

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 | - |
| | ----- | ----- |
| 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 |
| | ----- | ----- |
| Total assets | \$ 104,137,186 | \$ 96,519,714 |
| | ----- | ----- |
| 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 |
| | ----- | ----- |
| 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 |
| | ----- | ----- | ----- | ----- |
| Cash and cash equivalents, end of period | \$ 9,632,394 | \$ 5,427,467 | \$ 9,632,394 | \$ 5,427,467 |
| | ----- | ----- | ----- | ----- |
| | ----- | ----- | ----- | ----- |
| 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 |