MAPINFO CORP
Form 10-K
December 20, 2002

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, 2002

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 X No _____

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 __X __

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

Yes X No _____

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $92,000,608 based on the closing price of the Common Stock on the Nasdaq National Market on December 2, 2002.

The number of shares outstanding of the registrant's common stock, $.002 par value per share as of December 2, 2002 was 15,143,433.

Documents Incorporated by Reference

Document Description	10-K Part
Specifically Identified Portions of the Registrant's Proxy Statement for the 2003 Annual Meeting of Stockholders	III

This Annual Report on Form 10-K contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, including, without limitation, statements as to the sufficiency of funds to meet operating requirements for the next 12 months, as to the Company's expansion of facilities in Troy, New York and the projected vacancy rate of those facilities, as to the impact of the Company's operating-cost reduction measures, as to the intended use of the common stock repurchased under the common stock repurchase program, and as to the potential impact of certain accounting pronouncements on the Company's future financial reports and results. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from those indicated by forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time. In addition to the other information in this Annual Report on Form 10-K, the issues and risks contained in the section entitled "Outlook: Issues and Risks" of the Management's Discussion and Analysis of Financial Condition and Results of Operations, among others, should be considered in evaluating MapInfo's outlook and future.

PART I

ITEM 1. BUSINESS

GENERAL

MapInfo Corporation (the "Company" or "MapInfo") 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 discloses 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 virtually every industry and every sector of the economy already use MapInfo products. Companies in the private sector, including in the telecommunications, financial services, insurance and retail markets, use the Company's products and services for marketing, customer service, risk analysis, sales territory alignment, site selection and routing. Industry leaders Agilent Technologies, Cognos, Oracle and Siebel Systems use the Company's solutions to meet growing market demand for their own decision-support tools that leverage location-based information. In the public sector, government agencies use MapInfo technology to improve public safety, crime analysis, emergency preparedness and response. The Company also provides solutions for new markets such as mobile location-based services for telecommunications companies and analytical customer relationship management for retail-related organizations.

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.

The Company conducts business globally and is managed geographically. In addition, during the second half of fiscal 2002, the Company organized its sales, marketing and certain engineering activities into three strategic business units, discussed below. These strategic business units are designed to focus the Company's primary operating resources on specific customer needs.

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 Company will post its annual report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K, and any amendments to those forms on its website as soon as reasonably practicable after filing such materials with the Securities and Exchange Commission.

STRATEGIC BUSINESS UNITS

In April 2002, the Company reorganized its sales, marketing, and certain engineering activities into three Strategic Business Units ("SBUs"). The three SBUs are: Location Based Intelligence; Analytical Customer Relationship Management and Location Based Services. The SBUs are designed to focus the Company's primary operating resources on specific customer needs. Financial information regarding the SBUs is set forth in Note 15 of the Notes to Consolidated Financial Statements.

Location Based Intelligence ("LBI"). The LBI business unit focuses on several vertical industries including public sector, communications, insurance and logistics, enabling those industries to collaborate, visualize and share location-based information to solve complex problems.

Analytical Customer Relationship Management ("aCRM")

. The aCRM business unit delivers solutions that analyze the interaction between supply and demand. MapInfo customers can analyze the location of their retail outlet, the location of their own customers and identify their customers' location-dependent behavior. The Company's aCRM business unit serves customers in the financial services, telecommunications, and retail markets and expects to expand into other targeted vertical markets in the future.

Location Based Services ("LBS"). The LBS business unit helps telecommunication providers improve revenue-per-subscriber and optimally position their wireless networks. MapInfo's solutions also allow telecommunications providers to provide subscribers timely and accurate location information such as point-to-point directions and local maps.

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 offers an extensive suite of solutions that combine software applications, software development tools, data, business unit solutions and services. The Company's engineering approach is founded on state-of-the-art coding, open standards and quality assurance standards, multiplatform Java™ and Windows®, as well as Internet deployment and integration with leading database environments.

Net revenues of the Company for the last three fiscal years are shown below. Core software and data products, and business unit solutions are included under the "Products" caption.

