



## TUCOWS FINANCIAL NEWS RELEASE, Q4 2008

### Tucows Inc. Reports Financial Results For The Fourth Quarter Of 2008

**TORONTO, February 9, 2009** — Tucows Inc., (AMEX:TCX, TSX:TC) a global provider of domain names, email and other Internet services, today reported its financial results for the fourth quarter 2008 ended December 31, 2008. All figures are in U.S. dollars.

"During the fourth quarter, our strong competitive position continued to drive both new registration and renewal domain transaction volumes inside of our OpenSRS wholesale services business, contributing to year-over-year growth in revenue," said Elliot Noss, President and CEO of Tucows. "While we benefited from the sale of our equity stake in Afilias during the quarter, cash flow from operations was negatively impacted by the timing of payables, as well as one-time restructuring costs."

Mr. Noss continued, "The domain name component of our OpenSRS Wholesale business is exhibiting solid growth, especially relative to the rest of the domain name market. Our launches of Hover, Butterscotch.com and YummyNames in 2008 have set the stage for us to grow each of these units in 2009.

"With our email migration, employee downsizing and more favorable Canadian dollar environment, combined with our recurring revenue model based on high-volume, low-cost transactions, we will produce solid cash flow from operations, which will support our share repurchase programs and generate value for our shareholders."

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

	Three Months Ended Dec. 31, 2008	Three Months Ended Dec. 31, 2007	Twelve Months Ended Dec. 31, 2008	Twelve Months Ended Dec. 31, 2007
Net Revenue	19,159	18,240	78,468	74,638
Net Income (Loss)	1,019	(935)	2,075	2,676
Net Income (Loss)/Share	0.01	(0.01)	0.03	0.04
Cash Flow from Operations	(229)	2,680	2,361	8,623

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

	Revenue		Cost of Revenue	
	Three Months Ended Dec. 31, 2008 (unaudited)	Three Months Ended Dec. 31, 2007 (unaudited)	Three Months Ended Dec. 31, 2008 (unaudited)	Three Months Ended Dec. 31, 2007 (unaudited)
Traditional Domain Registration Services	14,137	12,574	11,397	9,672
Domain Portfolio	855	831	175	171
Email Services	1,122	1,675	95	218
Retail Services	1,436	1,528	571	513
Other Services	1,609	1,632	417	423
Total	19,159	18,240	12,655	10,997

Net revenue for the fourth quarter 2008 increased 5.0% to \$19.2 million from \$18.2 million for the fourth quarter 2007. The increase was primarily the result of growth in both new registrations and renewals from our traditional domain registration service. Net revenue for fiscal 2008 increased 5.1% to \$78.5 million from \$74.6 million for fiscal 2007.

Net income for the fourth quarter 2008 was \$1.0 million, or \$0.01 per share, compared with a net loss of \$935,000, or \$0.01 per share, for the fourth quarter 2007. Net income for the fourth quarter 2008 included other income of \$3.1 million from the sale of the Company's equity stake in Afilias. This benefit was partially offset by a loss on foreign exchange of \$2.2 million, inclusive of a mark to market loss of \$1.4 million, compared to a gain on foreign exchange of \$106,000, inclusive of a mark to market loss of \$667,000 in the fourth quarter 2007, largely as a result of the significant weakening of the Canadian dollar that occurred during the fourth quarter 2008.

Net income for fiscal 2008 was \$2.1 million, or \$0.03 per share, compared with \$2.7 million, or \$0.04 per share, for fiscal 2007. Net income for fiscal 2008 included other income of \$5.3 million, which was composed primarily of the profit of \$3.1 million from the sale of the Company's equity stake in Afilias and the profit of \$2.1 million on the sale of the Company's retail hosting assets. These benefits were

largely offset by a loss on foreign exchange of \$2.8 million, inclusive of a mark to market loss of \$2.0 million, compared to a gain on foreign exchange of \$1.5 million, inclusive of a mark to market gain of \$497,000 in fiscal 2007, largely the result of the significant weakening of the Canadian dollar that occurred during fiscal 2008.

Deferred revenue at the end the fourth quarter of fiscal 2008 was \$54.2 million, an increase of 7.0% from \$50.6 million at the end of the fourth quarter of 2007 and down marginally from \$54.4 million at the end of the third quarter of fiscal 2008 due primarily to the impact of the sale of the Company's retail hosting assets. Cash at the end of the fourth quarter of fiscal 2008 was \$5.4 million compared with \$8.1 million at the end of the fourth quarter of fiscal 2007 and \$2.7 million at the end of the third quarter of fiscal 2008. This increase in cash compared to the third quarter of 2008 is primarily the result of cash proceeds of \$3.2 million generated by the sale of the Company's equity position in Afiliias and the return of \$500,000 from escrow on the conclusion of our acquisition of Innerwise, Inc. This was partially offset by the use of cash in operations of \$229,000, the repayment of \$479,000 of the Company's bank loan, the investment of \$191,000 in property and equipment and the repurchase of shares valued at \$272,000.

### **About Tucows**

Tucows is a global Internet services company. OpenSRS manages over 8 million domain names and millions of email boxes through a reseller network of over 9,000 web hosts and ISPs. Hover is the easiest way for individuals and small businesses to manage their domain names and email addresses. YummyNames owns premium domain names that generate revenue through advertising or resale. Butterscotch.com is an online video network building on the foundation of Tucows.com. More information can be found at <http://tucowsinc.com>.

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