MAPINFO CORP
Form 10-K
December 11, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____

Commission File Number 0-23078

MAPINFO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	06-1166630
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

One Global View

Troy, New York 12180

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (518) 285-6000
_____
Securities Registered Pursuant to Section 12(b) of The Act: None

Securities Registered Pursuant to Section 12(g) of The Act:
Common Stock, $.002 Par Value Per Share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes <u>X</u>   No <u>   </u>

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K <u>X</u>

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes<u>   </u>   No<u> X </u>

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $45,985,650 based on the closing price of the Common Stock on the Nasdaq National Market on March 31, 2003.

The number of shares outstanding of the registrant's common stock, $.002 par value per share as of November 17, 2003 was 15,644,639.

Documents Incorporated by Reference

Document Description	10-K Part
Specifically Identified Portions of the Registrant's Proxy Statement for the 2004 Annual Meeting of Stockholders	III

This Annual Report on Form 10-K, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and the Company's future results that are based on current expectations, estimates, forecasts, and projections about the industries in which MapInfo operates and the beliefs and assumptions of the Company's management. In this Annual Report on Form 10-K, any statements that are not statements of historical fact may be deemed to be forward-looking statements, including but not limited to statements: as to the Company's plans for its business, the sufficiency of funds to meet operating requirements for the next 12 months; the Company's expansion of facilities in Troy, New York and the projected vacancy rate of those facilities; the impact of the Company's operating-cost reduction measures; the intended use of the common stock repurchased under the common stock repurchase program; the potential impact of accounting policies and pronouncements on the Company's future financial reports and results; the ability of the Company to maintain and renew its credit facility and the impact of the Thompson acquisition. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Readers should review carefully the risks and uncertainties identified below under the caption "Outlook: Issues and Risks". We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

ITEM 1.   BUSINESS

GENERAL

MapInfo Corporation (the "Company", "MapInfo", or "we") is a global software company that integrates software, data and services to help customers realize greater value from location-based information and drive more insightful decisions. MapInfo understands that all organizations maintain information about the location of their own customers, stores or assets. Using even the most basic location-based information, such as addresses, area codes or postal codes, MapInfo's customers can use MapInfo solutions to analyze patterns, relationships and trends. Location-based analysis reveals intelligence that may not be easily recognized using traditional analysis methods. Better analysis leads to better intelligence   a competitive advantage in today's challenging business environment.

Organizations in many industry sectors around the world use MapInfo technology and expertise. Companies in the private sector, including in the telecommunications, financial services, insurance, retail, restaurant and real estate markets, use the Company's products and services for marketing, customer service, risk analysis, sales territory alignment, site selection and routing. In the public sector, government agencies use MapInfo technology to improve public safety, crime analysis and emergency preparedness and response. Industry leaders Agilent Technologies, Cognos, Oracle and Siebel Systems integrate MapInfo's solutions with theirs to meet growing market demand for their own decision-support tools that leverage location-based information.

MapInfo develops solutions directly and also works with its reseller channel and industry partners to create solutions that may be customized for particular customers. The Company markets its solutions through a worldwide network comprised of a direct and field sales organization, reseller channel, systems integrators and distributors. The Company's solutions are deployable in combination with all major database technologies, including those of Oracle, IBM and Microsoft.

As part of the Company's growth strategy, management continually assesses potential acquisitions that would integrate into the Company's business model and expand the Company's presence in its target markets. As a result, in January 2003, MapInfo added critical mass to its predictive analytics business, and strengthened its presence in the United States retail, restaurant and real estate sectors with the acquisition of Thompson Associates, a leader in retail market analytics. The combined expertise of MapInfo and Thompson provides a suite of predictive site, market and customer profiling solutions designed to help retailers outperform their competition and maximize opportunities for profitable return on investment. Specifically, MapInfo's solutions enable retailers to improve their real estate strategies by identifying the unique factors that are the most significant drivers of their sales, thereby helping them to capitalize on profitable opportunities anywhere in the world. Experts in the retail industry, Thompson Associates' expertise in the retail industry and strong reputation in analytical research coupled with MapInfo's location-based solutions and worldwide data offers customers more comprehensive solutions that integrate software, data and modeling expertise.

MapInfo's corporate headquarters is in Troy, New York, and the Company is incorporated in the state of Delaware. The Company's Internet address is www.mapinfo.com. The contents of this website are not part of this annual report on Form 10-K, and the Company's internet address is included in this document as an inactive textural reference only. The Company makes available, free of charge through its website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and each amendment to these reports on the same day it files such material with, or furnishes it to, the Securities and Exchange Commission. Each such report is posted on the Company's website or available via a direct link to the Company's filings on the Securities and Exchange Commission EDGAR system.

STRATEGIC BUSINESS UNITS

From April 2002 through fiscal year 2003, MapInfo organized its sales and marketing and some engineering activities into three strategic business units designed to focus the Company's operating resources on specific customer needs:

> Location Based Intelligence ("LBI"). The LBI business unit focused on solving complex problems in vertical industries such as communications, insurance, financial services and government to enable organizations to collaborate, visualize and share location-based information.

> Predictive Analytics (formerly aCRM).

> **This unit focused on helping the retail, real estate, banking and restaurant industries better understand their customers and markets by delivering customer targeting and demographic analyses, as well as market assessment and site selection solutions that integrate software, data and modeling expertise.**

> Location Based Services ("LBS")

. With its enterprise location services platform, miAware,™ MapInfo enabled the development of unique location application, which are critical to large enterprise customers needing to differentiate services to retain and attract customers as well as maximize their IT investment. MapInfo also enabled mobile applications with location-based services allowing wireless carriers to offer subscribers a broad range of services using location information.

Please refer to Note 15 of the Company's Consolidated Financial Statements for financial information regarding each of these segments.

For fiscal year 2004 and beyond, MapInfo is organized around vertical markets, where MapInfo can build on its domain expertise and where location is critical to helping customers achieve their strategic objectives. These vertical markets include, communications, public sector, retail, restaurant, real estate, financial services, and insurance. To ensure that the Company is directing its energies toward meeting customer needs at all times, management has established teams that bring together sales, marketing, services and product management. With this structure, the Company is now able to deepen long-standing customer partnerships and create new relationships, while enhancing its expertise in target markets and delivering focused solutions.

