

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

| | Three Months Ended | |
|--|---------------------------|----------------------|
| | March 31, | |
| | 2006 | 2007 |
| Revenue | <u>\$ 31,112,325</u> | <u>\$ 34,223,401</u> |
| Expenses: | | |
| Service costs (1) | 14,851,949 | 15,241,228 |
| Sales and marketing (1) | 5,866,684 | 7,509,921 |
| Product development (1) | 2,227,024 | 2,597,656 |
| General and administrative (1) | 3,409,508 | 4,180,775 |
| Amortization of acquired intangible assets | <u>4,870,673</u> | <u>4,523,134</u> |
| Total operating expenses | <u>31,225,838</u> | <u>34,052,714</u> |
| Gain (loss) on sales and disposals of intangible assets, net | <u>179,208</u> | <u>32,264</u> |
| Income from operations | 65,695 | 202,951 |
| Interest income and other, net | <u>734,282</u> | <u>711,987</u> |
| Income before provision for income taxes | 799,977 | 914,938 |
| Income tax expense | <u>653,648</u> | <u>473,788</u> |
| Income before cumulative effect of a change in accounting principle | 146,329 | 441,150 |
| Cumulative effect of a change in accounting principle, net of tax (2) | <u>151,341</u> | <u>-</u> |
| Net income | 297,670 | 441,150 |
| Convertible preferred stock dividends, conversion payment and discount on preferred stock redemption | <u>1,493,935</u> | <u>(106,548)</u> |
| Net income (loss) applicable to common stockholders | <u>\$ (1,196,265)</u> | <u>\$ 547,698</u> |
| Basic and diluted net income (loss) applicable to common stockholders | \$ (0.03) | \$ 0.01 |
| Shares used to calculate basic net income (loss) per share applicable to common stockholders | 37,124,298 | 39,165,916 |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | 37,124,298 | 40,417,741 |
| (1) Includes stock compensation allocated as follows: | | |
| Service costs | \$ 236,211 | \$ 118,535 |
| Sales and marketing | 1,047,271 | 372,358 |
| Product development | 735,187 | 489,252 |
| General and administrative | <u>1,502,074</u> | <u>1,907,069</u> |
| Total stock compensation expense | <u>\$ 3,520,743</u> | <u>\$ 2,887,214</u> |

(2) As a result of the adoption of SFAS 123R on January 1, 2006, Marchex recorded an amount from the cumulative impact of the accounting change.

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

| Assets | <u>December 31, 2006</u> | <u>March 31, 2007</u> |
|--|------------------------------|---------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 46,105,827 | \$ 59,066,957 |
| Trade accounts receivable, net | 22,035,343 | 18,904,030 |
| Prepaid expenses and other current assets | 2,221,550 | 1,768,818 |
| Refundable taxes | 1,837,166 | 2,434,383 |
| Deferred tax assets | <u>670,624</u> | <u>489,827</u> |
| Total current assets | 72,870,510 | 82,664,015 |
| Property and equipment, net | 7,280,075 | 8,050,690 |
| Deferred tax assets | 2,444,782 | 3,816,267 |
| Intangibles and other assets, net | 13,318,801 | 11,575,234 |
| Goodwill | 200,738,098 | 195,709,714 |
| Intangible assets from acquisitions, net | <u>36,735,570</u> | <u>31,986,245</u> |
| Total assets | <u>\$ 333,387,836</u> | <u>\$ 333,802,165</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,739,231 | \$ 10,610,630 |
| Accrued expenses and other current liabilities | 2,913,152 | 2,309,130 |
| Deferred revenue | <u>2,430,644</u> | <u>2,464,308</u> |
| Total current liabilities | 16,083,027 | 15,384,068 |
| Other non-current liabilities | <u>91,907</u> | <u>83,435</u> |
| Total liabilities | 16,174,934 | 15,467,503 |
| Stockholders' equity: | | |
| Convertible preferred stock | 2,342,884 | 1,664,827 |
| Class A common stock | 119,217 | 119,217 |
| Class B common stock | 276,361 | 301,895 |
| Additional paid-in capital | 320,607,113 | 321,960,836 |
| Accumulated deficit | <u>(6,132,673)</u> | <u>(5,712,113)</u> |
| Total stockholders' equity | <u>317,212,902</u> | <u>318,334,662</u> |
| Total liabilities and stockholders' equity | <u>\$ 333,387,836</u> | <u>\$ 333,802,165</u> |

