Report

for the three and six-month periods
ended June 30, 2008

PrimaCom AG

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PrimaCom AG and Subsidiaries
Consolidated Income Statement
for the six months ended June 30, 2008

Unaudited

in Euro '000	Note	Six months ended Jun 30, 2008	2007
		EUR'000	EUR'000
Revenues		58,522	58,086
Operations		(22,991)	(22,221)
Selling, general and administrative		(12,692)	(12,354)
Depreciation and amortization		(19,048)	(18,636)
Other operating income		308	102
		(54,423)	(53,109)
Operating profit		4,099	4,977
Financing costs		(19,641)	(16,830)
Financing income		9,521	888
Profit / (Loss) before tax		(6,021)	(10,965)
Income taxes	5	302	660
Profit / (Loss) for the year		(5,719)	(10,305)
Attributable to:			
Equity holders of the parent		(5,719)	(10,305)
Minority interests		-	-
		(5,719)	(10,305)
Earnings per share			
- basic, for profit / (loss) for the year attributable to ordinary equity holders of the parent		(0.24)	(0.51)
- basic, for profit / (loss) from continuing operations attributable to ordinary equity holders of the parent		(0.24)	(0.51)
- diluted, for profit / (loss) for the year attributable to ordinary equity holders of the parent		(0.24)	(0.51)
- diluted, for profit / (loss) from continuing operations attributable to ordinary equity holders of the parent		(0.24)	(0.51)

PrimaCom AG and Subsidiaries
Consolidated Balance Sheet
at June 30, 2008

Unaudited

(in thousands)	Note	Jun 30 2008 Euro	Dec 31 2007 Euro
ASSETS			
Non-current assets			
Property and equipment	7	216,084	223,720
Goodwill		204,603	204,603
Other intangible assets		2,554	2,723
Deferred tax asset		8,317	6,425
Other non-current assets		10,175	1,334
		441,733	438,805
Current assets			
Trade receivables		2,878	3,548
I/C accounts receivable		-	269
Other current assets		2,004	2,078
Cash	4	17,012	9,380
		21,894	15,275
TOTAL ASSETS		463,627	454,080
EQUITY AND LIABILITIES			
Equity (deficit) attributable to equity holders of the Parent	9		
Issued capital		60,747	60,747
Share premium		375,920	375,866
Cumulated loss		(445,724)	(440,005)
		(9,057)	(3,392)
Minority interests		12	12
Total equity (deficit)		(9,045)	(3,380)
Non-current liabilities			
Interest bearing loans and borrowings		373,729	370,936
Shareholder Loan	10	14,669	13,800
Deferred tax liability		12,103	10,719
Other non current liabilities		-	2
		400,501	395,457
Current liabilities			
Trade and other payables		28,308	13,996
Interest bearing loans and borrowings		1,552	8,336
Deferred revenue		3,430	1,405
Inter-company interest payable		-	64
Provisions		38,881	38,202
		72,171	62,003
Total liabilities		472,672	457,460
TOTAL EQUITY AND LIABILITIES		463,627	454,080

PrimaCom AG and Subsidiaries
Consolidated Statement of Changes in Equity
for the six months ended June 30, 2008

Unaudited

Current Year

	Note	Attributable to equity holders of the parent					
		Issued Capital	Share Premium	Cumulated Loss	Total	Minority interests	Total Equity
		Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
At January 1, 2008		**60,747**	**375,866**	**(440,005)**	**(3,392)**	**12**	**(3,380)**
Stock Option compensation	9	-	54	-	54	-	54
Profit / loss for the six months		-	-	(5,719)	(5,719)	-	(5,719)
At June 30, 2008		**60,747**	**375,920**	**(445,724)**	**(9,057)**	**12**	**(9,045)**

Prior Year

	Note	Attributable to equity holders of the parent					
		Issued Capital	Share Premium	Cumulated Loss	Total	Minority interests	Total Equity
		Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
At January 1, 2005		50,614	361,262	(606,723)	(194,847)	434	(194,413)
Stock option compensation		-	105	-	105	-	105
Profit for the year		-	-	241,570	241,570	(5)	241,565
At January 1, 2006		50,614	361,367	(365,153)	46,828	429	47,257
Stock option compensation		-	173	-	173	-	173
Issue of Warrants		-	3,258	-	3,258	-	3,258
Contribution Bonus Management Board		-	8,820	-	8,820	-	8,820
Contribution Bonus Supervisory Board		-	1,530	-	1,530	-	1,530
Buy out of Minority Interest		-	-	-	-	(380)	(380)
Profit for the year		-	-	(15,057)	(15,057)	(38)	(15,095)
At January 1, 2007		**50,614**	**375,148**	**(380,210)**	**45,552**	**11**	**45,563**
Stock Option compensation	9	-	72	-	72	-	72
Issue of Shares in settlement of managemant bonus	9	1,687	(1,687)	-	-	-	-
Issue of Shares in settlement of Supervisory Board bonus	9	539	(539)	-	-	-	-
Profit / loss for the six months		-	-	(10,305)	(10,305)	-	(10,305)
At June 30, 2007		**52,840**	**372,994**	**(390,515)**	**35,319**	**11**	**35,330**

PrimaCom AG and Subsidiaries
Consolidated Cash Flow Statement
for the six months ended June 30, 2008

