



545 Long Wharf Drive, 5th floor, New Haven, CT 06511
Tel: 1-877-DSL-NET1 Fax: 203-624-3612
Email: info@dsl.net Web: www.dsl.net

DSL.net Reports 4Q, Full-Year 2002 Results; 2002 Adjusted EBITDA Improves 84% and Free Cash Flow Improves 83% Over Previous Year

NEW HAVEN, Conn. – March 6, 2003 – DSL.net, Inc. (NASDAQ: DSLN), a leading nationwide provider of broadband communications services to businesses, today reported fourth quarter and full-year 2002 financial results.

Revenue for the fourth quarter of 2002 was \$11.3 million, representing a 2% increase from fourth quarter 2001 revenue of \$11.1 million and a slight increase over third quarter 2002 revenue. Revenue for the year ended Dec. 31, 2002, was \$45.5 million, an 8.5% increase over revenue of \$42.0 million for 2001. The Company ended the fourth quarter with more than 22,100 installed broadband subscriber lines.

Net loss for the fourth quarter of 2002 was \$8.8 million, representing an 18% improvement compared to a net loss of \$10.7 million for the fourth quarter of 2001. The Company's third quarter 2002 net loss was \$8.5 million, which included a \$600,000 non-recurring net research and development credit. Excluding the third quarter credit, net loss for the fourth quarter improved by 3% on a sequential basis. Net loss for the year ended Dec. 31, 2002, was \$36.1 million, a 69% improvement over the net loss of \$115.5 million for the year ended Dec. 31, 2001.

Earnings before interest, taxes, depreciation, amortization and non-cash stock compensation ("Adjusted EBITDA") for the fourth quarter of 2002 was negative \$3.5 million, a 28% improvement compared to negative \$4.9 million in the fourth quarter 2001. The Company's Adjusted EBITDA was negative \$3.0 million for the third quarter 2002. Excluding the third quarter credit, Adjusted EBITDA for the fourth quarter improved slightly on a sequential basis. Adjusted EBITDA for the year ended Dec. 31, 2002, was negative \$14.3 million, representing an 84% improvement compared to negative \$86.7 million for 2001.

Free cash flow (defined as Adjusted EBITDA minus capital expenditures) for the fourth quarter of 2002 was negative \$3.9 million, a 30% improvement over fourth quarter 2001 free cash flow of negative \$5.6 million. Free cash flow for the third quarter 2002 was negative \$3.4 million. Excluding the third quarter credit, free cash flow for the fourth quarter improved by 3% on a sequential basis. Free cash flow for the year ended Dec. 31, 2002, was negative \$15.9 million, which represents an improvement of 83% over the negative \$92.0 million of free cash flow for 2001.

"Our continued improvements in Adjusted EBITDA and free cash flow are consistent with our primary objective of generating improved cash flows," said David F. Struwas, chairman and chief executive officer of DSL.net. "Just as important, we continued to



pursue external growth opportunities in 2002 and gained court approval in the fourth quarter to acquire network assets and related subscriber lines of Network Access Solutions Corporation (NAS), a transaction we closed in January 2003.”

At the end of 2002, the Company had \$11.3 million in cash. The Company used \$7.4 million of its cash in January to close the NAS acquisition. As part of its ongoing financing activities, around the end of the year, the Company arranged a \$15 million revolving credit facility for general corporate purposes, with availability based on third-party guarantees. To date, \$9.1 million of such guarantees has been secured.

In addition to the NAS acquisition activities in 2002, DSL.net made two smaller acquisitions during the year – acquiring customer lines from Broadslate Networks in January and Abacus America in August.

On a per share basis, the Company reported a net loss applicable to common stockholders of \$0.20 per share for the fourth quarter of 2002, compared to \$0.17 per share for the same quarter a year earlier. For the year ended Dec. 31, 2002, net loss per share applicable to common stockholders was \$0.77 per share, which represents a 57% improvement over net loss of \$1.81 per share for the prior year. The 2002 periods included significant charges for dividends and accretions on preferred stock while the 2001 periods did not. These 2002 charges translated into \$0.06 per share for the fourth quarter 2002 and \$0.21 per share for the entire year. There was no per share impact in 2001.

