

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

	September 30	December 31,
	2010	2009
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,431,589	\$ 9,632,394
Accounts receivable	3,332,277	2,822,045
Prepaid expenses and deposits	2,437,566	2,498,922
Derivative instrument asset, current portion	576,581	2,107,825
Prepaid domain name registry and ancillary services fees, current portion	36,621,716	31,596,236
Income taxes recoverable	547,000	674,000
Total current assets	48,946,729	49,331,422
Derivative instrument asset, long-term portion	5,436	112,553
Prepaid domain name registry and ancillary services fees, long-term portion	12,887,593	12,126,515
Property and equipment	1,410,195	1,986,768
Deferred financing charges	20,900	41,000
Deferred tax asset, long-term portion	3,870,038	3,907,476
Intangible assets	17,333,237	18,656,353
Goodwill	17,990,807	17,990,807
Total assets	\$ 102,464,935	\$ 104,152,894
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,156,803	\$ 1,547,863
Accrued liabilities	1,625,663	1,889,980
Customer deposits	3,702,464	3,624,317
Derivative instrument liability, current portion	37,933	-
Loan payable, current portion	1,784,443	3,220,125
Deferred revenue, current portion	45,475,807	40,211,766
Accreditation fees payable, current portion	545,694	530,656
Deferred tax liability, current portion	870,038	907,476
Total current liabilities	55,198,845	51,932,183
Derivative instrument liability, long-term portion	8,445	15,708
Deferred revenue, long-term portion	16,858,661	16,098,812
Accreditation fees payable, long-term portion	168,464	169,620
Deferred tax liability, long-term portion	4,840,000	4,840,000
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; 57,362,236 shares issued and outstanding as of September 30, 2010 and 67,080,353 shares issued and outstanding as of December 31, 2009	12,107,580	14,030,384
Additional paid-in capital	42,623,860	47,287,351
Deficit	(29,340,920)	(30,221,164)
Total stockholders' equity	25,390,520	31,096,571
Total liabilities and stockholders' equity	\$ 102,464,935	\$ 104,152,894

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Net revenues	\$ 21,209,468	\$ 20,496,129	\$ 62,501,219	\$ 60,609,673
Cost of revenues:				
Cost of revenues (*)	15,991,455	14,770,868	46,372,315	42,942,314
Depreciation of property and equipment	231,253	347,619	794,368	1,316,986
Amortization of intangible assets	74,802	29,199	224,406	87,597
Total cost of revenues	16,297,510	15,147,686	47,391,089	44,346,897
Gross profit	4,911,958	5,348,443	15,110,130	16,262,776
Expenses:				
Sales and marketing (*)	1,830,999	1,568,727	5,480,228	4,261,070
Technical operations and development (*)	1,053,768	1,142,331	3,486,718	3,421,825
General and administrative (*)	633,457	1,145,951	2,049,813	4,608,173
Depreciation of property and equipment	40,239	47,249	127,559	221,937
Loss on disposition of property and equipment	-	40,369	-	40,369
Amortization of intangible assets	360,540	360,540	1,081,620	1,081,620
Loss (gain) on change in fair value of forward exchange contracts	(141,981)	(1,878,230)	1,669,031	(3,902,394)
Total expenses	3,777,022	2,426,937	13,894,969	9,732,600
Income from operations	1,134,936	2,921,506	1,215,161	6,530,176
Other (expenses) income:				
Interest (expense) income, net	(26,917)	(52,887)	(99,812)	(178,669)
Other income	-	1,880,000	-	4,493,190
Total other (expenses) income	(26,917)	1,827,113	(99,812)	4,314,521
Income before provision for income taxes	1,108,019	4,748,619	1,115,349	10,844,697
(Recovery of) provision for income taxes	24,863	(447,455)	235,105	241,621
Net income for the period	\$ 1,083,156	\$ 5,196,074	\$ 880,244	\$ 10,603,076
Basic earnings per common share	\$ 0.02	\$ 0.08	\$ 0.01	\$ 0.15
Shares used in computing basic earnings per common share	57,351,161	68,008,871	59,225,739	69,841,981
Diluted earnings per common share	\$ 0.02	\$ 0.08	\$ 0.01	\$ 0.15
Shares used in computing diluted earnings per common share	59,185,793	68,874,517	61,223,369	70,156,521
(*) Stock-based compensation has been included in expenses as follows:				
Cost of revenues	\$ 6,557	\$ 3,860	\$ 15,759	\$ 12,227
Sales and marketing	\$ 30,358	\$ 12,807	\$ 71,589	\$ 42,764
Technical operations and development	\$ 19,058	\$ 12,395	\$ 51,903	\$ 34,116
General and administrative	\$ 99,813	\$ 70,748	\$ 174,437	\$ 142,641

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 1,083,156	\$ 5,196,074	\$ 880,244	\$ 10,603,076
Items not involving cash:				
Depreciation of property and equipment	271,492	394,868	921,927	1,538,923
Loss on disposition of property and equipment	-	40,369	-	40,369
Amortization of deferred financing charges	6,000	9,100	20,100	29,200
Amortization of intangible assets	435,342	389,739	1,306,026	1,169,217
Gain on disposal of investment in Afiliis	-	(1,880,000)	-	(3,890,395)
Reduction in deferred tax liability	-	(497,000)	-	(497,000)
Disposal of domain names	5,084	649	17,090	2,596
Unrealized (gain) loss in the fair value of forward contracts	(141,981)	(1,878,230)	1,669,031	(3,902,394)
Stock-based compensation	155,786	99,810	313,688	231,748
Changes in non-cash operating working capital:				
Accounts receivable	53,373	(465,454)	(510,232)	(729,520)
Prepaid expenses and deposits	489,843	419,761	61,356	(469,462)
Prepaid fees for domain name registry and ancillary services fees	(2,355,886)	33,425	(5,786,558)	(2,588,476)
Income taxes recoverable	(165,000)	(835,398)	127,000	-
Accounts payable	(244,194)	(977,967)	(443,624)	(597,560)
Accrued liabilities	(231,633)	(115,362)	(264,317)	(111,719)
Customer deposits	240,907	592,612	78,147	445,079
Deferred revenue	(14,435)	(398,657)	6,023,890	2,314,334
Accreditation fees payable	2,287,739	(46,762)	13,882	(2,457)
Net cash provided by operating activities	1,875,593	81,577	4,427,650	3,585,559
Financing activities:				
Proceeds received on exercise of stock options	-	-	14,809	25,422
Repurchase of common stock	-	(570,335)	(6,914,792)	(2,381,514)
Repayment of loan payable	(478,561)	(478,561)	(1,435,682)	(2,160,682)
Net cash used in financing activities	(478,561)	(1,048,896)	(8,335,665)	(4,516,774)
Investing activities:				
Cost of domain names acquired	-	-	-	(5,900)
Additions to property and equipment	(33,111)	(281,282)	(292,790)	(426,292)
Proceeds on disposal of investment in Afiliis	-	1,980,000	-	4,090,395
Net cash (used in) provided by investing activities	(33,111)	1,698,718	(292,790)	3,658,203
Increase (decrease) in cash and cash equivalents	1,363,921	731,399	(4,200,805)	2,726,988
Cash and cash equivalents, beginning of period	4,067,668	7,423,056	9,632,394	5,427,467
Cash and cash equivalents, end of period	\$ 5,431,589	\$ 8,154,455	\$ 5,431,589	\$ 8,154,455
Supplemental cash flow information:				
Interest paid	\$ 27,001	\$ 52,983	\$ 99,798	\$ 181,012
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 146,158	\$ 343,777	\$ 146,158	\$ 343,777