Unaudited

	three months ended	
	Jun 30, 2008	**Jun 30, 2007**
Cash flows from operating activities	**Euro '000**	**Euro '000**
Profit (+) / Loss (-) for the year	(5,719)	(10,305)
Charges against operations not included in cash:		
Depreciation and amortization	19,048	18,636
Depreciation and amortization related to discontinued operations	-	-
Amortization of debt issuance costs	-	2,233
Gain / loss on sale of fixed assets	(262)	-
Non-cash finance costs	18,268	14,687
Cash finance costs	1,853	456
Non cash finance income from derivative financial instruments	(8,871)	(829)
Cash Proceeds from derivative financial instruments	(650)	(56)
Capitalised interest	(480)	(549)
Stock option compensation	54	72
Deferred income taxes	(508)	(805)
Other	1	2
Changes in assets and liabilities,		
Trade receivables	670	(506)
Trade receivables from affiliated companies	269	-
Other assets	102	(134)
Provisions, trade & other payables	2,879	(336)
Deferred revenue	2,025	1,886
Net cash provided by (used in) operating activities	28,679	24,452
Cash flows from investing activities		
Purchases of property and equipment	(10,784)	(15,089)
Proceeds from sale of property and equipment	283	61
Net cash provided by (used in) investing activities	(10,501)	(15,028)
Cash flows from financing activities		
Repayments of interest bearing loans and borrowings	-	(8,000)
Interest payments	(2,262)	(9,638)
Repayments of finance lease liabilities	-	(28)
Net cash provided by (used in) financing activities	(2,262)	(17,666)
Net increase (decrease) in cash	15,916	(8,242)
Cash at beginning of year	9,380	7,952
Overdraft at beginning of year	(8,336)	(5)
Cash and cash equivalents at beginning of year	1,044	7,947
Cash at end of year	17,012	174
Overdraft at end of year	(52)	(469)
Cash and cash equivalents at end of year	16,960	(295)
Supplemental disclosure of cash flow information:		
Interest paid	2,262	9,638
Taxes paid	83	475

PrimaCom AG, Mainz, Germany
Selected Explanatory Notes to the Interim Consolidated Financial Statements

All amounts are in EUR k, unless otherwise stated

1. Corporate Information

PrimaCom AG and subsidiaries (“PrimaCom”, “PrimaCom Group” or “the Company”) is a German stock corporation with its corporate headquarters in 55124 Mainz, An der Ochsenwiese 3.

PrimaCom is listed in the General Standard segment of the Frankfurt Stock Exchange. The Company’s activities are further described in the note entitled “Segment Information”.

The management board approved the publication of PrimaCom’s interim consolidated financial statements for the six months ended June 30, 2007, on August 29, 2008.

The interim consolidated financial statements and the interim management report are neither reviewed nor audited in accordance with § 317 HGB.

2. Basis of Preparation

2.1 Accounting Policies

Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR k) except when otherwise indicated.

The interim consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at December 31, 2007.

Significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2007.

Going Concern

Pursuant to IAS 1.23 and IAS 1.24, the financial statements have been prepared by management on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The Company incurred a loss of EUR 5,719k and EUR 10,305k in the six months ended June 30, 2008 and June 30, 2007 respectively.

3. Seasonality of operations

Our revenues do not fluctuate from quarter to quarter as we are offering our services consistently throughout the year.

All amounts are in EUR k, unless otherwise stated

4. Cash

For the purpose of the interim consolidated cash flow statement, cash comprised of the following:

	June 30, 2008	December 31, 2007
	unaudited	
Cash at bank and in hand	17,012	9,380

5. Income Tax

The major components of income tax income in the interim consolidated income statement are:

	For the six months ended	
	June 30, 2008	June 30, 2007
	unaudited	
Current income tax		
Current income tax charge	(206)	(145)
Deferred income tax		
Income relating to origination and reversal of temporary differences	508	805
Income tax	302	660

All amounts are in EUR k, unless otherwise stated

6. Segment Information

Business segments are defined as distinguishable components of an enterprise that are engaged in providing an individual product or service or a group of related products or services that are subject to risks and returns that are different from those of other business segments.

PrimaCom's revenues primarily include monthly subscription fees and, to a lesser extent, installation and connection fees related to its basic analog cable television services and high speed internet access. Revenue also includes monthly subscription fees and, to a lesser extent, installation and connection fees related to digital television services, which in turn include revenues from both near-video and video-on-demand services. Other major sources of revenue include signal delivery fees charged to other cable television operators for delivering signals to their networks and carriage fees that channel operators pay us in return for routing their channels to the end customer.

Although revenues for the four product categories shown below are regularly reviewed by the chief operating decision maker or decision making group these product categories do not form separate business segments due to the insignificant size of all product categories other than analog cable television service.

Revenues

	For the six months ended	
	June 30, 2008	**June 30, 2007**
	unaudited	
Germany		
Analog cable	47,381	48,943
Digital cable	548	220
High-speed internet	5,151	3,721
Telephony	2,879	1,457
Other revenue	2,563	3,745
Total revenues	58,522	58,086

7. Property and Equipment

During the six months ended June 30, 2008, the Group acquired assets with a cost of EUR 10,784k (2007: EUR 15,089k).

Assets with a net book value of EUR 21k were disposed by the Group during the six months period ended June 30, 2008 (2007: EUR 61k) resulting in a net gain on disposal of EUR 262k (2007 net gain of EUR 0k).

8. Share-Based Payment Plans

Compensation Expense Recognized Under Share-Based Payment Plans

Compensation expense totaled EUR 54k and EUR 72k for the six months period ended June 30, 2008 and June 30, 2007, respectively. It increased the share premium accordingly.

No stock options were granted, exercised, expired or forfeited under both “The 1999 Universal and Executive Share-Based Payment Plans” and “The 2000 Universal and Executive Share-Based Payment Plan” for the six months period ended June 30, 2007 and June 30, 2006 respectively.

9. Equity

Issued Capital

Issued capital was increased by EUR 1,687,263.21 (660,000 no-par value bearer shares) following authorization granted by way of the amendment to the articles of incorporation on March 14, 2006 (partial utilization of approved capital). Art. 5 of the articles of incorporation (amount and classification of issued capital) was changed by supervisory board resolution dated December 7, 2006. The change was entered in the commercial register of PrimaCom AG on March 28, 2007 and issued capital was increased at that date.

Issued capital was increased by EUR 539,011.57 (210,843 no-par value bearer shares) following authorization granted by way of the amendment to the articles of incorporation on March 14, 2006 (partial utilization of approved capital). Art. 5 of the articles of incorporation (amount and classification of issued capital) was changed by supervisory board resolution dated December 7, 2006. The change was entered in the commercial register of PrimaCom AG on May 24, 2007 and issued capital was increased at that date

Share premium

Compensation expense recognized under share-based payment plans totaled EUR 54k and EUR 72k for the six months period ended June 30, 2008 and June 30, 2007, respectively. It increased the share premium accordingly.

