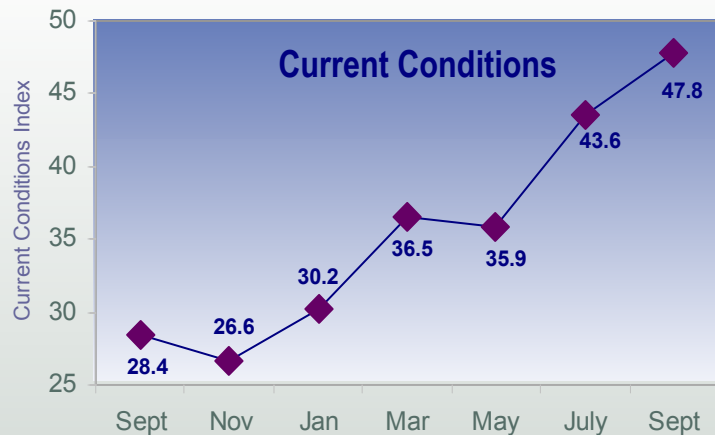


The “Current Conditions” service provider confidence index rose during September for the second consecutive period. The September 2003 index of current service provider conditions is up 17.6 points since January 2003, and up 19.4 points since September 2002. It is edging very close to the key metric of 50, which divides the “low” (less than 50) from the “high” territory (greater than 50). The first three quarters of 2003 mark a significant upward trend in service provider confidence from the depths of the “telecom bust” of 2001-2002.

The “Expectations” index increased again this month, reaching a new high for 2003. The Expectations index is now up 8.6 points since the beginning of the year, and 10.2 points over the past 12 months. The Revenues Expectations sub-index reversed its recent downward trend, jumping from a low of 67 in July to a high of 80 in September.



Methodology

The Sage Service Provider Confidence Index is a tracking study with data collected bi-monthly. Sage asks its service provider panelists a series of questions about their organizations that probe both current conditions and future expectations.

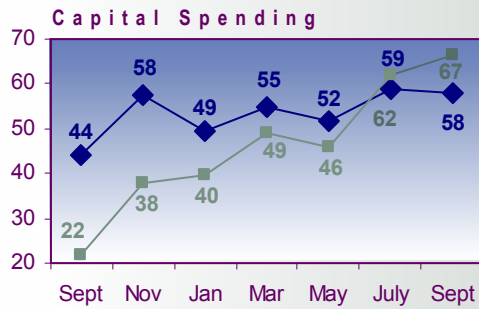
The questions cover six categories: spending on capital equipment, spending on product and service development, revenues, employment, investor confidence, and overall industry conditions. Sage analyzes the responses to these questions to create two indices, **Current Conditions** and **Expectations**.

For each of the six question categories, Sage calculates respondents' **Current Conditions** and **Expectations** values. The Current Conditions Index and Expectations Index are the per respondent means of the values for each question category. These indices are normalized to a scale of -50 to 150. The higher the score, the greater the degree of confidence. A score of 50 is neutral.

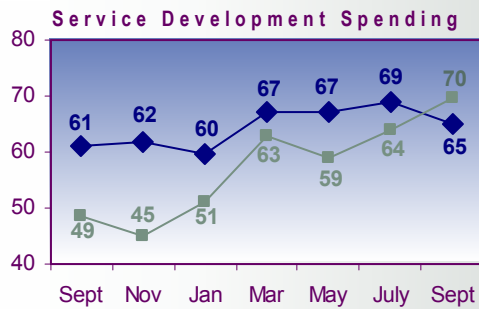
More complete details of the Sage Service Provider Confidence Index methodology may be found on the Sage Web site:

www.sageresearch.com.

