

Changing the way businesses  
**Connect & Communicate**

**Supplemental Earnings Information**  
Third Quarter 2011

# Supplemental Notes

## Forward Looking Statements Caution

The Company's third quarter 2011 press release and conference call contains certain "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding, among other items, growth prospects, market opportunities, bookings, demand drivers, sales and installations timing, revenue growth, disconnections, business trends, future liquidity and capital resources, future uses of cash, fluctuations, seasonality, expense trends, taxes, network and product plans and expected capital expenditures. These forward-looking statements are based on management's current expectations and are naturally subject to risks, uncertainties, and changes in circumstances, certain of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that those expectations will prove to be correct.

Important factors that could cause actual results to differ materially from the expectations described in the press release and earnings call are set forth under "Risk Factors" in Item 1A and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our Quarterly Reports on Form 10-Q filed subsequent to the Annual Report. In addition, actual results may differ from our expectations due to increased customer disconnections, consolidation in the telecommunications or other industries impacting our customers, delays in installation of services, delays in launching new products, inability to obtain rights to build networks into commercial buildings, failure to offer competitive new services, decreased demand for our existing services, further economic downturn, increases in taxes or loss of tax benefits, exhaustion of the public supply of IP addresses, further declines in the prices of our services due to competitive pressures or otherwise, increases in the price we pay for and the extent of our use of facilities of ILECs, increased costs from healthcare reform and higher taxes or further deregulation of the ILECs and other adverse regulatory rulings or legislative developments. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. 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.

# Key Revenue Facts

(Quarter ended September 30, 2011)

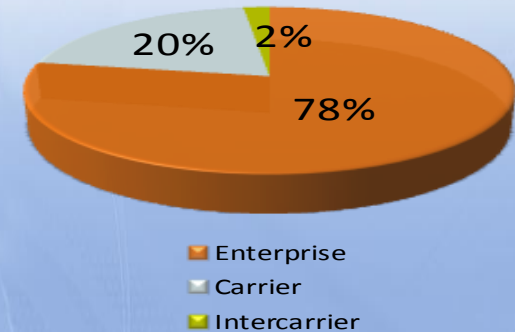
## ▶ Total revenue

- Approx. 2/3 fully on our network
- Approx. 2/3 on 3 year or longer contracts
- Data and Internet as a % of total revenue continues to grow – 48% in 3Q11 vs. 43% 3Q10

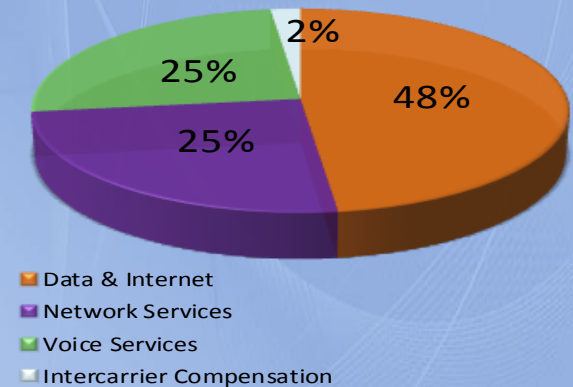
## ▶ Enterprise revenue

- Largest Enterprise Customer < 2% of total revenue
- Largest Enterprise Vertical ~ 10% of total revenue

