

Edgar Filing: ARBINET Corp - Form 425

ARBINET Corp  
Form 425  
December 16, 2010

Filed by Primus Telecommunications Group, Incorporated

Pursuant to Rule 425 under the Securities Act of 1933

Subject Company: Arbinet Corporation

Commission File No.: 000-51063

1  
Investor Presentation  
December 2010

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

2  
Safe Harbor  
Important Information and Where to Find It  
In  
connection  
with  
the  
proposed  
merger,

Primus  
Telecommunications  
Group,  
Incorporated  
( Primus )  
will  
file  
with  
the  
Securities  
and  
Exchange  
Commission  
( SEC )  
a  
Registration  
Statement  
on  
Form  
S-4  
that  
will  
include  
a  
preliminary  
proxy  
statement  
of  
Primus  
and  
Arbinet  
Corporation  
( Arbinet )  
that  
also  
constitutes  
a  
preliminary  
prospectus  
of  
Primus.  
A  
definitive  
joint  
proxy  
statement/prospectus  
will  
be  
sent  
to

security  
holders  
of  
both  
Arbinet  
and  
Primus  
seeking  
their  
approval  
with  
respect  
to  
the  
proposed  
merger.  
Primus  
and  
Arbinet  
also  
plan  
to  
file  
other  
documents  
with  
the  
SEC  
regarding  
the  
proposed  
transaction.

INVESTORS  
AND  
SECURITY  
HOLDERS  
ARE  
URGED  
TO  
CAREFULLY  
READ  
THE  
JOINT  
PROXY  
STATEMENT/PROSPECTUS  
AND  
OTHER  
DOCUMENTS  
FILED  
WITH

THE  
SEC  
WHEN  
THEY  
BECOME  
AVAILABLE,  
BECAUSE  
THEY  
WILL  
CONTAIN  
IMPORTANT  
INFORMATION.

Investors  
and  
security  
holders  
may  
obtain  
a  
free  
copy  
of  
the  
joint  
proxy  
statement/prospectus  
(when  
it  
becomes  
available)  
and  
other  
documents  
filed  
by  
Primus  
and  
Arbinet  
with  
the  
SEC,  
without  
charge,  
at  
the  
SEC's  
web  
site  
at  
[www.sec.gov](http://www.sec.gov).

Copies  
of  
the  
joint  
proxy  
statement/prospectus,  
once  
available,  
and  
each  
company's  
SEC  
filings  
that  
will  
be  
incorporated  
by  
reference  
in  
the  
joint  
proxy  
statement/prospectus  
may  
also  
be  
obtained  
for  
free  
by  
directing  
a  
request  
to:  
(i)  
Primus  
703-748-8050,  
or  
(ii)  
Arbinet  
(Andrea  
Rose/Jed  
Repko  
Joele  
Frank,  
Wilkinson  
Brimmer  
Katcher  
(212) 355-4449).

Participants in the Solicitation

Arbinet,  
Primus,  
and  
their  
respective  
directors,  
executive  
officers  
and  
other  
members  
of  
their  
management  
and  
employees  
may  
be  
deemed  
to  
be  
participants  
in  
the  
solicitation  
of  
proxies  
from  
their  
respective  
security  
holders  
in  
connection  
with  
the  
proposed  
merger.  
Investors  
and  
security  
holders  
may  
obtain  
information  
regarding  
the  
names,  
affiliations

and  
interests  
of  
Primus s  
directors,  
executive  
officers  
and  
other  
members  
of  
its  
management  
and  
employees  
in  
in  
Primus s  
Annual  
Report  
on  
Form  
10-K  
for  
the  
year  
ended  
December  
31,  
2009,  
which  
was  
filed  
with  
the  
SEC  
on  
April  
5,  
2010,  
and  
amended  
in  
a  
Form  
10-K/A  
filed  
with  
the  
SEC  
on

