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

	December 31, 2008	December 31, 2007
	----- (unaudited)	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,427,467	\$ 8,093,476
Accounts receivable	3,200,362	3,422,180
Prepaid expenses and deposits	2,274,043	3,132,129
Prepaid domain name registry and other		
Internet services fees, current portion	29,212,610	25,473,465
Cash held in escrow	-	1,070,632
Deferred tax asset, current portion	500,000	500,000
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Total current assets	40,614,482	41,691,882
Prepaid domain name registry and other		
Internet services fees, long-term portion	11,855,971	10,765,862
Property and equipment	3,072,958	4,963,311
Deferred financing charges	78,500	128,200
Deferred tax asset, long-term portion	2,500,000	2,500,000
Intangible assets	20,206,996	22,150,738
Goodwill	17,990,807	17,490,807
Investment	200,000	353,737
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Total assets	\$ 96,519,714	\$ 100,044,537
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Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,633,830	\$ 2,689,346
Accrued liabilities	2,000,146	3,289,087
Customer deposits	3,319,241	3,267,784
Derivative instrument liability	1,974,919	-
Promissory note payable	-	6,000,000
Loan payable, current portion	2,624,242	1,914,242
Deferred revenue, current portion	37,985,821	35,465,584
Accreditation fees payable, current portion	510,548	483,090
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Total current liabilities	50,048,747	53,109,133
Deferred revenue, long-term portion	16,201,804	15,147,644
Accreditation fees payable, long-term portion	187,374	181,345
Loan payable, long-term portion	3,235,125	6,859,366
Deferred tax liability	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; 73,073,782 shares issued and outstanding at December 31, 2008 and 73,888,542 shares issued and outstanding at December 31, 2007	15,198,358	15,350,915
Additional paid-in capital	48,714,676	48,537,313
Deficit	(42,462,370)	(44,537,179)
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Total stockholders' equity	21,450,664	19,351,049
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Total liabilities and stockholders' equity	\$ 96,519,714	\$ 100,044,537
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Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)

	Three months ended December 31, 2008	2007	Year ended December 31, 2008	2007
	----- (unaudited)		----- (unaudited)	
Net revenues	\$ 19,159,149	\$ 18,240,184	\$ 78,467,880	\$ 74,638,196
Cost of revenues:				
Cost of revenues(*)	13,819,760	13,040,271	54,614,036	48,742,915
Depreciation of property and equipment	472,311	947,274	2,909,853	3,738,324
Amortization of intangible assets	29,199	92,700	163,796	302,832
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Total cost of revenues	14,321,270	14,080,245	57,687,685	52,784,071
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Gross profit	4,837,879	4,159,939	20,780,195	21,854,125
Expenses:				
Sales and marketing(*)	1,536,504	1,808,801	6,668,884	6,345,999
Technical operations and development(*)	1,505,596	1,422,012	6,172,428	6,710,841
General and administrative(*)	2,003,748	501,423	6,809,601	5,232,385
Depreciation of property and equipment	86,428	64,994	263,745	263,101
Loss on disposition of property and equipment	-	-	498,529	-
Amortization of				

intangible assets	360,540	396,041	1,483,195	1,174,864
Loss (gain) in fair value of forward exchange contracts	1,419,555	666,862	1,974,919	(497,253)
Total expenses	6,912,371	4,860,133	23,871,301	19,229,937
Income (loss) from operations	(2,074,492)	(700,194)	(3,091,106)	2,624,188
Other income (expenses):				
Interest income (expense), net	(116,647)	(222,531)	(583,911)	(516,853)
Other income, net	3,239,950	-	5,870,960	619,014
Total other income	3,123,303	(222,531)	5,287,049	102,161
Income (loss) before provision for income taxes	1,048,811	(922,725)	2,195,943	2,726,349
Provision for income taxes	30,000	12,000	121,134	50,816
Net income (loss) for the period	\$ 1,018,811	\$ (934,725)	\$ 2,074,809	\$ 2,675,533
Basic earnings (loss) per common share	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.04
Shares used in computing basic earnings (loss) per common share	73,559,276	73,805,296	73,817,347	74,361,470
Diluted earnings (loss) per common share	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.03
Shares used in computing diluted earnings (loss) per common share	72,274,490	75,990,226	74,830,217	77,046,519

