

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

	December 31, 2011 (unaudited)	December 31, 2010 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,408,209	\$ 4,205,729
Accounts receivable	3,880,184	3,021,995
Inventory	205,597	-
Prepaid expenses and deposits	3,756,308	2,363,876
Derivative instrument asset, current portion	-	833,960
Prepaid domain name registry and ancillary services fees, current portion	43,209,033	37,016,871
Income taxes recoverable	867,093	620,000
Total current assets	58,326,424	48,062,431
Derivative instrument asset, long-term portion	87,023	-
Prepaid domain name registry and ancillary services fees, long-term portion	12,600,154	12,820,479
Property and equipment	1,437,564	1,552,349
Deferred financing charges	2,300	15,600
Deferred tax asset, long-term portion	6,880,377	4,155,600
Intangible assets	17,482,590	16,883,401
Goodwill	18,873,127	17,990,807
Total assets	\$ 115,689,559	\$ 101,480,667
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,051,115	\$ 1,664,006
Accrued liabilities	2,081,968	1,346,436
Customer deposits	4,202,899	3,960,312
Derivative instrument liability, current portion	781,027	-
Loan payable, current portion	850,000	1,305,883
Deferred revenue, current portion	52,683,546	45,832,374
Accreditation fees payable, current portion	555,869	547,810
Deferred tax liability, current portion	880,008	1,155,600
Income taxes payable	158,258	-
Total current liabilities	63,244,690	55,812,421
Derivative instrument liability, long-term portion	5,479	-
Deferred revenue, long-term portion	16,492,155	16,738,429
Accreditation fees payable, long-term portion	156,061	168,580
Deferred rent, long-term portion	26,487	-
Deferred tax liability, long-term portion	5,345,700	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; 53,497,584 shares issued and outstanding as of December 31, 2011 and 53,448,591 shares issued and outstanding as of December 31, 2010	11,358,959	11,324,866
Additional paid-in capital	40,994,013	40,700,587
Deficit	(21,933,985)	(28,104,216)
Total stockholders' equity	30,418,987	23,921,237
Total liabilities and stockholders' equity	\$ 115,689,559	\$ 101,480,667

Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)
Three months ended December 31,
2011 **2010**

Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)
Year ended December 31,
2011 **2010**

	(unaudited)		(unaudited)					
Net revenues	\$	26,369,781	\$	22,077,286	\$	97,064,967	\$	84,578,505
Cost of revenues:								
Cost of revenues (*)		18,509,663		15,623,360		68,088,387		58,494,849
Network expenses		1,145,655		1,148,073		4,837,650		4,648,899
Depreciation of property and equipment		141,494		238,000		750,455		1,032,368
Amortization of intangible assets		35,910		74,802		85,590		299,208
Total cost of revenues		19,832,722		17,084,235		73,762,082		64,475,324
Gross profit		6,537,059		4,993,051		23,302,885		20,103,181
Expenses:								
Sales and marketing (*)		1,778,922		1,737,526		7,442,681		7,217,754
Technical operations and development (*)		1,216,446		1,091,180		4,868,228		4,577,898
General and administrative (*) (note 1)		1,477,153		1,132,954		6,096,596		5,123,074
Depreciation of property and equipment		46,449		43,285		187,005		170,844
Loss on disposition of property and equipment		42,165		-		42,165		-
Amortization of intangible assets		219,030		360,540		1,004,950		1,442,160
Loss (gain) on currency forward contracts (note 1)		(838,954)		(601,263)		535,223		(872,539)
Total expenses		3,941,211		3,764,222		20,176,848		17,659,191
Income from operations		2,595,848		1,228,829		3,126,037		2,443,990
Other income (expenses):								
Interest (expense) income, net		(11,489)		(16,385)		(50,404)		(116,197)
Other income		-		-		374,977		-
Total other income (expenses)		(11,489)		(16,385)		324,573		(116,197)
Income before provision for income taxes		2,584,359		1,212,444		3,450,610		2,327,793
Provision for (recovery of) income taxes		(3,470,527)		(24,260)		(2,719,621)		210,845
Net income for the year	\$	6,054,886	\$	1,236,704	\$	6,170,231	\$	2,116,948
Basic earnings per common share	\$	0.11	\$	0.02	\$	0.12	\$	0.04
Shares used in computing basic earnings per common share		53,483,508		54,203,289		53,454,675		57,982,248
Diluted earnings per common share	\$	0.11	\$	0.02	\$	0.11	\$	0.04
Shares used in computing diluted earnings per common share		55,780,131		56,294,238		55,749,433		59,955,788