**Customer Mix**

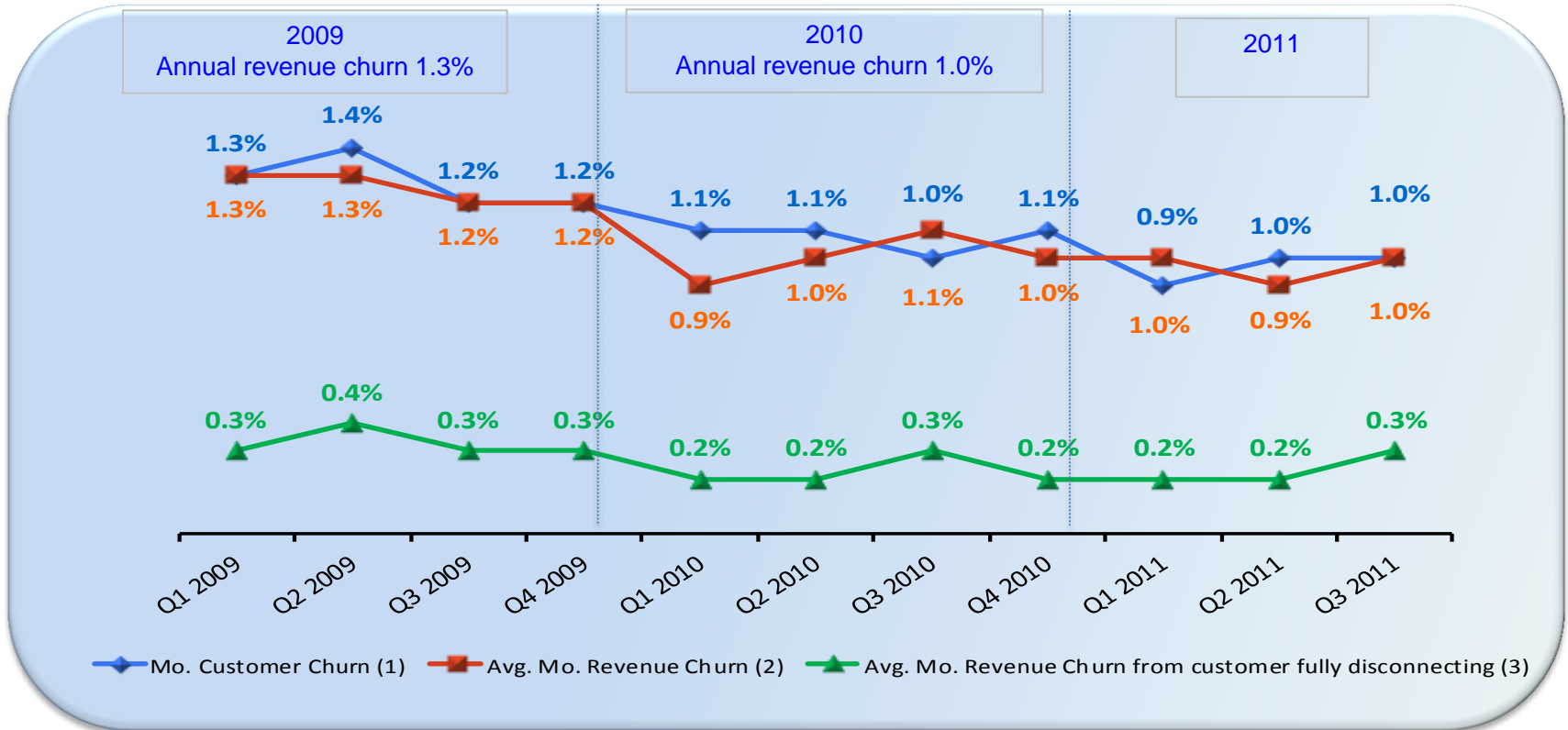


**Revenue Mix**



# Churn Trends

Revenue churn from customers fully disconnecting service has remained low reflecting a strong and stable customer base



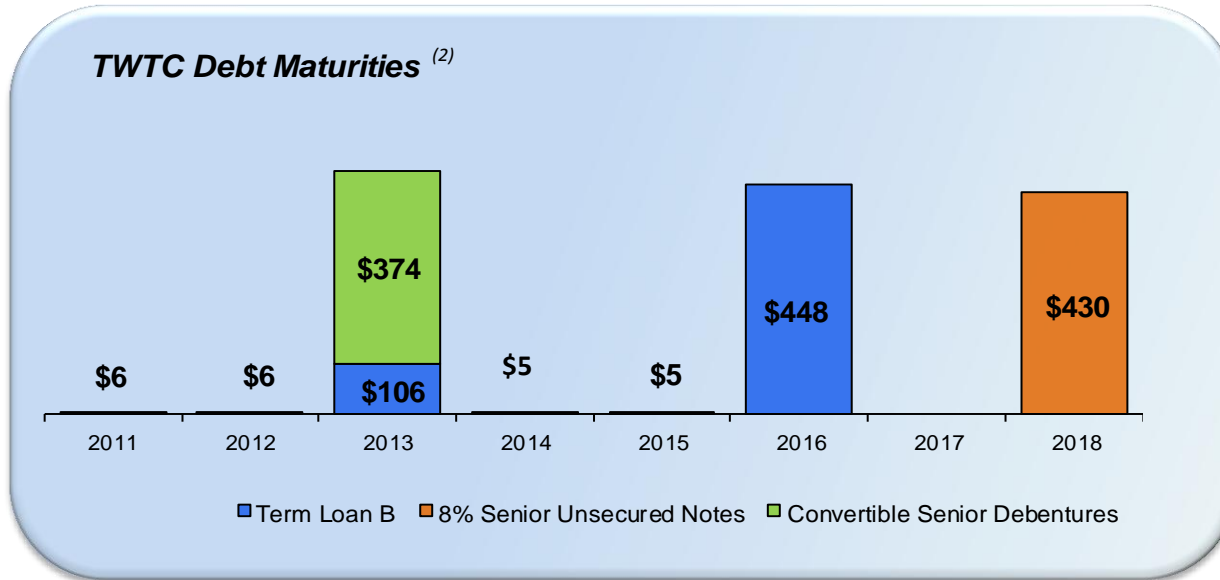
(1) Customer churn reflects average monthly customer turnover compared to the average monthly customer count for the period.

