



TUCOWS FINANCIAL NEWS RELEASE, Q2 2008

Tucows Inc. Reports Financial Results For The Second Quarter Of 2008

TORONTO, August 12, 2008 - Tucows Inc., (AMEX:TCX, TSX:TC) a leading provider of Internet services to web hosting companies, ISPs and consumers worldwide, today reported its financial results for its second quarter ended June 30, 2008. All figures are in U.S. dollars.

"A number of positive trends this quarter keep us on track to grow revenue, profitability and cash flow in 2008," said Elliot Noss, President and CEO of Tucows. "We experienced increased domain name transaction volumes and we finalized our email platform migration, which will result in significantly decreased operating costs starting next quarter. In addition, our portfolio of high value domain names continued to make an impressive contribution. We note that the second quarter of 2007 included a large \$3 million bulk sale of domain names."

Noss continued, "We continued to generate strong cash flow from operations during the quarter, assisting us to comfortably pay down debt by \$7 million. We are confident that our continued ability to deliver strong cash flow from operations, as well as opportunities to divest non-core assets, will enable us to create additional value for shareholders and execute on our previously announced stock buyback program."

"We see growth opportunities in our wholesale channel with new services such as personal domain names and our upgraded email offering. We also plan to more aggressively target customers directly through our retail offering, which we will soon re-launch as Hover.com," concluded Noss.

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

| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---------------------------|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Net Revenue | 20,450 | 20,815 | 39,162 | 38,586 |
| EBITDA | 3,689 | 4,572 | 4,194 | 6,544 |
| Adjusted Net Income | 1,779 | 4,686 | 2,732 | 7,128 |
| Net Income | 2,209 | 3,171 | 1,127 | 3,921 |
| Net Income/Share | 0.03 | 0.04 | 0.02 | 0.05 |
| Cash Flow from Operations | 2,580 | 2,359 | 2,697 | 3,524 |

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

| | Revenue | | Cost of Revenue | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 |
| Traditional Domain Registration Services | 13,269 | 12,274 | 10,505 | 9,110 |
| Domain Portfolio | 1,873 | 3,606 | 181 | 158 |
| Email Services | 1,552 | 1,881 | (24) | 209 |
| Retail Services | 2,046 | 1,208 | 577 | 417 |
| Other Services | 1,711 | 1,845 | 421 | 413 |
| Total | 20,450 | 20,815 | 11,660 | 10,307 |

Net revenue for the second quarter of fiscal 2008 was \$20.5 million compared with \$20.8 million for the second quarter of fiscal 2007. Revenue for the second quarter of fiscal 2007 included the atypically large sale of a block of domain names from the Company's portfolio of high value domain names in the amount of \$3.0 million.

Adjusted net income for the second quarter of 2008 was \$1.8 million, compared with \$4.7 million for the corresponding quarter of last year. Net income was \$2.2 million, or \$0.03 per share, compared with \$3.2 million, or \$0.04 per share, for the second quarter of fiscal 2007.

Deferred revenue at the end the second quarter of fiscal 2008 was \$54.4 million, an increase of 11% from \$49.0 million at the end of the second quarter of 2007 and an increase of 2% from \$53.6 million at the end of the first quarter of fiscal 2008.

Cash and restricted cash at the end of the second quarter of fiscal 2008 was \$2.9 million compared with \$6.2 million at the end of the second quarter of fiscal 2007 and \$7.5 million at the end of the first quarter of fiscal 2008. This decrease compared to the first quarter of this

year is primarily the result of the repayment of the \$6 million promissory note payable to the former shareholders of mailbank.com Inc., as well as payment of \$1.4 million on the Company's bank loan. These uses of funds were partially offset by the \$2.6 million of cash flow generated from operations, as well as \$1.4 million generated through the sale of 14,000 hosting accounts to Hostopia.

EBITDA and Adjusted Net Income

To assist financial statement users in an 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.

Conference Call

Tucows will host a conference call today, Tuesday, August 12, at 5:00 p.m. ET to discuss the Company's second quarter results. To access the conference call via the Internet go to <http://tucowsinc.com/investors> and click on "Financials."

For those unable to participate in 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 416-640-1917 or 1-877-289-8525 and enter the pass code 21278773 followed by the pound key. The telephone replay will be available until Tuesday, August 19, 2008 at midnight. To access the archived conference call as an MP3 via the Internet, go to <http://tucowsinc.com/investors>.

About Tucows

Tucows provides Internet services for web hosting companies and ISPs. Through our global network of over 9,000 service providers our OpenSRS group provides millions of email boxes and manages over eight million domains. Tucows is an accredited registrar with ICANN (the Internet Corporation for Assigned Names and Numbers). We hold a domain name portfolio of approximately 150,000 domain names that are available for sale, monetized through advertising and support our wholesale Personal Names Service. Our Retail division sells Tucows services to consumers and small business owners through Domain Direct, IYD (It's Your Domain) and NetIdentity. Tucows.com remains one of the most popular software download sites on the Internet. For more information please visit: <http://tucowsinc.com>.

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.

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