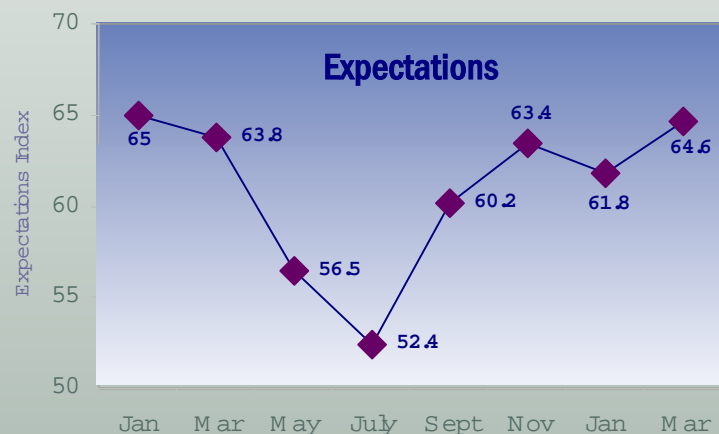
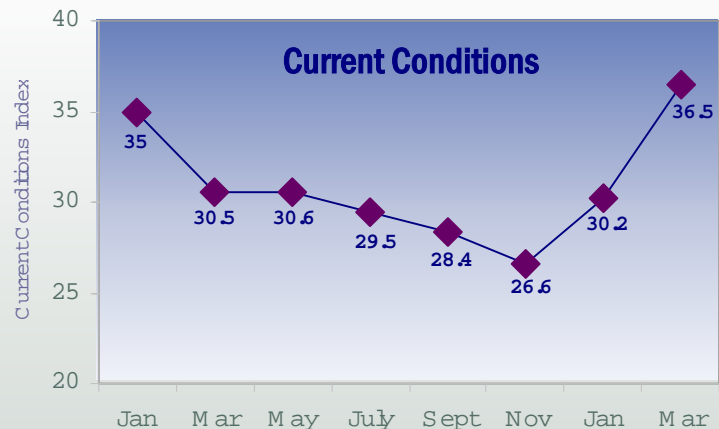


The “**Current Conditions**” service provider confidence index reached its highest level yet. The March 2003 index of current service provider conditions rose for the second straight period to a new high of 36.5. Although the index is still squarely in “low” territory (less than 50), the relative increase reflects gains in all six “sub-indices,” especially in the areas of “service development spending” and “capital spending.”

The “**Expectations**” index rose slightly this month, reaching similar levels to the March 2002 index. Service providers continue to believe, on average, that things are going to get better for their company in the next six months. The sub-index tracking expectations for “overall industry conditions” and “investor confidence” fell this period, however. The major gains came in the “service development spending” and “capital spending” sub-categories.



Methodology

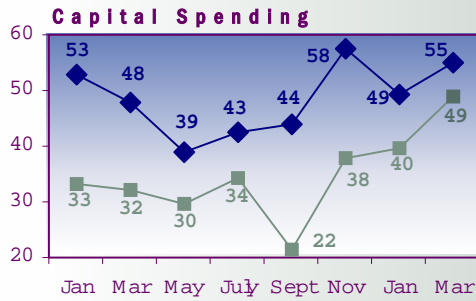
The Sage Service Provider Confidence Index is a tracking study with data collected bi-monthly. Sage asks its service provider panelists a series of questions about their organizations that probe both current conditions and future expectations.

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**.

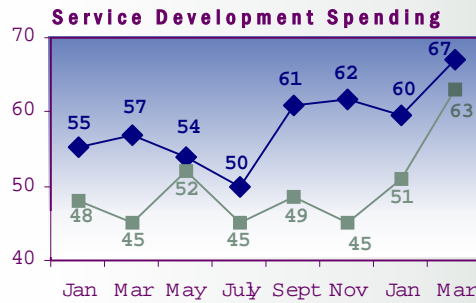
For each of the six question categories, Sage calculates respondents’ **Current Conditions** and **Expectations** values. The Current Conditions Index and Expectations Index are the per respondent means of the values for each question category. These indices are normalized to a scale of -50 to 150. The 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.