(2) Revenue churn reflects average lost recurring monthly billing from customer's partial or complete disconnection of services (excluding repricing & usage) compared to reported revenue for the period.

(3) Revenue churn for customers fully disconnecting reflects average lost recurring monthly billing from customer's complete disconnection of services compared to reported revenue for the period.

# Financial Flexibility & Strong Liquidity

- ▶ **Strong Liquidity** <sup>(3)</sup>
  - Net Debt/M-EBITDA: < 2x <sup>(1)</sup>
  - Interest Coverage: ~ 8x
  - Unused \$80 million revolver
  - \$469 million cash, equivalents & short-term investments



(1) Excludes non-cash interest expense and debt extinguishment costs. Annualized amount based on quarter ended September 30, 2011. See reconciliation of Net Debt and Interest Coverage ratios on the last page of this presentation. Please see the earnings press release at [www.twtelecom.com](http://www.twtelecom.com) for details on financial definitions and measures.

(2) See the Company's SEC filings for a full description of the debt instruments.

(3) As of September 30, 2011.

# Capital Investing

	Full Year 2008	Full Year 2009	Full Year 2010
<b><u>Short-to-Medium Term Success Based</u></b>			
• Building Entry & Network Growth (including fiber, electronics & labor)	\$223	\$224	\$252
<b><u>Longer-term Strategic</u></b>			
• Product Investment, life-cycle & strategic market expansions	20	26	44
• IT/Corporate investment/Other	23	25	26
Sub-total	\$266	\$275	\$322
Integration & Branding Expenditures	\$11	-	-
<b><u>Success Based</u></b>			
% of capital (excl. integration & branding)	<b>84%</b>	<b>82%</b>	<b>78%</b>

# Modified EBITDA Reconciliation

<i>\$ Millions</i>	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>	<u>Q4 2010</u>	<u>Full Year 2010</u>	<u>Q1 2011</u>	<u>Q2 2011</u>	<u>Q3 2011</u>
<b>Net Income (Loss) <sup>(3)</sup></b>	<b>\$(6.8)</b>	<b>\$314.1</b>	<b>\$16.1</b>	<b>\$17.5</b>	<b>\$340.9</b>	<b>\$12.6</b>	<b>\$14.3</b>	<b>\$14.6</b>
<b>Income tax expense (benefit) <sup>(3)</sup></b>	<b>2.7</b>	<b>(298.0)</b>	<b>2.3</b>	<b>1.7</b>	<b>(291.3)</b>	<b>9.8</b>	<b>10.3</b>	<b>10.9</b>
<b>Debt extinguishment costs</b>	<b>17.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interest expense, net <sup>(2)</sup></b>	<b>20.8</b>	<b>19.6</b>	<b>19.4</b>	<b>20.5</b>	<b>80.3</b>	<b>21.8</b>	<b>21.7</b>	<b>21.8</b>
<b>Other Income</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>-</b>	<b>(0.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-cash stock-based compensation expense</b>	<b>7.0</b>	<b>6.7</b>	<b>6.9</b>	<b>7.2</b>	<b>27.8</b>	<b>7.4</b>	<b>6.8</b>	<b>6.8</b>
<b>Depreciation, amortization and accretion</b>	<b>73.4</b>	<b>72.0</b>	<b>71.6</b>	<b>72.5</b>	<b>289.6</b>	<b>69.7</b>	<b>70.1</b>	<b>70.9</b>
<b>Modified EBITDA <sup>(1)</sup></b>	<b><u>\$114.2</u></b>	<b><u>\$114.4</u></b>	<b><u>\$115.5</u></b>	<b><u>\$119.4</u></b>	<b><u>\$463.6</u></b>	<b><u>\$121.4</u></b>	<b><u>\$123.2</u></b>	<b><u>\$125.0</u></b>

(1) Please see the earnings press release at [www.twtelecom.com](http://www.twtelecom.com) for further details on financial measures.

(2) Includes non cash interest expense and deferred debt costs.

(3) See the Company's Third Quarter 2011 press release for a narrative regarding a retroactive financial statement adjustment. This adjustment impacted Net Income (Loss) and Income tax expense (benefit) for Q1 and Q2 of 2010 and the full year 2010.