April  
28,  
2010,  
Primus s  
proxy  
statement  
for  
its  
2010  
annual  
meeting,  
which  
was  
filed  
with  
the  
SEC  
on  
June  
14,  
2010,  
and  
any  
subsequent  
statements  
of  
changes  
in  
beneficial  
ownership  
on  
file  
with  
the  
SEC.  
Investors  
and  
security  
holders  
may  
obtain  
information  
regarding  
the  
names,  
affiliations  
and  
interests  
of  
Arbinet s

directors,  
executive  
officers  
and  
other  
members  
of  
their  
management  
and  
employees  
in  
Arbinet s  
Annual  
Report  
on  
Form  
10-K  
for  
the  
year  
ended  
December  
31,  
2009,  
which  
was  
filed  
with  
the  
SEC  
on  
March  
17,  
2010,  
Arbinet s  
proxy  
statement  
for  
its  
2010  
annual  
meeting,  
which  
was  
filed  
with  
the  
SEC  
on

April  
30,  
2010,  
and  
any  
subsequent  
statements  
of  
changes  
in  
beneficial  
ownership  
on  
file  
with  
the  
SEC.  
These  
documents  
can  
be  
obtained  
free  
of  
charge  
from  
the  
sources  
listed  
above.  
Additional  
information  
regarding  
the  
interests  
of  
these  
individuals  
will  
also  
be  
included  
in  
the  
joint  
proxy  
statement/prospectus  
regarding  
the  
proposed

transaction  
when  
it  
becomes  
available.

Forward-Looking Statements

This  
document  
and  
related  
verbal  
statements  
include  
forward-looking  
statements  
as  
defined  
by  
the  
Securities  
and  
Exchange  
Commission.

All  
statements,  
other  
than  
statements  
of  
historical  
fact,  
included  
herein  
that  
address  
activities,  
events  
or  
developments  
that  
Arbinet  
or  
Primus  
expects,  
believes  
or  
anticipates  
will  
or  
may

occur  
in  
the  
future,  
including  
anticipated  
benefits  
and  
other  
aspects  
of  
the  
proposed  
merger,  
are  
forward-looking  
statements.  
These  
forward-looking  
statements  
are  
subject  
to  
risks  
and  
uncertainties  
that  
may  
cause  
actual  
results  
to  
differ  
materially.  
Risks  
and  
uncertainties  
that  
could  
affect  
forward-looking  
statements  
include,  
but  
are  
not  
limited  
to,  
the  
following:

the  
risk  
that  
the  
acquisition  
of  
Arbinet  
may  
not  
be  
consummated  
for  
reasons  
including  
that  
the  
conditions  
precedent  
to  
the  
completion  
of  
the  
acquisition  
may  
not  
be  
satisfied;  
the  
possibility  
that  
the  
expected  
synergies  
from  
the  
proposed  
merger  
will  
not  
be  
realized,  
or  
will  
not  
be  
realized  
within  
the  
anticipated

time  
period;  
the  
risk  
that  
Primus's  
and  
Arbinet's  
businesses  
will  
not  
be  
integrated  
successfully;  
the  
possibility  
of  
disruption  
from  
the  
merger  
making  
it  
more  
difficult  
to  
maintain  
business  
and  
operational  
relationships;  
any  
actions  
taken  
by  
either  
of  
the  
companies,  
including,  
but  
not  
limited  
to,  
restructuring  
or  
strategic  
initiatives  
(including  
capital

investments  
or  
asset  
acquisitions  
or  
dispositions);  
the  
ability  
to  
service  
substantial  
indebtedness;  
the  
risk  
factors  
or  
uncertainties  
described  
from  
time  
to  
time  
in  
Arbinet's  
filings  
with  
the  
Securities  
and  
Exchange  
Commission;  
and  
the  
risk  
factors  
or  
uncertainties  
described  
from  
time  
to  
time  
in  
Primus's  
filings  
with  
the  
Securities  
and  
Exchange

Commission  
(including,  
among  
others,  
those  
listed  
under  
captions  
titled

Management's  
Discussion  
and  
Analysis  
of  
Financial  
Condition  
and  
Results  
of  
Operations

Liquidity  
and  
Capital  
Resources

Short-  
and  
Long-Term  
Liquidity  
Considerations  
and  
Risks;

Special  
Note  
Regarding  
Forward-Looking  
Statements;  
and

Risk  
Factors  
in  
Primus's  
annual  
report  
on  
Form  
10-K  
and

quarterly reports on Form 10-Q) that cover matters and risks including, but not limited to:

(a) a continuation or worsening of global recessionary economic conditions, including the effects of such conditions on our customers and our accounts receivables and revenues;

