December 31, 2024, December 31, 2023 and December 31, 2022 the Company recorded a net loss, thus all outstanding options were considered anti-dilutive and excluded from the computation of diluted income per common share.

**19. Commitments and Contingencies:**

(a) The Company has several non-cancelable lease and purchase obligations primarily for general office facilities, service contracts for mobile telephone services and equipment that expire over the next ten years. Future minimum payments under these agreements are as follows (Dollar amounts in thousands of US dollars):

Contractual Obligations for the year ending December 31,	Contractual Lease Obligations	Debt Obligations	Capital Purchase Obligations	Redeemable preferred units financing Obligations	Notes Payable financing Obligations	Purchase Obligations (1)(2)	Total Obligations
2025	\$ 7,225	\$ -	\$ 1,885	\$ 18,639	\$ -	\$ 20,334	\$ 48,082
2026	5,429	195,400	-	18,536	-	2,190	221,555
2027	3,880	-	-	18,639	-	746	23,264
2028	3,097	-	-	135,474	238,505	441	377,517
2029	3,026	-	-	-	63,000	367	66,393
Thereafter	32,669	-	-	-	-	1,851	34,520
	<u>\$ 55,326</u>	<u>\$ 195,400</u>	<u>\$ 1,885</u>	<u>\$ 191,288</u>	<u>\$ 301,505</u>	<u>\$ 25,928</u>	<u>\$ 771,331</u>

(1) Purchase obligations include all other legally binding service contracts for mobile telephone services and other operational agreements to be delivered during Fiscal 2025 and subsequent years.

(2) Purchase obligations include minimum revenue commitments of \$18.5 million with the Company's MNO partner between 2025 and 2026.

(b) On February 9, 2015 Ting Fiber, Inc. ("Ting") entered into a lease and network operation agreement with the City of Westminster, Maryland (the "City") relating to the deployment of a new fiber network throughout the Westminster area ("WFN").

Under the agreement, the City will finance, construct, and maintain the WFN which will be leased to Ting for a period of ten years. The network will be constructed in phases, the scope and timing of which shall be determined by the City, in cooperation with Ting.

Under the terms of the agreement, Ting may be required to advance funds to the City in the event of a quarterly shortfall between the City's revenue from leasing the network to Ting and the City's debt service requirements relating to financing of the network. Ting could be responsible for shortfalls between \$50,000 and \$150,000 per quarter. In Fiscal 2016, the City has entered into financing for the construction of the WFN which allows the City to draw up to \$21.0 million from their lenders over the next five years with interest only payments during that period with a loan maturity of 30 years. As of December 31, 2024, the City has drawn \$16.2 million and the City's revenues from Ting exceed the City's debt service requirements. The Company does not believe it will be responsible for any shortfall in Fiscal 2025.

(c) On September 17, 2018 Ting entered into a non-exclusive access and use agreement with SiFi Networks Fullerton, LLC ("SiFi"). The agreement established a fifteen-year term during which Ting has the non-exclusive right to act as an Internet service provider for a fiber-optic network to be constructed in the city of Fullerton, California. Under the terms of the agreement, SiFi is fully responsible for constructing, operating and maintaining a wholesale fiber-optic network, as well as the financing of those activities.

Ting is responsible for paying a fee per subscriber to SiFi. Through a "take or pay" arrangement, Ting has agreed to certain minimum charges based on minimum subscriber rates. These minimum fees are variable based on the percentage completion of the fiber optic network, and thus have not been considered an unconditional purchase obligation for the purposes of the table in Note 19 (a). Ting is currently disputing certain charges from SiFi and has ceased accruing for these amounts, as it believes payment is unlikely. The commitment amounts disclosed in the schedule reflect only the charges that Ting continues to accrue. Given the ongoing dispute, these amounts may be subject to change.

(d) On November 4, 2019 Ting entered into an access and use agreement with Netly, LLC ("Netly"). The agreement establishes twelve-year term wherein Ting will be granted the right to act as an Internet service provider for fiber-optic networks to be constructed in and around the cities of Solana Beach, California. Under the terms of the agreement, Ting will have a 3-year "Headstart" period over each completed segment of the network, whereby Ting shall be the exclusive provider of services to subscribers during the "Headstart" period. Netly is fully responsible for constructing, operating and maintaining a wholesale fiber optic network, as well as the financing of those activities.

