CABLE & WIRELESS

# Interim Results

10 November 2008

This presentation contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable & Wireless' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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# Richard Lapthorne

Chairman

# Agenda for today

| | |
|---|---|
| Value realisation | Richard Lapthorne |
| Group highlights, financials, pensions and dividend | Tony Rice |
| International | John Pluthero |
| Europe, Asia & US | John Pluthero |
| Guidance and summary | Tony Rice |

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# Value realisation (1)

- The Board is committed to value realisation
- Demerger of Europe, Asia & US – the favoured option
- Steps taken to facilitate demerger:
  - Restructured the Group as two standalone businesses from April 2006
  - Improved profitability and cash generation of both businesses to the point where they are capable of being self-standing
  - Pension buy-in substantially reduces exposure to liabilities
  - Well positioned with the Trustees on the pension fund split
- Management in position for value realisation
  - Tony Rice appointed as CEO of International from 11 November
  - John Pluthero continues as Executive Chairman of Europe, Asia & US
  - Tim Pennington appointed as Group Finance Director from 11 November

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# Value realisation (2)

- No final decision due to financial market turmoil and volatility
- Best value for shareholders in these financial markets is to retain the Group structure
- Group prepared for value realisation once financial markets are stable and functioning properly
- Substantial shareholder value already created with the acquisitions of Energis and Thus and progressive dividend growth
- We will continue to build value in both businesses

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# Tony Rice

Group Finance Director

# Group highlights

- Group EBITDA[1] up 26% to £357 million
- Europe, Asia & US EBITDA[1] up 43% to £142 million
- Europe, Asia & US trading cash flow positive in H1 2008/09
- Europe, Asia & US expected to be trading cash flow positive in H2 2008/09 including Thus and its integration costs
- International EBITDA[1] up 13% to US$448 million
- Strong balance sheet
- Earnings per share[1] up 44% to 6.2p

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[1] Excluding exceptional items and LTIP charge

# Group financials

| £m | 2008/09 H1 | 2007/08 H1 | Change[1] % |
|---|---|---|---|
| **Revenue** | 1,646 | 1,563 | 5% |
| **EBITDA[2]** | 357 | 284 | 26% |
| **LTIP** | (10) | (30) | 67% |
| **Total operating profit[3]** | 202 | 138 | 46% |
| **Profit after tax[3,4]** | 175 | 102 | 72% |
| **Earnings per share (pence)** | | | |
| **Basic** | 3.4p | 4.3p | (21)% |
| **Pre-exceptional and pre-LTIP** | 6.2p | 4.3p | 44% |
| **Dividend per share (pence)** | 2.83p | 2.50p | 13% |

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[1] Positive percentage represents improvement
[2] Excluding exceptional items and LTIP charge
[3] Excluding exceptional items
[4] From continuing operations

# Pension fund

- Members' rights and benefits fully protected
- Buy-in reduces exposure to liabilities by c.50% or c.£1 billion:
  - Pensioner liabilities now covered by the Prudential
  - Annuity remains on the balance sheet, as do the liabilities
  - Volatility reduced
  - No change to accounting
- Latest IAS 19 valuation surplus of £208 million at 30 September 2008 on the main UK scheme – asset ceiling rules applied
- Pensions are not a barrier to value realisation

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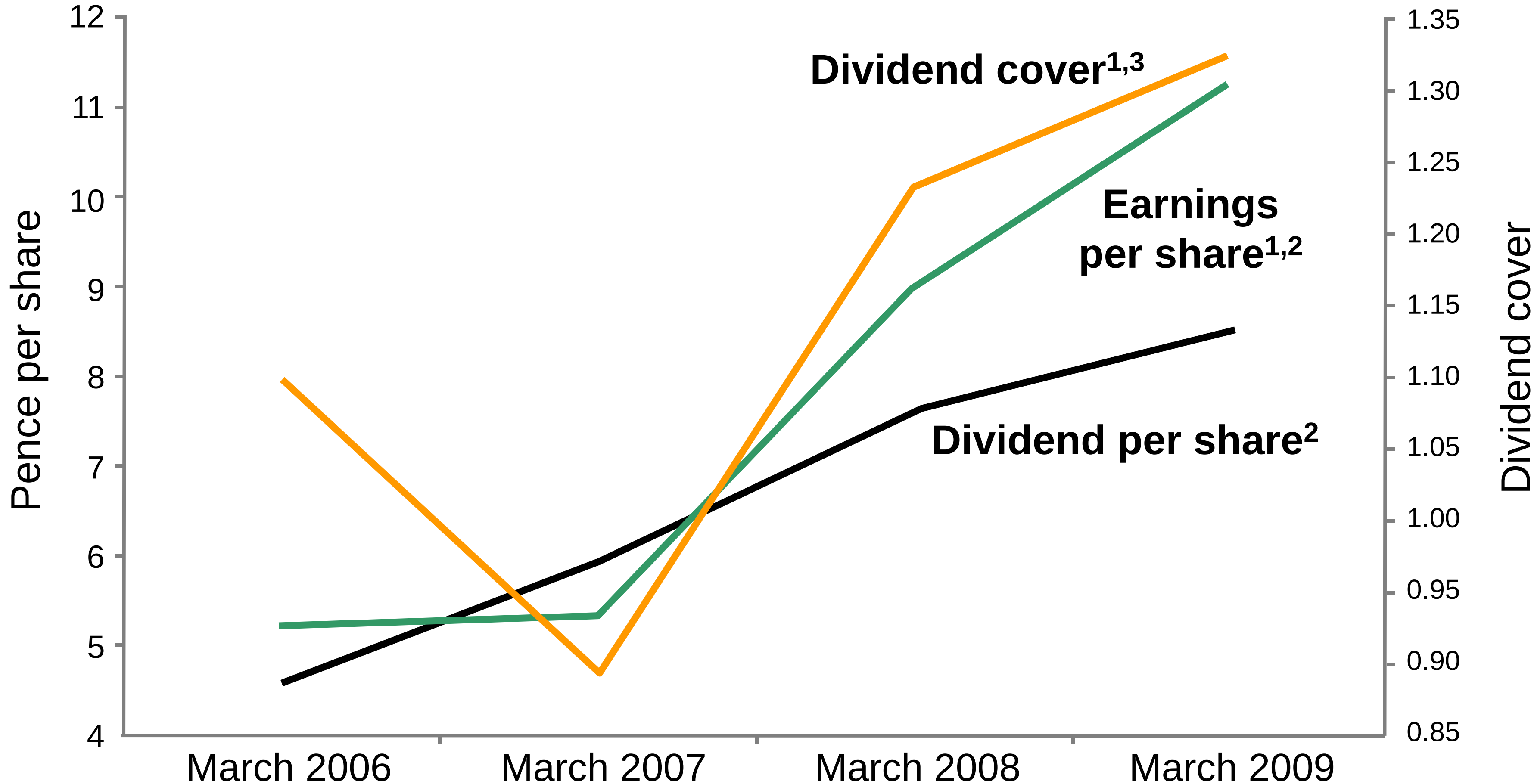
# Group earnings and dividend per share