DSL.net will host a conference call to discuss results for the quarter and full-year 2002 today at 11 a.m., Eastern Time. Interested parties may listen to the live audio webcast of the call by visiting the investor relations section of DSL.net's Web site, www.dsl.net. The call also may be accessed live via telephone by dialing 800-289-0436, confirmation code 514705. For those unable to access the live conference call, an audio replay will be available until 11 p.m., Eastern Time, on March 10, 2003, by dialing 888-203-1112 and entering code 514705. Investors may also access the call replay by visiting the investor relations section of the Company's Web site.

About DSL.net

Based in New Haven, Conn., DSL.net, Inc. combines its own DSL facilities, nationwide network infrastructure, and Tier I Internet Service Provider (ISP) capabilities to provide high-speed Internet access and value-added services directly to small- and medium-sized businesses throughout the United States. A certified CLEC in all 50 states, plus Washington D.C. and Puerto Rico, DSL.net sells to businesses, primarily through its own direct sales channel. DSL.net augments its direct sales strategy through select system integrators, application service providers and marketing partners. In addition to a number of high-performance, high-speed Internet connectivity solutions specifically designed for businesses, DSL.net product offerings include Web hosting, DNS management, enhanced e-mail, online data backup and recovery services, firewalls, virtual private networks and nationwide dial-up services. For more information on



DSL.net, visit www.dsl.net, e-mail info@dsl.net, or call 1-877-DSL-NET1 (1-877-375-6381).

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to a variety of risks and uncertainties, many of which are beyond DSL.net's control, which could cause actual results to differ materially from those contemplated in these forward-looking statements. In particular, the risks and uncertainties include, among other things, (i) fluctuations in DSL.net's quarterly operating results, which could adversely affect the price of its common stock; (ii) DSL.net's unproven business model, which may not be successful; (iii) DSL.net's ability to execute its business plan in a timely manner to generate the forecasted financial and operating results and liquidity; (iv) DSL.net's need for additional funds during 2003, which may not be available on acceptable terms or at all, which could adversely impact DSL.net's ability to implement its business plan and continue its operations; (v) failure to generate sufficient revenue, contain certain discretionary spending, achieve certain other business plan objectives or obtain additional capital could have a material adverse effect on DSL.net's results of operations or financial position, or cause it to pursue strategic alternatives or discontinue some or a significant portion of its operations; (vi) risks associated with acquisitions, including difficulties in identifying and completing acquisitions, integrating acquired businesses or assets and realizing the revenue, earnings or synergies anticipated from any acquisitions; (vii) competition; (viii) risks associated with the possible removal of DSL.net's common stock from the Nasdaq SmallCap Market, which removal could adversely impact the pricing and trading of DSL.net's common stock; (ix) regulatory, legislative and judicial developments, which could adversely affect the way DSL.net operates its business; and (x) DSL.net's dependence on wholesale providers to provide it with local DSL and T1 facilities in areas where it has not deployed its own equipment. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. DSL.net undertakes no obligation, and disclaims any obligation, to update or revise the information contained in this press release, whether as a result of new information, future events or circumstances or otherwise. For additional information regarding these and other risks faced by DSL.net, see the disclosure contained under "Risk Factors" in DSL.net's Annual Report on Form 10-K for the year ended December 31, 2001, which has been filed with the Securities and Exchange Commission.