GEOGRAPHIC BUSINESS SEGMENT INFORMATION

In addition to the strategic business units, the Company conducts business globally and manages geographically. The Company's reportable geographic business segments are the Americas, EAME (Europe, Africa and the Middle East) and Asia-Pacific. For further information regarding geographic business segments see Note 15 in the Notes to Consolidated Financial Statements below. For risks associated with conducting business internationally see "Risks associated with international operations" in Item 7 of Management's Discussion and Analysis of Financial Condition and Results of Operations, below.

PRODUCTS AND SERVICES

MapInfo has an extensive offering portfolio that combines software applications, software development tools, data, services and vertical market offerings. The Company's engineering approach is founded on state-of-the-art coding, open standards and quality assurance standards, multiplatform Java™,.Net and Windows®, as well as Internet deployment and integration with leading database environments.

Net revenues:	2003	2002	2001
Products	$ 85,423	$ 83,211	$ 99,150
Services	20,832	9,387	10,884
Total net revenues	$ 106,255	$ 92,598	$ 110,034

Core Products

The ability to visualize data associated with customer location on interactive maps is at the core of MapInfo's offerings. The following core products may be used independently or may serve as the platform for vertical market offerings. The solutions and core products listed below are either owned by MapInfo or licensed by other companies for distribution by MapInfo.

- MapInfo Professional®

MapInfo's flagship location-intelligence software solution provides users with the ability to visualize, manage, enhance, report and publish information with a location aspect. *MapInfo Professional* helps businesses and government agencies worldwide make better decisions and generate new revenue and profit streams. With *MapInfo Professional*, organizations can improve enterprise efficiency with true database connectivity and improve the quality of information used in decision-making. *MapInfo Professional* seamlessly integrates with other MapInfo solutions to allow sharing of data and analysis, via the Internet, intranet or wireless device, with customers, partners and co-workers.

- MapInfo® Discovery™

MapInfo Discovery

is an enterprise-wide extension to *MapInfo Professional* that enables users to share interactive location analysis reports and maps for enhanced decision-making across the entire enterprise. *MapInfo Discovery* leverages the power of both *MapInfo Professional* and the Web, allowing power users to more efficiently share information across an organization. *MapInfo Discovery* is simple and powerful, making location-based information an everyday business tool viewed as a map via any Web browser.

- MapXtreme®

The Company's *MapXtreme* software is a mapping engine that enables companies to create applications to distribute critical location-based information to multiple departments as well as to partners and customers via the Internet or corporate intranets. *MapInfo MapXtreme* is available for Microsoft® Windows® and Java™ operating platforms.

- MapInfo MapX® and *MapInfo MapX*® Mobile

The *MapInfo MapX* ActiveX component enables developers to quickly and easily add mapping functionality to any application. Using standard languages, a streamlined object model, defaults and other wizards, *MapInfo MapX software* helps simplify application development. *MapInfo MapX* Mobile is a Windows™ -based software developer's tool for creating customized mapping application on Pocket PC devices. With *MapInfo MapX* Mobile software, developers can create custom-made applications that empower the mobile workforce with the ability to access, gather and analyze critical business information, resulting in increased productivity and enabling them to make faster, better-informed business decisions.

- SpatialWare®

SpatialWare

data management software enables businesses to store, manage and manipulate location-based (or spatial) data within a relational database management system (RDBMS). *MapInfo SpatialWare* **allows spatial data to be stored in the same place as traditional data, ensuring data accessibility, integrity, reliability and security.**

MapInfo's geocoding and address matching products are marketed in the United States, Canada, the United Kingdom, Germany, the Netherlands, Italy, Sweden, Finland, France, Australia and Spain.

- MapMarker® and *MapMarker*® Plus

The *MapMarker* geocoding and address matching engine turns ordinary data records containing address information into geographic objects that can be displayed on a map quickly and accurately. It may be deployed in a desktop or server environment.

- MapMarker® *J Server*

The *MapMarker* J Server Java-based development tool deploys the geocoding engine in server-side applications where a Java API is required.

- MapMarker® DataBase Extenders

MapMarker

technology may also be deployed from within a variety of popular databases using the MapInfo® **Geocoding Cartridge for Oracle8***i,* **the MapInfo**® **Geocoding Datablade for Informix and** *MapMarker* **ESP for Microsoft**® **SQL Server**™**.**

MapInfo's Java™-based direction engine allows organizations to create customized applications for routing people, products and resources.

- MapInfo® Routing J Server

The *MapInfo Routing J Server* technology is a customizable Java-based direction and routing engine for improving drive time and routing efficiency. It can be used to generate point-to-point driving directions, calculating either the shortest or fastest route. Routing J Server is used in conjunction with *MapXtreme* and *MapMarker* J Server to display locations and routes on maps, as well as provide text-based driving directions.

The Company, in alliance with various data partners around the world, offers a wide selection of data, including streets, boundaries, demographic data and industry-specific data.

- Streets and Boundaries

MapInfo's regularly updated street and boundary data are available for key markets around the world. This data is designed for use in MapInfo applications for routing, drivetime studies, background information analysis and visualization. Boundary data maps are available for postal, political and industry-specific areas.

- Demographics

MapInfo offers worldwide demographic data products containing information such as population, income, expenditure, retail activity, employment, consumer trends, business and Internet summary data and lifestyle segmentation data. MapInfo also specializes in custom modeling/profiling and data analytics. Information relating to population, income, household expenditures, retail activity, employment, education and consumer trends allows organizations to understand their customers better and make more informed business decisions.

- Industry Data

MapInfo also offers industry-specific data sets. For example, in the telecommunications industry MapInfo provides the *ExchangeInfo*™ Plus product, comprehensive key communications infrastructure data that enables service providers to obtain complex, robust analyses of the US local telephone exchange system and the *PSAP Pro*® product that enables providers to plan for accurate and efficient routing of 911 calls to the appropriate U.S. Public Safety Answering Point. MapInfo also offers the *RiskDataInfo*™ product, a comprehensive data set of weather and natural hazards for the insurance industry. *RiskDataInfo* allows insurance carriers and reinsurers to consider comprehensive historical data on hail storms, hurricanes, earthquakes, tornados and wind storms, to make more informed decisions on risk exposure, allowing reduced costs and enhanced profitability.

Enterprise and Vertical Market Solutions

MapInfo offers software-based solutions that integrate with MapInfo data products and MapInfo's services to provide solutions that focus on solving specific customer problems and draw on the Company's technical core competencies.

-Enterprise

Large organizations with thousands of employees operating in multi-geographical locations with assets spread across the globe are faced with improving operations and leveraging existing infrastructure.

