



CABLE & WIRELESS

Preliminary Results

22 May 2008

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CABLE & WIRELESS

Tony Rice

Joint Group Managing Director,
Central and Finance Director

Agenda for today

- Group highlights and financials Tony Rice
- International John Pluthero
- Europe, Asia & US John Pluthero
- Pensions and guidance Tony Rice
- Summary Richard Laphorne



Group highlights

- Europe, Asia & US EBITDA¹ up by 161% to £219 million
- Europe, Asia & US trading cash flow positive in H2 2007/08
- International EBITDA¹ up 3% to US\$830 million
- Group EBITDA¹ up 23% to £605 million
- Recommended full year dividend of 7.5p per share - up 28%



Group financials

£m	2007/08 Full Year	2006/07 Full Year	Change ¹ %
Revenue	3,152	3,348	(6)%
EBITDA ²	605	492	23%
LTIP	(27)	(27)	-
Total operating profit	284	103	176%
Earnings per share (pence)			
Basic ³	6.8p	6.3p	8%
Pre-exceptional and pre-LTIP	9.0p	5.1p	76%
Total dividend per share (pence)	7.5p ⁴	5.85p	28%



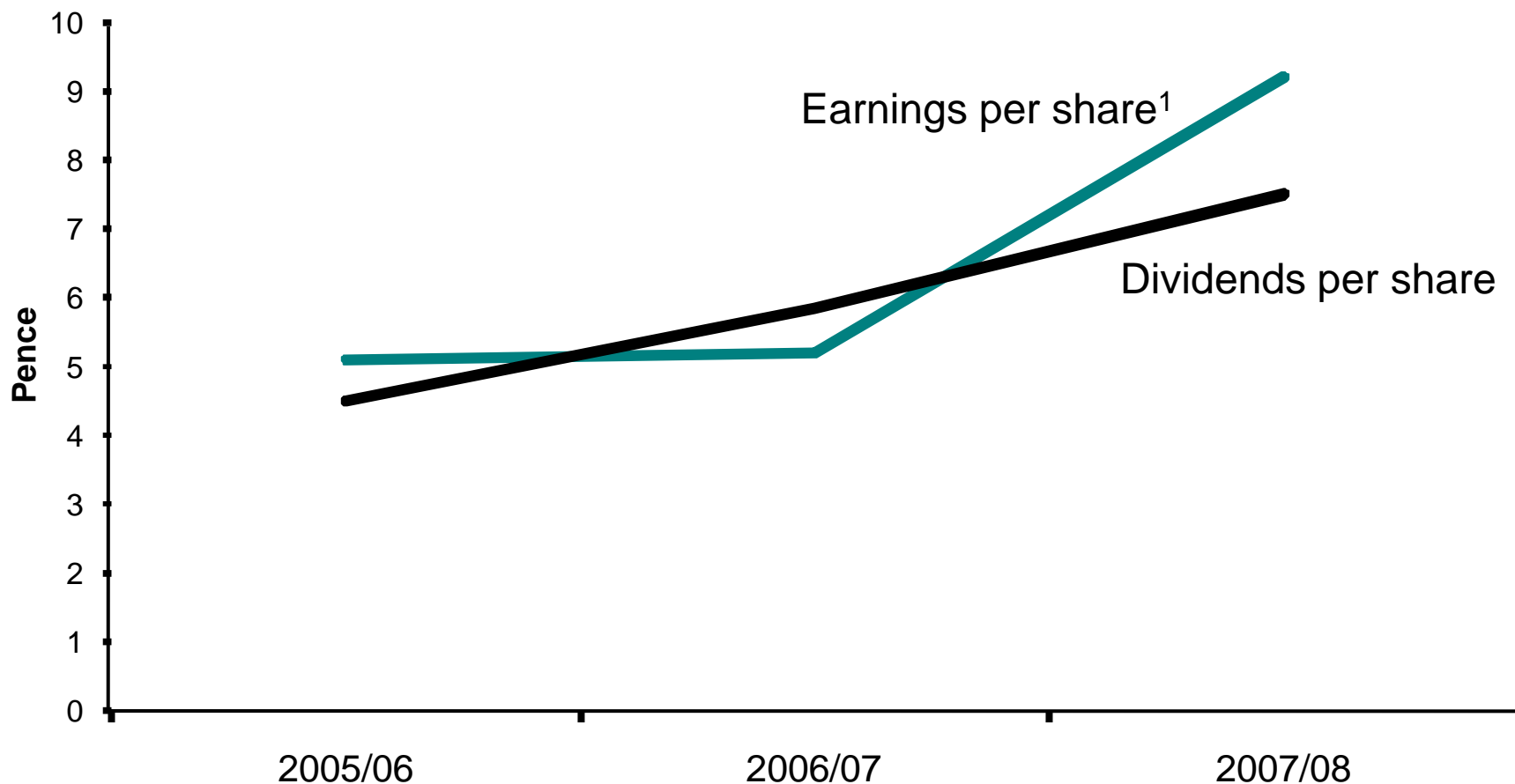
¹ Positive percentage represents improvement

