

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

	Three Months Ended	
	December 31,	
	2007	2008
Revenue	\$ 37,008,033	\$ 34,811,178
Expenses:		
Service costs (1)	20,079,692	14,276,872
Sales and marketing (1)	5,311,134	8,621,282
Product development (1)	3,454,849	4,295,809
General and administrative (1)	4,986,514	4,462,255
Amortization of intangible assets from acquisitions	4,325,618	3,078,525
Total operating expenses	<u>38,157,807</u>	<u>34,734,743</u>
Impairment of goodwill	-	(169,299,000)
Impairment of intangible assets	-	(7,424,706)
Gain on sales and disposals of intangible assets, net	<u>997</u>	<u>366,474</u>
Loss from operations	(1,148,777)	(176,280,797)
Interest income and other, net	<u>370,827</u>	<u>59,442</u>
Loss before provision for income taxes	(777,950)	(176,221,355)
Income tax benefit	<u>(21,676)</u>	<u>(47,611,760)</u>
Net loss	(756,274)	(128,609,595)
Convertible preferred stock dividends and (discount) premium on preferred stock redemption, net	<u>17,891</u>	<u>72,395</u>
Net loss applicable to common stockholders	<u>\$ (774,165)</u>	<u>\$ (128,681,990)</u>
Basic net loss applicable to Class A and Class B common stockholders	\$ (0.02)	\$ (3.67)
Diluted net loss applicable to Class A and Class B common stock holders	\$ (0.02)	\$ (3.67)
Shares used to calculate basic net loss per share applicable to common stockholders		
Class A	11,407,586	10,959,216
Class B	26,328,205	24,138,566
Shares used to calculate diluted net loss per share applicable to common stockholders		
Class A	11,407,586	10,959,216
Class B	37,735,791	35,097,782
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ (16,737)	\$ 78,801
Sales and marketing	(271,161)	238,087
Product development	189,863	304,456
General and administrative	2,191,320	1,744,529
Total	<u>\$ 2,093,285</u>	<u>\$ 2,365,873</u>

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

	Twelve Months Ended December 31,	
	2007	2008
Revenue	\$ 139,390,659	\$ 146,374,922
Expenses:		
Service costs (1)	70,901,141	66,022,359
Sales and marketing (1)	24,962,682	31,951,963
Product development (1)	12,018,010	17,485,518
General and administrative (1)	17,777,790	19,652,781
Amortization of intangible assets from acquisitions	16,930,348	13,957,728
Facility relocation	121,124	-
Total operating expenses	<u>142,711,095</u>	<u>149,070,349</u>
Impairment of goodwill	-	(169,299,000)
Impairment of intangible assets	-	(7,424,706)
Gain on sales and disposals of intangible assets, net	<u>283,076</u>	<u>4,133,082</u>
Loss from operations	(3,037,360)	(175,286,051)
Interest income and other, net	<u>2,492,493</u>	<u>1,476,066</u>
Loss before provision for income taxes	(544,867)	(173,809,985)
Income tax expense (benefit)	<u>960,401</u>	<u>(45,787,364)</u>
Net loss	(1,505,268)	(128,022,621)
Convertible preferred stock dividends and (discount) premium on preferred stock redemption, net	<u>(95,148)</u>	<u>39,738</u>
Net loss applicable to common stockholders	<u>\$ (1,410,120)</u>	<u>\$ (128,062,359)</u>
Basic net loss per share applicable to Class A and Class B common stockholders	\$ (0.04)	\$ (3.52)
Diluted net loss per share applicable to Class A and Class B common stockholders	\$ (0.04)	\$ (3.52)
Shares used to calculate basic net loss applicable to common stockholders		
Class A	11,562,367	10,963,724
Class B	27,375,331	25,468,281
Shares used to calculate diluted net loss applicable to common stock holders		
Class A	11,562,367	10,963,724
Class B	38,937,698	36,432,005
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 285,329	\$ 493,023
Sales and marketing	565,445	1,681,815
Product development	1,732,880	1,664,467
General and administrative	7,725,515	7,511,272
Total	<u>\$ 10,309,169</u>	<u>\$ 11,350,577</u>

