

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

	December 31,	December 31,
	2012	2011
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	6,415,679	6,408,209
Accounts receivable	4,413,265	3,880,184
Inventory	587,104	205,597
Prepaid expenses and deposits	5,081,408	3,756,308
Derivative instrument asset, current portion	412,944	-
Prepaid domain name registry and ancillary services fees, current portion	45,170,167	43,209,033
Income taxes recoverable	1,730,631	867,093
Total current assets	63,811,198	58,326,424
Derivative instrument asset, long-term portion	31,838	87,023
Prepaid domain name registry and ancillary services fees, long-term portion	12,318,723	12,600,154
Property and equipment	1,352,144	1,437,564
Deferred financing charges	-	2,300
Deferred tax asset, long-term portion	5,970,462	6,880,377
Intangible assets	16,415,651	17,482,590
Goodwill	18,873,127	18,873,127
Total assets	118,773,143	115,689,559
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	1,928,459	1,051,115
Accrued liabilities	2,522,229	2,081,968
Customer deposits	4,955,671	4,202,899
Derivative instrument liability, current portion	-	781,027
Loan payable, current portion	3,700,000	850,000
Deferred revenue, current portion	54,997,887	52,683,546
Accreditation fees payable, current portion	512,847	555,869
Deferred tax liability, current portion	914,429	880,008
Income taxes payable	1,255,108	158,258
Total current liabilities	70,786,630	63,244,690
Derivative instrument liability, long-term portion	-	5,479
Deferred revenue, long-term portion	16,002,464	16,492,155
Accreditation fees payable, long-term portion	145,592	156,061
Deferred rent, long-term portion	54,150	26,487
Deferred tax liability, long-term portion	5,234,100	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; 44,322,159 shares issued and outstanding as of December 31, 2012 and 53,497,584 shares issued and outstanding as of December 31, 2011	10,084,417	11,358,959
Additional paid-in capital	33,931,529	40,994,013
Deficit	(17,509,843)	(21,933,985)
Accumulated other comprehensive income	44,104	-
Total stockholders' equity	26,550,207	30,418,987
Total liabilities and stockholders' equity	118,773,143	115,689,559

	Consolidated Statements of Operations and Comprehensive Income (Dollar amounts in U.S. dollars)		Consolidated Statements of Operations and Comprehensive Income (Dollar amounts in U.S. dollars)	
	Three months ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
	(unaudited)		(unaudited)	
Net revenues	\$ 29,790,912	\$ 26,369,781	\$ 114,726,901	\$ 97,064,967
Cost of revenues:				
Cost of revenues (*)	22,003,975	18,509,663	82,837,395	68,088,387
Network expenses	1,295,419	1,145,655	4,925,058	4,837,650
Depreciation of property and equipment	151,381	141,494	611,640	750,455
Amortization of intangible assets	35,910	35,910	143,640	85,590
Total cost of revenues	23,486,685	19,832,722	88,517,733	73,762,082
Gross profit	6,304,227	6,537,059	26,209,168	23,302,885
Expenses:				
Sales and marketing (*)	2,413,744	1,778,922	8,701,446	7,442,681
Technical operations and development (*)	1,073,151	1,216,446	4,302,820	4,868,228
General and administrative (*) (note 1)	1,592,641	1,477,153	6,610,819	6,096,596
Depreciation of property and equipment	50,502	46,449	190,420	187,005
Loss on disposition of property and equipment	118,944	42,165	118,944	42,165
Amortization of intangible assets	219,030	219,030	876,120	1,004,950
Loss (gain) on currency forward contracts (note 1)	110,665	(838,954)	(682,851)	535,223
Total expenses	5,578,677	3,941,211	20,117,718	20,176,848
Income from operations	725,550	2,595,848	6,091,450	3,126,037
Other income (expenses):				
Interest (expense) income, net	(47,153)	(11,489)	(192,863)	(50,404)
Other income	-	-	529,711	374,977
Total other income (expenses)	(47,153)	(11,489)	336,848	324,573
Income before provision for income taxes	678,397	2,584,359	6,428,298	3,450,610
Provision for (recovery of) income taxes	248,872	(3,470,527)	2,004,156	(2,719,621)
Net income before comprehensive income for the period	429,525	6,054,886	4,424,142	6,170,231
Comprehensive income	44,104	-	44,104	-
Net income and comprehensive income for the period	\$ 473,629	\$ 6,054,886	\$ 4,468,246	\$ 6,170,231
Basic earnings per common share	\$ 0.01	\$ 0.11	\$ 0.10	\$ 0.12
Shares used in computing basic earnings per common share	44,256,179	53,483,508	45,832,862	53,454,675
Diluted earnings per common share	\$ 0.01	\$ 0.11	\$ 0.09	\$ 0.11
Shares used in computing diluted earnings per common share	47,723,766	55,780,131	49,134,944	55,749,433
(*) Stock-based compensation has been included in expenses as follows:				
Network expenses	\$ 6,126	\$ 5,802	\$ 24,480	\$ 22,972
Sales and marketing	\$ 25,121	\$ 24,088	\$ 92,168	\$ 91,244
Technical operations and development	\$ 15,651	\$ 11,862	\$ 59,141	\$ 51,984
General and administrative	\$ 21,869	\$ 20,588	\$ 184,910	\$ 144,757

