



**Investor Presentation**

September 23, 2009

# Safe Harbor

This presentation and related oral statements and communications contain “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on current expectations, and are not strictly historical statements. In some cases, you can identify forward-looking statements by terminology such as “if,” “may,” “should,” “believe,” “anticipate,” “future,” “forward,” “potential,” “estimate,” “reinstate,” “opportunity,” “goal,” “objective,” “exchange,” “growth,” “outcome,” “could,” “expect,” “intend,” “plan,” “strategy,” “provide,” “commitment,” “result,” “seek,” “pursue,” “ongoing,” “include” or the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on our current plans or assessments which are believed to be reasonable as of the current date. Factors and risks that could cause actual results or circumstances to differ materially from those set forth or contemplated in forward-looking statements include, without limitation: (i) the ability to service substantial indebtedness; (ii) customer, vendor, carrier and third-party responses to our Chapter 11 plan confirmation; and (iii) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission (including those listed under captions “MD&A -- Liquidity and Capital Resources -- Short- and Long-Term Liquidity Considerations and Risks;” “Special Note Regarding Forward-Looking Statements;” and “Risk Factors” in our annual report on Form 10-K and quarterly reports on Form 10-Q) which cover matters and risks including but not limited to (a) 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; (b) 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; (c) a worsening of turbulent financial and capital market conditions; (d) a continuation or worsening of global recessionary economic conditions, including the effects of such conditions on our customers and our accounts receivables and revenues; (e) fluctuations in prevailing trade credit terms due to past Chapter 11 filings or uncertainties concerning our financial position, or otherwise; (f) 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 (g) successful implementation of cost reduction efforts. As such, actual results or circumstances may vary materially from such forward-looking statements or expectations. Readers are also cautioned not to place undue reliance on these forward-looking statements which speak only as of the date these statements were made. We are not necessarily obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

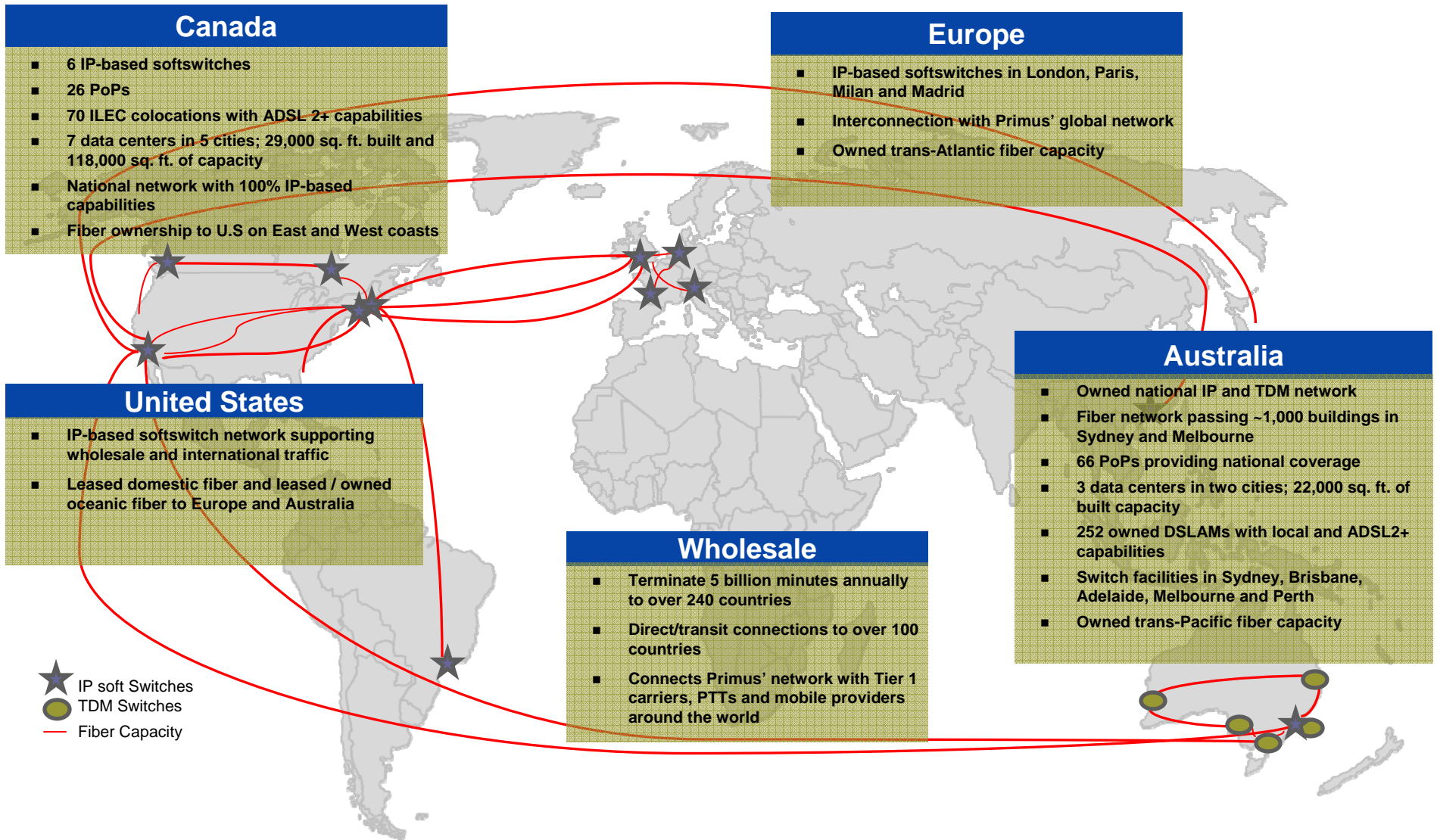
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# Primus Today