² Excluding exceptional items and LTIP charge

³ From continuing operations

⁴ Recommended

Group earnings and dividends per share



CABLE & WIRELESS INTERNATIONAL

Full year 2007/08 performance

John Pluthero

Executive Chairman, International



**CABLE & WIRELESS
INTERNATIONAL**



2007/08 International financial performance

US\$m	2007/08 Full year	2006/07 Full year	Change ¹ %
Revenue	2,462	2,310	7%
Gross margin	1,615	1,523	6%
Operating costs	(785)	(715)	(10)%
EBITDA ²	830	808	3%
EBITDA as % of revenue	34%	35%	
Capex as % of revenue	15%	14%	
Trading cash inflow	416	415	
Mobile customers ³	6,367,000	5,033,000	27%
Broadband customers ³	466,000	401,000	16%



¹ Positive represents improvement

² EBITDA excluding exceptional items and LTIP charge

³ Total customers including joint ventures

The Jamaica story

US\$m	2007/08 Full year	2006/07 Full year	Change ¹ %	2007/08 H2	2007/08 H1
Revenue	329	376	(13)%	165	164
Gross margin	191	241	(21)%	99	92
Operating costs	(140)	(127)	(10)%	(68)	(72)
EBITDA ²	51	114	(55)%	31	20
EBITDA as % of revenue	16%	30%		19%	12%
Capex as % of revenue	27%	16%		28%	26%
Mobile customers	565,000	545,000	4%		
Broadband customers	77,000	79,000	(3)%		



2007/08 Financial performance excl. Jamaica

US\$m	2007/08 Full year	2006/07 Full year	Change ¹ %
Revenue	2,133	1,934	10%
Gross margin	1,424	1,282	11%
Operating costs	(645)	(588)	(10)%
EBITDA²	779	694	12%
EBITDA as % of revenue	37%	36%	
Capex as % of revenue	14%	13%	
Mobile customers³	5,802,000	4,488,000	29%
Broadband customers³	389,000	322,000	21%



¹ Positive represents improvement

² EBITDA excluding exceptional items and LTIP charge

³ Total customers including joint ventures

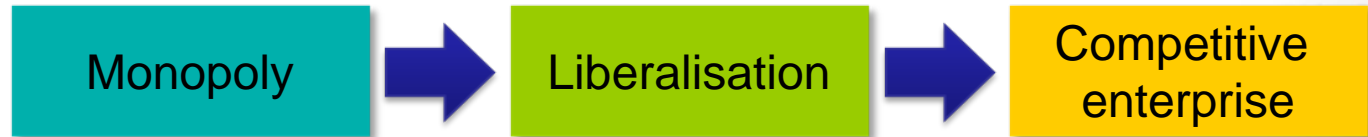
Enough of the past...