(Note 1) The Company accounts for the fair value of currency forward contracts within the consolidated Balance Sheet as a derivative financial asset or liability and the corresponding change in fair value is recorded in the consolidated Statement of Operations. In prior periods, the Company recorded the realized gain or loss upon settlement of the currency forward contracts in "General and administrative expenses" and recorded the unrealized gain or loss in "Loss (gain) on change in fair value of forward contracts". The Company has determined that both of these amounts are more appropriately classified in expenses as "Loss (gain) on currency forward contracts" and as a result a gain of \$0.3 million for the three months ended December 31, 2010 and a gain of \$2.2 million for the year ended December 31, 2010 have been reclassified from "General and administrative expense" to "Loss (gain) on currency forward contracts". As a result of this reclassification, there was no change to previously reported net income (loss), income from operations, net revenues, gross profit, reported cash flows or the amounts recorded in the consolidated Balance Sheets.

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

Network expenses	\$	5,802	\$	6,647	\$	22,972	\$	22,406
Sales and marketing	\$	24,088	\$	24,711	\$	91,244	\$	96,300
Technical operations and development	\$	11,862	\$	19,109	\$	51,984	\$	71,012
General and administrative	\$	20,588	\$	35,847	\$	144,757	\$	210,284

	Tucows Inc.		Tucows Inc.					
	Consolidated Statements of Cash Flows		Consolidated Statements of Cash Flows					
	(Dollar amounts in U.S. dollars)		(Dollar amounts in U.S. dollars)					
	Three months ended December 31,		Year ended December 31,					
	2011	2010	2011	2010				
	(unaudited)		(unaudited)					
Cash provided by (used in):								
Operating activities:								
Net income for the period	\$	6,054,886	\$	1,236,704	\$	6,170,231	\$	2,116,948
Items not involving cash:								
Depreciation of property and equipment		187,943		281,285		937,460		1,203,212
Loss on write off of property and equipment		42,165		-		42,165		-
Amortization of deferred financing charges		2,200		5,300		13,300		25,400
Amortization of intangible assets		754,940		435,347		1,090,540		1,741,368

Deferred income taxes (recovery)	(3,028,269)	-	(3,046,669)	-
Deferred rent	7,213	-	26,487	-
Disposal of domain names	4,164	14,494	34,071	31,584
(Gain) loss on change in fair value of forward exchange contracts	(924,661)	(298,321)	1,533,443	1,370,710
Stock-based compensation	62,339	86,314	310,956	400,002
Changes in non-cash operating working capital:				
Accounts receivable	409,278	310,282	(270,594)	(199,950)
Inventory	(205,597)	-	(205,597)	-
Prepaid expenses and deposits	67	73,690	(923,909)	135,046
Prepaid fees for domain name registry and ancillary services fees	(109,892)	(328,041)	(4,855,039)	(6,114,599)
Income taxes recoverable	(579,682)	(73,000)	(261,215)	54,000
Accounts payable	(276,156)	408,414	(611,532)	(35,210)
Accrued liabilities	254,361	(307,613)	515,931	(571,930)
Customer deposits	299,335	257,848	209,984	335,995
Deferred revenue	238,245	236,335	5,179,716	6,260,225
Accreditation fees payable	(10,058)	2,232	(4,460)	16,114
Net cash provided by operating activities	2,682,821	2,341,265	5,885,269	6,768,915
Financing activities:				
Proceeds received on exercise of stock options	17,201	-	31,346	14,809
Repurchase of common stock	(18,442)	(2,792,301)	(18,442)	(9,707,093)
Proceeds received on Short Swing Sale	3,659	-	3,659	-
Repayment of loan payable	(709,722)	(478,560)	(455,883)	(1,914,242)
Net cash used in financing activities	(707,304)	(3,270,861)	(439,320)	(11,606,526)
Investing activities:				
Additions to property and equipment	(221,073)	(296,264)	(851,008)	(589,054)
Acquisition of EPAG Domainservices GMBH, net of cash acquired	-	-	(2,392,461)	-
Net cash used in investing activities	(221,073)	(296,264)	(3,243,469)	(589,054)
Increase (decrease) in cash and cash equivalents	1,754,444	(1,225,860)	2,202,480	(5,426,665)
Cash and cash equivalents, beginning of year	4,653,765	5,431,589	4,205,729	9,632,394
Cash and cash equivalents, end of year	\$ 6,408,209	\$ 4,205,729	\$ 6,408,209	\$ 4,205,729
Supplemental cash flow information:				
Interest paid	\$ 13,969	\$ 16,444	\$ 53,166	\$ 116,242
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 257,967	\$ 273,333	\$ 257,967	\$ 273,333