

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

	Three Months Ended	
	September 30,	
	2007	2008
Revenue	<u>\$ 33,493,588</u>	<u>\$ 37,157,530</u>
Expenses:		
Service costs (1)	18,815,633	15,443,871
Sales and marketing (1)	5,028,698	8,462,898
Product development (1)	3,302,726	4,750,136
General and administrative (1)	4,552,858	5,156,542
Amortization of intangible assets from acquisitions	<u>4,007,342</u>	<u>3,165,566</u>
Total operating expenses	<u>35,707,257</u>	<u>36,979,013</u>
Gain on sales and disposals of intangible assets, net	<u>126,569</u>	<u>1,611,341</u>
Income (loss) from operations	(2,087,100)	1,789,858
Interest income and other, net	<u>661,365</u>	<u>999,218</u>
Income (loss) before provision for income taxes	(1,425,735)	2,789,076
Income tax expense	<u>95,311</u>	<u>1,431,120</u>
Net income (loss)	(1,521,046)	1,357,956
Convertible preferred stock dividends	<u>16,991</u>	<u>11,928</u>
Net income (loss) applicable to common stockholders	<u>\$ (1,538,037)</u>	<u>\$ 1,346,028</u>
Basic net income (loss) applicable to Class A and Class B common stockholders	\$ (0.04)	\$ 0.04
Diluted net income (loss) applicable to Class A and Class B common stock holders	\$ (0.04)	\$ 0.04
Shares used to calculate basic net income (loss) per share applicable to common stockholders		
Class A	11,559,216	10,959,216
Class B	27,544,679	25,207,357
Shares used to calculate diluted net income (loss) per share applicable to common stockholders		
Class A	11,559,216	10,959,216
Class B	39,103,895	36,852,998
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 151,790	\$ 188,564
Sales and marketing	374,448	587,014
Product development	603,073	553,013
General and administrative	<u>1,856,638</u>	<u>1,919,405</u>
Total	<u>\$ 2,985,949</u>	<u>\$ 3,247,996</u>

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

	Nine Months Ended September 30,	
	2007	2008
Revenue	\$ 102,382,626	\$ 111,563,744
Expenses:		
Service costs (1)	50,821,449	51,745,487
Sales and marketing (1)	19,651,548	23,330,681
Product development (1)	8,563,161	13,189,709
General and administrative (1)	12,791,276	15,190,526
Amortization of intangible assets from acquisitions	12,604,730	10,879,203
Facility relocation	121,124	-
Total operating expenses	<u>104,553,288</u>	<u>114,335,606</u>
Gain on sales and disposals of intangible assets, net	<u>282,079</u>	<u>3,766,608</u>
Income (loss) from operations	(1,888,583)	994,746
Interest income and other, net	<u>2,121,666</u>	<u>1,416,624</u>
Income before provision for income taxes	233,083	2,411,370
Income tax expense	<u>982,077</u>	<u>1,824,396</u>
Net income (loss)	(748,994)	586,974
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(113,039)</u>	<u>(32,657)</u>
Net income (loss) applicable to common stockholders	<u>\$ (635,955)</u>	<u>\$ 619,631</u>
Basic net income (loss) per share applicable to Class A and Class B common stockholders	\$ (0.02)	\$ 0.02
Diluted net income (loss) per share applicable to Class A and Class B common stockholders	\$ (0.02)	\$ 0.02
Shares used to calculate basic net income (loss) applicable to common stockholders		
Class A	11,614,527	10,965,238
Class B	27,835,316	25,860,205
Shares used to calculate diluted net income (loss) applicable to common stock holders		
Class A	11,614,527	10,965,238
Class B	39,449,843	37,484,212
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 302,066	\$ 414,222
Sales and marketing	836,606	1,443,728
Product development	1,543,017	1,360,011
General and administrative	5,534,195	5,766,743
Total	<u>\$ 8,215,884</u>	<u>\$ 8,984,704</u>

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

Assets	December 31, 2007	September 30, 2008
Current assets:		
Cash and cash equivalents	\$ 36,456,307	\$ 29,088,528
Trade accounts receivable, net	18,307,386	19,555,766
Prepaid expenses and other current assets	2,118,390	3,357,625
Refundable taxes	1,693,695	3,717,520
Deferred tax assets	867,465	1,207,027
Total current assets	59,443,243	56,926,466
Property and equipment, net	7,357,903	6,406,618
Deferred tax assets	7,447,315	8,245,650
Intangibles and other assets, net	17,381,827	14,584,907
Goodwill	204,766,826	204,785,718
Intangible assets from acquisitions, net	23,797,231	12,892,421
Total assets	\$ 320,194,345	\$ 303,841,780
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,625,779	\$ 11,075,737
Accrued expenses and other current liabilities	3,668,342	6,319,468
Deferred revenue	2,906,379	2,323,834
Total current liabilities	18,200,500	19,719,039
Other non-current liabilities	105,370	42,253
Total liabilities	18,305,870	19,761,292
Stockholders' equity:		
Convertible preferred stock	1,446,649	964,689
Class A common stock	113,717	112,217
Class B common stock	321,061	286,655
Treasury stock	(22,116,275)	(8,526,660)
Additional paid-in capital	329,835,529	298,412,133
Accumulated deficit	(7,712,206)	(7,168,546)
Total stockholders' equity	301,888,475	284,080,488
Total liabilities and stockholders' equity	\$ 320,194,345	\$ 303,841,780

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue, as reported	\$ 33,493,588	\$ 37,157,530	\$ 102,382,626	\$ 111,563,744
Marchex Voice Services, Inc. pro forma revenue	<u>713,693</u>	<u>-</u>	<u>1,675,712</u>	<u>-</u>
Pro forma Revenue	<u>\$ 34,207,281</u>	<u>\$ 37,157,530</u>	<u>\$ 104,058,338</u>	<u>\$ 111,563,744</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)