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[1] Excluding exceptional items and LTIP charge
[2] March 2009 earnings per share and dividend per share represent consensus
[3] Dividend cover is calculated as earnings per share divided by dividend per share

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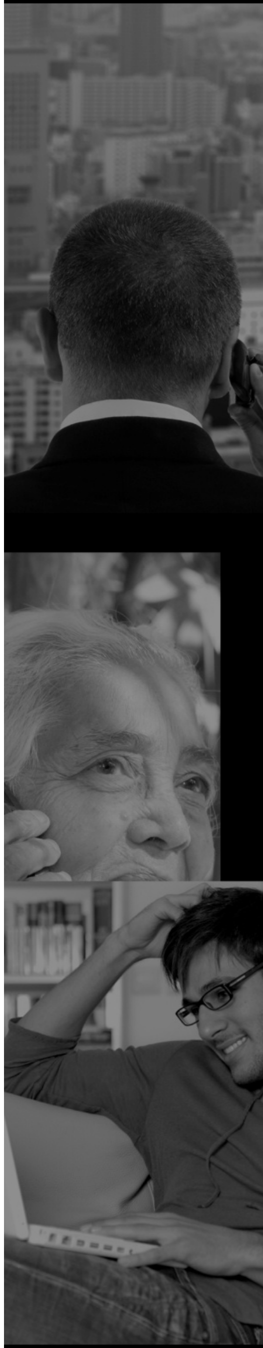
# CABLE & WIRELESS INTERNATIONAL 2008/09 Interim results

John Pluthero

Executive Chairman, International



# International H1 financial performance

| US$m | 2008/09 H1 | 2007/08 H1 | Change[1] % |
|---|---|---|---|
| Revenue | 1,273 | 1,211 | 5% |
| Gross margin | 857 | 795 | 8% |
| Operating costs | (409) | (397) | (3)% |
| EBITDA[2] | 448 | 398 | 13% |
| Gross margin as % of revenue | 67% | 66% | |
| Opex as % of revenue | 32% | 33% | |
| EBITDA as % of revenue | 35% | 33% | |
| Capex | (155) | (161) | 4% |
| Capex as % of revenue | 12% | 13% | |

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[1] Positive represents improvement
[2] Excluding exceptional items and LTIP charge

# International H1 financial performance

| US$m | Caribbean | Panama | Macau | M&I | Total[3] |
|---|---|---|---|---|---|
| **Revenue** | **505** | **337** | **159** | **275** | **1,273** |
| *% change vs. H1 07/08[1]* | *1%* | *9%* | *16%* | *6%* | *5%* |
| **Gross margin** | **375** | **220** | **97** | **166** | **857** |
| *% change vs. H1 07/08[1]* | *7%* | *10%* | *14%* | *6%* | *8%* |
| **Operating costs** | **(213)** | **(86)** | **(29)** | **(92)** | **(409)** |
| *% change vs. H1 07/08[1]* | *0%* | *(19)%* | *(7)%* | *(3)%* | *(3)%* |
| **EBITDA[2]** | **162** | **134** | **68** | **74** | **448** |
| *% change vs. H1 07/08[1]* | *19%* | *5%* | *17%* | *10%* | *13%* |
| **Capex** | **(78)** | **(33)** | **(15)** | **(25)** | **(155)** |
| *% change vs. H1 07/08[1]* | *(4)%* | *(6)%* | *29%* | *7%* | *4%* |

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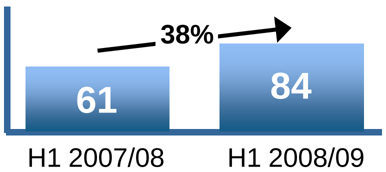
[1] Positive represents improvement
[2] Excluding exceptional items and LTIP charge
[3] Includes eliminations and other

