



## tw telecom Reports Third Quarter 2010 Results

- *Delivered 5% revenue growth and 6% M-EBITDA growth year over year*
- *Grew Ethernet and managed VPN revenue 28% year over year*
- *Delivered strong Levered Free Cash Flow and Margins*

LITTLETON, Colo. – November 3, 2010 – **tw telecom inc.** (NASDAQ: TWTC), a leading provider of managed voice, Internet and data networking solutions for business customers, today announced its third quarter 2010 financial results, including \$320.3 million of revenue, \$115.5 million in Modified EBITDA<sup>1</sup> (“M-EBITDA”), \$23.8 million in levered free cash flow<sup>3</sup> and net income of \$16.1 million.

“We continue to see momentum in our business,” said Larissa Herda, **tw telecom’s** Chairman, CEO and President “as we strategically position ourselves for growth. We’ve demonstrated ongoing leadership with Ethernet and IP services, and we’re further leveraging these areas through new product enhancements. We launched these services mid-year and we have already achieved strong initial sales. Our growing capabilities, expanding product portfolio, and quality customer service continue to resonate well with customers, positioning us to serve enterprise customers’ demand for increasing bandwidth, greater efficiencies and better network capabilities.”

### **Highlights for the Quarter**

- Grew total revenue 5% year over year and 1% sequentially.
- Grew enterprise revenue 6% year over year and 1% sequentially.
- Grew data and Internet revenue 16% year over year and 3% sequentially. As a subset of data and Internet revenue, grew Ethernet and managed VPN services 28% year over year.
- Achieved a 20% increase in bookings<sup>4</sup>, or sales, for the first nine months of the year compared to the same period last year
- Grew M-EBITDA 6% year over year and 1% sequentially. Achieved a 36.1% M-EBITDA margin
- Delivered \$23.8 million of levered free cash flow, representing 7% of revenue
- Grew EPS \$0.06 per basic share year over year to \$0.11, and returned \$8 million to shareholders in the form of share repurchases in the current quarter and \$12 million year to date
- Ended the quarter with \$507.5 million in cash, equivalents and short term investments

## **Business Trends**

“We continue to execute well, delivering solid comprehensive results, quarter after quarter,” said Mark Peters, **tw telecom**’s Executive Vice President and Chief Financial Officer. “While a few large customer disconnects along with other quarterly fluctuations impacted net revenue growth this quarter, our fundamentals remain strong. We’re seeing momentum in the business through growth in our bookings and installations<sup>8</sup>. We’ve also achieved strong margins and cash flow, while investing in future growth both through operating and capital investments, as we continue to strategically position for higher revenue growth.”

## **Operational Metrics**

Revenue churn<sup>5</sup> was 1.1% for the current quarter, 1.0% for the prior quarter, and 1.2% for the same quarter last year. The increase in revenue churn sequentially was primarily related to two large customers. As a component of revenue churn, revenue lost from customers fully disconnecting service was 0.3% for both the current quarter and the same quarter last year, and 0.2% for the prior quarter, indicative of a loyal customer base, strong customer experience strategy and competitive product portfolio. The Company expects to experience ongoing quarterly fluctuations in revenue, including disconnects from two large enterprise customers that are expected to impact the fourth quarter.

The Company had nearly 27,400 customers as of September 30, 2010. Customer churn<sup>5</sup> was 1.0% for the current quarter, down from 1.1% for the prior quarter and 1.2% for the same period last year.

The Company ended the third quarter with approximately 27,800 route miles (including nearly 21,000 metro miles), 11,347 fiber connected on-net<sup>6</sup> buildings and 2,932 employees, including 545 sales associates.

## **Other Trends**

The Company continues to expect business fluctuations to impact sequential trends in revenue, margins and cash flow. This includes the timing, as well as any seasonal nature of sales and installations, usage, disputes, repricing for contract renewals, and fluctuations in revenue churn, expenses and capital expenditures.

## **Capital Expenditures**

Capital expenditures were \$77.8 million for the quarter compared to \$85.0 million for the prior quarter and \$59.9 million for the same period last year. The sequential decrease primarily reflects product enhancements completed in the prior quarter that did not recur and the timing of projects for success-based capital and IT initiatives. The year over year increase primarily reflects increased success-based opportunities associated with higher bookings and the timing of IT initiatives. For the full year, the Company expects capital investments to be at the high end of its previous guidance of \$300 to \$325 million.