- Envinsa™

Envinsa™ a location-enabling platform that has evolved from our *miAware*™ platform for the mobile location-based services market. *Envinsa* represents a major step in helping enterprises better utilize and maximize location technology investments across their organizations, allowing government agencies and large business to optimize the value from location data and information.

-Vertical Solutions

MapInfo has created offerings that enhance and support homeland security programs, risk management and network management decisions for effective planning and informed decision-making.

- Critical Area Response Manager (CARM)

CARM is an enterprise-wide homeland security solution for first-responders. It assists emergency management professionals with rapid analysis and command and control operations around declared areas, by providing drill-down access to vital information on affected and at-risk critical infrastructure, response assets, populations and property. CARM is used to establish management areas and respond to real-time circumstances during prevention, preparedness, response and recovery activities.

- Insurance Decision Solution Suite (IDSS)

IDSS enables insurance companies to visualize risk across all lines of business. This helps the carrier to better manage risk, enhance policy analysis and operate more effectively. With IDSS, insurance companies can graphically assess and analyze information about underwriting, risk management and customer service. IDSS was developed specifically to help insurance companies utilize geographic and demographic data. Combined with MapInfo data sets, the functionalities in IDSS can help insurers make decisions and evaluate risk more readily. For example, using the *RiskDataInfo* product with the underwriting capability in IDSS, an underwriter can quickly evaluate the history of natural forces (hail, wind, hurricane, tornado, earthquake) on a given location.

- Coverage Decision Support Solution (CDSS)

CDSS enables wireless and wireline carriers to pinpoint and visualize customer addresses for improved service and decision-making. Specifically, this solution helps carriers to meet FCC mandates for Local Number Portability (LNP) and E911. Through a simple Web-based user interface, carriers can tag addresses, visualize the address on a map, and make important business decisions regarding the types of service level agreements to offer, which rate center a customer is in, or which Public Safety Answering Point (PSAP) a customer is nearest to. This location-based solution

automates a process that typically requires the work of multiple staff. It improves overall efficiency and establishes consistency across an operator's entire network.

Meeting the needs of the retail, restaurant, real estate, financial services and media markets with comprehensive site selection and target marketing solutions, accurate and reliable demographic data and state-of-the-art modeling services.

- TargetPro®

TargetPro technology enables organizations to tightly link location analysis to customer data. By combining clients' proprietary customer data with MapInfo's powerful location intelligence capabilities, *TargetPro* allows organizations to gain a complete view of their customers for more targeted customer outreach and enhanced market analysis. It helps customers be significantly more exact with their target marketing efforts and defining their market potential. *TargetPro* also provides insight into the demographic and purchase behavior characteristics of any geographic area in Germany, the United Kingdom, the Netherlands and North America.

- MapInfo® AnySite®

MapInfo AnySite

software enables retail, restaurant, real estate and financial services clients to enhance their store build-out decisions. The easy-to-use mapping and reporting capabilities allow companies to connect to, retrieve and report both MapInfo data and proprietary, customer databases in order to analyze trade area data more easily and accurately. *MapInfo AnySite* includes predictive analytic modules, which allow companies to determine the best markets and the optimal number of sites within those markets to maximize their networks.

- MapInfo®AnySite® Online

The *MapInfo AnySite* Online service offers affordable, mission critical analysis of demographic information via the Internet or intranet for site analysis accessed through an unlimited monthly or annual subscription. It allows for easy creation of advanced demographic reports and presentation quality maps for both the United States and Canada.

- MapInfo Smart Site Solutions™

Smart Site Solutions

technology provides critical analysis for Real Estate executives in restaurant, retail, banking and retail telecommunications industries. It allows analysts to determine the best markets and the optimal number of sites within those markets to maximize their network, whether that means building new stores, consolidating branches or filling in gaps that exhibit high potential.

- PSYTE® U.S. Advantage

The *PSYTE U.S. Advantage* system is a comprehensive neighborhood profiling solution based on location-enhanced lifestyle and consumer demographics. Through its scientific and systematic cluster development, *PSYTE U.S. Advantage* enables companies to make more precise consumer buying and lifestyle behavior predictions, as well as make more insightful decisions regarding store placement, customer acquisition and target marketing.

Services

A fundamental element of MapInfo's business strategy is the ability to integrate software, data and services to help customers drive more insightful decisions. MapInfo's Professional Services Group (PSG) works closely with MapInfo customers to design, develop and implement customized solutions, as well as provide a variety of consulting and technical services. MapInfo services include: needs assessment, system design, application code review, development, installation, training and deployment. In addition, MapInfo's solutions include a wide range of software development, such as prototype development and software integration. The PSG's application development services range from requirements and planning to comprehensive turnkey enterprise solutions.

MapInfo-Thompson Predictive Analytics team provides analytical services that deliver customer and real estate focused models and solutions for the retail, restaurant and financial services industries. These services are the cornerstone of the MapInfo-Thompson Predictive Analytics solutions and business.

PRODUCT DEVELOPMENT

The software industry is characterized by extremely rapid changes in technology, which require continuous expenditure on product research and development to enhance existing products and create new products. The Company believes timely development of new products and ongoing enhancements to existing products is essential to maintain its competitive position in the marketplace. The Company is committed to an open system, standards-based product architecture to provide software products that can be integrated into existing mainstream business environments and be adaptable as environments change.

Most of the Company's software products are developed internally. Internal development allows the Company to maintain close technical control over products in terms of enhancements and modifications based on customer need and allows the Company to create a family of products that provides natural migration paths for customers as their business information needs change. Research and development expense incurred by the Company was $20.4 million, $19.7 million and $19.1 million for the years ended September 30, 2003, 2002 and 2001, respectively.

The Company also has an active program of licensing products developed and owned by other parties for distribution by MapInfo. Most such products are licenses to MapInfo in exchange for royalties paid on MapInfo's net revenues from such products. This product-licensing program is an important element of MapInfo's strategy to deliver complete solutions to customers.

MARKETING & DISTRIBUTION

The Company has established multiple distribution channels to reach an array of industries while simultaneously addressing specific vertical markets. Distribution channels include an indirect channel of resellers, OEMs and

distributors, a corporate accounts sales force and a telemarketing sales group. MapInfo markets its products worldwide through sales offices in North America, the United Kingdom, Germany and Australia, and throughout the rest of Europe and the Asia Pacific region through exclusive and non-exclusive distribution relationships.

