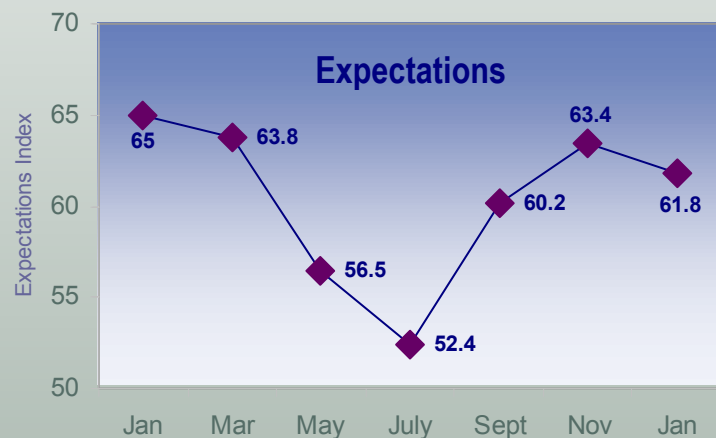
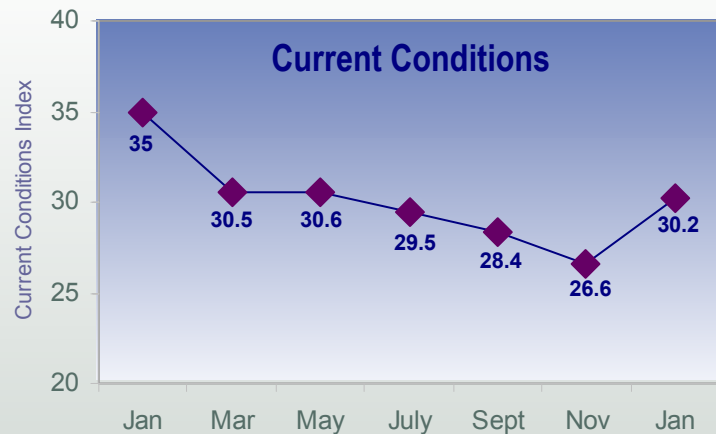


The current conditions index rose for the first time since May 2002. The January 2003 index of current service provider conditions rose by nearly four points to 30.2 from the November low of 26.6. Apart from a negligible up-tick in May 2002, this is the only time the “Current Conditions” index has risen significantly since its inception one year ago. The increase is due primarily to rises in service development spending in Q1 and less of a sense that industry conditions “are as bad as they can get.”

The “Expectations” index fell slightly this month, but remains in “positive” territory (above 50). The startling gap between the “Current Conditions” and “Expectations” indices narrowed slightly this month, as expectations fell back to where they were in September 2002. The expectations index fell dramatically last summer, but recovered quickly and has remained steady in the 60-65 range since.



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.

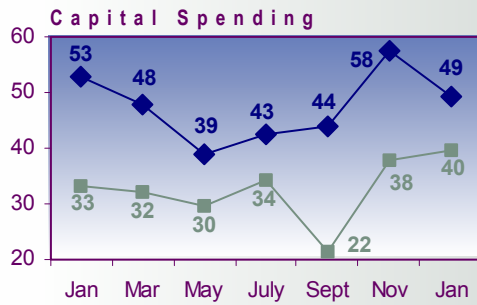
The questions cover six categories: spending on capital equipment, spending on product and service development, revenues, employment, investor confidence, and overall industry conditions. Sage analyzes the responses to these questions to create two indices, **Current Conditions** and **Expectations**.

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.

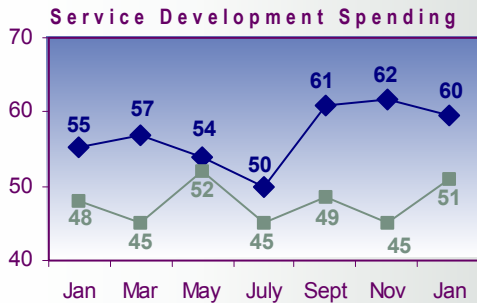
More complete details of the Sage Service Provider Confidence Index methodology may be found on the Sage website:

www.sageresearch.com.

