

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

	Three Months Ended September 30,	
	2008	2009
Revenue	<u>\$ 37,157,530</u>	<u>\$ 22,171,794</u>
Expenses:		
Service costs (1)	15,443,871	12,048,245
Sales and marketing (1)	8,462,898	3,213,946
Product development (1)	4,750,136	3,369,290
General and administrative (1)	5,156,542	3,997,361
Amortization of intangible assets from acquisitions	3,165,566	1,211,328
Total operating expenses	<u>36,979,013</u>	<u>23,840,170</u>
Gain on sales and disposals of intangible assets, net	<u>1,611,341</u>	<u>1,048,113</u>
Income (loss) from operations	1,789,858	(620,263)
Interest income (expense) and other, net	<u>999,218</u>	<u>(13,643)</u>
Income (loss) before provision for income taxes	2,789,076	(633,906)
Income tax expense (benefit)	<u>1,431,120</u>	<u>(1,376,830)</u>
Net income	1,357,956	742,924
Convertible preferred stock dividends	<u>11,928</u>	<u>-</u>
Net income applicable to common stockholders	<u>\$ 1,346,028</u>	<u>\$ 742,924</u>
Basic net income per share applicable to Class A and Class B common stockholders	\$ 0.04	\$ 0.02
Diluted net income per share applicable to Class A and Class B common stock holders	\$ 0.04	\$ 0.02
Shares used to calculate basic net income per share applicable to common stockholders		
Class A	10,959,216	10,869,216
Class B	25,207,357	22,724,209
Shares used to calculate diluted net income per share applicable to common stockholders		
Class A	10,959,216	10,869,216
Class B	36,852,998	33,930,390
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 188,564	\$ 120,505
Sales and marketing	587,014	239,528
Product development	553,013	180,493
General and administrative	1,919,405	1,785,936
Total	<u>\$ 3,247,996</u>	<u>\$ 2,326,462</u>

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

	Nine Months Ended September 30,	
	2008	2009
Revenue	\$ 111,563,744	\$ 69,823,816
Expenses:		
Service costs (1)	51,745,487	34,934,455
Sales and marketing (1)	23,330,681	14,485,213
Product development (1)	13,189,709	10,969,807
General and administrative (1)	15,190,526	12,055,096
Amortization of intangible assets from acquisitions	10,879,203	4,680,879
Total operating expenses	114,335,606	77,125,450
Gain on sales and disposals of intangible assets, net	3,766,608	2,832,968
Income (loss) from operations	994,746	(4,468,666)
Interest income (expense) and other, net	1,416,624	(17,425)
Income (loss) before provision for income taxes	2,411,370	(4,486,091)
Income tax expense (benefit)	1,824,396	(2,387,821)
Net income (loss)	586,974	(2,098,270)
Convertible preferred stock dividends and discount on preferred stock redemption, net	(32,657)	-
Net income (loss) applicable to common stockholders	\$ 619,631	\$ (2,098,270)
Basic net income (loss) per share applicable to Class A and Class B common stockholders	\$ 0.01	\$ (0.07)
Diluted net income (loss) per share applicable to Class A and Class B common stockholders	\$ 0.01	\$ (0.07)
Shares used to calculate basic net income (loss) applicable to common stockholders		
Class A	10,965,238	10,889,326
Class B	25,860,205	22,971,777
Shares used to calculate diluted net income (loss) applicable to common stockholders		
Class A	10,965,238	10,889,326
Class B	37,484,212	33,861,103
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 414,222	\$ 317,561
Sales and marketing	1,443,728	1,222,037
Product development	1,360,011	478,925
General and administrative	5,766,743	5,298,047
Total	\$ 8,984,704	\$ 7,316,570

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

Assets	December 31, 2008	September 30, 2009
Current assets:		
Cash and cash equivalents	\$ 27,418,396	\$ 33,022,528
Trade accounts receivable, net	21,734,291	13,109,558
Prepaid expenses and other current assets	2,642,607	2,044,173
Refundable taxes	3,042,288	5,316,130
Deferred tax assets	1,088,872	827,784
Total current assets	55,926,454	54,320,173
Property and equipment, net	5,615,396	4,121,338
Deferred tax assets	56,784,228	53,465,846
Intangibles and other assets, net	6,665,562	4,864,186
Goodwill	35,475,782	35,447,024
Intangible assets from acquisitions, net	9,802,365	5,121,449
Total assets	\$ 170,269,787	\$ 157,340,016
 Liabilities and Stockholders' Equity 		
Current liabilities:		
Accounts payable	\$ 12,351,123	\$ 7,518,901
Accrued expenses and other current liabilities	6,331,709	4,737,757
Deferred revenue	2,255,906	2,077,872
Total current liabilities	20,938,738	14,334,530
Other non-current liabilities	23,297	3,427
Total liabilities	20,962,035	14,337,957
Stockholders' equity:		
Class A common stock	112,217	111,317
Class B common stock	286,736	256,022
Treasury stock	(15,392,921)	(1,933,733)
Additional paid-in capital	299,925,762	282,290,765
Accumulated deficit	(135,624,042)	(137,722,312)
Total stockholders' equity	149,307,752	143,002,059
Total liabilities and stockholders' equity	\$ 170,269,787	\$ 157,340,016

