

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

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,537,252	\$ 12,418,888
Accounts receivable	6,568,324	5,305,403
Inventory	509,433	309,686
Prepaid expenses and deposits	4,675,875	4,309,039
Prepaid domain name registry and ancillary services fees, current portion	45,831,314	44,209,591
Deferred tax asset, current portion	1,648,178	1,081,526
Income taxes recoverable	1,210,117	475,889
Total current assets	73,980,493	68,110,022
Prepaid domain name registry and ancillary services fees, long-term portion	12,032,539	11,838,579
Property and equipment	1,873,124	1,757,836
Deferred tax asset, long-term portion	5,242,356	5,370,037
Intangible assets	14,931,888	15,403,228
Goodwill	18,873,127	18,873,127
Total assets	\$ 126,933,527	\$ 121,352,829
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,317,717	\$ 2,361,481
Accrued liabilities	3,490,636	3,913,034
Customer deposits	4,471,817	4,500,946
Derivative instrument liability	905,951	491,098
Loan payable, current portion	5,683,333	6,300,000
Deferred revenue, current portion	56,789,545	54,379,719
Accreditation fees payable, current portion	525,977	473,811
Income taxes payable	311,131	1,024,004
Total current liabilities	76,496,107	73,444,093
Deferred revenue, long-term portion	15,977,624	15,638,517
Accreditation fees payable, long-term portion	133,443	135,522
Deferred rent, long-term portion	79,191	75,979
Deferred tax liability, long-term portion	5,125,000	5,141,500
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; 11,192,884 shares issued and outstanding as of March 31, 2014 and 10,907,063 shares issued and outstanding as of December 31, 2013 (1)	13,301,296	11,859,267
Additional paid-in capital	29,133,854	28,632,311
Deficit	(12,852,540)	(13,329,379)
Accumulated other comprehensive income (loss)	(460,448)	(244,981)
Total stockholders' equity	29,122,162	26,917,218
Total liabilities and stockholders' equity	\$ 126,933,527	\$ 121,352,829

(1) Shares issued and outstanding at both March 31, 2014 and December 31, 2013 reflects the 1-for-4 reverse split of common shares that became effective on December 31, 2013.

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

Three months ended March 31,
2014 **2013**

(unaudited)

Net revenues	\$ 34,402,394	\$ 29,985,022
Cost of revenues:		
Cost of revenues	24,316,639	22,077,899
Network expenses (*)	1,143,644	1,254,213
Depreciation of property and equipment	182,974	137,072
Amortization of intangible assets	-	35,910
Total cost of revenues	<u>25,643,257</u>	<u>23,505,094</u>
Gross profit	8,759,137	6,479,928
Expenses:		
Sales and marketing (*)	4,021,774	2,847,086
Technical operations and development (*)	1,089,898	1,133,830
General and administrative (*) (note 1)	1,767,800	1,698,632
Depreciation of property and equipment	56,304	50,939
Amortization of intangible assets	219,030	219,030
Impairment of indefinite life intangible assets	250,688	-
Loss on currency forward contracts	551,371	234,638
Total expenses	<u>7,956,865</u>	<u>6,184,155</u>
Income from operations	802,272	295,773
Other income (expenses):		
Interest expense, net	<u>(73,833)</u>	<u>(99,362)</u>
Total other income (expenses)	<u>(73,833)</u>	<u>(99,362)</u>
Income before provision for income taxes	728,439	196,411
Provision for income taxes	<u>251,600</u>	<u>119,832</u>
Net income	476,839	76,579
Other comprehensive income (loss), net of tax		
Unrealized loss on hedging activities	(363,181)	(185,785)
Net amount reclassified to earnings	<u>147,714</u>	<u>-</u>
Other comprehensive loss, net of tax of \$112,240 (2013 : \$96,777)	<u>(215,467)</u>	<u>(185,785)</u>
Comprehensive income (loss), net of tax for the period	<u>\$ 261,372</u>	<u>\$ (109,206)</u>
Basic earnings per common share	<u>\$ 0.04</u>	<u>\$ 0.01</u>
Shares used in computing basic earnings per common share	<u>11,028,559</u>	<u>10,082,860</u>
Diluted earnings per common share	<u>\$ 0.04</u>	<u>\$ 0.01</u>
Shares used in computing diluted earnings per common share	<u>11,639,617</u>	<u>11,077,831</u>

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

Network expenses	\$ 8,881	\$ 6,126
Sales and marketing	\$ 35,999	\$ 26,410
Technical operations and development	\$ 18,205	\$ 15,247
General and administrative	\$ 37,892	\$ 27,059

(1) Shares used in computing earnings per share as well as earnings per common share reflects the 1-for-4 reverse split of common shares that became effective on December 31, 2013.

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

Three months ended March 31,
2014 **2013**

(unaudited)

Cash provided by:		
Operating activities:		
Net income for the period	\$ 476,839	\$ 76,579
Items not involving cash:		
Depreciation of property and equipment	239,278	188,011
Amortization of deferred financing charges	219,030	254,940
Impairment of indefinite life intangible asset	250,688	-
Deferred income taxes (recovery)	(343,231)	(92,065)
Excess tax benefits from share-based compensation expense	(1,013,800)	-
Amortization of intangible assets	3,212	5,504
Disposal of domain names	1,622	14,493
Loss on change in the fair value of forward contracts	87,146	451,141
Stock-based compensation	100,977	74,842
Changes in non-cash operating working capital:		
Accounts receivable	(1,262,921)	(548,318)
Inventory	(199,747)	278,300
Prepaid expenses and deposits	(366,836)	(338,298)
Prepaid fees for domain name registry and ancillary services fees	(1,815,683)	(1,041,714)
Income taxes recoverable/payable	(433,301)	109,153
Accounts payable	1,670,415	605,924
Accrued liabilities	(422,398)	(524,202)
Customer deposits	(29,129)	(561,421)
Deferred revenue	2,748,933	1,419,584
Accreditation fees payable	50,087	43,999
Net cash (used in) provided by operating activities	<u>(38,819)</u>	<u>416,452</u>
Financing activities:		
Proceeds received on exercise of stock options	911,081	38,509
Excess tax benefits on share-based compensation expense	1,013,800	-
Repurchase of common stock	(82,286)	(6,537,616)
Proceeds received on loan payable	-	5,200,000
Repayment of loan payable	(616,667)	(800,000)
Net cash provided by (used in) financing activities	<u>1,225,928</u>	<u>(2,099,107)</u>
Investing activities:		
Additions to property and equipment	<u>(68,745)</u>	<u>(446,705)</u>
Net cash used in investing activities	<u>(68,745)</u>	<u>(446,705)</u>
Increase (decrease) in cash and cash equivalents	1,118,364	(2,129,360)
Cash and cash equivalents, beginning of period	12,418,888	6,415,679
Cash and cash equivalents, end of period	<u>\$ 13,537,252</u>	<u>\$ 4,286,319</u>
Supplemental cash flow information:		
Interest paid	\$ 73,949	\$ 99,504
Income taxes paid, net	\$ 669,624	\$ 11,150
Supplementary disclosure of non-cash investing activity:		
Property and equipment acquired during the period not yet paid for	\$ 285,821	\$ 161,223