Net revenues:	2002	2001	2000
Products	$ 83,211	$ 99,150	$ 87,946
Services	9,387	10,884	8,214
Total net revenues	$ 92,598	$ 110,034	$ 96,160

Core Software and Data 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 business unit solutions. 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 enterprisewide 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®

MapXtreme is a powerful 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. *MapXtreme* is available for Microsoft® Windows® and Java™ operating platforms.

- *MapInfo MapX*® and *MapInfo MapX*® Mobile

MapInfo MapX

is an ActiveX component enabling developers to quickly and easily add mapping functionality to any application. Using standard languages, a streamlined object model, defaults and other wizards, *MapInfo MapX* helps simplify application development. *MapInfo MapX* Mobile is the premier Windows™ -based software developer's tool for creating customized mapping application on Pocket PC devices. With *MapX* Mobile, developers can easily 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). *SpatialWare* allows spatial data to be stored in the same place as traditional data, ensuring data accessibility, integrity, reliability and security.

- MapXtend®

MapXtend is a developer tool for creating location-based applications running on wireless handheld devices. Applications created with *MapXtend* provide mobile field staff live access to the most current corporate data on equipment and customers, helping increase efficiency and improve service.

MapInfo's geocoding, address matching and cleansing products marketed in the United States, Canada, the United Kingdom, Germany, the Netherlands and Spain assign correct latitude/longitude coordinates or appropriate national projection coordinates to database records so that data can be accurately displayed on a map and analyzed geographically. The Company also offers geocoders for use in the rest of Europe and Australia.

- *MapMarker*® and *MapMarker*® Plus

MapMarker,

MapInfo's geocoding engine, turns ordinary data records containing address information into geographic objects that can be displayed on a map quickly and accurately. MapInfo markets versions of *MapMarker* in Australia, Canada, Germany, the Netherlands, Spain, the United Kingdom and the United States. With *MapMarker*, users can geocode and clean entire databases of address information.

- MapMarker® J Server

MapMarker

J Server is a Java-based development tool for creating server-side geocoding applications that cleanse, standardize and add spatial coordinates to address data. It offers communications and security via TCP/IP or HTTP, and supports virtually all client platforms. *MapMarker* is also available in the MapInfo® Geocoding Cartridge for Oracle8*i,* the MapInfo® Geocoding Datablade for Informix and MapInfo® *MapMarker* ESP providing Microsoft® SQL Server™ 2000 access to the geocoding engine of *MapMarker* Plus.

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

- MapInfo® Routing J Server

The Routing J Server 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 US Public Safety Answering Point

<u>Business Unit Solutions</u>

MapInfo's strategic business units offer software-based solutions that integrate with MapInfo data products to provide solutions to specific industry problems and to help organizations better understand their customers.

Location Based Intelligence

- CallingAreaInfo™

CallingAreaInfo generates detailed tables and maps of local calling plans available to business and residential customers.

This enables service providers to make better decisions about expanding networks, responding to competition and marketing to customers and prospects.

- *CallPlanFinder*™

CallPlanFinder may be the first Intranet solution to identify calling plans. It examines the local calling plan(s) for calls that originate from any area code and 3-digit exchange in the United States. *CallPlanFinder* enables marketing and sales departments to see where to target their efforts to generate more subscribers and expand markets.

Analytical Customer Relationship Management

- TargetPro

®

This analytical customer relationship management (aCRM) solution enables organizations to tightly link location analysis to customer data. By combining customers' 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 provides insight into the demographic and purchase behavior characteristics of any geographic area in Germany, the United Kingdom, the Netherlands and North America.

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MarketMath®

MarketMath provides insight into the demographic and purchase behavior characteristics of any geographic area in Canada. Designed to transform demographic data into strategic marketing solutions, *MarketMath* combines industry specific analytical routines with demographics, *PSYTE* clusters, point databases and cartographics.

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MapInfo® Site Screener and Site Matcher

MapInfo Site Screener and Site Matcher are modeling services that help organizations identify the best retail locations for business expansion. Site Screener provides an efficient way to assess the likely performance of new sites or store formats based on the presence of key decision variables, such as traffic patterns or workplaces or homes of customers whose demographics and purchase behavior match a retailer's target customer profile. Site Matcher is used to predict sales at prospective and existing sites.