...Let's talk about the future



**CABLE & WIRELESS
INTERNATIONAL**

Creating competitive enterprises



Strategy	“We’re the telco”	Follow the competition	Drive service & value, create loyalty
Brand	Big, staid	Tarnished	A meaningful promise
Mindset	Protect status quo	Remove cost	Earn every cent
Good at	Government relations	Retrenching	Customer satisfaction, competing
Key levers	Technology & infrastructure	Regulation	Colleagues, propositions
Maximise	Profit, control	Slowness of decline	Profits, growth, shareholder value



The next phase of our evolution

Four operating units

- Panama
- Macau
- Caribbean
- Monaco & Islands

...and a slimmer head office



**CABLE & WIRELESS
INTERNATIONAL**



Creating competitive enterprises

PANAMA

Fundamentals - GDP growth, brand, momentum, government relations – all very good

Business condition - Excellent, feisty and competitive, good service, product innovation

Key actions - Capitalise on mobile opportunity from new entrants
Grow enterprise sales
Demonstrate market leader behaviour
Focus on service and brand
Drive broadband penetration

Feature - Regional leader



Creating competitive enterprises

MACAU

Fundamentals - GDP growth, brand, momentum, government relations – all strong

Business condition - Best service, very low costs, specialist services

Key actions - Reduce employee turnover
Capitalise on new opportunities
Drive value added services

Feature - Strategic asset, excellent partners



Creating competitive enterprises

CARIBBEAN

- Fundamentals** - Low GDP growth, weak brand, some momentum, good government relations
- Business condition** - Poor service, incomplete product set, variable infrastructure
- Key actions**
 - Creation of strong Caribbean regional carrier
 - Create a new purpose and culture
 - Fix service and brand
 - Improve the product set
 - Lower the cost base
- Feature** - New single business provides economics to create a compelling regional champion



Creating competitive enterprises

MONACO & ISLANDS

Fundamentals - Mixed bag, but overall positive

Business condition - Limited competition, some high costs, spread estate

Key actions

- Improve cost base
- Replace fading international contracts
- Fix service where necessary
- Manage within envelope of current investment to create a more focused portfolio

Feature - What is the best shape of this business in the future?



In summary –

Key themes of our new strategy

- Get the basics right
- Lots of cost savings available
- Earn the right to be successful in growth areas
- A different approach
- Full service incumbent
- We'll defend our back yard vigorously



What this approach delivers in 2008/09

- 8% - 10% EBITDA growth
- EBITDA US\$895 - US\$910 million
- EBITDA approx 35% of revenue
- Capex approx 14% of revenue



EUROPE, ASIA & US **2007/08 RESULTS**

John Pluthero
Executive Chairman
Europe, Asia & US

Cable&Wireless



OUR PROGRESS DURING 2007/08

RECOVERY AND TRANSFORMATION

2007/08

The Enterprise Pure Play

Transformation

Recovery

Integration



EUROPE, ASIA & US

2007/08 FULL YEAR RESULTS



	2007/08		2006/07 ⁵		Change ¹ £m	Memo Allnet & WTG £m
	£m	%	£m	%		
Revenue	1,941	100%	2,139	100%	(198)	66
Cost of sales	(1,138)	(59%)	(1,351)	(63%)	213	(49)
Gross margin	803	41%	788	37%	15	17
Operating costs ³	(584)	(30%)	(704)	(33%)	120	(17)
EBITDA^{2,3}	219	11%	84	4%	135	-
Operating profit/(loss)⁴	44		(56)		100	(1)

¹ Positive represents improvement

² EBITDA excluding exceptional items and LTIP charge

³ Includes net pension credit of £14m in 2007/08 and £4m in 2006/07

⁴ Operating profit excludes exceptional items

⁵ Includes WTG sold 1 February 2007 and Allnet sold 2 April 2007 respectively

EUROPE, ASIA & US

2007/08 HALF ON HALF RESULTS



	H2 2007/08		H1 2007/08		Change ¹
	£m	%	£m	%	£m
Revenue	980	100%	961	100%	19
Cost of sales	(575)	(59%)	(563)	(59%)	(12)
Gross margin	405	41%	398	41%	7
Operating costs ³	(285)	(29%)	(299)	(31%)	14
EBITDA^{2,3}	120	12%	99	10%	21
Operating profit⁴	36	4%	8	1%	28