## **Year over Year Results – Third Quarter 2010 compared to Third Quarter 2009**

### **Revenue**

Revenue for the quarter was \$320.3 million compared to \$304.8 million for the third quarter last year, representing a year over year increase of \$15.5 million, or 5%. Key changes in revenue included:

- \$13.9 million increase in revenue from enterprise customers, or 6% year over year
- \$1.0 million increase in revenue from carriers, primarily due to increase in revenue from wireless providers, which outpaced churn

By product line, the percentage change in revenue year over year was as follows:

- 16% increase for data and Internet services, primarily due to continued success with Ethernet and IP-based product sales
- 1% decrease in voice services, primarily reflecting churn which outpaced new sales and an increase in certain taxes and fees
- 3% decrease for network services, primarily reflecting growth in high capacity and collocation services, as well as increased transport services to wireless providers, outpaced by churn

### **M-EBITDA and Margins**

M-EBITDA grew to \$115.5 million for the quarter, an increase of 6%, or \$6.1 million from the same period last year. The growth in M-EBITDA represents the contribution from revenue growth and network cost efficiencies, partially offset by an increase in employee expenses and field related costs.

Operating costs for the quarter increased year over year, primarily due to increased network access costs associated with higher revenue and increased field related costs that included higher maintenance and utility expenses, partially offset by network cost efficiencies. Operating costs as a percent of revenue were 42% for both the current period and the same period last year.

Selling, general and administrative costs (“SG&A”) increased year over year, primarily reflecting an increase in employee costs, including increased commissions due to higher installations as well as increased sales headcount. SG&A costs as a percent of revenue were 24% for both the current quarter and the same period last year.

Modified gross margin<sup>7</sup> was 58.7% for the quarter compared to 58.6% for the same period last year, an increase of 10 basis points. M-EBITDA margin for the quarter was 36.1% as compared to 35.9% for the same period last year, a 20 basis point improvement.

The Company utilizes a fully burdened modified gross margin, including network costs, and personnel costs for customer care, provisioning, network maintenance, technical field and network operations, excluding non-cash stock-based compensation expense.

### **Net Income**

For the quarter, net income was \$16.1 million compared to net income of \$7.7 million for the same period last year. The increase in net income reflected strong M-EBITDA growth, offset by a reduction in depreciation and interest expense.

## **Sequential Results – Third Quarter 2010 compared to Second Quarter 2010**

### **Revenue**

Revenue for the quarter was \$320.3 million, as compared to \$316.8 million for the second quarter of 2010, an increase of \$3.4 million, or 1%. Key changes in revenue included:

- \$3.3 million increase in enterprise revenue, representing strong installations, partially offset by churn and a decrease in certain taxes and fees
- \$0.5 million increase in revenue from carrier customers, primarily from wireless providers, which outpaced churn and disputes

By product line, the percentage change in revenue sequentially was as follows:

- 3% increase for data and Internet services, primarily due to continued success with Ethernet and IP-based product sales
- 1% decrease in voice services, primarily reflecting churn and a decrease in certain taxes and fees which outpaced new sales
- Network services were relatively flat, primarily reflecting growth in high capacity services, as well as increased transport services to wireless providers, outpaced by churn

### **M-EBITDA and Margins**

M-EBITDA was \$115.5 million for the quarter, compared to \$114.4 million for the prior quarter. The growth in M-EBITDA represents contribution from revenue growth and network cost efficiencies.

Operating costs increased primarily reflecting increased access costs associated with the growth in revenue, offset by network cost efficiencies and a decrease in certain taxes and fees. Operating costs were 42% of revenue for both the current and prior quarter.

SG&A costs increased, primarily reflecting increased commissions due to higher installations and an increase in bad debt expense. Bad debt expense was 0.3% of revenue for the current quarter compared to 0.1% for the prior quarter. SG&A was 24% of revenue for both the current and prior quarter.

Modified gross margin was 58.7% for the quarter compared to 58.5% for the prior quarter, an increase of 20 basis points. M-EBITDA margin was 36.1% for both the current and prior quarter.

### **Net Income**

For the quarter, the Company reported net income of \$16.1 million compared to \$242.3 million for the prior quarter. The sequential decrease in net income reflected M-EBITDA growth offset by the impact of a \$227.3 million non-cash income tax benefit recognized in the prior quarter.

### **Summary**

“We’re working to position the business for higher revenue growth through our ongoing high quality customer care, targeted investing, and strategic positioning to align our capabilities with key customer demand to garner greater market share,” said Herda.