- *miLists*™

This online marketing list service enables organizations to first identify and analyze new markets and then obtain a targeted list of corporate prospects in those markets. The map-enabled list service offers marketers fast, flexible Internet access to comprehensive consumer and business prospect lists provided by Acxiom.

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MapInfo® Branch Manager

MapInfo Branch Manager is a desktop software tool that allows companies to model different site location scenarios and help make the optimum site decisions for retail store or bank branch locations. Branch Manager software supports and integrates the spatial site optimization models delivered as part of MapInfo's custom modeling services.

Location Based Services

- *miAware*™

miAware is a proven and robust platform for creating location-based services. It provides a flexible and scalable extensible markup language (XML) application programming interface that brings together MapInfo's market-leading server technologies to offer a fully integrated, end-to-end solution. *miAware* includes a number of prebuilt application templates for deploying popular location-based services, including: the ***miGuide***™ application that provides information about subscriber-chosen locations and directions to that location; the ***miConnect***™ application for business use that allows a dispatcher to locate field personnel and provide appropriate information to their mobile devices; the ***miTrip***™ application that provides point-to-point directions.

- ***miAware Developer Services Program***

The miAware Developer Services Program is designed to help application developers and content providers generate revenue in the growing market for business and consumer location-based applications. Developers and content providers can now take advantage of *miAware's* proven, robust development platform to quickly create commercially viable location-based services applications and content for sale to wireless carriers and enterprise customers.

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 robust 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.

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 systems, 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 needs, 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 $19.7 million, $19.1 million and $14.5 million for the years ended September 30, 2002, 2001 and 2000, 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 corporate partners including resellers, system 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 and Web-based applications. Today, the Company views the emergence of the wireless Web as an opportunity to evolve further with the industry into this new medium and is currently deploying applications with wireless carriers.

Approximately ten to twenty 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 offering mapping software and data products. In the traditional GIS market, addressed by MapInfo's LBI business unit, competitors include Environmental Systems Research Institute, 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 aCRM markets, developing particular expertise in serving these markets. Competitors in the aCRM market include Claritas and CACI. Competitors in the LBS market include Webraska and Autodesk. As the Company moves into new areas, such as aCRM and the emerging LBS area, it may also face new competition from entrants focused in these spaces, as well as competition from existing companies within these spaces.

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 and production facilities than the Company. Although the Company believes it has a technology advantage over many existing competitors in the mapping software markets, maintaining this advantage will require continued investment by the Company in new product development.

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), product price, reliability, ease of use and supportability. In addition, the Company believes it is differentiated over many competitors in the newly established aCRM and LBS business unit markets through technological expertise, intellectual property protection and the development of industry-focused solutions that incorporate relevant data with its software to create unique 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 software and data 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. 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 assert infringement claims against the Company in the future with respect to the Company's current or future products. Any such assertion 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 681 full-time employees on September 30, 2002, of which 350 were employed in the United States and 331 were employed in the Company's international operations. Of the 681 employees, 197 were in research and development, 363 were in sales, marketing, and service activities (training, technical support and consulting) and 121 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.

In response to reduced spending by telecommunication companies and reduced IT spending in most of the Company's markets, the Company reduced operating costs during fiscal year 2002, including through headcount reductions. As a result of these and other restructuring actions, total Company headcount was reduced to 681 at September 30, 2002 from 770 at September 30, 2001.

ITEM 2. PROPERTIES

Until October 2002, the Company leased two premises, with the addresses of Four Global View and One Global View, totaling approximately 102,000 square feet of office space in the Rensselaer Technology Park in Troy, New York, under leases that expire(d) in 2002 and 2006, respectively. In October 2002, the Company vacated and terminated the lease on its 40,000 square-foot facility at Four Global View, without further obligation or penalty. In conjunction with the termination of the lease on the Four Global View property, the Company moved to a newly constructed 150,000 square foot facility, also in the Rensselaer Technology Park in Troy, New York adjacent to the leased property known as One Global View. In addition, the Company has an option to acquire, on or before December 31, 2002, the 60,000 square-foot facility at One Global View for $5.25 million together with an option to acquire a 49-year ground lease of the 14 acres on which the leased One Global View facility sits. The purchase price for the ground lease is $1.8 million. The Company does not intend to exercise its option to purchase the 60,000 square foot facility and is examining its options concerning the consolidation of office space in Troy, New York. 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 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

