

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

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
Revenue	\$ 25,627,677	\$ 32,326,116
Expenses:		
Service costs (1)	13,280,344	15,184,125
Sales and marketing (1)	3,197,809	5,962,465
Product development (1)	1,038,257	2,689,912
General and administrative (1)	1,870,984	3,109,209
Amortization of acquired intangible assets	5,191,699	5,309,102
Total operating expenses	24,579,093	32,254,813
Gain (loss) on sales and disposals of intangible assets, net	-	(68,513)
Income from operations	1,048,584	2,790
Interest income and other, net	532,043	821,263
Income before provision for income taxes	1,580,627	824,053
Income tax expense	871,277	812,795
Net income	709,350	11,258
Convertible preferred stock dividends	682,813	422,147
Net income (loss) applicable to common stockholders	\$ 26,537	\$ (410,889)
Basic and diluted net income (loss) applicable to common stockholders	\$ 0.00	\$ (0.01)
Shares used to calculate basic net income (loss) per share applicable to common stockholders	36,043,092	38,720,191
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	38,144,506	38,720,191
(1) Includes stock compensation allocated as follows:		
Service costs	\$ (131,034)	\$ 268,654
Sales and marketing	437,983	845,594
Product development	(125,895)	884,156
General and administrative	376,904	1,210,301
Total stock compensation expense	\$ 557,958	\$ 3,208,705

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)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
Revenue	<u>\$ 65,191,682</u>	<u>\$ 95,153,161</u>
Expenses:		
Service costs (1)	34,822,513	45,056,393
Sales and marketing (1)	6,382,121	17,236,349
Product development (1)	3,252,001	7,470,331
General and administrative (1)	4,841,571	10,364,929
Amortization of acquired intangible assets	13,224,507	15,343,966
Total operating expenses	<u>62,522,713</u>	<u>95,471,968</u>
Gain (loss) on sales and disposals of intangible assets, net	<u>-</u>	<u>284,766</u>
Income (loss) from operations	2,668,969	(34,041)
Interest income and other, net	<u>1,388,939</u>	<u>2,307,371</u>
Income before provision for income taxes	4,057,908	2,273,330
Income tax expense	<u>1,820,866</u>	<u>2,305,247</u>
Income (loss) before cumulative effect of a change in accounting principle	2,237,042	(31,917)
Cumulative effect of a change in accounting principle, net of tax (2)	<u>-</u>	<u>151,341</u>
Net income	2,237,042	119,424
Convertible preferred stock dividends and conversion payment	<u>1,714,619</u>	<u>2,338,229</u>
Net income (loss) applicable to common stockholders	<u>\$ 522,423</u>	<u>\$ (2,218,805)</u>
Basic net income (loss) applicable to common stockholders	\$ 0.02	\$ (0.06)
Diluted net income (loss) applicable to common stockholders	\$ 0.01	\$ (0.06)
Shares used to calculate basic net income (loss) per share applicable to common stockholders	33,886,928	38,065,347
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	36,188,819	38,065,347
(1) Includes stock compensation allocated as follows:		
Service costs	\$ 3,600	\$ 760,607
Sales and marketing	753,414	2,836,843
Product development	22,755	2,446,530
General and administrative	421,896	4,113,376
Total stock compensation expense	<u>\$ 1,201,665</u>	<u>\$ 10,157,356</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)

<b>Assets</b>	<b>December 31, 2005</b>	<b>September 30, 2006</b>
Current assets:		
Cash and cash equivalents	\$ 63,090,941	\$ 69,334,818
Trade accounts receivable, net	14,401,814	14,539,441
Prepaid expenses and other current assets	1,818,211	2,400,316
Refundable taxes	3,835,542	3,146,204
Deferred income tax assets	428,855	358,081
Total current assets	<u>83,575,363</u>	<u>89,778,860</u>
Property and equipment, net	3,402,262	7,331,859
Deferred income tax assets	-	2,121,944
Intangibles and other assets, net	15,447,504	12,984,003
Goodwill	180,637,076	200,742,308
Intangible assets from acquisitions, net	<u>51,346,944</u>	<u>42,127,241</u>
Total assets	<u><u>\$ 334,409,149</u></u>	<u><u>\$ 355,086,215</u></u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,258,423	\$ 9,052,542
Accrued expenses and other current liabilities	1,755,970	2,149,649
Deferred revenue	<u>2,291,374</u>	<u>2,491,013</u>
Total current liabilities	13,305,767	13,693,204
Deferred income tax liabilities	397,481	-
Other non-current liabilities	<u>92,309</u>	<u>98,076</u>
Total liabilities	13,795,557	13,791,280
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	274,651
Additional paid-in capital	271,949,963	311,932,041
Deferred stock-based compensation	(3,042,016)	-
Accumulated deficit	<u>(2,790,154)</u>	<u>(5,147,465)</u>
Total stockholders' equity	<u>320,613,592</u>	<u>341,294,935</u>
Total liabilities and stockholders' equity	<u><u>\$ 334,409,149</u></u>	<u><u>\$ 355,086,215</u></u>