# Free Cash Flow Reconciliation

<i>\$ Millions</i>	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>	<u>Q4 2010</u>	<u>Full Year 2010</u>	<u>Q1 2011</u>	<u>Q2 2011</u>	<u>Q3 2011</u>
<b>Reconciliation from Modified EBITDA:</b>								
<b>Modified EBITDA <sup>(1)(3)</sup></b>	<b>\$114.2</b>	<b>\$114.4</b>	<b>\$115.5</b>	<b>\$119.4</b>	<b>\$463.6</b>	<b>\$121.4</b>	<b>\$123.2</b>	<b>\$125.0</b>
<b>Less Capital Expenditures</b>	<b>(80.9)</b>	<b>(85.0)</b>	<b>(77.8)</b>	<b>(78.1)</b>	<b>(321.8)</b>	<b>(79.3)</b>	<b>(90.9)</b>	<b>(86.0)</b>
<b>Unlevered Free Cash Flow</b>	<b>33.3</b>	<b>29.4</b>	<b>37.7</b>	<b>41.2</b>	<b>141.7</b>	<b>42.2</b>	<b>32.3</b>	<b>39.1</b>
<b>Less Net Interest Costs <sup>(2)</sup></b>	<b>15.8</b>	<b>14.2</b>	<b>13.9</b>	<b>14.9</b>	<b>58.9</b>	<b>16.1</b>	<b>15.9</b>	<b>15.9</b>
<b>Levered Free Cash Flow <sup>(2)</sup></b>	<b>\$17.5</b>	<b>\$15.2</b>	<b>\$23.8</b>	<b>\$26.4</b>	<b>\$82.8</b>	<b>\$26.1</b>	<b>\$16.5</b>	<b>\$23.2</b>
<b>Reconciliation to Cash Flow from Operating Activities:</b>								
<b>Levered Free Cash Flow</b>	<b>\$17.5</b>	<b>\$15.2</b>	<b>\$23.8</b>	<b>26.4</b>	<b>\$82.8</b>	<b>\$26.1</b>	<b>\$16.5</b>	<b>\$23.2</b>
<b>Capital Expenditures</b>	<b>80.9</b>	<b>85.0</b>	<b>77.8</b>	<b>78.1</b>	<b>321.8</b>	<b>79.3</b>	<b>90.9</b>	<b>86.0</b>
<b>Income tax (expense) benefit <sup>(4)</sup></b>	<b>(2.7)</b>	<b>298.0</b>	<b>(2.3)</b>	<b>(1.7)</b>	<b>291.3</b>	<b>(9.8)</b>	<b>(10.3)</b>	<b>(10.9)</b>
<b>Deferred income taxes</b>	<b>2.3</b>	<b>(298.1)</b>	<b>0.6</b>	<b>1.6</b>	<b>(293.5)</b>	<b>9.5</b>	<b>9.9</b>	<b>10.4</b>
<b>Changes in operating assets and liabilities</b>	<b>(0.8)</b>	<b>(7.3)</b>	<b>5.6</b>	<b>(14.1)</b>	<b>(16.6)</b>	<b>(5.9)</b>	<b>9.9</b>	<b>(32.7)</b>
<b>Other</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Net cash provided by operating activities</b>	<b>\$97.3</b>	<b>\$92.9</b>	<b>\$105.4</b>	<b>\$90.2</b>	<b>\$385.8</b>	<b>\$99.1</b>	<b>\$116.8</b>	<b>\$75.9</b>

(1) Please see the earnings press release at [www.twtelecom.com](http://www.twtelecom.com) for further detail on financial measures.

(2) Excludes non-cash interest expense, deferred debt costs and debt extinguishment costs.

(3) Modified EBITDA, as a measure of liquidity, is also reconciled to Net Cash provided by (used in) operating activities in the Company's Quarterly Report on Form 10-Q with the SEC and posted on Company's website.

(4) See the Company's Third Quarter 2011 press release for a narrative regarding a retroactive financial statement adjustment. This adjustment impacted Income tax (expense) benefit and Deferred income taxes for

Q1 and Q2 of 2010 and the full year 2010.

# Net Debt & Interest Coverage Reconciliation

*\$ millions*

Q3 2011

## Net Debt

Current portion of debt and capital lease obligations	\$7.7
Long Term Debt & Capital Lease Obligations	1,349.5
Unamortized discounts	<u>34.6</u>
Total Debt	1,391.8
Less: Cash, cash equivalents and short term investments	<u>(469.1)</u>

## **Net Debt**

**\$922.7**

## Net Debt to Annualized Modified EBITDA

Net Debt	\$922.7
Modified EBITDA	<u>\$125.0</u>
Annualized Modified EBITDA	<u>\$500.0</u>
<b>Net Debt to Annualized Modified EBITDA ratio</b>	<b><u>1.8</u></b>

## Annualized Modified EBITDA to Adjusted Annualized Net Interest Expense

Annualized Modified EBITDA	<u>\$500.0</u>
Net Interest Expense & Interest Income	\$ 21.8
Less: Non-cash interest expense	<u>(5.9)</u>
Adjusted Net Interest	\$ 15.9
Adjusted Annualized Net Interest	<u>\$ 63.6</u>
<b>Annualized Modified EBITDA to Adjusted Annualized Net Interest Expense</b>	<b><u>7.9</u></b>