10. Related Party Disclosures

Transactions with Other Related Parties

The Company uses the services of BFE Nachrichtentechnik GmbH for installation, repair and maintenance of its cable networks, which is indirectly owned by Mr. Wolfgang Preuss, a brother of Mr Manfred Preuss and a shareholder of the Company. For the six months period ended June 30, 2008 and 2007, the Company paid for these services approximately EUR 720k and EUR 881k, respectively.

A member of the supervisory board, Mr. Heinz Eble, is a partner of the law firm Rechtsanwälte Kleber Eble & Hock. For the six months period ended June 30, 2008 and 2007, the total payments to Rechtsanwälte Kleber Eble & Hock were approximately EUR 71k and EUR 71k, respectively.

As part of the refinancing in November 2007, PrimaCom Management GmbH was obligated to pay bank fees of EUR 13,800,000.00. In order to prevent creating a burden on the liquidity of PrimaCom Management

GmbH, the financing banks this amount to be provided in the form of a shareholder loan. On December 12, 2007, a loan of EUR 13,800,000.00 was paid by Omega I S.à.r.l. as the lender to PrimaCom Management GmbH as the borrower. According to the agreement dated December 12, 2007, interest of 10% is charged on the loan every year. Interest is to be paid at the end of each calendar month. The funds used for this loan originate from a loan provided by Escaline S.à.r.l. under a PIK loan provided by the Credit Suisse London branch on April 16, 2007 (“PIK”). Therefore, the parties agreed that they would subsequently change the terms and conditions of the loan agreement such that they correspond to those of the PIK, in particular the payment conditions, and that the lender will be able to issue the loan so as to optimize taxes. In 2008, the terms and conditions of the loan agreement were changed in an amendment agreement as follows: The loan will be charged interest of 11.75% p.a. plus the relevant three-month EURIBOR, which is determined for each quarter as of 1:00 p.m. CET two business days before the start of the preceding quarter plus 2%, i.e. 0.95% more than is paid by the lender to Escaline S.à.r.l. under its existing intercompany loan agreement and 1.05% more for a probability of default in the repayment of the loan, and to offset the administrative costs connected with the loan. Interest is due at the end of each calendar quarter for that quarter. If the borrower does not pay all of the interest charges which are due on the loan for each interest period within five (5) business days after they are due, the parties have agreed that this non-payment of interest will be considered a declaration by the borrower, effective from the day after the end of the interest period, that all interest which was incurred during that interest period should be added to the current loan amount as an additional portion of the loan (“capitalization”). However, capitalization will not occur if the lender receives relevant written notification from the borrower within five (5) business days after the due date of each interest payment. The lender issued a letter of subordination which stated that all of its claims for repayment of the loan are subordinated to the extent necessary in order to avert overindebtedness on the part of the borrower. This subordination applies as long as all of the borrower’s loan liabilities to companies which are not its affiliated companies (within the meaning of Sec. 15 AktG) have not been irrevocably paid in full and/or otherwise settled. The lender’s claims for repayment of the loan are therefore have the same rank as claims by shareholders of the borrower to distribution of the liquidity surplus (but first in line at this level) pursuant to Sec. 199 Sentence 2 InsO [“Insolvenzordnung”: German Insolvency Act] in the event that insolvency proceedings are initiated against the borrower. The lender may not demand any payment of the loan amount or interest if such payment would result in the borrower’s net assets falling below the capital stock required under the articles of incorporation and bylaws and lead to overindebtedness as defined by German insolvency law. The incurrence and capitalization of interest (if relevant) remains unaffected.

In the six months ended 30 June, 2008 interest payments to Omega in the amount of EUR 484k were made. The interest expense amounted to EUR 1.289k.

11. Financial Instruments

Hedging Activities

Under the terms of the 2007 senior credit facility the Company is required to hedge a minimum of 50% of the drawn senior facility of EUR 275,000k and the mezzanine facility of EUR 120,000k within 90 days of closing. Consequently, the Company has retained the Hedge, concluded on March 1, 2006 with a cap of 3.75% and a floor of 2.5% for a total of EUR 140.000k over a period from March 6, 2006 to March 31, 2009 Additionally the Company has concluded a further Hedge for a total of EUR 273,800k over the period February 19, 2008 to February 18 , 2011. The Hedge is a Zero Cost Participating Hedge with a cap of 3.96% a corridor between 3.96% and 3.15% in which the respective Euribor is valid and a fixed rate of 3.81% should Euribor fall below the floor level of 3.15%

Finance costs include income relating to the change in the fair value of these financial instruments of approximately EUR 8,871k for the six months period ended June 30, 2008. The fair value of the cap as of June 30, 2008 is EUR 10,014k and is recorded under other non-current assets. The fair value of the floor is below EUR 1k and is recorded under other non-current liabilities.

All amounts are in EUR k, unless otherwise stated

12. Events after the Balance Sheet Date

In agreement with the PrimaCom AG Supervisory Board, Hans-Werner Klose and Manfred Preuss resigned from their positions at PrimaCom effective July 8, 2008. The two remaining members of the management board Markus Schmid, chairman and CEO as well as Michael Buhl, CFO, will assume responsibility for the areas previously headed by Mr. Klose and Mr. Preuss.

In addition, Dr. Mathias Hink, member of the PrimaCom AG Supervisory Board, announced on March 8, 2008 that he will resign from his position due to other responsibilities, effective following the end of this year’s annual shareholders’ meeting.

Harald Petersen and Markus Straub, members of the PrimaCom AG Supervisory Board, announced on July 11, 2008 that they will resign from their positions effective following the end of this year’s annual shareholders’ meeting.

PrimaCom AG / Domination Agreement

On July 14, 2008 – PrimaCom AG, Mainz (“PrimaCom”), as the dominated entity, entered into domination agreement with its primary shareholder Omega I S.à r.l., Luxembourg (“Omega”) as the controlling entity. PrimaCom's supervisory board and the Omega shareholders’ meeting approved the domination agreement on July 14, 2008. The agreement will take effect once it has been agreed upon by the PrimaCom shareholders’ meeting and has been entered into the commercial register of the company.

