

Cincinnati Bell

First Quarter 2013 Results

May 9, 2013



Today's Agenda

Overview & Strategic Investments

Ted Torbeck, President & Chief Executive Officer

Segment Results & Financial Overview

Kurt Freyberger, Chief Financial Officer

Question & Answer

Safe Harbor

This presentation and the documents incorporated by reference herein contain forward-looking statements regarding future events and our future results that are subject to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “predicts,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned these forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this release and those discussed in other documents we file with the Securities and Exchange Commission (SEC). More information on potential risks and uncertainties is available in our recent filings with the SEC, including Cincinnati Bell’s Form 10-K report, Form 10-Q reports and Form 8-K reports. Actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Non GAAP Financial Measures

This presentation contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), Adjusted EBITDA margin, net debt and free cash flow. These are non-GAAP financial measures used by Cincinnati Bell management when evaluating results of operations and cash flow. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations and cash flows with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of Adjusted EBITDA, net debt and free cash flow (including the Company's definition of these terms) to comparable GAAP financial measures can be found in the earnings release on our website at www.cincinnati-bell.com within the Investor Relations section.

Ted Torbeck

President & Chief Executive Officer



First Quarter Results

	<u>Three months ended March 31, 2013</u>		
	CBB	CyrusOne	CBB
<i>\$ in millions</i>	Consolidated	(1/1 - 1/23)	(Pro-Forma)
Revenue	\$326	\$15	\$310
Adjusted EBITDA	118	8	110
Capital Expenditures	51	8	43
Free Cash Flow	(3)	(3)	1

Tables may not foot across due to rounding.

A Strong Foundation...

- **Solid existing Wireline operations**
- **Opportunity to make targeted investment in Fiber growth**
- **Financial investment in growing data center business**

Revenue View

Strategic, Legacy, and Integration

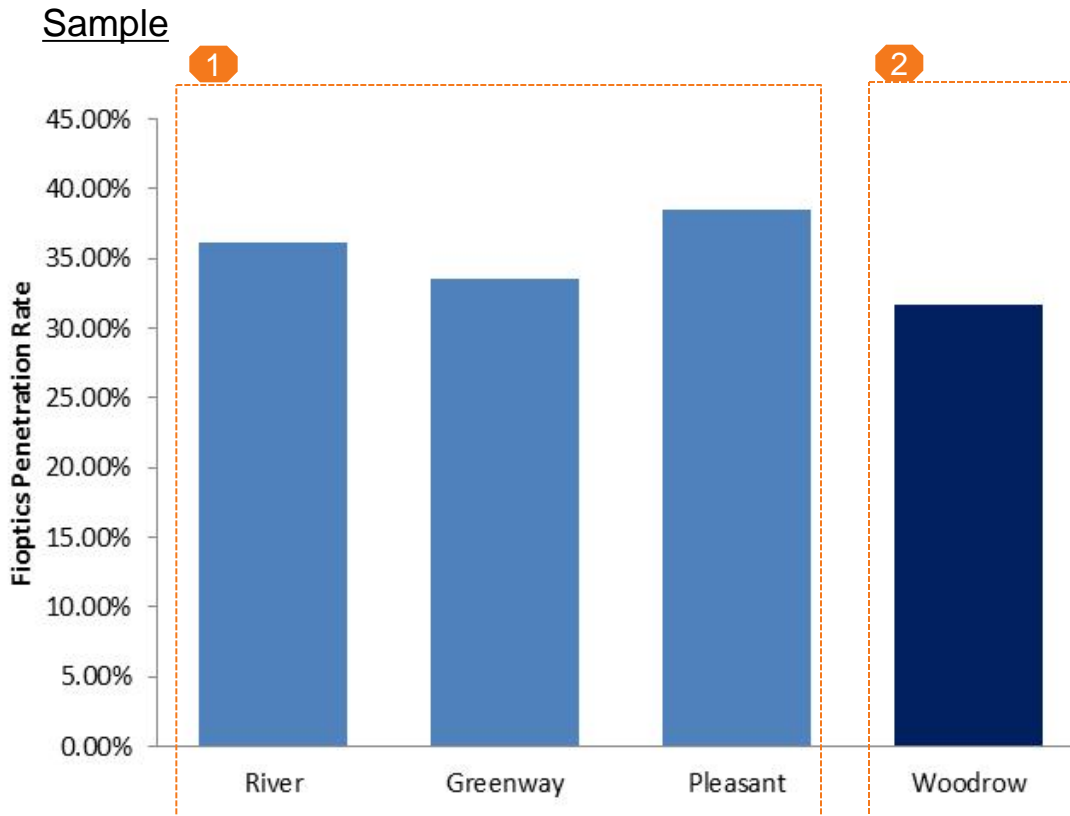
\$ in mil	Full Year			Q1 2012			Q1 2013		
	2011	2012	% Change	2012	2013	% Change	2012	2013	% Change
Strategic									
Voice	\$ 50.1	\$ 54.6	9%	\$ 13.6	\$ 15.0	11%	\$ 13.6	\$ 15.0	11%
Video	24.1	36.1	50%	7.4	11.8	59%	7.4	11.8	59%
Data	92.2	119.0	29%	28.4	32.0	13%	28.4	32.0	13%
Service	92.7	107.6	16%	26.2	25.9	-1%	26.2	25.9	-1%
Total Strategic	259.2	317.4	22%	75.6	84.7	12%	75.6	84.7	12%
Legacy									
Voice and LD	335.3	307.9	-8%	79.7	71.9	-10%	79.7	71.9	-10%
Data	203.6	198.7	-2%	50.1	47.7	-5%	50.1	47.7	-5%
Service	39.6	30.2	-24%	7.7	6.6	-14%	7.7	6.6	-14%
Total Legacy	578.6	536.8	-7%	137.5	126.1	-8%	137.5	126.1	-8%
Integration									
Service	38.3	40.0	4%	9.4	9.6	3%	9.4	9.6	3%
Value Added Reseller	183.9	181.1	-2%	40.4	51.2	27%	40.4	51.2	27%
Total Integration	222.3	221.1	-1%	49.7	60.8	22%	49.7	60.8	22%
Wireless	277.6	241.8	-13%	63.7	53.3	-16%	63.7	53.3	-16%
Revenue (before elims)	\$ 1,337.6	\$ 1,317.0	-2%	\$ 326.4	\$ 324.9	0%	\$ 326.4	\$ 324.9	0%

