

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

	Three Months Ended	
	June 30,	
	2008	2009
Revenue	<u>\$ 37,363,887</u>	<u>\$ 21,081,073</u>
Expenses:		
Service costs (1)	17,414,301	11,024,516
Sales and marketing (1)	7,896,035	3,682,352
Product development (1)	4,252,469	3,446,317
General and administrative (1)	5,074,875	3,987,195
Amortization of intangible assets from acquisitions	3,661,275	1,334,585
Total operating expenses	<u>38,298,955</u>	<u>23,474,965</u>
Gain on sales and disposals of intangible assets, net	<u>2,010,576</u>	<u>854,616</u>
Income (loss) from operations	1,075,508	(1,539,276)
Interest income (expense) and other, net	<u>133,080</u>	<u>(18,939)</u>
Income (loss) before provision for income taxes	1,208,588	(1,558,215)
Income tax expense (benefit)	<u>733,229</u>	<u>(390,058)</u>
Net income (loss)	475,359	(1,168,157)
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(33,697)</u>	<u>-</u>
Net income (loss) applicable to common stockholders	<u>\$ 509,056</u>	<u>\$ (1,168,157)</u>
Basic net income (loss) per share applicable to Class A and Class B common stockholders	\$ 0.01	\$ (0.04)
Diluted net income (loss) per share applicable to Class A and Class B common stockholders	\$ 0.01	\$ (0.04)
Shares used to calculate basic net income (loss) per share applicable to common stockholders		
Class A	10,959,216	10,869,216
Class B	25,621,394	22,454,956
Shares used to calculate diluted net income (loss) per share applicable to common stockholders		
Class A	10,959,216	10,869,216
Class B	37,504,686	33,324,172
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 86,087	\$ 102,546
Sales and marketing	326,004	524,655
Product development	396,289	115,027
General and administrative	1,860,856	1,795,853
Total	<u>\$ 2,669,236</u>	<u>\$ 2,538,081</u>

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

	Six Months Ended June 30,	
	2008	2009
Revenue	\$ 74,406,214	\$ 47,652,022
Expenses:		
Service costs (1)	36,301,616	22,886,210
Sales and marketing (1)	14,867,783	11,271,267
Product development (1)	8,439,573	7,600,517
General and administrative (1)	10,033,984	8,057,735
Amortization of intangible assets from acquisitions	7,713,637	3,469,551
Total operating expenses	77,356,593	53,285,280
Gain on sales and disposals of intangible assets, net	2,155,267	1,784,855
Loss from operations	(795,112)	(3,848,403)
Interest income (expense) and other, net	417,406	(3,782)
Loss before provision for income taxes	(377,706)	(3,852,185)
Income tax expense (benefit)	393,276	(1,010,991)
Net loss	(770,982)	(2,841,194)
Convertible preferred stock dividends and (discount) premium on preferred stock redemption, net	(44,585)	-
Net loss applicable to common stockholders	\$ (726,397)	\$ (2,841,194)
Basic net loss per share applicable to Class A and Class B common stockholders	\$ (0.02)	\$ (0.09)
Diluted net loss per share applicable to Class A and Class B common stockholders	\$ (0.02)	\$ (0.09)
Shares used to calculate basic net loss applicable to common stockholders		
Class A	10,968,282	10,899,547
Class B	26,153,567	23,094,703
Shares used to calculate diluted net loss applicable to common stock holders		
Class A	10,968,282	10,899,547
Class B	37,130,260	33,994,250
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 225,658	\$ 197,056
Sales and marketing	856,714	982,509
Product development	806,998	298,432
General and administrative	3,847,338	3,512,111
Total	\$ 5,736,708	\$ 4,990,108

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

Assets	December 31, 2008	June 30, 2009
Current assets:		
Cash and cash equivalents	\$ 27,418,396	\$ 28,731,261
Trade accounts receivable, net	21,734,291	11,920,607
Prepaid expenses and other current assets	2,642,607	2,295,272
Refundable taxes	3,042,288	4,710,416
Deferred tax assets	1,088,872	952,076
Total current assets	55,926,454	48,609,632
Property and equipment, net	5,615,396	4,425,097
Deferred tax assets	56,784,228	55,328,727
Intangibles and other assets, net	6,665,562	5,661,742
Goodwill	35,475,782	35,456,610
Intangible assets from acquisitions, net	9,802,365	6,332,777
Total assets	\$ 170,269,787	\$ 155,814,585
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 12,351,123	\$ 7,138,620
Accrued expenses and other current liabilities	6,331,709	4,187,790
Deferred revenue	2,255,906	2,027,410
Total current liabilities	20,938,738	13,353,820
Other non-current liabilities	23,297	9,700
Total liabilities	20,962,035	13,363,520
Stockholders' equity:		
Class A common stock	112,217	111,317
Class B common stock	286,736	255,519
Treasury stock	(15,392,921)	(1,000,832)
Additional paid-in capital	299,925,762	281,550,297
Accumulated deficit	(135,624,042)	(138,465,236)
Total stockholders' equity	149,307,752	142,451,065
Total liabilities and stockholders' equity	\$ 170,269,787	\$ 155,814,585

