

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

TUCOWS FINANCIAL NEWS RELEASE, Q4 2005

Tucows Announces Fourth Quarter Fiscal 2005 Results

Company achieves record revenue/Establishes itself as leader in hosted email market

TORONTO, CANADA, February 9, 2005 - Tucows Inc. (AMEX:TCX, TSX:TC) today reported financial results for its fourth quarter and the fiscal year ended December 31, 2005.

Highlights for the fourth quarter included:

- A 10% year-over-year increase in net revenue to a record \$12.7 million;
- Income from operations of \$0.6 million;
- Net income of \$1.0 million, the Company's fourteenth consecutive quarter of profitability;
- Cash flow from operations of \$1.2 million, the Company's seventeenth consecutive quarter of positive cash flow from operations;
- A 14% year-over-year increase in deferred revenue to a record \$37.9 million; and
- Signing of a definitive agreement with Critical Path, Inc. to acquire substantially all of Critical Path's hosted messaging assets. With this acquisition, Tucows becomes a leader in hosted email, further diversifies its revenue stream, adds customers and grows its infrastructure capabilities

Highlights for the fiscal year included:

- A 8% year-over-year increase in net revenue to \$48.5 million;
- Income from operations of \$1.9 million;
- Net income of \$2.8 million;
- Cash flow from operations of \$4.1 million.

"The fourth quarter caps off a year of significant achievement for Tucows" said Elliot Noss, President and Chief Executive Officer, Tucows Inc. "We strengthened our shareholder base and improved our public market listing with our successful secondary offering. We diversified our revenue base and significantly expanded our presence in email with our acquisition of Critical Path's hosted email business. We strengthened and realigned our people to better reflect our new multi-service environment. We also posted a year of strong financial results with continued growth and profitability in the face of increased ICANN fees and a strengthening Canadian dollar."

We believe that these accomplishments will serve Tucows well for 2006 and beyond and will allow us to focus on our priorities for 2006. These priorities include integrating the Critical Path hosted email business, improving the user experience for Internet services like Blogware and email, increasing efficiency in the market for domain names by leveraging the secondary market and reaching a much broader segment of our channel with our billing and customer care solutions."

Summary Financial Results

Tucows Inc.

(Numbers in Thousands, Except Per Share Data)

	3 Months Ended Dec. 31, 2005	3 Months Ended Dec. 31, 2004	9 Months Ended Dec. 31, 2005	9 Months Ended Dec. 31, 2004*
Net Revenue	12,658	11,522	48,517	44,717
Income from Operations	566	801	1,855	2,149
Net Income	1,034	3,865**	2,773	5,500**
Net Income/Share	0.01	0.06**	0.04	0.08**
Cash Flow from Operations	1,141	1,578	4,064	4,668

*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.

**Includes a non-cash income tax benefit of \$3.0 million or \$0.04 per share, resulting from the reduction in our deferred tax asset valuation allowance.

Net revenue for the fourth quarter of fiscal 2005 increased 10% to \$12.7 million from \$11.5 million for the fourth quarter of fiscal 2004. The increase was the result of a higher number of domain transactions, as well as higher revenue from ancillary services, which were partially offset by lower revenue from our content business due to the short-term impact of the relaunch of our web site earlier in the year.

Income from operations for the fourth quarter of fiscal 2005 was \$0.6 million compared with \$0.8 million for the corresponding quarter of last year. Income from operations for the fourth quarter of fiscal 2005 included a loss on foreign exchange of \$21,000 compared with a gain of \$204,000 for the fourth quarter of fiscal 2004. Net income for the fourth quarter of fiscal 2005 was \$1.0 million, or \$0.01 per share, compared with \$3.9 million, or \$0.06 per share, for the fourth quarter of fiscal 2004. Net income for the fourth quarter of fiscal 2004 included a non-cash income tax benefit of \$3.0 million, or \$0.04 per share, resulting from the reduction of the Company's deferred tax asset valuation allowance.

Deferred revenue at the end the fourth quarter of fiscal 2005 was \$37.9 million, an increase of 14% from \$33.3 million at the end of the fourth quarter fiscal 2004 and an increase of 1% from \$37.3 million at the end of the third quarter of fiscal 2005.

Cash, short-term investments and restricted cash at the end of the fourth quarter of fiscal 2005 increased to \$19.2 million from \$14.4 million at the end of the fourth quarter of fiscal 2004 and \$18.4 million at the end of the third quarter of fiscal 2005. The increase compared to the third quarter of fiscal 2005 is the result of positive cash flow from operations for the fourth quarter of \$1.1 million.

Developments During the Quarter

As previously announced, Tucows signed a definitive agreement with Critical Path, Inc. to acquire substantially all of Critical Path's hosted messaging assets, including the customer base, hosted messaging communications infrastructure, and other related assets. With the acquisition, Tucows becomes a leader in hosted email solutions, especially for Internet service providers and web hosting companies. The acquisition will further diversify Tucows's revenue stream, while providing the opportunity to strengthen relationships with existing customers and add new service provider customers.

Conference Call

Tucows will host a conference call today, Thursday, February 9, 2005, at 5:00 p.m. (ET) to discuss the company's fourth 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 3175749 followed by the pound key. The telephone replay will be available until Thursday, February 16, 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. (AMEX:TCX, TSX:TC) provides Internet services and download libraries through a global distribution network of 6,000 service providers. This distribution network primarily consists of web hosting companies, ISPs (Internet Service Providers) and other Internet related service companies. These companies use Tucows' provisioned services to offer solutions to their customers: enterprises, small and medium businesses and consumers. Tucows is an accredited registrar with ICANN (the Internet Corporation for Assigned Names and Numbers) and earns most of its revenue from domain name registration services plus hosted email, spam and virus protection, Blogware, website building tools, the Platypus Billing System and digital certificates. 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.