## **Facilities-based, global, integrated communications services provider**

- Global reach supported by extensive network assets
- Providing a broad suite of communications services to residential and business end-users and carrier customers
- Optimizing return on the deployment of capital by product mix through a growth focus on broadband, IP-based voice, local, wireless, data and data center services, and through a geographic focus on primary markets
- Generating solid free cash flow enhanced by a \$10 million cost reduction program in-process and a disciplined capital expenditure strategy
- Assessing opportunities to further strengthen the Company's capital structure

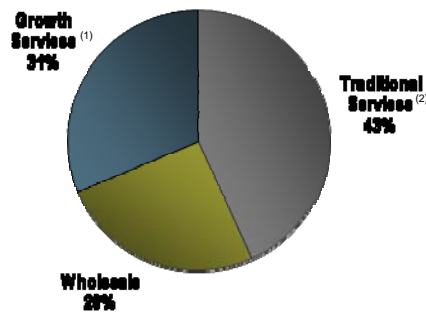
# Global Reach Supported By Extensive Network Assets



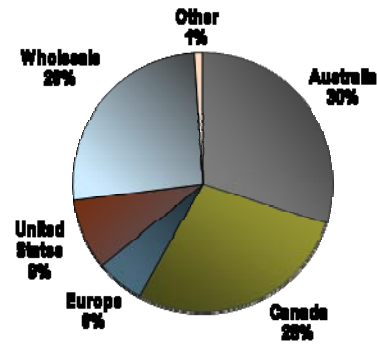
# Current Revenue Mix

Q2 2009

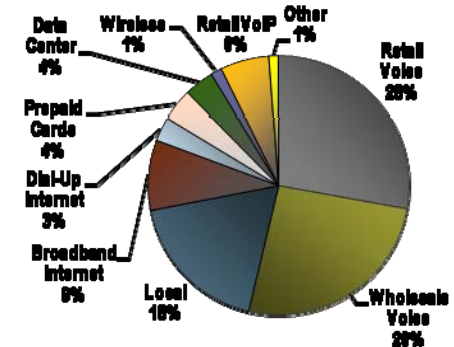
## Services



## Geography



## Products

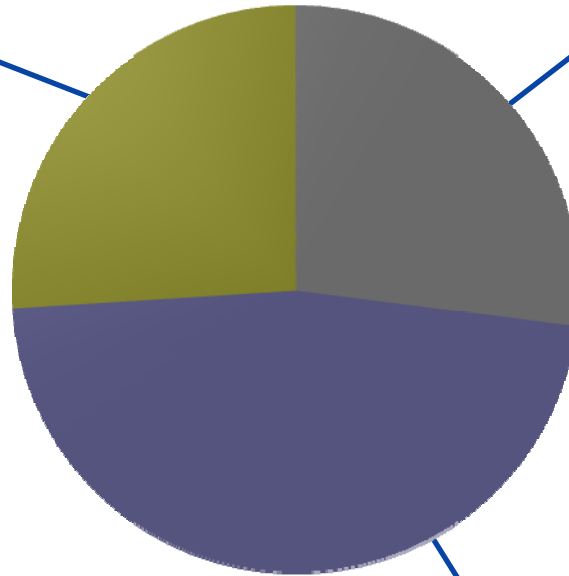


- Focus on Growth Services which include broadband, IP-based voice, local, wireless, data and data center solutions vs. traditional voice and dial-up Internet services
- Primary retail businesses in Australia and Canada
- Serving a mix of residential, business and carrier customers

# Broad Suite of Communications Services

## Growth Services 31%

- Focusing on high-growth and high-margin services in the Company's primary markets
  - Internet includes broadband services for business and residential in **Australia and Canada**
  - VoIP (IP-PBX and SIP services) includes residential and business VoIP services in **Australia, Canada and US**
  - Hosting / Data includes data center revenue (colocation and managed services) in **Australia and Canada**
  - Local services in **Australia and Canada**
  - Wireless MVNO services in **Australia and Canada**