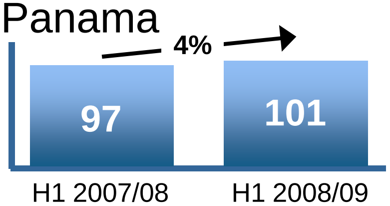
# International H1 cash flow

## Operating cash flow[1]

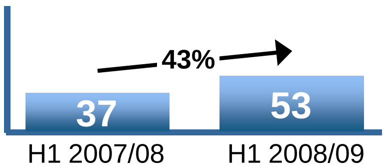
Caribbean



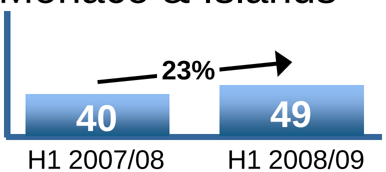

Panama

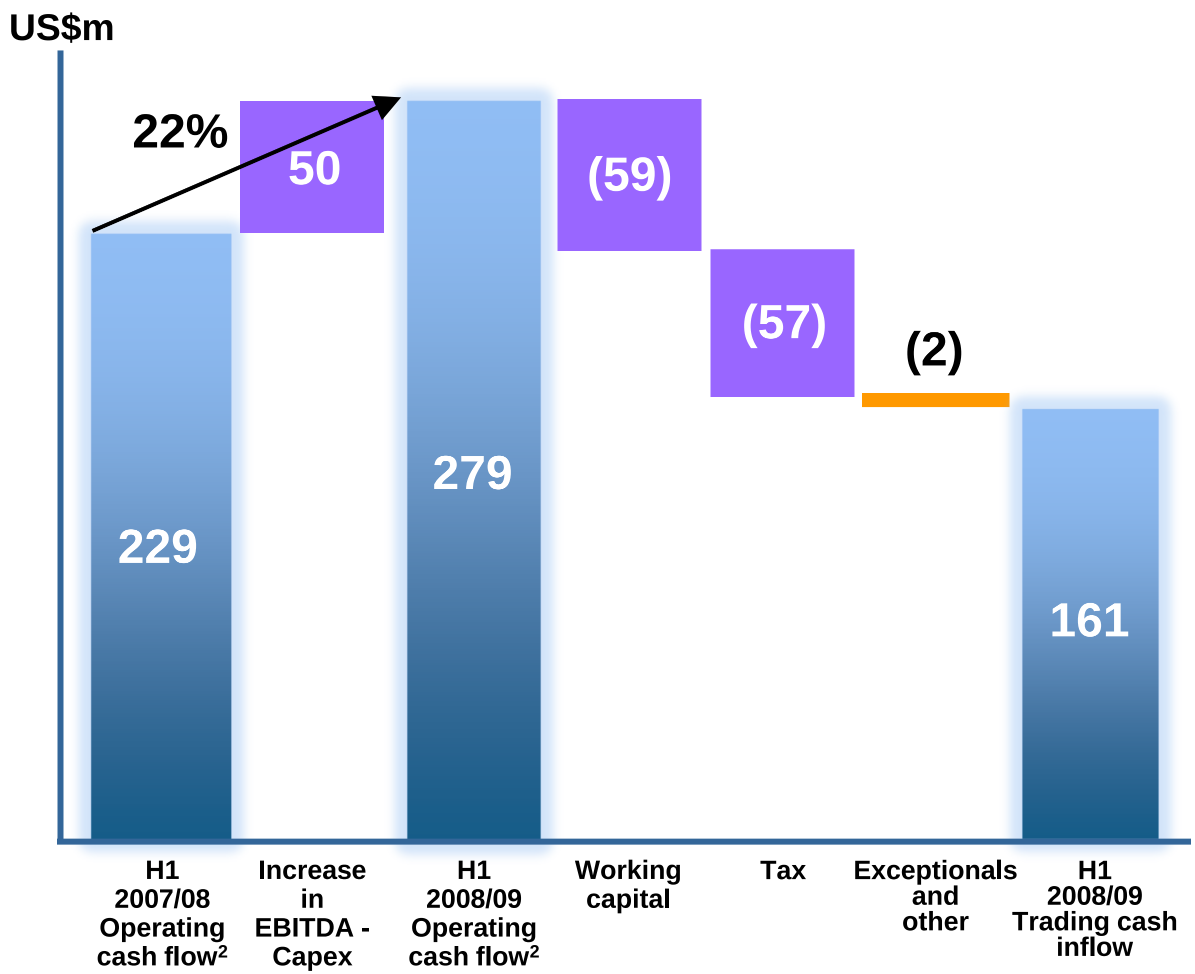



Macau




Monaco & Islands

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[1] Regional operating cash flow represents EBITDA less balance sheet capital expenditure

[2] Total operating cash flow represents EBITDA less cash capital expenditure

# Creating competitive enterprises
## “Earning every cent and keeping hold of it”

Three key areas to sharpen our focus:

| | |
|---|---|
| Service → | Keeps customers |
| Brand → | Wins customers |
| Efficiency → | Reduces costs<br>Improves cash flow |

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# One Caribbean
## Creating a single business from 13

### Progress towards becoming a competitive enterprise

- Service – customer satisfaction up 11 percentage points, call centres migrating, postpaid churn rate down to 1.4% (was 1.6%)
- Brand – new brand and regional products launched
- Efficiency – single organisation structure, headcount reducing, good cost of sales progress

### One Caribbean Programme

- New organisation in place
- Enabling work complete
- Peak season first and then:
  - Finance shared service
  - Common network management
  - Fewer products
  - Enterprise focus
- 30% headcount reduction target announced

**Caribbean ex Jamaica**
**H1 2008/09 versus H1 2007/08[1]**

| | |
|---|---|
| Revenue | +3% |
| Mobile | +7% |
| Fixed | (6)% |
| Ent'/other | +6% |
| Gross margin % | +2% pts |
| Opex % of revenue | +1% pt |
| EBITDA % | +3% pts |
| EBITDA change | +12% |

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[1] Positive represents improvement

# Jamaica
## Good progress on the long road back

### Progress towards becoming a competitive enterprise

- Service – customer satisfaction up by a third, calls answered within 30 secs 70% (was 37%)
- Brand – two new mobile bundles, new stores, 1,649 new top-up locations, first to market with BlackBerry
- Efficiency – gross margin % restored, headcount down 8%

### Turnaround programme

- Still a long way to go across all domains
- Opex still too high (46% of revenue)
- Good wins in H1 with corporate customers
- Happy with progress in year one of turnaround

| **Jamaica** **H1 2008/09 versus H1 2007/08[1]** | |
|---|---|
| Revenue | (4)% |
| Mobile | (17)% |
| Fixed | +6% |
| Ent'/other | (13)% |
| Gross margin % | +10% pts |
| Opex % of revenue | (2)% pts |
| EBITDA % | +8% pts |
| EBITDA change | +60% |

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[1] Positive represents improvement

# Monaco & Islands
## Strength in numbers

### Progress towards becoming a competitive enterprise

- Service – operational metrics up three percentage points, calls answered within 30 secs in Monaco at 90% (was 64%)
- Brand – strong half of corporate customer wins
- Efficiency – EBITDA margin up one percentage point