(b) the general fluctuations in the exchange rates of currencies,

particularly  
any  
strengthening  
of  
the  
United  
States  
dollar  
relative  
to  
foreign  
currencies  
of  
the  
countries  
where  
we  
conduct  
our  
foreign  
operations;  
(c)  
the  
possible  
inability  
to  
raise  
additional  
capital  
or  
refinance  
indebtedness  
when  
needed,  
or  
at  
all,  
whether  
due  
to  
adverse  
credit  
market  
conditions,  
our  
credit  
profile  
or  
otherwise;  
(d)

a  
continuation  
or  
worsening  
of  
turbulent  
or  
weak  
financial  
and  
capital  
market  
conditions;  
(e)  
adverse  
regulatory  
rulings  
or  
changes  
in  
the  
regulatory  
schemes  
or  
requirements  
and  
regulatory  
enforcement  
in  
the  
markets  
in  
which  
we  
operate  
and  
uncertainty  
regarding  
the  
nature  
and  
degree  
of  
regulation  
relating  
to  
certain  
services;  
and  
(f)

successful  
implementation  
of  
cost  
reduction  
efforts.  
Readers  
are  
cautioned  
not  
to  
place  
undue  
reliance  
on  
forward-looking  
statements,  
which  
speak  
only  
as  
of  
their  
dates.  
Except  
as  
required  
by  
law,  
neither  
Arbinet  
nor  
Primus  
intends  
to  
update  
or  
revise  
its  
forward-looking  
statements,  
whether  
as  
a  
result  
of  
new  
information,  
future events or otherwise.

Primus Today

U.S. headquartered international business with operations in Canada, Australia, the U.S., and Brazil

Provider of voice and data communication services to residential, business and carrier customers

Growth services: broadband, IP-based voice, on-net local, data and data center services

Traditional businesses: domestic and international long-distance, off-network local, prepaid cards and dial-up internet services

Wholesale services: Inter-continental IP and TDM wholesale access and transport  
Global reach provided by extensive IP-based network assets  
Revenue well distributed by geography, product and customer type  
Leading global provider of advanced facilities-based communication solutions

Primus Investment Highlights

Drive profitable growth in areas of long-term sustainable advantage

Scale Canada, Australia, and Global Wholesale

Feed growth businesses: IP-

and data-

based services for enterprises, consumers

Harvest cash flows in traditional businesses

Executing asset portfolio strategy through strategic alternatives

Arbinet

doubles wholesale business and creates unique product set, significant synergies

Exiting unproductive, non-scalable businesses

Evaluating other M&A opportunities

Generating free cash flow, growing cash balance

Focused on balanced sheet transformation through cash generation, proceeds of any divestitures

Management team with extensive telco, cable, and data center experience

The Primus Portfolio  
Sum of the Parts  
Adjusted  
Adjusted  
EBITDA  
(US\$ 000s)  
Revenue  
EBITDA  
(1)

Capex  
less Capex

Canada

\$172.4

\$34.9

\$7.3

\$27.6

Australia

205.7

29.8

7.6

22.2

Global Wholesale

137.6

3.2

0.1

3.1

Sub-Total

\$515.7

\$67.9

\$15.0

\$52.9

US Retail

\$38.8

\$4.1

\$0.8

\$3.3

Brazil

21.3

1.3

0.8

0.4

Corporate / India

-

(7.6)

-

(7.6)

\$575.8

\$65.7

\$16.7

\$49.0

Discontinued Operations

36.4

(0.4)

0.3

(0.8)

Severance

-

(6.1)

-

(6.1)

Total

\$612.2

\$59.2

\$17.1

\$42.2

YTD Q310

Total before

Discontinued Operations

Canada

30%

Australia

35%

Wholesale

24%

US

7%

Brazil

4%

5

Canada

48%

Australia

41%

Wholesale

4%

US

5%

Brazil

2%

Notes:

1. A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measure

Primus Canada Highlights

6

Headquartered in Toronto,  
Ontario

C\$240M revenue in annualized  
revenue

800 employees

Data centers and sales offices in  
BC, Alberta, and Ontario

450K customers across the  
country

70 DSLAMs  
(primarily in  
Ontario & Quebec)

Provide on-net equal access to  
~90% of population

Call centers in Ontario (Ottawa)  
and New Brunswick

Primus Australia Highlights

7

Headquartered in Melbourne

A\$305 million in annualized  
revenue

575 employees

3 Data Centers in Melbourne  
and Sydney

Offices in Melbourne, Sydney,  
Adelaide, Brisbane and Perth

250K customers located in all  
territories

5 carrier-grade voice switches  
and 66 points of interconnect

281 DSLAMs  
primarily in major  
cities and surrounding suburbs

Central business district metro  
fiber in Sydney and Melbourne

Global Wholesale Services

Key

Combination

Considerations:

Increased scale in carrier services market

Benefits of [thexchange](#)

TM

Arbinet's  
world-class telecommunications trading platform

Added products and services and enhanced access to certain international routes

Complementary market presence

Synergy potential of \$3 million to \$7 million (when fully integrated)

Consolidation benefits for network and facilities

8

Combined

PRIMUS

Before

(all figures in millions and annualized, except customers)

Carrier

Arbinet

Synergies

Revenue

(1)

\$183.4

\$330.0

\$513.4

Gross Margin

(1)

\$10.8

\$25.0

\$35.8

Gross Margin %

5.9%

7.6%

7.0%

Customers

262

1,237

Minutes of Use

4,340

12,667

(1) Revenue and Gross Margin are presented net of Bad Debt allowance.

YTD Q310 Annualized

Q3 and YTD 2010 Highlights

9

Notes:

All results of operations exclude Discontinued Operations and severance unless otherwise specified.

1.

EBITDA

excludes

impact

of

severance  
 expenses,  
 \$4.2  
 million  
 in  
 Q310  
 and  
 \$1.8  
 million  
 in  
 Q110  
 and  
 is  
 a  
 non-GAAP  
 financial  
 measure.

Definitions  
 and  
 reconciliations  
 between

non-GAAP measures and relevant GAAP

measures are available in the Appendix and in the Company's periodic SEC filings.

2. Free Cash Flow is defined as Cash Flow from Operating Activities less Capital Expenditures.

(US\$ 000s)

Q309

Q310

Change

Q309

Q310

Change

Revenue

\$194.9

\$188.2

(\$6.7)

\$560.2

\$575.8

\$15.6

Gross Margin

68.1

67.3

(0.8)

196.4

209.0

12.6

Gross Margin %

34.9%

35.8%

0.9%

35.1%

36.3%  
1.2%  
Adjusted EBITDA  
(1)  
\$21.2  
\$20.0  
(\$1.2)  
\$60.7  
\$65.7  
\$5.1  
EBITDA %  
10.9%  
10.6%  
-0.3%  
10.8%  
11.4%  
0.6%  
Capex  
3.9  
6.4  
2.5  
9.5  
16.7  
7.2  
Free Cash Flow  
(2)  
9.1  
14.5  
5.4  
30.3  
20.3  
(10.0)  
Cash Balance  
\$41.9  
\$49.6  
\$7.7  
\$41.9  
\$49.6  
\$7.7  
Quarter ended  
YTD

Financial Summary  
Revenue  
Adjusted EBITDA  
(1) (2)  
Capital Expenditures  
Free Cash Flow  
(1)  
(\$ Millions)  
10

(1)

A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company's periodic SEC filings.

(2)

Adjusted EBITDA excludes impact of severance charges in Q109 (\$1.8 million) and Q310 (\$4.2 million).

\$195

\$203

\$193

\$195

\$188

\$0

\$50

\$100

\$150

\$200

\$250

Q309

Q409

Q110

Q210

Q310

-3.3%

% Sequential

Change

5.9 %

4.0%

-4.7%

0.8%

3.4%

% of

Revenue

2.0%

2.7%

2.5%

3.0%

10.6%

% of

Revenue

10.7%

10.8%

11.8%

11.7%

\$14

(\$7)

\$13

\$6

\$9

-\$10

-\$5

\$0

\$5  
\$10  
\$15  
\$20  
Q309  
Q409  
Q110  
Q210  
Q310  
\$21  
\$22  
\$23  
\$23  
\$20  
\$0  
\$5  
\$10  
\$15  
\$20  
\$25  
Q309  
Q409  
Q110  
Q210  
Q310  
\$6  
\$6  
\$5  
\$6  
\$4  
\$0  
\$2  
\$4  
\$6  
\$8  
\$10  
Q309  
Q409  
Q110  
Q210  
Q310  
7.4%  
% of  
Revenue  
4.7%  
3.0%  
6.7%  
(3.6)%

Note:

All results of operations exclude Discontinued Operations unless otherwise specified.