The Company's direct and field sales and marketing organization is complemented by a network of partners including resellers, systems integrators, OEMs and distributors who purchase the Company's products at a discount for resale to end users. These partners may provide training, consulting services, application development, customization and data products to end-users. In France and certain other countries outside the United States, the Company has appointed master distributors. Additionally, in Japan, MapInfo has appointed a master distributor in which the Company has a forty-nine percent equity ownership position. These master distributors generally build their own value-added reseller network in addition to directly selling data products and consulting services.

To build corporate brand and identity and generate demand in support of the sales effort, the Company conducts various marketing programs, which include advertising, public relations, trade shows, direct mail, Web-based promotions, online seminars and ongoing communications to customers about new products and services. The Company also offers cooperative advertising and other marketing support to its reseller channel. The Company sponsors annual reseller and user conferences in North America, Europe and the Asia Pacific region.

In addition to desktop applications, the Company has successfully moved with the IT industry into client/server, Web-based applications and wireless.

Approximately twenty to thirty percent of the Company's revenue each quarter is derived from backlog, contracts, or orders received prior to the quarter and the balance is derived from software and data licenses ordered during the quarter.

COMPETITION

The Company encounters competition in the United States and foreign markets from various companies in different aspects of our business. Some markets in which the Company competes are maturing, and are characterized by vigorous competition or consolidation of companies with complimentary offerings. Other markets bring new competitors with innovative market offerings or business models.

In the traditional Geographic Information System (GIS) market competitors include Environmental Systems Research Institute (ESRI), the GIS division of AutoDesk, the GIS division of Intergraph, and others. In recent years the Company has expanded its business into new areas, such as the wireless/mobile and Predictive Analytics markets, developing particular expertise in serving these markets. Competitors in the Predictive Analytics market include Claritas, ESRI Business Information Systems, GeoVue, Buxton, Spatial Re-Engineering Consultants and others. Competitors in the wireless/mobile market include Autodesk, Webraska, Microsoft and others. As the Company moves into new areas, it may also face new competition from entrants focused in these spaces, as well as competition from traditional companies attempting to move into these spaces.

The Company believes that it competes in the traditional GIS market principally on the basis of product features and functionality (including cross-platform availability, interoperability, integration and extensibility), technological expertise, reliability, ease of use and supportability, complimentary spatial data products and technical services. In addition, the Company believes it is differentiated over many competitors in the Predictive Analytics market through intellectual capital and the development of industry-focused solutions that incorporate relevant data with its software to create unique market offerings.

Some of the Company's current and future competition may have significant name recognition, as well as substantially greater capital resources, marketing experience, research and development staffs or production facilities than the Company. Although the Company believes it has both a technology advantage and a superior business model over many existing competitors, maintaining this advantage will require continued investment by the Company in new market offerings. However, no assurance can be given that the Company will be able to compete successfully against current and future competition and that the competitive pressures faced by the Company will not adversely affect its financial performance.

INTELLECTUAL PROPERTY

The Company regards its products as proprietary and attempts to protect them with a combination of copyright, trademark, patent and trade secret protections, employee and third-party non-disclosure agreements, and other methods of protection. The Company currently has one issued United States patent that expires in 2018 and five patent applications pending. Despite the Company's precautions, it may be possible for unauthorized third parties to copy certain portions of the Company's products or reverse engineer or obtain and use information the Company regards as proprietary. In the future, litigation may be necessary to enforce and define the scope of the Company's intellectual property rights and to protect its trade secrets. Such litigation could be costly and have a material adverse effect upon the Company's financial condition.

While the Company's competitive position may be affected by its ability to protect its proprietary information, the Company believes that such protections are less significant to the Company's success than other factors, such as the knowledge, ability and experience of its personnel, MapInfo name recognition and ongoing product development and support.

The Company supplies MapInfo software products primarily under shrinkwrap licenses. Shrinkwrap licenses are not negotiated with or signed by individual licensees and take effect upon the opening of the product package. Certain provisions of such licenses, including provisions protecting against unauthorized use, copying, transfer and disclosure of the license program, may be unenforceable under the laws of certain jurisdictions. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States. In some regions of the world, MapInfo protects its products against unauthorized copying by the use of software copy protection and other engineered methods.

As the number of products offered by the Company grows, the Company expects that the risk of lawsuits involving software product developers will also grow. There can be no assurance that third parties will not bring infringement claims against the Company in the future with respect to the Company's current or future products. Any such claim

could require the Company to enter into royalty arrangements or result in costly litigation. If the Company were subject to such an infringement claim and that claim was successful, there can be no assurance that the Company would be able to obtain commercially acceptable licenses or to develop independently the technology necessary to preserve, enhance and grow its portfolio of software and data products. If a product infringement claim against the Company were successful, the Company's business, operating results and financial condition could be materially affected.

Certain of the technology included in the Company's products is licensed from third parties. If these licenses terminate for any reason, the Company would be required to seek alternative licenses or modify its product offerings, which could adversely affect the Company's business.

MapInfo, the MapInfo Meridian Logo, MapInfo Professional, MapXtreme, MapInfo MapX, MapMarker, MapXtend, MapInfo Discovery, CallingAreaInfo, CallPlanFinder, ExchangeInfo, MarketMath, miAware, miConnect, miFriends, miGuide, miLists, miTrip, miWhereAmI, PSAP Pro, PSYTE, RateCenterInfo, SpatialWare and TargetPro are trademarks of MapInfo Corporation and/or its affiliated companies.

EMPLOYEES

The Company had 708 full-time employees on September 30, 2003, of which 410 were employed in the United States and 298 were employed in the Company's international operations. Of the 708 employees, 193 were in research and development, 401 were in sales, marketing, and service activities (training, technical support and consulting) and 114 were in general and administrative positions. The Company's employees are not represented by any collective bargaining organization and the Company has never experienced a work stoppage. The Company believes that its relations with its employees are good.

ITEM 2.   PROPERTIES

In October 2002, the Company moved to a newly constructed 150,000 square foot facility, in the Rensselaer Technology Park in Troy, New York. This new facility is adjacent to a 60,000 square foot facility, which the Company leases, known as One Global View. The lease on the 60,000 square foot facility expires in 2006. These offices house the corporate headquarters, the principal research and development center and the principal sales, marketing and administrative staff for the United States and Latin America. The Company leases office space of approximately 25,000 square feet in Ann Arbor, Michigan, which houses sales and support staff. The lease on this facility expires in 2005. The Company leases office space of approximately 23,000 square feet in Windsor, England, which houses the European headquarters. The lease on this facility expires in 2012. The Company leases office space of approximately 41,000 square feet in Toronto, Canada, which houses a research and development center, as well as sales, marketing and support staff. The lease on the facility expires in 2014. In addition, the Company leases nine sales offices in the United States, two sales offices in Canada, five sales offices in Europe and three sales offices in Australia. The Company also owns a sales office in Brisbane, Australia.