### Key events

| | |
|---|---|
| Monaco | - launch of 3G+ |
| | - record inbound roamers for Grand Prix |
| Isle of Man | - launch of fixed line services |
| Seychelles | - launch of BlackBerry |
| | - launch of enhanced broadband network |

| Monaco & Islands<br>H1 2008/09 versus H1 2007/08[1] | |
|---|---|
| Revenue | +6% |
| Mobile | +14% |
| Fixed | (4)% |
| Ent'/other | +5% |
| Gross margin % | no change |
| Opex % of revenue | +1% pt |
| EBITDA % | +1% pt |
| EBITDA change | +10% |

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[1] Positive represents improvement

# Panama
## Growth in key products, ready for new mobile entrants

### Ready for more competition in mobile

- Service – market leading mobile customer satisfaction (postpaid 90% and prepaid 87%), network coverage expanded to c.95% of population
- Brand – improved product propositions, launched Somos + brand campaign emphasising Panamanian credentials, 50 extra distributors, 30% of stores remodelled
- Impact – increased penetration to >100%, mobile customers up 38%

### Much more beyond mobile

- Implemented large government contracts for surveillance and e-learning
- Won emergency 911 contract
- Overall customer satisfaction up three percentage points to 94%
- First call resolution up 10 percentage points to 89%
- 83% of calls answered within 30 seconds
- Ranked one of top five companies in Panama[2]

| Panama<br>H1 2008/09 versus H1 2007/08[1] | |
|---|---|
| Revenue | +9% |
| Mobile | +11% |
| Fixed | (2)% |
| Ent'/other | +23% |
| Gross margin % | +1% pt |
| Opex % of revenue | (2)% pts |
| EBITDA % | (1)% pt |
| EBITDA change | +5% |

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[1] Positive represents improvement
[2] Source: Wise 'nvest – March 2008

# Macau
## World class – the competitive enterprise

### Business as usual

- Service:
  - Customer satisfaction up three percentage points to 95%
  - Figure of merit operational metric remained 96%
  - First call resolution up three percentage points to 99%
- Brand:
  - 17% increase in mobile customers
  - 22% of mobile customers on 3G vs. 10% average in Macau
  - US$23m of corporate customer wins
- Efficiency:
  - EBITDA margin up one percentage point to 43%
  - Third successive half of 17-20% annualised EBITDA growth
  - Employee turnover down by one third to 22%

### Concession review

- Agreed framework principles for renewal

| Macau H1 2008/09 versus H1 2007/08[1] | |
|---|---|
| Revenue | +16% |
| Mobile | +24% |
| Fixed | +7% |
| Ent'/other | +13% |
| Gross margin % | (1)% pt |
| Opex % of revenue | +2% pts |
| EBITDA % | +1% pt |
| EBITDA change | +17% |

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[1] Positive represents improvement

# Trading environments

## Leading internal indicators:

**Current status**

1. Mobile indicators
2. Enterprise revenue
3. Fixed line subscribers

## Leading external indicators:

**Current status**

1. GDP growth
2. Tourist numbers

## Points of strength

- Diversity of portfolio – geographic, product, customer
- GDP in key markets still forecast to grow (8.3% in Panama and 10% in Macau)
- Strengthening US dollar – beneficial impact on translation and tourism
- Limited exposure to offshore financial centres
- Strong cash generation
- Plans not predicated on top line growth
- Opex prize (c.US$100m p.a. if opex 28% of revenue)

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# Summary

- EBITDA growth of 13% to US$448 million
- Gross margin up 8% to US$857 million
- Opex improvement by one percentage point to 32% of revenue

- Business in good health and off to good start on our two year plan
- Key external factors in Panama and Macau actively managed
- Monitoring trading environment, but many inherent strengths and internal prizes

- EBITDA guidance raised to at least US$910 million at c.35% margin

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# EUROPE, ASIA & US
# 2008/09
# INTERIM RESULTS

