

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

	Three Months Ended	
	March 31,	
	2005	2006
Revenue	<u>\$ 18,395,983</u>	<u>\$ 31,112,325</u>
Expenses:		
Service costs (1)	10,670,707	14,851,949
Sales and marketing (1)	1,354,493	5,866,684
Product development (1)	785,214	2,227,024
General and administrative (1)	1,556,600	3,409,508
Amortization of acquired intangible assets	3,083,157	4,870,673
Total operating expenses	<u>17,450,171</u>	<u>31,225,838</u>
Gain on sales of intangible assets, net	<u>-</u>	<u>179,208</u>
Income from operations	945,812	65,695
Interest income and other, net	<u>270,523</u>	<u>734,282</u>
Income before provision for income taxes	1,216,335	799,977
Income tax expense	<u>478,933</u>	<u>653,648</u>
Income before cumulative effect of a change in accounting principle	737,402	146,329
Cumulative effect of a change in accounting principle, net of tax (2)	<u>-</u>	<u>151,341</u>
Net income	737,402	297,670
Convertible preferred stock dividends and conversion payment	<u>348,993</u>	<u>1,493,935</u>
Net income (loss) applicable to common stockholders	<u>\$ 388,409</u>	<u>\$ (1,196,265)</u>
Basic and diluted net income (loss) applicable to common stockholders:		
Prior to cumulative effect of change in accounting principle	\$ 0.01	(0.04)
Cumulative effect of a change in accounting principle, net of tax	<u>-</u>	<u>0.01</u>
Basic and diluted net income (loss) applicable to common stockholders	<u>\$ 0.01</u>	<u>\$ (0.03)</u>
Shares used to calculate basic net income (loss) per share applicable to common stockholders	30,245,678	37,124,298
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	32,920,472	37,124,298
(1) Includes stock-based compensation as follows:		
Service costs	\$ 1,800	\$ 236,211
Sales and marketing	29,507	1,047,271
Product development	10,665	735,187
General and administrative	104,566	1,502,074
Total stock-based compensation expense	<u>\$ 146,538</u>	<u>\$ 3,520,743</u>

Prior to January 1, 2006, Marchex accounted for stock-based compensation under Accounting Principles Board, Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). In accordance with APB 25, Marchex historically used the intrinsic value method to account for stock-based compensation. As of January 1, 2006, Marchex accounts for stock-based compensation under the fair value method as prescribed by Statement of Financial Accounting Standards No. 123-R (SFAS 123R). As Marchex adopted the modified prospective method, results for the prior year have not been restated under the fair value method for GAAP purposes.

In accordance with SEC Staff Accounting Bulletin No. 107, stock-based compensation is no longer presented as a separate line item on the Consolidated Statement of Operations. The stock-based compensation is now presented in the same lines as cash compensation paid to the same individuals. Stock-based compensation recognized in the prior period has been reclassified to conform with the presentation in the current period.

(2) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.

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

Assets	December 31, 2005	March 31, 2006
Current assets:		
Cash and cash equivalents	\$ 63,090,941	\$ 72,524,933
Trade accounts receivable, net	14,401,814	13,597,504
Prepaid expenses and other current assets	1,818,211	2,114,250
Refundable taxes	3,835,542	3,811,829
Deferred income tax assets	428,855	232,519
Total current assets	83,575,363	92,281,035
Property and equipment, net	3,402,262	5,008,289
Deferred income tax assets	-	507,074
Intangibles and other assets, net	15,447,504	14,757,921
Goodwill	180,637,076	180,253,986
Intangible assets from acquisitions, net	51,346,944	46,323,431
Total assets	\$ 334,409,149	\$ 339,131,736
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,258,423	\$ 9,740,025
Accrued expenses and other current liabilities	1,755,970	1,919,234
Deferred revenue	2,291,374	2,266,930
Total current liabilities	13,305,767	13,926,189
Deferred income tax liabilities	397,481	-
Other non-current liabilities	92,309	92,475
Total liabilities	13,795,557	14,018,664
Stockholders' equity:		
Convertible preferred stock	54,121,678	34,116,491
Class A common stock	119,282	119,282
Class B common stock	254,839	265,605
Additional paid-in capital	271,949,963	294,736,619
Deferred stock-based compensation	(3,042,016)	-
Accumulated deficit	(2,790,154)	(4,124,925)
Total stockholders' equity	320,613,592	325,113,072
Total liabilities and stockholders' equity	\$ 334,409,149	\$ 339,131,736

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

	Three months ended March 31, 2005	Three months ended March 31, 2006
Revenue, as reported	\$ 18,395,983	\$ 31,112,325
Name Development pro forma revenue	2,544,459	-
Pike Street pro forma revenue	963,198	-
IndustryBrains pro forma revenue	2,716,620	-
Pro forma eliminations	<u>(23,332)</u>	<u>-</u>
Proforma Revenue	<u>\$ 24,596,928</u>	<u>\$ 31,112,325</u>

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

	Three Months Ended	
	March 31,	
	2005	2006
Net income (loss) applicable to common stockholders	\$ 388,409	\$ (1,196,265)
Convertible preferred stock dividends and conversion payment	<u>348,993</u>	<u>1,493,935</u>
Net income	737,402	297,670
Cumulative effect of a change in accounting principle, net of tax (1)	<u>-</u>	<u>151,341</u>
Income before cumulative effect of a change in accounting principle	737,402	146,329
Income tax expense	<u>478,933</u>	<u>653,648</u>
Income before provision for income taxes	1,216,335	799,977
Interest income and other, net	<u>(270,523)</u>	<u>(734,282)</u>
Income from operations	945,812	65,695
Stock-based compensation	146,538	3,520,743
Amortization of acquired intangible assets	<u>3,083,157</u>	<u>4,870,673</u>
Operating income before amortization (OIBA)	4,175,507	8,457,111
Gain on sales of intangible assets, net	<u>-</u>	<u>(179,208)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 4,175,507</u>	<u>\$ 8,277,903</u>

(1) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.

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

	Three Months Ended	
	March 31,	
	2005	2006
Net cash provided by operating activities	\$ 1,758,826	\$ 9,430,099
Changes in asset and liabilities, net of effects of acquisitions	2,885,731	210,886
Provision for income taxes	478,933	653,648
Other items - facility relocation	8,738	17,643
Interest income and other, net	(266,523)	(736,145)
Tax benefits from exercise of stock options	(129,774)	-
Adjusted EBITDA	<u>\$ 4,735,931</u>	<u>\$ 9,576,131</u>

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

	Three Months Ended	
	March 31,	
	2005	2006
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	<u>0.07</u>	<u>0.09</u>
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ (0.03)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	32,920,472	37,124,298
Net income (loss) applicable to common stockholders	\$ 388,409	\$ (1,196,265)
Stock-based compensation	146,538	3,520,743
Amortization of acquired intangible assets	3,083,157	4,870,673
Gain on sales of intangible assets, net	-	(179,208)
Cumulative effect of a change in accounting principle, net of tax (1)	-	(151,341)
Interest income and other, net	(270,523)	(734,282)
Estimated impact of income taxes	<u>(1,120,704)</u>	<u>(2,355,370)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 2,226,877</u>	<u>\$ 3,774,950</u>
Adjusted Non-GAAP EPS	<u>\$ 0.07</u>	<u>\$ 0.09</u>
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	32,920,472	37,124,298
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	-	2,765,734
Shares used to calculate Adjusted Non-GAAP EPS	<u>32,920,472</u>	<u>39,890,032</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.

(1) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.