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

	Three Months Ended	
	September 30,	
	2008	2009
Net income applicable to common stockholders	\$ 1,346,028	\$ 742,924
Convertible preferred stock dividends and discount on preferred stock redemption, net	11,928	-
Net income	1,357,956	742,924
Income tax expense (benefit)	1,431,120	(1,376,830)
Income (loss) before provision for income taxes	2,789,076	(633,906)
Interest income and other, net	(999,218)	13,643
Income (loss) from operations	1,789,858	(620,263)
Stock-based compensation	3,247,996	2,326,462
Amortization of intangible assets from acquisitions	3,165,566	1,211,328
Operating income before amortization (OIBA)	8,203,420	2,917,527
Gain on sales and disposals of intangible assets, net	(1,611,341)	(1,048,113)
Adjusted operating income before amortization (Adjusted OIBA)	\$ 6,592,079	\$ 1,869,414

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,	
	2008	2009
Net income (loss) applicable to common stockholders	\$ 619,631	\$ (2,098,270)
Convertible preferred stock dividends and discount on preferred stock redemption, net	(32,657)	-
Net income (loss)	586,974	(2,098,270)
Income tax expense (benefit)	1,824,396	(2,387,821)
Income (loss) before provision for income taxes	2,411,370	(4,486,091)
Interest income and other, net	(1,416,624)	17,425
Income (loss) from operations	994,746	(4,468,666)
Stock-based compensation	8,984,704	7,316,570
Amortization of intangible assets from acquisitions	10,879,203	4,680,879
Operating income before amortization (OIBA)	20,858,653	7,528,783
Gain on sales and disposals of intangible assets, net	(3,766,608)	(2,832,968)
Adjusted operating income before amortization (Adjusted OIBA)	\$ 17,092,045	\$ 4,695,815

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

	Three Months Ended	
	September 30,	
	2008	2009
Net cash provided by operating activities	\$ 8,150,565	\$ 5,241,565
Changes in asset and liabilities, net of effects of acquisitions	338,003	(533,169)
Income tax provision (benefit)	1,431,120	(1,376,830)
Other item - facility relocation	54	-
Interest income (expense) and other, net	(998,199)	13,693
Income and excess tax benefits related to stock options	6,722	19,350
Adjusted EBITDA	<u>\$ 8,928,265</u>	<u>\$ 3,364,609</u>
Net cash provided by investing activities	<u>\$ 1,026,715</u>	<u>\$ 632,225</u>
Net cash used in financing activities	<u>\$ (9,067,710)</u>	<u>\$ (1,582,523)</u>
	Nine Months Ended	
	September 30,	
	2008	2009
Net cash provided by operating activities	\$ 19,360,092	\$ 13,572,609
Changes in asset and liabilities, net of effects of acquisitions	4,816,715	(1,874,810)
Income tax provision (benefit)	1,824,396	(2,387,821)
Other item - facility relocation	(2,918)	-
Interest income (expense) and other, net	(1,413,750)	18,040
Income and excess tax benefits related to stock options	60,263	68,827
Adjusted EBITDA	<u>\$ 24,644,798</u>	<u>\$ 9,396,845</u>
Net cash provided by investing activities	<u>\$ 943,672</u>	<u>\$ 1,553,333</u>
Net cash used in financing activities	<u>\$ (27,671,543)</u>	<u>\$ (9,521,810)</u>

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

	Three Months Ended September 30,	
	2008	2009
Adjusted Non-GAAP EPS	\$ 0.11	\$ 0.03
Net income per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.04	\$ 0.02
Shares used to calculate diluted net income per Class B share applicable to common stockholders	36,852,998	33,930,390
Net income applicable to common stockholders	\$ 1,346,028	\$ 742,924
Stock-based compensation	3,247,996	2,326,462
Amortization of intangible assets from acquisitions	3,165,566	1,211,328
Gain on sales and disposals of intangible assets, net	(1,611,341)	(1,048,113)
Interest income (expense) and other, net	(999,218)	13,643
Estimated impact of income taxes	(942,399)	(2,030,400)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 4,206,632	\$ 1,215,844
Adjusted Non-GAAP EPS	\$ 0.11	\$ 0.03
Shares used to calculate diluted net income per Class B share applicable to common stockholders	36,852,998	33,930,390
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	2,548,206	2,252,300
Shares used to calculate Adjusted Non-GAAP EPS	39,401,204	36,182,690

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)

	Nine Months Ended September 30,	
	2008	2009
Adjusted Non-GAAP EPS	\$ 0.27	\$ 0.08
Net income (loss) per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ (0.07)
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	37,484,212	33,861,103
Net income (loss) applicable to common stockholders	\$ 619,631	\$ (2,098,270)
Discount on preferred stock redemption	(72,990)	-
Stock-based compensation	8,984,704	7,316,570
Amortization of intangible assets from acquisitions	10,879,203	4,680,879
Gain on sales and disposals of intangible assets, net	(3,766,608)	(2,832,968)
Interest income (expense) and other, net	(1,416,624)	17,425
Estimated impact of income taxes	(4,329,702)	(4,030,518)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 10,897,614	\$ 3,053,118
Adjusted Non-GAAP EPS	\$ 0.27	\$ 0.08
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	37,484,212	33,861,103
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)	2,841,487	2,596,053
Shares used to calculate Adjusted Non-GAAP EPS	40,317,288	36,457,156

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.