

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

	June 30 2009	December 31, 2008
	----- (unaudited)	----- (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,423,056	\$ 5,427,467
Accounts receivable	3,464,428	3,200,362
Prepaid expenses and deposits	3,163,266	2,274,043
Derivative instrument assets	49,245	-
Prepaid domain name registry and ancillary services fees, current portion	31,494,579	29,212,610
Deferred tax asset, current portion	590,000	590,000
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Total current assets	46,184,574	40,704,482
Prepaid domain name registry and ancillary services fees, long-term portion	12,195,903	11,855,971
Property and equipment	2,354,702	3,072,958
Deferred financing charges	58,400	78,500
Deferred tax asset, long-term portion	2,410,000	2,410,000
Intangible assets	19,431,471	20,206,996
Goodwill	17,990,807	17,990,807
Investment	100,000	200,000
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Total assets	\$ 100,725,857	\$ 96,519,714
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Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,257,992	\$ 1,633,830
Accrued liabilities	2,003,789	2,000,146
Customer deposits	3,171,708	3,319,241
Derivative instrument liabilities	-	1,974,919
Loan payable, current portion	3,114,242	2,624,242
Deferred revenue, current portion	40,508,091	37,985,821
Accreditation fees payable, current portion	553,447	510,548
Income taxes payable	835,398	-
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Total current liabilities	52,444,667	50,048,747
Deferred revenue, long-term portion	16,392,525	16,201,804
Accreditation fees payable, long-term portion	188,780	187,374
Loan payable, long-term portion	1,063,004	3,235,125
Deferred tax liability, long-term portion	5,396,000	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; 68,969,320 shares issued and outstanding at June 30, 2009 and 73,073,782 shares issued and outstanding at December 31, 2008	14,408,078	15,198,358
Additional paid-in capital	47,851,137	48,714,676
Deficit	(37,018,334)	(42,462,370)
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Total stockholders' equity	25,240,881	21,450,664
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Total liabilities and stockholders' equity	\$ 100,725,857	\$ 96,519,714
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Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
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	(unaudited)		(unaudited)	
Net revenues	\$ 20,022,119	\$ 20,450,329	\$ 40,113,543	\$ 39,161,536
Cost of revenues:				
Cost of revenues ((*))	14,386,048	13,663,097	28,171,446	26,813,029
Depreciation of property and equipment	488,680	816,260	941,389	1,642,097
Amortization of intangible assets	29,199	31,941	58,398	105,398
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Total cost of revenues	14,903,927	14,511,298	29,171,233	28,560,524
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Gross profit	5,118,192	5,939,031	10,942,310	10,601,012
Expenses:				
Sales and marketing ((*))	1,339,167	1,730,736	2,692,343	3,426,868
Technical operations and development ((*))	1,175,355	1,573,741	2,279,494	3,139,595
General and administrative ((*))	1,592,325	1,551,858	3,462,221	3,091,290
Depreciation of property and equipment	79,227	58,861	165,632	119,931
Amortization of intangible assets	360,540	376,954	721,080	762,115
(Gain)/loss in fair value of forward exchange contracts	(1,938,821)	(225,640)	(2,024,164)	29,793
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Total expenses	2,607,793	5,066,510	7,296,606	10,569,592
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Income from operations	2,510,399	872,521	3,645,704	31,420
Other income (expenses):				
Interest income (expense), net	(62,334)	(166,421)	(125,796)	(376,405)
Other income	2,613,204	1,532,765	2,613,204	1,532,765
Total other income (expenses)	2,550,870	1,366,344	2,487,408	1,156,360
Income before provision for income taxes	5,061,269	2,238,865	6,133,112	1,187,780
Income tax expense	581,651	30,000	689,076	61,134
Net income for the period	\$ 4,479,618	\$ 2,208,865	\$ 5,444,036	1,126,646
Basic earnings per common share	\$ 0.08	\$ 0.03	\$ 0.08	0.02
Shares used in computing basic earnings per common share	68,923,313	73,899,695	70,778,950	73,894,119
Diluted earnings per common share	\$ 0.07	\$ 0.03	\$ 0.08	0.01
Shares used in computing diluted earnings per common share	69,092,946	75,348,108	70,785,712	75,439,926
(*) Stock-based compensation has been included in expenses as follows:				
Cost of revenues	\$ 3,367	\$ 4,800	\$ 8,367	9,100
Sales and marketing	\$ 15,057	\$ 13,000	\$ 29,957	31,300
Technical operations and development	\$ 11,121	\$ 8,000	\$ 21,721	28,700
General and				

