

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

	December 31, 2010	December 31, 2009
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,205,729	\$ 9,632,394
Accounts receivable	3,021,995	2,822,045
Prepaid expenses and deposits	2,363,876	2,498,922
Derivative instrument asset, current portion	833,960	2,107,825
Prepaid domain name registry and ancillary services fees, current portion	37,016,871	31,596,236
Income taxes recoverable	620,000	674,000
Total current assets	48,062,431	49,331,422
Derivative instrument asset, long-term portion	-	96,845
Prepaid domain name registry and ancillary services fees, long-term portion	12,820,479	12,126,515
Property and equipment	1,552,349	1,986,768
Deferred financing charges	15,600	41,000
Deferred tax asset, long-term portion	4,155,600	3,907,476
Intangible assets	16,883,401	18,656,353
Goodwill	17,990,807	17,990,807
Total assets	\$ 101,480,667	\$ 104,137,186
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,664,006	\$ 1,547,863
Accrued liabilities	1,346,436	1,889,980
Customer deposits	3,960,312	3,624,317
Loan payable, current portion	1,305,883	3,220,125
Deferred revenue, current portion	45,832,374	40,211,766
Accreditation fees payable, current portion	547,810	530,656
Deferred tax liability, current portion	1,155,600	907,476
Total current liabilities	55,812,421	51,932,183
Deferred revenue, long-term portion	16,738,429	16,098,812
Accreditation fees payable, long-term portion	168,580	169,620
Deferred tax liability, long-term portion	4,840,000	4,840,000
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; 53,448,591 shares issued and outstanding as of December 30, 2010 and 67,080,353 shares issued and outstanding as of December 31, 2009	11,324,866	14,030,384
Additional paid-in capital	40,700,587	47,287,351

Deficit	(28,104,216)	(30,221,164)
Total stockholders' equity	23,921,237	31,096,571
Total liabilities and stockholders' equity	\$ 101,480,667	\$ 104,137,186

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

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Net revenues	\$ 22,077,286	\$ 20,329,540	\$ 84,578,505	\$ 80,939,212
Cost of revenues:				
Cost of revenues (*)	15,623,360	13,745,834	58,494,849	53,187,917
Network expenses	1,148,073	1,247,958	4,648,899	4,748,189
Depreciation of property and equipment	238,000	256,357	1,032,368	1,673,191
Amortization of intangible assets	74,802	29,199	299,208	116,796
Total cost of revenues	17,084,235	15,279,348	64,475,324	59,726,093
Gross profit	4,993,051	5,050,192	20,103,181	21,213,119
Expenses:				
Sales and marketing (*)	1,737,526	1,550,937	7,217,754	5,812,007
Technical operations and development (*)	1,091,180	1,128,879	4,577,898	4,550,704
General and administrative (*)	830,012	950,749	2,879,825	5,558,921
Depreciation of property and equipment	43,285	35,915	170,844	266,251
Loss on disposition of property and equipment	-	524	-	40,893
Amortization of intangible assets	360,540	360,540	1,442,160	1,442,160
Loss (gain) on change in fair value of forward exchange contracts	(298,321)	(277,195)	1,370,710	(4,179,589)
Total expenses	3,764,222	3,750,349	17,659,191	13,491,347
Income from operations	1,228,829	1,299,843	2,443,990	7,721,772
Other (expenses) income:				
Interest (expense) income, net	(16,385)	(46,471)	(116,197)	(225,140)
Other income	-	-	-	4,493,190
Total other (expenses) income	(16,385)	(46,471)	(116,197)	4,268,050
Income before provision for income taxes	1,212,444	1,253,372	2,327,793	11,989,822
(Recovery of) provision for income taxes	(24,260)	(493,005)	210,845	(251,384)

Net income for the period	\$ 1,236,704	\$ 1,746,377	\$ 2,116,948	\$ 12,241,206
Basic earnings per common share	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.18
Shares used in computing basic earnings per common share	54,203,289	67,076,782	57,982,248	69,145,001
Diluted earnings per common share	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.17
Shares used in computing diluted earnings per common share	56,294,238	68,860,034	59,955,788	70,356,013
(*) Stock-based compensation has been included in expenses as follows:				
Cost of revenues	\$ 6,647	\$ 3,730	\$ 22,406	\$ 15,957
Sales and marketing	\$ 24,711	\$ 16,018	\$ 96,300	\$ 58,782
Technical operations and development	\$ 19,109	\$ 15,186	\$ 71,012	\$ 49,302
General and administrative	\$ 35,847	\$ 28,579	\$ 210,284	\$ 171,220

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

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 1,236,704	\$ 1,746,377	2,116,948	\$ 12,241,206
Items not involving cash:				
Depreciation of property and equipment	281,285	292,272	1,203,212	1,939,442
Loss on disposition of property and equipment	-	524	-	40,893
Amortization of deferred financing charges	5,300	8,300	25,400	37,500
Amortization of intangible assets	435,342	389,739	1,741,368	1,558,956
Gain on disposal of investment in Afilias	-	-	-	(3,890,395)
Reduction in deferred tax liability	-	(59,000)	-	(556,000)
Disposal of domain names	14,494	2,866	31,584	5,462
Unrealized (gain) loss in the fair value of forward contracts	(298,321)	(277,195)	1,370,710	(4,179,589)
Stock-based compensation	86,314	63,513	400,002	295,261
Changes in non-cash operating				

working capital:				
Accounts receivable	310,282	1,107,837	(199,950)	378,317
Prepaid expenses and deposits	73,690	244,583	135,046	(224,879)
Prepaid fees for domain name registry and ancillary services fees	(328,041)	(65,694)	(6,114,599)	(2,654,170)
Income taxes recoverable	(73,000)	(674,000)	54,000	(674,000)
Accounts payable	408,414	424,977	(35,210)	(172,583)
Accrued liabilities	(307,613)	1,553	(571,930)	(110,166)
Customer deposits	257,848	(140,003)	335,995	305,076
Deferred revenue	236,335	(191,381)	6,260,225	2,122,953
Accreditation fees payable	2,232	4,811	16,114	2,354
Net cash provided by operating activities	2,341,265	2,880,079	6,768,915	6,465,638
Financing activities:				
Proceeds received on exercise of stock options	-	-	14,809	25,422
Repurchase of common stock	(2,792,301)	(534,467)	(9,707,093)	(2,915,981)
Repayment of loan payable	(478,560)	(478,560)	(1,914,242)	(2,639,242)
Net cash used in financing activities	(3,270,861)	(1,013,027)	(11,606,526)	(5,529,801)
Investing activities:				
Cost of domain names acquired	-	(7,875)	-	(13,775)
Additions to property and equipment	(296,264)	(381,238)	(589,054)	(807,530)
Proceeds on disposal of investment in Afilias	-	-	-	4,090,395
Net cash (used in) provided by investing activities	(296,264)	(389,113)	(589,054)	3,269,090
Increase (decrease) in cash and cash equivalents	(1,225,860)	1,477,939	(5,426,665)	4,204,927
Cash and cash equivalents, beginning of period	5,431,589	8,154,455	9,632,394	5,427,467
Cash and cash equivalents, end of period	\$ 4,205,729	\$ 9,632,394	4,205,729	\$ 9,632,394
Supplemental cash flow information:				
Interest paid	\$ 16,444	\$ 46,604	116,242	\$ 227,616
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 273,333	\$ 93,594	273,333	\$ 93,594