

*Broadwing*

2002 ANNUAL REPORT



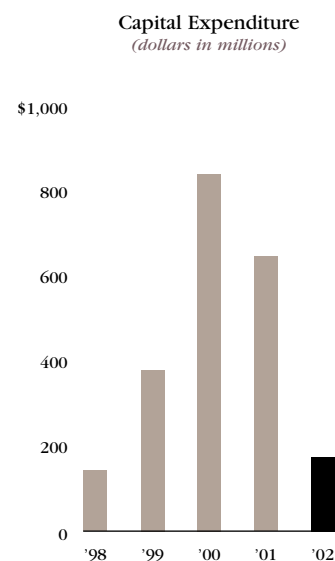
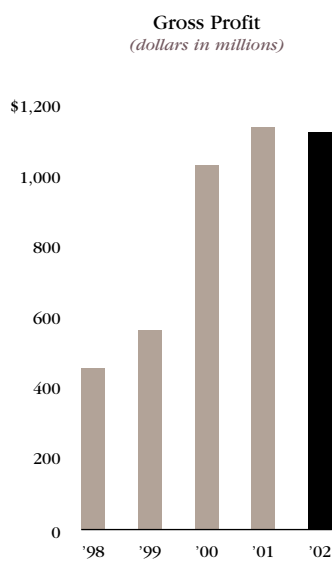
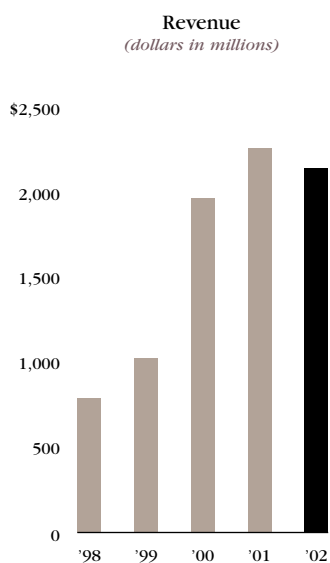


Broadwing Inc. (NYSE: BRW) is an integrated communications company that operates in four industry segments: Local, Wireless, Broadband and Other. Cincinnati Bell, one of the nation's most respected and best performing local exchange and wireless providers, brings a legacy of unparalleled service excellence and financial strength to customers in Ohio, Kentucky and Indiana. Broadwing Communications, with the world's first intelligent, all-optical switched national network, through its subsidiaries offers businesses nationwide data, voice and Internet solutions that are flexible, reliable and innovative. Broadwing Inc. is headquartered in Cincinnati, Ohio, and its common shares trade on the New York Stock Exchange and the Cincinnati Stock Exchange.

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## Financial Highlights

(Dollars in millions)	Years Ended December 31,		
	2002	2001	2000
<b>Profit &amp; Loss:</b>			
Revenue	\$ 2,156	\$2,272	\$1,974
Cost of Products and Services	1,028	1,131	939
Selling, General & Administrative Expenses	487	562	580
Depreciation and Amortization	496	555	460
Restructuring, Asset Impairments and Other Charges	2,238	245	(1)
Operating Loss	(2,094)	(221)	(4)
Interest Expense	164	168	164
Net Loss	(4,222)	(286)	(377)
<b>Balance Sheet:</b>			
Cash and Equivalents	\$ 45	\$ 30	\$ 38
Property, Plant & Equipment, Net	868	3,059	2,979
Goodwill and Other Intangibles, Net	108	2,445	2,559
Debt, Including Current Portion	2,558	2,852	2,521
Minority Interest	444	436	434
Shareowners' Equity (Deficit)	(2,548)	1,678	2,022



**B**roadwing faced serious challenges during 2002: a struggling telecommunications industry; a weakened economy; a declining carrier market; a broadband business that required a significant amount of cash; difficult capital markets; and, a stock price that we believe does not adequately reflect the value of our company.

#### *Aggressive Actions*

To that end, we have taken actions to transform Broadwing and put our company on solid ground. The management team completed a thorough evaluation of our business, financial position, market opportunities and strategic options and identified two overhangs that required our immediate attention, one financial and the other strategic. The financial overhang related to our high leverage and debt amortization. The strategic overhang involved Broadwing Communications, with the market looking for definitive resolution on this business.

