

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

	September 30, 2008	December 31, 2007
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Assets		
Current assets:		
Cash and cash equivalents	\$ 2,721,033	\$ 8,093,476
Accounts receivable	3,656,567	3,422,180
Prepaid expenses and deposits	2,595,737	3,132,129
Prepaid domain name registry and other		
Internet services fees, current portion	29,008,651	25,473,465
Cash held in escrow	1,088,793	1,070,632
Deferred tax asset, current portion	500,000	500,000
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Total current assets	39,570,781	41,691,882
Prepaid domain name registry and other		
Internet services fees, long-term portion	11,713,428	10,765,862
Property and equipment	3,551,311	4,963,311
Deferred financing charges	89,800	128,200
Deferred tax asset, long-term portion	2,500,000	2,500,000
Intangible assets	20,597,060	22,150,738
Goodwill	17,490,807	17,490,807
Investment	353,737	353,737
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Total assets	\$ 95,866,924	\$ 100,044,537
 Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,302,239	\$ 2,689,346
Accrued liabilities	2,975,686	3,289,087
Customer deposits	3,119,092	3,267,784
Promissory note payable	-	6,000,000
Loan payable, current portion	1,914,242	1,914,242
Deferred revenue, current portion	38,159,670	35,465,584
Accreditation fees payable, current portion	513,989	483,090
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Total current liabilities	48,984,918	53,109,133
Deferred revenue, long-term portion	16,221,513	15,147,644
Accreditation fees payable, long-term portion	190,811	181,345
Loan payable, long-term portion	4,423,685	6,859,366
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; 73,923,542 shares issued and outstanding at September 30, 2008 and 73,888,542 shares issued and outstanding at December 31, 2007	15,368,310	15,350,915
Additional paid-in capital	48,762,868	48,537,313
Deficit	(43,481,181)	(44,537,179)
	<u>20,649,997</u>	<u>19,351,049</u>
Total stockholders' equity		
Total liabilities and stockholders' equity	\$ 95,866,924	\$ 100,044,537
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Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
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Net revenues	\$ 20,147,195	\$ 17,811,914	\$ 59,308,731	\$ 56,398,012
Cost of revenues:				
Cost of revenues(*)	13,981,247	12,271,047	40,794,276	35,702,644
Depreciation of property and equipment	795,445	995,954	2,437,542	2,791,050
Amortization of intangible assets	29,199	83,060	134,597	210,132
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Total cost of revenues	14,805,891	13,350,061	43,366,415	38,703,826
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Gross profit	5,341,304	4,461,853	15,942,316	17,694,186
Expenses:				
Sales and marketing(*)	1,705,512	1,712,676	5,132,380	4,537,198
Technical operations and development(*)	1,527,237	1,723,857	4,666,832	5,288,829
General and administrative(*)	2,240,134	1,257,206	5,361,217	3,566,847
Depreciation of property and equipment	57,386	68,316	177,317	198,107
Loss on disposition of property and equipment	498,529	-	498,529	-
Amortization of				

intangible assets	360,540	322,781	1,122,655	778,823
Total expenses	6,389,338	5,084,836	16,958,930	14,369,804
Income (loss) from operations	(1,048,034)	(622,983)	(1,016,614)	3,324,382
Other income (expenses):				
Interest income (expense), net	(90,859)	(203,376)	(467,264)	(294,322)
Other income, net	1,098,245	530,583	2,631,010	619,014
Total other income	1,007,386	327,207	2,163,746	324,692
Income (loss) before provision for income taxes	(40,648)	(295,776)	1,147,132	3,649,074
Provision for income taxes	30,000	14,816	91,134	38,816
Net income (loss) for the period	\$ (70,648)	\$ (310,592)	\$ 1,055,998	\$ 3,610,258
Basic earnings (loss) per common share	\$ (0.00)	\$ (0.00)	\$ 0.01	\$ 0.05
Shares used in computing basic earnings (loss) per common share	73,923,542	74,100,911	73,903,998	74,548,903
Diluted earnings (loss) per common share	\$ (0.00)	\$ (0.00)	\$ 0.01	\$ 0.05
Shares used in computing diluted earnings (loss) per common share	73,923,542	74,100,911	75,245,047	77,417,506

(*) Stock-based

compensation has been included in expenses as follows:

Cost of revenues	\$ 5,500	\$ 4,100	\$ 14,600	\$ 11,000
Sales and marketing	\$ 17,200	\$ 21,400	\$ 48,500	\$ 61,100
Technical operations and development	\$ 13,100	\$ 18,900	\$ 41,800	\$ 62,300
General and administrative	\$ 52,500	\$ 33,900	\$ 128,600	\$ 118,100