In August 2002, MapInfo filed an action against Spatial Re-Engineering Consultants ("SRC"), a former MapInfo reseller, in the United States District Court for the Northern District of New York to collect approximately $100 thousand in receivables owed by SRC to the Company under contractual obligations. In September 2002, SRC served an answer and asserted a number of counterclaims against MapInfo. The counterclaims include allegations of breach of contract and copyright infringement as to which SRC seeks a total of $11.0 million in damages. MapInfo is defending all counterclaims vigorously. The parties have each moved for summary judgment and/or dismissal of certain claims. The motions are likely to be heard in early 2003.

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, 2002.

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	63	Chairman of the Board
Mark P. Cattini	41	President and Chief Executive Officer
D. Joseph Gersuk	52	Executive Vice President, Treasurer and Chief Financial Officer
George C. Moon	51	Chief Technology Officer
Michael J. Hickey	41	Chief Operating Officer
Bert C. Tobin	49	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, he 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, he 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, he held various positions with Lotus Development UK Limited, a software company, including UK Corporate Accounts Sales Manager.

Mr. Gersuk has served as Executive Vice President, Treasurer and Chief Financial Officer since April 1997 and was previously Vice President, Treasurer and Chief Financial Officer from October 1994 to April 1997. From November 1992 to October 1994, Mr. Gersuk was a director of and Vice President and Chief Financial Officer of DataEase Sapphire International Inc., a computer software company. From 1988 to 1992, Mr. Gersuk served as Vice President and Chief Financial Officer of Staveley NDT Technologies Inc. Mr. Gersuk is currently a director and chairman of the audit committee of American Bio Medica Corporation, a Nasdaq listed company, and is the treasurer and a member of the board of trustees of the Albany Academy for Girls.

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. 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.

	2001	
	High	Low
Period		
First Quarter	$ 52.50	$ 22.45
Second Quarter	$ 46.56	$ 17.38
Third Quarter	$ 33.55	$ 15.38
Fourth Quarter	$ 23.31	$ 6.80

	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

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

The approximate number of holders of record of the Company's Common Stock at December 2, 2002 was 549. 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, 2002:

	(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	2,536,533	$13.33	986,256
Equity compensation plans not approved by security holders	- -	- -	- -
Total	2,536,533	$13.33	986,256

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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, 2002 and ends February 28, 2003.

2. Includes 101,440 shares issuable under the Company's 1993 Employee Stock Purchase Plan, but does not include the additional 400,000 shares that would be available for issuance if Proposal No. 3 is approved at the Company's 2003 Annual Meeting of Shareholders. Also includes 797,948 shares issuable under the Company's 1993 Stock Incentive Plan and 86,868 shares issuable under the Company's 1993 Director Stock Option Plan. Does not include the additional 200,000 shares that would be available for issuance under the 2002 Stock Incentive Plan if the plan is approved at the Company's 2003 Annual Meeting of Shareholders. In addition to being available for issuance upon the exercise of options, shares under the 1993 Plan were also issuable in the form of restricted or unrestricted stock, stock appreciation rights and other equity-based awards.

ITEM 6. SELECTED FINANCIAL DATA(1)

	Years ended September 30,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Income Statement data:					
Net revenues	$ 92,598	$110,034	$96,160	$74,356	$60,603
Cost of revenues	25,101	27,063	20,953	15,642	13,573
Gross profit	67,497	82,971	75,207	58,714	47,030
Operating expenses:					
Research and development	19,657	19,144	14,514	11,253	10,231
Selling and marketing	38,901	43,198	36,984	31,538	25,606
General and administrative	13,183	16,127	12,524	10,193	8,019
Total operating expenses	71,741	78,469	64,022	52,984	43,856