To clear these overhangs, in October 2002 we began executing a five-point restructuring plan designed to accomplish the following: maintain the strength and stability of our Cincinnati Bell business; reduce the cash burn at our broadband unit, Broadwing Communications; strengthen our financial position and increase our financial flexibility; evaluate our strategic alternatives; and, reduce our debt balances over time. While there is still much to do, we have made good progress against this plan to date.

In mid-February, we reached a definitive agreement to sell the assets of a number of subsidiaries of Broadwing Communications, including the Broadwing name, to a third party for up to \$129 million in cash and the assumption of certain significant long-term operating commitments. This is a big step towards our goal of improving the cash flow of our company. While there are always risks associated with the sale of assets, we are committed to working aggressively with the buyer to close this transaction as quickly as possible in 2003.

To clear our financial overhang, in December 2002 we announced that we secured a \$200 million commitment of junior capital to improve our financial flexibility. In January 2003, we increased that funding commitment to \$350 million. This is a significant commitment of capital in the current environment and we believe that it speaks directly to the strength and stability of our Cincinnati Bell business.

With the financing commitment in place, we approached our banking partners in late 2002 to begin discussing the terms of a comprehensive bank amendment. In March 2003, we received the required approvals from our lenders to amend our bank credit facility and extend our debt amortization schedule. The proceeds of the \$350 million in junior capital were used primarily to refinance the outstanding balances under our bank credit facility and provide the catalyst for a successful bank amendment.

Due to the significant cash flow of Cincinnati Bell, the total company reported positive cash flow (measured as cash flow from operating activities less capital expenditures, dividends and restricted cash) for the third and fourth quarters of 2002—a milestone we reached one quarter earlier than projected. However, Broadwing Communications continued to burn cash throughout 2002.

For that reason, we embarked on an initiative targeting a \$200 million annual cash reduction at Broadwing Communications to bring the unit to cash flow break-even in 2003. As such, we set an aggressive goal to reduce this business' access line costs, the most significant expense of a long-haul business, by 25 percent annually. More narrowly focusing on our most profitable, high-end enterprise customers also enabled us to reduce this unit's staff by 30 percent during 2002. We will continue to aggressively attack this unit's cost structure while working to close the sale of its assets.

We firmly believe that value for our shareholders can be created in the near term by reducing our debt balances. Due primarily to the proceeds from the sale of our directory business in March 2002, we reduced our net debt balance (defined as total debt plus minority interest less cash and equivalents) by \$300 million, or 9 percent, during the year. As we increase the level of cash flow that we produce in the future, we will continue to pay down debt.



Kevin W. Mooney *Chief Executive Officer*



Daniel J. Meyer *Chairman*

### Clear Purpose

Cincinnati Bell has thrived for 130 years, and brings many virtues to bear: over one million access lines; a strong and stable local exchange company; diverse products and revenue streams; market-leading wireless and long distance operations; capacity-available networks; talented and committed employees; and, a proven ability to satisfy customers while producing consistent cash flow.

In and around Cincinnati, we continue to deliver services and solutions that earn the satisfaction of our customers. We are proud of our five J.D. Power and Associates awards for customer satisfaction over the last two years—the ultimate compliment as it comes directly from our customers.

While a good deal of our team’s energies will remain focused on making further progress against our five-point plan, our overriding priority is to preserve and enhance the strength, stability, competitive position and substantial cash flows of Cincinnati Bell. We believe very strongly in this business and feel that a singular focus on our core strengths provides us with the greatest opportunity to create value for you, our shareholders.

2003 will be a year of significant change for our company. In these challenging times, we appreciate the loyalty and support of our employees. We also appreciate your support and invite you to continue to measure our progress along the way.

Kevin W. Mooney  
*Chief Executive Officer*

Daniel J. Meyer  
*Chairman*

## Our Five-Point Plan

- 1 Maintain the strength and stability of our Cincinnati Bell business.
- 2 Reduce the cash burn at Broadwing Communications.
- 3 Strengthen our financial position and increase our financial flexibility.
- 4 Evaluate the full range of strategic alternatives.
- 5 Reduce our debt balances over time.

## Operational Overview



### Cincinnati Bell

Our Cincinnati-based businesses had a good year during 2002. In addition to sound financial performance, in residential and commercial service and across all key product categories—local telephony, bundled services, ADSL, wireless, long distance—Cincinnati Bell is an acknowledged leader in market penetration and customer satisfaction.

