

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

	December 31,	December 31,
	2014	2013
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,271,377	\$ 12,418,888
Accounts receivable	6,789,685	5,305,403
Inventory	393,774	309,686
Prepaid expenses and deposits	3,697,292	4,309,039
Prepaid domain name registry and ancillary services fees, current portion	44,614,858	44,209,591
Other Assets	8,199,000	
Deferred tax asset, current portion	2,498,196	1,081,526
Income taxes recoverable	997	475,889
Total current assets	<u>74,465,179</u>	<u>68,110,022</u>
Derivative instrument asset, long-term portion	-	-
Prepaid domain name registry and ancillary services fees, long-term portion	11,764,765	11,838,579
Property and equipment	1,609,787	1,757,836
Deferred tax asset, long-term portion	4,880,423	5,370,037
Intangible assets	14,202,585	15,403,228
Goodwill	18,873,127	18,873,127
Total assets	<u>\$ 125,795,866</u>	<u>\$ 121,352,829</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,579,920	\$ 2,361,481
Accrued liabilities	3,941,549	3,913,034
Customer deposits	4,461,727	4,500,946
Derivative instrument liability, current portion	1,115,805	491,098
Loan payable, current portion	-	6,300,000
Deferred revenue, current portion	55,495,566	54,379,719
Accreditation fees payable, current portion	466,201	473,811
Income taxes payable	473,480	1,024,004
Total current liabilities	<u>69,534,248</u>	<u>73,444,093</u>
Deferred revenue, long-term portion	15,610,753	15,638,517
Accreditation fees payable, long-term portion	128,243	135,522
Deferred rent, long-term portion	92,878	75,979
Deferred tax liability, long-term portion	4,787,351	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; 11,329,732 shares issued and outstanding as of December 31, 2014 and 10,907,063 shares issued and outstanding as of December 31, 2013	14,130,059	11,859,267
Additional paid-in capital	29,090,058	28,632,311
Deficit	(6,955,283)	(13,329,379)
Accumulated other comprehensive income (loss)	(622,441)	(244,981)
Total stockholders' equity	<u>35,642,393</u>	<u>26,917,218</u>
Total liabilities and stockholders' equity	<u>\$ 125,795,866</u>	<u>\$ 121,352,829</u>

	Tucows Inc. Consolidated Statements of Operations (Dollar amounts in U.S. dollars)		Tucows Inc. Consolidated Statements of Operations (Dollar amounts in U.S. dollars)	
	Three months ended December 31,		Year ended December 31,	
	2014 (unaudited)	2013 (unaudited)	2014 (unaudited)	2013 (unaudited)
Net revenues	\$ 38,802,529	\$ 33,139,440	\$ 147,667,107	\$ 129,934,904
Cost of revenues:				
Cost of revenues	26,822,484	23,605,955	101,861,002	92,960,321
Network expenses (*)	1,126,779	1,119,468	4,554,635	4,835,939
Depreciation of property and equipment	170,714	175,262	699,670	627,973
Amortization of intangible assets	-	-	-	83,790
Total cost of revenues	<u>28,119,977</u>	<u>24,900,685</u>	<u>107,115,307</u>	<u>98,508,023</u>
Gross profit	10,682,552	8,238,755	40,551,800	31,426,881
Expenses:				
Sales and marketing (*)	4,016,364	3,348,945	15,394,065	12,141,036
Technical operations and development (*)	1,067,149	1,061,309	4,305,715	4,158,603
General and administrative (*)	2,211,933	1,937,898	8,505,920	7,204,895
Depreciation of property and equipment	58,905	56,614	226,432	215,447
Amortization of intangible assets	51,330	219,030	596,620	876,120
Impairment of indefinite life intangible assets	-	-	577,145	-
Loss on currency forward contracts	424,947	322,911	1,310,848	676,120
Total expenses	<u>7,830,628</u>	<u>6,946,707</u>	<u>30,916,745</u>	<u>25,272,221</u>
Income from operations	2,851,924	1,292,048	9,635,055	6,154,660
Other income (expenses):				
Interest expense, net	(51)	(83,101)	(206,730)	(354,857)
Total other income (expenses)	<u>(51)</u>	<u>(83,101)</u>	<u>(206,730)</u>	<u>(354,857)</u>
Income before provision for income taxes	2,851,873	1,208,947	9,428,325	5,799,803
Provision for income taxes	992,703	286,052	3,054,229	1,619,339
Net income	<u>1,859,170</u>	<u>922,895</u>	<u>6,374,096</u>	<u>4,180,464</u>
Other comprehensive loss, net of tax				
Unrealized loss on hedging activities	(401,214)	(399,150)	(1,004,115)	(470,779)
Net amount reclassified to earnings	<u>188,762</u>	<u>62,457</u>	<u>626,655</u>	<u>181,694</u>
Other comprehensive loss net of tax of \$110,668 and \$175,387 for the three months ended December 31, 2014 and December 31, 2013, and \$196,623 and \$150,587 for the twelve months ended December 31, 2014 and December 31, 2013	<u>(212,452)</u>	<u>(336,693)</u>	<u>(377,460)</u>	<u>(289,085)</u>
Comprehensive income for the period	<u>\$ 1,646,718</u>	<u>\$ 586,202</u>	<u>\$ 5,996,636</u>	<u>\$ 3,891,379</u>
Basic earnings per common share	<u>\$ 0.16</u>	<u>\$ 0.08</u>	<u>\$ 0.57</u>	<u>\$ 0.40</u>
Shares used in computing basic earnings per common share	<u>11,310,469</u>	<u>10,900,842</u>	<u>11,220,874</u>	<u>10,468,250</u>
Diluted earnings per common share	<u>\$ 0.16</u>	<u>\$ 0.08</u>	<u>\$ 0.54</u>	<u>\$ 0.37</u>
Shares used in computing diluted earnings per common share	<u>11,763,744</u>	<u>11,538,283</u>	<u>11,730,398</u>	<u>11,281,409</u>
(*) Stock-based compensation has been included in expenses as follows:				
Network expenses	\$ 8,541	\$ 8,851	\$ 30,938	\$ 31,664
Sales and marketing	\$ 39,074	\$ 36,302	\$ 143,514	\$ 129,302
Technical operations and development	\$ 26,536	\$ 21,634	\$ 85,904	\$ 78,800
General and administrative	\$ 51,541	\$ 35,233	\$ 282,382	\$ 191,137

