



**CABLE & WIRELESS**

**2 February 2010**

**PUBLICATION OF PROSPECTUSES FOR DEMERGER AND  
INTERIM MANAGEMENT STATEMENT**

Cable and Wireless plc will publish prospectuses later today for the demerger and public listing of its two businesses, along with a circular to shareholders seeking their approval at a Court meeting and a General meeting convened for 25 February 2010. The demerger will result in separate public listings for Cable & Wireless Worldwide plc (“Worldwide”) and Cable & Wireless Communications Plc (“Communications”), the new name for Cable & Wireless International (CWI). The demerger is expected to complete and trading to start in the shares of the two companies by the end of March 2010.

**Highlights**

- Demerger on track, expected to complete by 26 March 2010
- Total dividend for 2009/10 reconfirmed at 9.50 pence per share. Final dividend to be split between Cable & Wireless Communications (3.34 pence) and Cable & Wireless Worldwide (3.00 pence), both payable in August 2010
- Aggregate dividend for 2010/11 confirmed at 9.50 pence per share, subject to financial and trading performance. Cable & Wireless Communications 8.00 cents (approximately 5.00 pence) per share. Cable & Wireless Worldwide 4.50 pence per share
- Pensions settlement agreed with the trustee of the main UK defined benefit scheme - £30 million additional cash injection
- Confirmation of 2009/10 financial guidance. Cable & Wireless Communications EBITDA forecast of US\$880 million to US\$900 million. Cable & Wireless Worldwide EBITDA forecast of £430 million
- Cable & Wireless Worldwide demerger financing package in place - £230 million convertible bond and £300 million of credit facilities
- Cable & Wireless Communications US\$500 million medium term facilities signed and US\$500 million bond offer announced today as the final step in its financing package
- Future corporate costs expected to total £25 million per annum (Cable & Wireless Communications £15 million and Cable & Wireless Worldwide £10 million), a saving of £3 million on 2009/10 Central costs
- Since 2005/06, Cable & Wireless Worldwide EBITDA has increased almost ten fold with operating cash flow improving from an outflow of £332 million to an expected inflow of about £80 million
- From 1 April 2006 to 30 September 2009, Cable & Wireless Communications has repatriated US\$1.55 billion of cash to Cable and Wireless plc

**Sir Richard Laphorne, Chairman of Cable and Wireless plc, said:**

“Today’s announcement sets out the final steps for the separation of our two businesses and the creation of two strong, well-financed companies with great opportunities ahead of them. Both businesses have clear and distinct strategies and we believe demerger will create further value for shareholders by enabling them to invest directly in Cable & Wireless Communications and Cable & Wireless Worldwide.

“Today, we’ve reconfirmed our intention to pay a 9.50 pence total dividend for 2009/10, set out the intended dividends for 2010/11 at a similar level of 9.50 pence and described our dividend policies beyond then, demonstrating our confidence in the future prospects of both businesses.

“We have now agreed the remaining items for the finalisation of our demerger, paving the way to complete the separation by the end of March. We have agreed with the trustee of our main UK pension scheme the principles on which the scheme will be split between Communications and Worldwide. We appreciate the trustee’s helpful and constructive approach to our discussions. The financing for Worldwide is complete and today Communications has launched a US\$500 million bond offering as the final step in the overall financing package launched in November last year. Finally, we can confirm that in line with our policy of motivating and retaining our key management to drive for long-term exceptional shareholder returns, the LTIP and other executive incentive schemes will not crystallise as a result of the demerger.

“Turning to the performance of our businesses, they have both made good progress in the third quarter and I’m pleased to reconfirm our EBITDA guidance for 2009/10. In Worldwide, sales of the all-important strategic product set, Data, IP and Hosting have been particularly strong and the anticipated improvement in project work is showing through with gross margin continuing to grow. In Communications, our business in Panama is performing well, seeing an increase in government enterprise contracts and holding its market share in mobile. Macau has started to see higher tourist numbers and increased construction work although we don’t expect to see the benefits of this in our business during this financial year. In Monaco & Islands, our businesses are generally performing in line with our expectations and whilst there have been no signs of an upturn in the Caribbean economies, overall we are satisfied with Communications’ performance.

“Cable & Wireless has a successful history as a provider of telecommunications services around the world. We are now embarking on a new chapter in that story and I am confident that both Worldwide and Communications are in great hands and will continue that distinguished heritage. On behalf of the Board of Directors, I would like to thank all of our employees and partners around the world for their commitment and support.”