## John Pluthero
### Executive Chairman
Europe, Asia & US

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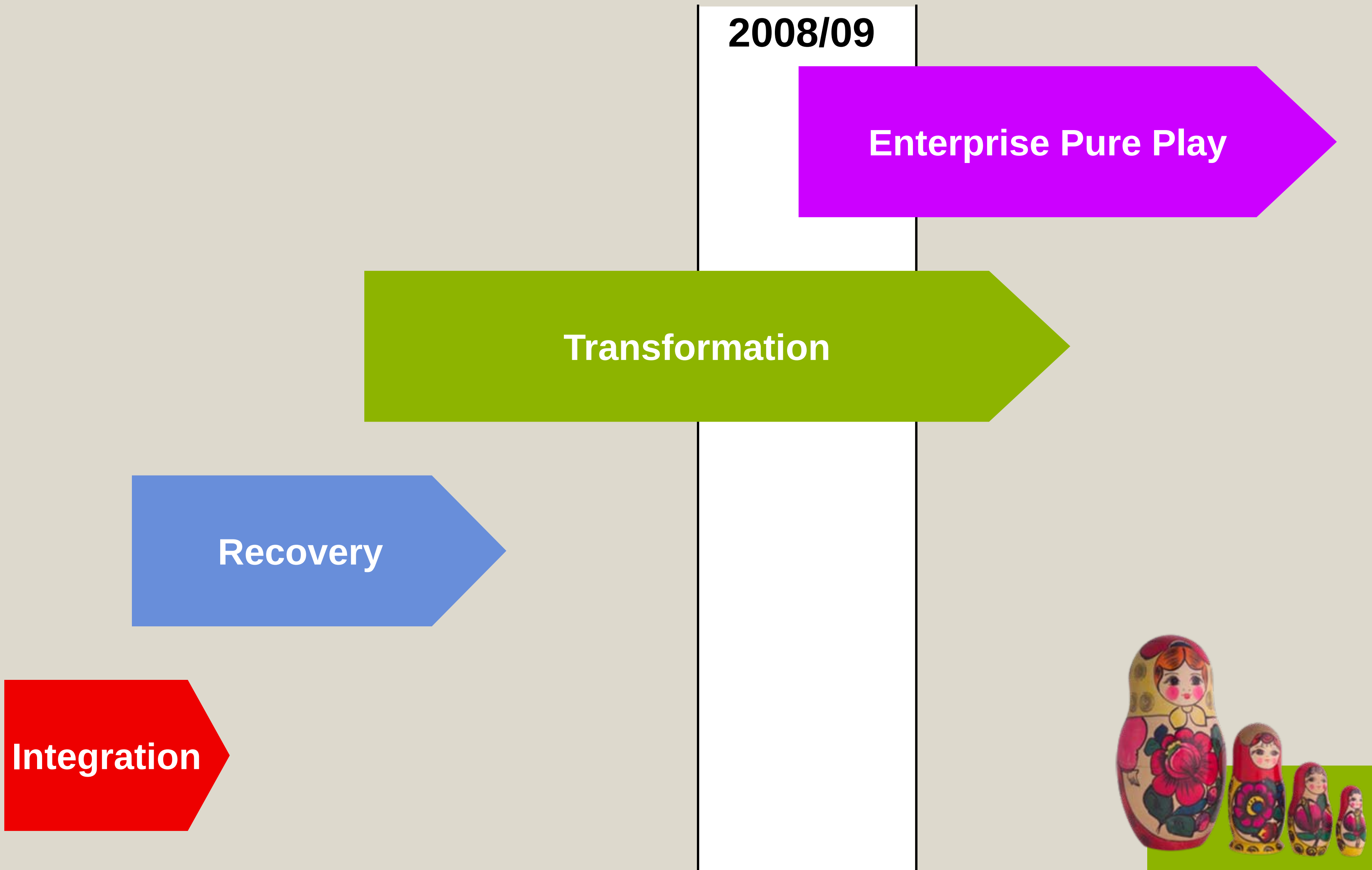
# OUR PROGRESS SO FAR DURING 2008/09
## TRANSFORMATION & GROWTH