All facets of this business are organized around the needs of our customers. To measure our success, look no further than our five J.D. Power and Associates awards for customer satisfaction over the last two years. In 2002, Cincinnati Bell became the first communications company to win the highest rating in local, long distance and wireless in the same year. We also repeated the top rating in local and long distance in consecutive years. Customers are the ultimate validation of how a business performs, and these awards are a testament to the unwavering dedication that Cincinnati Bell employees bring to their jobs every day.

Cincinnati Bell Telephone (CBT), our local exchange company, provides stability and cash flow. Even as customers' communication habits increasingly embrace alternatives to traditional phone service, and as competition appears in new and different forms, CBT maintained better market share than most of our metropolitan peers. For the year, CBT's total access lines declined two percent while its revenue grew two percent. In addition, CBT's operating income grew seven percent and operating margin of 34 percent was two points better than in 2001. This performance compares very favorably to our peer group.

Cincinnati Bell Wireless' (CBW) subscribers surpassed 470,000, a market-leading 27 percent share of the wireless market in CBW's operating territory. As growth in the wireless market has slowed, we are managing this business for profitability and cash

flow. As such, CBW is focused on maintaining its embedded base of customers while attracting only the most profitable new customers. CBW's 2002 performance bears this out. While revenue growth slowed to five percent, operating income grew 83 percent and operating margin of 27 percent was 11 points better than 2001. In addition, postpaid customer churn was best-in-class at less than two percent. Once again, this performance stacks up well against our peer group.

Cincinnati Bell Any Distance (CBAD), our long-distance offering, expanded its market-leading share to 69 percent of the Cincinnati residential market and 43 percent of the small and medium business market. CBAD also reported positive operating income in 2002.

ZoomTown, our ADSL service, is now available to 85 percent of our local access lines and we closed 2002 with nearly 75,000 subscribers, representing a nine percent penetration of addressable lines.

The performance of our bundled service offerings continues to be a core strength of our business. Complete Connections, our services bundle, has almost 289,000 subscribers, and has penetrated an industry-leading 40 percent of our residential access lines.

Cincinnati Bell grew revenue by three percent while reducing total operating expenses by three percent during 2002.



John F. Cassidy *Chief Operating Officer  
President, Cincinnati Bell*

Cincinnati Bell has earned five J.D. Power and Associates awards for customer service excellence—two each for local and long distance service and one for wireless service.

Successful bundling has resulted in a lower churn rate and higher revenue per household which, at over \$44 per month, is up four percent versus the prior year.

Cincinnati Bell's emphasis on moving up-market and more deeply serving the national communications needs of its larger enterprise customers yielded encouraging results. During 2002, revenue from the sale of both voice and data services using Broadwing Communications' nationwide network increased 159 percent to over \$35 million, further demonstrating the power of the Cincinnati Bell brand in our local franchise area.

Cincinnati Bell is also taking its services to new geographical areas, bringing local, long distance and wireless services to the Dayton market and offering local service to business and some high-density areas of residential customers in Mason, Ohio, a fast-growing suburb of Cincinnati. Throughout 2003 and beyond, Cincinnati Bell will continue to identify ways to strategically grow its business and provide new and better services to its customers.

#### Broadwing Communications

By any measure, 2002 was a difficult year in the broadband industry. Several well publicized accounting scandals and bankruptcies caused a substantial impact on the carrier business of Broadwing Communications. Amongst this backdrop, Broadwing Communications continued to successfully move up-market during 2002 by offering a competitive cost model and excellent service delivery to large enterprise customers. Increasing customer

demand for telecom provider diversity, sparked by both post-9/11 concerns and the woes of some of the industry's most prominent players, favored our aggressive position as a market attacker. Consequently, Broadwing Communications successfully added large enterprise customers and saw existing national accounts greatly expand their business with them.

However, Broadwing Communications operates in the long-haul space, the most challenged sector of the telecommunications industry. The carrier market continues to experience difficulties and Broadwing Communications continues to be a net consumer of cash. As such, we launched an aggressive restructuring of this business to accelerate its drive to positive cash flow. Broadwing Communications has experienced a steady decline in its cash burn due to reductions in both headcount and the costs of providing service to its customers. They also reduced their capital spending by \$407 million during 2002.

