

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

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,465,126	\$ 6,415,679
Accounts receivable	5,627,555	4,413,265
Inventory	187,424	587,104
Prepaid expenses and deposits	4,784,513	5,081,408
Derivative instrument asset, current portion	-	412,944
Prepaid domain name registry and ancillary services fees, current portion	46,629,631	45,170,167
Income taxes recoverable	628,476	1,730,631
Total current assets	64,322,725	63,811,198
Derivative instrument asset, long-term portion	-	31,838
Prepaid domain name registry and ancillary services fees, long-term portion	12,242,246	12,318,723
Property and equipment	1,784,875	1,352,144
Deferred tax asset, long-term portion	6,006,995	5,970,462
Intangible assets	15,870,402	16,415,651
Goodwill	18,873,127	18,873,127
Total assets	\$ 119,100,370	\$ 118,773,143
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,444,529	\$ 1,928,459
Accrued liabilities	3,023,913	2,522,229
Customer deposits	4,668,101	4,955,671
Derivative instrument liability, current portion	800,635	-
Loan payable, current portion	7,500,000	3,700,000
Deferred revenue, current portion	57,003,871	54,997,887
Accreditation fees payable, current portion	535,311	512,847
Deferred tax liability, current portion	795,741	914,429

Income taxes payable	259,317	1,255,108
Total current liabilities	77,031,418	70,786,630
Deferred revenue, long-term portion	15,973,216	16,002,464
Accreditation fees payable, long-term portion	139,045	145,592
Deferred rent, long-term portion	64,026	54,150
Deferred tax liability, long-term portion	5,178,300	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; 40,641,488 shares issued and outstanding as of June 30, 2013 and 44,322,159 shares issued and outstanding as of December 31, 2012	9,755,391	10,084,417
Additional paid-in capital	28,207,230	33,931,529
Deficit	(16,845,634)	(17,509,843)
Accumulated other comprehensive income (loss)	(402,622)	44,104
Total stockholders' equity	20,714,365	26,550,207
Total liabilities and stockholders' equity	\$ 119,100,370	\$ 118,773,143

	<b>Tucows Inc.</b>		<b>Tucows Inc.</b>	
	<b>Consolidated Statements of Operations</b>		<b>Consolidated Statements of Operations</b>	
	<b>(Dollar amounts in U.S. dollars)</b>		<b>(Dollar amounts in U.S. dollars)</b>	
	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Net revenues	\$ 31,173,357	\$ 28,152,614	\$ 61,158,379	\$ 55,689,920
Cost of revenues:				
Cost of revenues	23,007,506	20,120,211	45,085,405	39,387,336
Network expenses (*)	1,269,808	1,213,864	2,524,021	2,470,754
Depreciation of property and equipment	151,356	155,638	288,428	303,056
Amortization of intangible assets	35,910	35,910	71,820	71,820
Total cost of revenues	24,464,580	21,525,623	47,969,674	42,232,966

Gross profit	6,708,777	6,626,991	13,188,705	13,456,954
Expenses:				
Sales and marketing (*)	2,946,586	2,065,729	5,793,672	4,250,364
Technical operations and development (*)	748,137	1,105,575	1,881,967	2,218,720
General and administrative (*) (note 1)	1,698,697	1,748,402	3,397,329	3,531,855
Depreciation of property and equipment	54,922	45,522	105,861	92,937
Amortization of intangible assets	219,030	219,030	438,060	438,060
Loss (gain) on currency forward contracts (note 1)	146,639	383,838	381,277	(178,271)
Total expenses	5,814,011	5,568,096	11,998,166	10,353,665
Income from operations	894,766	1,058,895	1,190,539	3,103,289
Other income (expenses):				
Interest expense, net	(93,428)	(54,513)	(192,790)	(95,482)
Other income	-	20,911	-	529,711
Total other income (expenses)	(93,428)	(33,602)	(192,790)	434,229
Income before provision for income taxes	801,338	1,025,293	997,749	3,537,518
Provision for income taxes	213,708	329,295	333,540	1,177,901
Net income	587,630	695,998	664,209	2,359,617
Other comprehensive loss, net of tax of \$133,761 for the three months ended June 30, 2013 and \$230,538 for the six months ended June 30, 2013	260,941	-	446,726	-
Comprehensive income (loss) for the period	\$ 326,689	\$ 695,998	\$ 217,483	\$ 2,359,617
Basic earnings per common share	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.05
Shares used in computing basic earnings per common share	40,323,261	45,912,458	40,327,324	47,003,016
Diluted earnings per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.05
Shares used in computing diluted earnings per common share	44,278,852	49,449,430	44,294,015	50,203,163

