

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

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
	<u>(unaudited)</u>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,300,762	\$ 8,271,377
Accounts receivable	8,208,238	6,789,685
Inventory	619,413	393,774
Prepaid expenses and deposits	5,678,128	3,697,292
Prepaid domain name registry and ancillary services fees, current portion	46,922,331	44,614,858
Other assets	-	8,199,000
Deferred tax asset, current portion	3,316,406	2,498,196
Income taxes recoverable	227,759	997
Total current assets	<u>80,273,037</u>	<u>74,465,179</u>
Prepaid domain name registry and ancillary services fees, long-term portion	11,676,068	11,764,765
Property and equipment	6,156,918	1,609,787
Deferred tax asset, long-term portion	5,417,090	4,880,423
Intangible assets	14,768,934	14,202,585
Goodwill	21,005,143	18,873,127
Total assets	<u>\$ 139,297,190</u>	<u>\$ 125,795,866</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,777,159	\$ 3,579,920
Accrued liabilities	5,274,863	3,941,549
Customer deposits	4,914,645	4,461,727
Derivative instrument liability	1,374,202	1,115,805
Deferred rent, current portion	10,783	-
Loan payable, current portion	3,500,000	-
Deferred revenue, current portion	58,633,546	55,495,566
Accreditation fees payable, current portion	503,644	466,201
Deferred tax liability, current portion	24,765	-
Income taxes payable	1,483,258	473,480
Total current liabilities	<u>79,496,865</u>	<u>69,534,248</u>
Derivative instrument liability, long-term portion	149,445	-
Deferred revenue, long-term portion	15,639,306	15,610,753
Accreditation fees payable, long-term portion	122,846	128,243
Deferred rent, long-term portion	92,642	92,878
Other liabilities	1,545,832	-
Deferred tax liability, long-term portion	5,015,677	4,787,351
Redeemable non-controlling interest	3,012,150	-
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; 11,083,976 shares issued and outstanding as of June 30, 2015 and 11,329,732 shares issued and outstanding as of December 31, 2014 (1)	14,411,616	14,130,059
Additional paid-in capital	22,492,630	29,090,058
Deficit	(1,848,495)	(6,955,283)
Accumulated other comprehensive income (loss)	(833,324)	(622,441)
Total stockholders' equity	<u>34,222,427</u>	<u>35,642,393</u>
Total liabilities and stockholders' equity	<u>\$ 139,297,190</u>	<u>\$ 125,795,866</u>

(1) Shares issued and outstanding at both June 30, 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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Net revenues	\$ 42,889,220	\$ 35,588,001	\$ 83,357,053	\$ 69,990,395
Cost of revenues:				
Cost of revenues	28,250,672	24,736,004	55,072,046	49,052,643
Network expenses (*)	1,494,838	1,144,697	2,716,934	2,288,341
Depreciation of property and equipment	279,929	173,963	479,571	356,937
Amortization of intangible assets	11,532	-	15,456	-
Total cost of revenues	30,036,971	26,054,664	58,284,007	51,697,921
Gross profit	12,852,249	9,533,337	25,073,046	18,292,474
Expenses:				
Sales and marketing (*)	4,847,963	3,762,441	8,647,138	7,784,215
Technical operations and development (*)	1,189,276	1,107,532	2,303,471	2,197,430
General and administrative (*) (note 1)	2,173,254	1,886,319	3,988,442	3,654,119
Depreciation of property and equipment	62,022	52,538	121,284	108,842
Amortization of intangible assets	56,997	219,030	110,212	438,060
Impairment of indefinite life intangible assets	37,805	326,457	50,298	577,145
Loss on currency forward contracts	602,439	96,545	1,559,297	647,916
Total expenses	8,969,756	7,450,862	16,780,142	15,407,727
Income from operations	3,882,493	2,082,475	8,292,904	2,884,747
Other income (expenses):				
Interest expense, net	(57,402)	(69,348)	(82,177)	(143,181)
Total other income (expenses)	(57,402)	(69,348)	(82,177)	(143,181)
Income before provision for income taxes	3,825,091	2,013,127	8,210,727	2,741,566
Provision for income taxes	1,540,096	665,945	3,091,789	917,545
Net income	2,284,995	1,347,182	5,118,938	1,824,021
Redeemable non-controlling interest	(49,985)	-	(71,467)	-
Net (earnings) loss attributable to redeemable non-controlling interest	49,985	-	71,467	-
Net income	2,284,995	1,347,182	5,118,938	1,824,021
Other comprehensive income (loss), net of tax				
Unrealized loss on hedging activities	(38,046)	285,136	(998,912)	(165,382)
Net amount reclassified to earnings	371,955	145,141	788,029	380,192
Other comprehensive income (loss) net of tax of \$111,897 and \$133,761 for the three months ended June 30, 2014 and June 30, 2013, and \$224,137 and \$230,538 for the six months ended June 30, 2014 and June 30, 2013 (2013 : \$96,777)	333,909	430,277	(210,883)	214,810
Comprehensive income (loss), net of tax for the period	\$ 2,618,904	\$ 1,777,459	\$ 4,908,055	\$ 2,038,831
Basic earnings per common share	\$ 0.21	\$ 0.12	\$ 0.46	\$ 0.16
Shares used in computing basic earnings per common share	11,047,136	11,219,101	11,094,618	11,124,357
Diluted earnings per common share	\$ 0.20	\$ 0.11	\$ 0.44	\$ 0.16
Shares used in computing diluted earnings per common share	11,456,670	11,729,547	11,518,105	11,684,529