Ting is responsible for paying a fee per subscriber to Netly, as well as an unlit door fee for each serviceable address not subscribed. Through a "take or pay" arrangement, Ting has agreed to certain minimum charges based on minimum subscriber rates. To the extent that construction of the fiber optic network is complete, our minimum commitments have been included in the contractual lease obligations of the table in Note 19 (a). The Company has an ongoing billing dispute with Netly regarding the rates and methodology under which it can invoice our Ting Fiber division for our operations. For the purposes of calculating the table in Note 19 (a), the Company reflected its future commitment under this agreement consistent with the amounts it has historically accrued in accordance with ASC 450-20 and, in accordance with the definition of probable loss described therein, and paid. At this time the Company believes that the probability that this dispute will have a material adverse effect on the business, operating results or financial condition is remote.

(e) On January 7, 2022, Ting Fiber, Inc., entered into a 25-year lease agreement with Colorado Springs Utilities (“CSU”), a municipally owned utility. The lease agreement named Ting Fiber the anchor tenant on a city-wide fiber network that is intended to pass 200,000 homes in Colorado Springs, Colorado. CSU began construction in Q2 of 2023. The lease obligates Ting, and its ultimate parent Tucows, Inc., to pay a per month fee for addresses passed by the network (as they are passed and become serviceable for customers to connect to the network) and for certain fiber infrastructure, including co-location space. Total costs of the lease, over its twenty-five-year term, are approximately \$593,000,000 based on a fully completed fiber-to-the-home network, however the minimum fees are variable based on the percentage completion of the fiber optic network. Future committed fees associated with completed portions of the network have been included in the contractual lease obligations of the table in Note 19(a). Future fees associated with portions of the network that have yet to be constructed have not been considered an unconditional purchase obligation for the purposes of the table in Note 19(a).

(f) On May 11, 2022, Ting Fiber, LLC, entered into a "Rights-of-Way" agreement with the City of Alexandria, Virginia whereby the City granted Ting Fiber the right to install, place, construct, maintain, operate, upgrade, repair, and replace a Communications System to provide Broadband Services within the Public Rights-of-Way (a space in, upon, above, along, across, over and below the public and City-owned property that is used as a public rights-of-way) for a fee. Per the agreement, Ting Fiber is to pay the City throughout the 20-year term of the agreement, an amount equal to 3% of Ting Fiber's Broadband Revenues once the network is live, and subscribers are obtained, and this fee is to be paid on a quarterly basis. The agreement commenced once Ting Fiber launched its network in Alexandria in March 2023. Since these fees are currently variable in nature, they have not been considered an unconditional purchase obligation for the purposes of the table in Note 19(a).

(g) On November 1, 2023, the Company, entered into a Network Access and Use Agreement with Blue Suede Networks, LLC, which granted Ting Fiber the right to use the fiber communications network to be constructed by Blue Suede Networks, LLC to provide high-speed broadband Internet Access services to end-user residential and small and medium sized business customers in the city of Memphis, Tennessee. The agreement grants the Company an exclusivity period of 5 years. The agreement requires the Company to pay the greater of a minimum revenue commitment based on minimum subscriber rates and a revenue share. Future fees associated with portions of the network have not been considered an unconditional purchase obligation for the purposes of the table in Note 19(a).

(h) In the normal course of its operations, the Company becomes involved in various legal claims and lawsuits. The Company intends to vigorously defend these claims. While the final outcome with respect to any actions or claims outstanding or pending as of December 31, 2024 cannot be predicted with certainty, management does not believe that the resolution of these claims, individually or in the aggregate, will have a material adverse effect on the Company's financial position.

## 20. Segment Reporting:

### *Reportable operating segments:*

We are organized and managed based on three reportable segments which are differentiated primarily by their services, the markets they serve and the regulatory environments in which they operate. No operating segments have been aggregated to determine our reportable segments.

Our reportable operating segments and their principal activities consist of the following:

1. Ting - This segment derives revenue from the retail high speed Internet access to individuals and small businesses primarily through the Ting website. Revenues are generated in the United States.

2. Wavelo – This segment derives revenue from platform and other professional services related to communication service providers, including Mobile Network Operators and Internet Service Providers, and are primarily generated in the United States.