## Wholesale 26%

- Offering IP and TDM access through one of the most extensive global network infrastructures
- Connects Primus' network with Tier 1 carriers, PTTs and mobile providers around the world
- Provides volume purchasing power and refined routing to improve retail profitability
- Terminates 5 billion minutes annually to over 240 countries
- 400+ customers

## Traditional Services 43%

- Offering a rich set of residential and business voice services:
  - Preselect / prepaid domestic and international long-distance services
  - Toll-free services
  - Dial-up Internet services
- Redeploying margin to growth services in primary markets

# Australia Overview

(\$Millions)

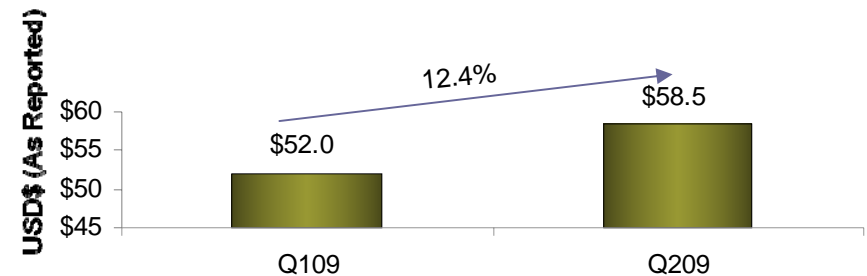
## Business overview

- 4<sup>th</sup> largest full-service provider with brand-recognition, scale and scope for growth
- Improving regulatory environment
- Provides a complete set of services to business and residential customers including: local and LD voice, broadband, data (Ethernet, VPLS, VPN), hosted IP-PBX, SIP and data center services
- Offers on-net services using a well developed infrastructure

## Growth Initiatives

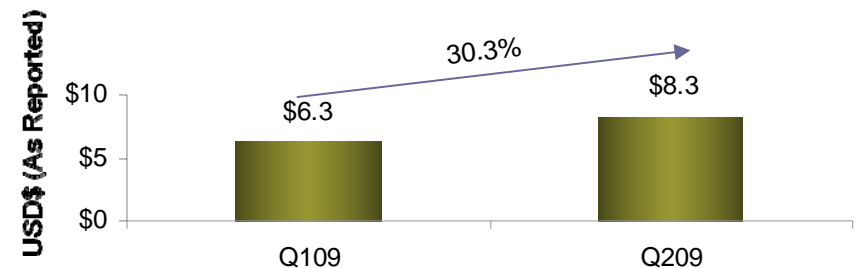
- Consumer
  - Increase marketing spend to grow customer base
  - Grow bundled customers by increasing broadband coverage and capacity to expand targeted market segment
  - Leverage MVNO position with OPTUS and Telstra for wireless broadband
  - Introduction of IPTV to broadband customers in 2010
- Business
  - Continue growing on-net services: broadband, IP-PBX, and SIP
  - Grow data center revenue through colocation, managed services and virtual server hosting
  - Target larger customers
  - Qualify as a provider to government agencies and for rural broadband subsidies

## Revenue



Local Currency (AUS\$)	\$78.4	\$77.2
% Growth		(1.5%)

## Adjusted EBITDA <sup>(1)</sup>



Local Currency (AUS\$)	\$9.6	\$10.9
% Growth		13.6%
% of Revenue	12.2%	14.1%

# Canada Overview

(\$Millions)

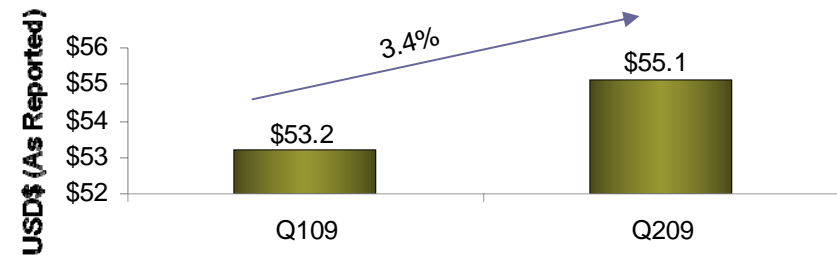
## Business overview

- Largest alternative communications carrier in Canada with brand-recognition, scale and scope for growth
- Stable regulatory environment
- Extensive facilities-based infrastructure
- 7 data centers in 5 cities; 29,000 sq. ft. built and 118,000 sq. ft. of capacity

