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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2004

### PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation)

**0-29092**

(Commission File No.)

**54-1708481**

(IRS Employer Identification No.)

**1700 Old Meadow Road, Suite 300, McLean, VA 22102**

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(703) 902-2800**

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#### Item 7. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated July 29, 2004

#### Item 12. Results of Operation and Financial Condition.

In accordance with Securities and Exchange Commission (the "Commission") Release No. 33-8216, information under this caption and set forth in Exhibit 99.1 is being furnished pursuant to Item 12 of Form 8-K.

On July 29, 2004, Primus Telecommunications Group, Incorporated ("we" or "us") issued a press release announcing our financial results for the quarter ended June 30, 2004. The text of the press release is included as an exhibit to this Form 8-K. Pursuant to the rules and regulations of the Commission, such exhibit and the information set forth therein and herein are deemed to be furnished to, and shall not be deemed to be filed with or incorporated by reference into any filing with the Commission.

#### Non-GAAP Measures

Our press release and financial tables include the following non-GAAP financial information:

#### Adjusted EBITDA

Adjusted EBITDA, as defined by us, consists of net income (loss) before interest, taxes, depreciation, amortization, non-cash compensation expense, gain (loss) on sale of assets, asset impairment expense, gain (loss) on early extinguishment of debt, foreign currency transaction gain (loss), extraordinary items, and other income (expense). 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 is a measure that we use to evaluate our results and performance of our management team.

Adjusted Diluted Income (Loss) Per Common Share, as defined by us, is a calculation which divides reported net income (loss) before gain (loss) on sale of assets, asset impairment expense, early termination interest penalties, gain (loss) on early extinguishment of debt, foreign currency transaction gain (loss) and extraordinary items (collectively referred to as Adjusted Net Income (Loss)), and after accreted and deemed dividend on convertible preferred stock by diluted weighted average common shares outstanding, which dilutive calculations take into account the effect of the adjustments. Our definition of Adjusted Net Income (Loss) and Adjusted Diluted Income (Loss) Per Common Share may not be similar to Adjusted Net Income (Loss) and Adjusted Diluted Income (Loss) Per Common Share presented by other companies, are not measurements 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 for net income (loss) and basic and diluted income (loss) per common share.

We believe the presentation of Adjusted Net Income (Loss) and Adjusted Diluted Income (Loss) Per Common Share assists readers in further understanding our results of operations and trends from period to period, consistent with management's internal evaluation of our results for a variety of measures including strategic planning, capital expenditures, and executive compensation. We believe Adjusted Net Income (Loss) and Adjusted Diluted Income (Loss) Per Common Share provide to investors a measurement that allows comparison of current and prior periods, by removing certain items that do not directly correlate to the results of our business of selling and provisioning telecommunications services.

We provide a complete reconciliation of Adjusted Net Income (Loss) and Adjusted Diluted Income (Loss) Per Common Share so readers have access to the detail and general nature of the adjustments made.

### **Free Cash Flow**

Free cash flow, as defined by us, consists of net cash provided by (used in) operating activities 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

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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.

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### **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### **PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**

July 29, 2004 By:           /s/ Neil L. Hazard          

Name: Neil L. Hazard  
Title: Executive Vice President, Chief Operating Officer and  
Chief Financial Officer(Principal Financial Officer)

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### **EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press release dated July 29, 2004.

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## PRIMUS TELECOMMUNICATIONS REPORTS SECOND QUARTER 2004 FINANCIAL RESULTS

### *2004 Goals Revised to Reflect Accelerated Strategic Initiatives and Increased Competition*

MCLEAN, VA.—(BUSINESS WIRE)—July 29, 2004—PRIMUS Telecommunications Group, Incorporated (Nasdaq: PRTL), a global telecommunications services provider, today announced its results for the quarter ended June 30, 2004.

