



CABLE & WIRELESS INTERIM MANAGEMENT STATEMENT

Richard Lapthorne, Chairman of Cable and Wireless plc, said:

“In the first quarter of 2009/10, our two businesses continue to make progress despite a more challenging economic backdrop. Momentum in Worldwide continues, with EBITDA growth of over 30% expected for the full year; in CWI an acceleration of the trend for lower tourist numbers is affecting the Caribbean, against which we are intensifying our cost reduction work. In these conditions, focus on EBITDA, capital expenditure and cash remains paramount.”

Financial outlook and highlights:

Cable and Wireless plc (Cable & Wireless) guidance for Group EBITDA is approximately £1,025 million based on an exchange rate of US\$1.50 to £1.00¹. This EBITDA guidance, which is unchanged from 21 May 2009, comprises Worldwide at approximately £430 million, an increase of approximately 32% on 2008/09, CWI up around 6% in constant currency to approximately US\$935 million² and Central a cost of about £28 million.

In addition, our outlook for capital expenditure remains at approximately £477 million and for cash exceptionals approximately £137 million. During the first quarter, we booked an exceptional charge of £16 million in respect of our operational exceptional programmes including: ‘One Caribbean’ transformation; Thus integration; and Worldwide restructuring. The cash cost of operating exceptionals in the first quarter was £28 million. In respect of our forward exchange contracts, there was an exceptional gain of £20 million as contracts closed out in the first quarter or were marked-to-market under IAS39 at the 30 June 2009 exchange rate of US\$1.65:£1.00.

At 30 June 2009, Group net debt was £415 million, an increase of £38 million since 31 March 2009 reflecting the anticipated first quarter working capital outflow partially offset by translation of the Group’s US dollar net debt into sterling.

Operational highlights include:

Worldwide

- **Customer wins:** Incremental sales in the first quarter were ahead of our expectations. Of these sales, approximately 78% were from our strategic IP, data & hosting products, which typically have a 9 to 12 month roll out period. Sales in the first quarter included a 15 year, £207 million contract with National Grid as well as significant contracts within our next generation product set for the Office for Criminal Justice Reform, General Healthcare Group and Ericsson.
- **Trading:** Worldwide cost reduction programmes and the contribution from Thus (synergies plus trading) are operating ahead of plan and are compensating for a decline in traditional voice minute volumes. This decline principally relates to low margin mobile traffic and a faster migration away from premium rate numbers in anticipation of the regulatory changes, and accounts for approximately £1 million of gross margin per month.
- **Roll out of our Worldwide Multi Service Platform in Europe:** Worldwide announced that it is commencing the roll out of its Multi Service Platform, across 21 locations in Ireland and Continental Europe which will benefit multi-national customers with a footprint in Europe.

CWI

- **Caribbean:** The downturn in the Caribbean is intensifying in several of the local economies. In the first quarter, we have seen domestic fixed line minutes fall by 9% compared to the same quarter last year which is putting pressure on fixed line revenue. Mobile customer numbers and market share have been holding up although average revenue per customer is 8% down on last year due to lower usage and more competitive pricing. In the face of this, we are accelerating and stepping up our cost reduction programmes, though there is a lead time for such actions to take effect. This includes a recently signed agreement for reciprocal sharing of mobile towers in Jamaica to increase our mobile coverage and reduce network costs. Other developments include the award from one of the largest regional banks of its mobile business exclusively to our LIME operation and the launch of our 3G mobile network in Jamaica providing customers with access to a range of advanced features and services.

- **Panama:** Despite new competition, mobile revenue continues to perform ahead of our expectations though we have seen delays in the start of some government projects following the change of government in May. As part of our continuing commitment to customer service, we plan to launch pay-TV in Panama during the second half of this financial year. The necessary investment for pay-TV is incorporated within our guidance.
- **Macau:** Visitor numbers to Macau are forecast to be lower than last year although we expect to see some improvement in economic activity towards the end of the year. Recent new business wins include enterprise contracts from the Macau Science Centre, Bank of China and the Judiciary Police Department.
- **Monaco & Islands:** continues to perform in line with our expectations. A 3G licence has recently been awarded to our Guernsey business.

Notes

¹ The actual average exchange rate for Quarter 1 2009/10 was US\$1.5035:£1.00

² Approximately 25% of CWI revenue and EBITDA is denominated in non-US dollar related currencies

About Cable & Wireless

Cable and Wireless plc is one of the world's leading international communications companies. It operates through two standalone business units – Worldwide and CWI.

The Worldwide business (formerly Europe, Asia & US) specialises in offering high quality communications services such as IP, data, voice and hosting to large enterprise, reseller and carrier customers. It operates globally, with core markets in UK, Asia and EMEA, and provides connectivity in 153 countries.

CWI (formerly International) is an owner and operator of leading regional telecoms businesses. Headquartered in London, it operates businesses through four regional operations the Caribbean, Panama, Macau and Monaco & Islands delivering world class service and efficiency. CWI is a full-service telecommunications provider offering mobile, broadband, and domestic and international fixed line services, as well as enterprise and managed service solutions.

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