

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

	Three Months Ended	
	June 30,	
	2005	2006
Revenue	<u>\$ 21,168,022</u>	<u>\$ 31,714,720</u>
Expenses:		
Service costs (1)	10,871,462	15,020,319
Sales and marketing (1)	1,829,819	5,407,200
Product development (1)	1,428,530	2,553,395
General and administrative (1)	1,413,987	3,846,212
Amortization of acquired intangible assets	4,949,651	5,164,191
Total operating expenses	<u>20,493,449</u>	<u>31,991,317</u>
Gain on sales of intangible assets, net	<u>-</u>	<u>174,071</u>
Income (loss) from operations	674,573	(102,526)
Interest income and other, net	<u>586,373</u>	<u>751,826</u>
Income before provision for income taxes	1,260,946	649,300
Income tax expense	<u>470,656</u>	<u>838,804</u>
Net income (loss)	790,290	(189,504)
Convertible preferred stock dividends	<u>682,813</u>	<u>422,147</u>
Net income (loss) applicable to common stockholders	<u>\$ 107,477</u>	<u>\$ (611,651)</u>
Basic and diluted net income (loss) applicable to common stockholders	\$ 0.00	\$ (0.02)
Shares used to calculate basic net income (loss) per share applicable to common stockholders	35,308,306	38,311,448
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	37,459,860	38,311,448
(1) Includes stock compensation allocated as follows:		
Service costs	\$ 132,834	\$ 255,742
Sales and marketing	285,924	943,978
Product development	137,985	827,187
General and administrative	(59,574)	1,401,001
Total stock compensation expense	<u>\$ 497,169</u>	<u>\$ 3,427,908</u>

Prior to January 1, 2006, Marchex accounted for stock 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 compensation. As of January 1, 2006, Marchex accounts for stock 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.

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

	Six Months Ended	
	June 30,	
	2005	2006
Revenue	<u>\$ 39,564,005</u>	<u>\$ 62,827,045</u>
Expenses:		
Service costs (1)	21,542,169	29,872,268
Sales and marketing (1)	3,184,312	11,273,884
Product development (1)	2,213,744	4,780,419
General and administrative (1)	2,970,587	7,255,720
Amortization of acquired intangible assets	8,032,808	10,034,864
Total operating expenses	<u>37,943,620</u>	<u>63,217,155</u>
Gain on sales of intangible assets, net	<u>-</u>	<u>353,279</u>
Income (loss) from operations	1,620,385	(36,831)
Interest income and other, net	<u>856,896</u>	<u>1,486,108</u>
Income before provision for income taxes	2,477,281	1,449,277
Income tax expense	<u>949,589</u>	<u>1,492,452</u>
Income (loss) before cumulative effect of a change in accounting principle	1,527,692	(43,175)
Cumulative effect of a change in accounting principle, net of tax (2)	<u>-</u>	<u>151,341</u>
Net income	1,527,692	108,166
Convertible preferred stock dividends and conversion payment	<u>1,031,806</u>	<u>1,916,082</u>
Net income (loss) applicable to common stockholders	<u>\$ 495,886</u>	<u>\$ (1,807,916)</u>
Basic net income (loss) applicable to common stockholders	\$ 0.02	\$ (0.05)
Diluted net income (loss) applicable to common stockholders	\$ 0.01	\$ (0.05)
Shares used to calculate basic net income (loss) per share applicable to common stockholders	32,790,977	37,693,506
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	35,149,062	37,693,506
(1) Includes stock compensation allocated as follows:		
Service costs	\$ 134,634	\$ 491,953
Sales and marketing	315,431	1,991,249
Product development	148,650	1,562,374
General and administrative	44,992	2,903,075
Total stock compensation expense	<u>\$ 643,707</u>	<u>\$ 6,948,651</u>

Prior to January 1, 2006, Marchex accounted for stock 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 compensation. As of January 1, 2006, Marchex accounts for stock 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	June 30, 2006
Current assets:		
Cash and cash equivalents	\$ 63,090,941	\$ 59,511,600
Trade accounts receivable, net	14,401,814	11,526,106
Prepaid expenses and other current assets	1,818,211	1,921,356
Refundable taxes	3,835,542	4,715,201
Deferred income tax assets	428,855	372,007
Total current assets	83,575,363	78,046,270
Property and equipment, net	3,402,262	6,683,268
Deferred income tax assets	-	1,096,776
Intangibles and other assets, net	15,447,504	14,003,107
Goodwill	180,637,076	200,744,196
Intangible assets from acquisitions, net	51,346,944	47,704,617
Total assets	\$ 334,409,149	\$ 348,278,234
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,258,423	\$ 5,368,074
Accrued expenses and other current liabilities	1,755,970	2,439,335
Deferred revenue	2,291,374	2,380,385
Total current liabilities	13,305,767	10,187,794
Deferred income tax liabilities	397,481	-
Other non-current liabilities	92,309	109,107
Total liabilities	13,795,557	10,296,901
Stockholders' equity:		
Convertible preferred stock	54,121,678	34,116,491
Class A common stock	119,282	119,217
Class B common stock	254,839	273,965
Additional paid-in capital	271,949,963	308,208,237
Deferred stock-based compensation	(3,042,016)	-
Accumulated deficit	(2,790,154)	(4,736,577)
Total stockholders' equity	320,613,592	337,981,333
Total liabilities and stockholders' equity	\$ 334,409,149	\$ 348,278,234

