

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

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,678,191	\$ 8,271,377
Accounts receivable	7,119,785	6,789,685
Inventory	574,119	393,774
Prepaid expenses and deposits	5,085,514	3,697,292
Prepaid domain name registry and ancillary services fees, current portion	46,107,333	44,614,858
Other Assets	-	8,199,000
Deferred tax asset, current portion	3,040,483	2,498,196
Income taxes recoverable	1,772	997
Total current assets	75,607,197	74,465,179
Prepaid domain name registry and ancillary services fees, long-term portion	11,735,134	11,764,765
Property and equipment	5,346,070	1,609,787
Deferred tax asset, long-term portion	5,067,090	4,880,423
Intangible assets	14,886,625	14,202,585
Goodwill	21,055,143	18,873,127
Total assets	\$ 133,697,259	\$ 125,795,866
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,883,370	\$ 3,579,920
Accrued liabilities	4,105,110	3,941,549
Customer deposits	4,325,284	4,461,727
Derivative instrument liability, current portion	2,139,268	1,115,805
Deferred rent, current portion	5,317	-
Loan payable, current portion	3,500,000	-
Deferred revenue, current portion	57,630,217	55,495,566
Accreditation fees payable, current portion	519,432	466,201
Income taxes payable	1,136,023	473,480
Total current liabilities	77,244,021	69,534,248
Deferred revenue, long-term portion	15,659,049	15,610,753
Accreditation fees payable, long-term portion	126,039	128,243
Deferred rent, long-term portion	85,069	92,878
Other liabilities	1,545,832	-
Deferred tax liability, long-term portion	5,032,177	4,787,351
Redeemable non-controlling interest	3,000,000	-
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; 10,996,733 shares issued and outstanding as of March 31, 2015 and 11,329,732 shares issued and outstanding as of December 31, 2014	13,975,005	14,130,059
Additional paid-in capital	22,318,640	29,090,058
Deficit	(4,121,340)	(6,955,283)
Accumulated other comprehensive income (loss)	(1,167,233)	(622,441)
Total stockholders' equity	31,005,072	35,642,393
Total liabilities and stockholders' equity	\$ 133,697,259	\$ 125,795,866

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

**Three months ended March 31,**  
**2015**                      **2014**  
**(unaudited)**

Net revenues	\$ 40,467,833	\$ 34,402,394
Cost of revenues:		
Cost of revenues	26,821,374	24,316,639
Network expenses	1,222,096	1,143,644
Depreciation of property and equipment	199,642	182,974
Amortization of intangible assets	3,924	-
Total cost of revenues	<u>28,247,036</u>	<u>25,643,257</u>
Gross profit	12,220,797	8,759,137
Expenses:		
Sales and marketing	3,799,175	4,021,774
Technical operations and development	1,114,195	1,089,898
General and administrative	1,815,188	1,767,800
Depreciation of property and equipment	59,262	56,304
Amortization of intangible assets	53,215	219,030
Impairment of indefinite life intangible assets	12,493	250,688
Loss on currency forward contracts	956,858	551,371
Total expenses	<u>7,810,386</u>	<u>7,956,865</u>
Income from operations	4,410,411	802,272
Other income (expenses):		
Interest expense, net	(24,775)	(73,883)
Total other income (expenses)	<u>(24,775)</u>	<u>(73,883)</u>
Income before provision for income taxes	4,385,636	728,389
Provision for income taxes	<u>1,551,693</u>	<u>251,600</u>
Net income	2,833,943	476,789
Other comprehensive loss, net of tax		
Gain (loss) on hedging activities	(960,866)	(442,978)
Net amount reclassified to earnings	<u>416,074</u>	<u>227,511</u>
Other comprehensive income (loss) net of tax of \$319,878 and \$112,240 for the three months ended March 31, 2015 and March 31, 2014	<u>(544,792)</u>	<u>(215,467)</u>
Comprehensive income for the period	<u>\$ 2,289,151</u>	<u>\$ 261,322</u>
Basic earnings per common share	<u>\$ 0.25</u>	<u>\$ 0.04</u>
Shares used in computing basic earnings per common share	<u>11,142,628</u>	<u>11,028,559</u>
Diluted earnings per common share	<u>\$ 0.24</u>	<u>\$ 0.04</u>
Shares used in computing diluted earnings per common share	<u>11,580,047</u>	<u>11,639,617</u>