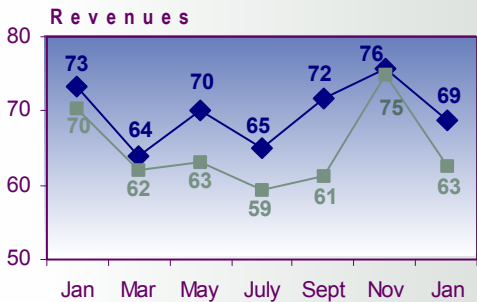
This is the seventh period of data collection for this tracking study. For this period, Sage included responses from 125 service provider professionals, over 40% of which were director level and above. January's index includes ILECs (29%), CLECs (21%), ISPs/Web Hosting (21%), long distance/IXCs (17%), mobile carriers (7%), ASPs (4%) and MSOs (1%). By geography, the sample distribution for January 2003 includes providers from North America (69%), Europe/Russia/NIS (12%), Asia-Pacific (8%), Latin America (7%), and AME (4%).



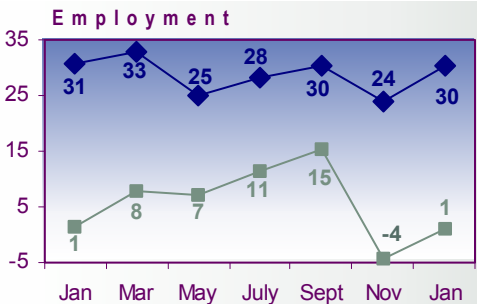
- ◆ The **capital spending expectations** index fell from its year-high of 58 in November back into “low” territory this month (below 50).
- The **capital spending current conditions** index continued its recovery from the September 2002 lows, reaching a new high of 40.



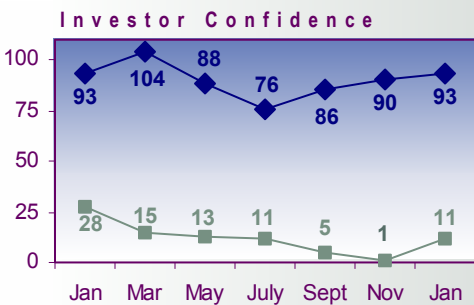
- ◆ The **service development expectations** index slid slightly to 60 this month. It has remained largely steady since September 2002.
- The **service development current conditions** index rebounded sharply from a low of 45 in November to 51 in January. More providers report spending roughly the same on this category compared to last quarter and to Q1 2002.



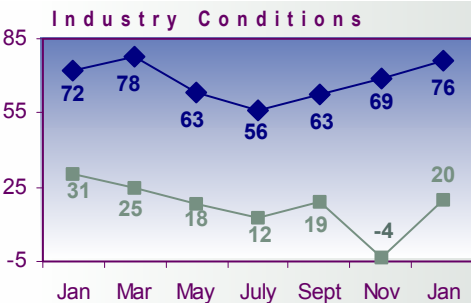
- ◆ The **revenue expectations** index fell seven points to a score of 69 after it’s year-high of 76 in November.
- The **revenue current conditions** index fell sharply to 63 in January. It spiked in November to a high of 75, but is now back in the low sixties.



- ◆ The **employment expectations** index rose six points this month to 30 after an all-time low of 24 in November. It is almost where it was exactly one year ago.
- The **employment current conditions** index rebounded five points from the November low of -4. It remains the lowest of the sub-indices, however.



- ◆ The **investor confidence expectations** index rose for the third straight period to 93. It begins 2003 exactly at its January 2002 level.
- The **investor confidence current conditions** recovered from its November nadir to a score of 11 in January.



- ◆ The **industry conditions expectations** index increased for the third straight period to a score of 76. Expectations are slightly higher at the start of 2003 than they were at the beginning of last year.
- The **current industry conditions** index recovered sharply from its November low of -4. The index is now at its highest level since March 2002.