

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

	Three Months Ended	
	September 30,	
	2006	2007
Revenue	\$ 32,326,116	\$ 33,493,588
Expenses:		
Service costs (1)	15,184,125	18,815,633
Sales and marketing (1)	5,962,465	5,028,698
Product development (1)	2,689,912	3,302,726
General and administrative (1)	3,109,209	4,552,858
Amortization of intangible assets from acquisitions	5,309,102	4,007,342
Total operating expenses	32,254,813	35,707,257
Gain (loss) on sales and disposals of intangible assets, net	(68,513)	126,569
Income (loss) from operations	2,790	(2,087,100)
Interest income and other, net	821,263	661,365
Income (loss) before provision for income taxes	824,053	(1,425,735)
Income tax expense	812,795	95,311
Net income (loss)	11,258	(1,521,046)
Convertible preferred stock dividends	422,147	16,991
Net loss applicable to common stockholders	\$ (410,889)	\$ (1,538,037)
Basic and diluted net loss applicable to common stockholders	\$ (0.01)	\$ (0.04)
Shares used to calculate basic and diluted net loss per share applicable to common stockholders	38,720,191	39,103,895
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 268,654	\$ 151,790
Sales and marketing	845,594	374,448
Product development	884,156	603,073
General and administrative	1,210,301	1,856,638
Total	\$ 3,208,705	\$ 2,985,949

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

	Nine Months Ended	
	September 30,	
	<u>2006</u>	<u>2007</u>
Revenue	<u>\$ 95,153,161</u>	<u>\$ 102,382,626</u>
Expenses:		
Service costs (1)	45,056,393	50,821,449
Sales and marketing (1)	17,236,349	19,651,548
Product development (1)	7,470,331	8,563,161
General and administrative (1)	10,364,929	12,791,276
Amortization of intangible assets from acquisitions	15,343,966	12,604,730
Facility relocation	-	121,124
Total operating expenses	<u>95,471,968</u>	<u>104,553,288</u>
Gain on sales and disposals of intangible assets, net	<u>284,766</u>	<u>282,079</u>
Loss from operations	(34,041)	(1,888,583)
Interest income and other, net	<u>2,307,371</u>	<u>2,121,666</u>
Income before provision for income taxes	2,273,330	233,083
Income tax expense	<u>2,305,247</u>	<u>982,077</u>
Loss before cumulative effect of a change in accounting principle	(31,917)	(748,994)
Cumulative effect of a change in accounting principle, net of tax (2)	<u>151,341</u>	<u>-</u>
Net income (loss)	119,424	(748,994)
Convertible preferred stock dividends, conversion payment and discount on preferred stock redemption, net	<u>2,338,229</u>	<u>(113,039)</u>
Net loss applicable to common stockholders	<u>\$ (2,218,805)</u>	<u>\$ (635,955)</u>
Basic and diluted net loss per share applicable to common stockholders	\$ (0.06)	\$ (0.02)
Basic and diluted net loss applicable to common stockholders	38,065,347	39,449,844
(1) Includes stock-based compensation allocated as follows:		
Service costs	\$ 760,607	\$ 302,066
Sales and marketing	2,836,843	836,606
Product development	2,446,530	1,543,017
General and administrative	4,113,376	5,534,195
Total	<u>\$ 10,157,356</u>	<u>\$ 8,215,884</u>

(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)

Assets	<u>December 31, 2006</u>	<u>September 30, 2007</u>
Current assets:		
Cash and cash equivalents	\$ 46,105,827	\$ 37,196,340
Trade accounts receivable, net	22,035,343	19,251,096
Prepaid expenses and other current assets	2,221,550	1,604,824
Refundable taxes	1,837,166	3,049,496
Deferred tax assets	<u>670,624</u>	<u>964,503</u>
Total current assets	72,870,510	62,066,259
Property and equipment, net	7,280,075	8,000,495
Deferred tax assets	2,444,782	6,169,312
Intangibles and other assets, net	13,318,801	19,124,981
Goodwill	200,738,098	204,876,521
Intangible assets from acquisitions, net	<u>36,735,570</u>	<u>28,072,565</u>
Total assets	<u><u>\$333,387,836</u></u>	<u><u>\$ 328,310,133</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,739,231	\$ 11,346,311
Accrued expenses and other current liabilities	2,913,152	4,243,120
Deferred revenue	<u>2,430,644</u>	<u>2,946,077</u>
Total current liabilities	16,083,027	18,535,508
Other non-current liabilities	<u>91,907</u>	<u>94,608</u>
Total liabilities	16,174,934	18,630,116
Stockholders' equity:		
Convertible preferred stock	2,342,884	1,446,649
Class A common stock	119,217	118,217
Class B common stock	276,361	315,404
Treasury stock	-	(13,592,482)
Additional paid-in capital	320,607,113	328,330,269
Accumulated deficit	<u>(6,132,673)</u>	<u>(6,938,040)</u>
Total stockholders' equity	<u>317,212,902</u>	<u>309,680,017</u>
Total liabilities and stockholders' equity	<u><u>\$333,387,836</u></u>	<u><u>\$ 328,310,133</u></u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2007	2006	2007
Revenue, as reported	\$ 32,326,116	\$ 33,493,588	\$ 95,153,161	\$ 102,382,626
AreaConnect pro forma revenue	-	-	649,675	-
Open List pro forma revenue	-	-	156,511	-
VoiceStar pro forma revenue	238,171	713,693	462,317	1,675,712
Pro forma eliminations	-	-	(22,259)	-
Pro forma Revenue	<u>\$ 32,564,287</u>	<u>\$ 34,207,281</u>	<u>\$ 96,399,405</u>	<u>\$ 104,058,338</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,	
	2006	2007
Net loss applicable to common stockholders	\$ (410,889)	\$ (1,538,037)
Convertible preferred stock dividends	<u>422,147</u>	<u>16,991</u>
Net income (loss)	11,258	(1,521,046)
Income tax expense	<u>812,795</u>	<u>95,311</u>
Income (loss) before provision for income taxes	824,053	(1,425,735)
Interest income and other, net	<u>(821,263)</u>	<u>(661,365)</u>
Income (loss) from operations	2,790	(2,087,100)
Stock-based compensation	3,208,705	2,985,949
Amortization of intangible assets from acquisitions	<u>5,309,102</u>	<u>4,007,342</u>
Operating income before amortization (OIBA)	8,520,597	4,906,191
Gain (loss) on sales and disposals of intangible assets, net	<u>68,513</u>	<u>(126,569)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 8,589,110</u>	<u>\$ 4,779,622</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,	
	2006	2007
Net loss applicable to common stockholders	\$ (2,218,805)	\$ (635,955)
Convertible preferred stock dividends, conversion payment and discount on preferred stock redemption, net	<u>2,338,229</u>	<u>(113,039)</u>
Net income (loss)	119,424	(748,994)
Cumulative effect of a change in accounting principle, net of tax (1)	<u>151,341</u>	<u>-</u>
Loss before cumulative effect of a change in accounting principle	(31,917)	(748,994)
Income tax expense	<u>2,305,247</u>	<u>982,077</u>
Income before provision for income taxes	2,273,330	233,083
Interest income and other, net	<u>(2,307,371)</u>	<u>(2,121,666)</u>
Loss from operations	(34,041)	(1,888,583)
Stock-based compensation	10,157,356	8,215,884
Amortization of intangible assets from acquisitions	<u>15,343,966</u>	<u>12,604,730</u>
Operating income before amortization (OIBA)	25,467,281	18,932,031
Facility relocation	-	121,124
Gain on sales and disposals of intangible assets, net	<u>(284,766)</u>	<u>(282,079)</u>
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 25,182,515</u>	<u>\$ 18,771,076</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)