**tw telecom plans to conduct a webcast conference call to discuss its earnings results on November 4, 2010 at 9:00 a.m. MDT (11:00 a.m. EDT). To access the webcast and the financial and other information to be discussed in the webcast, visit [www.twtelecom.com](http://www.twtelecom.com) under “Investor Relations.”**

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*(1) The Company uses a modified definition of EBITDA to eliminate certain non-cash and non-operating income or charges to earnings to enhance the comparability of its financial performance from period to period. Modified EBITDA (or “M-EBITDA”) is defined as net income or loss before depreciation, amortization, accretion, impairment charges and other income and losses, interest expense, debt extinguishment costs, interest income, income tax expense or benefit, cumulative effect of change in accounting principle, and non-cash stock-based compensation expense.*

*(2) The Company defines unlevered free cash flow as Modified EBITDA less capital expenditures. Unlevered free cash flow is reconciled to Net Cash provided by (used in) operating activities in the supplemental information posted on the Company’s website.*

*(3) The Company defines levered free cash flow as Modified EBITDA less capital expenditures and net interest expense from operations (but excludes debt extinguishment costs, non-cash interest expense and deferred debt costs). Levered free cash flow is reconciled to Net Cash provided by (used in) operating activities in the supplemental information posted on the Company’s website.*

*(4) Bookings reflect signed customer sales. The timing of when these sales are installed and recognized as revenue varies based on the underlying contract.*

*(5) The Company defines revenue churn as the lost recurring monthly billing for the quarter from a customer’s partial or complete disconnection of services (excluding repricing impacts and usage) compared to reported revenue for the quarter. Customer churn is defined as the average monthly customer turnover for the quarter compared to the average monthly customer count for the quarter.*

*(6) Fiber connected buildings on-net represent locations to which the Company’s fiber is directly connected with lit electronics. This does not include buildings which are exclusively Local Serving Office locations or buildings with fiber but no lit electronics.*

*(7) The Company defines modified gross margin as total revenue less operating costs excluding non-cash stock-based compensation expense. Modified gross margin is reconciled to gross margin in the financial tables.*

*(8) Installations reflect services from signed customer sales that are installed and recognized as revenue from the date of installation.*

## **Financial Measures**

The Company provides financial measures using U.S. generally accepted accounting principles (“GAAP”) as well as adjustments to GAAP measures to describe its business trends, including Modified EBITDA. Management believes that its definition of Modified EBITDA (see above) is a standard measure of operating performance and liquidity that is commonly reported and widely used by analysts, investors, and other interested parties in the telecommunications industry because it eliminates many differences in financial, capitalization, and tax structures, as well as non-cash and non-operating income or charges to earnings. Modified EBITDA is not intended to replace operating income (loss), net income (loss), cash flow, and other measures of financial performance and liquidity reported in accordance with GAAP. Management uses Modified EBITDA internally to assess on-going operations and it is the basis for various financial covenants contained in the Company’s debt agreements and for operating performance and liquidity. Modified EBITDA is reconciled to Net Income (Loss), the most comparable GAAP measure for operating performance within the Consolidated Operations Highlights and in the supplemental information posted on the Company’s website. Modified EBITDA, as a measure of liquidity, is also reconciled to Net Cash provided by operating activities on the Company’s website.

In addition, management uses unlevered and levered free cash flow, which measure the ability of M-EBITDA to cover capital expenditures. The Company uses these cash flow definitions to eliminate certain non-cash costs. Levered and unlevered free cash flow are reconciled to Net Cash provided by operating activities and also to Modified EBITDA in the supplemental information posted on the Company’s website. The Company also provides an adjustment to the measure gross margin by eliminating the impact of non-cash stock-based compensation expense. Management uses modified gross margin internally to assess on-going operations. Modified gross margin is reconciled to gross margin in the financial tables.

## **Forward Looking Statements**

The statements in this press release and related conference call concerning the outlook for 2010 and beyond, including product plans, growth prospects, market opportunities, bookings, sales momentum, operational improvements, sales and installations timing, demand, revenue growth, service disconnections, churn, business trends and fluctuations, seasonality, and expected capital expenditures are forward-looking statements that reflect management’s views with respect to future events and financial performance. These statements are based on management’s current expectations and are subject to risks and uncertainties. Important factors that could cause actual results to differ materially from those in the forward looking statements include the risks disclosed in the Company’s SEC filings, especially the section entitled “Risk Factors” in its 2009 Annual Report on Form 10-K and in its quarterly report on Form 10-Q for the quarter ended June 30, 2010. **tw telecom** undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **About tw telecom**

**tw telecom**, headquartered in Littleton, Colo., provides managed network services, specializing in converged services, Ethernet and data networking, Internet access, local and long distance voice, VPN, VoIP and network security, to enterprise organizations and communications services companies throughout the U.S. including their global locations. As a leading provider of integrated and converged network solutions, **tw telecom** delivers customers overall economic value, quality service, and improved business productivity. For more information please visit [www.twtelecom.com](http://www.twtelecom.com).