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

**Three months ended March 31,**

**2015                      2014**

(unaudited)

Cash provided by:		
Operating activities:		
Net income for the period	\$ 2,833,943	\$ 476,839
Items not involving cash:		
Depreciation of property and equipment	258,904	239,278
Amortization of intangible assets	57,139	219,030
Impairment of indefinite life intangible asset	12,493	250,688
Deferred income taxes recovery	(164,250)	(343,231)
Excess tax benefits from share-based compensation expense	-	(1,013,800)
Amortization of deferred rent	(2,492)	3,212
Disposal of domain names	6,328	1,622
Loss (gain) on change in the fair value of forward contracts	158,793	87,146
Stock-based compensation	125,048	100,977
Change in non-cash operating working capital:		
Accounts receivable	(168,585)	(1,262,921)
Inventory	(113,150)	(199,747)
Prepaid expenses and deposits	(1,299,778)	(366,836)
Prepaid domain name registry and ancillary services fees	(1,462,844)	(1,815,683)
Income taxes recoverable	661,768	(433,301)
Accounts payable	117,566	1,670,415
Accrued liabilities	(59,220)	(422,398)
Customer deposits	(136,443)	(29,129)
Deferred revenue	2,061,510	2,748,933
Accreditation fees payable	51,027	50,087
Net cash (used in) / provided by operating activities	<u>2,937,757</u>	<u>(38,819)</u>
Financing activities:		
Proceeds received on exercise of stock options	247,983	911,081
Excess tax benefits from share-based compensation expense	412,642	1,013,800
Repurchase of common stock	(7,712,145)	(82,286)
Proceeds received on loan payable	3,500,000	-
Repayment of loan payable	-	(616,667)
Net cash provided by / (used in) financing activities	<u>(3,551,520)</u>	<u>1,225,928</u>
Investing activities:		
Additions to property and equipment	(191,762)	(68,745)
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	(407,493)	-
Net cash provided by (used in) investing activities	<u>6,020,577</u>	<u>(68,745)</u>
Increase in cash and cash equivalents	5,406,814	1,118,364
Cash and cash equivalents, beginning of period	<u>8,271,377</u>	<u>12,418,888</u>
Cash and cash equivalents, end of period	<u>\$ 13,678,191</u>	<u>\$ 13,537,252</u>
Supplemental cash flow information:		
Interest paid	\$ 38,893	\$ 73,949
Income taxes paid, net	\$ 564,139	\$ 669,624
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 66,798	\$ 285,821

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

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(unaudited)</b>	
Net income for the period	\$ 2,834	\$ 477
Depreciation of property and equipment	259	239
Amortization of intangible assets	70	470
Interest expense, net	25	74
Provision for income taxes	1,552	252
Change in net deferred revenue <sup>1</sup>	691	932
Stock-based compensation	125	101
Loss (gain) on currency forward contracts	1,222	662
Adjusted EBITDA	<u>\$ 6,778</u>	<u>\$ 3,207</u>

<sup>(1)</sup> Net deferred revenue comprises the change in deferred revenue, net of prepaid domain name registry and other Internet services fees, to reflect the material amount of cash we collect and pay for domain registrations and other Internet services at the time of activation. Net deferred revenue for the three months ended March 31, 2015, includes a benefit of \$0.1 million as a result of the translation of deferred revenue and prepaid domain name registry and other Internet services fees to our reporting currency of US dollars.