## Growth Initiatives

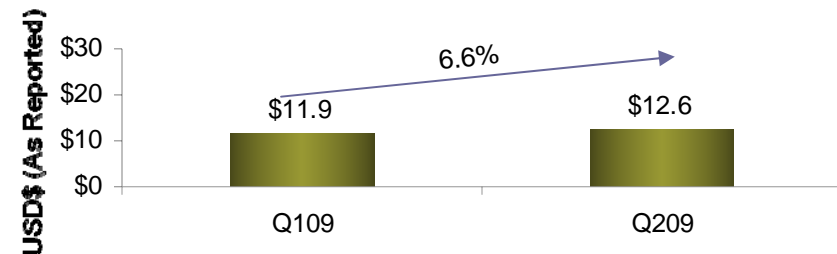
- Consumer
  - Grow wireless MVNO through expanding geographic coverage, and adding data service and smart phones with resulting improvement in ARPU and gross margins
  - Expand geographic coverage for broadband and bundled services
  - Enhance sales and marketing
- Business
  - Increase market share in data center services by leveraging existing data centers and introducing value-added services
    - Currently offer colocation, virtual data storage and managed and virtual server hosting services
  - Expand Hosted PBX service offering
  - Target larger and more profitable enterprise customers by leveraging our expanded network coverage and data center capabilities

## Revenue



Local Currency (CAD\$)	\$66.2	\$64.4
% Growth		(2.8%)

## Adjusted EBITDA <sup>(1)</sup>



Local Currency (CAD\$)	\$14.7	\$14.8
% Growth		0.3%
% of Revenue	22.3%	22.9%

# Wholesale Overview

(\$Millions)

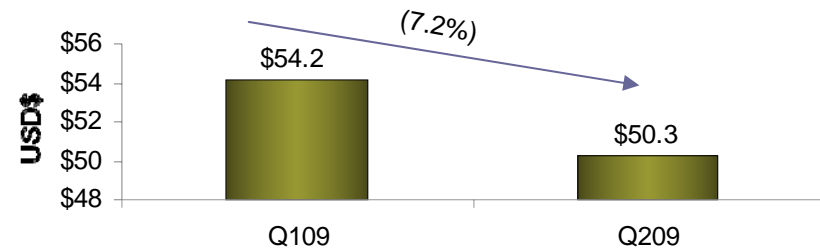
## ■ Business overview

- Provide global buying and routing function for retail operations
- Over 400 carrier customers with some billing over \$500K in revenue per month
- Diversified customer base including Tier 1 international carriers, multi-national carriers, wireless providers, VoIP providers, cable companies and ISPs
- Terminate 5 billion minutes annually to over 240 countries

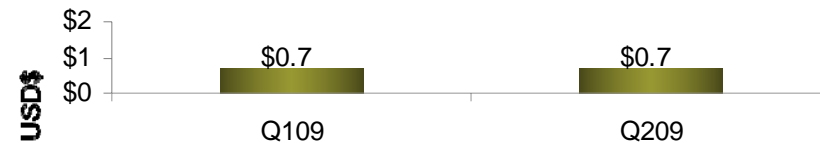
## ■ Growth Initiatives

- Launch campaign to target larger, higher-margin customers, such as mobile, cable company, retail VoIP and incumbent providers
- Optimize routing, revenue and service mix to increase gross margin
- Refine and roll-out higher margin non-voice services (e.g., SMS, MMS, LNP/LRN svcs.)
- Be the outsourced carrier for incumbents, cable companies and mobile providers