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

| | Three Months Ended | |
|-------------------------------|----------------------|----------------------|
| | March 31, | |
| | <u>2006</u> | <u>2007</u> |
| Revenue, as reported | \$ 31,112,325 | \$ 34,223,401 |
| AreaConnect pro forma revenue | 497,313 | - |
| Open List pro forma revenue | 100,841 | - |
| Pro forma eliminations | <u>(17,251)</u> | <u>-</u> |
| Pro forma Revenue | <u>\$ 31,693,228</u> | <u>\$ 34,223,401</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 | |
|--|---------------------------|---------------------|
| | March 31, | |
| | 2006 | 2007 |
| Net income (loss) applicable to common stockholders | \$ (1,196,265) | \$ 547,698 |
| Convertible preferred stock dividends, conversion payment and discount on preferred stock redemption | <u>1,493,935</u> | <u>(106,548)</u> |
| Net income | 297,670 | 441,150 |
| Cumulative effect of a change in accounting principle, net of tax (1) | <u>151,341</u> | <u>-</u> |
| Income before cumulative effect of a change in accounting principle | 146,329 | 441,150 |
| Income tax expense | <u>653,648</u> | <u>473,788</u> |
| Income before provision for income taxes | 799,977 | 914,938 |
| Interest income and other, net | <u>(734,282)</u> | <u>(711,987)</u> |
| Income from operations | 65,695 | 202,951 |
| Stock-based compensation | 3,520,743 | 2,887,214 |
| Amortization of acquired intangible assets | <u>4,870,673</u> | <u>4,523,134</u> |
| Operating income before amortization (OIBA) | 8,457,111 | 7,613,299 |
| Gain/loss on sales and disposals of intangible assets, net | <u>(179,208)</u> | <u>(32,264)</u> |
| Adjusted operating income before amortization (Adjusted OIBA) | <u>\$ 8,277,903</u> | <u>\$ 7,581,035</u> |

(1) As a result of the adoption of SFAS 123R on January 1, 2006, 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, | |
| | 2006 | 2007 |
| Net cash provided by operating activities | \$ 9,430,099 | \$ 12,478,122 |
| Changes in asset and liabilities, net of effects of acquisitions | (1,267,079) | (4,256,141) |
| Provision for income taxes | 653,648 | 473,788 |
| Other item - facility relocation | 17,643 | - |
| Interest income and other, net | (736,145) | (706,703) |
| Income and excess tax benefits related to stock options | 1,477,965 | 1,492,991 |
| Adjusted EBITDA | <u>\$ 9,576,131</u> | <u>\$ 9,482,057</u> |

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

| | Three Months Ended | |
|---|---------------------------|---------------------|
| | March 31, | |
| | 2006 | 2007 |
| | <u>\$ 0.09</u> | <u>\$ 0.11</u> |
| Adjusted Non-GAAP EPS | | |
| Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS) | \$ (0.03) | \$ 0.01 |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | 37,124,298 | 40,417,741 |
| Net income (loss) applicable to common stockholders | \$ (1,196,265) | \$ 547,698 |
| Discount on preferred stock redemption | - | (122,594) |
| Stock-based compensation | 3,520,743 | 2,887,214 |
| Amortization of acquired intangible assets | 4,870,673 | 4,523,134 |
| Gain/loss on sales and disposals of intangible assets, net | (179,208) | (32,264) |
| Cumulative effect of a change in accounting principle, net of tax (1) | (151,341) | - |
| Interest income and other, net | (734,282) | (711,987) |
| Estimated impact of income taxes | <u>(2,355,370)</u> | <u>(2,259,129)</u> |
| Adjusted Non-GAAP net income applicable to common stockholders | <u>\$ 3,774,950</u> | <u>\$ 4,832,072</u> |
| Adjusted Non-GAAP EPS | <u>\$ 0.09</u> | <u>\$ 0.11</u> |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | 37,124,298 | 40,417,741 |
| Weighted average common share equivalents for redeemed preferred shares | - | (1,604) |
| Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable) | <u>2,765,734</u> | <u>2,480,483</u> |
| Shares used to calculate Adjusted Non-GAAP EPS | <u>39,890,032</u> | <u>42,896,620</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 on January 1, 2006, Marchex recorded an amount from the cumulative impact of the accounting change.