Tables may not foot due to rounding.

...Capital investments fundamentally transform the revenue base

Fioptics

Solid Performance Metrics

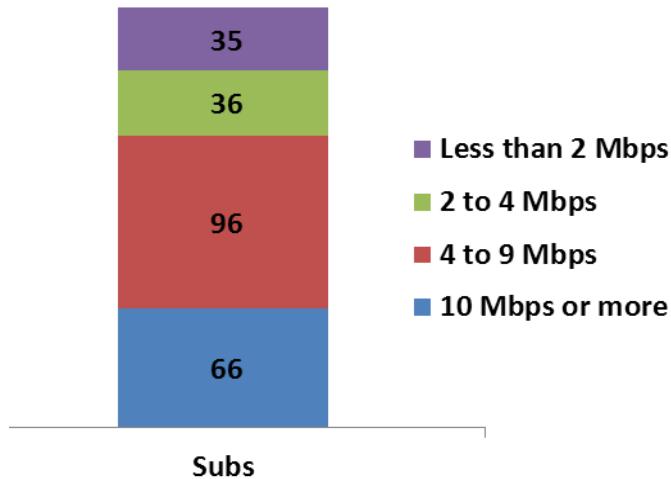


- Single Family Household (SFU) neighborhoods with construction dates between 24 and 36 months have average penetration rates of > 35%.
- Promotions drive ARPU of approximately \$125 for the first 12 months, normalizing to an ARPU of \$155 post promotion.
- SFU entertainment churn for Q1 2013 was 2.2%.