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	
	June 30,	
	2008	2009
Net income (loss) applicable to common stockholders	\$ 509,056	\$ (1,168,157)
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(33,697)</u>	<u>-</u>
Net income (loss)	475,359	(1,168,157)
Income tax expense (benefit)	<u>733,229</u>	<u>(390,058)</u>
Income (loss) before provision for income taxes	1,208,588	(1,558,215)
Interest income and other, net	<u>(133,080)</u>	<u>18,939</u>
Income (loss) from operations	1,075,508	(1,539,276)
Stock-based compensation	2,669,236	2,538,081
Amortization of intangible assets from acquisitions	<u>3,661,275</u>	<u>1,334,585</u>
Operating income before amortization (OIBA)	7,406,019	2,333,390
Gain on sales and disposals of intangible assets, net	<u>(2,010,576)</u>	<u>(854,616)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 5,395,443</u>	<u>\$ 1,478,774</u>

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

	Six Months Ended	
	June 30,	
	2008	2009
Net loss applicable to common stockholders	\$ (726,397)	\$ (2,841,194)
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(44,585)</u>	<u>-</u>
Net loss	(770,982)	(2,841,194)
Income tax expense (benefit)	<u>393,276</u>	<u>(1,010,991)</u>
Loss before provision for income taxes	(377,706)	(3,852,185)
Interest income and other, net	<u>(417,406)</u>	<u>3,782</u>
Loss from operations	(795,112)	(3,848,403)
Stock-based compensation	5,736,708	4,990,108
Amortization of intangible assets from acquisitions	<u>7,713,637</u>	<u>3,469,551</u>
Operating income before amortization (OIBA)	12,655,233	4,611,256
Gain on sales and disposals of intangible assets, net	<u>(2,155,267)</u>	<u>(1,784,855)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 10,499,966</u>	<u>\$ 2,826,401</u>

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

	Three Months Ended	
	June 30,	
	2008	2009
Net cash provided by operating activities	\$ 4,552,353	\$ 4,157,262
Changes in asset and liabilities, net of effects of acquisitions	2,825,234	(719,510)
Income tax provision (benefit)	733,229	(390,058)
Other item - facility relocation	1,663	-
Interest income and other	(131,726)	19,064
Income and excess tax benefits related to stock options	20,380	38,413
Adjusted EBITDA	<u>\$ 8,001,133</u>	<u>\$ 3,105,171</u>
Net cash provided by investing activities	<u>\$ 794,288</u>	<u>\$ 466,894</u>
Net cash used in financing activities	<u>\$ (10,819,969)</u>	<u>\$ (1,655,186)</u>
	Six Months Ended	
	June 30,	
	2008	2009
Net cash provided by operating activities	\$ 11,209,527	\$ 8,331,044
Changes in asset and liabilities, net of effects of acquisitions	4,478,712	(1,341,641)
Income tax provision (benefit)	393,276	(1,010,991)
Other item - facility relocation	(2,972)	-
Interest income and other	(415,551)	4,347
Income and excess tax benefits related to stock options	53,541	49,477
Adjusted EBITDA	<u>\$ 15,716,533</u>	<u>\$ 6,032,236</u>
Net cash (used in) provided by investing activities	<u>\$ (83,043)</u>	<u>\$ 921,108</u>
Net cash used in financing activities	<u>\$ (18,603,833)</u>	<u>\$ (7,939,287)</u>

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

	Three Months Ended	
	June 30,	
	2008	2009
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	0.09	0.03
Net income (loss) per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ (0.04)
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	37,504,686	33,324,172
Net income (loss) applicable to common stockholders	\$ 509,056	\$ (1,168,157)
Discount on preferred stock redemption	(46,884)	-
Stock-based compensation	2,669,236	2,538,081
Amortization of intangible assets from acquisitions	3,661,275	1,334,585
Gain on sales and disposals of intangible assets, net	(2,010,576)	(854,616)
Interest income and other, net	(133,080)	18,939
Estimated impact of income taxes	(1,214,728)	(906,634)
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 3,434,299</u>	<u>\$ 962,198</u>
Adjusted Non-GAAP EPS	<u>\$ 0.09</u>	<u>\$ 0.03</u>
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	37,504,686	33,324,172
Weighted average common share equivalents for redeemed preferred shares	(8,327)	-
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>2,583,167</u>	<u>2,781,197</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>40,079,526</u>	<u>36,105,369</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.

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

	Six Months Ended	
	June 30,	
	2008	2009
Adjusted Non-GAAP EPS	<u>\$ 0.16</u>	<u>\$ 0.05</u>
Net loss per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.02)	\$ (0.09)
Shares used to calculate diluted net loss per Class B share applicable to common stockholders	37,130,260	33,994,250
Net loss applicable to common stockholders	\$ (726,397)	\$ (2,841,194)
Discount on preferred stock redemption	(72,990)	-
Stock-based compensation	5,736,708	4,990,108
Amortization of intangible assets from acquisitions	7,713,637	3,469,551
Gain on sales and disposals of intangible assets, net	(2,155,267)	(1,784,855)
Interest income and other, net	(417,406)	3,782
Estimated impact of income taxes	<u>(3,397,604)</u>	<u>(2,000,118)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 6,680,681</u>	<u>\$ 1,837,274</u>
Adjusted Non-GAAP EPS	<u>\$ 0.16</u>	<u>\$ 0.05</u>
Shares used to calculate diluted net loss per Class B share applicable to common stockholders	37,130,260	33,994,250
Weighted average common share equivalents for redeemed preferred shares	(8,411)	-
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>3,623,698</u>	<u>2,563,898</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>40,745,547</u>	<u>36,558,148</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.