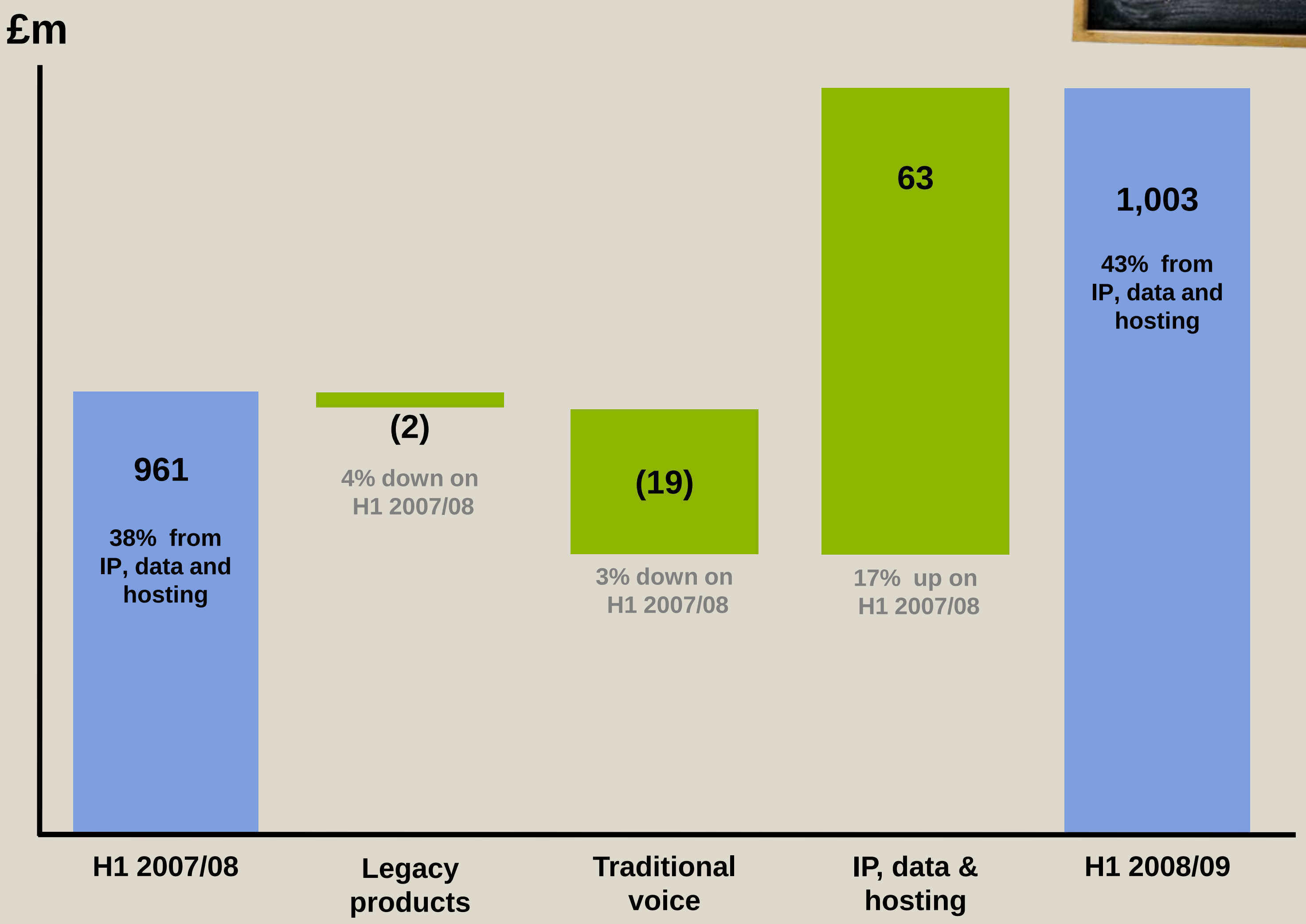


# EUROPE, ASIA & US
## 2008/09 INTERIM RESULTS

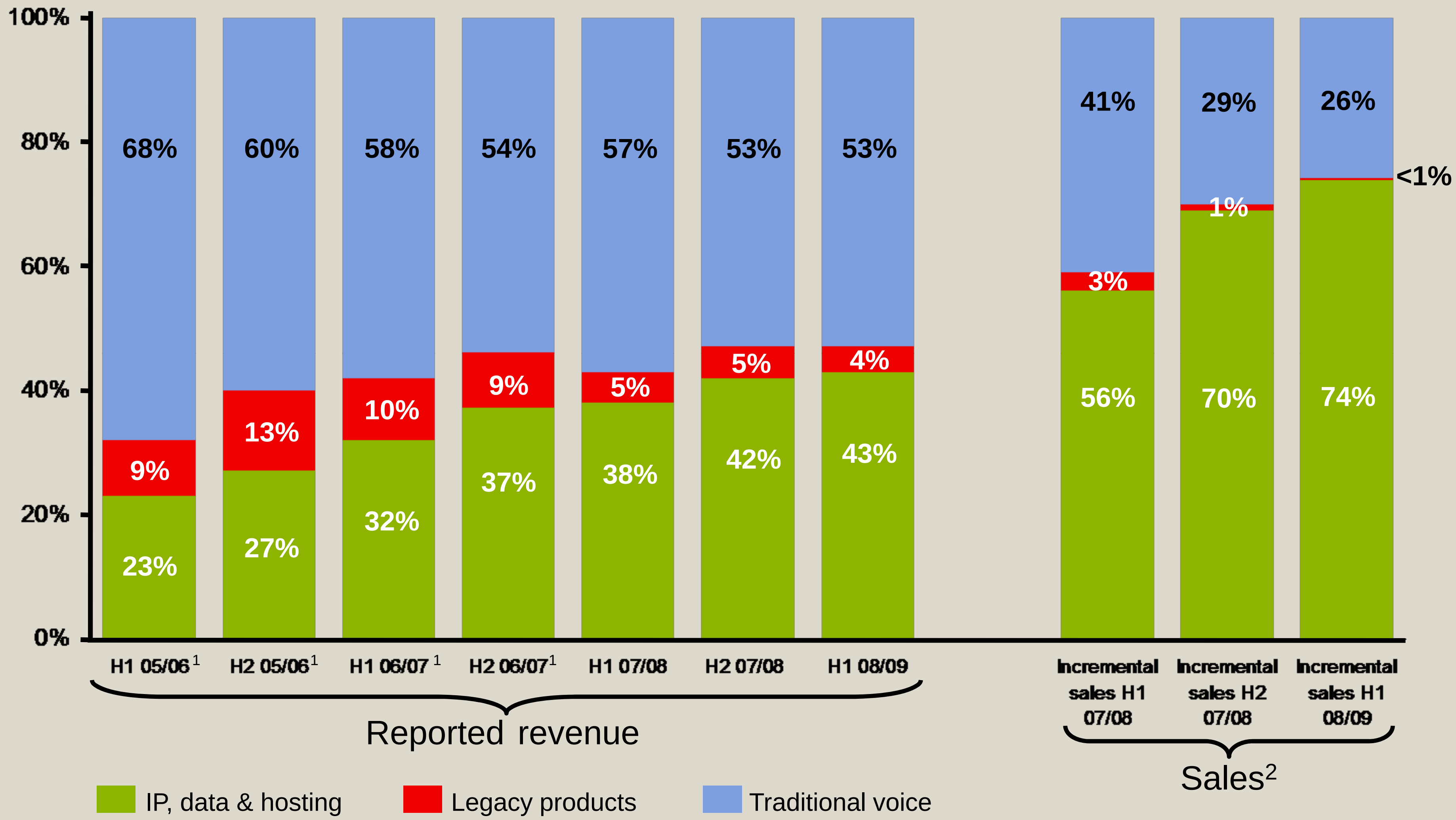
| | H1 2008/09 | | H1 2007/08 | | Change[1] | |
|---|---|---|---|---|---|---|
| | £m | % | £m | % | £m | % |
| **Revenue** | **1,003** | 100% | **961** | 100% | **42** | 4 |
| Cost of sales | (589) | (59%) | (563) | (59%) | (26) | (5) |
| **Gross margin** | **414** | 41% | **398** | 41% | **16** | 4 |
| Operating costs[3] | (272) | (27%) | (299) | (31%) | 27 | 9 |
| **EBITDA[2,3]** | **142** | 14% | **99** | 10% | **43** | 43 |
| **Operating profit[3,4]** | **43** | 4% | **9** | 1% | **34** | nm |
| **Trading cash flow[5]** | **10** | 1% | **(110)** | (11%) | **120** | nm |

[1] Positive represents improvement, nm represents not meaningful
[2] Excluding exceptional items and LTIP charge
[3] Includes net pension credit of £4m in H1 2008/09 and £7m in H1 2007/08
[4] Excludes exceptional items
[5] Trading cash flow excludes acquisitions, disposals and contribution to the pension buy-in

