

Cincinnati Bell

Cincinnati Bell 2nd Quarter 2008 Review

July 31, 2008



Agenda

1. Performance Highlights

Jack Cassidy, President & CEO

2. Operational & Financial Overview

Brian Ross, Chief Operating Officer

3. Q & A

Safe Harbor

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Performance Highlights

Jack Cassidy

President & CEO

2Q08 Accomplishments

Overview

- Grew revenue 7%
- Increased Adjusted EBITDA by 1%
- Improved diluted EPS by 10%
- 8th consecutive qtr Adjusted EBITDA growth from core ops
- Purchased 7M shares in 2Q08

Technology Solutions

- Increased revenue by 37%
- Grew Adjusted EBITDA by 51%
- Increased data center capacity by 21K sq ft
- Began billing 21K sq ft in the quarter

Wireless

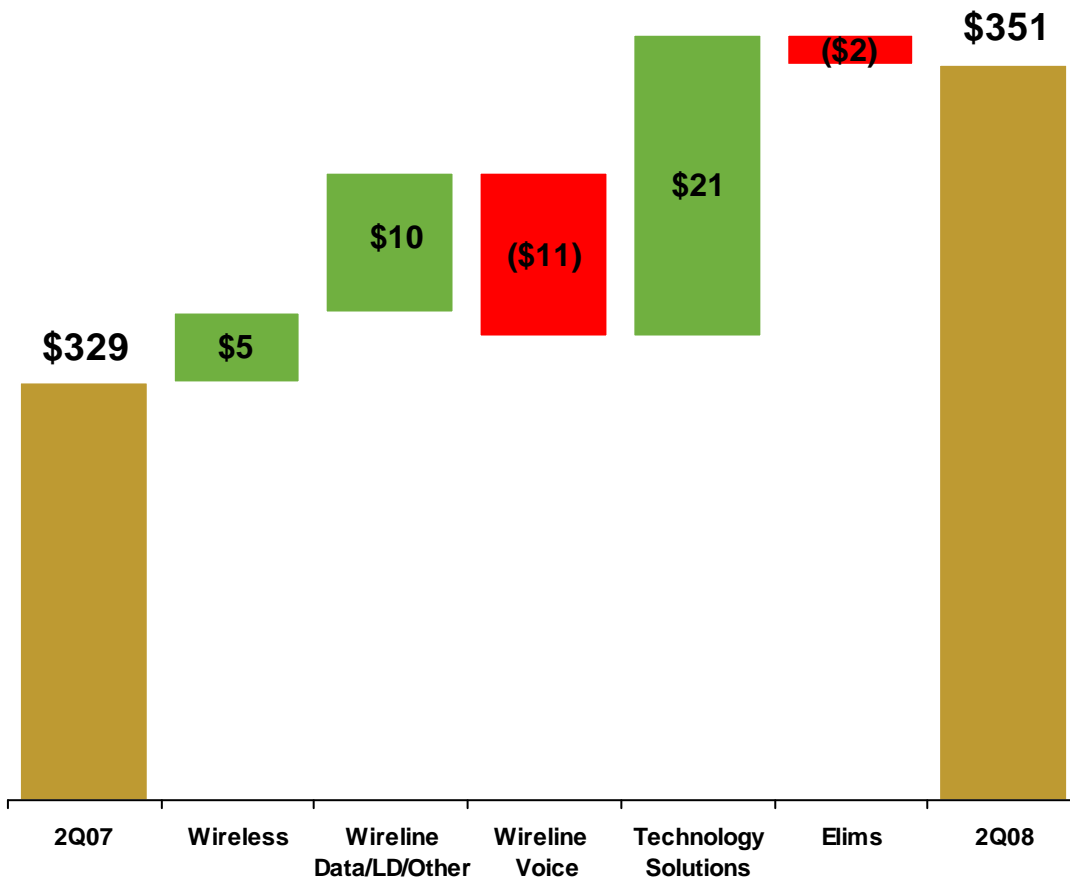
- Grew service revenue by 7%
- Improved Adjusted EBITDA 7%
- Increased postpaid subscriber base by 7%
- Increased smart phone subs by 71%

Wireline

- Increased DSL subs by 8%
- Grew wireline data revenue by 7%
- Increased long distance and VoIP revenue by 24%
- Maintained Adjusted EBITDA margin at 48%

2Q08 Revenue Growth

(\$'s in millions)



- 7% increase in Wireless service revenue
 - +\$3.5M, 6% postpaid
 - +\$1.4M, 12% prepaid

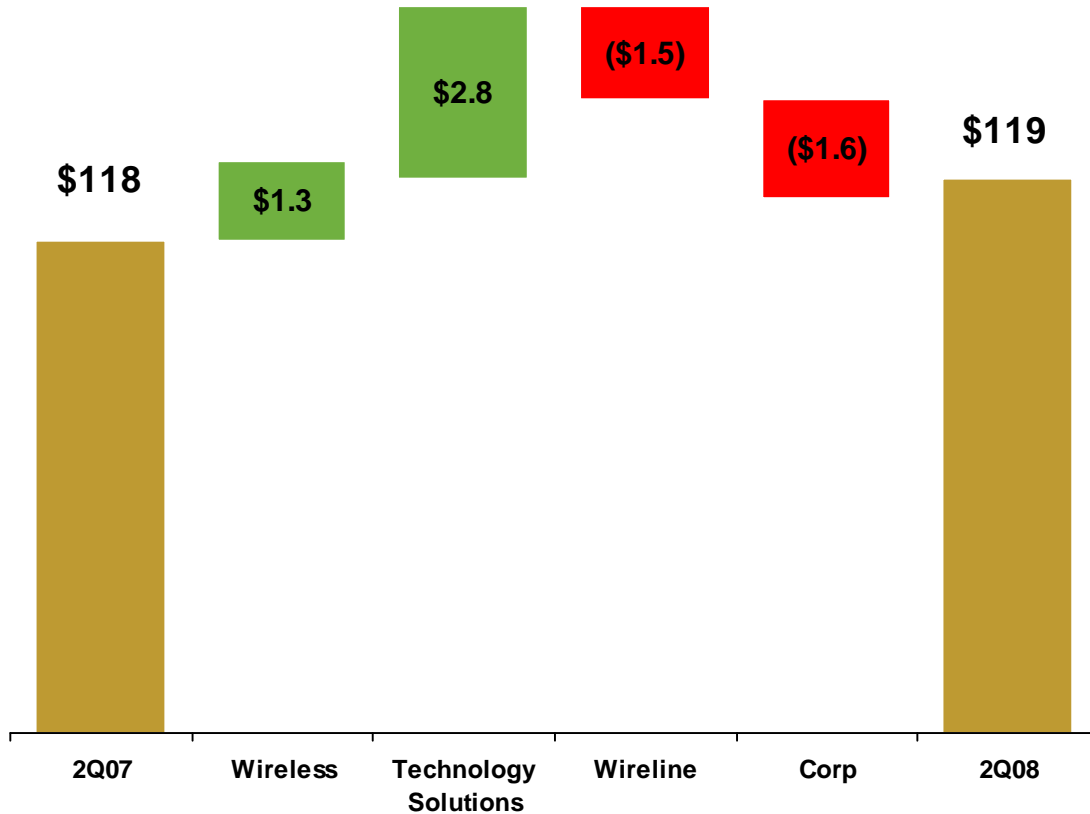
- Wireline Data/Other
 - +7% data growth
 - +24% LD and VoIP growth, mostly due to the eGix acquisition