	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,	
	2012	2011	2012	2011
	(unaudited)		(unaudited)	
Cash provided by (used in):				
Operating activities:				
Net income and comprehensive income for the period	\$ 429,525	\$ 6,054,886	\$ 4,424,142	\$ 6,170,231
Items not involving cash:				
Depreciation of property and equipment	201,883	187,943	802,060	937,460
Loss on write off of property and equipment	118,944	42,165	118,944	42,165
Amortization of deferred financing charges	-	2,200	2,300	13,300
Amortization of intangible assets	254,940	254,940	1,019,760	1,090,540
Deferred income taxes (recovery)	499,625	(3,028,269)	832,736	(3,046,669)
Deferred rent	6,205	7,213	27,663	26,487
Acquisition of domain names	-	-	(3,664)	-
Disposal of domain names	12,662	4,164	50,843	34,071
Gain on disposition of intangible assets with no book value	-	-	(508,800)	-
(Gain) loss on change in fair value of forward exchange contracts	54,986	(924,661)	(1,100,161)	1,533,443
Stock-based compensation	68,767	62,339	360,699	310,956
Changes in non-cash operating working capital:				
Accounts receivable	413,511	409,278	(533,081)	(270,594)
Inventory	(173,894)	(205,597)	(381,507)	(205,597)
Prepaid expenses and deposits	(278,001)	67	(1,325,100)	(923,909)
Prepaid fees for domain name registry and ancillary services fees	1,712,684	(109,892)	(1,679,703)	(4,855,039)
Income taxes recoverable	(233,573)	(579,682)	233,312	(261,215)
Accounts payable	283,217	(276,156)	931,467	(611,532)
Accrued liabilities	302,852	254,361	547,590	515,931
Customer deposits	689,955	299,335	752,772	209,984
Deferred revenue	(2,315,219)	238,245	1,824,650	5,179,716
Accreditation fees payable	(26,831)	(10,058)	(53,491)	(4,460)
Net cash provided by operating activities	2,022,238	2,682,821	6,343,431	5,885,269
Financing activities:				
Proceeds received on exercise of stock options	54,210	17,201	418,108	31,346
Repurchase of common stock	-	(18,442)	(9,115,833)	(18,442)
Proceeds received on Short Swing Sale	-	3,659	4,000,000	3,659
Repayment of loan payable	(300,000)	(709,722)	(1,150,000)	(455,883)
Net cash used in financing activities	(245,790)	(707,304)	(5,847,725)	(439,320)
Investing activities:				
Additions to property and equipment	(330,502)	(221,073)	(997,036)	(851,008)
Acquisition of EPAG Domainservices GMBH, net of cash acquired	-	-	-	(2,392,461)
Proceeds on disposition of intangible asset with no book value	-	-	508,800	-
Net cash used in investing activities	(330,502)	(221,073)	(488,236)	(3,243,469)
Increase (decrease) in cash and cash equivalents	1,445,946	1,754,444	7,470	2,202,480
Cash and cash equivalents, beginning of period	4,969,733	4,653,765	6,408,209	4,205,729
Cash and cash equivalents, end of period	\$ 6,415,679	\$ 6,408,209	\$ 6,415,679	\$ 6,408,209
Supplemental cash flow information:				
Interest paid	\$ 49,167	\$ 13,969	\$ 195,509	\$ 53,166
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 96,515	\$ 257,967	\$ 96,515	\$ 257,967