11  
Canada Overview  
Net Revenue  
Adjusted EBITDA  
(1)  
\$56.9  
\$58.0  
\$57.5  
\$58.7

\$57.4  
 \$0  
 \$25  
 \$50  
 \$75  
 Q309  
 Q409  
 Q110  
 Q210  
 Q310  
 (1)  
 A non-GAAP financial measure. Definitions and reconciliations between  
 non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company's periodic SEC filings.  
 (0.8)%  
 59.1  
 (CAD\$)  
 \$63.1  
 \$62.1  
 \$59.8  
 \$59.6  
 Sequential Change  
 (2.0)%  
 (1.6)%  
 (3.6)%  
 (0.4)%  
 20.0%  
 (3.3)%  
 \$11.8  
 (CAD\$)  
 \$12.8  
 \$11.8  
 \$12.1  
 \$12.2  
 Sequential Change  
 (7.9)%  
 (7.8)%  
 2.5%  
 0.8%  
 % of Revenue  
 20.3%  
 19.1%  
 20.2%  
 20.5%  
 \$11.3  
 \$12.0  
 \$11.6  
 \$11.2  
 \$11.6  
 \$0  
 \$5

\$10

\$15

\$20

Q309

Q409

Q110

Q210

Q310

(\$Millions)

(\$Millions)

Most profitable business unit  
in the portfolio

Stable EBITDA averaging  
20% of net revenue despite  
declining revenues

40% and 7% growth year-  
over-year in Hosted IP/PBX  
and data center revenues,  
respectively

Effective cost controls helped  
offset the impact of declining  
revenues on EBITDA and free  
cash flow

12  
Australia Overview  
Net Revenue  
Adjusted EBITDA  
(1)  
(0.8)%  
\$75.8  
(AUS\$)  
\$76.5

\$75.9

\$77.3

\$76.4

Sequential Change

(0.9)%

(0.8)%

1.9%

(1.2)%

(1) A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company's periodic SEC filings.

13.2%

(2.9)%

\$10.0

(AUS\$)

\$9.8

\$9.7

\$12.9

\$10.3

Sequential Change

(10.1)%

(1.0)%

33.0%

(20.2)%

% of Revenue

12.9%

12.8%

16.6%

13.5%

\$68.4

\$69.9

\$63.7

\$69.0

\$67.5

\$60

\$64

\$68

\$72

Q309

Q409

Q110

Q210

Q310

\$9.0

\$9.1

\$11.6

\$8.8

\$8.2

\$0

\$2

\$4

\$6

\$8

\$10

\$12

\$14

Q309

Q409

Q110

Q210

Q310

(\$Millions)

(\$Millions)

Stable revenue stream

Declining residential revenue

replaced by higher margin

business revenue

46% growth year-over-year in

data center revenues and 6%

growth for business revenues in

aggregate

Adjusted EBITDA of 13.2% of

net revenue in Q310 versus

12.9% in Q309

Global Wholesale Overview

Net Revenue

Gross Margin %

(1)

\$53.6

\$54.9

\$46.5

\$49.2

\$41.9

\$0  
\$20  
\$40  
\$60  
\$80  
Q309  
Q409  
Q110  
Q210  
Q310  
4.1%  
3.9%  
3.7%  
4.9%  
5.2%  
0.0%  
1.0%  
2.0%  
3.0%  
4.0%  
5.0%  
6.0%  
Q309  
Q409  
Q110  
Q210  
Q310

(1) A non-GAAP financial measure. Gross Margin % is defined as Net Revenue less costs of revenue divided by Net Revenue

(14.9)%

Sequential Change

6.5%

2.5%

(15.3)%

5.8%

(\$Millions)

(\$Millions)

Gross margins, as a percentage of net revenue, improved 110 basis points to 5.2% in Q310 versus Q309 as we focused on higher margin US domestic terminations

Summer seasonality in Europe had expected effect on quarterly traffic

Focus on profitability vs. Revenue drove decision to prune less profitable traffic

