

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

	Three Months Ended September 30,	
	2004	2005
Revenue	<u>\$ 12,215,835</u>	<u>\$ 25,627,677</u>
Expenses:		
Service costs	7,619,496	13,411,378
Sales and marketing	1,156,314	2,759,826
Product development	602,478	1,164,152
General and administrative	1,072,505	1,494,080
Acquisition-related retention consideration	119,198	-
Facility relocation	(30,499)	-
Stock-based compensation	125,405	557,958
Amortization of acquired intangible assets	1,404,464	5,191,699
Total operating expenses	<u>12,069,361</u>	<u>24,579,093</u>
Income from operations	146,474	1,048,584
Other income (expense):		
Interest income	82,462	533,976
Interest expense	<u>(1,915)</u>	<u>(1,933)</u>
	<u>80,547</u>	<u>532,043</u>
Income before provision for income taxes	227,021	1,580,627
Income tax expense	<u>82,787</u>	<u>871,277</u>
Net income	144,234	709,350
Convertible preferred stock dividends	<u>-</u>	<u>682,813</u>
Net income applicable to common stockholders	<u>\$ 144,234</u>	<u>\$ 26,537</u>
Net income per share applicable to common stockholders - basic	\$ 0.01	\$ 0.00
Net income per share applicable to common stockholders - diluted	\$ 0.01	\$ 0.00
Shares used to calculate basic net income per share applicable to common stockholders	25,166,363	36,043,092
Shares used to calculate diluted net income per share applicable to common stockholders	26,968,840	38,144,506

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

	Nine Months Ended September 30,	
	2004	2005
Revenue	<u>\$ 28,682,924</u>	<u>\$ 65,191,682</u>
Expenses:		
Service costs	18,142,886	34,818,913
Sales and marketing	3,196,996	5,628,707
Product development	1,636,321	3,229,246
General and administrative	2,613,932	4,419,675
Acquisition-related retention consideration	374,858	-
Facility relocation	199,960	-
Stock-based compensation	721,403	1,201,665
Amortization of acquired intangible assets	3,473,976	13,224,507
Total operating expenses	<u>30,360,332</u>	<u>62,522,713</u>
Income (loss) from operations	(1,677,408)	2,668,969
Other income (expense):		
Interest income	163,808	1,390,332
Interest expense	(3,728)	(5,393)
Adjustment to fair value of redemption obligation	55,250	-
Other	3,644	4,000
	<u>218,974</u>	<u>1,388,939</u>
Income (loss) before provision for income taxes	(1,458,434)	4,057,908
Income tax expense (benefit)	<u>(118,016)</u>	<u>1,820,866</u>
Net income (loss)	(1,340,418)	2,237,042
Convertible preferred stock dividends	-	1,714,619
Accretion to redemption value of redeemable convertible preferred stock	<u>420,430</u>	<u>-</u>
Net income (loss) applicable to common stockholders	<u>\$ (1,760,848)</u>	<u>\$ 522,423</u>
Net income (loss) per share applicable to common stockholders - basic	\$ (0.08)	\$ 0.02
Net income (loss) per share applicable to common stockholders - diluted	\$ (0.08)	\$ 0.01
Shares used to calculate basic net income (loss) per share applicable to common stockholders	20,971,993	33,886,928
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	20,971,993	36,188,819

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

Assets	<u>December 31, 2004</u>	<u>September 30, 2005</u>
Current assets:		
Cash and cash equivalents	\$ 24,933,066	\$ 57,169,921
Trade accounts receivable, net	4,773,646	9,863,196
Prepaid expenses and other current assets	513,427	994,107
Refundable income taxes	902,246	2,845,102
Deferred tax assets	<u>522,754</u>	<u>384,475</u>
Total current assets	31,645,139	71,256,801
Property and equipment, net	1,508,446	2,303,625
Intangibles and other assets, net	1,067,896	16,242,558
Goodwill	32,375,966	179,091,434
Intangible assets from acquisitions, net	<u>4,996,289</u>	<u>58,623,083</u>
Total assets	<u>\$ 71,593,736</u>	<u>\$ 327,517,501</u>
 Liabilities and Stockholders' Equity 		
Current liabilities:		
Accounts payable	\$ 6,227,274	\$ 6,743,727
Accrued expenses and other current liabilities	1,170,039	2,599,830
Deferred revenue	1,947,617	2,314,871
Earn-out liability payable	<u>6,237,578</u>	<u>-</u>
Total current liabilities	15,582,508	11,658,428
Deferred tax liabilities	245,657	804,869
Other non-current liabilities	<u>93,539</u>	<u>77,358</u>
Total liabilities	15,921,704	12,540,655
Stockholders' equity:		
Convertible preferred stock	-	55,205,369
Class A common stock	122,500	119,282
Class B common stock	135,115	250,010
Additional paid-in capital	60,577,997	267,114,136
Deferred stock-based compensation	(521,820)	(3,934,132)
Accumulated deficit	<u>(4,641,760)</u>	<u>(3,777,819)</u>
Total stockholders' equity	<u>55,672,032</u>	<u>314,976,846</u>
Total liabilities and stockholders' equity	<u>\$ 71,593,736</u>	<u>\$ 327,517,501</u>