#### **Key Quarterly Performance Highlights (comparisons are to the prior year quarter):**

- **\$332 Million Net Revenue, Up 4%**
- **\$12 Million Income from Operations**
- **\$37 Million Adjusted EBITDA, Up 7%**
- **\$20 Million Cash Provided by Operating Activities**
- **\$13 Million Free Cash Flow**

PRIMUS reported second quarter 2004 net revenue of \$332 million, up 4% from \$320 million in the second quarter of 2003, and down 5% sequentially from \$348 million in the first quarter of 2004. The Company reported a net loss for the quarter of (\$15) million (including \$16 million in net losses from foreign currency transactions and the sale of assets, partially offset by a gain on early retirement of debt) compared to net income of \$20 million (including \$22 million in net gains from foreign currency transactions and the early retirement of debt, partially offset by a loss on the sale of assets) in the second quarter of 2003. As a result, the Company reported basic and diluted loss per common share of (\$0.17) for the second quarter 2004, compared to basic and diluted income per common share of \$0.21 in the year-ago quarter. Adjusted Net Income, as calculated in the attached schedules, for the second quarter of 2004 was \$1 million, as compared to an Adjusted Net Loss of (\$2) million in the second quarter of 2003. Adjusted Diluted Income Per Common Share was \$0.01 for the second quarter 2004, compared to an Adjusted Diluted Loss Per Common Share of (\$0.04) in the year-ago quarter.

PRIMUS's operating results in the second quarter reflect increased competition from product bundling in virtually all of the Company's markets, together with continued competitive pricing pressures. In addition, wireline long distance usage continued to decline due to increased use of cellular phones and Internet services. "It is clear that our revenue growth and profitability have been strongly challenged by a changing industry environment throughout the first half of this year," said K. Paul Singh, Chairman and Chief Executive Officer of PRIMUS. "During the first quarter we experienced pricing pressure on our core long distance and dial-up Internet service provider (ISP) products. In the second quarter, this competitive challenge became more intense when major incumbent carriers in our markets used long distance offerings as a "loss leader" to encourage customers to subscribe to their bundled local, cellular and broadband services.

"Our strategic response to this new competitive reality is to take immediate steps to transform PRIMUS from being a long distance voice and ISP carrier into an integrated wireline, cellular and broadband services provider. This was a transformation we knew we had to make over time to remain competitive, and it was the basis for our announcement in February of this year of our strategic initiatives in local, cellular and broadband VOIP services. We continue to make major investments in these critically important programs, and they've already begun to bear fruit. Although the aggregate revenues are still modest in comparison to our \$1.3 billion revenue base, the trend lines are encouraging—revenues from these initiatives more than doubled from first quarter 2004 levels. Given these positive early results and the ongoing competitive pressures in the marketplace, we have revised our prior plans for a measured roll-out of our new products and will now be accelerating the implementation of these initiatives throughout the second half of the year. These efforts will significantly enhance our bundled service capabilities, and as a result, we expect them to reduce the competitive vulnerability of our core, high margin, retail long distance and ISP businesses," Mr. Singh added. "They will also provide us with long-term growth potential in local, cellular and broadband markets where PRIMUS has previously not been a significant player."

The Company's second quarter was highlighted by the accelerated implementation of its previously announced strategic initiatives. Retail VOIP services were rolled out in the United States and were expanded in Canada to small- and medium-sized businesses. Competitive local services for retail customers were deployed in both Canada and Australia. Further, based upon favorable market response, the distribution efforts for PRIMUS-branded cellular handsets were broadened in Europe and expanded to both India and the Middle East. Earlier this week, PRIMUS Canada announced its new cellular services offering.

"Our new products are gaining traction and we believe that, going forward, our bundled offerings will provide us the necessary competitive posture better to defend our retail customer base, while enhancing our overall opportunity for long-term growth," stated Mr. Singh.

#### Second Quarter 2004 Financial Results

Net revenue for the second quarter of 2004 was \$332 million, up 4% from \$320 million in the second quarter of 2003, and down 5% sequentially from \$348 million in the first quarter of

2004. "Of the \$16 million sequential quarter revenue decline, \$11 million was due to weaker foreign currencies, and \$5 million resulted from a decline in the Company's low margin carrier business. However, the Company's retail revenues remained stable," stated Neil L. Hazard, Chief Operating Officer and Chief Financial Officer. "The year-over-year revenue increase is comprised of a \$20 million increase from stronger foreign currencies, a \$7 million decline in the low margin carrier business and a \$1 million decrease in retail revenues."