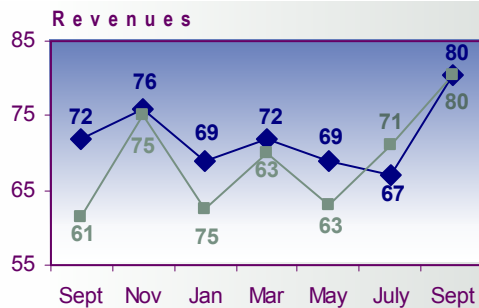
This is the eleventh period of data collection for this tracking study. For this period, Sage included responses from 103 service provider professionals, 35% of which were director level and above. The September index includes ILECs (23%), CLECs (15%), long distance/IXCs (10%), ISPs/Web Hosting (18%), wireless operators (16%), ASPs (5%) and MSOs (2%). By geography, the September 2003 sample includes providers from North America (59%), Europe/Russia/NIS (20%), Asia-Pacific (12%), Latin America (6%), and Africa/Middle East (3%).



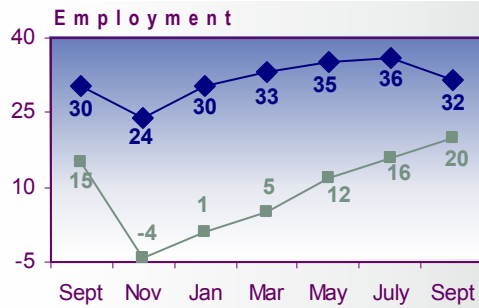
- ◆ The **capital spending expectations** sub-index declined very slightly this period after July's 7-point increase. It is still in "high" territory (above 50), however, indicating that capex levels are on the rise.
- The **capital spending current conditions** sub-index is up an astounding 45 points in the past 12 months, climbing from 22 in September 2002 to 67 currently.



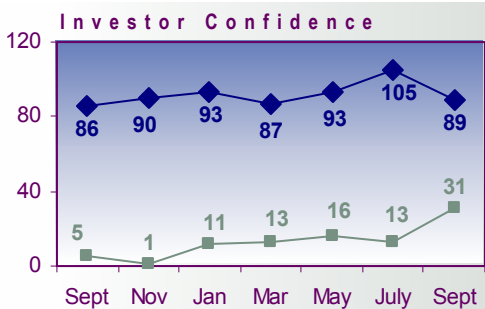
- ◆ The **service development expectations** sub-index dropped 4 points this month. It has remained relatively stable in the 60-70 range throughout the year
- The **service development current conditions** sub-index rose for the second straight period this month. It has gained 21 points in the past 12 months.



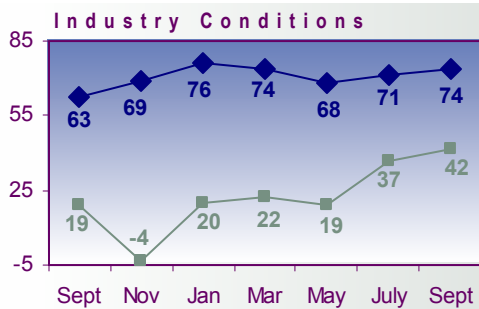
- ◆ The **revenue expectations** sub-index made a dramatic turn-around this month, reversing a 9-month decline. It is now at its highest level in the past 12 months.
- The **revenue current conditions** sub-index also rose sharply this period. It has risen 19 points over the past 12 months.



- ◆ The **employment expectations** sub-index fell to 32 this month after a steady period advancement. The "jobless recovery" has hit the telecom service provider sector as well.
- The **employment current conditions** sub-index continued its slow but steady rise, reaching a new peak for the year of 20. It is still solidly in "low" territory (below 50), however.



- ◆ The **investor confidence expectations** sub-index fell this month for the first time since March. Telecom executives recognize that the stock market gains of the first half of the year cannot continue indefinitely.
- The **investor confidence current conditions** sub-index rose sharply in September, reflecting the recent gains in NASDAQ stock prices.



- ◆ The **industry conditions expectations** sub-index rose for the second straight period this month, reversing the downward trend of the first half of the year.
- The **current industry conditions** sub-index jumped rose again this period, reaching its highest level in the past 12 months and getting closer to the "high" territory (above 50). This is significant because it is the most direct gauge of the current industry mood.