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net income (loss) for the period	\$ (70,648)	\$ (310,592)	\$ 1,055,998	\$ 3,610,258
Depreciation of property and equipment	852,831	1,064,270	2,614,859	2,989,157
Amortization of intangible assets	389,739	405,841	1,257,252	988,955
Interest income (expense), net	90,859	203,376	467,264	294,322
Provision for income taxes	30,000	14,816	91,134	38,816
EBITDA	1,292,781	1,377,711	5,486,507	7,921,508

Adjustments to EBITDA(1)

Change in prepaid domain name registry and other Internet services fees	(775,955)	(795,949)	(4,482,752)	(3,548,500)
Change in deferred revenue	(9,699)	834,795	3,767,955	4,711,315
Loss on disposition of property and equipment	498,529	-	498,529	-
Dividend income	(176,861)	(530,583)	(353,722)	(619,014)
Transitional costs	-	244,336	-	244,336
Reversal of contingencies	-	-	-	(451,249)
Sale of customer relationships	(921,384)	-	(2,042,449)	-
Other Income	-	-	(234,839)	-

Subtotal				
Adjustments to EBITDA	(1,385,370)	(247,401)	(2,847,278)	336,888
Adjusted Net Income (Loss)	\$ (92,589)	\$ 1,130,310	\$ 2,639,229	\$ 8,258,396

(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.

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

	Three months ended September 30, 2008		Nine months ended September 30, 2008	
	2007	2007	2007	2007
Cash provided by (used in):				
Operating activities:				
Net income (loss) or the period	\$ (70,648)	\$ (310,592)	\$ 1,055,998	\$ 3,610,258
Items not involving cash:				
Depreciation of property and equipment	852,831	1,064,270	2,614,859	2,989,157
Loss on disposition of property and equipment	498,529	-	498,529	-
Amortization of deferred financing charges	12,200	(142,600)	38,400	(142,600)
Amortization of intangible assets	389,739	405,841	1,257,252	988,955
Gain on sale of customer relationships	(921,384)	-	(2,042,449)	-
Disposal of domain names	4,705	-	4,705	-
Unrealized change in the fair value of forward exchange contracts	525,571	(61,673)	555,364	(1,164,114)
Stock-based compensation	88,300	78,300	233,500	252,500
Change in non-cash operating working capital:				
Accounts				

receivable	(518,310)	87,922	(234,387)	(975,729)
Prepaid expenses and deposits	641,629	875,841	536,392	(161,669)
Prepaid fees for domain name registry and other Internet services fees	(775,955)	(795,949)	(4,482,752)	(3,548,500)
Accounts payable	(480,839)	(161,037)	(231,770)	(906,624)
Accrued liabilities	(177,701)	218,368	(868,765)	651,189
Customer deposits	(167,691)	204,906	(148,692)	(165,560)
Deferred revenue	(9,699)	834,795	3,767,955	4,711,315
Accreditation fees payable	6,245	(34,255)	40,365	(350,283)
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Net cash (used in) provided by operating activities	(102,478)	2,264,137	2,594,504	5,788,295
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Financing activities:				
Proceeds received on exercise of stock options	-	17,912	9,450	204,255
Repurchase of shares	-	-	-	(2,446,955)
Proceeds received on loan payable	-	9,571,209	-	9,571,209
Repayment of promissory note and loan payable	(478,561)	(319,040)	(8,435,681)	(319,040)
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Net cash (used in) provided by financing activities	(478,561)	9,270,081	(8,426,231)	7,009,469
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Investing activities:				
Cost of domain names acquired	-	-	(8,944)	(18,425)
Additions to property and equipment	(627,024)	(200,213)	(1,922,764)	(3,093,366)
Proceeds on disposition of property and equipment	66,039	-	66,039	-
Decrease in restricted cash - being margin security against forward exchange contracts	-	255,000	-	764,423
Acquisition of Hosted Messaging Assets from Critical Path Inc., net of cash acquired	-	-	-	(90,050)
Acquisition of				

Boardtown Corporation, net of cash acquired	-	-	-	(4,900)
Acquisition of Innerwise Inc., net of cash acquired	-	(10,332,065)	-	(10,332,065)
Sale of customer relationships	921,384	-	2,343,114	-
(Decrease) increase in cash held in escrow	(5,396)	(1,058,620)	(18,161)	(364,041)

Net cash provided by (used in) investing activities	355,003	(11,335,898)	459,284	(13,138,424)

(Decrease) increase in cash and cash equivalents	(226,036)	198,320	(5,372,443)	(340,660)
Cash and cash equivalents, beginning of period	2,947,069	5,717,412	8,093,476	6,256,392

Cash and cash equivalents, end of period	\$ 2,721,033	\$ 5,915,732	\$ 2,721,033	\$ 5,915,732

Supplemental cash flow information:				
Interest paid	\$ 100,060	\$ 274,369	\$ 552,298	\$ 484,368
Supplementary disclosure of non-cash investing activity:				
Capital assets acquired during the period not yet paid for	\$ 117,733	\$ 293,205	\$ 117,733	\$ 293,205

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