Concurrently, to achieve definitive resolution of the overhang related to our ownership of Broadwing Communications, we reached a definitive agreement to sell the assets of a number of its subsidiaries, including the Broadwing name, to a third party for up to \$129 million in cash and the assumption of certain long-term operating commitments. Our commitment to sell these assets is a clear sign of our determination to execute our strategic plan on behalf of our shareholders, employees and customers. We are committed to working aggressively to close the sale and focus singularly on Cincinnati Bell.

## Financial Overview

Thomas L. Schilling *Chief Financial Officer*



Broadwing produced two consecutive quarters of positive cash flow, a milestone we reached one quarter earlier than projected.

**B**roadwing faced significant financial challenges during 2002: the maturity schedule of our \$1.8 billion bank credit facility created a near-term liquidity problem; the traditional capital markets were virtually closed to telecom companies; and, Broadwing Communications continued to require substantial investment. As a result, our credit ratings deteriorated and our stock price declined by over 60 percent. In the face of these challenges, we managed some noteworthy accomplishments.

Our \$1.8 billion credit facility included both a maturity schedule we could not meet beginning in the fourth quarter of 2003 and almost \$1 billion in maturities in 2004. This required us to either raise new capital to meet these maturities or to amend our existing maturity schedule. By exploring alternatives to the traditional debt and equity markets, we sourced \$350 million in junior debt to refinance a portion of our bank credit facility. Using the junior capital to reduce our bank debt, in March 2003 our banking partners agreed to extend maturities under our revolving credit facility, providing us with liquidity to 2006.

In response to the continued investment required by Broadwing Communications, we launched an aggressive restructuring of this unit targeting a \$200 million annual cash reduction and began exploring our strategic alternatives for this business. During the fourth quarter, we reduced Broadwing Communication's headcount by 453 positions and made good progress in reducing this unit's access line costs. In addition, in February 2003, we reached a definitive agreement to sell the assets of a number of subsidiaries of Broadwing Communications to a third party for up to \$129 million in cash and the assumption of certain long-term operating commitments.

We also produced two consecutive quarters of positive cash flow, a milestone we reached one quarter earlier than projected. Our strong focus on disciplined cash management, combined with the sale of our directories business during the first quarter of 2002, allowed us to reduce our net debt balance by \$300 million, or 9 percent, during the year.

While revenue declined five percent to \$2.16 billion due primarily to deterioration in our carrier business and our exit of the network construction business, gross profit declined just one percent to \$1.13 billion and our gross profit margin of 52 percent was two points better than 2001. In addition, our selling, general and administrative expenses as a percentage of revenue improved by two points to under 23 percent as a result of a continued focus on cost control in all of our businesses.

Our capital spending during 2002 declined by 73 percent to \$176 million due mainly to the completion of our wireless and long-haul networks in 2001. Each of our businesses contributed to this improvement. Broadwing Communications reduced its capital spending by \$407 million, or 86 percent, to just \$65 million in 2002, and Cincinnati Bell's capital spending of \$111 million was \$65 million, or 37 percent, lower than 2001.

Our progress has been substantial, but there is still a great deal to do. In 2003, we will continue to drive Broadwing Communications to cash flow positive while aggressively working to close the asset sale. In addition, we will continue our focus on improving the significant cash flow generated by Cincinnati Bell.

In March 2003, Broadwing successfully completed an amendment to its bank credit facility which provides us with liquidity to 2006.



## Directors & Officers

### Directors

Daniel J. Meyer  
*Chairman of the Board of the Company*

Lawrence J. Bouman  
*Consultant, Former Executive Vice President Qwest Communications International, Inc.*

John F. Cassidy  
*Chief Operating Officer*

Phillip R. Cox  
*President and Chief Executive Officer, Cox Financial Corp.*

J. Taylor Crandall  
*Managing Partner, Oak Hill Capital Management, Inc.*

Karen M. Hoguet  
*Senior Vice President and Chief Financial Officer, Federated Department Stores, Inc.*

Kevin W. Mooney  
*Chief Executive Officer*

Mary D. Nelson  
*Retired President, Nelson & Co.*

Carl Redfield  
*Senior Vice President Manufacturing and Logistics, Cisco Systems, Inc.*