ITEM 3.   LEGAL PROCEEDINGS

On August 5, 2002, the Company filed an action against Spatial Re-Engineering Consultants, or SRC, a former MapInfo reseller, in the United States District Court for the Northern District of New York to collect approximately $100,000 in receivables owed by SRC to the Company under contractual obligations. SRC answered and asserted fifteen counterclaims against the Company, seeking a total of $11.0 million dollars in damages. The counterclaims include allegations of breach of contract and copyright infringement. The District Court dismissed one counterclaim upon the Company's motion and SRC voluntarily withdrew a second counterclaim; thirteen counterclaims remain. In its pleadings on the remaining counterclaims SRC seeks a total of $9.0 million. However, in its computation of damages made pursuant to court rules, SRC has alleged general damages of $5.1 million, plus an unspecified amount of special damages. The Company is vigorously defending against all remaining counterclaims.

ITEM 4.   SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of the fiscal year ended September 30, 2003.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth (i) the name and age of each current executive officer of the Company, (ii) the position(s) currently held by each person named, and (iii) the principal occupations held by each person named for at least the past five years.

Executive Officer	Age	Position
John C. Cavalier	64	Chairman of the Board
Mark P. Cattini	42	President and Chief Executive Officer
K. Wayne McDougall	40	Vice President, Treasurer and Chief Financial Officer
George C. Moon	52	Chief Technology Officer
Michael J. Hickey	42	Chief Operating Officer
Gavin Lennox	40	Group Vice President of Sales and Marketing
Bert C. Tobin	50	Executive Vice President - Human Resources

Mr. Cavalier has served as Chairman of the Board since February 2002. He served as Co-Chairman from January 2001 to February 2002. He served as Chief Executive Officer from June 2000 to December 2000. He had served as President and Chief Executive Officer from November 1, 1996 to June 2000. From January 1993 to September 1996, Mr. Cavalier served as President and Chief Executive Officer of Antares Alliance Group. Mr. Cavalier is also a director of Focus Enhancements Incorporated.

Mr. Cattini has served as President and Chief Executive Officer since January 2001 and as President and Chief Operating Officer from June 2000 until January 2001. From December 1998 to June 2000, Mr. Cattini served as Group Vice President and General Manager, Americas/European Sales. He had served as Vice President, Sales - The Americas from November 1997 to December 1998. From October 1995 to October 1997, Mr. Cattini served as General Manager for the Company's United Kingdom and West EAME (Europe, Africa and the Middle East) operations. From August 1987 to October 1995, Mr. Cattini held various positions with Lotus Development UK Limited, a software company, including UK Corporate Accounts Sales Manager.

Mr. McDougall has served as Vice President, Treasurer and Chief Financial Officer since May 2003. From January 2001 to May 2003, he served as Vice President and Controller and from November 1997 to January 2001, Mr. McDougall served as the Company's Controller. Prior to joining the Company, Mr. McDougall was a Business Assurance Manager at PricewaterhouseCoopers LLP, where he was employed from 1989 to 1997.

Mr. Moon has served as Chief Technology Officer since April 2002. Mr. Moon served as Chief Technology Officer and Group Vice President - Research and Development from December 1999 to April 2002 and as Vice President - Engineering from July 1997 to December 1999. From April 1997 to July 1997, he served as Director of Software Development for the SpatialWare business of the Company. Previously he served as Director of Research and Development for the Spatial Technology Program of Unisys Corporation, a systems integration company, from November 1994 to March 1997.

Mr. Hickey has served as Chief Operating Officer since April 2002. From August 2000 to April 2002, he served as Executive Vice President, Worldwide Sales and Marketing. From June 1995 to August 2000, Mr. Hickey held a number of executive management positions with the Company, most recently as Group Vice President of Operations. Prior to joining MapInfo in 1995, Mr. Hickey worked at AlliedSignal for nine years in various management positions.

Mr. Lennox

has served as Group Vice President of Sales and Marketing since January 2003. From April 2002 to January 2003, he served as Group Vice President, Strategic Business Unit Operations. From July 2001 to April 2002, he served as Managing Director, Products and Markets for the Company's Canadian operations. Prior to joining the Company, Mr. Lennox served as Managing Director, EAME for DoubleClick International based in Dublin, Republic of Ireland from 2000 to 2001. From 1992 to 2000 Mr. Lennox held various positions in marketing and management in Lotus Development UK Ltd, a software company.

Mr. Tobin has served as Executive Vice President of Human Resources since May 2002. From April 1996 to May 2002, Mr. Tobin held various Human Resource management positions with the Company, most recently as Group Vice President of Human Resources and Administrative Practices. Prior to joining MapInfo, Mr. Tobin served in various Human Resource capacities at RH Macy's, American Maye Products Co. and Trans World Music Corp.

PART II

ITEM 5.   MARKET FOR REGISTRANT'S COMMON STOCK AND
           RELATED STOCKHOLDER MATTERS

The Company's Common Stock is listed on the Nasdaq National Market under the symbol MAPS. The table below shows the high and low trading prices of the Common Stock for each period indicated.

	2002	
	High	Low

Period		
First Quarter	$ 17.37	$ 6.05
Second Quarter	$ 16.51	$ 8.45
Third Quarter	$ 12.20	$ 8.67
Fourth Quarter	$ 9.80	$ 3.95

	2003	
	High	Low
Period		
First Quarter	$ 7.75	$ 3.30
Second Quarter	$ 5.99	$ 3.11
Third Quarter	$ 7.85	$ 3.82
Fourth Quarter	$ 12.80	$ 6.83

The Company has never declared or paid cash dividends on its capital stock. The Company does not anticipate paying cash dividends in the foreseeable future and currently intends to retain all available funds for use in the operation of its business.

The approximate number of holders of record of the Company's Common Stock at November 17, 2003 was 536. This number does not include stockholders for whom shares were held in nominee or "street" name.

ITEM 5.   MARKET FOR REGISTRANT'S COMMON STOCK AND

RELATED STOCKHOLDER MATTERS (Continued)

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under the Company's equity compensation plans as of September 30, 2003:

	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (2)
Equity compensation plans approved by security holders	2,594,614	$10.93	922,368
	- -	- -	- -

Equity compensation plans not approved by security holders			
Total	2,594,614	$10.93	922,368

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1. Excludes shares issuable under the Company's 1993 Employee Stock Purchase Plan in connection with the current offering period, which began September 1, 2003 and ends February 29, 2004.