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Primus

Other Businesses

United States:

Net Revenue for the quarter decreased \$4.1 million year over year to \$12.1 million

Adjusted EBITDA for the quarter decreased \$1.6 million year over year to

\$0.9 million

Brazil:

Net Revenue for the quarter increased BRR 8.2 million year over year to BRR 15.9 million

Adjusted EBITDA for the quarter remained flat year over year as the significant increase in revenue was derived from low-margin reseller voice services

Europe Retail:

All European retail operations classified as Discontinued Operations in the financial statements

\$6.2 million (non-cash) impairment charge for goodwill and long-lived assets, primarily intangibles established as part of fresh start accounting

Adjusted EBITDA of ( 2K) and ( 71K) for the third quarters 2010 and 2009, respectively

15

Foreign Currency Effects

More than 80% of revenue generated outside US

Natural in-country currency hedge

Revenue and costs are largely denominated in each country's local currency

Impact of currency fluctuations driven by US dollar

remittances from foreign units to service debt

.5688

0.9617

0.9023

Q310

0.5536

0.9602

0.9036

Q110

0.5559

0.9731

0.8835

Q210

0.5800

0.9900

0.9900

As of

11/15/10

Q309

Q409

AUD \$

0.8323

0.9087

CAN \$

0.9097

0.9460

BRR

0.5335

0.5728

Average Exchange Rate to US\$

16

Balance Sheet

(\$US Millions)

(1) A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company's periodic SEC filings.

Q309

Q409

Q110

Q210

Q310

Total Debt / LTM Adjusted EBITDA

3.30x

3.15x

2.99x

2.79x

2.81x

Net Debt / LTM Adjusted EBITDA

2.76x

2.63x

2.38x

2.40x

2.24x

Interest Coverage Ratio

2.50x

1.77x

2.45x

2.69x

2.31x

Note:

All results of operations exclude Discontinued Operations and severance unless otherwise specified.

Cash balance of \$49.6 million at September 30, 2010

Principal amount of total debt at 9/30/10 was \$245.9

million compared to \$246.3 million at 6/30/10

Improving leverage ratios

Primus Investment Highlights

Drive profitable growth in areas of long-term sustainable advantage

Scale Canada, Australia, and Global Wholesale

Feed growth businesses: IP-

and data-

based services for enterprises, consumers

Harvest cash flows in traditional businesses

Executing asset portfolio strategy through strategic alternatives

Arbinet

doubles wholesale business and creates unique product set, significant synergies

Exiting unproductive, non-scalable businesses

Evaluating other M&A opportunities

Generating free cash flow, growing cash balance

Focused on balanced sheet transformation through cash generation, proceeds of any divestitures

Competitive Landscape

Alog, Diveo, UOL, Locaweb, Transit,  
GVT, Datora

Telstra, Optus, AAPT, iiNet, TPG  
Bell Canada, Telus, MTS Allstream,  
Rogers, COGECO, Shaw, Globalive,  
Videotron

Wholesale units of major carriers

Pure plays: Arbinet, Phonetime,

Vonage, Cbeyond, XO, Paetec, Verizon,  
AT&T  
Quality  
Value  
Strong brand identity  
Extensive sales staff  
Quality of service  
Value  
Customer care  
Strong brand identity  
Value  
Quality of service  
Strong managed services team  
Largest geographical internet data  
center coverage  
Depth of network facilities  
Inter-connections  
Pricing  
Quality of service  
Quality of IP-PBX Platform  
Value  
Geography  
Primary Services  
Primary Competitors  
PRIMUS  
Advantages  
Data-hosting  
VoIP services  
Broadband access  
Tier 1 international carriers, emerging multi  
national carriers, cable companies and Global  
ISPs  
Residential  
Voice, VOIP  
Business  
Voice, IP-PBX services  
Brazil  
Australia  
Canada  
Wholesale  
U.S.  
Residential  
Value Provider  
Voice, Broadband, IP, wireless, local  
Business  
Full Solution Provider  
Voice, broadband, IP, hosting, data, wireless  
MVNO  
Residential  
Value Provider

