

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

	December 31, 2009	December 31, 2008
	----- (unaudited)	----- (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,632,394	\$ 5,427,467
Accounts receivable	2,822,045	3,200,362
Prepaid expenses and deposits	2,498,922	2,274,043
Derivative instrument assets, current portion	2,107,825	-
Prepaid domain name registry and ancillary services fees, current portion	31,596,236	29,212,610
Deferred tax asset, current portion	-	590,000
Income taxes recoverable	674,000	-
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Total current assets	49,331,422	40,704,482
Derivative instrument assets, long-term portion	96,845	-
Prepaid domain name registry and ancillary services fees, long-term portion	12,126,515	11,855,971
Property and equipment	1,986,768	3,072,958
Deferred financing charges	41,000	78,500
Deferred tax asset, long-term portion	3,907,476	2,410,000
Intangible assets	18,656,353	20,206,996
Goodwill	17,990,807	17,990,807
Investment	-	200,000
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Total assets	\$ 104,137,186	\$ 96,519,714
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Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,547,863	\$ 1,633,830
Accrued liabilities	1,889,980	2,000,146
Customer deposits	3,624,317	3,319,241
Derivative instrument liabilities	-	1,974,919
Loan payable, current portion	3,220,125	2,624,242
Deferred revenue, current portion	40,211,766	37,985,821
Deferred tax liability, current portion	907,476	-
Accreditation fees payable, current portion	530,656	510,548
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Total current liabilities	51,932,183	50,048,747
Deferred revenue, long-term portion	16,098,812	16,201,804
Accreditation fees payable, long-term portion	169,620	187,374
Loan payable, long-term portion	-	3,235,125

Deferred tax liability, long-term portion	4,840,000	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; 67,068,253 shares issued and outstanding as of December 31, 2009 and 73,073,782 shares issued and outstanding as of December 31, 2008	14,030,384	15,198,358
Additional paid-in capital	47,287,351	48,714,676
Deficit	(30,221,164)	(42,462,370)
Total stockholders' equity	31,096,571	21,450,664
Total liabilities and stockholders' equity	\$ 104,137,186	\$ 96,519,714

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Net revenues	\$ 20,329,540	\$ 19,159,149	\$ 80,939,212	\$ 78,467,880
Cost of revenues:				
Cost of revenues(*)	14,993,792	13,819,760	57,936,106	54,614,036
Depreciation of property and equipment	256,357	472,311	1,673,191	2,909,853
Amortization of intangible assets	29,199	29,199	116,796	163,796
Total cost of revenues	15,279,348	14,321,270	59,726,093	57,687,685
Gross profit	5,050,192	4,837,879	21,213,119	20,780,195
Expenses:				
Sales and marketing (*)	1,550,937	1,536,504	5,812,007	6,668,884
Technical operations and development (*)	1,128,879	1,505,596	4,550,704	6,172,428
General and administrative (*)	950,749	2,003,748	5,558,921	6,809,601
Depreciation of property and equipment	35,915	86,428	266,251	263,745
Loss on disposition of property and equipment	524	-	40,893	498,529
Amortization of intangible assets	360,540	360,540	1,442,160	1,483,195

(Gain)/loss in fair value of forward exchange contracts	(277,195)	1,419,555	(4,179,589)	1,974,919
Total expenses	3,750,349	6,912,371	13,491,347	23,871,301
Income from operations	1,299,843	(2,074,492)	7,721,772	(3,091,106)
Other income (expenses):				
Interest income (expense), net	(46,471)	(116,647)	(225,140)	(583,911)
Other income	-	3,239,950	4,493,190	5,870,960
Total other income (expenses)	(46,471)	3,123,303	4,268,050	5,287,049
Income before provision for income taxes	1,253,372	1,048,811	11,989,822	2,195,943
Income tax (recovery) expense	(493,005)	30,000	(251,384)	121,134
Net income for the period	\$ 1,746,377	\$ 1,018,811	\$ 12,241,206	\$ 2,074,809
Basic earnings (loss) per common share	\$ 0.03	\$ 0.01	\$ 0.18	\$ 0.03
Shares used in computing basic earnings per common share	67,076,782	73,559,276	69,145,001	73,817,347
Diluted earnings (loss) per common share	\$ 0.03	\$ 0.01	\$ 0.17	\$ 0.03
Shares used in computing diluted earnings per common share	68,860,034	72,274,490	70,356,013	74,830,217

