

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

	Three Months Ended December 31,	
	2004	2005
Revenue	\$ 15,121,348	\$ 29,804,165
Expenses:		
Service costs	9,307,052	14,078,413
Sales and marketing	1,217,047	4,390,150
Product development	655,109	1,236,517
General and administrative	1,497,612	1,944,898
Acquisition-related retention consideration	124,222	-
Stock-based compensation	169,117	770,142
Amortization of acquired intangible assets	1,491,527	5,204,501
Total operating expenses	14,461,686	27,624,621
Gain on sales of intangible assets, net	-	997
Income from operations	659,662	2,180,541
Other income (expense):		
Interest income	101,546	591,890
Interest expense	(1,926)	(2,070)
	99,620	589,820
Income before provision for income taxes	759,282	2,770,361
Income tax expense	151,957	1,099,597
Net income	607,325	1,670,764
Convertible preferred stock dividends	-	691,161
Net income applicable to common stockholders	\$ 607,325	\$ 979,603
Net income per share applicable to common stockholders - basic	\$ 0.02	\$ 0.03
Net income per share applicable to common stockholders - diluted	\$ 0.02	\$ 0.03
Shares used to calculate basic net income per share applicable to common stockholders	25,397,658	36,576,273
Shares used to calculate diluted net income per share applicable to common stockholders	27,674,735	39,154,814

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

	Twelve Months Ended	
	December 31,	
	2004	2005
	<u> </u>	<u> </u>
Revenue	\$ 43,804,272	\$ 94,995,847
Expenses:		
Service costs	27,449,938	48,897,326
Sales and marketing	4,414,043	10,018,857
Product development	2,291,430	4,465,763
General and administrative	4,111,544	6,364,573
Acquisition-related retention consideration	499,080	-
Facility relocation	199,960	-
Stock-based compensation	890,520	1,971,807
Amortization of acquired intangible assets	4,965,503	18,429,008
Total operating expenses	<u>44,822,018</u>	<u>90,147,334</u>
Gain on sales of intangible assets, net	<u>-</u>	<u>997</u>
Income (loss) from operations	(1,017,746)	4,849,510
Other income (expense):		
Interest income	265,354	1,982,222
Interest expense	(5,654)	(7,463)
Adjustment to fair value of redemption obligation	55,250	-
Other	3,644	4,000
	<u>318,594</u>	<u>1,978,759</u>
Income (loss) before provision for income taxes	(699,152)	6,828,269
Income tax expense	<u>33,941</u>	<u>2,920,463</u>
Net income (loss)	(733,093)	3,907,806
Convertible preferred stock dividends	-	2,405,780
Accretion to redemption value of redeemable convertible preferred stock	<u>420,430</u>	<u>-</u>
Net income (loss) applicable to common stockholders	<u>\$ (1,153,523)</u>	<u>\$ 1,502,026</u>
Net income (loss) per share applicable to common stockholders - basic	\$ (0.05)	\$ 0.04
Net income (loss) per share applicable to common stockholders - diluted	\$ (0.05)	\$ 0.04
Shares used to calculate basic net income (loss) per share applicable to common stockholders	22,087,503	34,564,790
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	22,087,503	36,907,633