**tw telecom inc.**  
**Consolidated Operations Highlights**  
(Dollars in thousands)

Unaudited (1)

|   | Three Months Ended |                |           | Nine Months Ended |                 |           |
|---|--------------------|----------------|-----------|-------------------|-----------------|-----------|
|   | September 30,      |                |           | September 30,     |                 |           |
|   | 2010               | 2009           | Growth %  | 2010              | 2009            | Growth %  |
| <b>Revenue</b>                                    |                    |                |           |                   |                 |           |
| Data and Internet services                        | \$138,838          | \$119,977      | 16%       | \$402,111         | \$347,848       | 16%       |
| Network services                                  | 90,151             | 93,233         | -3%       | 269,699           | 280,396         | -4%       |
| Voice services                                    | 82,944             | 83,799         | -1%       | 250,979           | 250,414         | 0%        |
| Service Revenue                                   | 311,933            | 297,009        | 5%        | 922,789           | 878,658         | 5%        |
| Inter-carrier compensation                        | 8,361              | 7,757          | 8%        | 25,565            | 24,798          | 3%        |
| <b>Total Revenue</b>                              | <b>320,294</b>     | <b>304,766</b> | <b>5%</b> | <b>948,354</b>    | <b>903,456</b>  | <b>5%</b> |
| <b>Expenses</b>                                   |                    |                |           |                   |                 |           |
| Operating costs                                   | 133,237            | 127,155        |           | 394,411           | 374,105         |           |
| <b>Gross Margin</b>                               | <b>187,057</b>     | <b>177,611</b> |           | <b>553,943</b>    | <b>529,351</b>  |           |
| Selling, general and administrative costs         | 78,452             | 74,611         |           | 230,364           | 225,935         |           |
| Depreciation, amortization, and accretion         | 71,612             | 74,280         |           | 217,030           | 221,877         |           |
| <b>Operating Income</b>                           | <b>36,993</b>      | <b>28,720</b>  |           | <b>106,549</b>    | <b>81,539</b>   |           |
| Interest expense                                  | (14,180)           | (15,852)       |           | (44,478)          | (48,768)        |           |
| Debt extinguishment costs                         | -                  | -              |           | (17,070)          | -               |           |
| Non cash interest expense and deferred debt costs | (5,454)            | (4,880)        |           | (15,846)          | (14,449)        |           |
| Other income                                      | 825                | -              |           | 825               | -               |           |
| Interest income                                   | 209                | 116            |           | 438               | 327             |           |
| <b>Income before income taxes</b>                 | <b>18,393</b>      | <b>8,104</b>   |           | <b>30,418</b>     | <b>18,649</b>   |           |
| Income tax (benefit) expense (2)                  | 2,314              | 406            |           | (223,522)         | 2,159           |           |
| <b>Net Income</b>                                 | <b>\$16,079</b>    | <b>\$7,698</b> |           | <b>\$253,940</b>  | <b>\$16,490</b> |           |