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

	<b>Three months ended September 30, 2005</b>	<b>Three months ended September 30, 2006</b>	<b>Nine months ended September 30, 2005</b>	<b>Nine months ended September 30, 2006</b>
Revenue, as reported	\$ 25,627,677	\$ 32,326,116	\$ 65,191,682	\$ 95,153,161
Name Development pro forma revenue	-	-	2,544,459	-
Pike Street pro forma revenue	-	-	1,230,494	-
IndustryBrains pro forma revenue	686,823	-	6,188,897	-
AreaConnect pro forma revenue	400,973	-	892,606	649,675
Open List pro forma revenue	54,104	-	59,353	156,511
Pro forma eliminations	<u>(3,387)</u>	<u>-</u>	<u>(36,086)</u>	<u>(22,259)</u>
Pro forma Revenue	<u>\$ 26,766,190</u>	<u>\$ 32,326,116</u>	<u>\$ 76,071,405</u>	<u>\$ 95,937,088</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)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
	<u>          </u>	<u>          </u>
Net income (loss) applicable to common stockholders	\$ 26,537	\$ (410,889)
Convertible preferred stock dividends	<u>682,813</u>	<u>422,147</u>
Net income	709,350	11,258
Income tax expense	<u>871,277</u>	<u>812,795</u>
Income before provision for income taxes	1,580,627	824,053
Interest income and other, net	<u>(532,043)</u>	<u>(821,263)</u>
Income from operations	1,048,584	2,790
Stock-based compensation	557,958	3,208,705
Amortization of acquired intangible assets	<u>5,191,699</u>	<u>5,309,102</u>
Operating income before amortization (OIBA)	6,798,241	8,520,597
Gain/loss on sales and disposals of intangible assets, net	<u>-</u>	<u>68,513</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 6,798,241</u>	<u>\$ 8,589,110</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)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
	<u>          </u>	<u>          </u>
Net income (loss) applicable to common stockholders	\$ 522,423	\$ (2,218,805)
Convertible preferred stock dividends and conversion payment	<u>1,714,619</u>	<u>2,338,229</u>
Net income	2,237,042	119,424
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	2,237,042	(31,917)
Income tax expense	<u>1,820,866</u>	<u>2,305,247</u>
Income before provision for income taxes	4,057,908	2,273,330
Interest income and other, net	<u>(1,388,939)</u>	<u>(2,307,371)</u>
Income (loss) from operations	2,668,969	(34,041)
Stock-based compensation	1,201,665	10,157,356
Amortization of acquired intangible assets	<u>13,224,507</u>	<u>15,343,966</u>
Operating income before amortization (OIBA)	17,095,141	25,467,281
Gain/loss on sales and disposals of intangible assets, net	<u>-</u>	<u>(284,766)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 17,095,141</u>	<u>\$ 25,182,515</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)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
Net cash provided by operating activities	\$ 3,667,596	\$ 11,152,291
Changes in asset and liabilities, net of effects of acquisitions	4,540,461	(1,105,044)
Provision for income taxes	871,277	812,795
Other item - facility relocation	17,980	-
Interest income and other, net	(532,043)	(829,164)
Income and excess tax benefits related to stock options	(470,069)	192,651
Adjusted EBITDA	<u>\$ 8,095,202</u>	<u>\$ 10,223,529</u>

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
Net cash provided by operating activities	\$ 10,068,630	\$ 26,833,818
Changes in asset and liabilities, net of effects of acquisitions	10,294,873	625,347
Provision for income taxes	1,820,866	2,305,247
Other item - facility relocation	36,690	43,431
Interest income and other, net	(1,384,939)	(2,317,135)
Income and excess tax benefits related to stock options	(798,162)	2,025,351
Adjusted EBITDA	<u>\$ 20,037,958</u>	<u>\$ 29,516,059</u>

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

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2006</b>
Adjusted Non-GAAP EPS	<u>\$ 0.09</u>	<u>\$ 0.13</u>
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.00	\$ (0.01)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	38,144,506	38,720,191
Net income (loss) applicable to common stockholders	\$ 26,537	\$ (410,889)
Stock-based compensation	557,958	3,208,705
Amortization of acquired intangible assets	5,191,699	5,309,102
Gain/loss on sales and disposals of intangible assets, net	-	68,513
Interest income and other, net	(532,043)	(821,263)
Estimated impact of income taxes	<u>(1,668,546)</u>	<u>(2,241,493)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 3,575,605</u>	<u>\$ 5,112,675</u>
Adjusted Non-GAAP EPS	<u>\$ 0.09</u>	<u>\$ 0.13</u>
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	38,144,506	38,720,191
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>210,750</u>	<u>1,757,902</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>38,355,256</u>	<u>40,478,093</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)

	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2006</b>
Adjusted Non-GAAP EPS	\$ 0.25	\$ 0.34
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ (0.06)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	36,188,819	38,065,347
Net income (loss) applicable to common stockholders	\$ 522,423	\$ (2,218,805)
Stock-based compensation	1,201,665	10,157,356
Amortization of acquired intangible assets	13,224,507	15,343,966
Gain/loss on sales and disposals of intangible assets, net	-	(284,766)
Cumulative effect of a change in accounting principle, net of tax (1)	-	(151,341)
Interest income and other, net	(1,388,939)	(2,307,371)
Estimated impact of income taxes	(4,574,426)	(6,755,422)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 8,985,230	\$ 13,783,617
Adjusted Non-GAAP EPS	\$ 0.25	\$ 0.34
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	36,188,819	38,065,347
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	89,372	2,237,408
Shares used to calculate Adjusted Non-GAAP EPS	36,278,191	40,302,755

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.