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

Assets	<u>December 31, 2004</u>	<u>December 31, 2005</u>
Current assets:		
Cash and cash equivalents	\$ 24,933,066	\$ 63,090,941
Trade accounts receivable, net	4,773,646	14,401,814
Prepaid expenses and other current assets	513,427	1,818,211
Refundable taxes	902,246	3,835,542
Deferred tax assets	<u>522,754</u>	<u>428,855</u>
Total current assets	31,645,139	83,575,363
Property and equipment, net	1,508,446	3,402,262
Intangibles and other assets, net	1,067,896	15,447,504
Goodwill	32,375,966	180,637,076
Intangible assets from acquisitions, net	<u>4,996,289</u>	<u>51,346,944</u>
Total assets	<u>\$ 71,593,736</u>	<u>\$ 334,409,149</u>
 Liabilities and Stockholders' Equity 		
Current liabilities:		
Accounts payable	\$ 6,227,274	\$ 9,258,423
Accrued expenses and other current liabilities	1,170,039	1,755,970
Deferred revenue	1,947,617	2,291,374
Earn-out liability payable	<u>6,237,578</u>	<u>-</u>
Total current liabilities	15,582,508	13,305,767
Deferred tax liabilities	245,657	397,481
Other non-current liabilities	<u>93,539</u>	<u>92,309</u>
Total liabilities	15,921,704	13,795,557
Stockholders' equity:		
Convertible preferred stock	-	54,121,678
Class A common stock	122,500	119,282
Class B common stock	135,115	254,839
Additional paid-in capital	60,577,997	271,949,963
Deferred stock-based compensation	(521,820)	(3,042,016)
Accumulated deficit	<u>(4,641,760)</u>	<u>(2,790,154)</u>
Total stockholders' equity	<u>55,672,032</u>	<u>320,613,592</u>
Total liabilities and stockholders' equity	<u>\$ 71,593,736</u>	<u>\$ 334,409,149</u>

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

	Three months ended December 31, 2004	Three months ended December 31, 2005	Twelve months ended December 31, 2004	Twelve months ended December 31, 2005
Revenue, as reported	\$ 15,121,348	\$ 29,804,165	\$ 43,804,272	\$ 94,995,847
goClick proforma revenue	-	-	3,769,347	-
Name Development pro forma revenue	5,211,140	-	20,667,254	2,544,459
Pike Street pro forma revenue	919,283	-	2,987,261	1,230,494
IndustryBrains pro forma revenue	2,219,791	-	6,692,836	6,188,897
Pro forma eliminations	<u>(55,521)</u>	<u>-</u>	<u>(276,950)</u>	<u>(36,086)</u>
Proforma Revenue	<u><u>\$ 23,416,041</u></u>	<u><u>\$ 29,804,165</u></u>	<u><u>\$ 77,644,020</u></u>	<u><u>\$ 104,923,611</u></u>

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

	Three Months Ended	
	December 31,	
	2004	2005
Net income applicable to common stockholders	\$ 607,325	\$ 979,603
Convertible preferred stock dividends	-	691,161
Net income	607,325	1,670,764
Income tax expense	151,957	1,099,597
Income before provision for income taxes	759,282	2,770,361
Interest income and other, net	(99,620)	(589,820)
Income from operations	659,662	2,180,541
Stock-based compensation	169,117	770,142
Amortization of acquired intangible assets	1,491,527	5,204,501
Operating income before amortization (OIBA)	2,320,306	8,155,184
Acquisition-related retention consideration	124,222	-
Gain on sales of intangible assets, net	-	(997)
Adjusted operating income before amortization (Adjusted OIBA)	<u>\$ 2,444,528</u>	<u>\$ 8,154,187</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)

	Twelve Months Ended December 31,	
	2004	2005
Net income (loss) applicable to common stockholders	\$ (1,153,523)	\$ 1,502,026
Convertible preferred stock dividends	-	2,405,780
Accretion to redemption value of redeemable convertible preferred stock	420,430	-
Net income (loss)	(733,093)	3,907,806
Income tax expense	33,941	2,920,463
Income (loss) before provision for income taxes	(699,152)	6,828,269
Interest income and other, net	(318,594)	(1,978,759)
Income (loss) from operations	(1,017,746)	4,849,510
Stock-based compensation	890,520	1,971,807
Amortization of acquired intangible assets	4,965,503	18,429,008
Operating income before amortization (OIBA)	4,838,277	25,250,325
Acquisition-related retention consideration	499,080	-
Facility relocation	199,960	-
Gain on sales of intangible assets, net	-	(997)
Adjusted operating income before amortization (Adjusted OIBA)	\$ 5,537,317	\$ 25,249,328

