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## TUCOWS FINANCIAL NEWS RELEASE, Q2 2005

### Tucows Reports Twelfth Consecutive Quarter of Profitability And Fifteenth Consecutive Quarter of Positive Cash Flow from Operations

#### Financial performance in the second quarter underscores momentum in business

TORONTO - August 3, 2005 - Tucows Inc. (OTCBB: TCOW) today reported continued strong results for the second quarter of fiscal 2005, ended June 30, 2005.

Highlights for the second quarter included:

- A 13% year-over-year increase in net revenue to \$12.0 million, the Company's second highest quarterly revenue;
- Income from operations of \$0.4 million;
- Cash flow from operations of \$1.5 million;
- Net income of \$0.5 million, the Company's twelfth consecutive quarter of profitability; and
- An 11% year-over-year increase in deferred revenue to a record \$36.6 million.

"We continue to be successful in the execution of our strategy to build upon our dominant position in the wholesale domain market by adding higher margin services that address high growth segments of the Internet such as blogging," said Elliot Noss, President and Chief Executive Officer, Tucows Inc. "Moving forward, in addition to pursuing continued growth in our domain business, we are focused on generating sales from our new ancillary services, to grow their contribution to both revenue and gross margin."

Summary Financial Results (Numbers in Thousands, Except Per Share Data)

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	Three months ended June 30, 2005	Three months ended June 30, 2004	12 Months ended June 30, 2005	12 Months ended June 30, 2004
Net Revenue	12,002	10,639	23,804	20,814
Income from Operations	411	623	624	735
Net Income	507	666	950	815
Net Income/Share	0.01	0.01	0.01	0.01
Cash Flow from Operations	1,475	1,396	2,130	1,963

Net revenue for the second quarter of fiscal 2005 increased 13% to \$12.0 million from \$10.6 million for the second quarter of fiscal 2004. This increase was the result of both a higher number of domain name registrations and a higher contribution from ancillary services.

Income from operations for the second quarter of fiscal 2005 was \$0.4 million compared to \$0.6 million for the corresponding quarter last year. Income from operations for the second quarter of fiscal 2005 included a decrease in the gain on foreign exchange of \$102,000 compared to the second quarter of fiscal 2004. In addition, net income from operations for the second quarter of fiscal 2005 included expenses of \$100,000 related to a severance payment and \$64,000 related to incremental professional fees and outside contractors.

Net income for the second quarter of fiscal 2005 was \$0.5 million, or \$0.01 per share, compared with \$0.7 million, or \$0.01 per share, for the second quarter of fiscal 2004.

Deferred revenue at the end of the second quarter of fiscal 2005 was \$36.6 million, an increase of 11% from \$33.0 million at the end of the second quarter of fiscal 2004 and an increase of 10% from \$33.3 million at the end of the first quarter of fiscal 2005.

Cash, short-term investments and restricted cash at the end of the second quarter of fiscal 2005 was \$15.8 million compared to \$12.3 million at the end of the second quarter of fiscal 2004 and \$15.0 million at the end of the first quarter of fiscal 2005. The increase over the first quarter of fiscal 2005 is primarily the result of positive cash flow from operations for the second quarter of this year of \$1.5 million.

#### Conference Call

Tucows will host a conference call today, Wednesday, August 3, 2005, at 5:00 p.m. (ET) to discuss the company's second quarter fiscal 2005 results. To access the conference call via the Internet go to [www.tucowsinc.com](http://www.tucowsinc.com), and click on "Investor Relations."

For those unable to join the conference call at the scheduled time, it will be archived for replay both by telephone and via the Internet beginning approximately one hour following completion of the call. To access the archived conference call by telephone, dial 1-800-408-

3053 or 416-695-5800 and enter the pass code 3159569. The telephone replay will be available until Wednesday, August 10, 2005, at midnight. To access the archived conference call via the Internet, go to [www.tucowsinc.com](http://www.tucowsinc.com) and click on "**Investor Relations.**"

#### **Tucows Inc.**

Tucows Inc. is a provider of Internet services and downloadable software through a global distribution network of more than 6,000 service providers. These service providers primarily consist of web hosting companies, Internet service providers and providers of other services over the Internet. Tucows' services include domain registration services, digital certificates, billing, provisioning and customer care software solutions, email and anti-spam services, blogware and website building tools. Tucows is an accredited registrar with the Internet Corporation for Assigned Names and Numbers, or ICANN, and generates revenue primarily through the provision of domain registration and other Internet services to service providers who offer such services to their own customers in a process known as wholesale distribution. For more information, please visit: [www.tucowsinc.com](http://www.tucowsinc.com)

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