3. Tucows Domains – This segment includes wholesale and retail domain name registration services, value added services and portfolio services. The Company primarily earns revenues from the registration fees charged to resellers in connection with new, renewed and transferred domain name registrations; the sale of retail Internet domain name registration and email services to individuals and small businesses. Domain Services revenues are attributed to the country in which the contract originates, primarily Canada and the United States.

Our segmented results include shared services allocations to the operating segments, including a profit margin, for Finance, Human Resources and other technical services. In addition, Wavelo charges Ting a subscriber based monthly charge service rendered. Financial impacts from these allocations and cross segment charges are eliminated as part of the consolidation.

### *Key measure of segment performance:*

The CEO, as the chief operating decision maker, regularly reviews the operations and performance by segment. The CEO reviews Segment Adjusted EBITDA (as defined below) as (i) a key measure of performance for each segment and (ii) to make decisions about the allocation of resources. Depreciation of property and equipment, amortization of intangible assets, impairment of indefinite life intangible assets, gain on currency forward contracts and other expense net are organized along functional lines and are not included in the measurement of segment profitability. Total assets and total liabilities are centrally managed and are not reviewed at the segment level by the CEO.

Our key measure of segment performance is Segment Adjusted EBITDA.

We calculate this as segment revenue together with recurring income earned on sale of transferred assets, less cost of revenue, network expenses and certain operating expenses attributable to each segment, such as sales and marketing, technical operations and development, general and administration expenses. Segment Adjusted EBITDA excludes unrealized gains (losses) on foreign exchange, stock-based compensation and transactions that are not indicative of on-going performance, including acquisition and transition costs. Certain revenues and expenses are excluded from segment Adjusted EBITDA results as they are centrally managed and not monitored by or reported to our CEO by segment, including mobile retail services, eliminations of intercompany transactions, portions of Finance and Human Resources that are centrally managed, Legal and Corporate IT.

The Company believes that Adjusted EBITDA is an important indicator of the operational strength and performance of its segments, by identifying those items that are not directly a reflection of each segment's performance or indicative of ongoing operational and profitability trends.

The CODM uses Adjusted EBITDA to evaluate the overall recurring profitability of each operating segment after accounting for overhead costs. Adjusted EBITDA is evaluated by the CODM by comparing current period to historical and forecasted results and is used to inform strategic decisions over segment profitability, operational efficiency, pricing strategies, cost optimization, customer churn, competitor benchmarking and cash flow.

Information by reportable segments (with the exception of disaggregated revenue, which is discussed in "Note 10– Revenue"), which is regularly reported to the chief operating decision maker, and the reconciliations thereof to our income before taxes, are set out in the following tables (Dollar amounts in thousands of US dollars):

	<b>Year Ended December 31, 2024</b>			
	<b>Ting</b>	<b>Wavelo</b>	<b>Tucows Domain</b>	<b>Total Reportable Segments</b>
Revenue from external customers	\$ 59,732	\$ 39,003	\$ 254,639	\$ 353,374
Intersegment revenue <sup>(1)</sup>	-	858	-	858
Total net revenues	59,732	39,861	254,639	354,232
Less:				
Cost of revenue	11,162	1,273	177,083	189,518
Network, other cost <sup>(2)</sup>	16,918	9,710	6,974	33,602
Sales and marketing	35,502	7,585	13,776	56,863
Technical operations and development	3,230	6,826	7,106	17,162
General and administrative	16,550	3,395	5,686	25,631
Other segment items <sup>(3)</sup>	(1,113)	(2,734)	(376)	(4,223)
<b>Segment Adjusted EBITDA</b>	<b>\$ (22,517)</b>	<b>\$ 13,806</b>	<b>\$ 44,390</b>	<b>\$ 35,679</b>

  

	<b>Year Ended December 31, 2023</b>			
	<b>Ting</b>	<b>Wavelo</b>	<b>Tucows Domain</b>	<b>Total Reportable Segments</b>
Revenue from external customers	\$ 50,937	\$ 35,979	\$ 242,097	\$ 329,013
Intersegment revenue <sup>(1)</sup>	-	2,691	-	2,691
Total net revenues	50,937	38,670	242,097	331,704
Less:				
Cost of revenue	12,727	2,626	169,414	184,767
Network, other cost <sup>(2)</sup>	17,872	9,649	6,123	33,644
Sales and marketing	44,823	7,012	13,586	65,421
Technical operations and development	3,792	8,124	6,371	18,287
General and administrative	16,567	3,080	4,576	24,223
Other segment items <sup>(3)</sup>	(693)	(2,394)	(596)	(3,683)
<b>Segment Adjusted EBITDA</b>	<b>\$ (44,151)</b>	<b>\$ 10,573</b>	<b>\$ 42,623</b>	<b>\$ 9,045</b>

