

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

	Three months ended December 31,		Year ended December 31,	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net revenues	\$ 17,199,194	\$ 12,658,399	\$ 65,029,490	\$ 48,517,039
Cost of revenues:				
Cost of revenues (*)	11,076,018	8,160,474	41,534,963	30,645,004
Depreciation of property and equipment	865,937	167,082	2,755,736	751,613
Amortization of intangible assets	63,540	-	207,168	-
Total cost of revenues	12,005,495	8,327,556	44,497,867	31,396,617
Gross profit	5,193,699	4,330,843	20,531,623	17,120,422
Operating expenses:				
Sales and marketing (*)	1,247,510	1,185,865	5,985,907	4,855,050
Technical operations and development (*)	1,816,264	1,479,959	8,152,138	5,627,426
General and administrative (*)	1,624,594	987,877	5,890,123	4,346,224
Depreciation of property and equipment	98,015	52,445	223,131	200,079
Amortization of intangible assets	233,301	59,040	669,476	236,160
Total operating expenses	5,019,684	3,765,186	20,920,775	15,264,939
Income (loss) from operations	174,015	565,657	(389,152)	1,855,483
Other income (expenses):				
Interest income (expenses), net	(24,731)	165,565	110,525	462,424
Other income	-	302,734	2,347,026	302,734
Total other income	(24,731)	468,299	2,457,551	765,158

Income before provision for income taxes	149,284	1,033,956	2,068,399	2,620,641
Recovery of income taxes	(7,140)	-	(92,035)	(151,975)
Net income for the period	\$ <u>156,424</u>	\$ <u>1,033,956</u>	\$ <u>2,160,434</u>	\$ <u>2,772,616</u>
Basic earnings per share	\$ <u>0.00</u>	\$ <u>0.01</u>	\$ <u>0.03</u>	\$ <u>0.04</u>
Shares used in computing basic earnings per common share	<u>75,856,208</u>	<u>71,898,247</u>	<u>74,032,830</u>	<u>69,077,329</u>
Diluted earnings per share	\$ <u>0.00</u>	\$ <u>0.01</u>	\$ <u>0.03</u>	\$ <u>0.02</u>
Shares used in computing diluted earnings per common share	<u>78,186,255</u>	<u>74,810,799</u>	<u>76,489,381</u>	<u>72,481,204</u>

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

Cost of revenues	\$ 2,000	\$ -	\$ 9,700	\$ -
Sales and marketing	\$ 14,100	\$ -	\$ 64,900	\$ -
Technical operations and development	\$ 19,400	\$ -	\$ 91,700	\$ -
General and administrative	\$ 52,540	\$ -	\$ 131,740	\$ -

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

Three months ended  
December 31,

Year ended  
December 31,

	2006	2005	2006	2005
Net income for the period	\$ 156,424	\$ 1,033,956	\$ 2,160,434	\$ 2,772,616
Depreciation of property and equipment	963,952	219,527	2,978,867	951,692
Amortization of intangible assets	296,841	59,040	876,644	236,160
Interest income(expense), net	(24,731)	165,565	110,525	462,424
Recovery of income taxes	(7,140)	-	(92,035)	(151,975)
<b>EBITDA</b>	<b>1,385,346</b>	<b>1,478,088</b>	<b>6,034,435</b>	<b>4,270,917</b>
<b>Adjustments to EBITDA (1)</b>				
Change in prepaid fees for domain name registry and other Internet services fees	(572,164)	(430,973)	(5,801,972)	(3,804,225)
Change in deferred revenue	400,162	550,242	7,102,935	4,618,723
Transitional costs	-	-	1,278,842	-
Other income	-	(302,734)	(2,347,026)	(302,734)
<b>Subtotal Adjustments to EBITDA</b>	<b>(172,002)</b>	<b>(183,465)</b>	<b>232,779</b>	<b>511,764</b>
<b>Adjusted Net Income</b>	<b>\$ <u>1,213,344</u></b>	<b>\$ <u>1,294,623</u></b>	<b>\$ <u>6,267,214</u></b>	<b>\$ <u>4,782,681</u></b>

(1) Adjustments to EBITDA

We define Adjusted Net Income as net income adjusted for depreciation, amortization, interest, taxes and further adjusted for certain cash and non-cash charges. For the year ended December 31, 2006, we incurred \$1,278,842 of transitional costs in connection with our acquisition of the Hosted Messaging assets of Critical Path. In addition, during the year ended December 31, 2006, we received \$2,347,026 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 \$1,300,963 for the year ended December 31, 2006 compared to \$814,498 for the year ended December 31, 2005.

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

Three months ended  
December 31,

Year ended  
December 31,

	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 156,424	\$ 1,033,956	\$ 2,160,434	\$ 2,772,616
Items not involving cash:				
Depreciation of property and equipment	963,952	219,527	2,978,867	951,692
Amortization of intangible assets	296,841	59,040	876,644	236,160
Unrealized change in the fair value of forward exchange contracts	625,487	212,668	574,762	30,119
Stock-based compensation	88,040	-	298,040	-
Change in non-cash operating working capital:				
Interest receivable	-	76,165	39,574	(39,574)
Accounts receivable	2,787,229	(76,442)	(1,475,715)	(328,247)
Prepaid expenses and deposits	(225,711)	(524,722)	141,897	126,763
Prepaid fees for domain name registry and other Internet services fees	(572,163)	(430,973)	(5,801,972)	(3,804,225)
Accounts payable	(111,467)	(60,214)	745,581	171,652
Accrued liabilities	(1,158,124)	(326,808)	44,828	(1,271,703)
Customer deposits	292,691	106,747	867,482	29,375
Deferred revenue	400,162	550,242	7,102,935	4,618,723
Accreditation fees payable	354,150	302,241	264,716	570,297
Cash (used in) provided by operating activities	3,897,511	1,141,427	8,818,073	4,063,648
Financing activities:				
Proceeds received on exercise of stock options	107,648	49,254	206,608	300,870
Net proceeds received on issuance of common stock, net of issue costs	-	-	-	1,574,675
Repayment of promissory note payable	-	-	(2,122,930)	-
Cash (used in) provided by financing activities	107,648	49,254	(1,916,322)	1,875,545
Investing activities:				
Additions to property and equipment	(528,525)	(349,445)	(4,607,774)	(1,477,126)
Decrease (increase) in investment in short-term investments	-	5,999,884	1,771,569	(1,771,569)

Decrease (increase) in restricted cash - being margin security against forward exchange contracts	(756,588)	240,000	(959,423)	400,398
Deferred acquisition costs	-	(46,034)	-	(46,034)
Acquisition of Mailbank.com Inc., net of cash acquired	-	-	(6,486,732)	-
Acquisition of Hosted Messaging Assets, net of cash acquired	(95,532)	-	(7,552,320)	-
Acquisition of Boardtown Corporation, net of cash acquired	(22,200)	-	(44,900)	-
(Increase) decrease in cash held in escrow	107,145	(2,330)	(113,867)	388,238
Cash used in investing activities	(1,295,700)	5,842,075	(17,993,447)	(2,506,093)
Increase (decrease) in cash and cash equivalents	2,709,459	7,032,756	(11,091,696)	3,433,100
Cash and cash equivalents, beginning of period	3,546,933	10,315,332	17,348,088	13,914,988
Cash and cash equivalents, end of period	\$ <u>6,256,392</u>	\$ <u>17,348,088</u>	\$ <u>6,256,392</u>	\$ <u>17,348,088</u>
Supplemental information:				
Non-cash investing activity				
Acquisition of property and equipment included in accounts payable	384,270	-	384,270	-

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