	Three Months Ended	
	September 30,	
	2007	2008
Net income (loss) applicable to common stockholders	\$ (1,538,037)	\$ 1,346,028
Convertible preferred stock dividends	<u>16,991</u>	<u>11,928</u>
Net income (loss)	(1,521,046)	1,357,956
Income tax expense	<u>95,311</u>	<u>1,431,120</u>
Income (loss) before provision for income taxes	(1,425,735)	2,789,076
Interest income and other, net	<u>(661,365)</u>	<u>(999,218)</u>
Income (loss) from operations	(2,087,100)	1,789,858
Stock-based compensation	2,985,949	3,247,996
Amortization of intangible assets from acquisitions	<u>4,007,342</u>	<u>3,165,566</u>
Operating income before amortization (OIBA)	4,906,191	8,203,420
Gain on sales and disposals of intangible assets, net	<u>(126,569)</u>	<u>(1,611,341)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 4,779,622</u>	<u>\$ 6,592,079</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,	
	2007	2008
Net income (loss) applicable to common stockholders	\$ (635,955)	\$ 619,631
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(113,039)</u>	<u>(32,657)</u>
Net income (loss)	(748,994)	586,974
Income tax expense	<u>982,077</u>	<u>1,824,396</u>
Income before provision for income taxes	233,083	2,411,370
Interest income and other, net	<u>(2,121,666)</u>	<u>(1,416,624)</u>
Income (loss) from operations	(1,888,583)	994,746
Stock-based compensation	8,215,884	8,984,704
Amortization of intangible assets from acquisitions	<u>12,604,730</u>	<u>10,879,203</u>
Operating income before amortization (OIBA)	18,932,031	20,858,653
Facility relocation	121,124	-
Gain on sales and disposals of intangible assets, net	<u>(282,079)</u>	<u>(3,766,608)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 18,771,076</u>	<u>\$ 17,092,045</u>

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

	Three Months Ended	
	September 30,	
	2007	2008
Net cash provided by operating activities	\$ 10,811,786	\$ 8,150,565
Changes in asset and liabilities, net of effects of acquisitions	(2,958,623)	338,003
Provision for income taxes	95,311	1,431,120
Other item - facility relocation	(9,025)	54
Interest income and other	(661,365)	(998,199)
Income and excess tax benefits related to stock options	16,214	6,722
Adjusted EBITDA	<u>\$ 7,294,298</u>	<u>\$ 8,928,265</u>
Net cash (used in) provided by investing activities	<u>\$ (13,448,258)</u>	<u>\$ 1,026,715</u>
Net cash used in financing activities	<u>\$ (14,059,451)</u>	<u>\$ (9,067,710)</u>
	Nine Months Ended	
	September 30,	
	2007	2008
Net cash provided by operating activities	\$ 27,572,469	\$ 19,360,092
Changes in asset and liabilities, net of effects of acquisitions	(3,517,697)	4,816,715
Provision for income taxes	982,077	1,824,396
Other item - facility relocation	8,081	(2,918)
Interest income and other	(2,124,909)	(1,413,750)
Income and excess tax benefits related to stock options	2,462,978	60,263
Adjusted EBITDA	<u>\$ 25,382,999</u>	<u>\$ 24,644,798</u>
Net cash (used in) provided by investing activities	<u>\$ (25,798,141)</u>	<u>\$ 943,672</u>
Net cash used in financing activities	<u>\$ (10,683,815)</u>	<u>\$ (27,671,543)</u>

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

	Three Months Ended	
	September 30,	
	2007	2008
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	0.07	0.11
Net income (loss) per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.04)	\$ 0.04
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	39,103,895	36,852,998
Net income (loss) applicable to common stockholders	\$ (1,538,037)	\$ 1,346,028
Stock-based compensation	2,985,949	3,247,996
Amortization of intangible assets from acquisitions	4,007,342	3,165,566
Gain on sales and disposals of intangible assets, net	(126,569)	(1,611,341)
Interest income and other, net	(661,365)	(999,218)
Estimated impact of income taxes	(1,646,194)	(942,399)
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 3,021,126</u>	<u>\$ 4,206,632</u>
Adjusted Non-GAAP EPS	<u>\$ 0.07</u>	<u>\$ 0.11</u>
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	39,103,895	36,852,998
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>3,731,286</u>	<u>2,548,206</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>42,835,181</u>	<u>39,401,204</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)

	Nine Months Ended	
	September 30,	
	2007	2008
Adjusted Non-GAAP EPS	<u>\$ 0.28</u>	<u>\$ 0.27</u>
Net income (loss) per Class B share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.02)	\$ 0.02
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	39,449,843	37,484,212
Net income (loss) applicable to common stockholders	\$ (635,955)	\$ 619,631
Discount on preferred stock redemption	(163,867)	(72,990)
Stock-based compensation	8,215,884	8,984,704
Facility relocation	121,124	-
Amortization of intangible assets from acquisitions	12,604,730	10,879,203
Gain on sales and disposals of intangible assets, net	(282,079)	(3,766,608)
Interest income and other, net	(2,121,666)	(1,416,624)
Estimated impact of income taxes	<u>(5,800,927)</u>	<u>(4,329,702)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 11,937,244</u>	<u>\$ 10,897,614</u>
Adjusted Non-GAAP EPS	<u>\$ 0.28</u>	<u>\$ 0.27</u>
Shares used to calculate diluted net income (loss) per Class B share applicable to common stockholders	39,449,843	37,484,212
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>3,909,677</u>	<u>2,841,487</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>43,359,520</u>	<u>40,317,288</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.