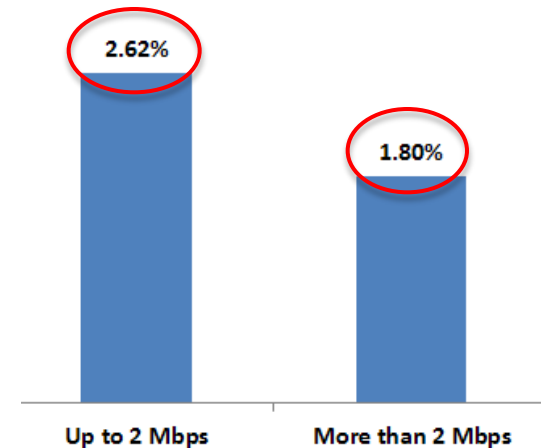
1. Neighborhood Construction date of 2010
2. Neighborhood Construction date of 2011

Improving Internet speeds

Internet Subs (000) by Provisioned Bandwidth



Churn by Provisioned Bandwidth



- **53K** customers upgraded in the last 3 years.
- Churn for subscribers provisioned under 2 Mbps is **82 bps** higher than subscribers with higher speed.
- Churn in legacy areas that are not upgraded is expected to increase.

CyrusOne Investment

2013 CONE Guidance:

<i>\$ in millions</i>	2012 Actuals	2013 Guidance	% Increase
Revenue	\$221	\$260 - 270	18 - 22%
Adjusted EBITDA *	115	133 - 137	16 - 19%

- CBB effectively owns 69% of CyrusOne, which is valued at approximately \$1 billion
- Key considerations for monetization:
 - Retaining upside appreciation potential for a portion of the investment
 - Taking risk “off the table” with a portion of the investment

* Adjusted EBITDA is calculated as net (loss) income as defined by U.S. GAAP excluding noncontrolling interests plus interest expense, income tax (benefit) expense, depreciation and amortization, stock-based compensation expense, transaction costs and employee incentive compensation expense related to the initial public offering, including acquisition pursuit costs, loss on sale of receivables to affiliate, restructuring costs, loss on extinguishment of debt, asset impairments and excluding (gain) loss on sale of real estate improvements.