Voice, broadband, local, wireless MVNO

Business

Full Solution Provider with

SME Focus

Voice, broadband, IP, local, wireless,  
hosting services

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Adjusted EBITDA

Adjusted EBITDA, as defined by us, consists of net income (loss) before reorganization items, net, share-based compensation expense, depreciation and amortization, asset impairment expense, gain (loss) on sale or disposal of assets, interest expense, amortization or accretion on debt discount or premium, gain (loss) on early extinguishment or restructuring of debt, interest income and other income (expense), gain (loss) from contingent value rights valuation, foreign currency transaction gain (loss), income tax benefit (expense), income (expense) attributable to

the non-controlling interest, income (loss) from discontinued operations, net of tax, and income (loss) from sale of discontinued operations, net of tax. Our definition of Adjusted EBITDA may not be similar to Adjusted EBITDA measures presented by other companies, is not a measurement under generally accepted accounting principles in the United States, and should be considered in addition to, but not as a substitute for, the information contained in our statements of operations.

We believe Adjusted EBITDA is an important performance measurement for our investors because it gives them a metric to analyze our results exclusive of certain non-cash items and items which do not directly correlate to our business of selling and provisioning telecommunications services. We believe Adjusted EBITDA provides further insight into our current performance and period to period performance on a qualitative basis and is a measure that we use to evaluate our results and performance of our management team.

#### Free Cash Flow

Free Cash Flow, as defined by us, consists of net cash provided by (used in) operating activities before reorganization items less net cash used in the purchase of property and equipment. Free Cash Flow, as defined above, may not be similar to Free Cash Flow measures presented by other companies, is not a measurement under generally accepted accounting principles in the United States, and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statements of cash flows.

We believe Free Cash Flow provides a measure of our ability, after purchases of capital and other investments in our infrastructure, to meet scheduled debt principal payments. We use Free Cash Flow to monitor the impact of our operations on our cash reserves and our ability to generate sufficient cash flow to fund our scheduled debt maturities and other financing activities, including discretionary refinancings and retirements of debt. Because Free Cash Flow represents the amount of cash generated or used in operating activities less amounts used in the purchase of property and equipment before deductions for scheduled debt maturities and other fixed obligations (such as capital leases, vendor financing and other long-term obligations), you should not use it as a measure of the amount of cash available for discretionary expenditures.

#### Non-GAAP Measures

Note:

All results of operations excluded Discontinued Operations unless otherwise specified.

Three Months

Three Months

Three Months

Ended

Ended

Ended

September 30,

June 30,

September 30,

2010

2010

2009

NET INCOME (LOSS) ATTRIBUTABLE TO

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

5,080

\$

(13,038)  
 \$  
 2,165  
 \$  
 Reorganization items, net  
 -  
 -  
 307  
 Share-based compensation expense  
 (12)  
 117  
 307  
 Depreciation and amortization  
 13,641  
 18,194  
 18,740  
 (Gain) loss on sale or disposal of assets  
 -  
 (189)  
 36  
 Interest expense  
 8,602  
 8,733  
 8,747  
 Accretion (amortization) on debt premium/discount, net  
 46  
 45  
 -  
 (Gain) loss on early extinguishment of debt  
 -  
 (164)  
 -  
 Interest and other (income) expense  
 (254)  
 (153)  
 (160)  
 (Gain) loss from Contingent Value Rights valuation  
 (33)  
 382  
 4,229  
 Foreign currency transaction (gain) loss  
 (14,006)  
 9,623  
 (13,448)  
 Income tax (benefit) expense  
 (3,238)  
 (1,883)  
 (2,121)  
 Income (expense) attributable to the non-controlling interest  
 74

(106)  
210  
(Income) loss from discontinued operations,  
net of tax  
5,464  
1,528  
2,110  
(Gain) loss from sale of discontinued operations,  
net of tax  
389  
(193)  
110  
ADJUSTED EBITDA  
15,753  
\$  
22,896  
\$  
21,232  
\$  
NET CASH PROVIDED BY (USED IN)  
OPERATING ACTIVITIES BEFORE REORGANIZATION ITEMS  
20,865  
\$  
(1,140)  
\$  
12,992  
\$  
Net cash used in purchase of property  
and equipment  
(6,410)  
(5,824)  
(3,886)  
FREE CASH FLOW  
14,455  
\$  
(6,964)  
\$  
9,106  
\$