Year Ended December 31, 2022

	Ting	Wavelo	Tu cows Domain	Total Reportable Segments
Revenue from external customers	\$ 42,425	\$ 23,632	\$ 243,158	\$ 309,215
Intersegment revenue <sup>(1)</sup>	-	712	-	712
Total net revenues	42,425	24,344	243,158	309,927
Less:				
Cost of revenue	17,004	2,926	166,890	186,820
Network, other cost <sup>(2)</sup>	5,107	4,245	5,876	15,228
Sales and marketing	30,543	5,758	14,580	50,881
Technical operations and development	1,187	4,132	7,079	12,398
General and administrative	10,610	3,922	5,304	19,836
Other segment items <sup>(3)</sup>	(469)	(514)	(1,405)	(2,388)
<b>Segment Adjusted EBITDA</b>	<b>\$ (21,557)</b>	<b>\$ 3,875</b>	<b>\$ 44,834</b>	<b>\$ 27,152</b>

(1) Intercompany revenues earned for provision of services on the ISOS and SM platforms between Wavelo and Ting are included in Wavelo's segment revenues for purposes of segment analysis, but are ultimately eliminated upon consolidation.

(2) Network Costs in segment reports provided to the CODM include certain construction expenses for Ting, which are reported as Direct Costs of Revenue in the Consolidated Statements of Operations and Comprehensive Loss.

(3) Other segment items for each reportable segment includes other income, as well as adjustments to add back (deduct): gains and losses from unrealized foreign currency, stock-based compensation expense and acquisition and transition costs, which are included in other line items but are excluded from our definition of Segment Adjusted EBITDA.

The following table reconciles Segment Adjusted EBITDA for the period to Net loss before tax for the years ended December 31, 2024, 2023 and 2022.

<i>Reconciliation of Net loss to Segment Adjusted EBITDA</i> <i>(In Thousands of US Dollars)</i>	Year ended December 31,		
	2024	2023	2022
<b>Segment Adjusted EBITDA</b>	\$ 35,679	\$ 9,045	\$ 27,152
<b>Reconciling items:</b>			
Corporate and other <sup>(1)</sup>	(762)	6,406	10,438
Depreciation of property and equipment	(40,323)	(36,431)	(28,187)
Impairment and loss on disposition of property & equipment	(19,167)	(4,822)	(553)
Amortization of intangible assets	(5,297)	(10,829)	(11,394)
Interest expense, net	(51,275)	(41,771)	(14,456)
Loss on debt extinguishment	-	(14,680)	-
Accretion of contingent liability	-	-	(248)
Stock-based compensation	(7,021)	(8,134)	(7,599)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	167	62	(281)
Acquisition and other costs <sup>(2)</sup>	(13,875)	(1,916)	(2,660)
<b>Net loss before tax</b>	<b>\$ (101,874)</b>	<b>\$ (103,070)</b>	<b>\$ (27,788)</b>

(1) Items that are centrally managed and not monitored by or reported to our CEO by segment, including retail mobile services, eliminations of intercompany transactions, portions of Finance and Human Resources that are centrally managed, Legal and Corporate IT.

(2) Acquisition and other costs represent transaction-related expenses and transitional expenses. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.

Revenue from sources outside of Canada and The United States of America comprises less than 10% of our total operating revenue.

(b) The following is a summary of the Company's property and equipment by geographic region (Dollar amounts in thousands of US dollars):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Canada	\$ 897	\$ 943
United States	330,148	338,696
Europe	4	5
	<u>\$ 331,049</u>	<u>\$ 339,644</u>

(c) The following is a summary of the Company's amortizable intangible assets by geographic region (Dollar amounts in thousands of US dollars):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Canada	\$ 1,258	\$ 1,864
United States	11,225	15,341
	<u>\$ 12,483</u>	<u>\$ 17,205</u>

Under ASC 326, the Company assesses the adequacy of its allowance for expected credit losses based on historical loss experience, current economic conditions and reasonable forecasts. Our evaluation considers the short-term nature of our receivables and the high credit quality of our customer base, which mitigates significant credit risk exposure.