Kurt Freyberger

Chief Financial Officer



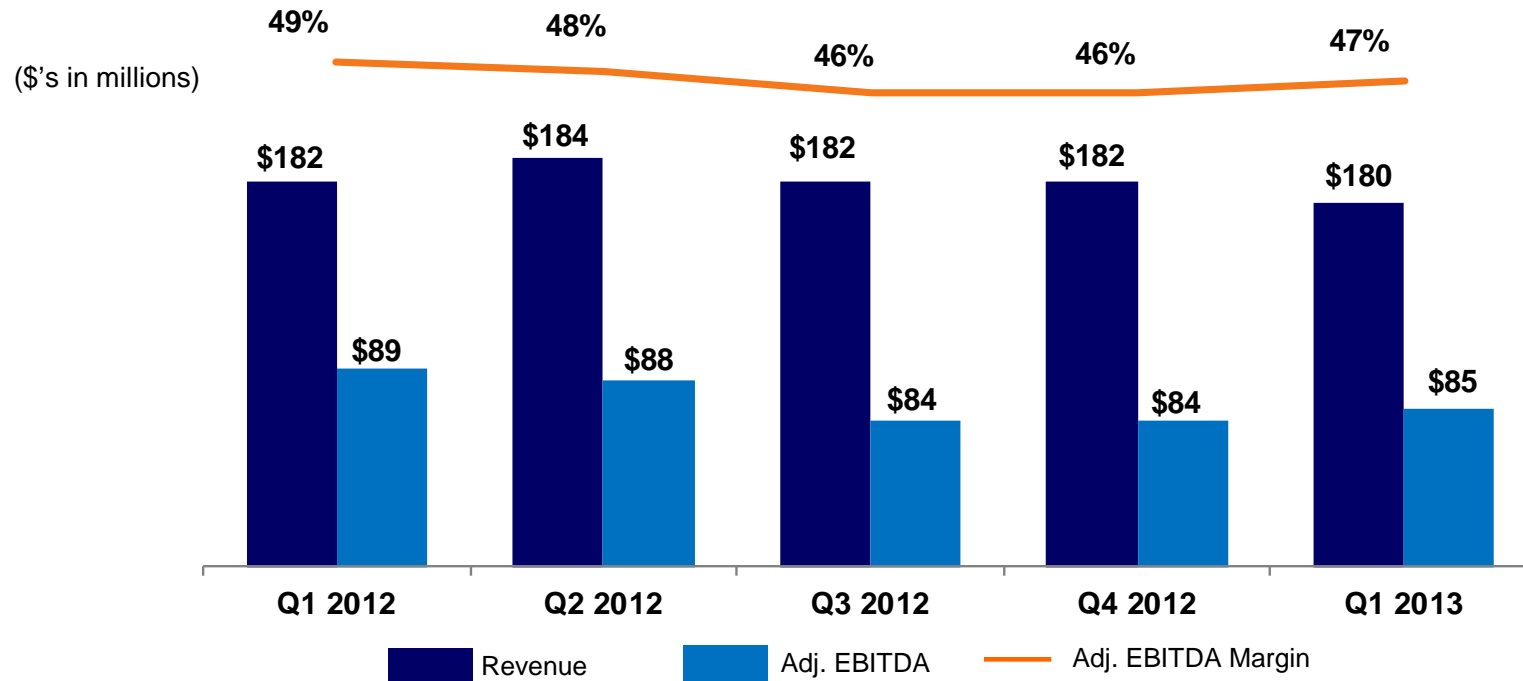
CBB Segment Results

<i>\$'s in Millions</i>	Q1 2013	Q1 2012
Revenue		
Wireline	\$ 180	\$ 182
Wireless	53	64
IT Services & Hardware	85	73
CyrusOne*	16	53
Eliminations	(7)	(9)
	<u>\$ 326</u>	<u>\$ 363</u>
Adjusted EBITDA		
Wireline	\$ 84	\$ 89
Wireless	20	24
IT Services & Hardware	4	4
CyrusOne*	8	29
Corporate	1	(6)
	<u>\$ 118</u>	<u>\$ 139</u>

Tables may not foot due to rounding.

* CyrusOne completed its IPO on Jan 24, 2013. CBB results for 2013 only include CyrusOne results to this date. After Jan 24, 2013, CBB owns 69% of CyrusOne as an equity method investment, and therefore does not consolidate the CyrusOne results into CBB or its segment results.

Wireline Revenue and Adjusted EBITDA

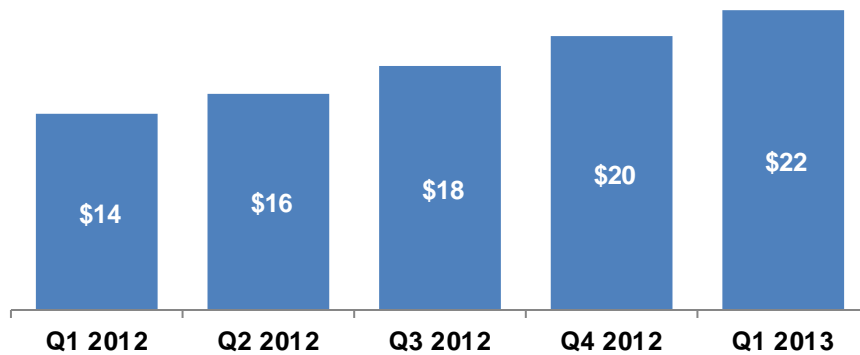


- Investment in growth opportunities substantially offset declines from access line and other legacy products
- Adjusted EBITDA declines from high margin access lines continue to outpace gains from strategic product offerings and cost savings initiatives, resulting in compressed margins
- Access line loss in Q1 2013 controlled at 7.8%

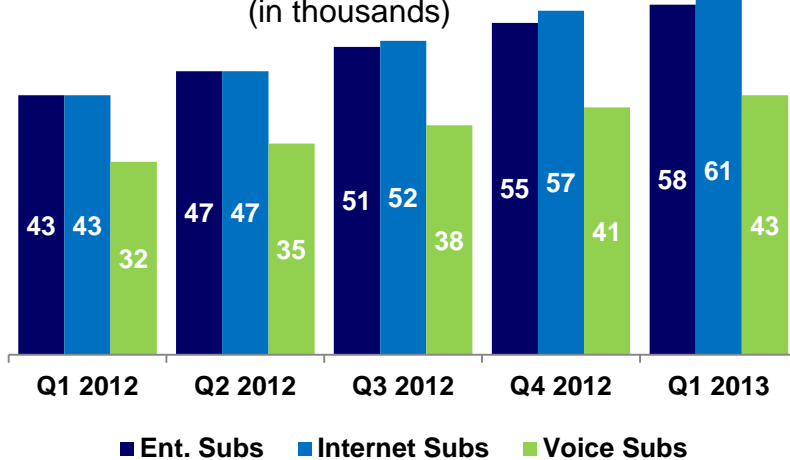
Fioptics Highlights



Fioptics Revenue
(in millions)