Data/Internet and VOIP net revenue was up 21% from the year-ago quarter to a record high of \$61 million, and a new record high of 19% of total net revenue, and was up 3% sequentially from the first quarter of 2004. Net revenues from cellular products were \$5 million in the second quarter, up sequentially from \$3 million in the first quarter, and represented 1.4% of total net revenues. On a geographic basis, net revenue remained balanced with 35% coming from North America, 34% from Europe and 31% from Asia-Pacific. The mix of net revenue by customer type was 81% retail (56% residential and 25% business) and 19% carrier.

Selling, general and administrative (SG&A) expenses for the quarter were \$95 million (28.8% of net revenue), as compared to \$89 million (27.9% of net revenue) for the second quarter of 2003 and \$94 million (27.1% of net revenue) in the prior quarter. The sequential and year-over-year increase in SG&A expenses are due primarily to additional spending on the Company's new initiatives and increased marketing expenditures associated with defense of the Company's core businesses.

Income from operations was \$12 million (including a \$2 million loss on a sale of an asset) in the second quarter of 2004, versus \$13 million (including a \$1 million loss on a sale of an asset) in the year-ago quarter, and was down \$8 million from the prior quarter as a result of lower net revenue and higher SG&A expenses.

Adjusted EBITDA, as calculated in the attached schedules, was \$37 million for the second quarter of 2004, an improvement of 7% over the second quarter of 2003. On a sequential basis, Adjusted EBITDA was down from \$44 million in the prior quarter, reflecting weaker foreign currencies, increased SG&A spending and lower net revenue.

Interest expense for the quarter was \$12 million, a substantial decrease from \$15 million in the prior year quarter as a result of the reduction in the amount of and yield on the Company's debt.

Net loss for the quarter was (\$15) million (including \$16 million in net losses from foreign currency transactions and the sale of assets, partially offset by a gain on early retirement of debt) compared to net income of \$20 million (including \$22 million in net gains from foreign currency transactions and the early retirement of debt, partially offset by a loss on the sale of assets) in the second quarter of 2003, and a net loss of (\$10) million (including \$15 million in losses from foreign currency transactions and early retirement of debt) in the prior quarter.

Adjusted Net Income, as calculated in the attached schedules, for the second quarter was \$1 million, as compared to an Adjusted Net Loss of (\$2) million in the second quarter of 2003, and Adjusted Net Income of \$6 million in the prior quarter.

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Basic and diluted loss per common share were (\$0.17) for the second quarter 2004, compared to basic and diluted income per common share of \$0.21 for the second quarter of 2003, and basic and diluted loss per common share of (\$0.11) in the first quarter of 2004. Basic and diluted weighted average common shares outstanding for the second quarter 2004 were 90 million.

Adjusted Diluted Income Per Common Share, as calculated in the attached schedules, was \$0.01 for the second quarter 2004, compared to an Adjusted Diluted Loss Per Common Share of (\$0.04) in the year-ago quarter, and Adjusted Diluted Income Per Common Share of \$0.07 for the first quarter of 2004.

#### Liquidity and Capital Resources

PRIMUS ended the second quarter of 2004 with a cash balance of \$78 million, including \$12 million of restricted funds. The June 30, 2004 cash balance was reduced by \$7 million from the March 31, 2004 balance due to certain cash balances being maintained in countries where currencies weakened as compared to the US dollar. During the quarter the Company generated \$20 million in cash from operating activities after paying down \$15 million in accounts payable and certain other current liabilities. Capital expenditures for the quarter were \$8 million, and the Company spent \$9 million on business acquisitions. Free cash flow for the second quarter of 2004, as calculated in the attached schedules, was \$13 million.

During the second quarter of 2004 the Company repurchased \$5 million and \$0.5 million principal amount of its 8.00% and 12.75% senior notes, respectively. In April the Company's Canadian subsidiary established a \$42 million Canadian dollar term loan facility with an interest rate of 7.75%, which is currently not drawn upon.