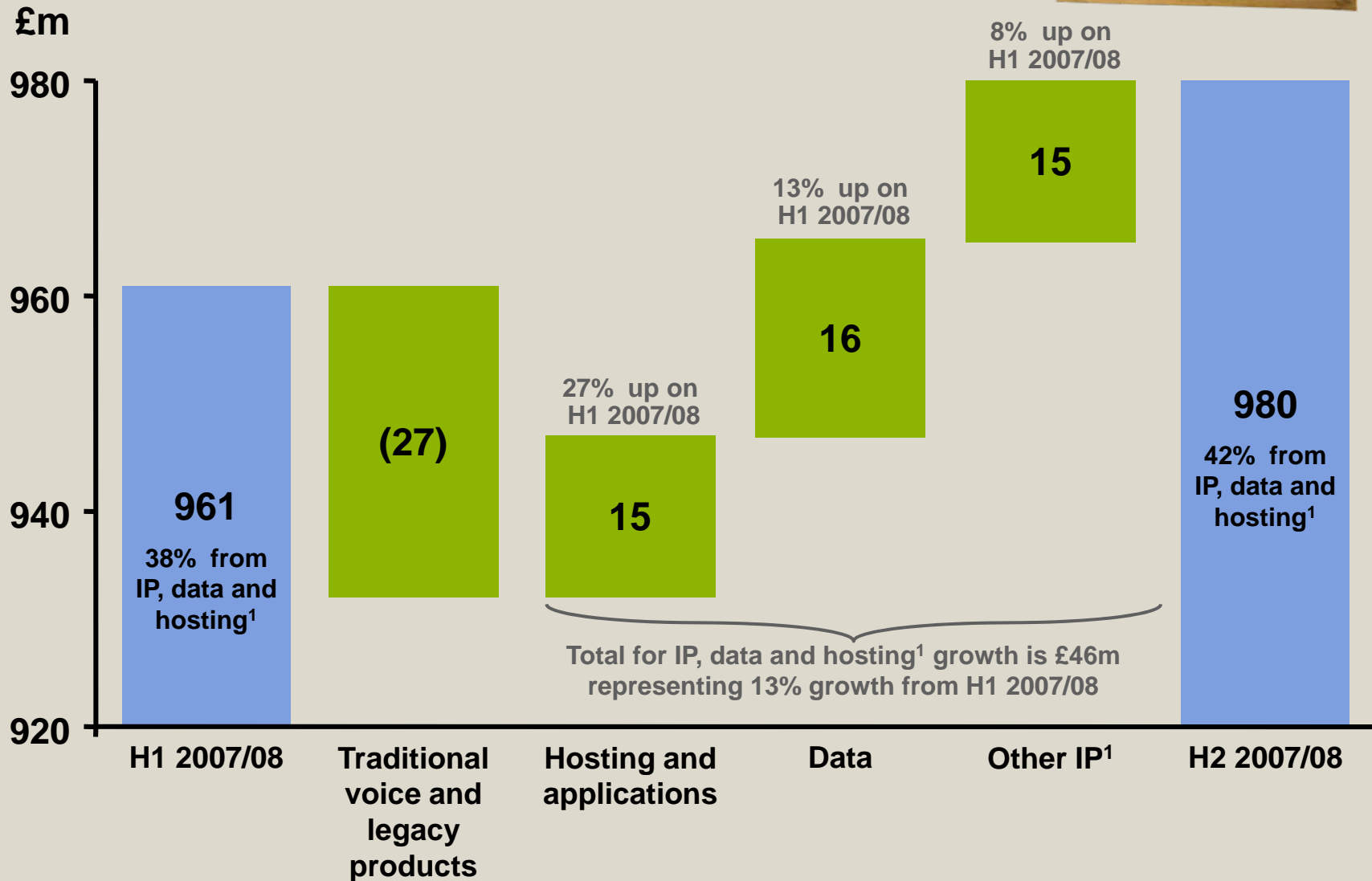
¹ Positive represents improvement

² EBITDA excluding exceptional items and LTIP charge

³ Includes net pension credit of £7m in H2 2007/08 and £7m in H1 2007/08

⁴ Operating profit excludes exceptional items

REVENUE BACK IN GROWTH



¹ Includes LLU business revenues previously disclosed separately

YEAR ON YEAR SALES GROWTH

- **Further 48% year on year reduction in churn**
- **Total incremental sales**
 - Up 39% on 2006/07
- **Incremental IP, data and hosting sales**
 - Up 53% on 2006/07
 - 64% of total incremental sales
- **Increasing proportion of larger contracts**
 - 21% of sales from contracts over £10 million per annum (8% in 2006/07)



