

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

	June 30, 2007	December 31, 2006
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Assets		
Current assets:		
Cash and cash equivalents	\$ 5,717,412	\$ 6,256,392
Restricted cash	510,000	1,019,423
Accounts receivable	4,033,648	2,969,997
Prepaid expenses and deposits	4,037,325	2,394,627
Prepaid domain name registry and other		
Internet services fees, current portion	24,321,679	22,168,558
Deferred tax asset, current portion	1,000,000	1,000,000
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Total current assets	39,620,064	35,808,997
Prepaid domain name registry and other		
Internet services fees, long-term portion	10,110,771	9,511,341
Property and equipment	6,394,697	5,647,532
Deferred tax asset, long-term portion	2,000,000	2,000,000
Intangible assets	17,989,747	18,554,436
Goodwill	12,189,767	12,094,817
Investment	353,737	353,737
Cash held in escrow	-	694,579
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Total assets	\$ 88,658,783	\$ 84,665,439
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Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,901,126	\$ 2,867,814
Accrued liabilities	2,502,580	2,567,012
Customer deposits	2,773,653	3,144,119
Deferred revenue, current portion	34,527,977	31,658,081
Accreditation fees payable, current portion	521,844	847,325
Promissory note payable, current portion	6,000,000	-
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Total current liabilities	48,227,180	41,084,351
Deferred revenue, long-term portion	14,485,149	13,478,525
Accreditation fees payable, long-term portion	173,441	163,988
Promissory note payable, long-term portion	-	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; 73,735,782 shares issued and outstanding at June 30, 2007 and 75,978,502 shares issued and outstanding		

at December 31, 2006	14,321,144	15,395,381
Additional paid-in capital	49,347,731	50,359,906
Deficit	(43,291,862)	(47,212,712)
Total stockholders' equity	20,377,013	18,542,575
Total liabilities and stockholders' equity	\$ 88,658,783	\$ 84,665,439

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

	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
Net revenues	\$ 20,814,881	\$ 15,678,856	\$ 38,586,098	\$ 30,965,976
Cost of revenues:				
Cost of revenues*	12,198,808	10,066,262	23,431,597	19,994,116
Depreciation of property and equipment	985,430	669,256	1,795,096	1,194,175
Amortization of intangible assets	63,540	38,538	127,072	77,078
Total cost of revenues	13,247,778	10,774,056	25,353,765	21,265,369
Gross profit	7,567,103	4,904,800	13,232,333	9,700,607
Expenses:				
Sales and marketing*	1,480,078	1,572,290	2,824,522	3,031,446
Technical operations and development*	1,752,693	2,090,723	3,564,972	4,411,439
General and administrative*	810,872	948,464	2,309,641	2,567,517
Depreciation of property and equipment	68,267	45,041	129,791	82,091
Amortization of intangible assets	222,741	112,591	456,042	205,884
Total expenses	4,334,651	4,769,109	9,284,968	10,298,377
Income (loss) from operations	3,232,452	135,691	3,947,365	(597,770)

Other income				
(expenses):				
Interest income				
(expense), net	(49,297)	102,662	(90,946)	205,553
Other income, net	-	-	88,431	473,606
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Total other				
income				
(expense)	(49,297)	102,662	(2,515)	679,159
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Income before				
provision for				
income taxes	3,183,155	238,353	3,944,850	81,389
Provision for				
income taxes	12,000	12,000	24,000	12,000
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Net income for				
the period	\$ 3,171,155	\$ 226,353	\$ 3,920,850	\$ 69,389
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Basic earnings				
per common share	\$ 0.04	\$ 0.00	\$ 0.05	\$ 0.00
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Shares used in				
computing basic				
earnings per				
common share	74,447,018	72,527,662	74,950,621	72,255,539
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Diluted earnings				
per common share	\$ 0.04	\$ 0.00	\$ 0.05	\$ 0.00
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Shares used in				
computing diluted				
earnings per				
common share	77,375,096	74,704,791	77,633,136	74,540,626
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* Stock-based				
compensation				
has been				
included in				
expenses as				
follows:				
Cost of				
revenues	\$ 4,400	\$ 3,200	\$ 6,900	\$ 5,500
Sales and				
marketing	\$ 25,500	\$ 18,900	\$ 39,700	\$ 36,000
Technical				
operations				

and develop- ment	\$	23,300	\$	27,500	\$	43,400	\$	51,000
General and adminis- trative	\$	58,300	\$	29,500	\$	84,200	\$	56,000

