

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

	September 30,	December 31,
	2011	2010
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,653,765	\$ 4,205,729
Accounts receivable	4,289,462	3,021,995
Prepaid expenses and deposits	3,756,375	2,363,876
Derivative instrument asset, current portion	1,090	833,960
Prepaid domain name registry and ancillary services fees, current portion	43,005,543	37,016,871
Income taxes recoverable	330,093	620,000
Total current assets	56,036,328	48,062,431
Prepaid domain name registry and ancillary services fees, long-term portion	12,693,752	12,820,479
Property and equipment	1,313,611	1,552,349
Deferred financing charges	4,500	15,600
Deferred tax asset, long-term portion	3,569,000	4,155,600
Intangible assets	17,741,695	16,883,401
Goodwill	18,873,127	17,990,807
Total assets	\$ 110,232,013	\$ 101,480,667
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,301,612	\$ 1,664,006
Accrued liabilities	1,720,279	1,346,436
Customer deposits	3,903,564	3,960,312
Derivative instrument liability current portion	1,193,751	-
Loan payable, current portion	1,559,722	1,305,883
Deferred revenue, current portion	52,372,852	45,832,374
Accreditation fees payable, current portion	562,374	547,810
Deferred tax liability, current portion	569,000	1,155,600
Income taxes payable	200,940	-
Total current liabilities	63,384,094	55,812,421
Derivative instrument liability long-term portion	431,483	-
Deferred revenue, long-term portion	16,564,604	16,738,429
Accreditation fees payable, long-term portion	159,614	168,580
Deferred rent, long-term portion	19,274	-
Deferred tax liability, long-term portion	5,373,600	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; 53,477,874 shares issued and outstanding as of September 30, 2011 and 53,448,591 shares issued and outstanding as of December 31, 2010	11,349,613	11,324,866
Additional paid-in capital	40,938,602	40,700,587
Accumulated other comprehensive income	(26,121)	-
Deficit	(27,962,750)	(28,104,216)
Total stockholders' equity	24,299,344	23,921,237
Total liabilities and stockholders' equity	\$ 110,232,013	\$ 101,480,667

	Tucows Inc.		Tucows Inc.	
	Consolidated Statements of Operations		Consolidated Statements of Operations	
	(Dollar amounts in U.S. dollars)		(Dollar amounts in U.S. dollars)	
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Net revenues	\$ 25,094,056	\$ 21,209,468	\$ 70,695,186	\$ 62,501,219
Cost of revenues:				
Cost of revenues (*)	17,658,648	14,903,525	49,578,724	42,871,489
Network expenses	1,193,669	1,087,930	3,691,995	3,500,826
Depreciation of property and equipment	159,191	231,253	608,961	794,368
Amortization of intangible assets	23,960	74,802	49,680	224,406
Total cost of revenues	19,035,468	16,297,510	53,929,360	47,391,089
Gross profit	6,058,588	4,911,958	16,765,826	15,110,130
Expenses:				
Sales and marketing (*)	1,867,085	1,830,999	5,663,759	5,480,228
Technical operations and development (*)	1,220,953	1,053,768	3,651,782	3,486,718
General and administrative (*)	1,279,082	633,457	3,509,395	2,049,813
Depreciation of property and equipment	48,874	40,239	140,556	127,559
Amortization of intangible assets	201,180	360,540	785,920	1,081,620
Loss (gain) on change in fair value of forward exchange contracts	2,152,243	(141,981)	2,458,104	1,669,031
Total expenses	6,769,417	3,777,022	16,209,516	13,894,969

Income (loss) from operations	(710,829)	1,134,936	556,310	1,215,161
Other income (expenses):				
Interest (expense) income, net	(18,718)	(26,917)	(38,915)	(99,812)
Other income	-	-	374,977	-
Total other income (expenses)	(18,718)	(26,917)	336,062	(99,812)
Income (loss) before provision for income taxes	(729,547)	1,108,019	892,372	1,115,349
Provision for income taxes	422,592	24,863	750,906	235,105
Net income (loss) for the period	\$ (1,152,139)	\$ 1,083,156	\$ 141,466	\$ 880,244
Basic earnings (loss) per common share	\$ (0.02)	\$ 0.02	\$ -	\$ 0.01
Shares used in computing basic earnings (loss) per common share	53,452,205	57,351,161	53,444,959	59,255,739
Diluted earnings (loss) per common share	\$ (0.02)	\$ 0.02	\$ -	\$ 0.01
Shares used in computing diluted earnings (loss) per common share	53,452,205	59,185,793	55,748,777	61,223,369
(*) Stock-based compensation has been included in expenses as follows:				
Network expenses	\$ 5,808	\$ 6,557	\$ 17,170	\$ 15,759
Sales and marketing	\$ 22,695	\$ 30,358	\$ 67,155	\$ 71,589
Technical operations and development	\$ 13,020	\$ 19,058	\$ 40,122	\$ 51,903
General and administrative	\$ 79,364	\$ 99,813	\$ 124,170	\$ 174,437