# REVENUE GROWTH
# GAINING MOMENTUM

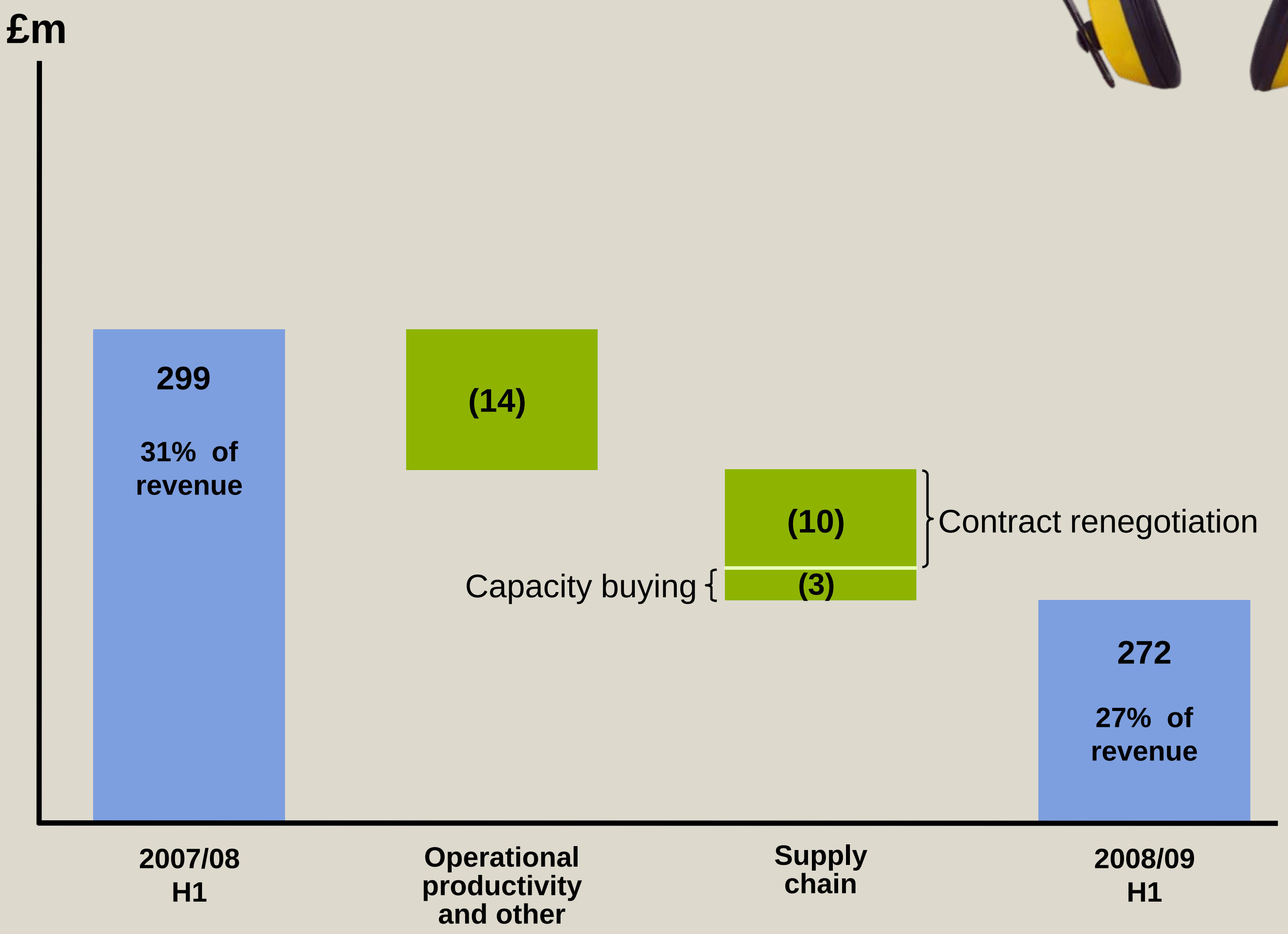


# SALES & REVENUE
# IMPROVING PRODUCT MIX

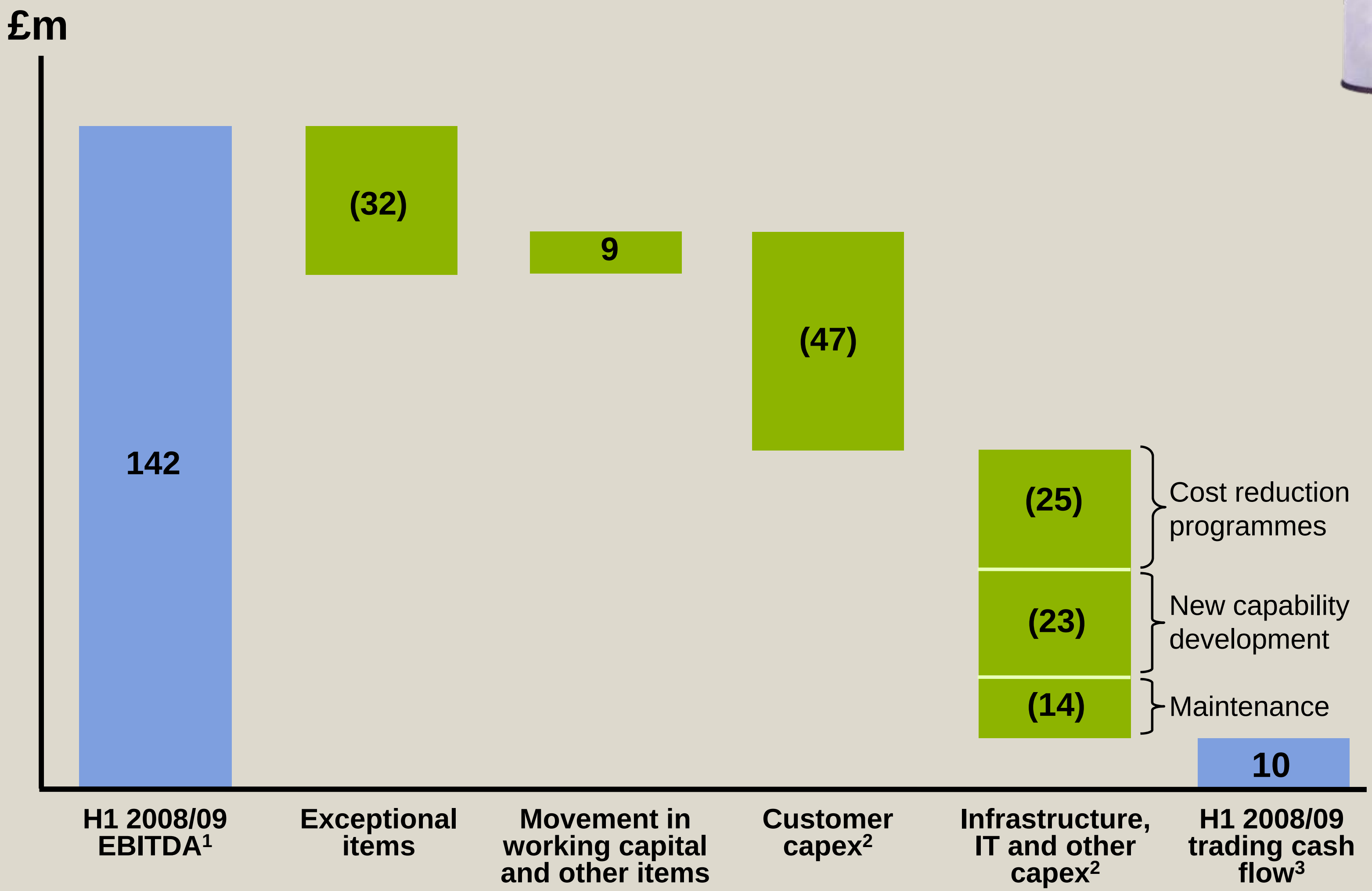



[1] Excludes C&W Access [2] Excludes re-signs

# 9% REDUCTION IN OPERATING COSTS



# EUROPE, ASIA & US
# 2008/09 H1 TRADING CASH FLOW




[1] Excluding exceptional items and LTIP charge
[2] Cash capex
[3] Trading cash flow excludes acquisitions, disposals and contribution to the pension buy-in

# TRADING ENVIRONMENT

**No impact on H1 2008/09**

**Overall leading indicators very healthy**

**Detailed plans in place**

| LEADING INDICATORS: | STATUS |
|---|---|
| 1. Sales/order intake | |
| 2. Pipeline for new services | |
| 3. Volume of project work | |
| 4. Network minutes | |

**Business well positioned to continue to progress**

- **appealing product set**
- **low market share**
- **contracted gross margin high**
- **cost base prize**
- **Thus synergies**

**No change to our commitment**

# THUS ACQUISITION
## ACCELERATING OUR STRATEGY

**ENTERPRISE CUSTOMERS**

**SYNERGIES**

- Network and property rationalisation
- Removal of duplicate capabilities
- One set of new product development

**CREATION OF MID-MARKET FOCUSED COMPANY**

Creates scale in the mid-market to make us a stronger competitor

# APPROACH TO VALUE CREATION


c. £550m revenue
c. 1,800 colleagues

thus

**Save:**
c. 700 colleagues

**Integrate:**
c. £370m revenue
c. 600 customers
c. 550 colleagues

**Create:**
c. £180m revenue
c. 1,700[1] customers
c. 550 colleagues

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ENTERPRISE FOCUS

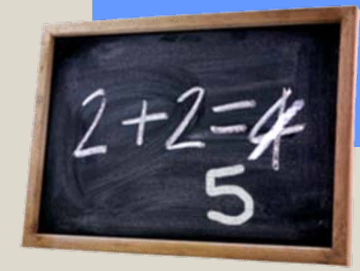
Network services provided to Thus
c. £100m

thus
a Cable&Wireless business

MID-MARKET FOCUS

[1] Customers billing >£10k per annum

# SYNERGIES AND VALUE CREATION




| SYNERGIES | FY 2011/12 | |
|---|---|---|
| Cost of sales | £24 million | • Migration to Cable&Wireless network & Thus in Scotland<br>• Voice interconnect efficiencies<br>• CPE procurement savings |
| Opex | £46 million | • Overall headcount reduction across the enlarged group<br>• Aggregating maintenance contracts<br>• Reduction in property |
| **EBITDA SYNERGIES** | **£70 million** | |
| Capex | £12 million | • Capex avoidance<br>• Integration of networks onto Cable&Wireless multi-service platform<br>• Elimination of duplicate product development investment |
