

# DELIVERING ON ALL FRONTS.



InfoSpace  
**03** ANNUAL REVIEW



Results for "Discount Digital Cameras" (2 of 124):

1. Digital Outlet
2. Camera Source

Popular Ringtones:<sup>1</sup>

1. Kelis, "Milkshake"
2. Outkast, "Hey Ya!"
3. Jay-Z, "Dirt Off Your Shoulder"

Company Profile: INSP

1. Consolidated Revenue
2. Net Income
3. Stock Price



The marketplace is changing. New economy. New technologies.  
New customer demands. New opportunities.

InfoSpace® is changing too. We've refocused. Restructured.  
Refined our goals.

**AND WE'RE DELIVERING:**

# VALUE TO OUR SHAREHOLDERS

# POTENTIAL FOR FUTURE GROWTH

The success of the past year is only the beginning for InfoSpace. A look at our numbers tells you what we've been doing. A look at our vision for the future tells you where we're going.

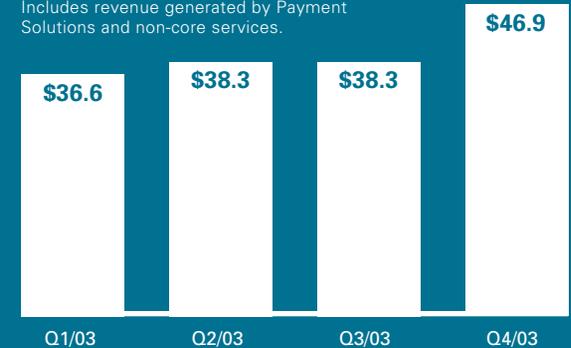
- Strong revenue growth: 18% year-over-year.
- Lower total operating expenses: 38% decrease.
- Profitability: achieved in the third quarter, increased in the fourth quarter.
- An improved balance sheet: more than \$300 million in cash and investments.

These are just some of the highlights of our progress in 2003. Progress that reflects the dedication and hard work of our employees, as well as the fundamental strength of our businesses.

We see three primary trends emerging in our marketplace: the continued growth of online advertising, the movement of online media to mobile devices, and increasing consumer demand for connectivity to the information and entertainment they care about. With our unique combination of online and mobile assets, the convergence of these trends creates a tremendous opportunity for InfoSpace to deliver—to our customers, our partners, our employees, and our shareholders.

## CONSOLIDATED REVENUE [ MILLIONS ]

Includes revenue generated by Payment Solutions and non-core services.



Growth in our two core businesses contributed to strong revenue throughout the year.

## NET INCOME [ MILLIONS ]

Includes net income generated by Payment Solutions and non-core services.



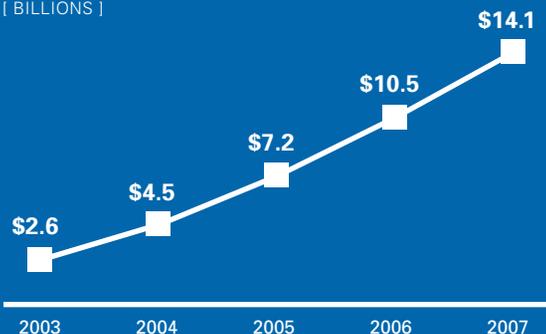
Better alignment of resources with revenue potential improved operating cash flow and profits.

# CONTENT TO MOBILE CUSTOMERS REVENUE TO PARTNERS

Your mobile phone isn't what it used to be—it's much, much more. Today's consumers demand connectivity to personalized information and entertainment no matter where they are, and InfoSpace is helping to deliver it.

## NORTH AMERICAN WIRELESS DATA INDUSTRY<sup>4</sup>

[ BILLIONS ]



With the rapid evolution of devices and networks, the mobile data industry is poised to take off.

## MOBILE FINANCIALS [ MILLIONS ]



A strong focus on controlling costs resulted in positive cash flow for our Mobile business.

