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

	March 31 , 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,819,984	\$ 6,256,392
Restricted cash	767,785	1,019,423
Accounts receivable	3,822,620	2,969,997
Prepaid expenses and deposits	3,121,863	2,394,627
Prepaid domain name registry and other Internet services fees, current portion	23,708,449	22,168,558
Deferred tax asset, current portion	1,000,000	1,000,000
Total current assets	38,240,701	35,808,997
Prepaid domain name registry and other Internet services fees, long-term portion	9,952,103	9,511,341
Property and equipment	6,740,768	5,647,532
Deferred tax asset, long-term portion	2,000,000	2,000,000
Intangible assets	18,286,331	18,554,436
Goodwill	12,184,867	12,094,817
Investment	353,737	353,737
Cash held in escrow	-	694,579
Total assets	\$ 87,758,507	\$ 84,665,439

Liabilities and Stockholders' Equity

Current liabilities:			
Accounts payable	\$	3,221,473	\$ 2,867,814
Accrued liabilities		2,999,362	2,567,012
Customer deposits		2,968,995	3,144,119
Deferred revenue, current portion		33,787,876	31,658,081
Accreditation fees payable, current portion		841,928	847,325
Total current liabilities		43,819,634	41,084,351
Deferred revenue, long-term portion		14,245,655	13,478,525
Accreditation fees payable, long-term portion		168,677	163,988
Promissory note payable		6,000,000	6,000,000
Deferred tax liability		5,396,000	5,396,000
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; 74,713,234 shares issued and outstanding at March 31, 2007 and 75,978,502 shares issued and outstanding at December 31, 2006		15,282,470	15,395,381
Additional paid-in capital		49,309,088	50,359,906
Deficit		(46,463,017)	(47,212,712)
Total stockholders' equity		18,128,541	18,542,575
Total liabilities and stockholders' equity	\$	<u>87,758,507</u>	\$ <u>84,665,439</u>

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

Three months ended
March 31,
2007 **2006**

Net revenues	\$	17,771,217	\$	15,287,120
Cost of revenues:				
Cost of revenues (*)		11,232,789		9,927,854
Depreciation of property and equipment		809,666		524,919
Amortization of intangible assets		63,532		38,540
Total cost of revenues		12,105,987		10,491,313
Gross profit		5,665,230		4,795,807
Operating expenses:				
Sales and marketing (*)		1,344,444		1,459,156
Technical operations and development (*)		1,812,279		2,320,716
General and administrative (*)		1,498,769		1,619,053
Depreciation of property and equipment		61,524		37,050
Amortization of intangible assets		233,301		93,293
Total operating expenses		4,950,317		5,529,268
Income (loss) from operations		714,913		(733,461)
Other income (expenses):				
Interest income (expenses), net		(41,649)		102,891
Other income		88,431		473,606
Total other income		46,782		576,497
Income before provision for income taxes		761,695		(156,964)
Provision for income taxes		12,000		-
Net income (loss) for the period	\$	<u>749,695</u>	\$	<u>(156,964)</u>

Basic earnings per share	\$	0.01	\$	(0.00)
		<u> </u>		<u> </u>
Shares used in computing basic earnings per common share		75,459,822		71,980,393
		<u> </u>		<u> </u>
Diluted earnings per share	\$	0.01	\$	(0.00)
		<u> </u>		<u> </u>
Shares used in computing diluted earnings per common share		77,959,165		71,980,393
		<u> </u>		<u> </u>

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

Cost of revenues	\$	2,500	\$	2,400
Sales and marketing	\$	14,200	\$	17,400
Technical operations and development	\$	20,100	\$	23,700
General and administrative	\$	25,900	\$	26,700

Tucows Inc.
Reconciliation of EBITDA and Adjusted EBITDA
(Dollar amounts in U.S. dollars)
(unaudited)

		Three months ended March 31,	
		2007	2006
Net income (loss) for the period	\$	749,695	\$ (156,964)
Depreciation of property and equipment		871,190	561,969
Amortization of intangible assets		296,833	131,833
Interest income(expense), net		41,649	(102,891)
Provision for income taxes		12,000	-
EBITDA		1,971,367	433,947

Adjustments to EBITDA (1)		
Change in prepaid fees for domain name registry and other Internet services fees	(1,980,653)	(2,313,048)
Change in deferred revenue	2,896,925	3,044,520
Dividend income	(88,431)	-
Transitional costs	-	814,263
Other income	-	(473,606)
Reversal of contingencies	(357,500)	-
Subtotal Adjustments to EBITDA	470,341	1,072,129
Adjusted Net Income	\$ <u>2,441,708</u>	\$ <u>1,506,076</u>

(1) Adjustments to EBITDA

We define Adjusted EBITDA as net income adjusted for depreciation, amortization, interest, taxes and further adjusted for certain cash and non-cash charges. For the three months ended March 31, 2006, we incurred \$814,263 of transitional costs in connection with our acquisition of the Hosted Messaging assets of Critical Path. In addition, during the three months ended March 31, 2006, we received \$473,606 in connection with settlements related to patents we acquired in the merger with Infonautics in 2001. The net amount of cash we collected for domain registrations and other Internet services paid for the full term at the time of activation and deferred, amounted to \$916,272 for the three months ended March 31, 2007 compared to \$2,896,925 for the three months ended March 31, 2006.

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

	Three months ended March 31,	
	2007	2006
Cash provided by (used in):		
Operating activities:		
Net income(loss) for the period	\$ 749,695	\$ (156,964)
Items not involving cash:		
Depreciation of property and equipment	871,190	561,969
Amortization of intangible assets	296,833	131,833
Unrealized change in the fair value of forward exchange contracts	(216,789)	182,944

Stock-based compensation	62,700	70,200
Change in non-cash operating working capital:		
Interest receivable	-	37,594
Accounts receivable	(852,623)	(1,827,642)
Prepaid expenses and deposits	(727,236)	3,413
Prepaid fees for domain name registry and other Internet services fees	(1,980,653)	(2,313,048)
Accounts payable	(408,137)	492,667
Accrued liabilities	649,139	1,327,080
Customer deposits	(175,124)	147,834
Deferred revenue	2,896,925	3,044,520
Accreditation fees payable	(708)	131,264
Cash (used in) provided by operating activities	1,165,212	1,833,664
Financing activities:		
Proceeds received on exercise of stock options	101,071	28,009
Purchase of Shares	(1,327,500)	-
Cash (used in) provided by financing activities	(1,226,429)	28,009 s
Investing activities:		
Cost of domains acquired	(28,728)	-
Additions to property and equipment	(1,202,630)	(886,279)
Decrease in investment in short-term investments	-	1,699,569
Decrease (increase) in restricted cash - being margin security against forward exchange contracts	251,638	(552,500)
Acquisition of Hosted Messaging Assets, net of cash acquired	(90,050)	(6,583,454)
(Increase) decrease in cash held in escrow	694,579	(1,766,504)
Cash used in investing activities	(375,191)	(8,089,168)
Decrease in cash and cash equivalents	(436,408)	(6,227,495)
Cash and cash equivalents, beginning of period	6,256,392	17,348,088
Cash and cash equivalents, end of period	\$ <u>5,819,984</u>	\$ <u>11,120,593</u>

Supplemental cash flow information:

Interest paid	\$	105,000	\$	-
Non-cash investing activity				
Capital assets acquired during the period not yet paid for		1,146,066		-
Dividend receivable		88,431		-

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