administrative	\$	53,193	\$	47,200	\$	71,893	76,100
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Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
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Cash provided by				
(used in):				
Operating activities:				
Net income for				
the period	\$ 4,479,618	\$ 2,208,865	\$ 5,444,036	\$ 1,126,646
Items not involving				
cash:				
Depreciation				
of property				
and equipment	567,907	875,121	1,107,021	1,762,028
Amortization of				
deferred				
financing charges	9,700	12,700	20,100	26,200
Amortization of				
intangible assets	389,739	408,895	779,478	867,513
Gain on disposal				
of investment				
in Afilias	(2,010,395)	-	(2,010,395)	-
Gain on sale of				
customer				
relationships	-	(1,121,065)	-	(1,121,065)
Disposal of				
domain names	974	-	1,947	-
Unrealized				
(gain)/loss in				
the fair value				
of forward				
contracts	(1,938,821)	(225,640)	(2,024,164)	29,793
Stock-based				
compensation	82,738	73,000	131,938	145,200
Change in non-cash				
operating working				
capital:				
Accounts				
receivable	252,927	350,043	(264,066)	283,923
Prepaid expenses				
and deposits	(310,655)	(244,926)	(889,223)	(105,237)
Prepaid fees for				
domain name				
registry and				
ancillary				
services fees	(496,502)	(1,176,196)	(2,621,901)	(3,706,797)
Accounts payable	561,228	682,896	380,407	249,069
Accrued liabilities	(125,130)	(159,226)	3,643	(691,064)
Customer deposits	161,969	119,589	(147,533)	18,999
Deferred revenue	249,615	798,720	2,712,991	3,777,654
Accreditation fees				
payable	(34,302)	(22,696)	44,305	34,120
Income taxes payable	750,216	-	835,398	-
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Net cash provided by operating activities	2,590,826	2,580,080	3,503,982	2,696,982
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Financing activities:				
Proceeds received on exercise of stock options	25,422	9,450	25,422	9,450
Repurchase of common stock	-	-	(1,811,179)	-
Repayment of loan payable	(1,203,560)	(7,478,560)	(1,682,121)	(7,957,120)
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Net cash used in financing activities	(1,178,138)	(7,469,110)	(3,467,878)	(7,947,670)
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Investing activities:				
Cost of domain names acquired	-	(2,524)	(5,900)	(8,944)
Additions to property and equipment	(102,770)	(1,084,209)	(145,010)	(1,295,740)
Sale of customer relationships	-	1,421,730	-	1,421,730
Proceeds on disposal of investment in Afilias	2,110,395	-	2,110,395	-
Decrease in cash held in escrow	-	(5,366)	-	(12,765)
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Net cash provided by investing activities	2,007,625	329,631	1,959,485	104,281
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Increase (decrease) in cash and cash equivalents	3,420,313	(4,559,399)	1,995,589	(5,146,407)
Cash and cash equivalents, beginning of period	4,002,743	7,506,468	5,427,467	8,093,476
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Cash and cash equivalents, end of period	\$ 7,423,056	\$ 2,947,069	\$ 7,423,056	\$ 2,947,069
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Supplemental cash flow information:				
Interest paid	\$ 62,508	\$ 192,900	\$ 128,029	\$ 452,237
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Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period				

not yet paid for \$ 250,734 \$ 663,767 \$ 250,734 \$ 663,767