We're a leader in the mobile data space, and it's a position we want to build on. In 2003, we reorganized and repositioned our Mobile business, and acquired Moviso®, a leading provider of mobile media products and services. As a result, InfoSpace is well prepared to take advantage of the growing opportunities in this evolving industry. We've significantly expanded our content library of ringtones, games, news, weather, sports, and more. We provide content publishing support for hundreds of unique devices. We offer an integrated delivery platform, which provides end-to-end solutions for messaging, browsing, and downloadable application delivery. And with our strong carrier relationships and subscriber reach, we put our partners' content in the right hands.

<sup>4</sup> Source: Morgan Stanley, *Wireless Tracker: Facts Over Fear*, May 30, 2003.

<sup>5</sup> Segment Income excludes depreciation, amortization, and allocation of certain corporate expenses.

# RESULTS TO WEB USERS

# TRAFFIC TO ADVERTISERS

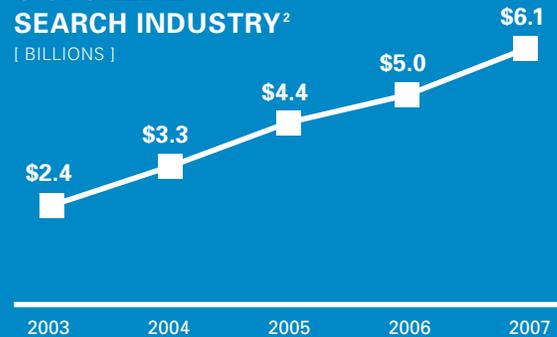
Our Search & Directory business has a single mission: to make it faster and easier for consumers to locate businesses, people, and information online, while creating new opportunities for partners and advertisers to reach this valuable audience.

We're fulfilling that mission, and it shows. In a rapidly evolving, highly competitive industry, Search & Directory had a successful 2003, as revenue grew 37% year-over-year and operating margins increased 33%. We relaunched and introduced new user interfaces for all of our owned and operated sites, integrated new features such as clustering, launched our award-winning Dogpile® Toolbar, and increased paid searches to approximately 155 million in the fourth quarter.

In addition, we developed a substantial private-label distribution business, powering search and directory services for some of the most popular destinations on the Internet. In fact, the success of our distribution business drove much of the growth in Search & Directory—contributing approximately 50% of search revenue in the fourth quarter alone.

## U.S. ONLINE SEARCH INDUSTRY<sup>2</sup>

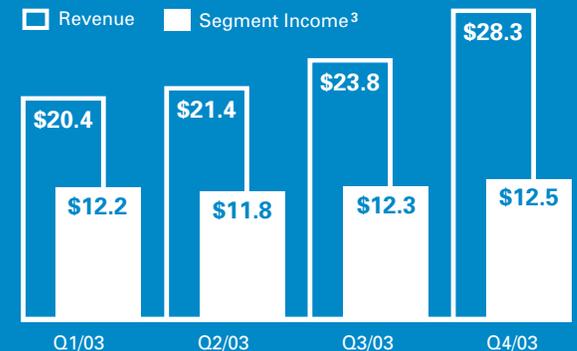
[ BILLIONS ]



Online search is a rapidly growing industry—expected to nearly triple in size over the next five years.

## SEARCH & DIRECTORY FINANCIALS

[ MILLIONS ]



The success of our private-label distribution business contributed to strong segment results.

<sup>1</sup> (cover) Artist names are factual references for the purpose of identifying musical compositions. No artist reference is meant to imply that the music in question is the recorded master recorded by the artist or any endorsement by, or affiliation with, an artist.

<sup>2</sup> Source: Piper Jaffray and Co., March 2004.

<sup>3</sup> Segment Income excludes depreciation, amortization, and allocation of certain corporate expenses.

## DEAR SHAREHOLDERS,



**JIM VOELKER**

Chairman & Chief Executive Officer

2003 was a year of change for InfoSpace. It brought a new senior management team, a new focus, and new products and services to the market. Significant change resulted in significant progress, and I am proud to share the results of our strong performance.

Driving these results was the sharpening of our corporate focus. Analysis and review early in 2003 resulted in concentration on two businesses: Search & Directory and Mobile. To that end, we sold non-core services, and recently signed an agreement to sell the Payment Solutions business. Although Payment Solutions is a growing, profitable business, we believe it is in the best interest of shareholders, customers, and employees to focus our resources on the rapidly growing Search & Directory and Mobile markets.