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

Network expenses	\$ 7,932	\$ 6,329	\$ 14,058	\$ 12,375
Sales and marketing	\$ 33,909	\$ 20,149	\$ 60,319	\$ 42,931
Technical operations and development	\$ 20,370	\$ 15,047	\$ 35,617	\$ 27,890
General and administrative	\$ 29,044	\$ 21,571	\$ 56,103	\$ 42,365

	<b>Tucows Inc.</b>		<b>Tucows Inc.</b>	
	<b>Consolidated Statements of</b>		<b>Consolidated Statements</b>	
	<b>Cash Flows</b>		<b>of Cash Flows</b>	
	<b>(Dollar amounts in U.S.</b>		<b>(Dollar amounts in U.S.</b>	
	<b>dollars)</b>		<b>dollars)</b>	
	<b>Three months ended June</b>		<b>Six months ended June 30,</b>	
	<b>30,</b>			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 587,630	\$ 695,998	\$ 664,209	\$ 2,359,617
Items not involving cash:				
Depreciation of property and equipment	206,278	201,160	394,289	395,993
Amortization of deferred financing charges	-	700	-	2,200
Amortization of intangible assets	254,940	254,940	509,880	509,880
Deferred income taxes (recovery)	113,748	(107,146)	21,683	104,942
Deferred rent	4,372	5,931	9,876	13,200
Acquisition of domain names	-	-	-	(3,664)
Disposal of domain names	20,876	7,301	35,369	23,039
Gain on disposition of intangible assets	-	-	-	(508,800)
(Gain) loss on change in the fair value of forward contracts	114,846	245,477	565,987	(456,366)
Stock-based compensation	91,255	63,096	166,097	125,561
Changes in non-cash operating working capital:				
Accounts receivable	(665,972)	(22,102)	(1,214,290)	(1,036,831)
Inventory	121,380	-	399,680	-
Prepaid expenses and deposits	635,193	(783,370)	296,895	(1,891,468)
Prepaid fees for domain name registry and ancillary services fees	(341,273)	(1,378,771)	(1,382,987)	(4,298,194)
Income taxes recoverable/payable	(2,789)	(378,492)	106,364	240,581
Accounts payable	1,797	(308,892)	607,721	605,077

Accrued liabilities	1,025,886	255,254	501,684	524,165
Customer deposits	273,851	(191,402)	(287,570)	65,598
Deferred revenue	557,152	1,460,816	1,976,736	5,284,648
Accreditation fees payable	(28,082)	(16,775)	15,917	25,179
Net cash provided by operating activities	2,971,088	3,723	3,387,540	2,084,357

Financing activities:

Proceeds received on exercise of stock options	279,685	219,000	318,194	349,712
Repurchase of common stock	-	(1,591,743)	(6,537,616)	(7,485,190)
Proceeds received on loan payable	-	-	5,200,000	4,000,000
Repayment of loan payable	(600,000)	(311,667)	(1,400,000)	(850,000)
Net cash used in financing activities	(320,315)	(1,684,410)	(2,419,422)	(3,985,478)

Investing activities:

Additions to property and equipment	(471,966)	(174,054)	(918,671)	(504,327)
Proceeds on disposition of intangible assets	-	-	-	508,800
Net cash provided by (used in) investing activities	(471,966)	(174,054)	(918,671)	4,473

Increase (decrease) in cash and cash equivalents	2,178,807	(1,854,741)	49,447	(1,896,648)
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Cash and cash equivalents, beginning of period	4,286,319	6,366,302	6,415,679	6,408,209
Cash and cash equivalents, end of period	\$ 6,465,126	\$ 4,511,561	\$ 6,465,126	\$ 4,511,561

Supplemental cash flow information:

Interest paid	\$ 97,369	\$ 54,655	\$ 196,873	\$ 95,831
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Supplementary disclosure of non-cash investing activity:

Property and equipment acquired during the period not yet paid for	\$ 4,864	\$ 42,343	\$ 4,864	\$ 42,343
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