**SUPPLEMENTAL INFORMATION TO RECONCILE MODIFIED GROSS MARGIN AND MODIFIED EBITDA**

|  |                 |                |           |                  |                 |           |
|--|-----------------|----------------|-----------|------------------|-----------------|-----------|
| Gross Margin                                       | \$187,057       | \$177,611      |           | \$553,943        | \$529,351       |           |
| Add back non-cash stock-based compensation expense | 825             | 961            |           | 2,332            | 2,464           |           |
| <b>Modified Gross Margin</b>                       | <b>187,882</b>  | <b>178,572</b> | <b>5%</b> | <b>556,275</b>   | <b>531,815</b>  | <b>5%</b> |
| Selling, general and administrative costs          | 78,452          | 74,611         |           | 230,364          | 225,935         |           |
| Add back non-cash stock-based compensation expense | 6,102           | 5,465          |           | 18,301           | 16,911          |           |
| <b>Modified EBITDA</b>                             | <b>115,532</b>  | <b>109,426</b> | <b>6%</b> | <b>344,212</b>   | <b>322,791</b>  | <b>7%</b> |
| Non-cash stock-based compensation expense          | 6,927           | 6,426          |           | 20,633           | 19,375          |           |
| Depreciation, amortization, and accretion          | 71,612          | 74,280         |           | 217,030          | 221,877         |           |
| Net Interest expense                               | 13,971          | 15,736         |           | 44,040           | 48,441          |           |
| Debt extinguishment costs                          | -               | -              |           | 17,070           | -               |           |
| Non cash interest expense and deferred debt costs  | 5,454           | 4,880          |           | 15,846           | 14,449          |           |
| Other income                                       | 825             | -              |           | 825              | -               |           |
| Income tax (benefit) expense                       | 2,314           | 406            |           | (223,522)        | 2,159           |           |
| <b>Net Income</b>                                  | <b>\$16,079</b> | <b>\$7,698</b> |           | <b>\$253,940</b> | <b>\$16,490</b> |           |
| <b>Modified Gross Margin %</b>                     | <b>58.7%</b>    | <b>58.6%</b>   |           | <b>58.7%</b>     | <b>58.9%</b>    |           |
| <b>Modified EBITDA Margin %</b>                    | <b>36.1%</b>    | <b>35.9%</b>   |           | <b>36.3%</b>     | <b>35.7%</b>    |           |

**Free Cash Flow:**

|                                 |                 |                 |             |                 |                 |             |
|---------------------------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| Modified EBITDA                 | \$115,532       | \$109,426       | 6%          | \$344,212       | \$322,791       | 7%          |
| Less: Capital Expenditures      | 77,809          | 59,931          | 30%         | 243,726         | 202,543         | 20%         |
| <b>Unlevered Free Cash Flow</b> | <b>37,723</b>   | <b>49,495</b>   | <b>-24%</b> | <b>100,486</b>  | <b>120,248</b>  | <b>-16%</b> |
| Less: Net interest expense      | 13,971          | 15,736          | -11%        | 44,040          | 48,441          | -9%         |
| <b>Levered Free Cash Flow</b>   | <b>\$23,752</b> | <b>\$33,759</b> | <b>-30%</b> | <b>\$56,446</b> | <b>\$71,807</b> | <b>-21%</b> |

(1) For complete financials and related footnotes, please refer to the Company's SEC filings.

(2) Includes a non-cash income tax benefit of \$227.3 million in the nine months ended September 30, 2010 to recognize the value of tax assets

**tw telecom inc.**  
**Consolidated Operations Highlights**

(Dollars in thousands)

Unaudited (1)

|   | Three Months Ended |                  |           |
|---|--------------------|------------------|-----------|
|   | Sept 30,<br>2010   | June 30,<br>2010 | Growth %  |
| <b>Revenue</b>                                    |                    |                  |           |
| Data and Internet services                        | \$138,838          | \$134,152        | 3%        |
| Network services                                  | 90,151             | 90,000           | 0%        |
| Voice services                                    | 82,944             | 83,963           | -1%       |
| Service Revenue                                   | 311,933            | 308,115          | 1%        |
| Inter-carrier compensation                        | 8,361              | 8,734            | -4%       |
| <b>Total Revenue</b>                              | <b>320,294</b>     | <b>316,849</b>   | <b>1%</b> |
| <b>Expenses</b>                                   |                    |                  |           |
| Operating costs                                   | 133,237            | 132,319          |           |
| <b>Gross Margin</b>                               | <b>187,057</b>     | <b>184,530</b>   |           |
| Selling, general and administrative costs         | 78,452             | 76,810           |           |
| Depreciation, amortization, and accretion         | 71,612             | 72,031           |           |
| <b>Operating Income</b>                           | <b>36,993</b>      | <b>35,689</b>    |           |
| Interest expense                                  | (14,180)           | (14,392)         |           |
| Non cash interest expense and deferred debt costs | (5,454)            | (5,357)          |           |
| Other income                                      | 825                | -                |           |
| Interest income                                   | 209                | 172              |           |
| <b>Income (Loss) before income taxes</b>          | <b>18,393</b>      | <b>16,112</b>    |           |
| Income tax (benefit) expense (2)                  | 2,314              | (226,211)        |           |
| <b>Net Income (Loss)</b>                          | <b>\$16,079</b>    | <b>\$242,323</b> |           |