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
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Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 3,171,155	\$ 226,353	\$ 3,920,850	\$ 69,389
Items not involving cash:				
Depreciation of property and equipment	1,053,697	714,297	1,924,887	1,276,266
Amortization of intangible assets	286,281	151,129	583,114	282,962
Unrealized change in the fair value of forward exchange contracts	(885,652)	(378,846)	(1,102,441)	(195,902)
Stock-based compensation	111,500	78,300	174,200	148,500
Change in non-cash operating working capital:				
Interest receivable	-	(3,047)	-	34,547
Accounts receivable	(211,028)	(335,071)	(1,063,651)	(2,162,713)
Prepaid expenses and deposits	(310,274)	(24,292)	(1,037,510)	(20,879)
Prepaid fees for domain name registry and other Internet services fees	(771,898)	(1,858,622)	(2,752,551)	(4,171,670)
Accounts payable	(337,450)	2,577,875	(745,587)	3,070,542
Accrued liabilities	(216,318)	(259,966)	432,821	1,067,114
Customer deposits	(195,342)	420,423	(370,466)	568,257
Deferred revenue	979,595	2,151,830	3,876,520	5,196,350
Accreditation fees payable	(315,320)	(240,100)	(316,028)	(108,836)
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Cash provided by operating				

activities	2,358,946	3,220,263	3,524,158	5,053,927
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Financing activities:				
Proceeds received on exercise of stock options	85,272	27,401	186,343	55,410
Repurchase of shares	(1,119,455)	-	(2,446,955)	-
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Cash (used in) provided by financing activities	(1,034,183)	27,401	(2,260,612)	55,410
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Investing activities:				
Cost of domain names acquired	10,303	-	(18,425)	-
Additions to property and equipment	(1,690,523)	(2,405,146)	(2,893,153)	(3,291,425)
Decrease in investment in short-term investments	-	72,000	-	1,771,569
Decrease (increase) in restricted cash - being margin security against forward exchange contracts	257,785	190,042	509,423	(362,458)
Acquisition of Mailbank.com Inc., net of cash acquired	-	(5,830,902)	-	(5,830,902)
Acquisition of Hosted Messaging Assets, net of cash acquired	-	163,969	(90,050)	(6,419,485)
Acquisition of Boardtown Corporation, net of cash acquired	(4,900)	-	(4,900)	-
(Increase) decrease in cash held in escrow	-	(18,507)	694,579	(1,785,011)
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Cash used in investing activities	(1,427,335)	(7,828,544)	(1,802,526)	(15,917,712)
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Decrease in cash and cash equivalents	(102,572)	(4,580,880)	(538,980)	(10,808,375)
Cash and cash equivalents, beginning of period	5,819,984	11,120,593	6,256,392	17,348,088
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Cash and cash equivalents,				

end of period	\$ 5,717,412	\$ 6,539,713	\$ 5,717,412	\$ 6,539,713
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Supplemental cash flow information:				
Interest paid	\$ 105,000	\$ -	\$ 210,000	\$ -
Supplementary disclosure of non-cash investing activity:				
Capital assets acquired during the period not yet paid for	\$ 163,169	\$ -	\$ 163,169	\$ -
Common stock issued on the acquisition of Mailbank.com Inc.	\$ -	\$ 2,877,070	\$ -	\$ 2,877,070
Promissory notes issued on the acquisition of Mailbank.com Inc.	\$ -	\$ 8,122,930	\$ -	\$ 8,122,930

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

	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
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Net income for the period	\$ 3,171,155	\$ 226,353	\$ 3,920,850	\$ 69,389
Depreciation of property and equipment	1,053,697	714,297	1,924,887	1,276,266
Amortization of intangible assets	286,281	151,129	583,114	282,962
Interest income (expense), net	49,297	(102,662)	90,946	(205,553)
Provision for income taxes	12,000	12,000	24,000	12,000
EBITDA	4,572,430	1,001,117	6,543,797	1,435,064
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Adjustments to EBITDA(1)

Change in prepaid domain name registry and other Internet services fees	(771,898)	(1,858,622)	(2,752,551)	(4,171,670)
Change in deferred				

revenue	979,595	2,151,830	3,876,520	5,196,350
Dividend income	-	-	(88,431)	-
Transitional costs	-	464,579	-	1,278,842
Other income	-	-	-	(473,606)
Reversal of contingencies	(93,749)	-	(451,249)	-
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Subtotal Adjustments to EBITDA	113,948	757,787	584,289	1,829,916
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Adjusted Net Income	\$ 4,686,378	\$ 1,758,904	\$ 7,128,086	\$ 3,264,980
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(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.

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 \$207,697 for the three months ended June 30, 2007 compared to \$293,208 for the three months ended June 30, 2006.

For the six months ended June 30, 2006, we incurred \$1.3 million of transitional costs in connection with our acquisition of the Hosted Messaging assets of Critical Path. In addition, during the six months ended June 30, 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 \$1.1 million for the six months ended June 30, 2007 compared to \$1.0 million for the six months ended June 30, 2006.