- 37% increase in Technology Solutions
 - +\$10M / 26% Telecom and IT equipment
 - +\$10M / 62% data center and managed services

* May not foot due to rounding

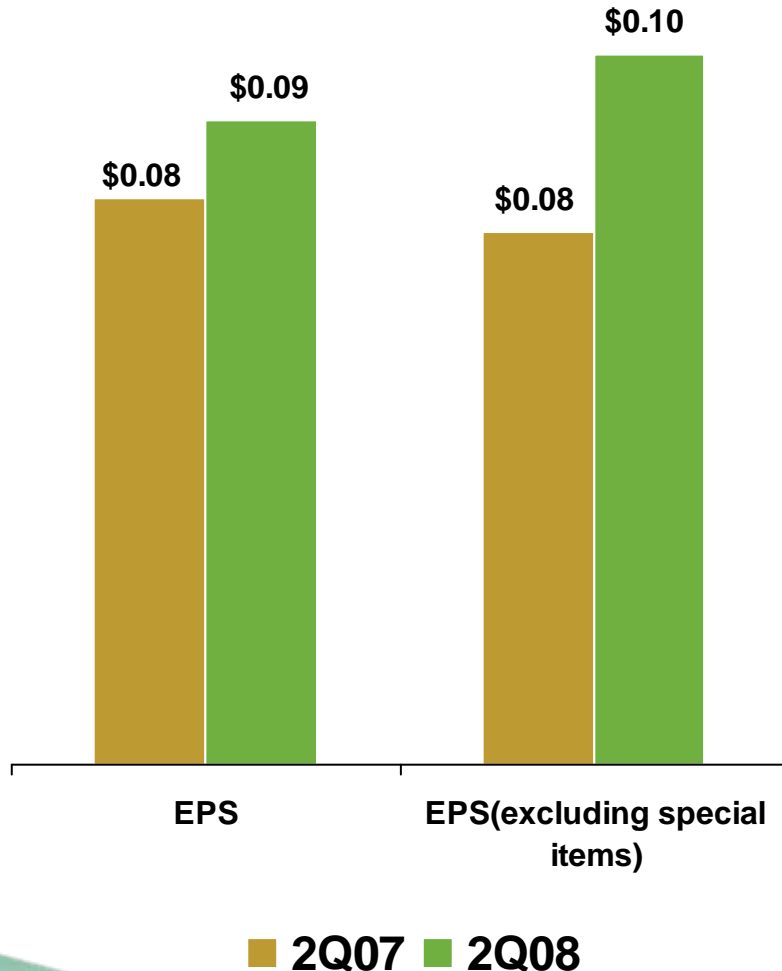
2Q08 Adjusted EBITDA Growth

(\$'s in millions)



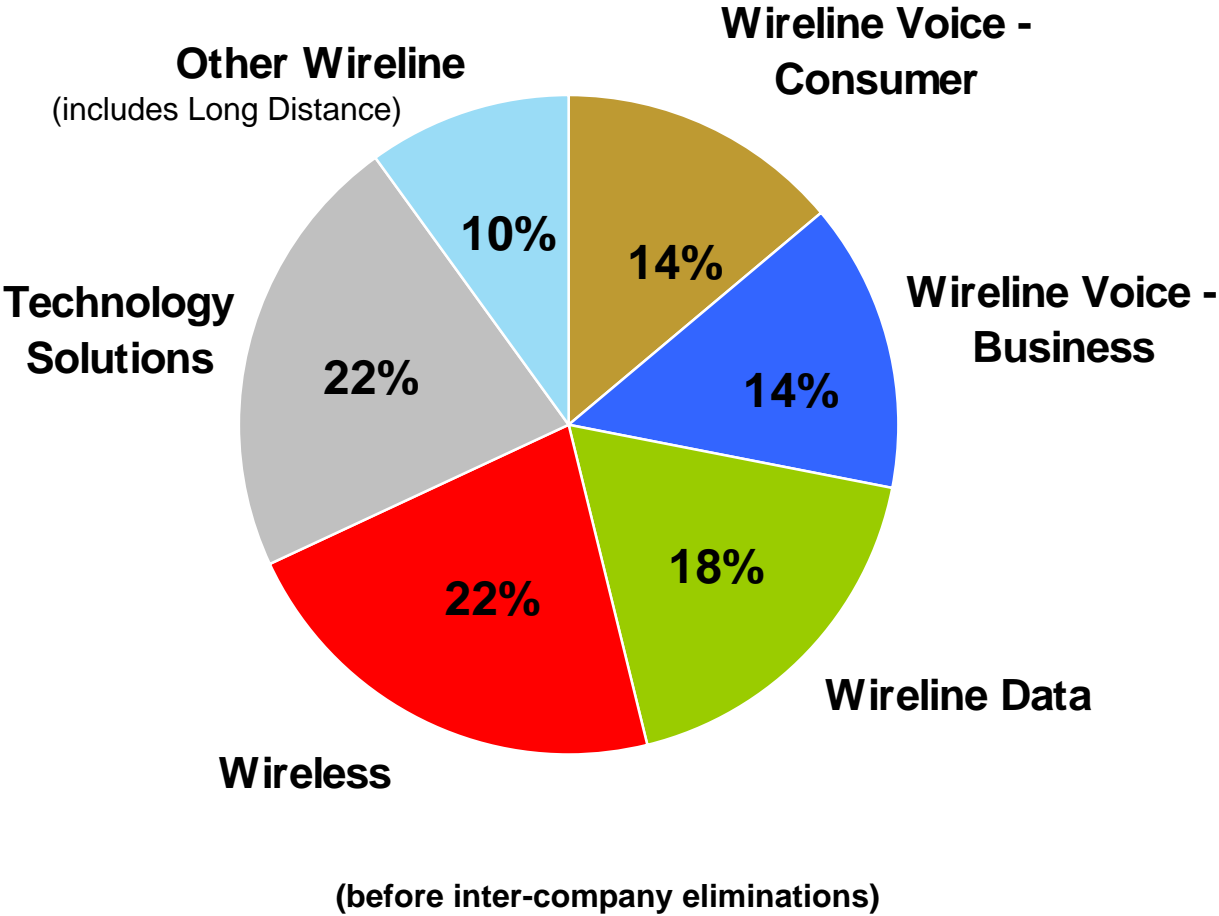
- +7% Wireless Adjusted EBITDA
 - Due to +\$5M service revenue growth
- +\$3M Technology Solutions
 - +\$21M revenue growth
 - +2.6% improvement in GP margin
- -\$2M Wireline
 - Driven by local voice revenue decline
 - mostly offset by growth in data and lower benefits expense
- -\$2M Corporate
 - Mostly operating tax release to income in 2007

