



TUCOWS FINANCIAL NEWS RELEASE, Q2 2007

Tucows Reports Continued Strong Results for the Second Quarter of Fiscal 2007

Quarter Highlighted by Record Revenue, Record Adjusted Net Income and Continued Strong Cash Flow Generation

TORONTO - August 7, 2007 - Tucows Inc. (AMEX:TCX, TSX:TC), a leading provider of Internet services to web hosting companies, ISPs and other service providers worldwide, today reported its financial results for the second quarter of fiscal 2007, ended June 30, 2007. All figures are in U.S. dollars unless otherwise stated.

"We delivered solid financial performance in the second quarter, which benefited from the sale of a block of 2,500 domain names from our portfolio," said Elliot Noss, President and CEO of Tucows. "Consolidation in the domain name industry, the ramp-up in the sales cycle for our new email service and disappointing Google ad revenues resulted in weaker year-over-year revenue growth than we would have liked. Our overriding objective is to drive strong long-term growth and we have recently taken several steps in this regard, including the recent launch of our new email platform, the launch of our Premium Domains service and subsequent to quarter end, the acquisition of ItsYourDomain.

"Most importantly, this morning we announced our decision to make a significant investment in our business. We introduced a new cost-plus domain pricing structure and a reduction in our domain name pricing.

"Given the above, our expectation is that cash flow from operations will be in excess of \$10 million for 2007. We are confident that these steps strengthen our position to capitalize on the significant long-term opportunities in the domain name and email markets."

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

	3 Months Ended June 30, 2007	3 Months Ended June 30, 2006	6 Months Ended June 30, 2007	6 Months Ended June 30, 2006
Net Revenue	20,815	15,679	30,586	30,966
EBITDA	4,572	1,001	6,544	1,435
Adjusted Net Income	4,686	1,759	7,128	3,265
Net Income	3,171	226	3,921	69
Net Income/Share	0.04	0.00	0.05	0.00
Cash Flow from Operations	2,359	3,220	3,524	5,054

Summary Revenue and Cost of Revenue (Numbers in Thousands of US Dollars)

	Revenue		Cost of Revenue	
	3 Months Ended June 30, 2007	3 Months Ended June 30, 2006	6 Months Ended June 30, 2007	6 Months Ended June 30, 2006
Domain Names, excluding Domain Direct	12,274	10,559	9,146	7,509
Other Internet services, including Domain Direct	4,229	4,045	1,038	1,011
Sale of Domain Names	3,068	-	11	-
Advertising and other revenue	1,244	1,075	112	-
Total	20,815	15,679	10,307	8,520

Second Quarter Fiscal 2007 Financial Summary

Revenue - Net revenue for the second quarter of fiscal 2007 increased 33% to \$20.8 million from \$15.7 million for the second quarter of fiscal 2006. The increase was primarily the result of an atypically large sale of approximately 2,500 domain names from the Company's portfolio of domain names for \$3.0 million and revenue growth across all areas of the business.

Adjusted Net Income - Adjusted net income for the second quarter of fiscal 2007 increased to \$4.7 million from \$1.8 million for the corresponding quarter of last year.

Net Income - Net income for the second quarter of fiscal 2007 increased to \$3.2 million, or \$0.04 per share from \$0.2 million, or \$0.00 per share, for the second quarter of fiscal 2006. Included in net income for the second quarter of fiscal 2007 is an unrealized gain in the change in the fair value of forward contracts of \$0.9 million compared with a gain on foreign exchange of \$0.4 million for the corresponding quarter of fiscal 2006.

Deferred Revenue - Deferred revenue at the end the second quarter of fiscal 2007 was \$49.0 million, an increase of 13% from \$43.2 million at the end of the second quarter of fiscal 2006 and an increase of 2% from \$48.0 million at the end of the first quarter of fiscal 2007.

Cash - Cash, cash equivalents and restricted cash at the end of the second quarter of fiscal 2007 were \$6.2 million compared to \$6.6 million at the end of the first quarter of fiscal 2007 and \$7.0 million at the end of the second quarter of fiscal 2006. The decrease compared to the end of the first quarter of fiscal 2007 resulted primarily from the repurchase of 1.1 million of the Company's shares at a cost of \$1.1 million during the second quarter under its previously announced stock buyback program and our investing \$1.7 million in property and equipment related to our hosted email environment. This decrease was partially offset by the generation of cash flow from operations of \$2.4 million during the second quarter of fiscal 2007.

