

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

|   | <b>March 31,</b>   | <b>December 31,</b> |
|---|--------------------|---------------------|
|   | <b>2013</b>        | <b>2012</b>         |
|   | <b>(unaudited)</b> | <b>(unaudited)</b>  |
| <b>Assets</b>   |                    |                     |
| 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      |
| <b>Liabilities and Stockholders' Equity</b>                                 |                    |                     |
| 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)

|  | <b>Three months ended March 31,</b> |               |
|--|-------------------------------------|---------------|
|  | <b>2013</b>                         | <b>2012</b>   |
|  | <b>(unaudited)</b>                  |               |
| 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)**

|   | <b>Three months ended March 31,</b> |              |
|---|-------------------------------------|--------------|
|   | <b>2013</b>                         | <b>2012</b>  |
|   | <b>(unaudited)</b>                  |              |
| 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    |