

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

	March 31, 2013	December 31, 2012
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,286,319	\$ 6,415,679
Accounts receivable	4,961,583	4,413,265
Inventory	308,804	587,104
Prepaid expenses and deposits	5,419,706	5,081,408
Derivative instrument asset, current portion	83,622	412,944
Prepaid domain name registry and ancillary services fees, current portion	46,207,926	45,170,167
Income taxes recoverable	830,631	1,730,631
Total current assets	62,098,591	63,811,198
Derivative instrument asset, long-term portion	-	31,838
Prepaid domain name registry and ancillary services fees, long-term portion	12,322,678	12,318,723
Property and equipment	1,675,546	1,352,144
Deferred tax asset, long-term portion	5,970,237	5,970,462
Intangible assets	16,146,218	16,415,651
Goodwill	18,873,127	18,873,127
Total assets	\$ 117,086,397	\$ 118,773,143
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,599,091	\$ 1,928,459
Accrued liabilities	1,998,027	2,522,229
Customer deposits	4,394,250	4,955,671
Derivative instrument liability, current portion	249,155	-
Loan payable, current portion	8,100,000	3,700,000
Deferred revenue, current portion	56,417,381	54,997,887
Accreditation fees payable, current portion	561,259	512,847
Deferred tax liability, current portion	850,039	914,429
Income taxes payable	464,261	1,255,108
Total current liabilities	75,633,463	70,786,630
Derivative instrument liability, long-term portion	26,611	-
Deferred revenue, long-term portion	16,002,554	16,002,464

Accreditation fees payable, long-term portion	141,179	145,592
Deferred rent, long-term portion	59,654	54,150
Deferred tax liability, long-term portion	5,206,200	5,234,100
Stockholders' equity:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 40,121,797 shares issued and outstanding as of March 31, 2013 and 44,322,159 shares issued and outstanding as of December 31, 2012	9,297,924	10,084,417
Additional paid-in capital	28,293,757	33,931,529
Deficit	(17,433,264)	(17,509,843)
Accumulated other comprehensive income (loss)	(141,681)	44,104
Total stockholders' equity	20,016,736	26,550,207
Total liabilities and stockholders' equity	\$ 117,086,397	\$ 118,773,143

Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)

	Three months ended March 31,	
	2013	2012
	(unaudited)	
Net revenues	\$ 29,985,022	\$ 27,537,306
Cost of revenues:		
Cost of revenues	22,077,899	19,267,125
Network expenses (*)	1,254,213	1,256,890
Depreciation of property and equipment	137,072	147,418
Amortization of intangible assets	35,910	35,910
Total cost of revenues	23,505,094	20,707,343
Gross profit	6,479,928	6,829,963
Expenses:		
Sales and marketing (*)	2,847,086	2,184,635
Technical operations and development (*)	1,133,830	1,113,145
General and administrative (*) (note 1)	1,698,632	1,783,453
Depreciation of property and equipment	50,939	47,415
Amortization of intangible assets	219,030	219,030
Loss (gain) on currency forward contracts (note 1)	234,638	(562,109)
Total expenses	6,184,155	4,785,569

Income (loss) from operations	295,773	2,044,394
Other income (expenses):		
Interest expense, net	(99,362)	(40,969)
Other income	-	508,800
Total other income (expenses)	(99,362)	467,831
Income before provision for income taxes	196,411	2,512,225
Provision for income taxes	119,832	848,606
Net income	76,579	1,663,619
Other comprehensive income (loss), net of tax of \$96,777	(185,785)	-
Comprehensive income (loss) for the period	\$ (109,206)	\$ 1,663,619
Basic earnings (loss) per common share	\$ -	\$ 0.04
Shares used in computing basic earnings (loss) per common share	40,331,438	46,221,465
Diluted earnings (loss) per common share	\$ -	\$ 0.03
Shares used in computing diluted earnings (loss) per common share	44,311,323	48,954,451

(Note 1) The Company accounts for the fair value of currency forward contracts within the consolidated Balance Sheet as a derivative financial asset or liability and the corresponding change in fair value is recorded in the consolidated Statement of Operations. In prior periods, the Company recorded the realized gain or loss upon settlement of the currency forward contracts in "General and administrative expenses" and recorded the unrealized gain or loss in "Loss (gain) on change in fair value of forward contracts". The Company has determined that both of these amounts are more appropriately classified in expenses as "Loss (gain) on currency forward contracts" and as a result a gain of \$0.3 million for the three months ended September 30, 2011 and a gain of \$1.1 million for the nine months ended September 30, 2011, has been reclassified from "General and administrative expense" to "Loss (gain) on currency forward contracts" respectively. As a result of this reclassification, there was no change to previously reported net income (loss), income from operations, net revenues, gross profit, reported cash flows or the amounts recorded in the consolidated Balance Sheets.

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

Network expenses	\$ 6,126	\$ 6,046
Sales and marketing	\$ 26,410	\$ 22,782
Technical operations and development	\$ 15,247	\$ 12,843
General and administrative	\$ 27,059	\$ 20,794

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

	Three months ended March 31,	
	2013	2012
	(unaudited)	
Cash provided by:		
Operating activities:		
Net income for the period	\$ 76,579	\$ 1,663,619
Items not involving cash:		
Depreciation of property and equipment	188,011	194,833
Amortization of deferred financing charges	-	1,500
Amortization of intangible assets	254,940	254,940
Deferred income taxes (recovery)	(92,065)	212,088
Deferred rent	5,504	7,269
Acquisition of domain names	-	(3,664)
Disposal of domain names	14,493	15,738
Gain on disposition of intangible assets	-	(508,800)
(Gain) loss on change in the fair value of forward contracts	451,141	(701,843)
Stock-based compensation	74,842	62,465
Changes in non-cash operating working capital:		
Accounts receivable	(548,318)	(1,014,729)
Inventory	278,300	-
Prepaid expenses and deposits	(338,298)	(1,108,098)
Prepaid fees for domain name registry and ancillary services fees	(1,041,714)	(2,919,423)
Income taxes recoverable/payable	109,153	619,073
Accounts payable	605,924	913,969
Accrued liabilities	(524,202)	268,911
Customer deposits	(561,421)	257,000
Deferred revenue	1,419,584	3,823,832
Accreditation fees payable	43,999	41,954
Net cash provided by operating activities	416,452	2,080,634
Financing activities:		
Proceeds received on exercise of stock options	38,509	130,712
Repurchase of common stock	(6,537,616)	(5,893,447)
Proceeds received on loan payable	5,200,000	4,000,000
Repayment of loan payable	(800,000)	(538,333)
Net cash used in financing activities	(2,099,107)	(2,301,068)

Investing activities:		
Additions to property and equipment	(446,705)	(330,273)
Proceeds on disposition of intangible assets	-	508,800
Net cash provided by (used in) investing activities	(446,705)	178,527
Decrease in cash and cash equivalents	(2,129,360)	(41,907)
Cash and cash equivalents, beginning of period	6,415,679	6,408,209
Cash and cash equivalents, end of period	\$ 4,286,319	\$ 6,366,302
Supplemental cash flow information:		
Interest paid	\$ 99,504	\$ 41,176
Supplementary disclosure of non-cash investing activity:		
Property and equipment acquired during the period not yet paid for \$	161,223	\$ 50,401