## Revenue

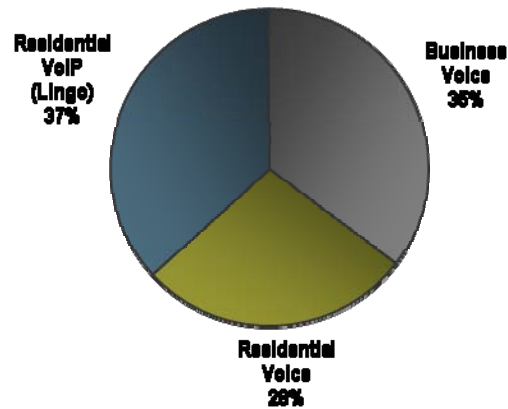


## Adjusted EBITDA <sup>(1)</sup>

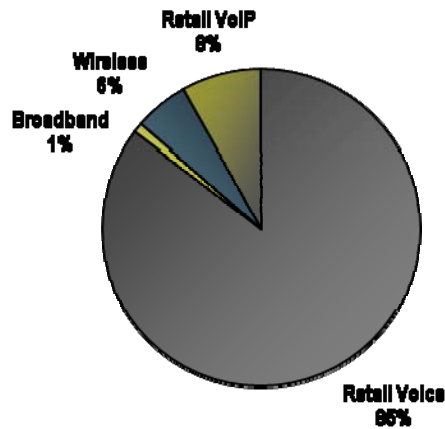


# Overview of Other Primus Businesses

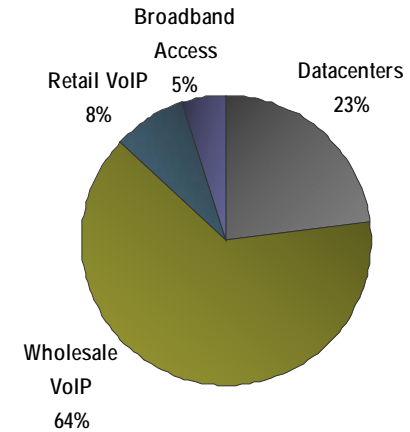
## US



## Europe



## Brazil



	US (USD)	Europe (Euro)	Brazil (BRR)	Corporate (USD)
Revenue – Q209	\$16.9	€9.6	R 6.2	-
% Revenue Growth (sequential Quarter)	(6.5%)	(8.4%)	(18.2%)	-
Adjusted EBITDA <sup>(1)</sup> – Q209	\$2.3 <sup>(2)</sup>	€0.0	R 0.3	(\$2.0) <sup>(2)</sup>
% of Revenue	13.6%	0.0%	4.5%	NM

**Managing for cash flow**

# Financial Highlights

## Repositioning Business to Drive Profitable Growth

- ▶ Drive high-growth and high-margin business in primary markets of Australia and Canada
- ▶ Optimize returns and cash from other markets / businesses
- ▶ Cost rationalization reduced SG&A as a percent of revenue from 29.1% for 2008 as compared to 25.6% for Q209, with further cost reduction initiatives underway

## Solid Free Cash Flow <sup>(1)</sup> Generation

- ▶ Free Cash Flow <sup>(1)</sup> of \$16.1 million generated in first half 2009
- ▶ Disciplined capital expenditure strategy with a focus on core markets

## Strengthened Balance Sheet

- ▶ Significant deleveraging as a result of reorganization
- ▶ Net leverage of 3.2x LTM Adjusted EBITDA <sup>(1)(2)</sup>

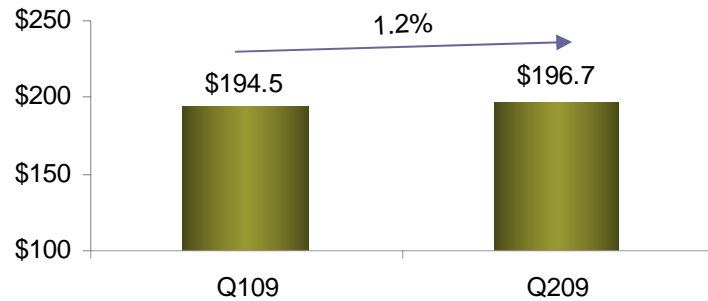
(1) A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company's periodic SEC filings.

(2) Net leverage calculated using total debt of \$256 million and cash of \$41.5 million as of July 1, 2009. LTM EBITDA of \$67.3 million as of 6/30/09.

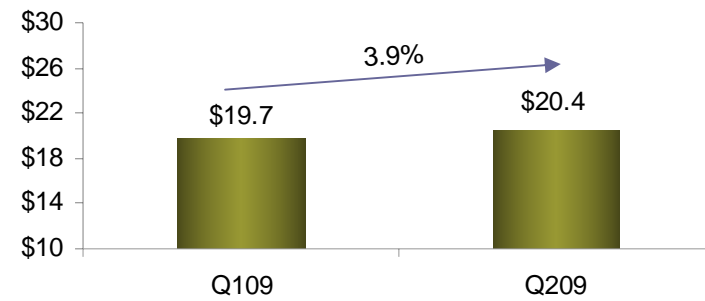
# Financial Summary

(US\$ Millions)

## Revenue

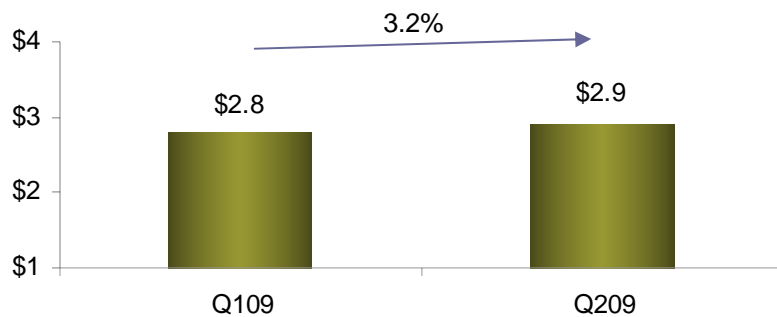


## Adjusted EBITDA <sup>(1)</sup>



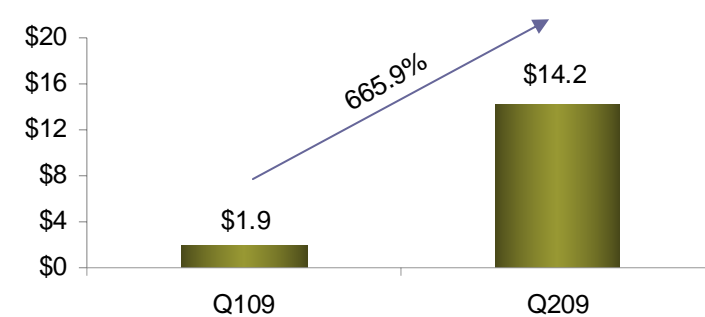
*% of Revenue*    10.1%                      10.4%