Subsequent Events - On July 25, 2007, Tucows acquired Innerwise Inc. (ItsYourDomain.com), a privately held, ICANN-accredited registrar with more than 700,000 domains under management and offering domain services through a worldwide wholesale network of over 2,500 affiliates. Tucows paid \$10.8 million in cash for IYD with the opportunity for IYD to realize an additional \$1.1 million based on specific targets. The acquisition was funded from working capital and a bank loan for \$9.6 million.

EBITDA and Adjusted Net Income

To assist financial statement users in their assessment of the Company's historical performance and to project its future earnings and cash flows, the Company has included earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA is presented because it is an important supplemental measure of performance frequently used by securities analysts, investors and other interested parties in the evaluation of companies. Other companies may calculate EBITDA differently. EBITDA is not a measurement of financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to Net Income as indicators of operating performance or any other measures of performance derived in accordance with (GAAP). Because EBITDA is calculated before recurring cash charges, including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. See the Consolidated Statements of Cash Flows included in the attached financial statements. As a non-GAAP performance measure, EBITDA, has certain material limitations as follows:

- It does not include interest expense. Because the Company has borrowed money to finance some of its operations, interest is a necessary part of the Company's costs and ability to generate revenue. Therefore, any measure that excludes interest has material limitations;
- It does not include depreciation and amortization expense. Because the Company must utilize capital assets in order to generate revenues, depreciation and amortization expense is a necessary and ongoing part of the Company's costs. Therefore, any measure that excludes depreciation and amortization expense has material limitations; and,
- It does not include taxes. Because the payment of taxes is a necessary and ongoing part of the Company's operations, any measure that excludes taxes has material limitations. Management compensates for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with its analysis of net earnings.

Adjusted Net Income represents EBITDA plus the additional adjustments described in the table below. The adjustments reflect the material amount of cash collected by the Company for domain registrations and other Internet services paid for the full term at the time of activation, with the revenue deferred, net of prepaid fees. In addition, adjusted Net Income reflects earnings and expenses considered as non-representative of ongoing business for the reasons specified below. Each of the items being adjusted for may create certain material limitations in the use of Adjusted Net Income as a non GAAP financial measure. Adjusted Net Income is one of the primary measures the Company uses for planning and budgeting purposes, incentive compensation and to monitor and evaluate Tucows' financial and operating results. Adjusted Net Income is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measures of performance derived in accordance with generally accepted accounting principles. See the Consolidated Statements of Cash Flows included in the attached financial statements.

This release may contain forward-looking statements, relating to the Company's operations or to the environment in which it operates, which are based on Tucows Inc.'s operations, estimates, forecasts and projections. These statements are not guarantees of future performance and are subject to important risks, uncertainties and assumptions concerning future conditions that may ultimately prove to be inaccurate or differ materially from actual future events or results. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, investors should not place undue reliance on these forward-looking statements, which are based on Tucows Inc.'s current expectations, estimates, projections, beliefs and assumptions. These forward-looking statements speak only as of the date of this presentation and are based upon the information available to Tucows Inc. at this time. Tucows Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Conference Call

Tucows will host a conference call today, Tuesday, August 7, 2007, at 8:30 a.m. (ET) to discuss the Company's second quarter fiscal 2007 results. To access the conference call via the Internet go to <http://about.tucows.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 1-877-289-8525 or 416-640-1917 and enter the pass code 21228036 followed by the pound key. The telephone replay will be available until Tuesday, August 14, 2007, at midnight. To access the archived conference call via the Internet, go to about.tucows.com and click on "Investors."

Tucows Inc.

Tucows is the largest Internet services provider for hosting companies and ISPs. Through our network of over 7,000 service providers around the world we provide millions of email boxes, billing solutions and manage over seven million domains. Tucows is an accredited registrar with ICANN (the Internet Corporation for Assigned Names and Numbers). Tucows remains one of the most popular software download sites on the Internet. For more information please visit about.tucows.com.

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