DELOITTE TECHNOLOGY FAST 500

PAETEC Communications, Inc.

Ranking 2

Deloitte Technology Fast 500

Deloitte.

DELOITTE TECHNOLOGY FAST 500™

A Measured Approach to Growth

As the economy gradually begins to show signs of life, the 500 companies on the 2003 Deloitte Technology Fast 500 ranking showed that their long-term vision and steady focus were critical to their prevailing during the downturn. Indeed, the top five companies' growth during the tough times can be attributed to unique business models adopted at their founding — approaches that ran counter to the "grow fast and cash out" model common during the boom, but that became key when the economy declined. These long-term strategies continue to move them forward in a more conservative economic recovery.

The Deloitte Technology Fast 500 recognizes North America's fastest growing technology companies in terms of revenue growth over five years.

The top five companies enjoyed an average revenue growth rate over five years of 177,851 percent — an enormous accomplishment during challenging times. Growth as a whole for our Fast 500 companies declined from last year's average of 6,772 to 5,493 percent, again a reflection of a more measured approach to growth.

The Top Five

Topping the 2003 Technology Fast 500 is TheraSense, Inc., a developer and seller of glucose self-monitoring systems that reduce the pain of testing for people with diabetes. Based in Alameda, Calif., TheraSense earned $177,708,000 in revenues in 2002, up an astounding 296,080 percent from 1998 revenues of $60,000.

PAETEC Communications, Inc., a telecommunications company based in Fairport, N.Y., and a former Deloitte Rising Star, came in second on the list, with revenues of $289,202,000 in 2002, a jump of 192,701 percent over five years from 1998 revenues of $150,000.

In third place is Z-Tel Technologies, Inc., also a telecommunications company, based in Tampa, Fla. Z-Tel Technologies posted $235,255,000 in revenues in 2002, 167,939 percent higher than its 1998 $140,000 revenues.

Fourth place is held by webMethods, Inc., a provider of infrastructure software and services for business integration. The Fairfax, Va.-based company reported revenues of $195,996,000 in 2002, a leap of 118,685 percent from 1998 revenues of $165,000.

Advertising.com, Inc., a digital advertising company based in Baltimore, Md., is fifth on the list with 2002 revenues of $74,066,000. This is 113,848 percent higher than its $65,000 of revenues in 1998.

Given the difficulties in the telecommunications sector, it is noteworthy that two of the top five companies are in that segment.

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Fast Highlights

While only one software company is in the top 10, software companies still dominate the Fast 500 list as a whole, numbering 197, or 39 percent, in 2003, down from 49 percent last year. And again, life sciences follows as the second most popular industry segment, increasing to 19 percent from 16 percent last year. Internet companies rose to third place this year with 18 percent, up from 10 percent in 2002. They are followed by communications/networking companies at 16 percent, up from 15 percent in 2002. Computers/peripherals and semiconductor/equipment industries each accounted for 4 percent of the companies on this year's list.

Geographically, Fast 500 companies were fairly consistent with last year. The West still dominates with the most Fast 500 companies — 32 percent — with California home to 126 of them. The Northeast again follows with 23 percent, followed by the Southeast (16 percent), Canada (14 percent), the Midwest (9 percent), and the Southwest (6 percent). The Southeastern region, however, reported the largest average growth in revenue at 9,209 percent.

Slightly fewer are public companies this year — 62 percent of companies compared to last year's 65 percent. Their average revenue growth is higher than private companies on the list: 6,164 percent, compared with 4,407 percent.

Twelve companies on this year's Fast 500 reported more than $1 billion in revenues, two less than last year. The top revenue producer is Sanmina-SCI Corporation, a semiconductor company based in San Jose, Calif., at Number 344, with $8.8 billion.

Repeat Record Holder

It is not unusual for companies to appear on the Fast 500 list from year to year, but it does get more and more difficult to repeat, as strong revenue growth usually results in a higher baseline year for the following year's calculation. Only one company is a nine-time winner, appearing every year since the Fast 500 was established in 1995. That company is VERITAS Software Corporation. Founded in 1989 and headquartered in Mountain View, Calif., VERITAS is a leading provider of storage management software for data protection, application availability and disaster recovery. VERITAS ranks 404 on the 2003 list with $1.5 billion in revenues, reflecting a growth rate of 614 percent over five years.

