

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended	
	March 31,	
	<u>2009</u>	<u>2010</u>
Revenue	\$ 26,570,949	\$ 24,001,981
Expenses:		
Service costs (1)	11,861,694	12,649,501
Sales and marketing (1)	7,588,915	3,910,708
Product development (1)	4,154,200	3,962,284
General and administrative (1)	4,070,540	3,836,261
Amortization of intangible assets from acquisitions	2,134,966	704,466
Total operating expenses	<u>29,810,315</u>	<u>25,063,220</u>
Gain on sales and disposals of intangible assets, net	<u>930,239</u>	<u>1,327,304</u>
Income (loss) from operations	(2,309,127)	266,065
Interest income (expense) and other, net	<u>15,157</u>	<u>(5,660)</u>
Income (loss) before provision for income taxes	(2,293,970)	260,405
Income tax expense (benefit)	<u>(620,933)</u>	<u>328,179</u>
Net loss applicable to common stockholders	<u>\$ (1,673,037)</u>	<u>\$ (67,774)</u>
Basic and diluted net loss per share applicable to Class A and Class B common stockholders	\$ (0.05)	\$ (0.00)
Shares used to calculate basic net loss per share applicable to common stockholders		
Class A	10,931,216	10,835,671
Class B	23,735,958	22,170,607
Shares used to calculate diluted net loss per share applicable to common stockholders		
Class A	10,931,216	10,835,671
Class B	34,667,174	33,006,278
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 94,510	\$ 179,483
Sales and marketing	457,854	166,657
Product development	183,405	208,205
General and administrative	1,716,258	1,832,978
Total	<u>\$ 2,452,027</u>	<u>\$ 2,387,323</u>

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

Assets	<u>December 31, 2009</u>	<u>March 31, 2010</u>
Current assets:		
Cash and cash equivalents	\$ 33,638,002	\$ 33,838,311
Trade accounts receivable, net	14,783,429	14,758,497
Prepaid expenses and other current assets	3,463,430	3,384,569
Refundable taxes	5,380,029	6,012,775
Deferred tax assets	950,477	971,759
Total current assets	<u>58,215,367</u>	<u>58,965,911</u>
Property and equipment, net	5,051,717	4,888,184
Deferred tax assets	52,690,910	51,023,745
Intangibles and other assets, net	3,667,398	3,160,190
Goodwill	35,438,289	35,429,002
Intangible assets from acquisitions, net	4,309,478	3,605,012
	<u>159,373,159</u>	<u>157,072,044</u>
Total assets	<u>\$ 159,373,159</u>	<u>\$ 157,072,044</u>
 Liabilities and Stockholders' Equity 		
Current liabilities:		
Accounts payable	\$ 8,763,090	\$ 8,565,266
Accrued expenses and other current liabilities	6,158,966	5,128,722
Deferred revenue	2,020,728	1,984,284
Total current liabilities	<u>16,942,784</u>	<u>15,678,272</u>
Other non-current liabilities	1,005,444	1,219,306
Total liabilities	<u>17,948,228</u>	<u>16,897,578</u>
Stockholders' equity:		
Class A common stock	111,317	110,489
Class B common stock	251,939	248,138
Treasury stock	(3,204,884)	(1,671,904)
Additional paid-in capital	281,952,605	279,241,563
Accumulated deficit	(137,686,046)	(137,753,820)
Total stockholders' equity	<u>141,424,931</u>	<u>140,174,466</u>
Total liabilities and stockholders' equity	<u>\$ 159,373,159</u>	<u>\$ 157,072,044</u>

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP Net Loss to Operating Income Before Amortization (OIBA) and
Adjusted Operating Income Before Amortization (Adjusted OIBA)
(unaudited)

	Three Months Ended	
	March 31,	
	2009	2010
Net loss applicable to common stockholders	\$ (1,673,037)	\$ (67,774)
Income tax expense (benefit)	<u>(620,933)</u>	<u>328,179</u>
Income (loss) before provision for income taxes	(2,293,970)	260,405
Interest (income) expense and other, net	<u>(15,157)</u>	<u>5,660</u>
Income (loss) from operations	(2,309,127)	266,065
Stock-based compensation	2,452,027	2,387,323
Amortization of intangible assets from acquisitions	<u>2,134,966</u>	<u>704,466</u>
Operating income before amortization (OIBA)	2,277,866	3,357,854
Gain on sales and disposals of intangible assets, net	<u>(930,239)</u>	<u>(1,327,304)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 1,347,627</u>	<u>\$ 2,030,550</u>

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation from Net Cash provided by Operating Activities to Adjusted EBITDA
(unaudited)

	Three Months Ended	
	March 31,	
	2009	2010
Net cash provided by operating activities	\$ 4,173,782	\$ 3,019,044
Changes in asset and liabilities, net of effects of acquisitions	(622,131)	62,481
Income tax provision (benefit)	(620,933)	328,179
Interest (income) expense and other, net	(14,717)	5,678
Income and excess tax benefits related to stock options	11,064	-
Adjusted EBITDA	<u>\$ 2,927,065</u>	<u>\$ 3,415,382</u>
Net cash provided by investing activities	<u>\$ 454,214</u>	<u>\$ 41,160</u>
Net cash used in financing activities	<u>\$ (6,284,101)</u>	<u>\$ (2,859,895)</u>

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP EPS to Adjusted Non-GAAP EPS
(unaudited)

	Three Months Ended	
	March 31,	
	2009	2010
Adjusted Non-GAAP EPS	<u>\$ 0.02</u>	<u>\$ 0.04</u>
Net loss per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.05)	\$ (0.00)
Shares used to calculate diluted net loss per Class B share applicable to common stockholders	34,667,174	33,006,278
Net loss applicable to common stockholders	\$ (1,673,037)	\$ (67,774)
Stock-based compensation	2,452,027	2,387,323
Amortization of intangible assets from acquisitions	2,134,966	704,466
Gain on sales and disposals of intangible assets, net	(930,239)	(1,327,304)
Interest (income) expense and other, net	(15,157)	5,660
Estimated impact of income taxes	<u>(1,093,485)</u>	<u>(391,226)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 875,075</u>	<u>\$ 1,311,145</u>
Adjusted Non-GAAP EPS	<u>\$ 0.02</u>	<u>\$ 0.04</u>
Shares used to calculate diluted net loss per Class B share applicable to common stockholders	34,667,174	33,006,278
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>2,399,011</u>	<u>2,446,818</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>37,066,185</u>	<u>35,453,096</u>

For Adjusted Non-GAAP EPS, the impact of restricted stock (common shares subject to repurchase or cancellation) is based on the weighted average of restricted stock outstanding as compared with diluted shares for GAAP purposes, which included restricted stock using the treasury stock method.