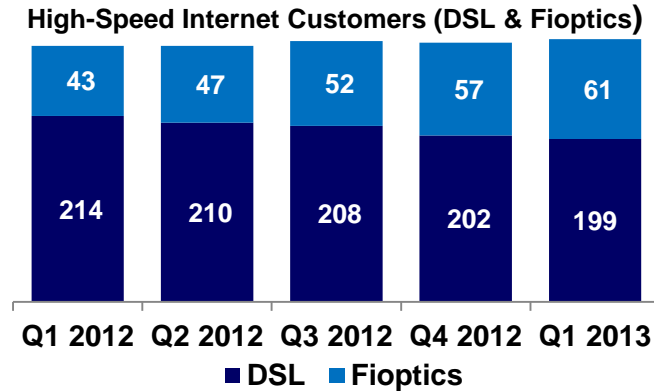


Total Fioptics Subscribers
(in thousands)



- Fioptics revenue of \$22 million for Q1 2013 is up 52% over Q1 2012, resulting in increased Adjusted EBITDA of \$3 million
- Constructed to 15K units in the Q1 2013
 - 220K units now passed
- Fioptics subscribers increased by over 35% compared to Q1 2012
 - 58K entertainment subs; added 3K in Q1
 - 61K internet subs; added 4K in Q1
 - 43K voice subs; added 2K in Q1
- Fioptics consumer monthly ARPU improved to \$136, up from \$126 in Q1 2012
- Total Fioptics penetration remained strong at 28%
- Entertainment churn was 2.8% in the quarter

High-speed Internet Highlights



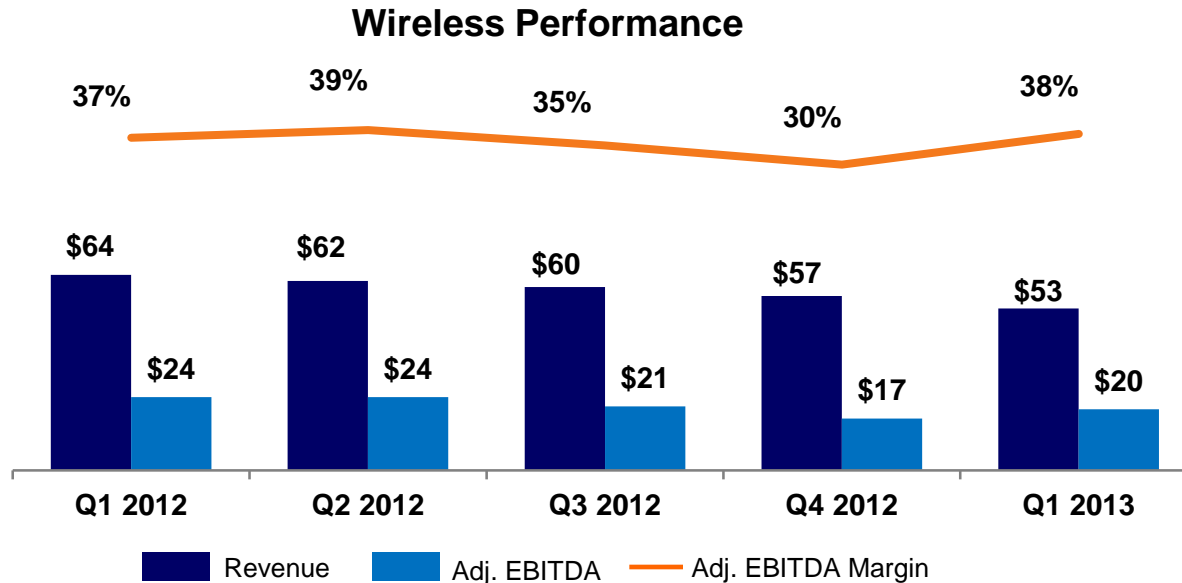
- 260K high-speed internet subs at quarter end
- Growth in Fioptics high-speed internet subs offset DSL subscriber decline
- High-speed internet churn was 2.0% in the quarter