2. Includes 149 shares issuable under the Company's 1993 Employee Stock Purchase Plan. Also includes 910,351 shares issuable under the Company's 2002 Stock Incentive Plan and 11,868 shares issuable under the Company's 1993 Director Stock Option Plan.

ITEM 6.   SELECTED FINANCIAL DATA[1]

	Years ended September 30,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Income Statement data:					
Net revenues	$ 106,255	$ 92,598	$ 110,034	$ 96,160	$ 74,356
Cost of revenues	31,611	25,101	27,063	20,953	15,642
Gross profit	74,644	67,497	82,971	75,207	58,714
Operating expenses:					
Research and development	20,387	19,657	19,144	14,514	11,253
Selling and marketing	41,011	38,901	43,198	36,984	31,538
General and administrative	15,329	13,183	16,127	12,524	10,193
Total operating expenses	76,727	71,741	78,469	64,022	52,984
Operating income (loss)	(2,083)	(4,244)	4,502	11,185	5,730
Other income (expense), net	333	178	(384)	1,599	978
Income (loss) before provision for income taxes	(1,750)	(4,066)	4,118	12,784	6,708
Provision for (benefit from) income taxes	(665)	(1,711)	1,235	4,730	2,198
Net income (loss)	$ (1,085)	$ (2,355)	$ 2,883	$ 8,054	$ 4,510

17

Earnings (loss) per share:

Basic	$ (0.07)	$ (0.16)	$ 0.20	$ 0.60	$ 0.35
Diluted	$ (0.07)	$ (0.16)	$ 0.19	$ 0.54	$ 0.33

Weighted average shares outstanding:

Basic	15,307	15,041	14,518	13,499	12,915
Diluted[2]	15,307	15,041	15,533	14,879	13,606

Consolidated Balance Sheet data:

Total assets	$ 132,972	$ 116,678	$ 108,079	$ 89,719	$ 66,799
Long-term obligations, less current portion	$ 16,895	$ 10,816	$ 331	$ -	$ -

[1]

The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") effective with the Company's fiscal year beginning on October 1, 2001. In accordance with SFAS 142 the Company has ceased amortized goodwill as of October 1, 2001. As a result of SFAS 142, in fiscal 2002, the Company did not recognize goodwill amortization expense that would have been recognized under the previous standards. See Note 5 of the Notes to Consolidated Financial Statements, below.

(2)

The impact of options for the years ended September 30, 2003 and 2002 was anti-dilutive and therefore was excluded from the calculation of weighted shares outstanding.

ITEM 7.   MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
          CONDITION AND RESULTS OF OPERATIONS

Overview

MapInfo designs, develops, licenses, markets and supports location-based software and data products, application development tools and industry-focused solutions. The Company also provides related consulting, training and technical support services. Products and services are sold through multiple distribution channels, including a corporate account sales force, a telemarketing sales group, and an indirect channel of value-added resellers and distributors. The Company's products are translated into 20 languages and sold in 60 countries throughout the world. MapInfo markets its products worldwide through sales offices in North America, the United Kingdom, Germany, and Australia, and in the rest of Europe and the Asia-Pacific region through exclusive and non-exclusive distribution relationships.

On January 6, 2003 the Company acquired substantially all of the assets and assumed certain liabilities of Thompson Site Selection Research, Inc. ("Thompson"), a privately held company headquartered in Ann Arbor, Michigan. Thompson is a provider of location-based analytical services and business intelligence software for the retail, restaurant and real estate verticals. The Company expects the acquisition to strengthen its presence in these verticals. The purchase price was $13.5 million, including acquisition-related costs. In addition, in accordance with the purchase agreement, Thompson may earn up to $6.1 million in contingent consideration based on Thompson's profitability following the acquisition. On November 26, 2003, based on the

operating performance achieved by Thompson to-date and in order to facilitate the integration of Thompson's operations, the Company has agreed to pay Thompson the full contingent payment, $5.1 million of which will be paid on March 1, 2004 and the remaining $1.0 million will be paid on October 1, 2004. These payments will be recorded as an addition to goodwill. The Thompson acquisition was financed with $9.9 million in cash on hand, $3.0 million in borrowings under the Company's bank credit facility, and $556 thousand in cash on hand, paid in April 2003 as a result of the closing balance sheet working capital adjustment. The total of Thompson's net assets acquired by the Company was $2.5 million. Goodwill recorded as a result of the acquisition totaled $8.0 million. Intangibles assets acquired, other than goodwill, totaled $3.0 million. The acquisition is being accounted for as a purchase, and, accordingly, the Company has included the results of operations in the financial statements effective January 6, 2003. The pro forma effects of the Thompson acquisition on the Company's financial statements were not material. Ninety-three employees of Thompson became employees of MapInfo upon the acquisition.

In response to a reduction in spending by telecommunication companies and reduced IT spending in most of the Company's markets, the Company reduced operating expenses during 2002 and 2003. Overall expense reductions included headcount reductions, restructuring of the business model in Japan, and the consolidation of the Company's Canadian operations. In Japan, the Company increased its ownership position in February 2002 in Alps Mapping Co. Ltd., ("Alps") from 17% to 49%, and granted Alps exclusive distribution rights in Japan to MapInfo's software products. This enabled the Company to close its sales office in Japan. In Canada, the Company consolidated its Canadian sales and marketing operations and its research and development group into a single facility in Toronto. The purpose of the consolidation was to increase operational efficiency, improve communications and reduce operating costs. As a result of these and other restructuring actions, total Company headcount, excluding 90 employees that were added as a result of the Thompson acquisition was reduced to 618 at September 30, 2003 from 681 at September 30, 2002 and from 770 at September 30, 2001.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements regarding future events and our future results that are based on current

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

expectations, estimates, forecasts, and projections about the industries in which MapInfo operates and the beliefs and assumptions of the Company's management. In this Management's Discussion and Analysis of Financial Condition and Results of Operations, any statements that are not statements of historical fact may be deemed to be forward-looking statements, including but not limited to statements as to the Company's plans for its business, the sufficiency of funds to meet operating requirements for the next 12 months, the effects of the Company's fiscal 2002 and 2003 cost-reduction initiatives, the Company's expansion of facilities in Troy, New York and the projected vacancy rate of those facilities, the intended use of the common stock repurchased under the common stock repurchase program, the potential impact of accounting policies and pronouncements on the Company's future financial reports and results, the ability of the Company to maintain and renew its credit facility, and the impact of the Thompson acquisition. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Readers should review carefully the risks and uncertainties identified below under the

caption "Outlook: Issues and Risks". We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operation are based on its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the amounts reported for assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Management evaluates these estimates, including those related to product returns, bad debts, inventories, investments, intangible assets, goodwill, income taxes, restructuring, contingencies and litigation, on an on-going basis. The estimates are based on historical experience and on various assumptions that management believes are reasonable. When the basis for carrying values of assets and liabilities are not apparent from other sources, they are determined from these estimates. The Company's actual results may differ from these estimates under different conditions or assumptions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

- Allowance for Doubtful Accounts and Sales Returns.