Ranking **2**

PAETEC Communications, Inc.

Five-Year Revenue Growth: **192,701%**

2002 Revenues: **289,202,000**

1998 Revenues: **150,000**

Arunas Chesonis, CEO

Headquarters: Fairport, NY

www.paetec.com

PAETEC Communications is honored to receive the #2 spot in Deloitte's 2003 Technology Fast 500 ranking of the top public and private technology firms in North America. The recognition of our achievement is all the more appreciated, considering the setbacks the technology sector has sustained since 1998.

For PAETEC to have successfully grown and achieved profitability during this extraordinary time is a reflection of the company's attention to our customers and employees, and our commitment to quality. This passion shines through in the helpfulness of our employees, the reliability of our network and our industry-leading ISO 9001: 2000 certification. Even today, we remain the only local, long distance and data telecom company in the United States to have achieved this level of process control, consistency, and reliability, which are the cornerstones of our record-setting revenue growth and profitability.

The Deloitte Technology Fast 500 achievement will always remind PAETEC employees and shareholders how we combined our vision with common sense business practices to thrive during the telecom nuclear winter.

Research and Eligibility

The Deloitte Technology Fast 500 list is the result of research on technology companies. Sources for public and private companies that make the list include public company databases, Deloitte's 20 regional Technology Fast 50 programs in North America and direct nominations.

To be eligible for the Technology Fast 500, a company must meet the following criteria:

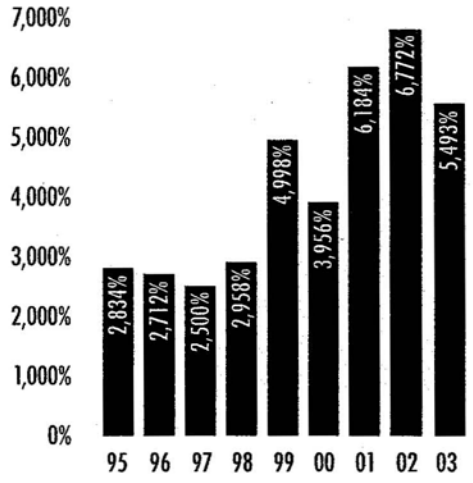
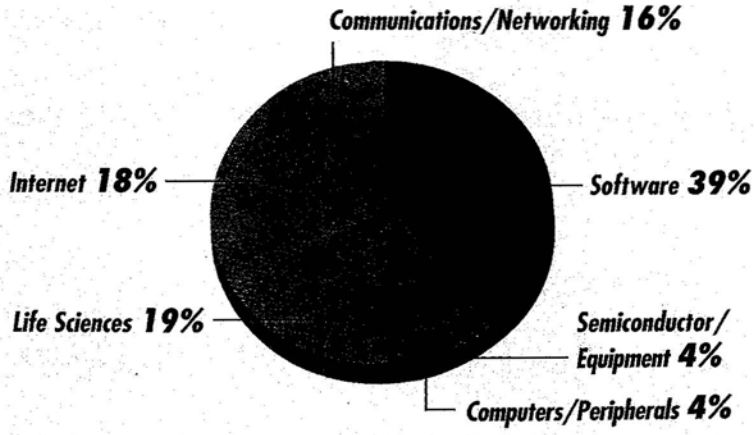
1. **Be a technology company, defined as a company that owns proprietary technology that contributes to a significant portion of the company's operating revenues; or devotes a significant proportion of revenues to the research and development of technology. Using other companies' technology in a unique way does not qualify.**

2. **Meet minimum operating revenue requirements:**
   - **1998 operating revenues must be at least $50,000 USD or $75,000 CD.**
   - **2002 operating revenues must be at least $1 million USD or CD.**

3. **Be in business a minimum of five years.**

4. **Be headquartered in the United States or Canada.**

Fast 500 Companies Average Percentage Growth Rate



Fast 500 Companies by Industry Segment