Operating income (loss)	(4,244)	4,502	11,185	5,730	3,174
Other income (expense), net	178	(384)	1,599	978	1,150
Income (loss) before provision for income taxes	(4,066)	4,118	12,784	6,708	4,324
Provision for (benefit from) income taxes	(1,711)	1,235	4,730	2,198	1,143
Net income (loss)	$ (2,355)	$ 2,883	$ 8,054	$ 4,510	$ 3,181
Earnings (loss) per share:					
Basic	$ (0.16)	$ 0.20	$ 0.60	$ 0.35	$ 0.24
Diluted	$ (0.16)	$ 0.19	$ 0.54	$ 0.33	$ 0.24
Weighted average shares outstanding:					
Basic	15,041	14,518	13,499	12,915	13,111
Diluted(2)	15,041	15,533	14,879	13,606	13,354
Consolidated Balance Sheet data:					
Total assets	$ 116,678	$ 108,079	$89,719	$ 66,799	$ 59,531
Long-term obligations, less current portion	$ 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 $3,325 of 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 year ended September 30, 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, together with a range of consulting, training and technical support services. These products 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.

In April 2002, the Company began a reorganization of its sales, marketing and certain engineering activities into three business units: --location-based intelligence ("LBI"), analytical CRM ("aCRM"), and location-based services ("LBS"). The purpose of the reorganization was to enable the Company to better address the unique needs of its distinctive customer groups. The Company implemented the reorganization during the second half of fiscal 2002. See Note 15 in the Notes to Consolidated Financial Statements below.

In response to reduced spending by telecommunication companies and reduced IT spending in most of the Company's markets, the Company reduced operating costs during fiscal year 2002. These cost savings include headcount reductions, a restructuring of the Company's business operations in Japan, and the consolidation of the Company's Canadian operations into a single facility. 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 was reduced to 681 at September 30, 2002 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 expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of the Company's management. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, including but not limited to statements as to the sufficiency of funds to meet operating requirements for the next 12 months, the effects of the Company's fiscal 2002 cost-reduction initiatives, as to the Company's expansion of facilities in Troy, New York and the projected vacancy rate of those facilities, as to the impact of the Company's operating-cost reduction measures, as to the intended use of the common stock repurchased under the common stock repurchase program, and as to the potential impact of certain accounting pronouncements on the Company's future financial reports and results. 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. 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 MapInfo's 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 on an on-going basis, including those related to product returns, bad debts, inventories, investments, intangible assets, goodwill, income taxes, restructuring, contingencies and litigation. MapInfo bases its estimates on historical experience and on various assumptions that are believed to be reasonable at the time. The basis for carrying values of assets and liabilities are determined from these estimates when they are not apparent from other sources. 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.

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 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 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 elements. In general, revenue related to postcontract customer support ("PCS") is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support and other services is recognized upon completion of the service performed.

MapInfo writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be necessary.

Other intangible assets are amortized on a straight-line basis over three to seven years. 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. A determination of impairment is made based on estimates of future cash flows. If such assets are considered to be impaired the amount of the impairment would be based on the excess of the carrying value over the fair value of the assets.

As discussed in Note 5 to the Consolidated Financial Statements, 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 no longer amortizes goodwill. The Company will test goodwill for impairment on an annual basis and goodwill will be written down if it is determined that the asset has been impaired.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

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.

The Company has established a valuation allowance to reserve a portion of the net deferred tax assets representing foreign tax credit carryforwards. There is no valuation allowance recorded against the Company's remaining net deferred tax assets as the Company believes it is more likely than not that all remaining future tax benefits will be realized against future taxable income. However, the amount of deferred tax assets considered realizable could be reduced in the future if estimates of future taxable income are reduced.

Results of Operations for 2002, 2001 and 2000

Net Revenues
(Dollars in thousands)

	2002	Change	2001	Change	2000
Products	$ 83,211	-16%	$ 99,150	13%	$ 87,946
Services	9,387	-14%	10,884	33%	8,214
Net revenues	$ 92,598	-16%	$ 110,034	14%	$ 96,160

In 2002, net revenues decreased $17.4 million, or 16%, to $92.6 million. Approximately $8.7 million of the decrease was attributable to a 16% decrease in software revenues, $7.2 million was attributable to a 16% decrease in data 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, software revenue decreased 33%, data revenues decreased 16% 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 communications 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, data revenues decreased 31% and revenue from services decreased 10%, while revenue from software products was flat when compared to the prior year. 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, software revenue decreased 8%, while data revenues and revenues from services increased 34% and 9%, respectively. 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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

the exclusive distribution agreement, all MapInfo sales in Japan are earned by Alps, which purchases product from MapInfo.