Pursuant to the domination agreement, Omega will pay to the PrimaCom minority shareholders for the duration of the domination agreement a guaranteed dividend of 0.71 Euro gross (present net of 0.65 Euro) per PrimaCom share as compensation for every full fiscal year. Further, Omega has undertaken pursuant to the domination agreement to pay all minority shareholders of PrimaCom who decide to tender their shares because of the conclusion of the domination agreement 7.72 Euro per share in cash. The obligation of Omega to compensate for tendered shares is limited to two months after the agreement has been entered in the commercial register of PrimaCom (subject to a prolongation because of a judicial appraisal procedure).

All PrimaCom shareholders who accept Omega's offer within 45 days of the registration of the agreement with the commercial register will also receive a one-time, discretionary, special compensation from Omega in the amount of 1.18 Euro per PrimaCom share, making the total amount per PrimaCom share 8.90 Euro.

PrimaCom executive board and the executives of Omega jointly determined the amount of the compensation on the basis of the expert valuation of PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft, Frankfurt/Main dated July 14, 2008. Auditing company LKC TREUBEG mbH of Grünwald, assigned by the Mainz District Court on May 20, 2008 as the independent auditor, confirmed the adequacy of the compensation.

Due to the sale of our regional cable network activities in Aachen and Wiesbaden as well as the hence resulting valuation insecurities the planned domination agreement was withdrawn.

Mainz, Germany, August 29, 2008

PrimaCom AG
The Management Board

Declaration of the Board of Management:

We confirm, to the best of our knowledge, that the Condensed Consolidated Interim Financial Statements and the Interim Group Management Report have been prepared in accordance with the generally accepted accounting principles for interim financial reporting under IFRS and give a fair presentation of SGL Group's net assets, financial position and results of operations. The Interim Group Management Report presents a true and fair view of the actual operations of the Group, including the results of operations and the position of the Group, and describes the material prospects and risks of the Group's future development in the remainder of the fiscal year.

Mainz, Germany, August 29, 2008

PrimaCom AG
The Management Board

PrimaCom AG, Mainz, Germany
Group Management Report for the Six Months Ending June 30, 2008

Economic Environment and Outlook

"In the second quarter, the German economy is unlikely – in seasonally and calendar-adjusted terms – to have matched the high level of output achieved in the first quarter resulting from the extremely strong growth of 1.5%. (…) Adjusted for seasonal and calendar factors, the sharpest decline on the quarter was in construction output, for example, which had been relatively high in winter owing to the comparatively mild weather. (…) This reflects both the greater restraint shown recently by German firms with regard to investment and inventories and the fact that private consumption was perceptibly subdued in the second quarter. Despite continuing favourable conditions in the labour market and higher pay settlements in this year's pay round, consumption remained weak. Households' additional scope for expenditure is likely to have been clearly reduced in real terms by the real sharp increases in energy prices. Furthermore, the latest price surges are also evident in a subdued propensity to purchase."

(Source: Monthly report July 2008 of the Deutsche Bundesbank).

During first half-year in 2008, PrimaCom has made further investments of EUR 10.8m (first half year 2007 EUR 15.1m). With this investment volume, the Company has been able since the end of June 2007, to increase the number of the ready for service households by 49,421 WE to 387,175 WE as of June 30, 2008.

The number of Internet customers rose in the same period from 37,638 to 54,952 (up 46.0%), and telephony customers rose from 22,700 to 41,303 (up 82.0%)

As such the Company is operating within expected levels.

The number of analog TV customers decreased since end of June 2007 from 861,985 to 835,506.

This development shows that the efforts by the Company to offset the development in analog TV customers by upgrading the cable connections to so-called Triple Play services, is starting to be effective.

It is difficult to predict the extent to which the development in the international financial markets will negatively influence the Company's negotiations. In this respect we refer expressly to our comments in the risks and opportunities section.

Situation and Business Development of the PrimaCom AG Group

In the following section, the terms PrimaCom Group and the Group are used as synonyms.

Net Assets and Financial Position. As of June 30, 2008, the Group disclosed consolidated equity of EUR -9.0m (December 31, 2007: EUR -3.4m).

As of June 30, 2008, the Company’s liabilities to banks amounted to EUR 375.3m (December 31, 2007 EUR 379.3m), EUR 250.0m of which is attributable to drawings under the senior credit facility and EUR 125.3m to drawings on the mezzanine loan.

Revenues. Revenues mainly comprise monthly subscriber fees and, to a lesser extent, installation and connection fees for the basic analog cable TV package as well as high-speed internet access service. Revenues also include monthly subscription fees and, to a lesser extent, installation and connection fees relating to digital television services, which in turn include revenues from both near-video and video-on-demand services. Other major sources of income include signal delivery fees charged to other cable TV operators for delivering signals to their networks and carriage fees that channel operators pay us in return for routing their channels to the end customer.

Revenues increased by 0.8%, from EUR 58.1m in the first six months of 2007 to EUR 58.5m in the first six months of 2008. In the first six months of 2008 the decrease in revenues from analog subscribers could be compensated by the increase in revenues from new services. Revenues generated from the basic analog cable TV product fell by 3.2%, from EUR 48.9m in the first six months of 2007 to EUR 47.4m in the first six months of 2008. The decline is attributable to a decrease in fees from an average of EUR 9.40 to EUR 9.33 per customer. Customer numbers also fell by 3.1%. The Group considers the provision and marketing of interactive services to be a much greater source of potential revenues. This is clearly reflected by the 38.4% increase in the contribution to revenues of high-speed internet access services, up from EUR 3.7m in the first six months of 2007 to EUR 5.2m in the fist six months of 2008. The main reason for this development is the increase in the average number of high-speed internet customers. On June 30, 2007, the Group had 37,638 internet customers compared with 54,952 high-speed internet customers on June 30, 2008.