Since narrowing our focus, we produced strong results for both Search & Directory and Mobile. 2003 was an outstanding year for Search & Directory, with improvements in our products, services, and customer focus contributing to 37% year-over-year revenue growth. In particular, we generated significant growth from our distribution business, in which we private-label our search and directory capabilities for others to offer on their own sites. In our Mobile business, we substantially improved our market position through the acquisition of Moviso, the North American leader in mobile media. Now, with our experienced team, extensive content library, proven technology, and strong relationships with both carriers and content providers, InfoSpace is a leader in this rapidly growing marketplace. Dramatic advances in phone capabilities and increasing customer demand should drive continued growth in the mobile data arena throughout 2004 and beyond.

Financial results, of course, are the true measure of any year's progress, and InfoSpace performed in 2003. We generated strong overall revenue growth of 18%, increasing from \$136 million in 2002 to \$160 million in 2003, despite the divestiture of several non-core services. In addition, we lowered total operating expenses by approximately 38% during the year, resulting in millions of dollars in cost savings. Not surprisingly, by increasing our revenue base and decreasing our expenses we dramatically improved our financial results for 2003, achieving profitability in the third and fourth quarters of the year. Our strong 2003 financial performance allowed us to end the year with a strong balance sheet—no debt and over \$300 million in cash.

Although we had an impressive 2003, there is still much work to do as we move into 2004. Looking ahead, we will continue to focus on growing Search & Directory and Mobile—both organically and through acquisition—while exploring opportunities for synergies between the units. With our strengths in both the online and mobile spaces, InfoSpace is well positioned to successfully capitalize on important marketplace trends in consumer behavior, advertising, and technology, and to translate those successes into results for our shareholders. We have a talented employee group, profitable businesses, and a strong balance sheet with which to grow. I look forward to more progress for InfoSpace in 2004.

Thank you for your continued support.

Sincerely,

Jim Voelker  
Chairman & CEO

A handwritten signature in blue ink, appearing to read 'Jim Voelker', written in a cursive style.

## DIRECTORS

**James F. Voelker**

Chairman & Chief Executive Officer,  
InfoSpace

**Edmund O. Belsheim Jr.**

Chief Administrative Officer,  
InfoSpace

**John E. Cunningham IV**

Clear Fir Partners, LP

**Richard D. Hearney**

Management Consultant

**Rufus W. Lumry III**

Acorn Ventures, Inc.

**Lewis M. Taffer**

America Online

**George M. Tronsrue III**

Jericho Fund, LLC

**Vanessa A. Wittman**

Adelphia Communications  
Corporation

## EXECUTIVE OFFICERS

**James F. Voelker**

Chairman & Chief Executive Officer

**Kathleen H. Rae**

President & Chief Operating Officer

**Edmund O. Belsheim Jr.**

Chief Administrative Officer & Director

**Victor J. Melfi Jr.**

Chief Strategy Officer

**David E. Rostov**

Chief Financial Officer

**Andrew Fisher**

Managing Director,  
Europe

**John W. Foster**

Senior Vice President,  
Corporate Development

**Brian T. McManus**

Executive Vice President,  
Search & Directory

**Kendra A. VanderMeulen**

Executive Vice President,  
Mobile

## SHAREHOLDER INFORMATION

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Seattle, WA 98104

**Transfer Agent**

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800.522.6645  
www.chasemellon.com

**Form 10-K**

Financial analysts, stockbrokers, and interested investors should contact Investor Relations at 866.438.4677 or visit our Web site at [www.infospaceinc.com](http://www.infospaceinc.com). To request copies of InfoSpace's Form 10-K, Annual Review, or other financial information, please call 866.438.4677 or visit our Web site at [www.infospaceinc.com](http://www.infospaceinc.com).

**Annual Meeting**

The 2004 annual meeting of InfoSpace shareholders takes place: Monday, May 10, 2004 at the Hilton Bellevue, 100 112th Avenue NE, Bellevue, WA.

## CORPORATE HEADQUARTERS

**InfoSpace, Inc.**

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**InfoSpace**<sup>®</sup>