PRIMUS's long-term debt obligations as of June 30, 2004 were \$582 million. The Company and/or its subsidiaries will evaluate and determine on a continuing basis, depending upon market conditions and the outcome of events described as "forward-looking statements" in this release and its SEC filings, the most efficient use of the Company's capital, including investment in the Company's network and systems, lines of business, potential acquisitions, purchasing, refinancing, exchanging or retiring certain of the Company's outstanding debt securities in privately negotiated transactions, open market transactions or by other direct or indirect means to the extent permitted by its existing covenants. The Company has an effective shelf registration statement on file with the SEC for issuance of up to an aggregate of \$200 million of securities.

#### **Revised 2004 Goals**

"In light of existing competitive pressures and our expectation that meaningful revenues from the new initiatives will not materialize until 2005, the Company expects sequential revenue, on a constant currency basis, to be roughly flat in the third quarter, followed by a positive inflection in the fourth quarter of 2004," stated Mr. Singh.

"Most of the strategic initiatives are expected to be launched by the end of the year, and our revised goals reflect the accelerated deployment of these products. As a result of the

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related investments, together with the need for increased marketing to defend our core businesses, we now expect Adjusted EBITDA to be in the \$29 million to \$31 million range in the third quarter, with a positive inflection in the fourth quarter. Capital expenditures for the full year 2004 are expected to be in the range of \$42 million to \$45 million. Free cash flow for the last half of the year is expected to be in the range of positive \$5 million to \$10 million, and we expect an Adjusted Net Loss in the range of (\$6) million to (\$9) million for the full year," stated Mr. Singh.

"We are taking strong, positive action today, with the goal of strengthening our business and improving our outlook for 2005," Mr. Singh commented. We believe that the accelerated roll-out of our new initiatives will strengthen our competitive positioning as we seek to defend our profitable core businesses. That's obviously our top priority. However, these same initiatives will also enable us to exploit opportunities in the new local, cellular and broadband markets. We plan to provide guidance in early 2005 which will reflect our operating experience in the evolving competitive marketplace during the balance of 2004," Singh concluded.

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The management of PRIMUS Telecommunications Group, Incorporated will conduct a conference call and Web cast to discuss second quarter 2004 results today, July 29, 2004, at 5:00 PM Eastern. Participants should dial 800-982-3654 (domestic) or 703-871-3021 (international) for telephone access or go to [www.primustel.com](http://www.primustel.com) for Web cast access about ten minutes prior to the start-time. Replay information will be available following the conclusion of the live broadcasts on the Company's Web site.

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Primus Telecommunications Group, Incorporated (Nasdaq: PRTL) is a global telecommunications services provider offering bundled voice, data, Internet, DSL, VOIP, cellular, Web hosting, enhanced VPN applications and other value added services. PRIMUS operates an extensive global backbone network of owned and leased transmission facilities, including VOIP connections to over 150 countries and over 550 points-of-presence (POPs) throughout the world, ownership interests in 23 undersea fiber optic cable systems, 18 international gateway and domestic switches, and a variety of operating relationships that allow it to deliver traffic worldwide. PRIMUS also has deployed a global broadband fiber optic ATM+IP network and operates data centers to offer customers Internet, data, hosting and e-commerce services. Founded in 1994 and based in McLean, Virginia, PRIMUS serves corporate, small- and medium-sized businesses, residential and data, ISP and telecommunications carrier customers primarily located in the North America, Europe and Asia-Pacific regions of the world. News and information are available at PRIMUS's Web site at [www.primustel.com](http://www.primustel.com).

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Statements in this press release concerning the future revenue, income from operations, net income and basic and diluted income per common share, quarterly interest expense, VOIP, cellular and wireline growth prospects, financing plans, income tax expense, cash flow, the effectiveness and profitability of planned future service offerings, selling, general and administrative expense, capital expenditures, working, capital changes in competitive circumstances and growth constitute "forward-looking statements" within the meaning of Section 27A of the

