

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

	March 31, 2012 (unaudited)	December 31, 2011 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,366,302	\$ 6,408,209
Accounts receivable	4,894,913	3,880,184
Prepaid expenses and deposits	5,070,003	3,961,905
Derivative instrument asset, current portion	137,973	-
Prepaid domain name registry and ancillary services fees, current portion	45,727,148	43,209,033
Income taxes recoverable	284,082	867,093
Total current assets	62,480,421	58,326,424
Derivative instrument asset, long-term portion	127,391	87,023
Prepaid domain name registry and ancillary services fees, long-term portion	13,001,462	12,600,154
Property and equipment	1,365,438	1,437,564
Deferred financing charges	800	2,300
Deferred tax asset, long-term portion	6,811,757	6,880,377
Intangible assets	17,215,576	17,482,590
Goodwill	18,873,127	18,873,127
		\$
Total assets	\$ 119,875,972	115,689,559
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,864,847	\$ 1,051,115
Accrued liabilities	2,243,550	2,081,968
Customer deposits	4,459,899	4,202,899
Derivative instrument liability, current portion	263,004	781,027
Loan payable, current portion	4,311,667	850,000
Deferred revenue, current portion	55,962,976	52,683,546
Accreditation fees payable, current portion	600,227	555,869
Deferred tax liability, current portion	1,051,376	880,008
Income taxes payable	194,320	158,258
Total current liabilities	70,951,866	63,244,690

Derivative instrument liability, long-term portion	-	5,479
Deferred revenue, long-term portion	17,036,557	16,492,155
Accreditation fees payable, long-term portion	153,657	156,061
Deferred rent, long-term portion	33,756	26,487
Deferred tax liability, long-term portion	5,317,800	5,345,700
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; 46,221,565 shares issued and outstanding as of March 31, 2012 and 53,497,584 shares issued and outstanding as of December 31, 2011	9,952,314	11,358,959
Additional paid-in capital	36,700,388	40,994,013
Deficit	(20,270,366)	(21,933,985)
Total stockholders' equity	26,382,336	30,418,987
Total liabilities and stockholders' equity	\$ 119,875,972	\$ 115,689,559

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

Three months ended
March 31,
2012 2011
(unaudited)

Net revenues	\$ 27,537,306	\$ 22,555,207
Cost of revenues:		
Cost of revenues	19,267,125	15,695,140
Network expenses (*)	1,256,890	1,262,828
Depreciation of property and equipment	147,418	236,681
Amortization of intangible assets	35,910	19,290
Total cost of revenues	20,707,343	17,213,939
Gross profit	6,829,963	5,341,268
Expenses:		
Sales and marketing (*)	2,184,635	2,024,703
Technical operations and development (*)	1,113,145	1,199,236
General and administrative (*) (note 1)	1,783,453	1,563,774
Depreciation of property and equipment	47,415	46,187
Amortization of intangible assets	219,030	306,990

Loss (gain) on currency forward contracts (note 1)	(562,109)	(354,144)
Total expenses	4,785,569	4,786,746
Income from operations	2,044,394	554,522
Other income (expenses):		
Interest (expense) income, net	(40,969)	(11,540)
Other income	508,800	323,329
Total other income (expenses)	467,831	311,789
Income before provision for income taxes	2,512,225	866,311
Provision for income taxes	848,606	138,365
Net income and comprehensive income for the period	\$ 1,663,619	\$ 727,946
Basic earnings per common share	\$ 0.04	\$ 0.01
Shares used in computing basic earnings per common share	46,221,465	53,437,672
Diluted earnings per common share	\$ 0.03	\$ 0.01
Shares used in computing diluted earnings per common share	48,954,451	55,747,952

(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 \$0.5 million for the three months ended March 31, 2011 has been reclassified from "General and administrative expense" to "Loss (gain) on currency forward contracts". 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	\$ 6,046	\$ 6,013
Sales and marketing	\$ 22,782	\$ 25,333
Technical operations and development	\$ 12,843	\$ 15,708
General and administrative	\$ 20,794	\$ 27,277

TucowsInc.

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

Three months ended March 31,

	2012	2011
	(unaudited)	
Cash provided by (used in):		
Operating activities:		
Net income for the period	\$ 1,663,619	\$ 727,946
Items not involving cash:		
Depreciation of property and equipment	194,833	282,868
Amortization of deferred financing charges	1,500	4,400
Amortization of intangible assets	254,940	326,280
Deferred income taxes	212,088	-
Deferred rent	7,269	6,945
Acquisition of domain names	(3,664)	-
Disposal of domain names	15,738	13,195
Gain on disposition of intangible assets	(508,800)	-
(Gain) loss on currency forward contracts	(701,843)	112,704
Stock-based compensation	62,465	74,331
Changes in non-cash operating working capital:		
Accounts receivable	(1,014,729)	(1,232,805)
Prepaid expenses and deposits	(1,108,098)	(521,647)
Prepaid fees for domain name registry and ancillary services fees	(2,919,423)	(2,000,239)
Income taxes recoverable/payable	619,073	135,000
Accounts payable	913,969	253,897
Accrued liabilities	268,911	316,472
Customer deposits	257,000	(91,433)
Deferred revenue	3,823,832	2,318,399
Accreditation fees payable	41,954	36,183
Net cash provided by operating activities	2,080,634	762,496
Financing activities:		
Proceeds received on exercise of stock options	130,712	3,460
Repurchase of common stock	(5,893,447)	-
Proceeds received on loan payable	4,000,000	-
Repayment of loan payable	(538,333)	(478,561)
Net cash used in financing activities	(2,301,068)	(475,101)
Investing activities:		
Additions to property and equipment	(330,273)	(328,958)
Proceeds on disposition of intangible assets	508,800	-
Net cash provided by (used in) investing activities	178,527	(328,958)
Decrease in cash and cash equivalents	(41,907)	(41,563)

Cash and cash equivalents, beginning of period		6,408,209	4,205,729
Cash and cash equivalents, end of period	\$	6,366,302	\$ 4,164,166
Supplemental cash flow information:			
Interest paid	\$	41,176	\$ 11,589
Supplementary disclosure of non-cash investing activity:			
Property and equipment acquired during the period not yet paid for	\$	50,401	\$ 105,136