**SUPPLEMENTAL INFORMATION TO RECONCILE MODIFIED GROSS MARGIN AND MODIFIED EBITDA**

|  |                 |                  |           |
|--|-----------------|------------------|-----------|
| Gross Margin                                       | \$187,057       | \$184,530        |           |
| Add back non-cash stock-based compensation expense | 825             | 749              |           |
| <b>Modified Gross Margin</b>                       | <b>187,882</b>  | <b>185,279</b>   | <b>1%</b> |
| Selling, general and administrative costs          | 78,452          | 76,810           |           |
| Add back non-cash stock-based compensation expense | 6,102           | 5,980            |           |
| <b>Modified EBITDA</b>                             | <b>115,532</b>  | <b>114,449</b>   | <b>1%</b> |
| Non-cash stock-based compensation expense          | 6,927           | 6,729            |           |
| Depreciation, amortization, and accretion          | 71,612          | 72,031           |           |
| Net Interest expense                               | 13,971          | 14,220           |           |
| Non cash interest expense and deferred debt costs  | 5,454           | 5,357            |           |
| Other income                                       | 825             | -                |           |
| Income tax (benefit) expense                       | 2,314           | (226,211)        |           |
| <b>Net Income</b>                                  | <b>\$16,079</b> | <b>\$242,323</b> |           |
| <b>Modified Gross Margin %</b>                     | <b>58.7%</b>    | <b>58.5%</b>     |           |
| <b>Modified EBITDA Margin %</b>                    | <b>36.1%</b>    | <b>36.1%</b>     |           |

**Free Cash Flow**

|                                 |                 |                 |            |
|---------------------------------|-----------------|-----------------|------------|
| Modified EBITDA                 | \$115,532       | \$114,449       | 1%         |
| Less: Capital Expenditures      | 77,809          | 84,988          | -8%        |
| <b>Unlevered Free Cash Flow</b> | <b>37,723</b>   | <b>29,461</b>   | <b>28%</b> |
| Less: Net interest expense      | 13,971          | 14,220          | -2%        |
| <b>Levered Free Cash Flow</b>   | <b>\$23,752</b> | <b>\$15,241</b> | <b>56%</b> |

(1) For complete financials and related footnotes, please refer to the Company's SEC filings.

(2) Includes a non-cash income tax benefit of \$227.3 million in the three months ended June 30, 2010 to recognize the value of tax assets.

tw telecom inc.  
**Highlights of Results Per Share**  
 Unaudited (1) (2)

|  | Three Months Ended |                |                |
|--|--------------------|----------------|----------------|
|  | 9/30/10            | 6/30/10        | 9/30/09        |
| <b>Weighted Average Shares Outstanding (thousands)</b>                         |                    |                |                |
| Basic  | <u>149,374</u>     | <u>149,698</u> | <u>148,082</u> |
| Diluted (2)  | <u>151,698</u>     | <u>171,884</u> | <u>149,952</u> |
| <b>Basic Income per Common Share</b>   |                    |                |                |
| Prior to the recognition of the value of tax assets                            | \$0.11             | \$0.10         | \$0.05         |
| Recognition of the value of tax assets   | -                  | 1.50           | -              |
| Total  | <u>\$0.11</u>      | <u>\$1.60</u>  | <u>\$0.05</u>  |
| <b>Diluted Income per Common Share</b>   |                    |                |                |
|  | <u>\$0.10</u>      | <u>\$1.43</u>  | <u>\$0.05</u>  |
| <b>Common shares (thousands)</b>   |                    |                |                |
|  | <u>151,290</u>     | <u>151,584</u> | <u>149,335</u> |
| <b>Unvested Restricted Stock Units and Restricted Stock Awards (thousands)</b> |                    |                |                |
|  | <u>3,444</u>       | <u>3,459</u>   | <u>2,827</u>   |
| <b>Options (thousands)</b>   |                    |                |                |
| Options Outstanding  | <u>9,490</u>       | <u>10,887</u>  | <u>13,033</u>  |
| Options Exercisable  | <u>5,983</u>       | <u>7,331</u>   | <u>8,161</u>   |
| Options Exercisable and In-the-Money   | <u>3,410</u>       | <u>2,605</u>   | <u>1,781</u>   |

(1) For complete financials and related footnotes, please refer to the Company's SEC filings.