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

Network expenses	\$ 6,916	\$ 7,932	\$ 15,797	\$ 14,058
Sales and marketing	\$ 30,804	\$ 33,909	\$ 66,803	\$ 60,319
Technical operations and development	\$ 18,447	\$ 20,370	\$ 36,652	\$ 35,617
General and administrative	\$ 29,190	\$ 29,044	\$ 67,082	\$ 56,103

(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)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 2,284,995	\$ 1,347,182	\$ 5,118,938	\$ 1,824,021
Items not involving cash:				
Depreciation of property and equipment	341,951	226,501	600,855	465,779
Amortization of intangible assets	68,529	219,030	125,668	438,060
Impairment of indefinite life intangible asset	37,805	326,457	50,298	577,145
Deferred income taxes (recovery)	(801,919)	(415,246)	(966,169)	(758,477)
Excess tax benefits from share-based compensation expense	-	594,899	-	(418,901)
Amortization of deferred rent	13,039	9,168	10,547	12,380
Disposal of domain names	11,357	7,247	17,685	8,869
Loss (gain) on change in the fair value of forward contracts	(97,451)	(192,460)	61,342	(105,314)
Stock-based compensation	124,605	85,357	249,653	186,334
Change in non-cash operating working capital:				
Accounts receivable	(1,088,453)	(350,806)	(1,257,038)	(1,613,727)
Inventory	(45,294)	28,293	(158,444)	(171,454)
Prepaid expenses and deposits	(592,614)	(259,698)	(1,892,392)	(626,534)
Prepaid domain name registry and ancillary services fees	(755,932)	(606,215)	(2,218,776)	(2,421,898)
Income taxes recoverable	121,248	(133,242)	783,016	(566,543)
Accounts payable	(109,990)	(866,473)	7,576	803,942
Accrued liabilities	1,169,753	253,027	1,110,533	(169,371)
Customer deposits	589,361	16,054	452,918	(13,075)
Deferred revenue	983,586	867,445	3,045,096	3,616,378
Accreditation fees payable	(18,981)	(21,755)	32,046	28,332
Net cash (used in) provided by operating activities	<u>2,235,595</u>	<u>1,134,765</u>	<u>5,173,352</u>	<u>1,095,946</u>
Financing activities:				
Proceeds received on exercise of stock options	299,472	130,782	547,455	1,041,863
Excess tax benefits on share-based compensation expense	676,060	-	1,088,702	1,013,800
Repurchase of common stock	(489,536)	-	(8,201,681)	(82,286)
Proceeds received on loan payable	-	-	3,500,000	-
Repayment of loan payable	-	(325,000)	-	(941,667)
Net cash provided by (used in) financing activities	<u>485,996</u>	<u>(194,218)</u>	<u>(3,065,524)</u>	<u>1,031,710</u>
Investing activities:				
Additions to property and equipment	(1,149,020)	(313,281)	(1,340,782)	(382,026)
Gross proceeds on waiver of rights to .online registry	-	-	6,619,832	-
Additional cost of acquisition of Ting Virginia, LLC., net of cash of \$21,423	50,000	-	(357,493)	-
Net cash used in investing activities	<u>(1,099,020)</u>	<u>(313,281)</u>	<u>4,921,557</u>	<u>(382,026)</u>
Increase (decrease) in cash and cash equivalents	1,622,571	627,266	7,029,385	1,745,630
Cash and cash equivalents, beginning of period	13,678,191	13,537,252	8,271,377	12,418,888
Cash and cash equivalents, end of period	<u>\$ 15,300,762</u>	<u>\$ 14,164,518</u>	<u>\$ 15,300,762</u>	<u>\$ 14,164,518</u>
Supplemental cash flow information:				
Interest paid	\$ 57,409	\$ 69,437	\$ 96,302	\$ 143,386
Income taxes paid, net	\$ 1,380,448	\$ 588,916	\$ 1,944,470	\$ 1,258,540
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 70,577	\$ 19,637	\$ 70,577	\$ 19,637

**Tucows Inc.**  
**Reconciliation of Net income to Adjusted EBITDA**  
(In Thousands of US Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Net income for the period	\$ 2,285	\$ 1,347	\$ 5,119	\$ 1,824
Depreciation of property and equipment	342	227	601	466
Amortization of intangible assets	106	545	176	1,015
Interest expense, net	57	69	82	143
Provision for income taxes	1,540	666	3,092	918
Change in net deferred revenue <sup>1</sup>	200	266	891	1,198
Stock-based compensation	125	85	250	186
Loss (gain) on currency forward contracts	702	70	2,039	839
Adjusted EBITDA	<u>\$ 5,357</u>	<u>\$ 3,275</u>	<u>\$ 12,250</u>	<u>\$ 6,589</u>

<sup>(1)</sup> Net deferred revenue comprises the change in deferred revenue, net of prepaid domain name registry