

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

	Three Months Ended	
	March 31,	
	2007	2008
Revenue	<u>\$ 34,223,401</u>	<u>\$ 37,042,327</u>
Expenses:		
Service costs (1)	15,241,228	18,887,315
Sales and marketing (1)	7,509,921	6,971,748
Product development (1)	2,597,656	4,187,104
General and administrative (1)	4,180,775	4,959,109
Amortization of intangible assets from acquisitions	4,523,134	4,052,362
Total operating expenses	<u>34,052,714</u>	<u>39,057,638</u>
Gain on sales and disposals of intangible assets, net	<u>32,264</u>	<u>144,691</u>
Income (loss) from operations	202,951	(1,870,620)
Interest income and other, net	<u>711,987</u>	<u>284,326</u>
Income (loss) before provision for income taxes	914,938	(1,586,294)
Income tax expense (benefit)	<u>473,788</u>	<u>(339,953)</u>
Net income (loss)	441,150	(1,246,341)
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(106,548)</u>	<u>(10,888)</u>
Net income (loss) applicable to common stockholders	<u>\$ 547,698</u>	<u>\$ (1,235,453)</u>
Basic net income (loss) applicable to common stockholders	\$ 0.01	\$ (0.03)
Diluted net income (loss) applicable to common stock holders	\$ 0.01	\$ (0.03)
Shares used to calculate basic net income (loss) per share applicable to common stockholders	39,165,916	37,578,538
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	40,417,741	37,580,492
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 118,535	\$ 139,571
Sales and marketing	372,358	530,710
Product development	489,252	410,709
General and administrative	1,907,069	1,986,482
Total	<u>\$ 2,887,214</u>	<u>\$ 3,067,472</u>

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

Assets	December 31, 2007	March 31, 2008
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 36,456,307	\$ 34,452,286
Trade accounts receivable, net	18,307,386	19,817,306
Prepaid expenses and other current assets	2,118,390	2,758,491
Refundable taxes	1,693,695	982,856
Deferred tax assets	867,465	995,545
Total current assets	<u>59,443,243</u>	<u>59,006,484</u>
Property and equipment, net	7,357,903	7,199,607
Deferred tax assets	7,447,315	8,413,749
Intangibles and other assets, net	17,381,827	16,044,512
Goodwill	204,766,826	204,787,040
Intangible assets from acquisitions, net	<u>23,797,231</u>	<u>19,744,271</u>
Total assets	<u><u>\$320,194,345</u></u>	<u><u>\$ 315,195,663</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,625,779	\$ 11,894,408
Accrued expenses and other current liabilities	3,668,342	4,473,307
Deferred revenue	2,906,379	2,736,998
Total current liabilities	<u>18,200,500</u>	<u>19,104,713</u>
Other non-current liabilities	<u>105,370</u>	<u>87,876</u>
Total liabilities	<u>18,305,870</u>	<u>19,192,589</u>
Stockholders' equity:		
Convertible preferred stock	1,446,649	1,302,637
Class A common stock	113,717	112,217
Class B common stock	321,061	302,850
Treasury stock	(22,116,275)	(7,203,550)
Additional paid-in capital	329,835,529	310,463,575
Accumulated deficit	(7,712,206)	(8,974,655)
Total stockholders' equity	<u>301,888,475</u>	<u>296,003,074</u>
Total liabilities and stockholders' equity	<u><u>\$320,194,345</u></u>	<u><u>\$ 315,195,663</u></u>

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

	Three Months Ended	
	March 31,	
	2007	2008
Revenue, as reported	\$ 34,223,401	\$ 37,042,327
VoiceStar pro forma revenue	<u>392,209</u>	<u>-</u>
Pro forma Revenue	<u>\$ 34,615,610</u>	<u>\$ 37,042,327</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	
	March 31,	
	2007	2008
Net income (loss) applicable to common stockholders	\$ 547,698	\$(1,235,453)
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(106,548)</u>	<u>(10,888)</u>
Net income (loss)	441,150	(1,246,341)
Income tax expense (benefit)	<u>473,788</u>	<u>(339,953)</u>
Income (loss) before provision for income taxes	914,938	(1,586,294)
Interest income and other, net	<u>(711,987)</u>	<u>(284,326)</u>
Income (loss) from operations	202,951	(1,870,620)
Stock-based compensation	2,887,214	3,067,472
Amortization of intangible assets from acquisitions	<u>4,523,134</u>	<u>4,052,362</u>
Operating income before amortization (OIBA)	7,613,299	5,249,214
Gain on sales and disposals of intangible assets, net	<u>(32,264)</u>	<u>(144,691)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 7,581,035</u>	<u>\$ 5,104,523</u>

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

	Three Months Ended	
	March 31,	
	2007	2008
Net cash provided by operating activities	\$ 12,478,122	\$ 6,657,174
Changes in asset and liabilities, net of effects of acquisitions	(4,256,141)	1,653,478
Provision (benefit) for income taxes	473,788	(339,953)
Other item - facility relocation	-	(4,635)
Interest income and expense	(706,703)	(283,825)
Income and excess tax benefits related to stock options	1,492,991	33,161
Adjusted EBITDA	<u>\$ 9,482,057</u>	<u>\$ 7,715,400</u>

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

	Three Months Ended	
	March 31,	
	<u>2007</u>	<u>2008</u>
Adjusted Non-GAAP EPS	<u>\$ 0.11</u>	<u>\$ 0.08</u>
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ (0.03)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	40,417,741	37,580,492
Net income (loss) applicable to common stockholders	\$ 547,698	\$(1,235,453)
Discount on preferred stock redemption	(122,594)	(26,106)
Stock-based compensation	2,887,214	3,067,472
Amortization of intangible assets from acquisitions	4,523,134	4,052,362
Gain on sales and disposals of intangible assets, net	(32,264)	(144,691)
Interest income and other, net	(711,987)	(284,326)
Estimated impact of income taxes	<u>(2,259,129)</u>	<u>(2,182,679)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 4,832,072</u>	<u>\$ 3,246,579</u>
Adjusted Non-GAAP EPS	<u>\$ 0.11</u>	<u>\$ 0.08</u>
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	40,417,741	37,580,492
Weighted average common share equivalents for redeemed preferred shares	(1,604)	(1,954)
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>2,480,483</u>	<u>3,641,416</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>42,896,620</u>	<u>41,219,954</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.