Earnings per Share Growth



- Earnings per diluted share up 10% y/y
 - EBITDA up \$1M
 - Interest expense down \$4M
 - Purchased 11M shares in repurchase authorization program
 - Over 4% of outstanding shares
- EPS excluding special items up 14%

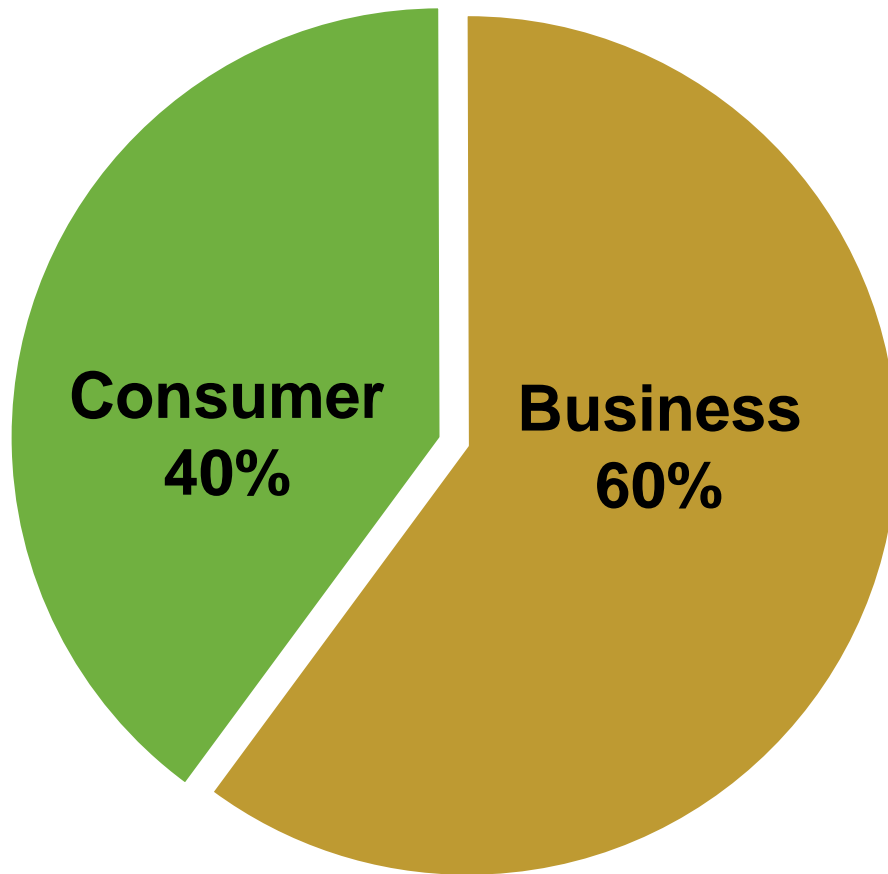
Continued Revenue Diversification



- Consumer Wireline Voice -4 pts. to 14%
- Wireless & Technology Solutions +5 pts. to combined 44%

2Q08 Revenue by Market

...Increasing business % of total



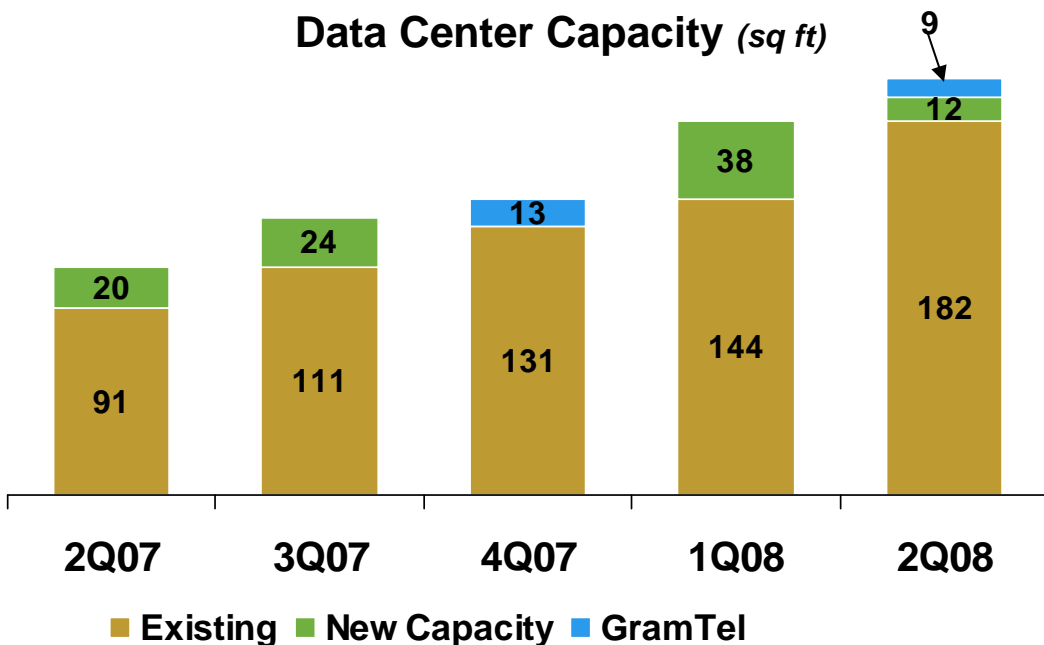
- Business +4 pts to 60%
- Business 15% y/y growth
 - 12% organic growth
 - 26% Telecom & IT Equip Distribution
 - 62% Data Center and Managed Services
 - 7% Wireless

(before inter-company eliminations)

Data Center Build Out Update

(in thousands)

Data Center Capacity (sq ft)



by qtr end

- 202K sq ft capacity
 - 21K sq ft commissioned in 2Q08
- 87% utilization
 - 21K sq ft new billing contracts in the second quarter; up 14%
- 58K sq ft under construction
 - 50K sq ft to be commissioned in 2009 – New Lebanon facility
 - 8K sq ft to be commissioned at the end of 4Q08
 - 6K sq ft at 7th Street for existing customer expansion
 - 2K sq ft for GramTel
- Sales Funnel Strong
 - Nearly all of the 26K sq ft of inventory is under final contract negotiations or committed to customers

What's New



- Fusion Wi-Fi is re-launch of UMA
 - Outstanding in-building reception and download speeds
 - Pricing reflects value in bundling
- Unlimited Everything Family Pak
 - Only available to customers who bundle local, long distance, wireless and DSL

**EVERYTHING YOUR FAMILY COULD WANT,
WITHOUT THE OVERAGES.**
Presenting the Unlimited Everything Family Pak.*



for just
\$65/mo.*
each for 2 wireless users
when you bundle

Bundle your wireless service with home phone and ZoomTown® and get unlimited everything.