In 2001, MapInfo's revenues increased $13.9 million, or 14%, to $110.0 million. Approximately $8.4 million of the increase was attributable to increased unit sales of data products, $2.8 million was attributable to increased unit sales of software products, and $2.7 million was attributable to increased sales of services. The growth in data revenues primarily resulted from increased demand for data products as a result of selling enterprise solutions that incorporate the full suite of MapInfo's software, information products and services and the effect of the Compusearch Inc. and Ersis Australia Pty. Ltd. acquisitions. The Compusearch and Ersis acquisitions added approximately $10.7 million of incremental revenue. On a geographic basis, revenues increased approximately 12% in the Americas, 22% in Europe (and 29% on a constant currency basis), and 10% in Asia-Pacific (and 23% on a constant currency basis). The increase in the Americas revenues was mainly attributable to the increased sales of data and software products as previously discussed, and the acquisition of Compusearch. The increase in Europe's revenues was mainly attributable to increased unit sales in the UK and Germany, primarily to customers in the telecommunications industry. The weakening of the Australian economy and the decline in the Australian dollar hindered growth of Asia-Pacific revenues. In total, the devaluation of certain foreign currencies reduced 2001 growth by approximately $3.2 million or 4 percentage points.

The Americas represented 54%, 59% and 60% of Company revenues in 2002, 2001, and 2000, respectively. Europe represented 33%, 30% and 29% and Asia-Pacific represented 13%, 11% and 11% of Company revenues in 2002, 2001, and 2000, respectively.

The Company's operating results are affected by exchange rates. See "Other Income, Net," below. Approximately 41%, 38% and 26% of the Company's revenues were denominated in foreign currencies in 2002, 2001 and 2000, respectively.

Cost of Revenues

(Dollars in thousands)

	2002	Change	2001	Change	2000

Products	$ 16,357	-4%	$ 17,076	13%	$ 15,136
Services	8,744	-12%	9,987	72%	5,817
Total cost of revenues	$ 25,101	-7%	$ 27,063	29%	$ 20,953
Percentage of net revenues	27.1%		24.6%		21.8%

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. Cost of revenues as a percentage of revenues increased by 2.8 percentage points in 2001. As a result, the gross margin decreased to 75.4% in 2001 from 78.2% in 2000. The increase in cost of revenues in 2001 was primarily attributable to lower utilization rates in the services business, and, to a lesser degree, the effect of recent acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

Operating Expenses
(Dollars in thousands)

	2002	Change	2001	Change	2000
Research and development	$ 19,657	3%	$ 19,144	32%	$ 14,514
Percentage of net revenues	21.2%		17.4%		15.1%
Selling and marketing	$ 38,901	-10%	$ 43,198	17%	$ 36,984
Percentage of net revenues	42.0%		39.3%		38.5%
General and administrative	$ 13,183	-18%	$ 16,127	29%	$ 12,524
Percentage of net revenues	14.2%		14.7%		13.0%

Research and development.

Research and development (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. In 2001, research and development (R&D) expenses increased $4.6 million or 32% over 2000. The increase in 2001 in R&D expenses was primarily attributable to an approximately 38% increase in headcount. The Compusearch and ERSIS acquisitions accounted for 31 persons or approximately half of the headcount increase, with the balance of the increase supporting the Company's Quality Assurance initiatives and expansion into wireless and CRM applications. Research and development headcount was 197, 209, and 152 at the end of fiscal 2002, 2001, and 2000, respectively.

As a percentage of net revenues, R&D expenses increased to 21.2% in 2002 as compared with 17.4% in 2001 and 15.1% in 2000. Capitalized product development costs were $280 thousand, $657 thousand, and $286 thousand in 2002, 2001 and 2000, respectively. These amounts represented 1%, 3% and 2% of total research and development costs in 2002, 2001 and 2000, respectively.

Selling and marketing expenses.