  The Company records reductions to revenue for estimated product returns. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of MapInfo's customers were to deteriorate, resulting in their inability to make payments, an additional allowance may be recognized. The Company's estimate for the allowance for doubtful accounts and sales returns is based on historical collection and sales returns experience. In addition, the Company reviews the status of the current trade receivables, reserving amounts deemed to pose a material collection or sales return risk.

- Revenue Recognition.

The Company recognizes revenue in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition" (SOP 97-2), and SOP 98-9, "Software Revenue Recognition with Respect to Certain Transactions". In accordance with SOP 97-2, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

product has occurred, no significant obligations remain, the fee is fixed or determinable and collectibility is probable. Revenue earned on software arrangements involving multiple elements is allocated to each element based on the relative fair values of the each element. In general, revenue related to postcontract customer support ("PCS"), including maintenance and technical support, is deferred and recognized ratably over the term of the agreement. In general, revenue from customer training, consulting, and other services are recognized when the service is performed.

- Impairment of Intangible Assets.

Other intangible assets are amortized on a straight-line basis over the estimated useful lives of three to ten years, with the exception of certain trademarks, which have been determined to have an indefinite useful life and therefore are not subject to amortization. The Company reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Management's determination of impairment is made based on estimates of future cash flows. If an intangible asset is considered to be impaired, the amount of the impairment will equal the excess of the carrying value over the fair value of the assets.

- Goodwill Impairment.

  Effective October 1, 2001, the Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). In accordance with SFAS 142, the Company does not amortize goodwill. The Company tests goodwill for impairment on an annual basis or when a triggering event occurs and writes down goodwill if it is determined that the asset has been impaired.

- Investments Impairment.

  MapInfo holds minority interests in companies having operations or technology in areas within its strategic focus. The Company records an investment impairment charge when an investment has experienced a decline in value that the Company believes is not temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value. This may require an impairment charge in the future.

- Deferred Tax Assets.

At September 30, 2003, we had net deferred tax assets of $15.3 million, reflecting tax credit carryforwards, net operating losses and other deductible temporary differences, which reduce taxable income in future years. We are required to assess the realization of our deferred tax assets. Significant changes in circumstances may require adjustments during interim periods. Our future tax benefits related to foreign tax credits are fully reserved as it is more likely than not that they will not be realized due to their relatively short carryforward periods. Although realization is not assured, we have concluded that it is more likely than not that the remaining net deferred tax assets will be realized principally based upon forecasted taxable income generally within the twenty-year R&D credit and net operating loss carryforward periods, giving consideration to the substantial benefits realized to date through our restructuring program. The amount of the net deferred tax assets actually realized could vary if there are differences in the timing or amount of future reversals of existing deferred tax liabilities or changes in the actual amounts of future taxable income. If our forecast is determined to no longer be reliable due to uncertain market conditions or improvement in our results of operations does not continue, our long-term forecast will require reassessment. As a result, we may need to establish additional valuation allowances for all or a portion of the net deferred tax assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations for 2003, 2002 and 2001

Net Revenues
(Dollars in thousands)

	2003	Change	2002	Change	2001
Products	$ 85,423	3%	$ 83,211	-16%	$ 99,150
Services	20,832	122%	9,387	-14%	10,884
Net revenues	$ 106,255	15%	$ 92,598	-16%	$ 110,034

In 2003, net revenues increased $13.7 million, or 15%, to $106.3 million, as compared to $92.6 million in fiscal year 2002. The acquisition of Thompson in January 2003 resulted in revenue of $12.8 million during fiscal year 2003. Approximately $11.4 million of the increase was attributable to a 122% increase in service revenue due to the Thompson acquisition and the remaining increase was due to a 3% increase in product revenues. On a geographic basis, revenues in the Americas increased by $9.8 million or 19%; Europe revenues increased by $2.1 million, or 7% (0% on a constant currency basis), and Asia-Pacific revenues increased by $1.8 million, or 15% (3% on a constant currency basis). In the Americas, revenue from product sales decreased 3% and revenues from services increased 217%. The revenue increase in the Americas was primarily attributable to Thompson. In Europe, product revenues increased 7% and revenue from services increased 7%, in each case when compared to the prior year. In the Asia-Pacific region, product revenues increased 15% and revenues from services increased 9%, in each case when compared to the prior year. The strengthening of foreign currencies against the U.S. dollar added $4.1 million to revenue for fiscal year 2003 compared to the prevailing exchange rates in the prior year. On a Strategic Business Unit basis, fiscal year 2003 revenue attributed to LBI was $80.8 million, revenue attributed to Predictive Analytics was $24.0 million, and revenue attributed to LBS was $1.4 million. The Company is experiencing a slower rate of adoption of its LBS technology than previously anticipated due to delays in customer implementations.