- Unlimited wireless voice, text and Internet
- Unlimited home phone with local and long distance calling
- Unlimited ZoomTown High-speed Internet

Cincinnati BellSM

Financial Philosophy/Strategy

**Sustained Revenue
and modest EBITDA
growth leads to
maintenance of
Enterprise Value**

**Strong Cash Flow used
to repurchase shares
and retire debt**

**Shareholder reward
through larger claim of
total CBB value**

Operational & Financial Overview

Brian Ross

Chief Operating Officer

Segment Financials

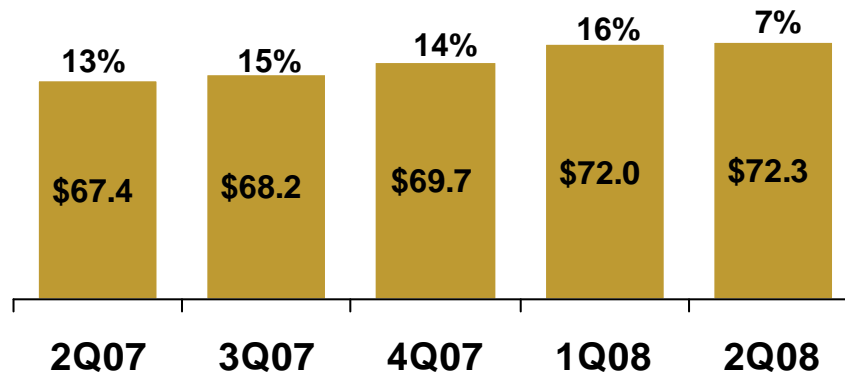
	Revenue		Adjusted EBITDA	
	<u>2Q08</u>	<u>y/y Growth</u>	<u>2Q08</u>	<u>y/y Growth</u>
Wireline	\$203	-1%	\$97	-2%
Wireless	\$78	7%	\$21	7%
Technology Solutions	\$79	37%	\$8	51%

(\$'s in millions)

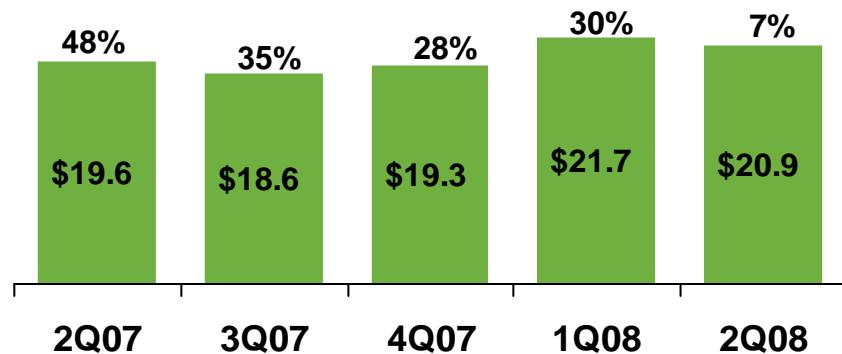
Excludes corporate and eliminations

Wireless Revenue and Adjusted EBITDA

**Total Service Revenue
Year-over-Year Growth Rates**



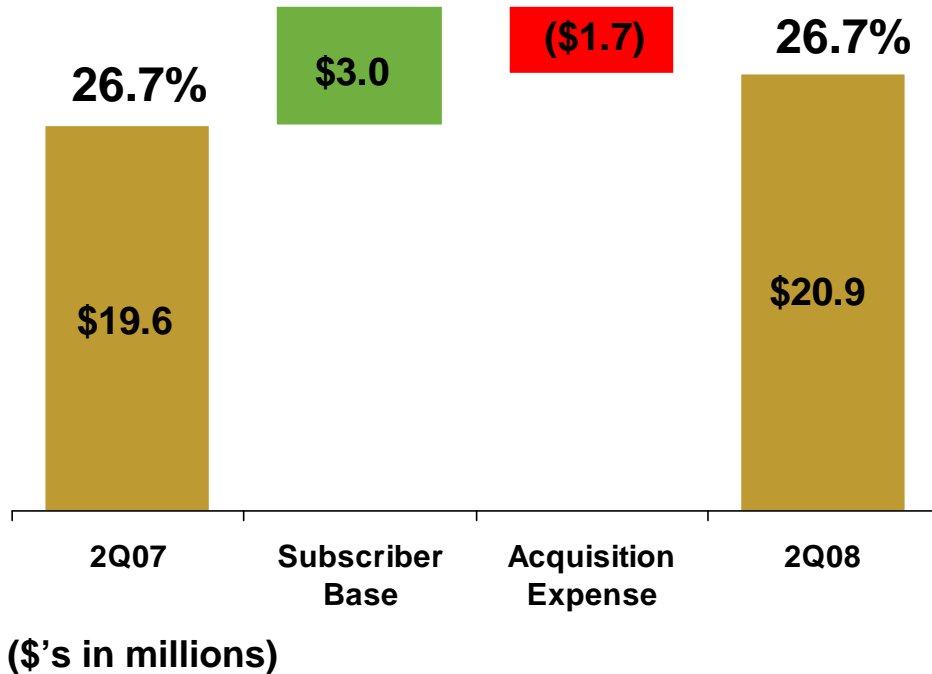
**Total Adjusted EBITDA
Year-over-Year Growth Rates**



(\$'s in millions)

- Revenue and Adjusted EBITDA y/y growth equaled 7%
- Service revenue up 7% from 2Q07
 - +\$3.5M, 6% postpaid – 7% sub growth
 - +\$1.4M, 12% prepaid – 15% ARPU growth

2Q08 Wireless Adjusted EBITDA

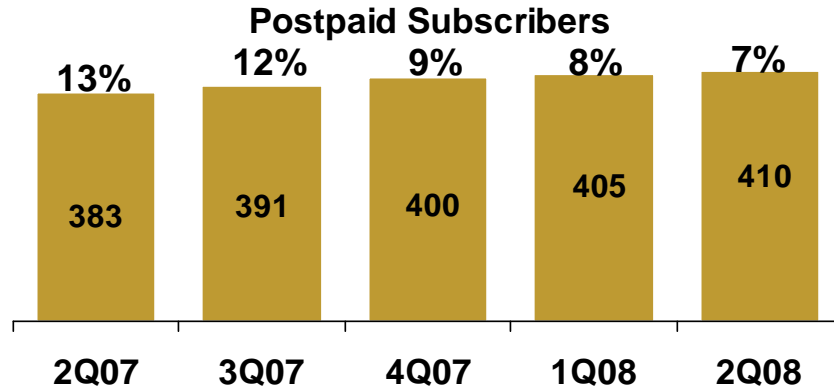


- Adjusted EBITDA growth due to expanding service revenue offset somewhat by increased expense
 - Higher incollect expense due to international roaming and data usage
 - Higher acquisition expense due to increased postpaid gross adds and upgrades = 2 pts of margin
- 2008 service revenue will continue to drive margin growth toward 30%

* May not foot due to rounding

Postpaid Wireless Growth

(in thousands)