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

Cost of revenues	\$	5,100	\$	4,000	\$	19,700	\$	15,000
Sales and marketing	\$	15,700	\$	19,100	\$	64,200	\$	80,200
Technical operations and development	\$	10,900	\$	16,500	\$	52,700	\$	78,800
General and administrative	\$	22,600	\$	29,500	\$	151,200	\$	147,600

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

Three months ended December 31, Year ended December 31,
2008 2007 2008 2007

	(unaudited)		(unaudited)	
Cash provided by				
(used in):				
Operating activities:				
Net income (loss)				
for the period	\$ 1,018,811	\$ (934,725)	\$ 2,074,809	\$ 2,675,533
Items not involving cash:				
Depreciation of property and equipment	558,739	1,012,268	3,173,598	4,001,425
Loss on disposition of property and equipment	-	-	498,529	-
Amortization of deferred financing charges	11,300	14,400	49,700	26,616
Amortization of intangible assets	389,739	488,741	1,646,991	1,477,696
Gain on sale of customer relationships	(49,546)	-	(2,091,995)	-
Disposal of domain names	5,030	-	5,030	-
Unrealized change in the fair value of forward exchange contracts	1,419,555	666,861	1,974,919	(497,253)
Stock-based compensation	54,300	69,100	287,800	321,600
Gain on disposal of Afilias Inc.	(3,090,404)	-	(3,090,404)	-
Change in non-cash operating working capital:				
Accounts receivable	456,205	549,770	221,818	(425,959)

Prepaid expenses and deposits	321,694	(323,705)	858,086	(485,374)
Prepaid fees for domain name registry and other Internet services fees	(346,502)	(1,010,927)	(4,829,254)	(4,559,427)
Accounts payable	(557,655)	839,356	(789,425)	(67,268)
Accrued liabilities	(420,176)	250,812	(1,288,941)	902,001
Customer deposits	200,149	289,225	51,457	123,665
Deferred revenue	(193,558)	765,306	3,574,397	5,476,621
Accreditation fees payable	(6,878)	3,405	33,487	(346,878)
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Net cash provided by operating activities	(229,197)	2,679,887	2,360,602	8,622,998
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Financing activities:				
Proceeds received on exercise of stock options	-	54,040	9,450	258,296
Repurchase of shares	(272,444)	-	(272,444)	(2,446,955)
Proceeds received on loan payable	-	-	-	9,416,393
Repayment of promissory note and loan payable	(478,560)	(478,561)	(8,914,241)	(797,601)
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Net cash (used in) provided by financing activities	(751,004)	(424,521)	(9,177,235)	6,430,133
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Investing activities:				
Cost of domain names (acquired)/sold	(4,705)	(5,573)	(8,944)	(23,999)
Additions to property and equipment	(191,140)	(315,037)	(2,113,904)	(3,408,403)
Proceeds on disposition of property and equipment	-	-	66,039	-
Decrease in restricted cash - being margin security against forward exchange contracts	-	255,000	-	1,019,423
Acquisition of Hosted Messaging Assets from Critical Path Inc., net of				

cash acquired	-	-	-	(90,050)
Acquisition of Boardtown Corporation, net of cash acquired	-	-	-	(4,900)
Acquisition of Innerwise Inc., net of cash acquired	(500,000)	-	(500,000)	(10,332,065)
Proceeds on disposal of Afilias Inc.	3,244,141	-	3,244,141	-
Sale of customer relationships	49,546	-	2,392,660	-
(Decrease) increase in cash held in escrow	1,088,793	(12,012)	1,070,632	(376,053)
Net cash provided by (used in) investing activities	3,686,635	(77,622)	4,150,624	(13,216,047)
Increase (decrease) in cash and cash equivalents	2,706,434	2,177,744	(2,666,009)	1,837,084
Cash and cash equivalents, beginning of period	2,721,033	5,915,732	8,093,476	6,256,392
Cash and cash equivalents, end of period	\$ 5,427,467	\$ 8,093,476	\$ 5,427,467	\$ 8,093,476
Supplemental cash flow information:				
Interest paid	\$ 78,431	\$ 299,893	\$ 630,729	\$ 784,263
Supplementary disclosure of non-cash investing activity:				
Capital assets acquired during the period not yet paid for	\$ 6,979	\$ 273,070	\$ 6,979	\$ 273,070

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