(d) The following table summarizes our expected credit losses (Dollar amounts in thousands of US dollars):

<b>Expected credit losses</b>	<u>Balance at beginning of period</u>	<u>Charged to costs and expenses</u>	<u>Write-offs during period</u>	<u>Balance at end of period</u>
Year Ended December 31, 2024	\$ 511	\$ 412	\$ -	\$ 923
Year Ended December 31, 2023	\$ 693	\$ -	\$ (182)	\$ 511

## 21. Restructuring Costs:

### *February 2024 Workforce Reduction*

On February 7, 2024, Ting committed to the February 2024 workforce reduction ("February 2024 Workforce Reduction") which aimed to realign the Company's operational structure within the Ting operating segment and reduce Ting's workforce by 13%, or 7% of the Company's total workforce, to better align with strategic objectives (the "February 2024 workforce reduction"). The February 2024 Workforce Reduction was designed to streamline operations and reduce operating expenses within the Ting operating segment. Substantially all of the employees impacted by the workforce reduction were notified on February 7, 2024 and have since exited the Company.

During the year ended December 31, 2024, the Company incurred \$3.2 million in costs related to the February 2024 Workforce Reduction, which were accounted for under *ASC 420 - Exit or Disposal Cost Obligations*. These costs associated with the February 2024 workforce reduction predominantly consisted of termination benefits for the terminated employees associated with the restructuring, and to a lesser extent, continuation of benefits and outplacement costs.

### *2024 Capital Efficiency Plan*

On October 30, 2024, the Company expanded its cost-reduction efforts with the implementation of a 2024 Capital Efficiency Plan (the "2024 Capital Efficiency Plan"). The Plan was designed to further align operations with strategic priorities, improve operational efficiency, and reduce operating expenses within Ting.

In connection with the Capital Efficiency Plan, the Company incurred restructuring charges of \$7.7 million during the year ended December 31, 2024. These charges primarily consisted of termination benefits for the terminated employees associated with the restructuring, continuation of benefits, outplacement costs and professional services.

The components of the restructuring charges were as follows (Dollar amounts in thousands of U.S. dollars):

<b>Cost Description</b>	<b>For the year ended December 31, 2024</b>
One-time pay	6,566
Continuation of benefits	2,601
Outplacement costs	641
Professional service fees	1,146
<b>Total restructuring charges</b>	<b>\$ 10,954</b>

The liability for the February 2024 workforce reduction and 2024 Capital Efficiency Plan were included in Accrued liabilities in the consolidated balance sheet, and the following tables summarize the related activity for the February 2024 workforce reduction and 2024 Capital Efficiency Plan for the year ended December 31, 2024 (Dollar amounts in thousands of U.S. dollars):

<b>Cost Description</b>	<b>As of December 31, 2023</b>	<b>Charges for the year ended December 31, 2024</b>	<b>Cash payments made for the year ended December 31, 2024</b>	<b>Balances as of December 31, 2024</b>
One-time pay	\$ -	\$ 6,566	\$ (5,974)	\$ 591
Continuation of benefits	-	2,601	(2,602)	- 1
Outplacement costs	-	641	(523)	118
Professional service fees	-	1,146	(726)	420
<b>Total</b>	<b>\$ -</b>	<b>\$ 10,954</b>	<b>\$ (9,826)</b>	<b>\$ 1,128</b>

**22. Subsequent Events:**

*2025 Stock Buyback Program*

On February 13, 2025, the Company announced that its Board of Directors (“Board”) has approved a stock buyback program to repurchase up to \$40 million of its common stock in the open market. The \$40 million buyback program commenced on February 14, 2025 and is expected to terminate on February 13, 2026. The previously announced \$40 million buyback program for the period February 22, 2024 to February 13, 2025 was terminated.