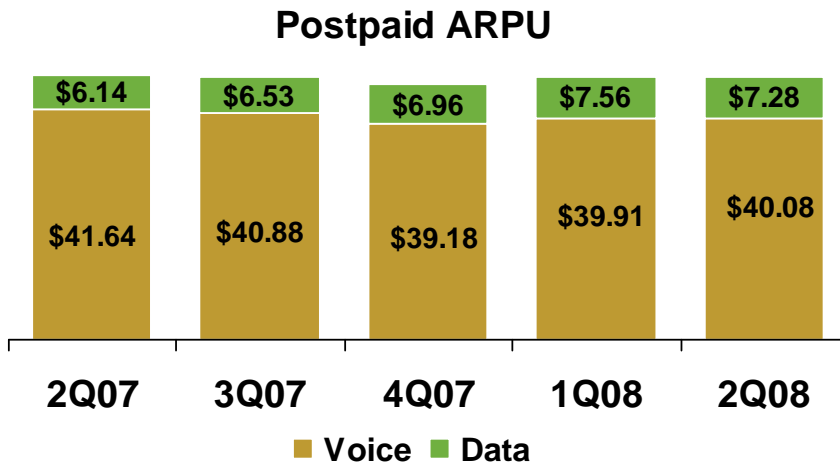
➤ 6% growth in postpaid service revenue driven by a 7% growth in subscribers

➤ 5K Net adds

- # of subscribers with “smart phones” increased 71% from 2Q07...8.4% penetration of total postpaid subs
- Gross adds up 2K vs 2Q07
- Postpaid churn at 1.71%

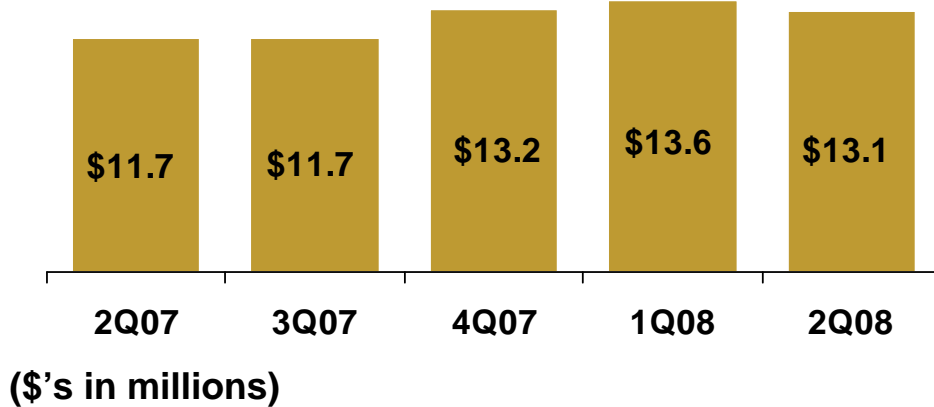
• Data ARPU up 19%

- 15% of total
- Positive contributions from SMS/blackberry



Prepaid Wireless

Prepaid Service Revenue



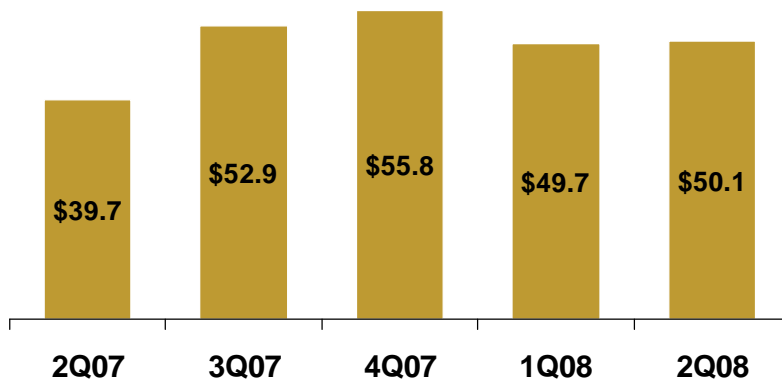
Prepaid ARPU



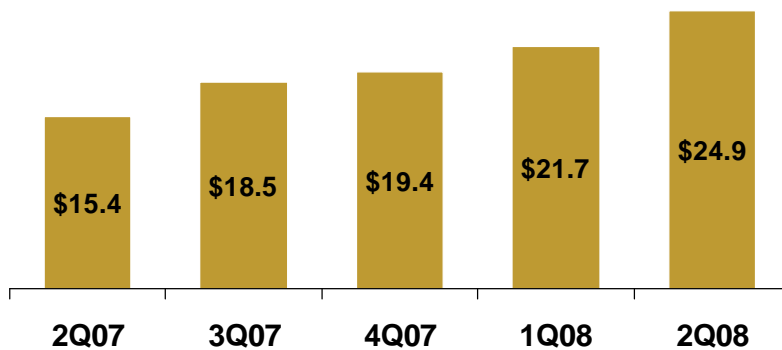
- 12% growth in prepaid service revenue
 - Subscribers down 4%
 - ARPU up 15% y/y
 - Data is 28% of total ARPU
- Sequential decline in subscribers
 - 2nd and 3rd quarters seasonally low
 - Focus has been on acquiring and retaining more profitable subs

Technology Solutions Revenue

Telecom and IT Equipment



Data Center and Managed Services

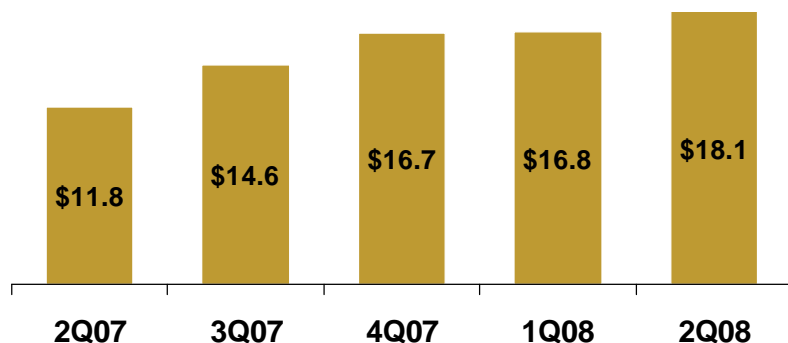


(\$'s in millions)

- Segment revenue +37% y/y
- Telecom and IT equipment up 26% y/y
 - Large accounts and data center relationships driving increase
- Data Center and Managed Services revenue increased 62% y/y
 - Increased billing data center space by 64%; 69K square feet from 2Q07
 - Also includes \$1M associated with the GramTel acquisition