Business and Carrier Highlights

- Strategic business and carrier revenue totaled \$36 million in Q1 2013, up 5%, primarily a result of increased LAN, due to high demand from business customers for faster speeds.
- CBTS / CBT integration update
 - Combined sales forces resulting in more than \$1 million annual savings
 - Additional annual cost savings of approximately \$4 million expected from consolidating product offerings, systems, and back office
 - Integration provides opportunity to provide customers with an integrated IT and telecommunications solution with one trusted advisor

Wireless Revenue & Adjusted EBITDA

(\$'s in millions)



Continued cost containment efforts drove a strong Adjusted EBITDA margin of 38% in the quarter, despite 16% decrease in revenue compared to Q1 2012

Postpaid revenue decreased by 19% from Q1 2012

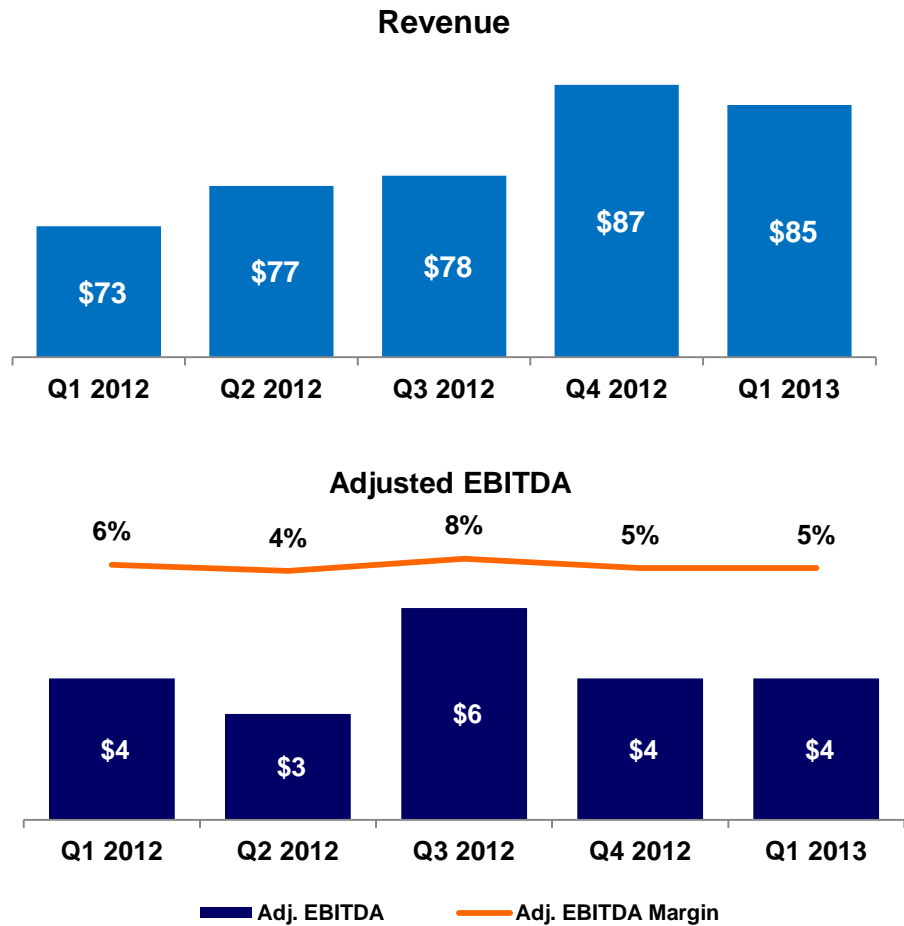
- Year-over-year subscriber loss of 21%
- Postpaid ARPU of \$51.29 up \$0.47 from Q1 2012
- Data ARPU grew 16% year-over-year
- Churn was 2.6% for the quarter

Prepaid revenue decreased by 7% from Q1 2012

- Year over year subscribers remained the same. Prepaid ARPU was \$26.57, down 7% from Q1 2012
- Churn was 5.7% for the quarter, improved from 6.4% in Q1 2012

IT Services and Hardware

(\$'s in millions)



Strong revenue of \$85 million in Q1 2013

- Telecom & IT Equipment revenue of \$57 million was up 25% compared to Q1 2012
- Revenue from Managed and Professional Services remained flat from Q1 2012

Adjusted EBITDA and margin of \$4 million and 5%, respectively, during the quarter