## Capital Expenditures



*% of Revenue*    1.4%                      1.5%

## Free Cash Flow <sup>(1)</sup>



*% of Revenue*    0.1%                      7.2%

# Foreign Currency Effects

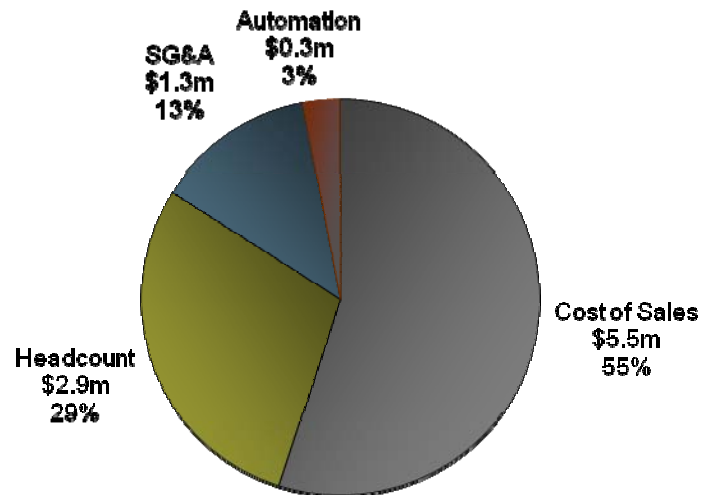
(in \$US)	Impact of $\pm$ \$0.01 change on Annual Revenue	Impact of $\pm$ \$0.01 change on Annual Adjusted EBITDA
<b>AUD \$</b>	\$3.1m	\$0.4m
<b>CAN \$</b>	\$2.6m	\$0.6m
<b>UK £</b>	\$0.1m	—
<b>European €</b>	\$1.5m	—

- Natural in-country currency hedge for revenue and costs
- Translation risk upon conversion of foreign currency to US\$ for financial reporting
- Cash impact limited to movements of foreign currency from profitable foreign operations primarily to service U.S. dollar denominated debt

# Cost Reduction

- **Ongoing initiative to reduce annual costs by \$10 million**
  - Efforts well underway
  - Implementation substantially completed by year-end 2009; material benefit expected in Q1 2010
  - One-time costs to implement of \$0.9 million in 2<sup>nd</sup> half 2009

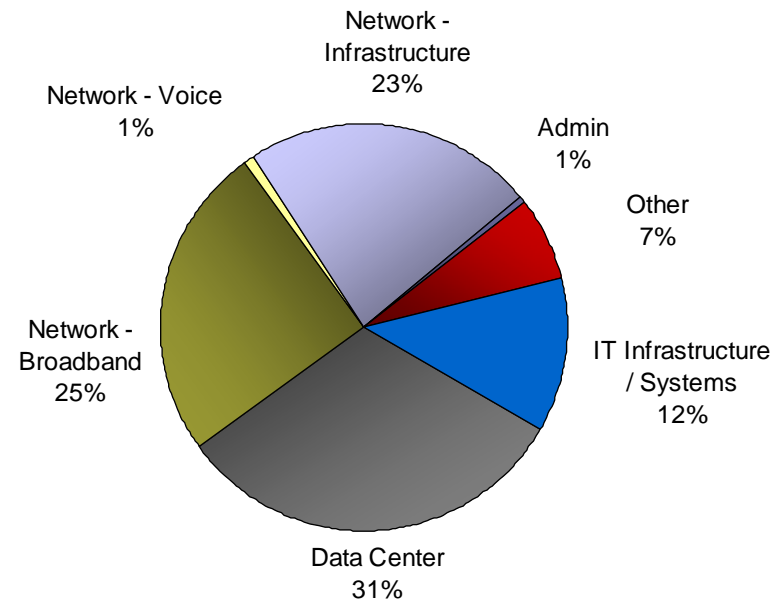
## Savings by Type of Expense



# Capital Expenditures

- **Strategy emphasizes primary markets while optimizing cash flow in other markets**
  - Clear return on investment criteria
  - 90% of 2009 CapEx spend in Canada and Australia
  - Financial covenant not to exceed \$18 million for full year 2009
- **Capital expenditure priorities for 2H 2009**
  - Success based CapEx for customer growth
  - Data center expansions
  - Broadband infrastructure
  - IP-PBX services
  - System enhancements for productivity improvement
  - Maintenance CapEx