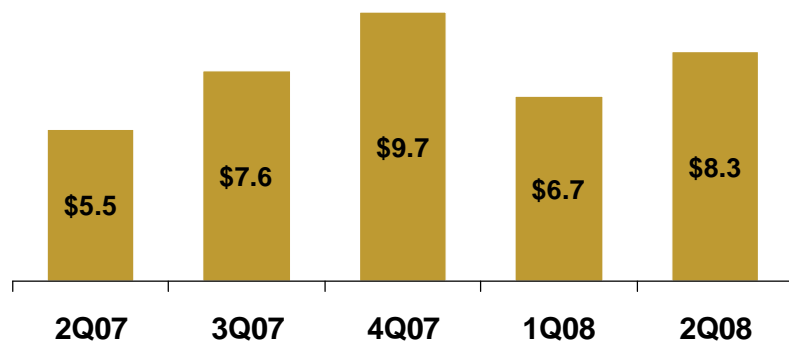
Technology Solutions Profit

Gross Profit



- Gross profit +\$6M
 - Driven mostly by data center square footage capacity growth and utilization as well as higher managed services
- +51% Adjusted EBITDA y/y
 - Up \$2M sequentially

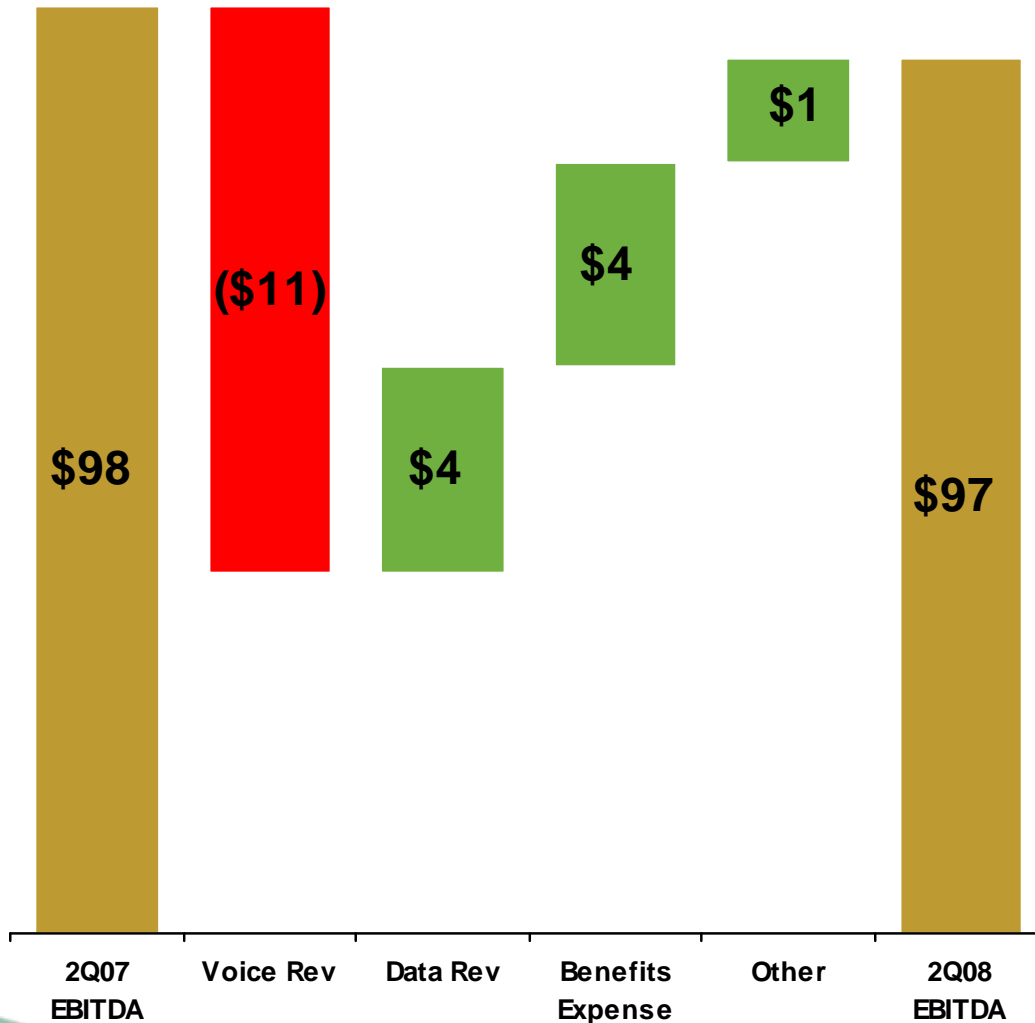
Adjusted EBITDA



(\$'s in millions)

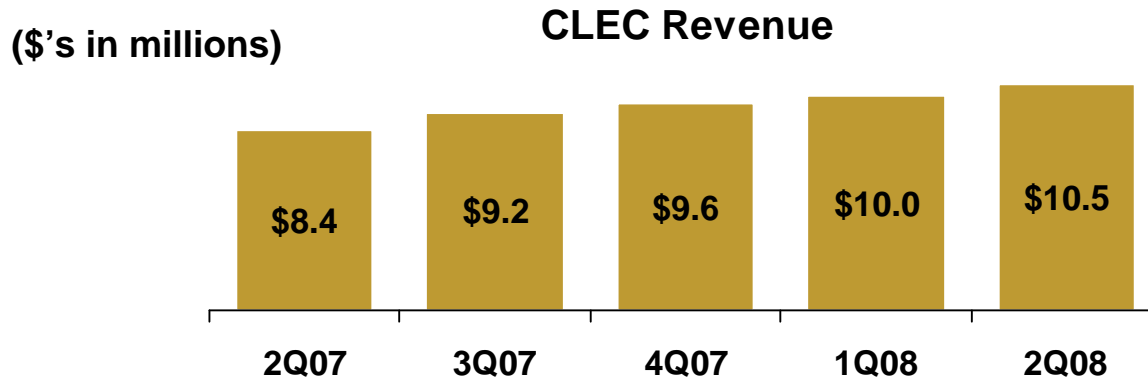
Wireline Adjusted EBITDA

(\$'s in millions)

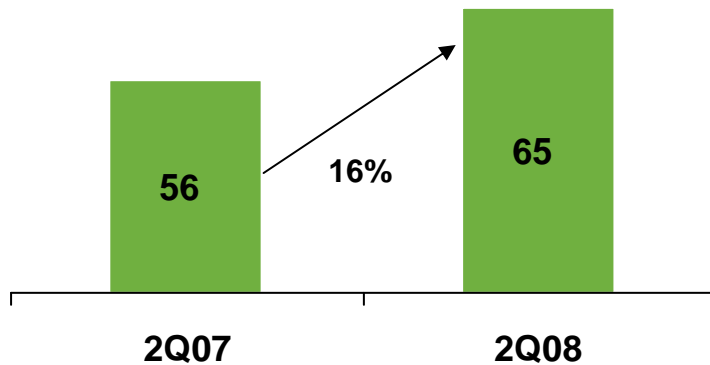


- Voice revenue down 10%
- Data revenue up 7%
 - 8% DSL subscriber growth
 - 9% data transport growth
- Benefits expense down \$4M
 - Reduction of retiree benefits
 - Accelerated pension payment in 4Q07