(*) Stock-based compensation has been included in

expenses as follows:								
Cost of revenues	\$	3,730	\$	5,100	\$	15,957	\$	19,700
Sales and marketing	\$	16,018	\$	15,700	\$	58,782	\$	64,200
Technical operations and development	\$	15,186	\$	10,900	\$	49,302	\$	52,700
General and administrative	\$	28,579	\$	22,600	\$	171,220	\$	151,200

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
	----- (unaudited)		----- (unaudited)	
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 1,746,377	\$ 1,018,811	\$ 12,241,206	\$ 2,074,809
Items not involving cash:				
Depreciation of property and equipment	292,272	558,739	1,939,442	3,173,598
Loss on disposition of property and equipment	524	-	40,893	498,529
Amortization of deferred financing charges	8,300	11,300	37,500	49,700
Amortization of intangible assets	389,739	389,739	1,558,956	1,646,991
Reduction of deferred tax liability	(59,000)	-	(556,000)	-
Gain on sale of customer relationships	-	(49,546)	-	(2,091,995)
Disposal of domain names	2,866	5,030	5,462	5,030
Unrealized (gain)/loss in the fair value of forward contracts	(277,195)	1,419,555	(4,179,589)	1,974,919
Stock-based compensation	63,513	54,300	295,261	287,800
Gain on disposal of investment in Afiliias	-	(3,090,404)	(3,890,395)	(3,090,404)
Change in non-cash operating working capital:				
Accounts receivable	1,107,837	456,205	378,317	221,818
Prepaid expenses and deposits	244,583	321,694	(224,879)	858,086
Prepaid fees for				

domain name registry and ancillary services fees	(65,694)	(346,502)	(2,654,170)	(4,829,254)
Income taxes receivable/payable	(674,000)	-	(674,000)	-
Accounts payable	424,977	(557,655)	(172,583)	(789,425)
Accrued liabilities	1,553	(420,176)	(110,166)	(1,288,941)
Customer deposits	(140,003)	200,149	305,076	51,457
Deferred revenue	(191,381)	(193,558)	2,122,953	3,574,397
Accreditation fees payable	4,811	(6,878)	2,354	33,487
Net cash provided by (used in) operating activities	2,880,079	(229,197)	6,465,638	2,360,602
Financing activities: Proceeds received on exercise of stock options	-	-	25,422	9,450
Repurchase of common stock	(534,467)	(272,444)	(2,915,981)	(272,444)
Repayment of loan payable	(478,560)	(478,560)	(2,639,242)	(8,914,241)
Net cash used in financing activities	(1,013,027)	(751,004)	(5,529,801)	(9,177,235)
Investing activities: Cost of domain names acquired	(7,875)	(4,705)	(13,775)	(8,944)
Additions to property and equipment	(381,238)	(191,140)	(807,530)	(2,113,904)
Proceeds on disposition of property and equipment	-	-	-	66,039
Acquisition of Innerwise Inc., net of cash acquired	-	(500,000)	-	(500,000)
Proceeds on disposal of investment in Afilias	-	3,244,141	4,090,395	3,244,141
Sale of customer relationships	-	49,546	-	2,392,660
Decrease in cash held in escrow	-	1,088,793	-	1,070,632
Net cash provided by (used in) investing activities	(389,113)	3,686,635	3,269,090	4,150,624
Increase (decrease) in cash and cash equivalents	1,477,939	2,706,434	4,204,927	(2,666,009)
Cash and cash				

equivalents, beginning of period	8,154,455	2,721,033	5,427,467	8,093,476
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Cash and cash equivalents, end of period	\$ 9,632,394	\$ 5,427,467	\$ 9,632,394	\$ 5,427,467
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Supplemental cash flow information:				
Interest paid	\$ 46,604	\$ 78,431	\$ 227,616	\$ 630,729
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 93,594	\$ 6,979	\$ 93,594	\$ 6,979