We expect the number of high-speed internet customers, and thus the popularity of ready-for-service households to increase considerably in the next two to five years. Average revenues per customer are likely to be subject to fierce competition. We nonetheless expect high revenue growth in this sector in the next two to five years.

Digital TV revenues increased by 149.1%, from EUR 0.2m in the first six months of 2007 to EUR 0.5m in the first six months of 2008. Customer numbers increased from 4,244 on June 30, 2007 to 16.005 on June 30, 2008.

The following table shows the calculation of ARPU (average revenue per unit), or average monthly revenues per customer, based on IFRS values.

	2008	**2007**
Revenues (MioEUR)		
Analog	47.4	48.9
Digital	0.5	0.2
Internet	5.2	3.7
Telephony	2.9	1.5
Other	2.5	3.8
	58.5	58.1
Average number of customers		
Analog	846,753	867,818
Digital	13,401	4,131
Internet	50,987	32,723
Telephony	38,080	17,787
ARPU (in EUR)		
Analog	9.33	9.40
Digital	6.82	8.88
Internet	16.84	18.95
Telefonie	12.60	13.65

EBITDA. In addition to other measurement factors, some of which are shown in the income statement, the Group measures its result using EBITDA, with EBITDA defined as the earnings before interest, taxes, depreciation and amortization. EBITDA and the operating result are reconciled below. We believe that EBITDA provides a meaningful measure of our operating result, as it is the most common method of analyzing and comparing cable TV network operators based on the operating result, debt/equity ratio and liquidity. Under IFRSs, however, EBITDA is not a measure of the Group’s result or cash flows from ordinary activities and should not be used as an alternative to the profit/loss for the year as a measure of the Group’s financial result or as an alternative to cash flows from operating activities as an expression of liquidity. EBITDA dropped from EUR 23. 6m in the first six months of 2007 to

EUR 23.1m in the first half of 2008 mainly as a result of increased restructuring expenses. As a percentage of revenues, EBITDA decreased from 40.7% in the first half of 2007 to 39.6% in the first six months of 2008. The Group's aim is to continue to increase EBITDA.

Operations expenses. These expenses mainly comprise the signal delivery fees charged to Kabel Deutschland and its private successor network operators in Germany. These, in turn, contain city connections, internet connections and copyright royalty expenses in connection with the repair and maintenance of the Group's networks for employees and materials and amounts paid for other network repair and maintenance work. Operations expenses rose 3.5%, from EUR 22.2m in the first six months of 2007 to EUR 23.0m in the first six months of 2008, mainly due to the increase in variable costs for telephony, Internet feed, city connections and film licences.

Selling, General and Administrative Expenses Selling, general and administrative expenses primarily include salaries and wages of personnel directly involved in the sales and administrative functions of PrimaCom's operating companies, expenses of maintaining operating offices, marketing expenses, costs of consultants used to support operating activities, vehicle expenses, liquidity management expenses, billing expenses, office supplies and other expenses associated with the operation of PrimaCom's networks and services.. Furthermore, selling, general and administrative expenses consist of personnel expenses for senior management, financial accounting, information technology, product development, licensing fees paid for PrimaCom's billing, subscriber and financial accounting systems, the cost of the corporate office and legal and consulting expenses associated with operations. Non-cash compensation expense related to the stock option plan is also included in this item. Selling, general and administrative expenses increased by 2.7% from EUR 12.4m in the first six months of 2007 to EUR 12.7m in the first six months of 2008, mainly as a result of Increased restructuring costs.

Depreciation and Amortization. Depreciation and amortization expense rose by 2.2%, from EUR 18.6m in the first six months of 2007 to EUR 19.0m in the first six months of 2008.

Operating Profit. Operating profit decreased by EUR 0.9m, from EUR 5.0m in the first six months of 2007 to EUR 4.1m in the first six months of 2008..

Finance Costs. Finance costs contain interest incurred for the senior credit facility and the mezzanine loan, lease obligations and other commitments, changes in the fair value of the interest rate derivatives, commitment fees for undrawn credit facilities and the amortization of fees charged by the bank (debt issuance costs) for the grant of credit facilities. Finance costs increased by EUR 2.8m or 16.7%, from EUR 16.8m in the first six months of 2007 to EUR 19.6m in the first six months of 2008. The increase in interest expenses is mainly due to the refinancing of the company following the takeover by the Escaline Group, higher Euribor and the accretive interest effect of the mezzanine loans.

Finance Income. The finance income reported of EUR 9.5m in the first six months of 2008 was the result of payments received under hedging contracts and also due to the change in fair value of these derivative instruments.

Earnings Before Taxes. As a result of the abovementioned developments, earnings before taxes changed from a loss of EUR 11.0m in the first six months of 2007 to a loss of EUR 6.0m in the first six months of 2008.

Income Tax Income. In the first six months of 2008, income tax income of EUR 0.3m was disclosed compared with an income of EUR 0.7m in the first six months of 2007.

Loss for the Year. For the reasons described above loss for the year changed from EUR 10.3m in the first six months of 2007 to EUR 5.7m in the first six months of 2008.

Liquidity and Capital Resources

The Group has mainly drawn on the following sources of finance to date:

- Cash flows from operating activities
- Sale and leaseback financing
- Bank borrowings

Net cash provided by operating activities amounted to EUR 24.5m in the first six months of 2007 compared with EUR 28.9m in the first six months of 2008.

In the six months ended June 30, 2008, the Group's net cash used in investing activities amounted to EUR 10.8m compared with cash outflows of EUR 15.0m in the corresponding prior-year period.

Net cash used in financing activities was EUR 2.3m in the first six months of 2008 compared to EUR 17.7m in the first six months of 2007. The net outflows in the first six months of 2007 included scheduled loan repayments under our senior credit facility of EUR 8.0m. Also due to the selection of longer interest terms in 2008 cash interest payments in the first six months of 2008 were EUR 2.3m compared with EUR 9.6m in the first six months of 2007

Of the investments in property and equipment of EUR 10.8m in the first six months of 2008, the majority went to preparations for the launch of internet and telephony services, the replacement of electronic components and network upgrading. The Group's capital expenditure obligations in connection with concession or franchise agreements or the like are limited; capital expenditure is, however, likely to be necessary in certain cases to upgrade existing cable systems in the future. Where cash flows are not sufficient to finance operating expenditure, debt servicing, tax expenses and capital expenditure, the Group intends to raise the relevant funds through bank loans.