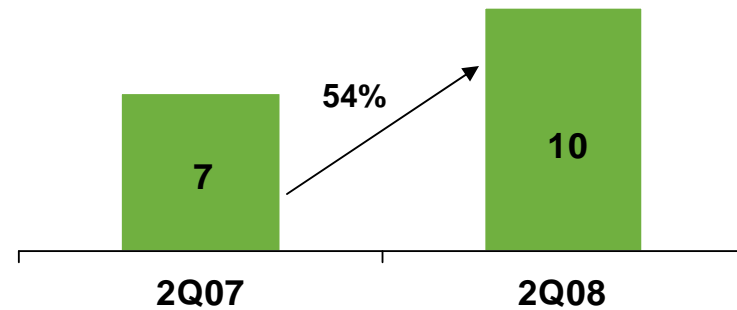
CLEC Success Leads to Recent Acquisitions



Access Lines

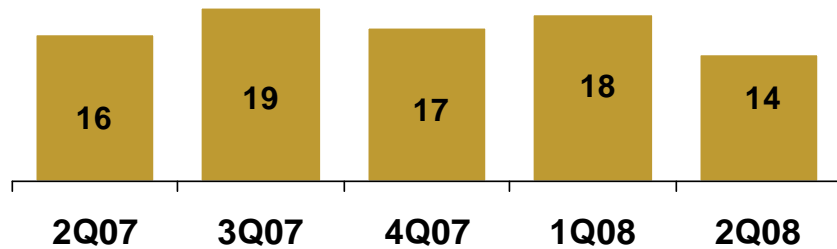


DSL Subs

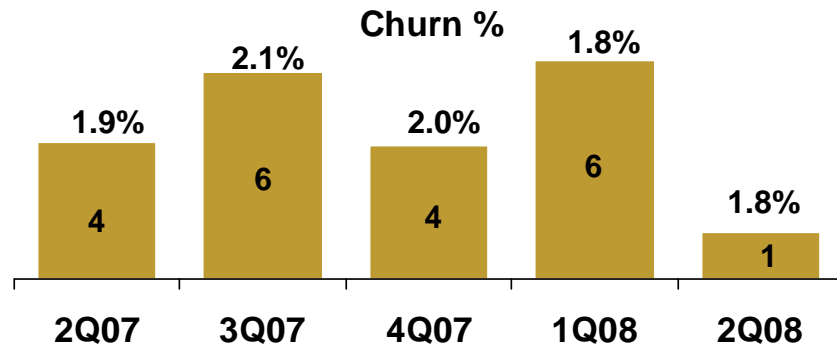


DSL Subscriber Activity

DSL Gross Adds



DSL Net Adds

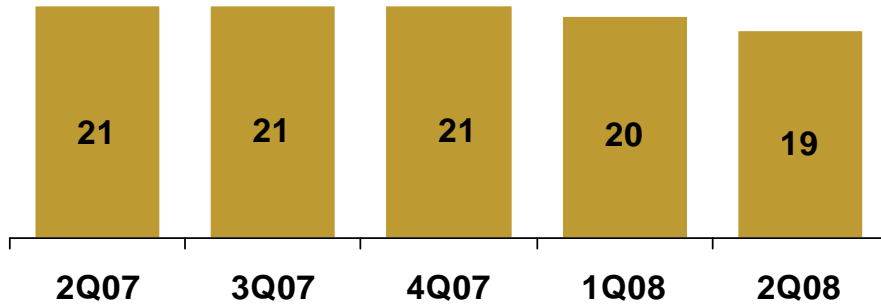


(in thousands)

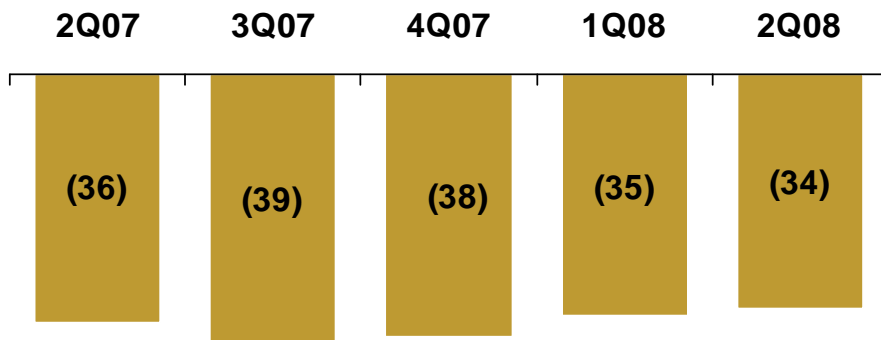
- 8% subscriber base growth y/y
 - 229,000 subscribers at the end of 2Q08
- 1K net adds
 - Down 3K y/y primarily due to lower gross activations
 - 6 basis point churn improvement
- 46% penetration of CBB in-territory consumer primary lines

