

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

	Three Months Ended	
	June 30,	
	2007	2008
Revenue	<u>\$ 34,665,637</u>	<u>\$ 37,363,887</u>
Expenses:		
Service costs (1)	16,764,588	17,414,301
Sales and marketing (1)	7,112,929	7,896,035
Product development (1)	2,662,779	4,252,469
General and administrative (1)	4,057,643	5,074,875
Amortization of intangible assets from acquisitions	4,074,254	3,661,275
Facility relocation	121,124	-
Total operating expenses	<u>34,793,317</u>	<u>38,298,955</u>
Gain on sales and disposals of intangible assets, net	<u>123,246</u>	<u>2,010,576</u>
Income (loss) from operations	(4,434)	1,075,508
Interest income and other, net	<u>748,314</u>	<u>133,080</u>
Income before provision for income taxes	743,880	1,208,588
Income tax expense	<u>412,978</u>	<u>733,229</u>
Net income	330,902	475,359
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(23,482)</u>	<u>(33,697)</u>
Net income applicable to common stockholders	<u>\$ 354,384</u>	<u>\$ 509,056</u>
Basic and diluted net income applicable to common stockholders	\$ 0.01	\$ 0.01
Shares used to calculate basic net income per share applicable to common stockholders	39,597,600	36,580,610
Shares used to calculate diluted net income per share applicable to common stockholders	40,534,319	37,504,686
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 31,741	\$ 86,087
Sales and marketing	89,800	326,004
Product development	450,692	396,289
General and administrative	1,770,488	1,860,856
Total	<u>\$ 2,342,721</u>	<u>\$ 2,669,236</u>

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

	Six Months Ended	
	June 30,	
	2007	2008
Revenue	\$ 68,889,038	\$ 74,406,214
Expenses:		
Service costs (1)	32,005,816	36,301,616
Sales and marketing (1)	14,622,850	14,867,783
Product development (1)	5,260,435	8,439,573
General and administrative (1)	8,238,418	10,033,984
Amortization of intangible assets from acquisitions	8,597,388	7,713,637
Facility relocation	121,124	-
Total operating expenses	68,846,031	77,356,593
Gain on sales and disposals of intangible assets, net	155,510	2,155,267
Income (loss) from operations	198,517	(795,112)
Interest income and other, net	1,460,301	417,406
Income (loss) before provision for income taxes	1,658,818	(377,706)
Income tax expense	886,766	393,276
Net income (loss)	772,052	(770,982)
Convertible preferred stock dividends and discount on preferred stock redemption, net	(130,030)	(44,585)
Net income (loss) applicable to common stockholders	\$ 902,082	\$ (726,397)
Basic and diluted net income (loss) per share applicable to common stockholders	\$ 0.02	\$ (0.02)
Shares used to calculate basic net income (loss) applicable to common stockholders	39,382,979	37,121,849
Shares used to calculate diluted net income (loss) applicable to common stock holders	40,371,282	37,130,260
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 150,276	\$ 225,658
Sales and marketing	462,158	856,714
Product development	939,944	806,998
General and administrative	3,677,557	3,847,338
Total	\$ 5,229,935	\$ 5,736,708

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

Assets	<u>December 31, 2007</u>	<u>June 30, 2008</u>
Current assets:		
Cash and cash equivalents	\$ 36,456,307	\$ 28,978,958
Trade accounts receivable, net	18,307,386	22,407,461
Prepaid expenses and other current assets	2,118,390	3,553,256
Refundable taxes	1,693,695	1,538,255
Deferred tax assets	867,465	1,213,561
Total current assets	<u>59,443,243</u>	<u>57,691,491</u>
Property and equipment, net	7,357,903	6,727,401
Deferred tax assets	7,447,315	9,395,438
Intangibles and other assets, net	17,381,827	14,832,251
Goodwill	204,766,826	204,777,254
Intangible assets from acquisitions, net	<u>23,797,231</u>	<u>16,071,848</u>
Total assets	<u>\$ 320,194,345</u>	<u>\$ 309,495,683</u>
 Liabilities and Stockholders' Equity 		
Current liabilities:		
Accounts payable	\$ 11,625,779	\$ 13,525,119
Accrued expenses and other current liabilities	3,668,342	4,887,395
Deferred revenue	2,906,379	2,616,993
Total current liabilities	<u>18,200,500</u>	<u>21,029,507</u>
Other non-current liabilities	<u>105,370</u>	<u>68,213</u>
Total liabilities	<u>18,305,870</u>	<u>21,097,720</u>
Stockholders' equity:		
Convertible preferred stock	1,446,649	964,689
Class A common stock	113,717	112,217
Class B common stock	321,061	286,419
Treasury stock	(22,116,275)	(134,460)
Additional paid-in capital	329,835,529	295,683,672
Accumulated deficit	<u>(7,712,206)</u>	<u>(8,514,574)</u>
Total stockholders' equity	<u>301,888,475</u>	<u>288,397,963</u>
Total liabilities and stockholders' equity	<u>\$ 320,194,345</u>	<u>\$ 309,495,683</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Revenue, as reported	\$ 34,665,637	\$ 37,363,887	\$ 68,889,038	\$ 74,406,214
VoiceStar pro forma revenue	<u>569,810</u>	<u>-</u>	<u>962,019</u>	<u>-</u>
Pro forma Revenue	<u>\$ 35,235,447</u>	<u>\$ 37,363,887</u>	<u>\$ 69,851,057</u>	<u>\$ 74,406,214</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	
	June 30,	
	2007	2008
Net income applicable to common stockholders	\$ 354,384	\$ 509,056
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(23,482)</u>	<u>(33,697)</u>
Net income	330,902	475,359
Income tax expense	<u>412,978</u>	<u>733,229</u>
Income before provision for income taxes	743,880	1,208,588
Interest income and other, net	<u>(748,314)</u>	<u>(133,080)</u>
Income (loss) from operations	(4,434)	1,075,508
Stock-based compensation	2,342,721	2,669,236
Amortization of intangible assets from acquisitions	<u>4,074,254</u>	<u>3,661,275</u>
Operating income before amortization (OIBA)	6,412,541	7,406,019
Facility relocation	121,124	-
Gain on sales and disposals of intangible assets, net	<u>(123,246)</u>	<u>(2,010,576)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 6,410,419</u>	<u>\$ 5,395,443</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)