Tucows Inc.	Tucows Inc.
Consolidated Statements of Cash Flows	Consolidated Statements of Cash Flows
(Dollar amounts in U.S. dollars)	(Dollar amounts in U.S. dollars)
Three months ended September 30,	Nine months ended September 30,

	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	\$ (1,152,139)	\$ 1,083,156	\$ 141,466	\$ 880,244
Items not involving cash:				
Depreciation of property and equipment	208,065	271,492	749,517	921,927
Amortization of deferred financing charges	3,000	6,000	11,100	20,100
Amortization of intangible assets	225,140	435,342	835,600	1,306,026
Decrease in deferred tax liability	(18,400)	-	(18,400)	-
Deferred rent	5,310	-	19,274	-
Disposal of domain names	8,816	5,084	29,907	17,090
Unrealized loss (gain) in the fair value of forward contracts	2,152,243	(141,981)	2,458,104	1,669,031
Stock-based compensation	120,887	155,786	248,617	313,688
Changes in non-cash operating working capital:				
Accounts receivable	412,735	53,373	(715,829)	(510,232)
Prepaid expenses and deposits	264,660	489,843	(958,989)	61,356
Prepaid fees for domain name registry and ancillary services fees	(1,074,068)	(2,355,886)	(4,823,650)	(5,786,558)
Income taxes recoverable	173,008	(165,000)	333,008	127,000
Accounts payable	(531,095)	(244,194)	(327,272)	(443,624)
Accrued liabilities	(113,972)	(231,633)	267,595	(264,317)
Customer deposits	170,762	240,907	(86,941)	78,147
Deferred revenue	788,835	(14,435)	5,046,102	6,023,890

Accreditation fees payable	(15,607)	2,287,739	6,185	13,882
Net cash provided by operating activities	1,628,180	1,875,593	3,215,394	4,427,650
Financing activities:				
Proceeds received on exercise of stock options	10,685	-	14,145	14,809
Repurchase of common stock	-	-	-	(6,914,792)
Proceeds received on loan payable	2,530,000	(478,561)	2,530,000	(1,435,682)
Repayment of loan payable	(1,319,040)	-	(2,276,161)	-
Net cash provided by (used in) financing activities	1,221,645	(478,561)	267,984	(8,335,665)
Investing activities:				
Additions to property and equipment	(138,909)	(33,111)	(629,935)	(292,790)
Acquisition of EPAG Domainservices GMBH, net of cash acquired	(2,392,461)	-	(2,392,461)	-
Net cash used in investing activities	(2,531,370)	(33,111)	(3,022,396)	(292,790)
Foreign exchange loss on cash held in foreign currencies	(12,946)	-	(12,946)	-
Increase (decrease) in cash and cash equivalents	305,509	1,363,921	448,036	(4,200,805)
Cash and cash equivalents, beginning of period	4,348,256	4,067,668	4,205,729	9,632,394
Cash and cash equivalents, end of period	\$ 4,653,765	\$ 5,431,589	\$ 4,653,765	5,431,589

Supplemental cash flow information:

Interest paid	\$	18,890	\$	27,001	\$	39,197	\$	99,798
---------------	----	--------	----	--------	----	--------	----	--------

Supplementary disclosure of non-cash investing activity:

Property and equipment acquired during the period not yet paid for	\$	124,979	\$	146,158	\$	124,979	\$	146,158
--	----	---------	----	---------	----	---------	----	---------

For further information:

Lawrence Chamberlain
TMX Equicom for Tucows Inc.
(416) 815-0700 ext. 257
lchamberlain@equicomgroup.com