## 2009 Estimated Capital Expenditure Allocation

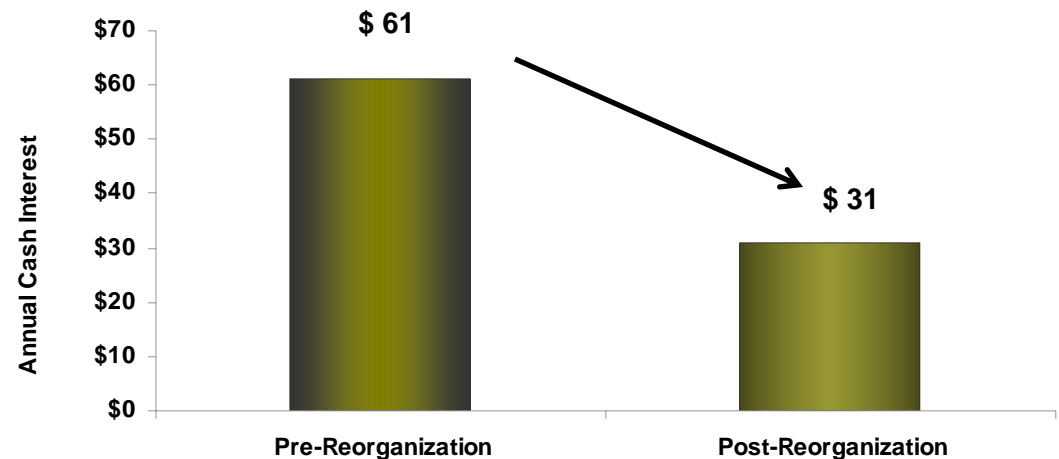
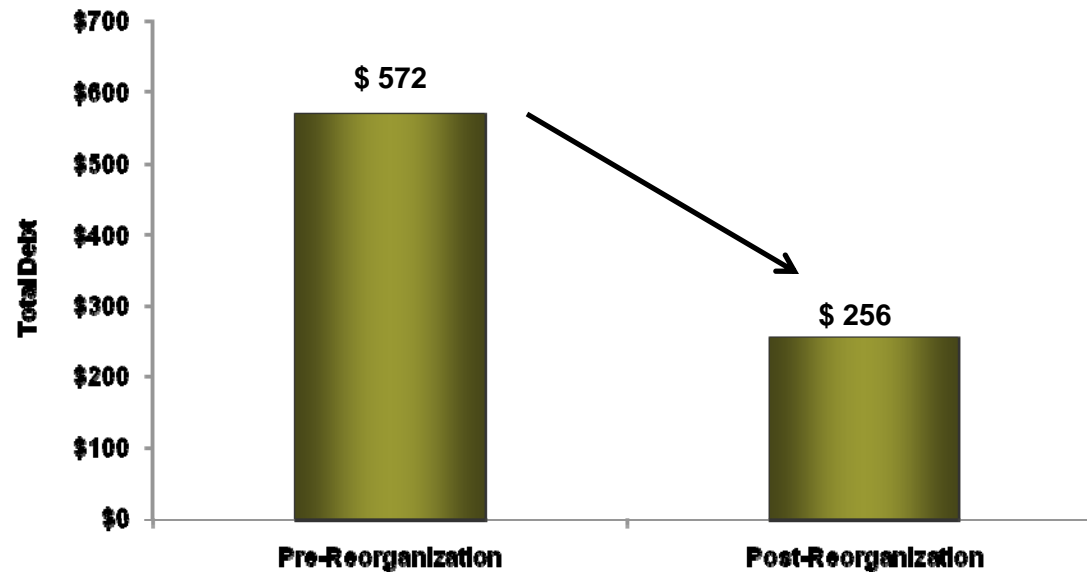


**\$5.7 million in 1H2009 /  
Full year not to exceed \$18 million**

# Strengthened Balance Sheet

(\$US Millions)

- Emerged from expedited, prearranged, holding company Chapter 11 reorganization on July 1, 2009
- Total debt reduced by 55% to \$256 million
- Annual cash interest expense reduced by 50% to \$31 million
- Net leverage of 3.2x LTM Adjusted EBITDA <sup>(1)(2)</sup>
- No material disruption to operating units around world