	Three Months Ended	
	September 30,	
	2006	2007
Net cash provided by operating activities	\$ 11,152,291	\$ 10,811,786
Changes in asset and liabilities, net of effects of acquisitions	(1,105,044)	(2,958,623)
Provision for income taxes	812,795	95,311
Other item - facility relocation	-	(9,025)
Interest income and other, net	(829,164)	(661,365)
Income and excess tax benefits related to stock options	192,651	16,214
Adjusted EBITDA	<u>\$ 10,223,529</u>	<u>\$ 7,294,298</u>

	Nine Months Ended	
	September 30,	
	2006	2007
Net cash provided by operating activities	\$ 26,833,819	\$ 27,572,469
Changes in asset and liabilities, net of effects of acquisitions	625,347	(3,517,697)
Provision for income taxes	2,305,247	982,077
Other item - facility relocation	43,431	8,081
Interest income and other, net	(2,317,135)	(2,124,909)
Income and excess tax benefits related to stock options	2,025,351	2,462,978
Adjusted EBITDA	<u>\$ 29,516,060</u>	<u>\$ 25,382,999</u>

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

	Three Months Ended	
	September 30,	
	2006	2007
Adjusted Non-GAAP EPS	<u>\$ 0.13</u>	<u>\$ 0.07</u>
Net loss per share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.01)	\$ (0.04)
Shares used to calculate diluted net loss per share applicable to common stockholders	38,720,191	39,103,895
Net loss applicable to common stockholders	\$ (410,889)	\$ (1,538,037)
Stock-based compensation	3,208,705	2,985,949
Amortization of intangible assets from acquisitions	5,309,102	4,007,342
Gain (loss) on sales and disposals of intangible assets, net	68,513	(126,569)
Interest income and other, net	(821,263)	(661,365)
Estimated impact of income taxes	<u>(2,241,493)</u>	<u>(1,646,194)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 5,112,675</u>	<u>\$ 3,021,126</u>
Adjusted Non-GAAP EPS	<u>\$ 0.13</u>	<u>\$ 0.07</u>
Shares used to calculate diluted net loss per share applicable to common stockholders	38,720,191	39,103,895
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>1,757,902</u>	<u>3,731,286</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>40,478,093</u>	<u>42,835,181</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,	
	2006	2007
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	<u>0.34</u>	<u>0.28</u>
Net loss per share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.06)	\$ (0.02)
Shares used to calculate diluted net loss per share applicable to common stockholders	38,065,347	39,449,844
Net loss applicable to common stockholders	\$ (2,218,805)	\$ (635,955)
Discount on preferred stock redemption	-	(163,867)
Stock-based compensation	10,157,356	8,215,884
Facility relocation	-	121,124
Amortization of intangible assets from acquisitions	15,343,966	12,604,730
Gain on sales and disposals of intangible assets, net	(284,766)	(282,079)
Cumulative effect of a change in accounting principle, net of tax (1)	(151,341)	-
Interest income and other, net	(2,307,371)	(2,121,666)
Estimated impact of income taxes	<u>(6,755,422)</u>	<u>(5,800,927)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 13,783,617</u>	<u>\$ 11,937,244</u>
Adjusted Non-GAAP EPS	<u>\$ 0.34</u>	<u>\$ 0.28</u>
Shares used to calculate diluted net loss per share applicable to common stockholders	38,065,347	39,449,844
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	<u>2,237,408</u>	<u>3,909,677</u>
Shares used to calculate Adjusted Non-GAAP EPS	<u>40,302,755</u>	<u>43,359,521</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.

(1) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.