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

	Three Months Ended	
	December 31,	
	2004	2005
Net cash provided by operating activities	\$ 1,393,238	\$ 7,388,189
Changes in asset and liabilities, net of effects of acquisitions	1,369,851	3,975,395
Provision for income taxes	151,957	1,099,597
Other items - facility relocation and gain/loss on sales of intangible assets	19,171	22,713
Interest income and other, net	(99,620)	(589,820)
Tax benefits from exercise of stock options	(264,292)	(2,399,522)
EBITDA	<u>\$ 2,570,305</u>	<u>\$ 9,496,552</u>

	Twelve Months Ended	
	December 31,	
	2004	2005
Net cash provided by operating activities	\$ 3,729,023	\$ 17,456,819
Changes in asset and liabilities, net of effects of acquisitions	2,650,430	14,270,268
Provision for income taxes	33,941	2,920,463
Other items - facility relocation and gain/loss on sales of intangible assets	(118,565)	59,403
Interest income and other, net	(263,344)	(1,974,759)
Tax benefits from exercise of stock options	(444,161)	(3,197,684)
EBITDA	<u>\$ 5,587,324</u>	<u>\$ 29,534,510</u>

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

	Three Months Ended	
	December 31,	
	2004	2005
	<u>\$</u>	<u>\$</u>
Adjusted Non-GAAP EPS	0.05	0.11
Net income per share applicable to common stockholders - diluted (GAAP EPS)	\$ 0.02	\$ 0.03
Shares used to calculate diluted net income per share applicable to common stockholders	27,674,735	39,154,814
Net income applicable to common stockholders	\$ 607,325	\$ 979,603
Acquisition-related retention consideration	124,222	-
Stock-based compensation	169,117	770,142
Amortization of acquired intangible assets	1,491,527	5,204,501
Gain on sales of intangible assets, net	-	(997)
Interest income and other, net	(99,620)	(589,820)
Estimated impact of income taxes	<u>(788,697)</u>	<u>(1,945,176)</u>
Adjusted Non-GAAP net income applicable to common stockholders	<u>\$ 1,503,874</u>	<u>\$ 4,418,253</u>
Adjusted Non-GAAP EPS	<u>\$ 0.05</u>	<u>\$ 0.11</u>
Shares used to calculate diluted net income per share applicable to common stockholders	27,674,735	39,154,814
Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable)	-	153,368
Shares used to calculate Adjusted Non-GAAP EPS	<u>27,674,735</u>	<u>39,308,182</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)

	Twelve Months Ended	
	December 31,	
	2004	2005
Adjusted Non-GAAP EPS	\$ 0.12	\$ 0.36
Net income (loss) per share applicable to common stockholders - diluted (GAAP EPS)	\$ (0.05)	\$ 0.04
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	22,087,503	36,907,633
Net income (loss) applicable to common stockholders	\$ (1,153,523)	\$ 1,502,026
Acquisition-related retention consideration	499,080	-
Facility relocation	199,960	-
Stock-based compensation	890,520	1,971,807
Amortization of acquired intangible assets	4,965,503	18,429,008
Gain on sales of intangible assets, net	-	(997)
Interest income and other, net	(318,594)	(1,978,759)
Estimated impact of income taxes	(2,096,819)	(6,520,261)
Adjusted Non-GAAP net income applicable to common stockholders	\$ 2,986,127	\$ 13,402,824
Adjusted Non-GAAP EPS	\$ 0.12	\$ 0.36
Shares used to calculate diluted net income (loss) per share applicable to common stockholders	22,087,503	36,907,633
Weighted average stock options and warrants and common shares subject to repurchase or cancellation	1,905,247	78,947
Shares used to calculate Adjusted Non-GAAP EPS	23,992,750	36,986,580

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.