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

	Three months ended September 30, 2004	Three months ended September 30, 2005	Nine months ended September 30, 2004	Nine months ended September 30, 2005
Revenue, as reported	\$ 12,215,835	\$ 25,627,677	\$ 28,682,924	\$ 65,191,682
goClick proforma revenue	709,112	-	3,769,347	-
Name Development pro forma revenue	5,486,779	-	15,456,114	2,544,459
Pike Street pro forma revenue	836,734	-	2,067,978	1,230,494
IndustryBrains pro forma revenue	1,823,650	686,823	4,473,045	6,188,897
Pro forma eliminations	<u>(88,850)</u>	<u>(3,387)</u>	<u>(221,428)</u>	<u>(36,086)</u>
Proforma Revenue	<u>\$ 20,983,260</u>	<u>\$ 26,311,113</u>	<u>\$ 54,227,980</u>	<u>\$ 75,119,446</u>

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

	Three Months Ended	
	September 30,	
	2004	2005
Net income applicable to common stockholders	\$ 144,234	\$ 26,537
Convertible preferred stock dividends	-	682,813
Net income	144,234	709,350
Income tax expense	82,787	871,277
Income before provision for income taxes	227,021	1,580,627
Interest income and other, net	(80,547)	(532,043)
Income from operations	146,474	1,048,584
Stock-based compensation	125,405	557,958
Amortization of acquired intangible assets	1,404,464	5,191,699
Operating income before amortization (OIBA)	1,676,343	6,798,241
Acquisition-related retention consideration	119,198	-
Facility relocation	(30,499)	-
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 1,765,042</u>	<u>\$ 6,798,241</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)

	Nine Months Ended September 30,	
	2004	2005
Net income (loss) applicable to common stockholders	\$ (1,760,848)	\$ 522,423
Convertible preferred stock dividends	-	1,714,619
Accretion to redemption value of redeemable convertible preferred stock	420,430	-
Net income (loss)	(1,340,418)	2,237,042
Income tax expense (benefit)	(118,016)	1,820,866
Income (loss) before provision for income taxes	(1,458,434)	4,057,908
Interest income and other, net	(218,974)	(1,388,939)
Income (loss) from operations	(1,677,408)	2,668,969
Stock-based compensation	721,403	1,201,665
Amortization of acquired intangible assets	3,473,976	13,224,507
Operating income before amortization (OIBA)	2,517,971	17,095,141
Acquisition-related retention consideration	374,858	-
Facility relocation	199,960	-
Adjusted operating income before amortization (Adjusted OIBA)	\$ 3,092,789	\$ 17,095,141

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

	Three Months Ended	
	September 30,	
	2004	2005
Net cash provided by operating activities	\$ 2,346,050	\$ 3,667,596
Changes in asset and liabilities, net of effects of acquisitions	(487,734)	4,540,461
Provision for income taxes	82,787	871,277
Other items - facility relocation (1)	56,195	17,980
Interest income and other, net	(80,547)	(532,043)
Tax benefits from exercise of stock options	(78,777)	(470,069)
EBITDA	<u>\$ 1,837,974</u>	<u>\$ 8,095,202</u>

	Nine Months Ended	
	September 30,	
	2004	2005
Net cash provided by operating activities	\$ 2,335,785	\$ 10,068,630
Changes in asset and liabilities, net of effects of acquisitions	1,280,579	10,294,873
Provision for income taxes	(118,016)	1,820,866
Other items - facility relocation (1)	(137,736)	36,690
Interest income and other, net	(163,724)	(1,384,939)
Tax benefits from exercise of stock options	(179,869)	(798,162)
EBITDA	<u>\$ 3,017,019</u>	<u>\$ 20,037,958</u>

(1) Other items generally consist of a facility relocation charge.

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

	Three Months Ended	
	September 30,	
	2004	2005
Adjusted Non-GAAP EPS	\$ 0.04	\$ 0.09
Net income per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ 0.00
Shares used to calculate diluted net income per share applicable to common stockholders	26,968,840	38,144,506
Net income applicable to common stockholders	\$ 144,234	\$ 26,537
Acquisition-related retention consideration	119,198	-
Facility relocation	(30,499)	-
Stock-based compensation	125,405	557,958
Amortization of acquired intangible assets	1,404,464	5,191,699
Interest income and other, net	(80,547)	(532,043)
Estimated impact of income taxes	(596,401)	(1,668,546)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 1,085,854	\$ 3,575,605
Adjusted Non-GAAP EPS	\$ 0.04	\$ 0.09
Shares used to calculate diluted net income per share applicable to common stockholders	26,968,840	38,144,506
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	-	210,750
Shares used to calculate Adjusted Non-GAAP EPS	26,968,840	38,355,256

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)

	Nine Months Ended	
	September 30,	
	2004	2005
Adjusted Non-GAAP EPS	\$ 0.07	\$ 0.25
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.08)	\$ 0.01
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	20,971,993	36,188,819
Net income (loss) applicable to common stockholders	\$ (1,760,848)	\$ 522,423
Acquisition-related retention consideration	374,858	-
Facility relocation	199,960	-
Stock-based compensation	721,403	1,201,665
Amortization of acquired intangible assets	3,473,976	13,224,507
Interest income and other, net	(218,974)	(1,388,939)
Estimated impact of income taxes	(1,308,121)	(4,574,426)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 1,482,254	\$ 8,985,230
Adjusted Non-GAAP EPS	\$ 0.07	\$ 0.25
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	20,971,993	36,188,819
Weighted average stock options and warrants and common shares subject to repurchase or cancellation	1,593,323	89,372
Shares used to calculate Adjusted Non-GAAP EPS	22,565,316	36,278,191

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.