**CONDENSED FINANCIAL STATEMENTS OF TUCOWS INC.**

**(PARENT COMPANY)**

All operating activities of Tucows Inc. (the "Parent Company") are primarily conducted by its operating subsidiaries, Tucows.com Co ("Tucows.com Co"), eNom LLC ("eNom"), EPAG Domainservices GmbH ("EPAG"), Ascio Technologies, Corp ("Ascio"), Ting Inc. ("Ting Inc"), Wavelo, Inc. ("Wavelo") and Ting Fiber, LLC ("Ting Fiber"), Ting Internet, LLC ("Ting Internet"), Simply Bits, LLC ("Simply Bits"), Zippytech, LLC ("Zippytech") and Ting-Memphis Co, ("Ting Memphis").

The Parent Company holds a direct 100% ownership interest in Tucows (Delaware) Inc. ("Tucows Delaware"), which holds the Parent Company's interest in its operating subsidiaries. The Parent Company is a holding company that does not conduct any substantive business operations and does not have any assets or liabilities other than cash and cash equivalents, accounts receivables, prepaid expenses, intangible assets, derivative instruments, accounts payables, accrued liabilities, investments in its subsidiaries and due to related party. The operations of Ting Fiber, LLC are partially funded through Redeemable preferred units which have restrictions on the ability to pay dividends, loan funds and make other upstream distributions to the Parent Company without prior approval by the holder of the Redeemable preferred units.

These Condensed Parent Company financial statements have been prepared using the same accounting principles and policies described in the notes to the Consolidated Financial Statements. Refer to the Consolidated Financial Statements and notes presented above for additional information and disclosures with respect to these condensed financial statements.

## PARENT COMPANY INFORMATION

## TUCOWS INC

SCHEDULE I - CONDENSED BALANCE SHEETS  
(Dollar amounts in thousands of U.S. dollars)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,634	\$ 7,051
Prepaid expenses and deposits	711	610
Income taxes recoverable	571	508
Investment in subsidiaries	-	81,635
Intangible assets	59	59
<b>Total Assets</b>	<u>8,975</u>	<u>89,863</u>
<b>Liabilities</b>		
Accounts payable	-	147
Accrued liabilities	1,611	458
Customer deposits	188	-
Equity in net deficit of subsidiaries	18,361	-
Due to related parties	72,370	68,392
Deferred tax liability	11,745	10,991
<b>Total Liabilities</b>	<u>104,275</u>	<u>79,988</u>
<b>Equity</b>		
Share capital	36,581	34,373
Additional paid-in capital	19,241	14,072
Accumulated surplus (deficit)	(150,158)	(40,298)
Accumulated other comprehensive income (loss)	(964)	1,728
<b>Total Equity</b>	<u>(95,300)</u>	<u>9,875</u>
<b>Total Liabilities and Equity</b>	<u>\$ 8,975</u>	<u>\$ 89,863</u>

*The accompanying notes to the condensed financial statements are an integral part of these financial statements*

## PARENT COMPANY INFORMATION

## TUCOWS INC

SCHEDULE I - CONDENSED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)  
(Dollar amounts in thousands of U.S. dollars)

	For the year ended December 31,		
	2024	2023	2022
Income (loss) of equity method investments	\$ (99,393)	\$ (101,352)	\$ (25,348)
Operating expenses	(8,726)	(8,192)	(7,095)
Interest income (expense)	1	1,016	1,378
Income tax recovery	(1,742)	12,331	3,494
Net income (loss)	(109,860)	(96,197)	(27,571)
Other comprehensive income (loss) - Parent Company	-	(848)	1,408
Other comprehensive income (loss) - Subsidiaries	(2,692)	1,792	(967)
Comprehensive income (loss)	<u>\$ (112,552)</u>	<u>\$ (95,253)</u>	<u>\$ (27,130)</u>

*The accompanying notes to the condensed financial statements are an integral part of these financial statements*

PARENT COMPANY INFORMATION

TUCOWS INC

SCHEDULE I - CONDENSED STATEMENTS OF CASH FLOWS  
(Dollar amounts in thousands of U.S. dollars)