The Group believes that EBITDA is a more accurate measure of fixed cost coverage than the performance indicators from the income statement. EBITDA from the respective periods is not only available to cover interest expenses, it can also be used for other operating purposes, for example, to boost working capital, repay loans and for capital expenditure. For the six months ending June 30, 2008, EBITDA amounted to EUR 23.1m.

Terms and Conditions of Refinancing

Following the takeover of the Company by the Escaline Group, the Company rescheduled its debts on November 22, 2007 as specified in the takeover bid. For this purpose, the Company raised the 2007 senior credit facility of EUR 250,000k, the 2007 mezzanine loan of EUR 120,000k and the 2007 revolving credit facility of EUR 25,000k. The 2005 senior credit facility and the 2005 mezzanine loan were repaid in full.

The terms and conditions of the new loans raised in connection with refinancing are as follows:

	Facility A	**Facility B1**	**Facility B2**	**Facility C1**	**Facility C2**	**RCF**
Amount	50,000	50,000	50,000	50,000	50,000	25,000
Term	7 years	8 years	8 years*	9 years	9 years*	7 years**
Repayment	Ongoing repayment	Repayable on expiry of the loan	Repayable on expiry of the loan	Repayable on expiry of the loan	Repayable on expiry of the loan	Current account
Basis	EURIBOR	EURIBOR	EURIBOR	EURIBOR	EURIBOR	EURIBOR
Margin	3.00%	3.75%	2.50%*	4.25%	3.00%*	2.25%

* If facilities B2 and C2 are not repaid by December 31, 2008, the margin will increase to 3.75% for facility B2 and to 4.25% for facility C2, respectively.

** The current agreement concerning the revolving credit facility (RCF) provides for a term running until October 31, 2008. However, the main agreement guarantees a seven-year term.

Facility A provides for quarterly repayments starting in the first quarter of 2009. The initial repayment amounts of EUR 750k will increase incrementally. The final payment of EUR 2,500k will be due on November 22, 2014. The remaining facilities will be repaid at the end of the term.

The margins of facilities A, B1 and B2 (from December 31, 2008) as well as the revolving credit facility decrease to a minimum of 2.5% for facility A, 3.25% for facilities B1 and B2 and 1.25% for the revolving credit facility, depending on the ratio of total indebtedness to annualized earnings before interest, tax, depreciation and amortization (EBITDA).

	Mezzanine loan
Amount	120,000
Term	10 years
Repayment	Repayable on expiry of the loan
Cash interest portion	EURIBOR + 3.5%
Non-cash interest portion	EURIBOR + 7.0%

The non-cash interest portion is credited to the nominal amount of the mezzanine loan and interest of EURIBOR + 10.5% is charged in subsequent years until the maturity date.

The 2007 senior credit facility is structurally subordinated to the 2007 mezzanine loan. The 2007 senior credit facility is secured by, among other things, claims to receivables, cable networks, interests in all shares of PrimaCom’s subsidiaries, and guarantees issued by significant subsidiaries of the Company. In addition, proceeds from the sale of cable television networks are to be used first for the repayment of the 2007 senior credit facility. The facility agreement also contains customary loan covenants, which, among other things, require the Company to maintain specified ratios relating to EBITDA and indebtedness as well as cash flow and indebtedness. Furthermore, there are restrictions on incurring debt, disposing of assets and paying dividends or making distributions under certain circumstances.

Risks and Opportunities

- ***Risks and Opportunities in Connection With the Business Activities of the Company***

The Company recognized a loss for the year with positive operating cash flows and, if it is not in a position to generate profits in the future, the value of the Company and its shares could fall.

As part of its efforts to generate a profit, the Company plans to continue upgrading its network on an extremely selective basis and to develop new products, including broadband services, which will lead to further capital expenditure. This selective upgrading and product development will allow the Company to offer value-added services, which the Company believes will help it increase revenues per customer on a selective basis in the future. At the same time, the Company will strive to reduce its operating expenses; these efforts encompass the installation of its own head-end for reception of channels directly via satellite instead of via the Kabel Deutschland network, especially in those cases where Kabel Deutschland's usage fees have gone up. The Company will continue to expand the feedback channel capacity of existing and new networks and thus expand its portfolio for customers to include telephone and internet services. These measures strengthen the competitiveness of the Company and enhance its ability to considerably improve revenues per customer within the scope of service expansion. The Company cannot guarantee the success of this strategy or that it will be in a position to generate profits in the future. If the Company is not in a position to generate profits in the future, the value of the Company and its shares may be negatively impacted.

The Company's credit agreements contain restrictive covenants which could under certain circumstances be infringed, thus leading to financial and operating problems.

The operating and financial flexibility and liquidity of the Company is limited by the terms and conditions of credit agreements in place. These agreements contain financial and operating covenants. If the Company fails to comply with the covenants and other terms and conditions of these agreements, its debts under the facilities could be repayable before the agreed repayment date.

The Company has no government franchises and serves its customers through concession agreements with housing companies in Germany. Any inability on the part of the Company to extend these agreements at economically appropriate conditions could have a negative effect on its business.

Contrary to the cable market in the US, the German authorities do not grant cable network operators franchise territories. Instead, the Company mainly serves its German customers on the basis of concession agreements with housing companies in charge of large apartment blocks. Against the backdrop of these concession agreements, which are subject to regular extension, the Company faces fierce competition. If the Company fails to extend these concession agreements or if the housing companies terminate these agreements upon or prior to their expiry, the drop in customer numbers could have a negative impact on the Company's operating profit.

The interest rates on the Company's debt are variable or rise over the course of time. These rising interest rates could negatively impact cash flows.