David B. Sharrock  
*Consultant, Retired Executive Vice President and Chief Operating Officer, Marion Merrill Dow Inc.*

John M. Zrno  
*Former President and Chief Executive Officer, IXC Communications, Inc.*

### Officers of Broadwing Inc.

Kevin W. Mooney  
*Chief Executive Officer*

John F. Cassidy  
*Chief Operating Officer*

Thomas L. Schilling  
*Chief Financial Officer*

Jeffrey C. Smith  
*Chief Human Resources Officer, General Counsel and Corporate Secretary*

Michael W. Callaghan  
*Senior Vice President, Corporate Development*

Shane A. Brown  
*Vice President, Finance*

Robert C. Coogan  
*Vice President, Internal Audit*

Mary E. McCann  
*Senior Vice President, Internal Controls*

Thomas G. Osha  
*Vice President, Corporate Communications, Chief of Staff*

Mark W. Peterson  
*Vice President, Treasurer*

James H. Reynolds  
*Vice President, Controller*

David A. Torline  
*Chief Information Officer*

### Officers of Principal Subsidiaries

Cincinnati Bell  
*President*

Charles R. Burke  
*Vice President, Information Technology*

Dennis P. Hinkel  
*Senior Vice President, Network and Operations*

Brian G. Keating  
*Vice President, Human Resources*

David A. Korb  
*Vice President, Consolidated Business Markets*

Brian A. Ross  
*Senior Vice President, Finance*

Cori G. Rothenbach  
*Vice President, Market and Product Strategy Group*

Gerald A. Sparkman  
*Vice President, Process Improvement and Organizational Effectiveness*

Kevin R. Sullivan  
*Vice President, Business Development*

Michael S. Vanderwoude  
*Vice President, New Business Development*

Broadwing Communications  
*President*

Robert D. Shingler  
*President*

Matthew W. Booher  
*Senior Vice President, Finance*

Richard D. Calder  
*President, Business Enterprises*

Edgar S. Delong  
*Vice President, Cost of Service*

Melinda K. Figeley  
*Vice President, Human Resources*

David A. King  
*Vice President, Voice Operations*

Richard E. Putt  
*President, National Accounts*

Christopher S. Rothlis  
*Vice President, Network Operations*

Gordon P. Williams  
*Vice President, Associate General Counsel and Assistant Secretary*

## Shareholder Information

### Annual Meeting

The annual meeting of shareholders will be held at 11:00 a.m. (EST) on Tuesday, April 29, 2003, at Reakirt Auditorium, Cincinnati Museum Center at Union Terminal, 1301 Western Avenue, Cincinnati, Ohio 45203.

### Broadwing Information

For the latest information about Broadwing and your Broadwing investment, you can contact us three ways:

Online: Visit our web site at [www.broadwing.com](http://www.broadwing.com)

In the Investor Relations section you can sign up for immediate e-mail delivery of Broadwing news, view and print an electronic copy of the annual report, find financial reports, including the Form 10-K, 10-Q and quarterly earnings reports, listen to conference calls, retrieve stock prices, review frequently asked questions or send us one of your own.

By Phone: Individual investors may also contact us via our Shareholder Information Line at (800) 345-6301.

By U.S. Mail:

Broadwing Inc.

Investor Relations

201 East Fourth Street, Suite 102-850

Cincinnati, Ohio 45202

### Investor Relations

Michael T. Hemsath

Director—Investor Relations

(513) 397-7788

### Your Broadwing Share Account

Fifth Third Bank, our Transfer Agent and Registrar, maintains account records for registered shareholders. Broadwing employees do not have access to those records. Please contact Fifth Third Bank with questions about your current holdings, stock transfers, lost certificates, address changes or related matters. If your shares are held in trust or by an investment firm, please contact your trustee or investment firm representative.

### Transfer Agent and Registrar

Fifth Third Bank

Corporate Trust Services

38 Fountain Square Plaza MD10AT66

Cincinnati, Ohio 45202

(513) 579-5320

(800) 837-2755

Hours: 8 a.m.-5 p.m. (EST)

### Stock Purchase Plan

Registered shareholders may purchase additional common shares for cash up to \$5,000 monthly without commissions or service charges. Contact Fifth Third Bank at the telephone number or address above for a plan prospectus and application.



