

[HOME](#)[ABOUT US](#)[INVESTORS](#)[NEWS](#)[CAREERS](#)[CONTACT](#)

TUCOWS FINANCIAL NEWS RELEASE, Q3 2005

Tucows Reports Thirteenth Consecutive Quarter of Profitability and Sixteenth Consecutive Quarter Of Positive Cash Flow From Operations

Third Quarter Results Reflect Continued Momentum in Business

TORONTO - November 8, 2005 - Tucows Inc. (AMEX : TCX, TSC : TC) today reported continued strong results for the third quarter of fiscal 2005, ended September 30, 2005.

Highlights for the third quarter included:

- A 7% year-over-year increase in net revenue to a record \$12.1 million (excluding the impact of the one-time accounting transaction in the third quarter of fiscal 2004)
- Income from operations of \$0.7 million;
- Net income of \$0.8 million, the Company's thirteenth consecutive quarter of profitability;
- Cash flow from operations of \$0.8 million, the Company's sixteenth consecutive quarter of positive cash flow from operations;
- A 15% year-over-year increase in deferred revenue to a record \$37.3 million.

"Our strong third quarter performance in our first quarter of operation on the AMEX and TSX exchanges continues our history of profitability, cash generation and growth. As always, this is driven by our position as the preferred supplier to web hosting companies and Internet service providers," said Elliot Noss, President and Chief Executive Officer. "As we move forward, we are firmly focused on growing the contribution from services like blogware and messaging to both revenue and gross margin. At the same time, we are continuing to pursue growth in our core domain business."

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

	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004	Nine Months ended Sept. 30, 2005	Nine Months ended Sept. 30, 2004
Net Revenue	12,055	12,381	35,859	33,195
Income from Operations	665	614	1,290	1,349
Net Income	788	821	1,739	1,635
Net Income/Share - basic	0.01	0.01	0.03	0.02
Net Income/Share - fully diluted	0.01	0.01	0.02	0.02
Cash Flow from Operations	792	1,127	2,922	3,090

* includes the recognition of deferred domain name revenue of approximately \$1.1 million that was recognized as a result of one of our resellers becoming an accredited registrar and transferring all of its domain names from our tag to its own tag with the result that Tucows was no longer accountable for those transactions. Included in cost of revenue is \$0.8 million previously deferred against these names in prepaid domain name registry fees.

Net revenue for the third quarter of fiscal 2005 was \$12.1 million compared with \$12.4 million for the third quarter of fiscal 2004. Revenue for the third quarter of fiscal 2004 includes the recognition of deferred domain name revenue of approximately \$1.1 million that was recognized as a result of one of our resellers becoming an accredited registrar and transferring all of its domain names from our tag to its own tag with the result that Tucows was no longer accountable for those transactions. Excluding this amount, revenue for the third quarter of fiscal 2005 increased 7% from the corresponding quarter of last year. The increase was the result of a higher number of domain transactions as well as higher revenue from ancillary services. The increase was partially offset by lower revenue from domain names and lower revenue from our content business due to the short-term impact of the relaunch of our web site.

Income from operations for the third quarter of fiscal 2005 increased to \$0.7 million compared with \$0.6 million for the corresponding quarter of last year. Income from operations for the third quarter of fiscal 2005 included an increase in the gain on foreign exchange of \$140,000 compared with the third quarter of fiscal 2004. Net income for the third quarter of fiscal 2005 was \$0.8 million, or \$0.01 per share, compared with \$0.8 million, or \$0.01 per share, for the third quarter of fiscal 2004.

Deferred revenue at the end of the third quarter of fiscal 2005 was \$37.3 million, an increase of 15% from \$32.5 million at the end of the third quarter of fiscal 2004 and an increase of 2% from \$36.6 million at the end of the second quarter of fiscal 2005.

Cash, short-term investments and restricted cash at the end of the third quarter of fiscal 2005 was \$18.4 million compared to \$13.3 million at the end of the third quarter of fiscal 2004 and \$15.8 million at the end of the second quarter of fiscal 2005. The increase compared to the second quarter of fiscal 2005 is the result of proceeds of \$1.6 million generated by the equity financing completed in August, as well as

positive cash flow from operations for the third quarter of this year of \$0.8 million

Conference Call

Tucows will host a conference call today, Tuesday, November 8, 2005, at 5:00 p.m. (ET) to discuss the company's third quarter fiscal 2005 results. To access the conference call via the Internet go to 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 3166193 followed by the pound key. The telephone replay will be available until Tuesday, November 15, 2005, at midnight. To access the archived conference call via the Internet, go to www.tucowsinc.com and click on "**Investor Relations.**"

Tucows Inc.

Tucows Inc. provides 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

Contact

Hilda Kelly
Investor Relations
Tucows Inc.
416-538-5493
ir@tucows.com

TUCOWS is a registered trademark of Tucows Inc. or its subsidiaries. All other trademarks and service marks are the properties of their respective owners.