	For the year ended December 31,		
	2024	2023	2022
Operating activities			
Net income (loss)	\$ (109,860)	\$ (96,197)	\$ (27,571)
Non-cash items affecting net income			
Excess tax benefits on stock-based compensation expense	-	-	(193)
Stock-based compensation	5,288	6,035	5,779
Deferred income taxes (recovery)	755	(11,804)	(6,689)
Amortization of discontinued cash flow hedge from Accumulated other income	-	(1,144)	(761)
Loss (gain) on change in the fair value of forward contracts	-	1,624	281
Undistributed earnings of equity method investments	99,393	101,352	25,348
Changes in non-cash balances related to operations			
Accounts receivable	-	381	(482)
Prepaid expenses and deposits	(99)	(82)	(49)
Income taxes recoverable	(63)	1,208	532
Accounts payable	(147)	(492)	507
Accrued liabilities	1,151	195	195
Customer deposits	187	-	-
Cash from operating activities	(3,395)	1,076	(3,103)
Financing activities			
Net proceeds received from (paid to) subsidiaries	3,978	2,078	1,101
Net proceeds received on exercise of stock options	-	-	1,096
Cash from financing activities	3,978	2,078	2,197
Investing activities			
Investment in unrelated company	-	-	(2,012)
Cash from investing activities	-	-	(2,012)
Increase (decrease) in cash and cash equivalents	583	3,154	(2,918)
Cash and cash equivalents, beginning of period	7,051	3,897	6,815
Cash and cash equivalents, end of year	\$ 7,634	\$ 7,051	\$ 3,897

The accompanying notes to the condensed financial statements are an integral part of these financial statements

## SCHEDULE I - NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### NOTE 1. BASIS OF PRESENTATION

Tucows Inc. (the "Parent Company") is a holding company that conducts substantially all of its business operations through its subsidiaries. The Parent Company holds a direct 100% ownership interest in Tucows (Delaware) Inc., which holds the Parent Company's interest in Tucows.com Co ("Tucows.com Co"), eNom LLC ("eNom"), EPAG Domainservices GmbH ("EPAG"), Ascio Technologies, Corp ("Ascio"), Ting Inc. ("Ting Inc"), Wavelo, Inc. ("Wavelo") and Ting Fiber, LLC ("Ting Fiber").

The Parent Company was incorporated under the laws of the Commonwealth of Pennsylvania in November 1992 under the name Infonautics, Inc. In August 2001, we completed our acquisition of Tucows Inc., a Delaware corporation, and we changed our name from Infonautics, Inc. to Tucows Inc.

The Parent Company was established to allocate capital and manage internet and telecom infrastructure businesses. Through its operating subsidiaries, the Parent Company offers a broad range of services including fixed Internet access, billing and subscription management platform services for communication service providers and distribution of global internet services through the provision of domain name registrations, digital certificates and email services.

As of December 31, 2024, Ting Fiber LLC, had restricted net assets of \$(30.6) million. These restrictions primarily limit our ability to transfer funds from our subsidiaries without violating contractual agreements. The Company continuously evaluates the impact of these restrictions on liquidity and capital resource planning.

The Company operates within a consolidated tax group, comprising the Parent Company and its wholly-owned subsidiaries. Deferred taxes are not separately identified and recorded at the parent level.

No dividends have been received from any of our subsidiaries in the past three years.

*Change in basis of presentation for subsidiary investment accounts and adjustment of prior period reported amounts*

Certain amounts in the 2023 Parent Company Condensed Financial Statements have been adjusted to change the basis of presentation of the subsidiary investment accounts. These changes had no impact on total net income and total shareholders' equity previously reported in the comparative figures presented in the Parent Company Condensed Financial Statements.

### NOTE 2. COMMITMENTS AND CONTINGENCIES

The Parent Company and its subsidiaries, excluding Ting Fiber, LLC, have revolving credit facilities through third-party financial institutions. The total available amount on the credit facilities is \$240 million, and as at December 31, 2024, \$195.4 million was drawn on the credit facilities. The Parent Company had no other material commitments or contingencies during the reported periods.

### NOTE 3. SHARE CAPITAL

The Company's authorized common share capital is 250 million shares of common stock without nominal or par value. As of December 31, 2024, and 2023, the number of outstanding shares of common stock was 11,014,655 and 10,903,405, respectively. The Parent Company issued 111,250, 86,295, and 40,459 common stock during the twelve months ended December 31, 2024, December 31, 2023 and December 31, 2022, respectively related to stock-based compensation. The Parent Company retired nil, nil and 3,053 common stock during the twelve months ended December 31, 2024, December 31, 2023 and December 31, 2022, respectively related to stock options exercised.