(2) Stock options, restricted stock units/awards and convertible debt subject to conversion, are excluded from the computation of diluted weighted average shares outstanding if inclusion would be anti-dilutive. See the Company's SEC filings for more details.

tw telecom inc.  
**Condensed Consolidated Balance Sheet Highlights**  
(Dollars in thousands)  
Unaudited (1)

|   | Sept 30,<br>2010          | June 30,<br>2010          | Sept 30,<br>2009          |
|---|---------------------------|---------------------------|---------------------------|
| <b>ASSETS</b>   |                           |                           |                           |
| <b>Cash, equivalents, and short term investments</b>          | \$507,458                 | \$486,922                 | \$432,331                 |
| <b>Receivables</b>  | 88,779                    | 88,250                    | 86,324                    |
| Less: allowance   | (8,703)                   | (8,821)                   | (11,011)                  |
| <b>Net receivables</b>  | <u>80,076</u>             | <u>79,429</u>             | <u>75,313</u>             |
| <b>Other current assets</b>                                   | 110,259                   | 104,577                   | 22,800                    |
| <b>Property, plant and equipment</b>                          | 3,690,547                 | 3,640,018                 | 3,443,554                 |
| Less: accumulated depreciation                                | (2,346,622)               | (2,315,477)               | (2,149,487)               |
| <b>Net property, plant and equipment</b>                      | <u>1,343,925</u>          | <u>1,324,541</u>          | <u>1,294,067</u>          |
| <b>Other Assets</b>   | <u>649,532</u>            | <u>655,809</u>            | <u>510,037</u>            |
| <b>Total</b>  | <u><b>\$2,691,250</b></u> | <u><b>\$2,651,278</b></u> | <u><b>\$2,334,548</b></u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                   |                           |                           |                           |
| <b>Current Liabilities</b>                                    |                           |                           |                           |
| Accounts payable  | \$67,988                  | \$54,556                  | \$45,999                  |
| Deferred revenue  | 36,889                    | 35,806                    | 33,110                    |
| Accrued taxes, franchise and other fees                       | 67,801                    | 65,764                    | 67,160                    |
| Accrued interest  | 7,447                     | 12,377                    | 9,462                     |
| Accrued payroll and benefits                                  | 48,464                    | 36,657                    | 43,612                    |
| Accrued carrier costs   | 31,979                    | 35,834                    | 30,502                    |
| Current portion of debt and lease obligations                 | 7,119                     | 7,290                     | 8,264                     |
| Other current liabilities                                     | 42,441                    | 41,029                    | 39,590                    |
| <b>Total current liabilities</b>                              | <u>310,128</u>            | <u>289,313</u>            | <u>277,699</u>            |
| <b>Long-Term Debt and Capital Lease Obligations</b>           |                           |                           |                           |
| 2 3/8% convertible senior debentures, due 4/1/2026            | 373,744                   | 373,744                   | 373,750                   |
| Unamortized Discount  | (51,395)                  | (55,961)                  | (69,094)                  |
| Net   | <u>322,349</u>            | <u>317,783</u>            | <u>304,656</u>            |
| Floating rate senior secured debt - Term Loan B, due 1/7/2013 | 577,500                   | 579,000                   | 583,500                   |
| 9 1/4% senior unsecured notes, due 2/15/2014                  | -                         | -                         | 400,243                   |
| 8% senior unsecured notes, due 2018                           | 427,130                   | 427,034                   | -                         |
| Capital lease obligations                                     | 15,617                    | 16,019                    | 17,706                    |
| Less: current portion   | (7,119)                   | (7,290)                   | (8,264)                   |
| <b>Total long-term debt and capital lease obligations</b>     | <u>1,335,477</u>          | <u>1,332,546</u>          | <u>1,297,841</u>          |
| <b>Long-Term Deferred Revenue</b>                             | 15,374                    | 15,884                    | 16,506                    |
| <b>Other Long-Term Liabilities</b>                            | 31,271                    | 31,050                    | 30,197                    |
| <b>Stockholders' Equity</b>                                   | <u>999,000</u>            | <u>982,485</u>            | <u>712,305</u>            |
| <b>Total</b>  | <u><b>\$2,691,250</b></u> | <u><b>\$2,651,278</b></u> | <u><b>\$2,334,548</b></u> |

(1) For complete financials and related footnotes, please refer to the Company's SEC filings.

