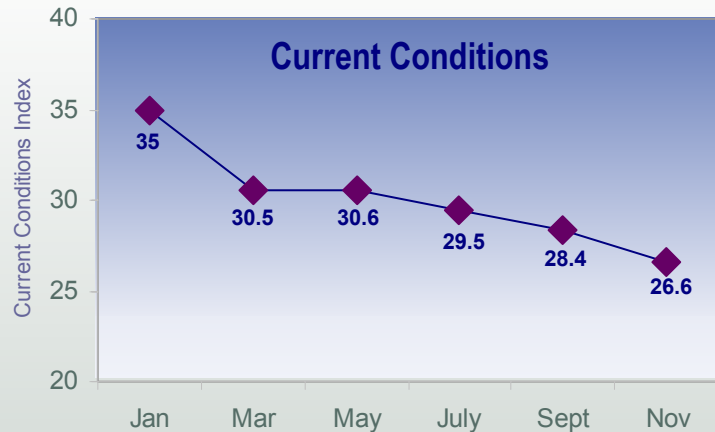


**Service provider expectations continue to rise despite worsening conditions.**

September's abrupt turnaround in service provider expectations proved more than an anomaly, as the November index increased an additional 5% to 63.4. The index fell precipitously in May and July, but rebounded in September and November. It is currently at the March 2002 level, and only 2% off its January 2002 value.

**The chasm between "Current Conditions" and "Expectations" continues to expand, however, as the current conditions index slides further this month.** The current conditions index started off in negative territory (below 50) and has fallen consistently since the inception of the SPCI index in January 2002. The index currently stands at 26.6, a 6% fall from September and a 24% drop in value since the beginning of the year.



**Methodology**

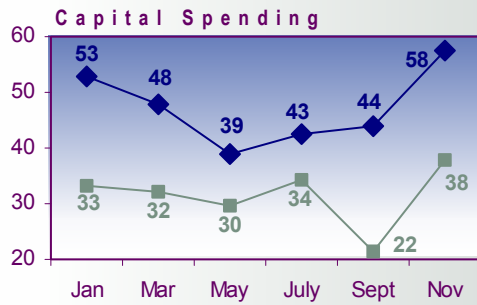
The Sage Service Provider Confidence Index is a tracking study with data collected bi-monthly. Sage asks its service provider panelists a series of questions about their organizations that probe both current conditions and future expectations.

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**.

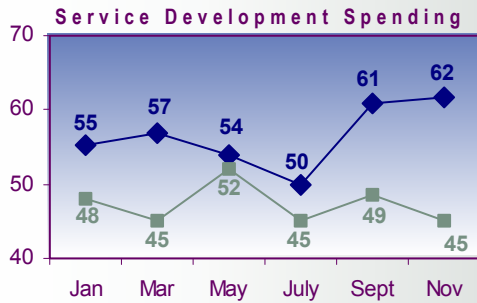
For each of the six question categories, Sage calculates respondents' **Current Conditions** and **Expectations** values. The Current Conditions Index and Expectations Index are the per respondent means of the values for each question category. These indices are normalized to a scale of -50 to 150. The 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](http://www.sageresearch.com).

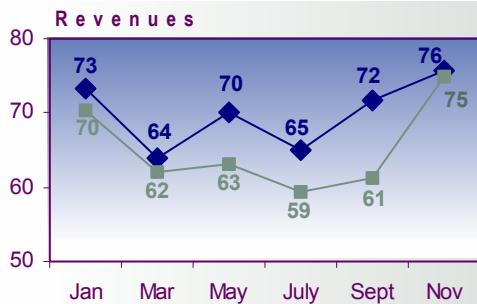
This is the sixth period of data collection for this tracking study. For this period, Sage included responses from 125 service provider professionals, over 40% of which were director level and above.



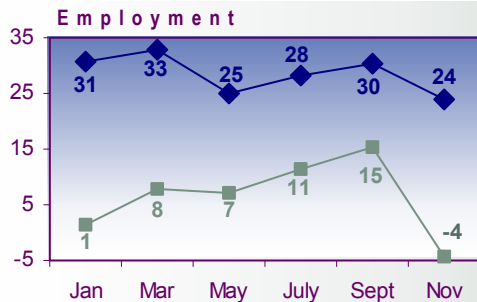
- ◆ The **capital spending expectations** index increased sharply to 58, the highest it's been all year. It has been steadily increasing since May.
- The **capital spending current conditions** index increased by 75% in November, reaching its highest level this year (38).



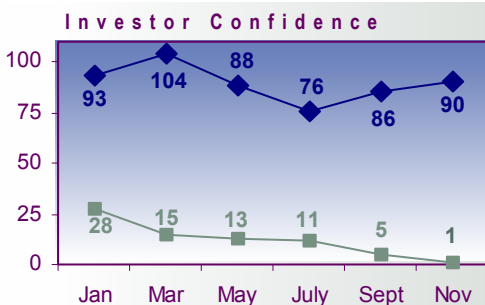
- ◆ The **service development expectations** index increased slightly in November, reaching a new high for the year.
- The **service development current conditions** index fell by 7% to 45 in November. It has been up and down all year.



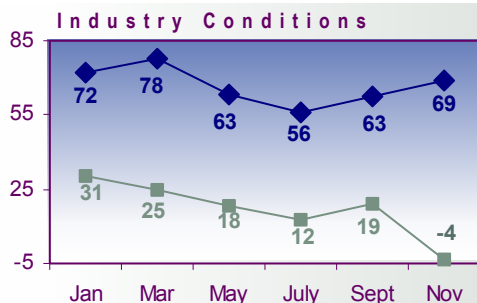
- ◆ The **revenue expectations** index increased slightly to 76.
- The **revenue current conditions** index rose sharply from 61 to 75, reaching a new high for the year and equilibrating itself with the expectations index.



- ◆ The **employment expectations** index also fell in November, reaching a new low for the year at 24.
- The **employment current conditions** index fell sharply in November, reaching a new low of -4.



- ◆ The **investor confidence expectations** index rose again in November, regaining much of the ground lost since March.
- The **investor confidence current conditions** fell to a new low (1). It has fallen consistently since the beginning of the year.



- ◆ The **industry conditions expectations** index increased again in November to 69. It has risen steadily since July.
- The **current industry conditions** index fell sharply to a new low of -4. It is the largest single bi-monthly drop in this index since January.