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Contacts:

Media

Joe Tomkowicz
203-782-3885
jtomkowicz@dsl.net

Investors

Bob DeSantis
203-782-3267
investors@dsl.net

(Financial Tables Follow)



DSL.net, Inc.
Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, (a)		December 31,	
	2001	2002	2001	2002
Revenue	\$ 11,075	\$ 11,291	\$ 41,969	\$ 45,530
Operating expenses:				
Network (excluding \$7, \$7, \$29 and \$29 of stock compensation, respectively)	8,242	8,432	44,589	33,948
Operations (excluding (\$302), \$11, (\$154) and \$52 of stock compensation, respectively)	1,895	1,760	45,614	7,472
General and administrative (excluding \$110, \$57, \$449 and \$284 of stock compensation, respectively)	4,122	2,323	25,230	11,402
Sales and marketing (excluding \$220, \$215, \$877, and \$863 of stock compensation, respectively)	1,683	2,325	13,188	6,969
Stock compensation	35	290	1,201	1,228
Depreciation and amortization	<u>5,673</u>	<u>4,806</u>	<u>28,043</u>	<u>20,332</u>
Total operating expenses	<u>21,650</u>	<u>19,936</u>	<u>157,865</u>	<u>81,351</u>
Operating loss	<u>(10,575)</u>	<u>(8,645)</u>	<u>(115,896)</u>	<u>(35,821)</u>
Interest (expense) income, net	(192)	(151)	455	(458)
Other income (expense), net	<u>21</u>	<u>8</u>	<u>(13)</u>	<u>185</u>
Net loss	<u>\$ (10,746)</u>	<u>\$ (8,788)</u>	<u>\$ (115,454)</u>	<u>\$ (36,094)</u>
Net loss applicable to common stockholders:				
Net loss	\$ (10,746)	\$ (8,788)	\$ (115,454)	\$ (36,094)
Dividends on preferred stock	\$ (122)	(1,050)	\$ (122)	(3,574)
Accretion of preferred stock, net of issuance costs	<u>(348)</u>	<u>(3,011)</u>	<u>(348)</u>	<u>(10,078)</u>
Loss applicable to common stockholders	<u>\$ (11,216)</u>	<u>\$ (12,849)</u>	<u>\$ (115,924)</u>	<u>\$ (49,746)</u>
Net loss per common share - basic and diluted	<u>\$ (0.17)</u>	<u>\$ (0.20)</u>	<u>\$ (1.81)</u>	<u>\$ (0.77)</u>
Shares used in computing net loss per share	<u>64,483,722</u>	<u>64,857,869</u>	<u>63,938,960</u>	<u>64,857,869</u>
Other data:				
Reconciliation of net loss to adjusted EBITDA & Free cash flow:				
Net loss	\$ (10,746)	\$ (8,788)	\$ (115,454)	\$ (36,094)
Add back:				
Interest and other expense (income), net	171	143	(442)	273
Depreciation and amortization	5,673	4,806	28,043	20,332
Stock compensation	<u>35</u>	<u>290</u>	<u>1,201</u>	<u>1,228</u>
Adjusted EBITDA (b)	(4,867)	(3,549)	(86,652)	(14,261)
Less Capital Expenditures	<u>(772)</u>	<u>(319)</u>	<u>(5,345)</u>	<u>(1,647)</u>
Free Cash Flow	<u>\$ (5,639)</u>	<u>\$ (3,868)</u>	<u>\$ (91,997)</u>	<u>\$ (15,908)</u>

(a) Unaudited.

(b) Adjusted EBITDA is defined as earnings (losses) before interest, taxes, depreciation, amortization and non cash stock compensation.



Condensed Balance Sheet
(dollars in thousands)

	December 31, 2001	December 31, 2002
Cash, cash equivalents (c)	\$ 19,631	\$ 11,319
Accounts receivable, net of allowances	5,856	4,358
Other current assets	3,366	2,048
Total current assets	28,853	17,725
Net property and equipment	36,861	23,066
Other assets	15,310	12,705
Total assets	<u>81,024</u>	<u>53,496</u>
Current liabilities	25,269	16,734
Long-term obligations - less current portion	4,560	1,889
Mandatorily redeemable convertible preferred stock	470	14,122
Stockholders' equity	50,725	20,751
	<u>\$ 81,024</u>	<u>\$ 53,496</u>

(c) Includes restricted cash of approximately \$300 at December 31, 2001, and \$1 at December 31, 2002.