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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. 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: changes in business conditions; future growth, including future growth related to new product initiatives; competitive market strategies including product bundling by competition; accelerating new product initiatives; 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; adverse interest rate developments; fluctuations in prevailing trade credit terms or revenues due to the adverse impact of, among other things, further telecommunications carrier bankruptcies or adverse bankruptcy related developments affecting our large carrier customers; the possible inability to raise additional capital when needed, or at all; changes in the telecommunications or Internet industry; adverse tax rulings from applicable taxing authorities; digital subscriber line, Internet, VOIP, cellular and telecommunications competition; changes in financial, capital market and economic conditions; changes in service offerings or business strategies; difficulty in retaining customers; difficulty in providing VOIP services or new local, cellular or broadband initiatives; changes in the regulatory schemes or requirements and regulatory enforcement in the markets in which we operate; restrictions on our ability to follow certain strategies or complete certain transactions as a result of our capital structure or debt covenants; risks associated with our limited DSL, Internet, VOIP, cellular and Web hosting experience and expertise; entry into developing markets; the possible inability to hire and/or retain qualified sales, technical and other personnel, and to manage growth; risks associated with international operations; dependence on effective information systems; dependence on third parties to enable us to expand and manage our global network and operations and to provide local, cellular and broadband services; dependence on the implementation and performance of our global asynchronous transfer mode + Internet protocol communications network; adverse outcomes of outstanding litigation matters; and the outbreak or escalation of hostilities or terrorist acts and adverse geopolitical developments. 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. You are advised, however, to consult the discussion of risks and uncertainties under "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Short and Long-Term Liquidity Considerations and Risks"; and "-Special Note Regarding Forward-Looking Statements" contained in our annual report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission.

This release includes certain non-GAAP financial measures as defined under SEC rules. As required by SEC rules, we have provided a reconciliation of these measures to the most directly comparable GAAP measures, which is contained in the tables to this release and on our website at [www.primustel.com](http://www.primustel.com). Additionally, information regarding the purpose and use for these non-GAAP financial measures is set forth with this press release in our Current Report on Form 8-K filed with the SEC on July 29, 2004, and available on our website.

For more information:

John DePodesta

Executive Vice President

Primus Telecommunications Group, Incorporated

(703) 748-8050

[ir@primustel.com](mailto:ir@primustel.com)

**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
NET REVENUE	\$ 331,615	\$ 320,240	\$ 679,638	\$ 620,683
<b>OPERATING EXPENSES</b>				
Cost of revenue (exclusive of depreciation included below)	199,035	196,363	408,692	386,386
Selling, general and administrative	95,407	89,241	189,724	166,866
Depreciation and amortization	23,140	21,218	46,647	41,553
Loss on sale of assets	1,873	804	1,873	804
Asset impairment write-down	—	—	—	537
Total operating expenses	319,455	307,626	646,936	596,146
INCOME FROM OPERATIONS	12,160	12,614	32,702	24,537
INTEREST EXPENSE	(11,579)	(14,622)	(26,658)	(29,999)
GAIN (LOSS) ON EARLY EXTINGUISHMENT OF DEBT	297	7,981	(13,896)	14,634
INTEREST AND OTHER INCOME (EXPENSE)	552	(82)	1,288	200
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(14,665)	14,765	(15,797)	24,818
INCOME (LOSS) BEFORE INCOME TAXES	(13,235)	20,656	(22,361)	34,190
INCOME TAX EXPENSE	(1,651)	(620)	(2,580)	(2,953)
NET INCOME (LOSS)	(14,886)	20,036	(24,941)	31,237
ACCREDITED AND DEEMED DIVIDEND ON CONVERTIBLE PREFERRED STOCK	—	(1,356)	—	(1,678)
INCOME (LOSS) ATTRIB. TO COMMON STOCKHOLDERS	\$ (14,886)	\$ 18,680	\$ (24,941)	\$ 29,559
<b>INCOME (LOSS) PER COMMON SHARE:</b>				
Basic	\$ (0.17)	\$ 0.21	\$ (0.28)	\$ 0.35
Diluted	\$ (0.17)	\$ 0.21	\$ (0.28)	\$ 0.34
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	89,611	87,774	89,190	85,332
Diluted	89,611	90,744	89,190	87,572

**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**  
**CONSOLIDATED CONDENSED FINANCIAL DATA**

(in thousands)  
(unaudited)