	Tucows Inc.		Tucows Inc.	
	Consolidated Statements of Cash Flows		Consolidated Statements of Cash Flows	
	(Dollar amounts in U.S. dollars)		(Dollar amounts in U.S. dollars)	
	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 1,859,170	\$ 922,895	\$ 6,374,096	\$ 4,180,464
Items not involving cash:				
Depreciation of property and equipment	229,619	231,876	926,102	843,420
Amortization of intangible assets	51,330	219,030	596,620	959,910
Impairment of indefinite life intangible assets	-	-	577,145	-
Deferred income taxes (recovery)	(127,877)	(169,268)	(935,568)	(247,371)
Excess tax benefits on share-based compensation expense	101,653	(34,157)	(148,902)	(1,090,171)
Deferred rent	2,687	4,081	16,899	21,829
Disposal of domain names	7,301	8,221	26,878	52,513
(Gain) loss on change in the fair value of forward contracts	30,633	134,561	50,624	496,207
Stock-based compensation	125,692	102,020	542,738	430,903
Changes in non-cash operating working capital:				
Accounts receivable	125,005	(435,937)	(1,484,282)	(892,138)
Inventory	(2,748)	28,424	(84,088)	277,418
Prepaid expenses and deposits	624,939	(67,637)	611,747	772,369
Prepaid fees for domain name registry and ancillary services fees	1,516,718	1,785,439	(331,453)	1,440,720
Income taxes recoverable/payable	718,357	(63,695)	(75,744)	1,023,638
Accounts payable	21,490	(170,657)	1,152,042	529,537
Accrued liabilities	(1,016,351)	725,821	28,515	1,390,805
Customer deposits	392,395	428,621	(39,219)	(454,725)
Deferred revenue	(1,871,865)	(1,972,072)	1,088,083	(982,115)
Accreditation fees payable	(20,711)	(25,188)	(14,889)	(49,106)
Net cash provided by operating activities	<u>2,767,437</u>	<u>1,652,378</u>	<u>8,877,344</u>	<u>8,704,107</u>
Financing activities:				
Proceeds received on exercise of stock options	93,108	37,919	1,478,924	1,492,174
Excess tax benefits on share-based compensation expense	133,422	34,157	1,888,734	1,090,171
Repurchase of common stock	-	-	(1,181,857)	(6,537,616)
Proceeds received on loan payable	-	-	-	5,200,000
Repayment of loan payable	-	(600,000)	(6,300,000)	(2,600,000)
Net cash provided by (used in) financing activities	<u>226,530</u>	<u>(527,924)</u>	<u>(4,114,199)</u>	<u>(1,355,271)</u>
Investing activities:				
Additions to property and equipment	(112,836)	(255,514)	(711,656)	(1,345,627)
Acquisition of other assets	(8,199,000)	-	(8,199,000)	-
Net cash used in investing activities	<u>(8,311,836)</u>	<u>(255,514)</u>	<u>(8,910,656)</u>	<u>(1,345,627)</u>
Increase in cash and cash equivalents	(5,317,869)	868,940	(4,147,511)	6,003,209
Cash and cash equivalents, beginning of period	13,589,246	11,549,948	12,418,888	6,415,679
Cash and cash equivalents, end of period	<u>\$ 8,271,377</u>	<u>\$ 12,418,888</u>	<u>\$ 8,271,377</u>	<u>\$ 12,418,888</u>
Supplemental cash flow information:				
Interest paid	\$ 143	\$ 83,370	\$ 207,777	\$ 372,853
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 66,397	\$ -	\$ 66,397	\$ -