tw telecom inc.  
**Condensed Consolidated Statements of Cash Flows**  
(Dollars in thousands)  
Unaudited (1)

|  | Three Months Ended |                  |                  |
|--|--------------------|------------------|------------------|
|  | Sept 30,<br>2010   | June 30,<br>2010 | Sept 30,<br>2009 |
| <b>Cash flows from operating activities:</b>   |                    |                  |                  |
| Net Income   | \$16,079           | \$242,323        | \$7,698          |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                    |                  |                  |
| Depreciation, amortization, and accretion  | 71,612             | 72,031           | 74,280           |
| Deferred income taxes  | 647                | (226,297)        | -                |
| Stock-based compensation   | 6,926              | 6,729            | 6,426            |
| Amortization of discount on debt and deferred debt costs and other   | 4,617              | 5,358            | 4,902            |
| Changes in operating assets and liabilities:   |                    |                  |                  |
| Receivables, prepaid expense and other assets  | (5,713)            | (5,872)          | 232              |
| Accounts payable, deferred revenue, and other liabilities  | 11,265             | (1,394)          | 14,237           |
| <b>Net cash provided by operating activities</b>   | <b>105,433</b>     | <b>92,878</b>    | <b>107,775</b>   |
| <b>Cash flows from investing activities:</b>   |                    |                  |                  |
| Capital expenditures   | (77,809)           | (84,988)         | (59,931)         |
| Purchase of investments  | (34,446)           | (43,390)         | (6,080)          |
| Proceeds from redemptions of investments   | 70,086             | 8,288            | -                |
| Proceeds from sale of assets and other investing activities  | (1,650)            | (2,539)          | -                |
| <b>Net cash used in investing activities</b>   | <b>(43,819)</b>    | <b>(122,629)</b> | <b>(66,011)</b>  |
| <b>Cash flows from financing activities:</b>   |                    |                  |                  |
| Net proceeds from issuance of common stock upon exercise of stock options and vesting of restricted stock awards and units | 1,298              | 733              | 576              |
| Purchases of treasury stock  | (8,182)            | (3,523)          | -                |
| Net proceeds from issuance of debt   | -                  | (52)             | -                |
| Payment of debt and capital lease obligations  | (1,847)            | (1,685)          | (1,810)          |
| <b>Net cash used in financing activities</b>   | <b>(8,731)</b>     | <b>(4,527)</b>   | <b>(1,234)</b>   |
| Increase (decrease) in cash and cash equivalents   | 52,883             | (34,278)         | 40,530           |
| Cash and cash equivalents at the beginning of the period   | 352,633            | 386,911          | 391,801          |
| Cash and cash equivalents at the end of the period   | <b>\$405,516</b>   | <b>\$352,633</b> | <b>\$432,331</b> |
| <b>Supplemental disclosures cash, equivalents and short term investments</b>   |                    |                  |                  |
| Cash and cash equivalents at the end of the period   | \$405,516          | \$352,633        | \$391,801        |
| Short term investments   | 101,942            | 134,289          | -                |
| Total of cash, equivalents and short term investments  | <b>\$507,458</b>   | <b>\$486,922</b> | <b>\$391,801</b> |
| <b>Supplemental disclosures of cash flow information:</b>  |                    |                  |                  |
| Cash paid for interest   | \$19,928           | \$8,773          | \$23,643         |
| Cash paid for income taxes   | \$975              | \$2,955          | \$618            |

(1) For complete financials and related footnotes, please refer to the Company's SEC filings.

tw telecom inc.  
**Selected Operating Statistics**  
 Unaudited (1)

|                                   | <i>Three Months Ended</i> |         |          |         |         |         |          |
|-----------------------------------|---------------------------|---------|----------|---------|---------|---------|----------|
|                                   | 2009                      |         |          |         | 2010    |         |          |
|                                   | Mar. 31                   | Jun. 30 | Sept. 30 | Dec. 31 | Mar. 31 | Jun. 30 | Sept. 30 |
| <b><i>Operating Metrics:</i></b>  |                           |         |          |         |         |         |          |
| <b>Buildings</b>                  |                           |         |          |         |         |         |          |
| Fiber connected buildings, on-net | 9,685                     | 9,934   | 10,170   | 10,407  | 10,647  | 10,967  | 11,347   |
| <b>Headcount</b>                  |                           |         |          |         |         |         |          |
| Total Headcount                   | 2,853                     | 2,861   | 2,849    | 2,870   | 2,887   | 2,901   | 2,932    |
| Sales Associates                  | 486                       | 494     | 503      | 522     | 523     | 528     | 545      |
| <b>Customers</b>                  |                           |         |          |         |         |         |          |
| Total Customers                   | 29,256                    | 28,676  | 28,347   | 27,989  | 27,685  | 27,460  | 27,382   |

(1) For complete financials and related footnotes, please refer to the Company's SEC filings.