**Balance Sheet Data**

	June 30, 2004
Cash and cash equivalents	\$ 66,349
Accounts receivable, net	176,897
Other current assets	44,450
<b>TOTAL CURRENT ASSETS</b>	<b>287,696</b>
Restricted cash	12,012
Property and equipment, net	314,688
Intangible assets, net	106,133
Other assets	17,793
<b>TOTAL ASSETS</b>	<b>\$ 738,322</b>
Accounts payable	\$ 96,303
Accrued interconnection costs	76,203
Accrued expenses and other current liabilities	70,198
Accrued income taxes	21,733
Accrued interest	14,376
Current portion of long-term obligations	21,347

TOTAL CURRENT LIABILITIES	300,160
Non-current portion of long-term obligations	560,366
Other liabilities	1,420
<b>TOTAL LIABILITIES</b>	<b>861,946</b>
Stockholders' deficit	(123,624)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 738,322</b>

Operational Data  
(Three Months Ended June 30, 2004)

Region	Net Revenue	Minutes of Use		
		International	Domestic	Total
North America	\$ 117,523	550,439	801,738	1,352,177
Europe	112,878	672,893	195,208	868,101
Asia-Pacific	101,214	41,748	204,598	246,346
<b>Total</b>	<b>\$ 331,615</b>	<b>1,265,080</b>	<b>1,201,544</b>	<b>2,466,624</b>

**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**  
**RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA**  
(in thousands)  
(unaudited)

	Three Months Ended		
	June 30, 2004	March 31, 2004	June 30, 2003
NET INCOME (LOSS)	\$ (14,886)	\$ (10,055)	\$ 20,036
Add:			
Interest expense	11,579	15,079	14,622
Income tax expense	1,651	929	620
Depreciation and amortization expense	23,140	23,507	21,218
Non-cash compensation expense	—	—	245
Loss on sale of assets	1,873	—	804
(Gain) loss on early extinguishment of debt	(297)	14,193	(7,981)
Foreign currency transaction (gain) loss	14,665	1,132	(14,765)
Less:			
Interest income and other income	(552)	(736)	82
<b>ADJUSTED EBITDA</b>	<b>\$ 37,173</b>	<b>\$ 44,049</b>	<b>\$ 34,881</b>

**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**  
**RECONCILIATION OF DILUTED INCOME (LOSS) PER COMMON SHARE TO**  
**ADJUSTED DILUTED INCOME (LOSS) PER COMMON SHARE**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended		
	June 30, 2004	March 31, 2004	June 30, 2003
NET INCOME (LOSS)	\$ (14,886)	\$ (10,055)	\$ 20,036
Add:			
Loss on sale of assets	1,873	—	804
Early debt termination interest penalty	—	852	—
(Gain) loss on early extinguishment of debt	(297)	14,193	(7,981)
Foreign currency transaction (gain) loss	14,665	1,132	(14,765)
<b>ADJUSTED NET INCOME (LOSS)</b>	<b>1,355</b>	<b>6,122</b>	<b>(1,906)</b>
Accreted and deemed dividend on convertible preferred stock	—	—	(1,356)
<b>ADJUSTED DILUTIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 1,355</b>	<b>\$ 6,122</b>	<b>\$ (3,262)</b>
BASIC WEIGHTED AVG. COMMON SHARES OUTSTANDING	89,611	88,770	87,774
Stock options - dilutive shares	3,586	4,140	—
Stock warrants - dilutive shares	—	18	—
<b>ADJUSTED DILUTED WEIGHTED AVERAGE COMMON SHARES</b>	<b>93,197</b>	<b>92,928</b>	<b>87,774</b>

OUTSTANDING

ADJUSTED DILUTED INCOME (LOSS) PER COMMON SHARE	\$ 0.01	\$ 0.07	\$ (0.04)
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**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**  
**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW**  
(in thousands)  
(unaudited)

	<u>June 30,</u> <u>2004</u>	<u>Three Months Ended</u> <u>March 31,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 20,248	\$ 13,579	\$ 19,051
Net cash used in purchase of property and equipment	(7,681)	(9,773)	(4,705)
FREE CASH FLOW	<u>\$ 12,567</u>	<u>\$ 3,806</u>	<u>\$ 14,346</u>