ILEC Access Line Loss

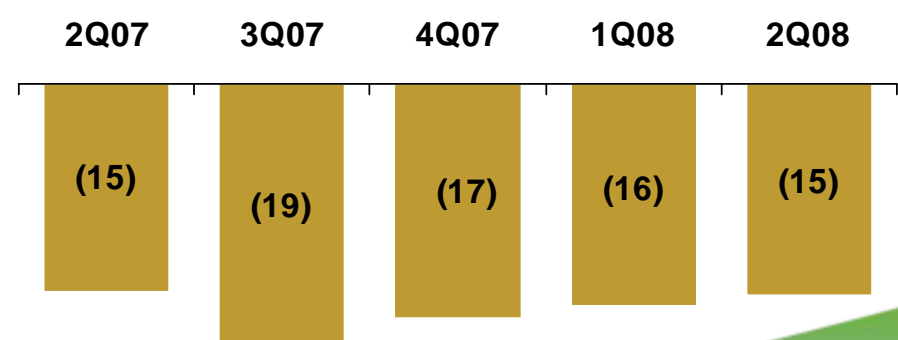
Access Line Gross Adds-ILEC



Access Line Deactivations-ILEC



Access Line Net Adds -ILEC



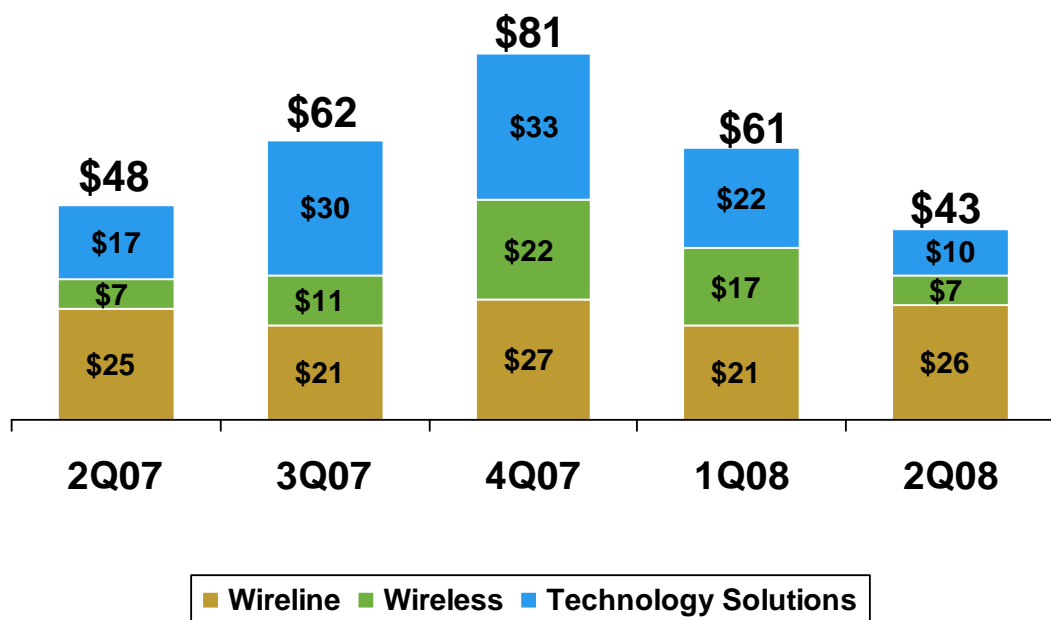
(in thousands)

- Total access line loss was 6.7% y/y
 - 8.3% ILEC loss
 - 16% increase in CLEC lines
 - Business lines up 1.3%
- Gross adds continues to be the driver
- Churn continues to remain well below 2%

Capital Expenditures

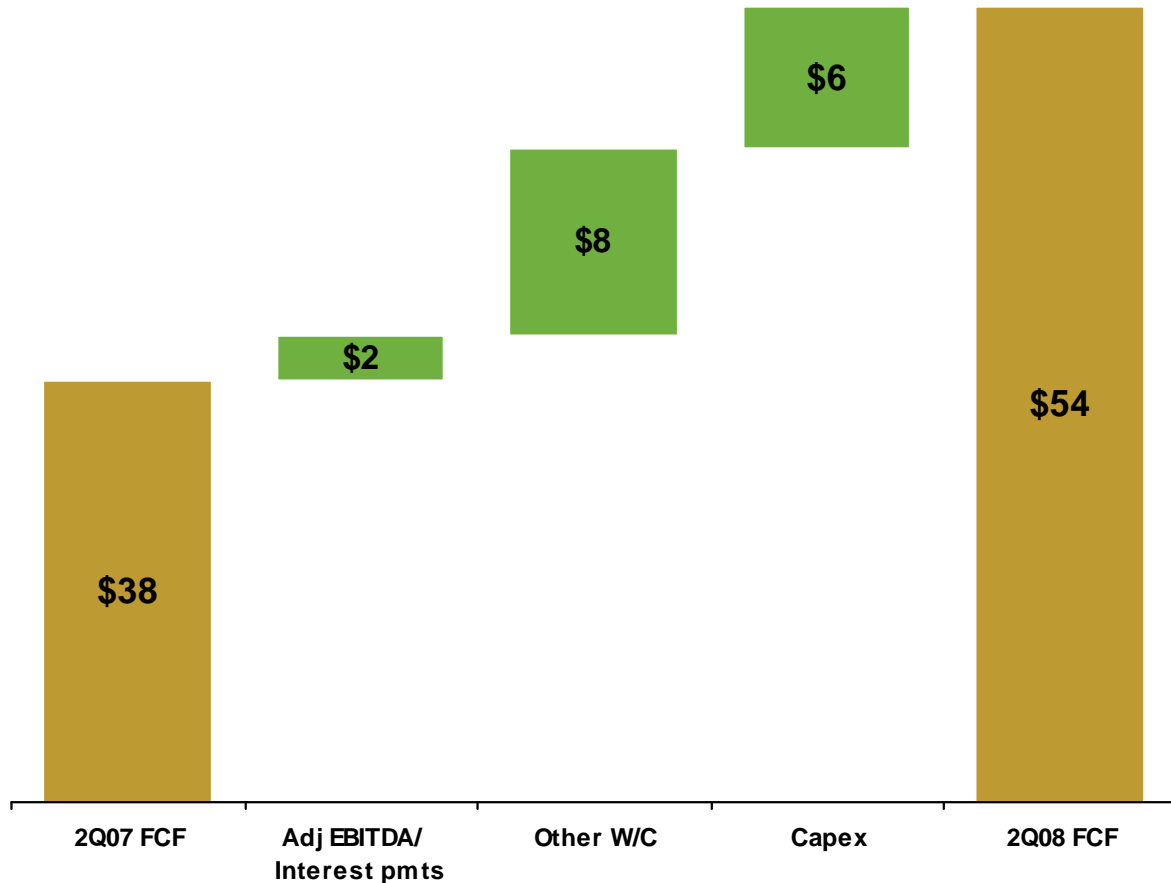
(\$ in millions)

Capital Expenditures
(with Totals)



- Total Capital down \$6M vs 2Q07
- Technology Solutions down \$7M vs 2Q07 and \$12M sequentially
 - Slower data center spending
- Combined Wireline and Wireless spending flat y/y
 - Wireless down sequentially due to lower 3G spend.
 - Network ready pending spectrum clearance
 - Wireline up sequentially primarily due to timing

2Q08 Free Cash Flow



(\$ in millions)

- Free Cash Flow +\$16M
- Adjusted EBITDA +\$1M
- Interest payments \$1M lower y/y
 - Due to both lower interest rate and debt balance
- Capex down \$6M
- Working capital/Other favorable by \$8M
 - Mostly due to 2007 accelerated operating tax payments

YTD Sources and Uses of Cash

Sources:

	<u>1Q08</u>	<u>2Q08</u>	<u>YTD</u>
Free Cash Flow	\$24	\$54	\$78
Increase in Credit Facility	45		45
Available Cash - BOP	26	19	26
TOTAL	\$95	\$73	\$149

Uses:

Acquisitions	(\$19)	(\$3)	(\$22)
Stock Repurchase	(17)	(30)	(47)
8.375% debt retirement	(38)	(2)	(40)
Pay down of Credit Facility		(14)	(14)
Capital lease payments & other	(2)	(3)	(5)
TOTAL	(\$76)	(\$52)	(\$128)
Available Cash - EOP	\$19	\$21	\$21

- \$78M Free Cash Flow
 - Over half way to annual guidance of \$150M
- Acquisitions closed
 - eGix in Q1
 - CenturyTel – Dayton fiber ring in Q2
- \$47M stock repurchase
 - 11M shares – over 4% of total shares outstanding
- Retired \$40M of 8.38% bonds
- Net Debt reduced \$18M to \$1.97B from 1Q08

(\$ in millions)

2008 Guidance

	2007 Actuals	2008 Guidance
Revenue	\$1.3B	Approx. \$1.4B
Adjusted EBITDA	\$473M	Approx. \$485M
Capital	17% of revenue	Approx. 16% of revenue
Free Cash Flow	\$59M	Approx. \$150M

Non-GAAP Reconciliations
(please refer to the Earnings Financials)