The Company's credit facilities are subject to variable interest rates. At present, the Company's floating-rate liabilities amount to around EUR 389,950 (net of debt issuance costs recognized in the balance sheet). An interest rate increase would lead to higher interest expenses on these credit facilities. Higher interest rates would therefore have a correspondingly negative effect on cash flows and the Company's ability to repay its debts. However, the Company concluded interest hedges of EUR 140,000k by December 31, 2007 which will mitigate these risks. This interest hedge will mature on March 31, 2009. As part of the new refinancing, the Company concluded additional interest hedges in February 2008 totaling EUR 273,800k. This interest hedge will mature on February 18, 2011.

Due to the fact that the Company is dependent on third parties for some of its broadband services, it may become unable to procure or replace these services at acceptable conditions and it may have problems with third parties.

The Company does not produce and own all of the broadband services it offers its customers. As well as the risk of not being able to procure or replace these services at favorable conditions, the Company sees a variety of other risks.

Its competitors have exclusive rights to channels that the Company might want to offer its customers in the future and could restrict the Company's access to such channels or charge the Company fixed fees for using these channels, regardless of the number of customers who actually receive them. In addition, regulatory restrictions could limit the Company’s ability to determine which channels it wants to offer. If the Company cannot procure a sufficient number of these new services at economically favorable conditions, either independently or with partners, demand for the Company's services could fall, thereby reducing income.

The Company’s business plan anticipates increased demand for broadband applications; if demand for these services does not rise as expected, however, the Company’s financial results could be negatively impacted.

The Company’s business plan is based on the assumption that use of internet, e-commerce, data services, cable or internet-based telephony services and other broadband applications will soar in the next few years in Germany. The Company also believes that there will be greater demand for telephony in the future. Based on this assumption, the Company made substantial investments in this field in the past. Due to financial restrictions, however, the Company only plans to make selective investments in upgrading its networks to support broadband services in the future. If the distribution of broadband applications does not increase or develops more slowly than expected, however, demand for many of the Company’s services many not reach the anticipated level, which would likely put a damper on price flexibility, operating profit and finances.

Based on the Company’s experience on the market for telephony services, it also believes that the market for cable telephony services and voice calls via the internet (voice over IP) could prove particularly hard to crack due to tough competition, price pressure and the existence of established telephony operators. Furthermore, the Company expects competition from wireless telephony providers and new participants on the European telephone market.

If the Company is unable to react to competitive pressure on a timely basis, implement new technologies and be quick to respond to changing customer needs on new markets, or if its new or improved services are not received well on the market, the Company might not be able to compete efficiently.

With regard to TV signals, the Company faces increasing competition from satellite and digital/terrestrial TV as well as other broadcasting methods and the offering of Deutsche Telekom with its state-of-the-art DSL networks, which could negatively affect Company growth and leader to customer migration.

Competition for customers from other signal transmission methods could lead to the Company being unable to expand its customer base or losing customers. The Company also faces increased competition from other methods of transmitting TV signals to households, such as:

- digital/terrestrial;
- analog and digital satellite broadcasting systems to private households (“DTH”); and
- shared satellite dishes, particularly in areas where cable is not popular.

Various companies in Germany provide DTH (direct to home). These companies could be in a position to use their considerable financial resources and exclusive sport and entertainment channel agreements to further penetrate the market and compete with the Company for customers.

Under certain circumstances, the Company may not be able to keep up with the rapid technological developments in the cable TV and broadband industry, which could give rise to considerable costs for the implementation of new technologies.

To remain competitive, the Company must continue to launch new services and increase and improve the functionality, availability and features of its networks. The cable TV and broadband industry faces the following challenges:

- Rapid and significant technological change
- Changes in usage patterns and customer needs and priorities
- Frequent introduction of new products and services in connection with new technologies
- Introduction of new industry standards and practices which render current Company technologies and systems obsolete

The Company cannot predict the effect of technical innovations on its business. Furthermore, the Company cannot guarantee that it will be in a position to successfully implement new technologies or adapt new technologies to meet customer needs within an appropriate timeframe. The cost of implementing new technologies or changing from one technology to another could also – once implementation is underway – prove considerable, as, given the funds available to the Company after debt servicing and the financing options available to the Company for the implementation or change, such measures would essentially be dependent on the Company’s ability to raise additional financing.

Broadcasters could offer channels to company competitors exclusively or at more favorable conditions and demand minimum payments for some channel events, all of which could have a negative impact on company business.

Broadcasters could offer channels to competitors exclusively or at more favorable conditions (in terms of price and availability). Even if the Company manages to increase the number of customers served from its own head-ends to reduce signal transmission fees paid to Kabel Deutschland, formerly a wholly-owned subsidiary of Deutsche Telekom sold to a group of investors led by Goldman Sachs, Apax and Providence in 2003, it still faces this competitive risk. This risk could become greater if satellite broadcasters establish themselves to a greater extent in Germany.

Company margins and cash flows in Germany could decrease due to increased signal transmission expenses or a lack of customer satisfaction.

As of June 30, 2008, around 37% of company customers were served by networks that receive channels on the basis of signal transmission agreements with Kabel Deutschland and private successor operators. It is possible that fees will be increased again in the future. Any increase in fees resulting from channel transmission agreements that cannot be passed on to the customer in the form of higher fees could have a negative effect on the Company's operating margins and lead to the loss of those customers who decide to swap cable TV for direct TV reception or other reception technologies.

If payments are fixed based on the transmission of analog TV channels, this could have a negative impact on the Company's margins and cash flows unless it can pass these additional costs on to the customer.

In the past, the purpose of the Company was to provide analog TV channels to customers via its cable TV networks. Like other cable network operators, the Company generally did not have to pay broadcasters for these analog channels. Some or all broadcasters could, however, demand payment for these analog channels in the future. If this was the case and the Company was unable to pass these charges on to its customers, its margins and cash flows would diminish.

The Company might have to pay copyright fees for transmitting channels to customers, which would reduce its margins and cash flows if these amounts exceeded the amounts set aside for copyright fees.