| **TOTAL SYNERGIES** | **£82 million** | |
| **TOTAL COST TO ACHIEVE** | **£78 million** | |

**Impact on FY 08/09:**
**EBITDA upside £7m**
**Cost to achieve (£39m)[1]**

[1] Exceptional costs

# EUROPE, ASIA & US
## 2008/09 GUIDANCE

| | 2008/09 Guidance |
|---|---|
| EAUS EBITDA[1] | At least £295m |
| THUS EBITDA[2] | c. £23m |
| EBITDA synergies | c. £7m |
| | c. £325m |
| Cost to achieve the synergies | c. £39m |
| Capital expenditure | c. 10% of revenue |
| Combined trading cash flow[3] | Positive |

[1] Excluding exceptional items and LTIP charge
[2] H2 EBITDA for 2008/09 excluding exceptional items
[3] Trading cash flow excludes acquisitions, disposals and contribution to the pension buy-in

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# Tony Rice

Group Finance Director

# EBITDA[1] guidance for 2008/09

| | May 2008 | | Nov 2008 |
|---|---|---|---|
| | Low | High | At least |
| **International US$m** | 895 | 910 | **910** |
| International £m - US$ 2.00:£1.00[2] | 447 | 455 | 455 |
| Impact of exchange rate | 29 | 29 | 29 |
| **International - US$ 1.88:£1.00[3]** | 476 | 484 | **484** |
| Europe, Asia & US | 285 | 295 | 295 |
| Thus EBITDA and synergies | n/a | n/a | 30 |
| **Total Europe, Asia & US** | 285 | 295 | **325** |
| **Central** | (30) | (25) | **(29)** |
| **Group** | 731 | 754 | **780** |

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[1] Excluding exceptional items and LTIP charge
[2] The exchange rate prevailing in May 2008
[3] Analysts' consensus exchange rate for full year 2008/09

# Summary

- Europe, Asia & US strategy continues to deliver
- International strategy sharpened and delivering
- Full year EBITDA[1] guidance raised to at least £780 million
- We're confident about our prospects:
  - Europe, Asia & US has a growing order book of long-term, high margin contracts
  - International building value by improved customer experience
  - Robust plans to handle any downturn
- Strong balance sheet
- Sustainable dividend growth – interim dividend up 13%

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[1] Excluding exceptional items and LTIP charge

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# Interim Results

10 November 2008