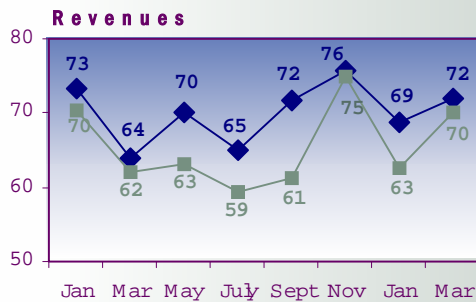
This is the eighth period of data collection for this tracking study. For this period, Sage included responses from 102 service provider professionals, a third of which were director level and above. The March index includes ILECs (22%), CLECs (20%), ISPs/Web Hosting (20%), long distance/IXCs (18%), mobile carriers (10%), ASPs (7%) and MSOs (3%). By geography, the March 2003 sample includes providers from North America (60%), Europe/Russia/NIS (18%), Latin America (11%), Asia-Pacific (7%),



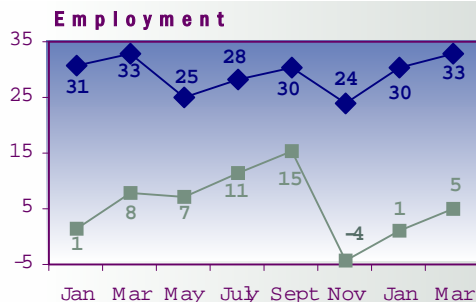
- ◆ The **capital spending expectations** index rose back into “high” territory this month (above 50). It is seven points higher than the March 2002 levels.
- The **capital spending current conditions** index continued its upward climb to a new high of 49. This is the first time in the history of the index that it has approached neutral territory (a score of 50).



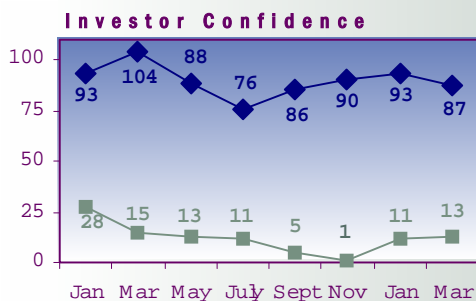
- ◆ The **service development expectations** index jumped to its highest level yet (67).
- The **service development current conditions** index rose sharply to its highest level yet (63), placing it squarely in “high” territory (above 50).



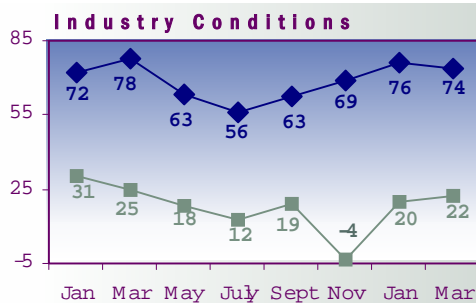
- ◆ The **revenue expectations** index rebounded slightly from its January 2003 dip, recovering to a solid score of 72.
- The **revenue current conditions** index also rebounded this month, once again converging on the “revenue expectations” score. It is now exactly where it started in January of 2002.



- ◆ The **employment expectations** index rose slightly again this month. Although still squarely in “low” territory (below 50), it is the highest it’s ever been since March of 2002.
- The **employment current conditions** index continued its modest recovery from the lows of November. It is still very much in “low” territory and remains the lowest of all six sub-indices.



- ◆ The **investor confidence expectations** index slipped this month after several months of steady gain, likely reflecting the overall stock market uncertainty in the weeks prior to the Iraq invasion.
- The **investor confidence current conditions** index rose slightly again this month, although it is still extremely low.



- ◆ The **industry conditions expectations** index decreased for the first time since July 2002. Despite the drop, the index is very close to where it was exactly one year ago.
- The **current industry conditions** index rose again this month, continuing a recovery from the November dip. It is still very much in “low” territory, however, as it has been since the launch of this index in January 2002.