CBB Consolidated Results

	Three Months Ended March 31,		Change	
	2013	2012	\$	%
Revenue	\$ 325.7	\$ 362.8	\$ (37.1)	(10)%
Costs and expenses				
Cost of services and products	161.8	165.8	(4.0)	(2)%
Selling, general and administrative	53.1	64.0	(10.9)	(17)%
Depreciation and amortization	50.6	51.1	(0.5)	(1)%
Transaction-related compensation	35.5	-	35.5	n/m
Restructuring charges	2.6	0.9	1.7	n/m
Loss on sale or disposal of assets, net	2.5	-	2.5	n/m
Transaction costs	0.4	-	0.4	n/m
Operating income	19.2	81.0	(61.8)	(76)%
Interest expense	47.9	54.4	(6.5)	(12)%
Loss from cyrusOne equity method investment	1.9	-		n/m
Other expense, net	(0.3)	1.5	(1.8)	n/m
Income before income taxes	(30.3)	25.1	(55.4)	n/m
Income tax expense	6.4	12.5	(6.1)	(49)%
Net (loss) income	(36.7)	12.6	(49.3)	n/m
Preferred stock dividends	2.6	2.6	-	0%
Net (loss) income applicable to common shareowners	<u>\$ (39.3)</u>	<u>\$ 10.0</u>	<u>\$ (49.3)</u>	<u>n/m</u>
Basic and diluted earnings per common share	<u>\$ (0.19)</u>	<u>\$ 0.05</u>		

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Free Cash Flow

(excluding CyrusOne)

	Q1 2013	
<i>\$'s in Millions</i>		
Adjusted EBITDA	\$	110
Capital Expenditures		(43)
Interest Payments		(30)
Working Capital and Other		(31)
Warrants		5
Pension and OPEB Payments		(8)
Transaction-related compensation and other costs		(2)
	\$	<u>1</u>

2013 Capital Expenditures (excluding CyrusOne)

<i>\$'s in millions</i>	Full Year		Q1 2013
	Low	High	
Fioptics	\$ 70	\$ 75	\$ 17
Strategic Business	35	40	4
Maintenance	60	60	14
Wireless	15	15	8
	<u>\$ 180</u>	<u>\$ 190</u>	<u>\$ 43</u>

Leverage Position

<i>in millions, except for Leverage ratio</i>	As of March 31, 2013	
Net Debt	\$	2,129
Less: CBB Equity value of CONE shares		1,016
Net Debt - As Adjusted		1,113
Adjusted EBITDA - 2013 Guidance	\$	390
Leverage - Unadjusted		5.5x
Leverage - As Adjusted for CONE investment		2.9x

CBB Equity Value of CONE Shares	
CONE shares owned by CBB	44,476,835
CONE stock price (Mar 31) \$	22.84
CBB Equity value of CONE shares \$	1,015,850,911

Appendix



Revenue View - Reconciliation

	Full Year		Q1 2012		Q1 2013	
	2011	2012				
Wireline	\$ 732.1	\$ 730.5	\$ 182.4	\$ 179.7		
IT Services & Hardware	300.5	315.7	73.2	84.5		
Wireless	277.6	241.8	63.7	53.3		
Intercompany	27.4	29.0	7.1	7.4		
Revenue	<u>\$ 1,337.6</u>	<u>\$ 1,317.0</u>	<u>\$ 326.4</u>	<u>\$ 324.9</u>		

Revenue Captions - Examples

STRATEGIC

LEGACY

INTEGRATION

Voice

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> ➤ Fioptics ➤ VoIP Services | <ul style="list-style-type: none"> ➤ Access Lines ➤ Long Distance ➤ Prime Advantage ➤ Trunk Advantage | |
|---|---|--|

Data

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> ➤ Fioptics (Internet) ➤ Wave / DWDM ➤ Private Line ➤ MPLS ➤ Conferencing ➤ Metro Ethernet ➤ Dedicated Internet | <ul style="list-style-type: none"> ➤ DSL ➤ LAN (less than 1.5 Mb) ➤ DSO, DS1, DS3 | |
|--|--|--|

Video

- Fioptics (entertainment)

Service

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> ➤ Cloud & Collaboration ➤ Managed Services ➤ Professional Services | <ul style="list-style-type: none"> ➤ Directory Assistance ➤ Rent | <ul style="list-style-type: none"> ➤ Installation ➤ Maintenance |
|--|--|---|

VAR

- Hardware