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. In 2001, selling and marketing expenses increased $6.2 million or 17%. The increase in 2001 was primarily attributable to a 28% increase in headcount. The Compusearch and ERSIS acquisitions accounted for approximately 60% of the headcount increases in 2001. Sales and marketing headcount was 247, 280, and 218 at the end of fiscal 2002, 2001, and 2000, respectively. As a percentage of net revenues, selling and marketing expenses were 42.0% in 2002 compared to 39.3% in 2001 and 38.5% in 2000.

General and administrative expenses. General and administrative (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. In 2001, general and administrative expenses increased $3.6 million or 29%. Non-cash amortization of intangible assets including goodwill amounted to $2.6 million in 2001 and $1.2 million in 2000. Excluding amortization, G&A would have increased 18% in 2001, primarily as a result of increased headcount. G&A headcount was 121, 129, and 97 at the end of fiscal 2002, 2001, and 2000, respectively. As a percentage of net revenues, G&A expenses were 14.2% in 2002, 14.7% in 2001, and 13.0% in 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)

Other Income, net
(Dollars in thousands)

	2002	Change	2001	Change	2000
Other income, net	$ 178	-146%	$ (384)	-124%	$ 1,599

Other income, net increased $562 thousand in fiscal 2002. The increase in 2002 was primarily attributable to a reduction in the amounts expensed to increase the valuation reserve for the Company's equity investments. In 2002 the Company expensed $580 thousand versus $1.5 million in 2001, to reduce the carrying value of certain equity investments. In 2002, the valuation reserve for the Company's equity investments related to the Company's investment in Three D Graphics. In addition, the elimination of equity investment goodwill amortization resulted in a favorable variance of approximately $300 thousand. Offsetting the favorable variances was interest income from short-term investments, which decreased by $785 thousand in 2002 resulting from decreased interest rates. In 2001, other income (expense) decreased $2.0 million primarily as a result of a $1.5 million write-down of equity investments. The write-down of equity investments relates primarily to the Company's investment in Plurimus Corporation ("Plurimus") ($1.0 million investment made in November 2000) and 1Call4All, LLC ("1Call4All")($300 thousand investment made in March 2000). Plurimus and 1Call4All filed for bankruptcy in December 2001 and July 2001, respectively. The Company closely monitored these investments and ultimately concluded to write each off during fiscal 2001. As a result of the write-downs, the carrying value of these investments on the books of the Company is zero. Included in other income was interest income of $1.0 million $1.8 million, and $1.9 million in 2002, 2001 and 2000, respectively. Interest income was derived from investment activities. Foreign currency effects had an unfavorable effect of $543 thousand in 2002 compared to an unfavorable effect of $181 thousand in 2001.

Provision for (Benefit from) Income Taxes
(Dollars in thousands)

	2002	Change	2001	Change	2000
Provision for (benefit from) income taxes	$ (1,711)	-239%	$ 1,235	-74%	$ 4,730
Effective tax rate	(42.1%)		30.0%		37.0%

The benefit from income taxes in 2002 was increased by research and development credits while the provision for income taxes in 2001 was reduced by research and development credits.

Financial Condition

The Company's cash and short-term investments totaled $36.1 million at September 30, 2002, and represented 31% of total assets. The portfolio is invested primarily in short-term, investment grade marketable securities. The average maturity of the cash and short-term investments portfolio was 137 days at September 30, 2002.

Net cash generated from operating activities was $7.6 million in 2002 compared to $11.6 million in 2001. The cash generated from operating activities in 2002 included, among other things, $7.2 million in the reduction of accounts receivable and $6.6 million in depreciation and amortization. This cash generation was partially offset by the net loss of $2.4 million, the provision for deferred income taxes of $3.0 million and a net decrease in accounts payable and accrued liabilities of $900 thousand. Net cash used for

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

investing activities in 2002 was $5.9 million. Investing activities primarily included: $14.5 million in purchases of property and equipment (including $11.7 million for the construction of the new facility in Troy, New York); offset by net cash flows from short-term investments of $6.5 million and long-term investments of $2.4 million. Included in long-term investments is the sale of the Company's shares in Kartekkeskus OY for $1.0 million and the redemption of a debt instrument in Alps Mapping and the related hedge transaction totaling $1.5 million. Financing activities generated $11.6 million in 2002, due to mortgage proceeds of $10.5 million and proceeds from the exercise of stock options and the Employee Stock Purchase Plan of $2.6 million, offset by the repurchase of 250,002 shares of common stock for treasury at an aggregate cost of $1.5 million.