MAJOR CONTRACTS ACROSS ALL SECTORS AND NEW SERVICES

- **Managed services and large enterprise contracts**
 - Re-signed Aviva – c.£300 million over 6 years
 - New contracts with Serco, RSA and Tesco
- **Fixed mobile convergence**
 - Rolling out 34,000 handsets across 1,700 sites for Tesco
 - Trials with other major enterprises
- **IPTV wholesale contract with INUK**
 - Launching across UK wide area network
- **Hosting and applications**
 - NHS mail upgrade to Microsoft Exchange
 - Managed high definition video conferencing for National Grid
 - Digital signage contract with Vodafone
- **Worldwide WAN contracts**
 - Asia and India – TCS, Infosys, Infineon
 - Middle East/Europe – Cisco

OPERATING COSTS REFLECT SUCCESS OF RECOVERY



¹ Includes opex of £17m relating to the WTG and Allnet businesses sold in February and April 2007 respectively

CONTINUING WITH OPERATING COST PLANS FOR 2008/09

Improved March 08 exit run rate will benefit 08/09

- **An 8% reduction in headcount since November 2007**
- **In-source of field engineering**

Continuing with transformation cost agenda in 2008/09

Network operations

- **Reduction in network maintenance costs**
- **International network and facilities rationalisation**
- **Electricity initiatives**

Customer services

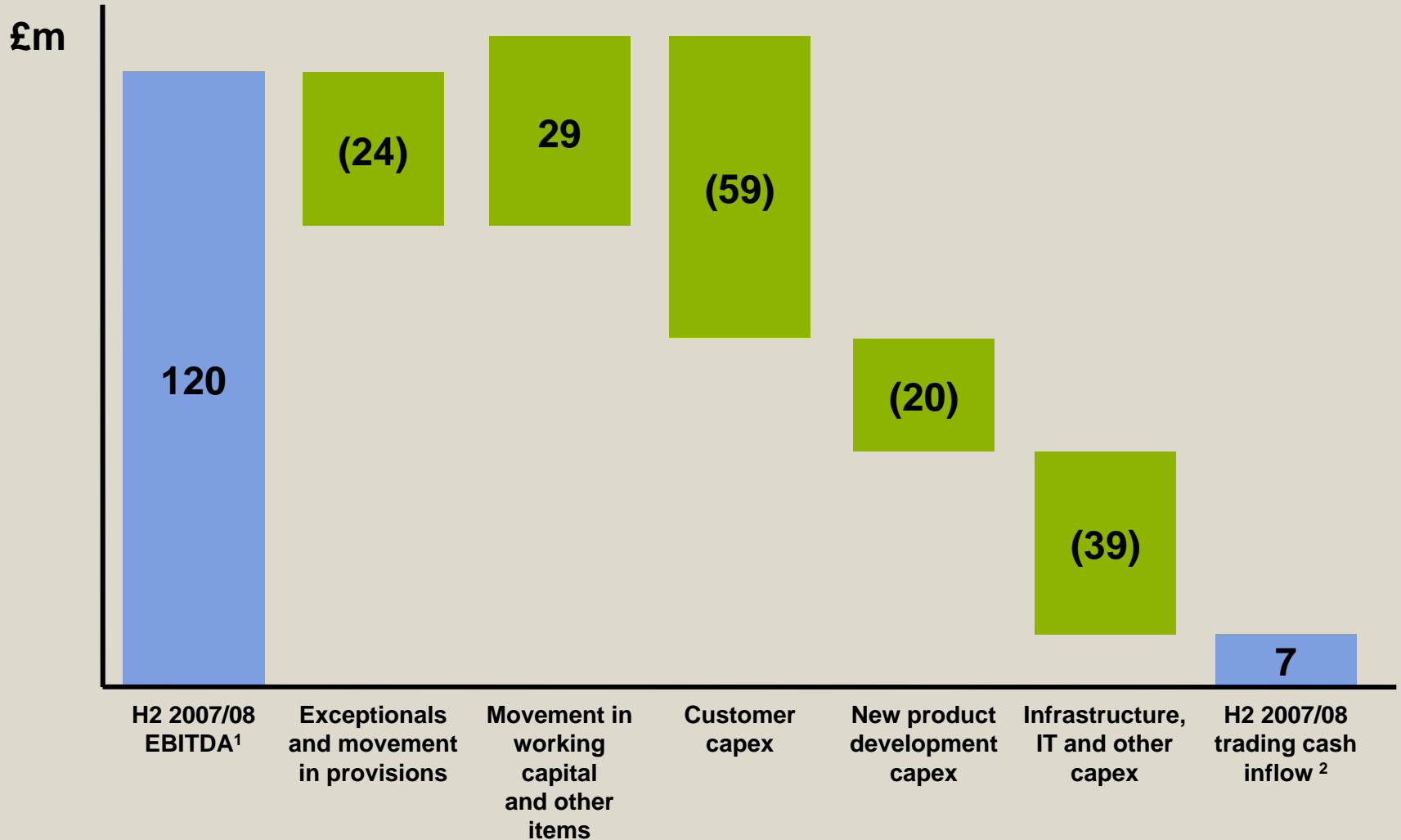
- **Customer front office restructuring**
- **Network operations centre integration**
- **Process re-engineering and automation**