In 2002, net revenues decreased $17.4 million, or 16%, to $92.6 million, as compared to $110.0 million in fiscal year 2001. Approximately $15.9 million of the decrease was attributable to a 16% decrease in product revenues and $1.5 million was attributable to a 14% decrease in service revenue. On a geographic basis, revenues in the Americas decreased by $14.7 million or 23%; Europe revenues decreased by $3.0 million, or 9% (11% on a constant currency basis), and Asia-Pacific revenues increased by $295 thousand, or 2% (1% on a constant currency basis). In the Americas, product revenues decreased 23% and revenues from services decreased 20%. The revenue decline in the Americas was mainly attributable to reduced spending by telecommunication companies due to the broad decline in telecommunications industry demand. Also affecting revenues in the Americas was the slowing in the rate of new customer acquisition, which the Company believes is due to overall reduced IT spending across the American economy. In Europe, product revenues decreased 9% and revenue from services decreased 10%. Europe was also affected by the slowing in the rate of new customer acquisition, which the Company believes is due to an overall reduction in IT spending across European markets. In the Asia-Pacific region, revenues from services increased 9% and product revenues increased 2%. The increase in Asia-Pacific revenues was mainly attributable to Australia where revenues increased $2.3 million, or 36%, primarily due to the March 2001 acquisition of ERSIS Australia Pty Ltd. Offsetting the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

increase in Australia were declines in China and Japan of $1.0 million and $700 thousand, respectively. The decline in China reflects reduced sales by the Company's principal distributor. In Japan, the Company changed its distribution model in February 2002 by increasing its ownership in Alps from 17% to 49% and

granted Alps exclusive distribution rights in Japan to MapInfo's software products. This enabled the Company to close its sales office in Japan in the June quarter. Under the exclusive distribution agreement, all MapInfo sales in Japan are earned by Alps, which purchases product from MapInfo.

The Americas represented 56%, 54%, and 59% of Company revenues in 2003, 2002, and 2001, respectively. Europe represented 31%, 33%, and 30% and Asia-Pacific represented 13%, 13%, and 11% of Company revenues in 2003, 2002, and 2001, respectively.

The Company's operating results are affected by exchange rates. See "Other Income, Net," below. Approximately 38%, 41%, and 38% of the Company's revenues were denominated in foreign currencies in 2003, 2002 and 2001, respectively.

Cost of Revenues
(Dollars in thousands)

	2003	Change	2002	Change	2001
Products	$ 17,562	7%	$ 16,357	-4%	$ 17,076
Services	14,049	61%	8,744	-12%	9,987
Total cost of revenues	$ 31,611	26%	$ 25,101	-7%	$ 27,063
Percentage of net revenues	29.8%		27.1%		24.6%

Cost of revenues as a percentage of net revenues was 29.8% in fiscal year 2003, an increase of 2.7 percentage points over fiscal year 2002. As a result, the gross profit margin decreased to 70.2% from 72.9% in the prior year. The lower margins in fiscal year 2003 are attributable to increased services revenue primarily due to the Thompson acquisition. Services generally generate a lower gross profit margin than products. Gross profit margin as a percentage of revenue that related to product revenue was 79.4%, 80.3% and 82.8% for 2003, 2002 and 2001, respectively. Gross profit margin as a percentage of revenue that related to services revenue was 32.6%, 6.8% and 8.2% for 2003, 2002 and 2001, respectively. Cost of revenues as a percentage of net revenues was 27.1% in 2002 or an increase of 2.5 percentage points over 2001. As a result, the gross margin decreased to 72.9% in 2002 from 75.4% in 2001. The increase in cost of revenues in 2002 was mainly attributable to the acquisitions of Compusearch and ERSIS, product mix, increased data royalties, and a decline in the gross margin attributable to services.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

Operating Expenses
(Dollars in thousands)

	2003	Change	2002	Change	2001
Research and development	$ 20,387	4%	$ 19,657	3%	$ 19,144
Percentage of net revenues	19.2%		21.2%		17.4%
Selling and marketing	$ 41,011	5%	$ 38,901	-10%	$ 43,198
Percentage of net revenues	38.6%		42.0%		39.3%
General and administrative	$ 15,329	16%	$ 13,183	-18%	$ 16,127
Percentage of net revenues	14.4%		14.2%		14.7%

Research and development. **Research and development (R&D) expenses were $0.7 million or 4% higher in fiscal year 2003 versus 2002. The increase in R&D expense was primarily attributable to the Thompson acquisition. In 2002, R&D expenses were $0.5 million or 3% higher in 2002 versus 2001. The increase in 2002 primarily related to additional R&D efforts in support of the Company's LBS initiative. R&D headcount was 193 (inclusive of nine Thompson employees), 197, and 209, at the end of fiscal 2003, 2002, and 2001, respectively. As a percentage of net revenues, R&D expenses were 19.2% in 2003 as compared with 21.2% in 2002 and 17.4% in 2001. Capitalized product development costs were $213 thousand, $280 thousand, and $657 thousand, in 2003, 2002 and 2001, respectively. These amounts represented 1%, 1%, and 3% of total research and development costs in 2003, 2002 and 2001, respectively.**

Selling and marketing expenses. **Selling and marketing expenses increased $2.1 million or 5% in fiscal year 2003 versus 2002. Selling and marketing expenses attributable to the Thompson acquisition were $2.5 million in 2003. Offsetting the increase due to Thompson were headcount reductions and cost savings recognized in Japan, where the Company closed its sales office during the second quarter of fiscal year 2002. Selling and marketing expenses decreased by 10% or $4.3 million in 2002. The decrease in 2002 primarily related to the Americas where selling and marketing expenses decreased approximately $3.0 million, primarily due to a 21-person reduction in sales headcount. The Asia-Pacific region accounted for $1.3 million of the decrease primarily due to headcount reductions as a result of the closing of the sales office in Japan. Sales and marketing headcount was 240 (inclusive of seventeen Thompson employees), 247, and 280, at the end of fiscal 2003, 2002, and 2001, respectively. As a percentage of net revenues, selling and marketing expenses were 38.6%, in 2003 compared to 42.0% in 2002 and 39.3% in 2001.**

General and administrative expenses. **General and administrative (G&A) expenses increased $2.1 million or 16% in fiscal year 2003 when compared with 2002. Thompson accounted for $600 thousand of the increase and $1.0 million was attributable to severance and restructuring costs. The balance of the increase was due to increased professional fees in fiscal year 2003. G&A expenses decreased $2.9 million or 18% in 2002. Excluding approximately $1.7 million due to the reduction in goodwill amortization as a result the adoption of SFAS 142**

"Goodwill and Other Intangible Assets" effective October 2001, G&A expenses would have decreased 8%. The balance of the decrease related primarily to a reduction in overall spending in areas such as professional fees, travel, supplies, incentive compensation to executives and management, and related benefits costs, among other things, due to concentrated efforts to reduce operating costs. G&A headcount was 114 (inclusive of three Thompson employees), 121, and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

129 at the end of fiscal 2003, 2002, and 2001, respectively. As a percentage of net revenues, G&A expenses were 14.4% in 2003, 14.2% in 2002, and 14.7% in 2001.

Other Income, net
(Dollars in thousands)

	2003	Change	2002	Change	2001
Other income, net	$ 333	87%	$ 178	146%	$ (384)