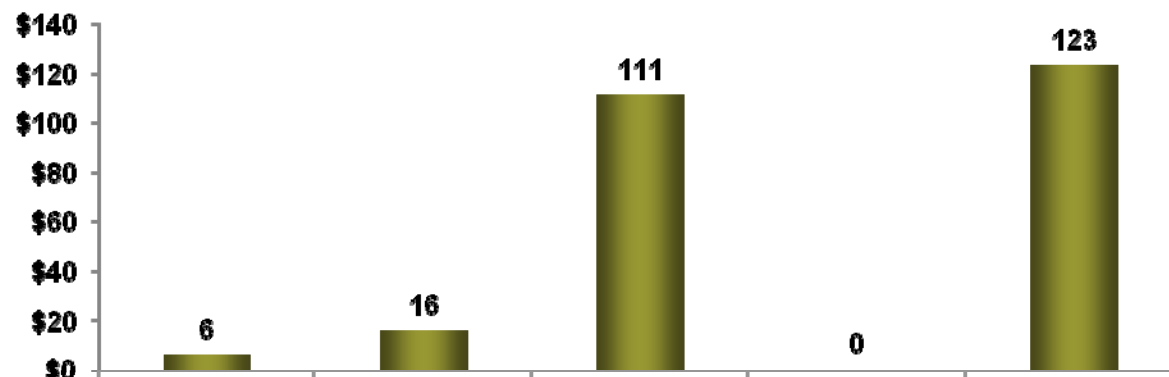


(1) A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures are available in PRIMUS' Second Quarter 2009 Financial Results release (August 13, 2009), in periodic SEC filings, and on [www.primustel.com](http://www.primustel.com).

(2) Net leverage calculated using total debt of \$256 million and cash of \$41.5 million as of July 1, 2009. LTM EBITDA of \$67.3 million as of 6/30/09.

# Projected Debt Maturities and Scheduled Amortization

(US\$ Millions)



	2H09	2010	2011	2012	2013
<b>Canadian Credit Facility</b>	3	6	21	-	-
<b>Senior Secured Term Loan</b>	2	6	88	-	-
<b>Capital Leases</b>	1	4	2	-	-
<b>Senior Subordinated 2<sup>nd</sup> Lien Secured Notes</b>	-	-	-	-	123
<b>Total</b>	\$6	\$16	\$111	\$0	\$123

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# 2009 Financial Performance Objectives

- **Continue to track ahead of the 2009 Adjusted EBITDA <sup>(1)</sup> projection of \$66 million contained in the Plan of Reorganization**
- **Manage business to generate free cash flow <sup>(1)</sup> exclusive of expenses related to the reorganization**
- **Manage 2009 capital expenditures not to exceed \$18 million**

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# Near-Term Strategic Priorities

## ■ Drive Profitable growth

- Focus on high-growth and high-margin businesses including broadband, VoIP, hosting, local services, and wireless MVNO in primary markets of Australia and Canada

## ■ Continue cost rationalization

- Complete implementation of \$10 million cost reduction initiative by year-end 2009
- Disciplined capital expenditure strategy

## ■ Undertake portfolio assessment

- Optimize cash return from non-primary businesses / markets

## ■ Access capital markets opportunistically to strengthen the balance sheet

- Refinance debt to extend maturities and improve liquidity

# Appendix

## Non-GAAP Measures

Non-GAAP Measures		
ADJUSTED EBITDA	Q1 2009	Q2 2009
NET INCOME ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	\$ 13,991	\$ 25,366
Reorganization items, net	(16,568)	8,271
Share-based compensation expense	16	11
Depreciation and amortization	6,096	6,250
(Gain) loss on sale or disposal of assets	(59)	16
Interest expense	10,776	3,359
Accretion on debt premium, net	(189)	-
Interest and other income	(235)	(161)
Foreign currency transaction (gain) loss	3,049	(24,170)
Income tax (benefit) expense	2,797	1,110
Minority interest income (expense)	(136)	104
Loss from discontinued operations, net of tax	393	283
Gain from sale of discontinued operations, net of tax	(251)	-
ADJUSTED EBITDA	<u>\$ 19,680</u>	<u>\$ 20,439</u>
<b>FREE CASH FLOW</b>		
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE REORGANIZATION ITEMS	\$ 4,643	\$ 17,097
Net cash used in purchase of property and equipment	(2,786)	(2,874)
FREE CASH FLOW	<u>\$ 1,857</u>	<u>\$ 14,223</u>

### Adjusted EBITDA

Adjusted EBITDA, as defined by us, consists of net income (loss) before reorganization items, net, interest, taxes, depreciation, amortization, share-based compensation expense, gain (loss) on sale of assets, gain (loss) on disposal of assets, asset impairment expense, gain (loss) on early extinguishment or restructuring of debt, foreign currency transaction gain (loss), minority interest income (expense), extraordinary items, other income (expense), income (loss) from discontinued operations, accretion on debt premium and income (loss) from sale of discontinued operations. 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 reorganization and restructuring items, 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 making our capital expenditures and other investments in our infrastructure, to meet scheduled debt 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 and 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.