	Six Months Ended	
	June 30,	
	2007	2008
Net income (loss) applicable to common stockholders	\$ 902,082	\$ (726,397)
Convertible preferred stock dividends and discount on preferred stock redemption, net	<u>(130,030)</u>	<u>(44,585)</u>
Net income (loss)	772,052	(770,982)
Income tax expense	<u>886,766</u>	<u>393,276</u>
Income (loss) before provision for income taxes	1,658,818	(377,706)
Interest income and other, net	<u>(1,460,301)</u>	<u>(417,406)</u>
Income (loss) from operations	198,517	(795,112)
Stock-based compensation	5,229,935	5,736,708
Amortization of intangible assets from acquisitions	<u>8,597,388</u>	<u>7,713,637</u>
Operating income before amortization (OIBA)	14,025,840	12,655,233
Facility relocation	121,124	-
Gain on sales and disposals of intangible assets, net	<u>(155,510)</u>	<u>(2,155,267)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 13,991,454</u>	<u>\$ 10,499,966</u>

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

	Three Months Ended	
	June 30,	
	2007	2008
Net cash provided by operating activities	\$ 4,282,562	\$ 4,552,353
Changes in asset and liabilities, net of effects of acquisitions	3,697,066	2,825,234
Provision for income taxes	412,978	733,229
Other item - facility relocation	17,106	1,663
Interest income and expense	(756,841)	(131,726)
Income and excess tax benefits related to stock options	953,773	20,380
Adjusted EBITDA	<u>\$ 8,606,644</u>	<u>\$ 8,001,133</u>
Net cash (used in) provided by investing activities	<u>\$(10,844,476)</u>	<u>\$ 794,288</u>
Net cash provided by (used in) financing activities	<u>\$ 1,387,221</u>	<u>\$(10,819,969)</u>

	Six Months Ended	
	June 30,	
	2007	2008
Net cash provided by operating activities	\$ 16,760,683	\$ 11,209,527
Changes in asset and liabilities, net of effects of acquisitions	(559,074)	4,478,712
Provision for income taxes	886,766	393,276
Other item - facility relocation	17,106	(2,972)
Interest income and expense	(1,463,544)	(415,551)
Income and excess tax benefits related to stock options	2,446,764	53,541
Adjusted EBITDA	<u>\$ 18,088,701</u>	<u>\$ 15,716,533</u>
Net cash used in investing activities	<u>\$(12,349,883)</u>	<u>\$ (83,043)</u>
Net cash provided by (used in) financing activities	<u>\$ 3,375,636</u>	<u>\$(18,603,833)</u>

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

	Three Months Ended	
	June 30,	
	2007	2008
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	<u>0.10</u>	<u>0.09</u>
Net income per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.01	\$ 0.01
Shares used to calculate diluted net income per share applicable to common stockholders	40,534,319	37,504,686
Net income applicable to common stockholders	\$ 354,384	\$ 509,056
Discount on preferred stock redemption	(40,923)	(46,884)
Stock-based compensation	2,342,721	2,669,236
Facility relocation	121,124	-
Amortization of intangible assets from acquisitions	4,074,254	3,661,275
Gain on sales and disposals of intangible assets, net	(123,246)	(2,010,576)
Interest income and other, net	(748,314)	(133,080)
Estimated impact of income taxes	<u>(1,895,669)</u>	<u>(1,214,728)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 4,084,331</u>	<u>\$ 3,434,299</u>
Adjusted Non-GAAP EPS	<u>\$ 0.10</u>	<u>\$ 0.09</u>
Shares used to calculate diluted net income per share applicable to common stockholders	40,534,319	37,504,686
Weighted average common share equivalents for redeemed preferred shares	(3,266)	(8,327)
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>2,328,137</u>	<u>2,583,167</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>42,859,190</u>	<u>40,079,526</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)

	Six Months Ended June 30,	
	2007	2008
Adjusted Non-GAAP EPS	\$ 0.21	\$ 0.16
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.02	\$ (0.02)
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	40,371,282	37,130,260
Net income (loss) applicable to common stockholders	\$ 902,082	\$ (726,397)
Discount on preferred stock redemption	(163,867)	(72,990)
Stock-based compensation	5,229,935	5,736,708
Facility relocation	121,124	-
Amortization of intangible assets from acquisitions	8,597,388	7,713,637
Gain on sales and disposals of intangible assets, net	(155,510)	(2,155,267)
Interest income and other, net	(1,460,301)	(417,406)
Estimated impact of income taxes	(4,154,741)	(3,397,604)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 8,916,110	\$ 6,680,681
Adjusted Non-GAAP EPS	\$ 0.21	\$ 0.16
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	40,371,282	37,130,260
Weighted average common share equivalents for redeemed preferred shares	(7,058)	(8,411)
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	2,425,488	3,623,698
Shares used to calculate Adjusted Non-GAAP EPS	42,789,712	40,745,547

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.