Like all other German cable network operators, the Company must pay copyright fees for transmitting channels it receives from sources other than Kabel Deutschland and private successor operators. The Company is currently in negotiations with ”Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte” (GEMA) for the payment of current and past royalty fees. No formal settlement agreement has been reached with GEMA so far.

The extensive regulation of the broadband industry could restrict the business activities of the Company and, in turn, hinder its business plans.

The Company is subject to considerable legal control and may from time to time fail to comply with all administrative and licensing requirements of the regulatory authorities. Furthermore, the Company will have to observe amendments and additions to legal provisions in the future. Problems relating to these regulatory measures could restrict the competitiveness of the Company. Changes to German federal or state law on the regulation of licensing, setting up and operating cable TV and broadband cable networks (including the regulation of license issuance, the business activities of Deutsche Telekom and network integration agreements) could restrict the Company’s operations and hinder its business plans.

Due to the recent allocation of frequency bandwidths in Germany, the Company may be prevented from using some of the bandwidths it currently uses for transmission. If this were the case, the change to new frequencies could prove more difficult and costly for the Company than currently anticipated.

In May 2002, three new ordinances on the allocation, use and issue of frequencies came into effect in Germany. The frequency allocation ordinances regulate the “free usage” of frequencies without obtaining individual authorization, approval or any other decision from the regulatory authorities. Under certain circumstances, it allows free usage of frequencies between 9kHz and 30MHz in and along conductors in the Company’s cable networks. The prerequisites are that (i) interference from the conductors does not exceed the specified limits, and (ii) the frequencies are not used for certain security purposes identified as such by the German regulatory authorities. If the above conditions are not met, the German regulatory authorities decide on a case-by-case basis whether the Company may use the relevant frequency. Prior to granting usage authorization for frequencies, the authorities could impose certain restrictions or conditions on the Company. Furthermore, the same conditions for frequencies of between 30MHz and 3GHz have been in place since July 1, 2003. As a result of this regulation, the Company could be prevented from using some or all of the relevant frequency bandwidths for transmitting channels via its cable networks. If this were the case, the Company might have to invest in its German networks to continue providing its current services.

If the competition authorities in Germany were to classify the Company as “market-dominant”, it would be subject to stricter regulation, which could affect customer fees and potentially limit the operating scope of the Company.

In 2006, the German Federal Networks Agency [“Bundesnetzagentur”: BNetzA] ascertained that the Company was not market-dominant. However, it remains unclear as to whether this assessment would remain valid in a new review which takes into account the fact that the Company belongs to the Orion Group.

German media institutions could demand that the Company transmit popular channels in analog and not just digital format, which could have a negative effect on the growth and development of its digital cable TV services.

The success of the Company’s digital services will, to a large extent, depend on its ability to transmit high-quality digital channels. The Company can therefore try to expand its digital customer base by providing popular channels as a digital service only. Implementation of this strategy, however, could be hindered if German media institutions demand that these channels also be provided in analog format. The availability of the same channels in analog format could restrict the Company’s ability to attract digital customers and increase income from cable subscriptions.

The Company’s internet offering could be subject to regulation, which could lead to higher costs or limit the Company’s service offering.

Internet services in Germany have not been subject to strict regulation through laws and legal provisions to date. However, a number of internet services in Germany are regulated by legal provisions regarding license issuance, publication obligations and content. If such regulation were to come into effect for the Company, its costs and operating complexity could rise.

Furthermore, the legal and regulatory framework applicable to the internet are undefined and subject to change. More specifically, new laws and legal provisions could be passed, and existing laws and legal provisions applied to the internet and e-commerce. New and existing laws, for example, cover the following areas:

- Sales subject to VAT or other taxes
- Protection of users’ privacy
- Price control
- Features and quality of products and services
- Consumer protection
- Cross-border trade
- Libel and defamation
- Electronic signatures
- Transfer security
- Copyright, infringement of trademark and patent rights
- Spam, phishing and other internet crimes
- Traffic data retention (archiving of log files) and content filtering
- Notification systems
- Lawful intervention

Each new law or legal provision or the uncertainty connected with its effect could lead to cost hikes and hinder the Company’s business development and revenue growth.

As the Company does not insure a large part of its subterranean cable network, it might have to bear the full cost of any damage incurred to these uninsured networks, which could have a negative impact on its financial result.

Any disaster affecting a major part of the Company's subterranean cable networks could lead to a considerable uninsured loss and negatively affect its results of operations and financial position. Although the Company has insured its property under a general liability insurance policy, it does not ensure large parts of its subterranean cable networks in Germany. The Company plans to continue insuring its property under a general liability insurance policy only.

- ***Risks Relating to Escaline's Equity Investment in the Company***

Escaline's interests may vary dramatically from those of the Company's other shareholders.

As of June 30, 2008, Escaline S.àr.l (hereinafter also referred to as "Escaline") directly and indirectly via subsidiaries held approx. 90% of the shares in the Company and is therefore in a position to adopt all of the resolutions it suggested at the shareholder meeting in accordance with the articles of incorporation and bylaws without the cooperation of the other shareholders. Such resolutions passed at the shareholder meeting in the future could relate to the following:

- Mergers or other business combinations
- The conclusion of domination agreements
- Significant acquisitions or disposals of assets
- Future issues of shares or other securities
- Dividend distributions in relation to company shares
- Major changes to the Company's articles of incorporation

The interests of Escaline regarding decisions on company matters and the factors the relevant company takes into account when exercising its controlling influence could differ from the interests of other company shareholders.

Outlook

The successful takeover by the Orion group has led to a complete new situation for PrimaCom. The combined group now represents Germany's third largest cable network operator. The developments during the last year and especially the bundling of PrimaCom's high technical standards together with Orion's high subscriber numbers provides from management's perspective clear indication of significant future synergies and market potential. Furthermore the Company will continue to progress its strong regional focus.

Altogether these developments provide, in management opinion, a strong basis for the Company to cope with the market developments in the future and for the achievement of the Company's long term goals.

Mainz, Germany, August 29, 2008

PrimaCom AG
The Management Board