The balance of accounts receivable at September 30, 2002 was $18.9 million compared to $25.2 million at September 30, 2001. The decrease is due primarily to fiscal 2002's fourth quarter revenues, which declined $2.8 million from the fourth quarter of fiscal 2001, and strong collections during 2002.

The Company has a $10.0 million credit facility with a bank that expires on March 31, 2003. The Company anticipates that the credit facility will be renewed upon expiration for a one-year period on substantially the same terms. There were no outstanding borrowings under this credit facility at September 30, 2002 or 2001.

In July 2002, the Board of Directors authorized the Company to repurchase from time to time up to $10.0 million of the Company's Common Stock on the open market or in negotiated transactions. The repurchase program will remain in effect until September 30, 2004, unless discontinued earlier by the Board of Directors. The Company intends to use the repurchased shares for issuance upon exercise of employee stock options, purchases under the Company's stock purchase plan, or other corporate purposes. The repurchase program will be funded using the Company's working capital. Under the repurchase program, the Company purchased 250,002 shares for $1.5 million in fiscal 2002.

In February 2001, the Company entered into a 49-year ground lease, with two 10-year renewal options, on 16 acres of land adjacent to the Company's One Global View facility in the Rensselaer Technology Park in Troy, New York. The cost of the 49-year ground lease was $2.1 million and was paid in May 2001. Under a Construction and Services Agreement with Rensselaer Polytechnic Institute ("RPI"), the Company constructed a four-story, 150,000 square-foot facility to house the Company's Corporate Headquarters and the Americas business operations. The facility was completed in October 2002. On December 21, 2001, the Company entered into a mortgage loan and other related agreements with a commercial bank to finance the construction and the related land lease. The construction financing arrangement provided for $14.1 million in financing and contained an option to convert the financing into a term loan, upon completion of the construction. On December 18, 2002, the Company borrowed an additional $1.0 million and converted the entire mortgage to a ten-year term loan. The total principal amount of the term loan will be $15.1 million. As of September 30, 2002, the Company had drawn down $10.5 million of this construction financing, which is included on the balance sheet of the Company under the caption "Mortgage payable". The Company had no additional long-term debt as of September 30, 2002. During the year ended September 30, 2002, costs incurred for the construction of the new facility were approximately $11.7 million and total costs incurred, through September 30, 2002, on the project were approximately $19.2 million. The Company anticipates the total cost of the project, including furniture and fixtures, to be approximately $20.4 million. In October 2002, the Company borrowed the $3.6 million remaining available balance under the construction loan, bringing the balance outstanding to $14.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (continued)**

Upon occupancy of the new facility in October 2002, the Company vacated and terminated the lease on its 40,000 square-foot facility at Four Global View without further obligation or penalty. In addition, the Company has an option to acquire on or before December 31, 2002 the 60,000 square-foot facility (adjacent to the new facility) at One Global View for $5.25 million together with an option to acquire a 49-year ground lease of the 14 acres on which the One Global View facility sits. The purchase price for the ground lease is $1.8 million. The Company does not intend to exercise its option to purchase the 60,000 square foot facility and is examining its options concerning the consolidation of office space in Troy, New York.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2002 are $3,833, 2003; $3,256, 2004; $2,978, 2005; $2,574, 2006; $2,242, 2007 and $3,429 thereafter. In addition, as of September 30, 2002, the Company had an accrual of $216 thousand for future severance obligations related to the headcount reductions and restructuring actions during fiscal 2002.

For information regarding legal proceedings see Item 2 to this Annual Report on Form 10-K, which is incorporated herein by reference.

Management believes existing cash and short-term investments together with funds generated from operations should be sufficient to meet the Company's operating requirements for the next 12 months. Factors that could adversely affect the Company's liquidity and financial condition include a decrease in revenues, future acquisitions, the stock repurchase program, failure to renew or replace the Company's credit facility and fa