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

	Three months ended June 30, 2005	Three months ended June 30, 2006	Six months ended June 30, 2005	Six months ended June 30, 2006
Revenue, as reported	\$ 21,168,022	\$ 31,714,720	\$ 39,564,005	\$ 62,827,045
Name Development pro forma revenue	-	-	2,544,459	-
Pike Street pro forma revenue	267,296	-	1,230,494	-
IndustryBrains pro forma revenue	2,785,454	-	5,502,074	-
AreaConnect pro forma revenue	277,409	152,362	491,633	649,675
Open List pro forma revenue	2,195	55,670	5,249	156,511
Pro forma eliminations	<u>(9,367)</u>	<u>(5,008)</u>	<u>(32,699)</u>	<u>(22,259)</u>
Pro forma Revenue	<u>\$ 24,491,009</u>	<u>\$ 31,917,744</u>	<u>\$ 49,305,215</u>	<u>\$ 63,610,972</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)

	Three Months Ended	
	June 30,	
	2005	2006
Net income (loss) applicable to common stockholders	\$ 107,477	\$ (611,651)
Convertible preferred stock dividends	<u>682,813</u>	<u>422,147</u>
Net income (loss)	790,290	(189,504)
Income tax expense	<u>470,656</u>	<u>838,804</u>
Income before provision for income taxes	1,260,946	649,300
Interest income and other, net	<u>(586,373)</u>	<u>(751,826)</u>
Income (loss) from operations	674,573	(102,526)
Stock-based compensation	497,169	3,427,908
Amortization of acquired intangible assets	<u>4,949,651</u>	<u>5,164,191</u>
Operating income before amortization (OIBA)	6,121,393	8,489,573
Gain on sales of intangible assets, net	<u>-</u>	<u>(174,071)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 6,121,393</u>	<u>\$ 8,315,502</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)

	Six Months Ended	
	June 30,	
	2005	2006
Net income (loss) applicable to common stockholders	\$ 495,886	\$ (1,807,916)
Convertible preferred stock dividends and conversion payment	<u>1,031,806</u>	<u>1,916,082</u>
Net income	1,527,692	108,166
Cumulative effect of a change in accounting principle, net of tax (1)	<u>-</u>	<u>151,341</u>
Income (loss) before cumulative effect of a change in accounting principle	1,527,692	(43,175)
Income tax expense	<u>949,589</u>	<u>1,492,452</u>
Income before provision for income taxes	2,477,281	1,449,277
Interest income and other, net	<u>(856,896)</u>	<u>(1,486,108)</u>
Income (loss) from operations	1,620,385	(36,831)
Stock-based compensation	643,707	6,948,651
Amortization of acquired intangible assets	<u>8,032,808</u>	<u>10,034,864</u>
Operating income before amortization (OIBA)	10,296,900	16,946,684
Gain on sales of intangible assets, net	<u>-</u>	<u>(353,279)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 10,296,900</u>	<u>\$ 16,593,405</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	
	June 30,	
	2005	2006
Net cash provided by operating activities	\$ 4,642,208	\$ 6,251,428
Changes in asset and liabilities, net of effects of acquisitions	2,868,681	2,997,470
Provision for income taxes	470,656	838,804
Other item - facility relocation	9,972	25,788
Interest income and other, net	(586,373)	(751,826)
Income and excess tax benefits related to stock options	(198,319)	354,735
Adjusted EBITDA	<u>\$ 7,206,825</u>	<u>\$ 9,716,399</u>

	Six Months Ended	
	June 30,	
	2005	2006
Net cash provided by operating activities	\$ 6,401,034	\$ 15,681,527
Changes in asset and liabilities, net of effects of acquisitions	5,754,412	1,730,391
Provision for income taxes	949,589	1,492,452
Other item - facility relocation	18,710	43,431
Interest income and other, net	(852,896)	(1,487,971)
Income and excess tax benefits related to stock options	(328,093)	1,832,700
Adjusted EBITDA	<u>\$ 11,942,756</u>	<u>\$ 19,292,530</u>

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

	Three Months Ended June 30,	
	2005	2006
Adjusted Non-GAAP EPS	<u>\$ 0.08</u>	<u>\$ 0.12</u>
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.00	\$ (0.02)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	37,459,860	38,311,448
Net income (loss) applicable to common stockholders	\$ 107,477	\$ (611,651)
Stock-based compensation	497,169	3,427,908
Amortization of acquired intangible assets	4,949,651	5,164,191
Gain on sales of intangible assets, net	-	(174,071)
Interest income and other, net	(586,373)	(751,826)
Estimated impact of income taxes	<u>(1,775,283)</u>	<u>(2,158,103)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 3,192,641</u>	<u>\$ 4,896,448</u>
Adjusted Non-GAAP EPS	<u>\$ 0.08</u>	<u>\$ 0.12</u>
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	37,459,860	38,311,448
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>150,633</u>	<u>2,206,249</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>37,610,493</u>	<u>40,517,697</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)

	Six Months Ended June 30,	
	2005	2006
Adjusted Non-GAAP EPS	<u>\$ 0.15</u>	<u>\$ 0.22</u>
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ (0.05)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	35,149,062	37,693,506
Net income (loss) applicable to common stockholders	\$ 495,886	\$ (1,807,916)
Stock-based compensation	643,707	6,948,651
Amortization of acquired intangible assets	8,032,808	10,034,864
Gain on sales of intangible assets, net	-	(353,279)
Cumulative effect of a change in accounting principle, net of tax (1)	-	(151,341)
Interest income and other, net	(856,896)	(1,486,108)
Estimated impact of income taxes	<u>(2,904,541)</u>	<u>(4,512,701)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 5,410,964</u>	<u>\$ 8,672,170</u>
Adjusted Non-GAAP EPS	<u>\$ 0.15</u>	<u>\$ 0.22</u>
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	35,149,062	37,693,506
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>67,414</u>	<u>2,492,164</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>35,216,476</u>	<u>40,185,670</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.