Property and purchasing

- **Property exits – further five exits this year**
- **Further supply chain efficiencies**

EUROPE, ASIA & US

2007/08 H2 TRADING CASH FLOW



¹ EBITDA excluding exceptional items and LTIP charge

² Excludes acquisitions and disposals of £46m and pension top up of £16m

EUROPE, ASIA & US

2008/09 GUIDANCE

2008/09 Guidance

EBITDA¹

c. £285m - £295m

Capital expenditure

c. 10% of revenue

Trading cash flow

Positive

¹EBITDA excluding exceptional items and LTIP charge



CABLE & WIRELESS

Tony Rice

Joint Group Managing Director,
Central and Finance Director

Pension fund

- Members' rights and benefits will be protected
- Fully funded UK defined benefit pension scheme:
 - Triennial valuation agreed with Trustees using fully up to date and stronger longevity assumptions
 - After £19 million contribution, fully funded on an ongoing basis
 - IAS 19 surplus of £375 million
- We continue to reduce risk in the pension fund:
 - Rebalancing from equities to bonds and cash
 - Better match fund's assets with liabilities using swaps
 - Review of buyout options
 - Full buyout is unlikely in current market
 - Active discussions for further de-risking including a partial buyout
- Buyout not a precondition for value realisation



Guidance for 2008/09

EBITDA ¹	Full year 2006/07 Actual	Full year 2007/08 Actual	Full year 2008/09 Guidance	
			Low	High
International US\$m	808	830	895	910
Exchange rate \$/£			2.00	2.00
£m				
International	430	414	447	455
Europe, Asia & US	84	219	285	295
Central	(22)	(28)	(30)	(25)
Group	492	605	702	725





CABLE & WIRELESS

Richard Laphorne

Chairman

Summary

- Europe, Asia & US strategy is delivering:
 - 2008/09 EBITDA¹ guidance of £285 million to £295 million; growth of 30% to 35%
 - Back in revenue growth and trading cash generation
- International strategy sharpened and delivering:
 - 2008/09 EBITDA¹ guidance of \$895 million to \$910 million; growth of 8% to 10%
 - Strong growth in mobile and broadband
- Value realisation – options actively under consideration:
 - Best value for shareholders and assessment of market conditions
- Our longer term targets remain unchanged