Assets	December 31, 2007	December 31, 2008
Current assets:		
Cash and cash equivalents	\$ 36,456,307	\$ 27,418,396
Trade accounts receivable, net	18,307,386	21,734,291
Prepaid expenses and other current assets	2,118,390	2,642,607
Refundable taxes	1,693,695	2,883,295
Deferred tax assets	867,465	1,088,872
Total current assets	59,443,243	55,767,461
Property and equipment, net	7,357,903	5,615,396
Deferred tax assets	7,447,315	56,784,228
Intangibles and other assets, net	17,381,827	6,665,562
Goodwill	204,766,826	35,475,782
Intangible assets from acquisitions, net	23,797,231	9,802,365
Total assets	\$ 320,194,345	\$ 170,110,794
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,625,779	\$ 12,351,123
Accrued expenses and other current liabilities	3,668,342	6,331,709
Deferred revenue	2,906,379	2,255,906
Total current liabilities	18,200,500	20,938,738
Other non-current liabilities	105,370	23,297
Total liabilities	18,305,870	20,962,035
Stockholders' equity:		
Convertible preferred stock	1,446,649	-
Class A common stock	113,717	112,217
Class B common stock	321,061	286,736
Treasury stock	(22,116,275)	(15,392,921)
Additional paid-in capital	329,835,529	299,925,762
Accumulated deficit	(7,712,206)	(135,783,035)
Total stockholders' equity	301,888,475	149,148,759
Total liabilities and stockholders' equity	\$ 320,194,345	\$ 170,110,794

MARCHEX, INC. AND SUBSIDIARIES
 Reconciliation of Revenue to Pro Forma Revenue
 (unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2008	2007	2008
Revenue, as reported	\$ 37,008,033	\$ 34,811,178	\$ 139,390,659	\$ 146,374,922
Marchex Voice Services, Inc. pro forma revenue	-	-	1,675,712	-
Pro forma Revenue	<u>\$ 37,008,033</u>	<u>\$ 34,811,178</u>	<u>\$ 141,066,371</u>	<u>\$ 146,374,922</u>

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

	Three Months Ended	
	December 31,	
	2007	2008
Net loss applicable to common stockholders	\$ (774,165)	\$ (128,681,990)
Convertible preferred stock dividends and (discount) premium on preferred stock redemption, net	<u>17,891</u>	<u>72,395</u>
Net loss	(756,274)	(128,609,595)
Income tax benefit	<u>(21,676)</u>	<u>(47,611,760)</u>
Loss before provision for income taxes	(777,950)	(176,221,355)
Interest income and other, net	<u>(370,827)</u>	<u>(59,442)</u>
Loss from operations	(1,148,777)	(176,280,797)
Stock-based compensation	2,093,285	2,365,873
Amortization of intangible assets from acquisitions	<u>4,325,618</u>	<u>3,078,525</u>
Operating income (loss) before amortization (OIBA)	5,270,126	(170,836,399)
Impairment of goodwill	-	169,299,000
Impairment of intangible assets	-	7,424,706
Gain on sales and disposals of intangible assets, net	<u>(997)</u>	<u>(366,474)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 5,269,129</u>	<u>\$ 5,520,833</u>

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

	Twelve Months Ended	
	December 31,	
	2007	2008
Net loss applicable to common stockholders	\$ (1,410,120)	\$ (128,062,359)
Convertible preferred stock dividends and (discount) premium on preferred stock redemption, net	<u>(95,148)</u>	<u>39,738</u>
Net loss	(1,505,268)	(128,022,621)
Income tax expense (benefit)	<u>960,401</u>	<u>(45,787,364)</u>
Loss before provision for income taxes	(544,867)	(173,809,985)
Interest income and other, net	<u>(2,492,493)</u>	<u>(1,476,066)</u>
Loss from operations	(3,037,360)	(175,286,051)
Stock-based compensation	10,309,169	11,350,577
Amortization of intangible assets from acquisitions	<u>16,930,348</u>	<u>13,957,728</u>
Operating income (loss) before amortization (OIBA)	24,202,157	(149,977,746)
Facility relocation	121,124	-
Impairment of goodwill	-	169,299,000
Impairment of intangible assets	-	7,424,706
Gain on sales and disposals of intangible assets, net	<u>(283,076)</u>	<u>(4,133,082)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 24,040,205</u>	<u>\$ 22,612,878</u>

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

	Three Months Ended December 31,	
	2007	2008
Net cash provided by operating activities	\$ 9,496,441	\$ 7,162,791
Changes in asset and liabilities, net of effects of acquisitions	(1,298,969)	47,976,462
Provision for income taxes	(21,676)	(47,611,760)
Other item - facility relocation	4,533	18,930
Interest income and other	(370,721)	(60,268)
Income and excess tax benefits related to stock options	87,330	594
Adjusted EBITDA	<u>\$ 7,896,938</u>	<u>\$ 7,486,749</u>
Net cash used in investing activities	<u>\$ (1,202,314)</u>	<u>\$ (161,509)</u>
Net cash used in financing activities	<u>\$ (9,034,160)</u>	<u>\$ (8,671,414)</u>
	Twelve Months Ended December 31,	
	2007	2008
Net cash provided by operating activities	\$ 37,068,910	\$ 26,522,883
Changes in asset and liabilities, net of effects of acquisitions	(4,816,666)	52,793,177
Provision for income taxes	960,401	(45,787,364)
Other item - facility relocation	12,614	16,012
Interest income and other	(2,495,630)	(1,474,018)
Income and excess tax benefits related to stock options	2,550,308	60,857
Adjusted EBITDA	<u>\$ 33,279,937</u>	<u>\$ 32,131,547</u>
Net cash (used in) provided by investing activities	<u>\$ (27,000,455)</u>	<u>\$ 782,163</u>
Net cash used in financing activities	<u>\$ (19,717,975)</u>	<u>\$ (36,342,957)</u>

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

	Three Months Ended	
	December 31,	
	2007	2008
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	0.08	0.09
Net loss per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.02)	\$ (3.67)
Shares used to calculate diluted net loss per Class B share applicable to common stockholders	37,735,791	35,097,782
Net loss applicable to common stockholders	\$ (774,165)	\$ (128,681,990)
(Discount) premium on preferred stock redemption	-	73,465
Stock-based compensation	2,093,285	2,365,873
Impairment of goodwill	-	169,299,000
Impairment of intangible assets	-	7,424,706
Amortization of intangible assets from acquisitions	4,325,618	3,078,525
Gain on sales and disposals of intangible assets, net	(997)	(366,474)
Interest income and other, net	(370,827)	(59,442)
Estimated impact of income taxes	(1,880,951)	(49,587,485)
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 3,391,963</u>	<u>\$ 3,546,178</u>
Adjusted Non-GAAP EPS	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	37,735,791	35,097,782
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	3,747,029	2,726,387
Shares used to calculate Adjusted Non-GAAP EPS	<u>41,482,820</u>	<u>37,824,169</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 on a treasury stock method basis.

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

	Twelve Months Ended December 31,	
	2007	2008
Adjusted Non-GAAP EPS	\$ 0.36	\$ 0.37
Net loss per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.04)	\$ (3.52)
Shares used to calculate diluted net loss per Class B share applicable to common stockholders	38,937,698	36,432,005
Net loss applicable to common stockholders	\$ (1,410,120)	\$ (128,062,359)
(Discount) premium on preferred stock redemption	(163,867)	475
Stock-based compensation	10,309,169	11,350,577
Facility relocation	121,124	-
Impairment of goodwill	-	169,299,000
Impairment of intangible assets	-	7,424,706
Amortization of intangible assets from acquisitions	16,930,348	13,957,728
Gain on sales and disposals of intangible assets, net	(283,076)	(4,133,082)
Interest income and other, net	(2,492,493)	(1,476,066)
Estimated impact of income taxes	(7,734,810)	(53,854,129)
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 15,276,275</u>	<u>\$ 14,506,850</u>
Adjusted Non-GAAP EPS	<u>\$ 0.36</u>	<u>\$ 0.37</u>
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	38,937,698	36,432,005
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>3,382,111</u>	<u>3,247,560</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>42,319,809</u>	<u>39,679,565</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 on a treasury stock method basis.