## Summary timetable

The expected key dates for shareholders are as follows:

Tuesday 2 February, 9am	Cable & Wireless Communications presentation to investors and analysts (see <a href="http://www.cw.com">www.cw.com</a> for details)
Tuesday 2 February, afternoon	Shareholder circular and prospectuses for Cable & Wireless Communications and Cable & Wireless Worldwide published on the cw.com website
Tuesday 2 February, afternoon	Proxy forms for voting at the Court meeting and the General meeting sent to Cable and Wireless plc shareholders
Wednesday 3 February	Cable & Wireless Worldwide presentation to investors and analysts (see <a href="http://www.cw.com">www.cw.com</a> for details)
Thursday 25 February	Court meeting and General meeting to seek approval for the demerger
Monday 22 March	Cancellation of listing of Cable and Wireless plc shares and listing of Cable & Wireless Communications Plc shares on the London Stock Exchange
Friday 26 March	Demerger becomes effective
Friday 26 March	Listing of Cable & Wireless Worldwide plc shares on the London Stock Exchange
Wednesday 26 May	Cable & Wireless Worldwide 2009/10 annual results announcement
Thursday 27 May	Cable & Wireless Communications 2009/10 annual results announcement
August	Dividend payment by Cable & Wireless Communications in respect of its share of the Cable and Wireless plc final dividend for 2009/10
August	Dividend payment by Cable & Wireless Worldwide in respect of its share of Cable and Wireless plc final dividend for 2009/10

The demerger requires the approval of Cable and Wireless plc shareholders due to the size of the transaction and to satisfy certain legal requirements and is conditional, inter alia, on the approval of resolutions by a meeting of Cable and Wireless plc shareholders at a Court meeting and a General meeting convened for 25 February 2010. The Cable and Wireless plc Board unanimously recommends that shareholders vote in favour of the demerger and they will be voting their own shareholdings representing 0.54% of the company in favour as well.

## Dividends

Cable and Wireless plc previously announced that, subject to trading performance in the second half of 2009/10, it intended to recommend a final dividend of 6.34 pence per share, resulting in a 2009/10 total dividend of 9.50 pence per share. Following demerger, this payment of 6.34 pence will be allocated between Cable & Wireless Communications and Cable & Wireless Worldwide, with Communications proposing a dividend payment of 3.34 pence per share and Worldwide a dividend payment of 3.00 pence

per share. Cable and Wireless plc will fund Worldwide to meet its share of the dividend. Subject to the demerger and shareholder approval, these dividend payments will be made in August 2010 to shareholders on the registers of Communications and Worldwide at the record date, which is traditionally in June.

#### Cable & Wireless Communications

For 2010/11 and beyond, Cable & Wireless Communications will declare its dividends in US dollars and pay its dividends in sterling. Shareholders will be able to elect to receive their dividend in US dollars for 2010/11 and beyond.

For 2010/11, the Board of Cable & Wireless Communications has confirmed that, subject to financial and trading performance, it expects to recommend a dividend of 8.00 cents per share (approximately 5.00 pence per share). Beyond 2010/11, it intends to pursue a policy of dividend growth that reflects the underlying earnings and cash flow of the business.

#### Cable & Wireless Worldwide

For 2010/11, the Board of Cable & Wireless Worldwide has confirmed that, subject to financial and trading performance, it expects to recommend a dividend of 4.50 pence per share. Beyond 2010/11, it intends that dividends should grow, at a rate which allows for the anticipated investment requirements of the business and allows earnings and cash flow covers to increase.

### **Pensions**

At demerger, the membership of the main UK pension scheme will be split between Cable & Wireless Communications and Cable & Wireless Worldwide on the basis of the last known employer of each member. This is expected to result in around 6,300 defined benefit members remaining with Communications in the existing pension scheme and approximately 8,700 defined benefit members moving into a new Worldwide pension scheme. The new Worldwide scheme will have the same benefits and powers as those of the existing pension scheme. It is expected that about half of the scheme's assets and liabilities will transfer into the new Worldwide scheme.

#### Cable & Wireless Communications

To ensure that the expected security of any member's benefits is not adversely affected by the demerger, Cable & Wireless Communications has agreed with the trustee of the scheme to provide:

- A £25 million cash injection paid on or shortly after demerger into the existing scheme. This special contribution arises as a result of a change in average duration of the scheme's liabilities as a consequence of the split of membership on demerger. This amount is in addition to Communications' agreed share of the July 2009 interim funding agreement whereby

Communications will pay £9 million into the existing scheme in October 2010 and a further £20 million in April 2011.

- A £100 million contingent funding agreement under which the trustee can call for a letter of credit or cash escrow in certain circumstances, such as material deterioration in the financial performance of the business.

The next triennial valuation of the scheme is due as at 31 March 2010. Communications has agreed that the funding plan for any deficit arising from that valuation will end no later than April 2016.

#### Cable & Wireless Worldwide

To ensure that the expected security of any member's benefits is not adversely affected by the demerger, Cable & Wireless Worldwide has agreed to provide:

- A £5 million cash injection paid on demerger into the new Worldwide scheme in order to support the members moving across. This is in addition to Worldwide's agreed share of the July 2009 interim funding agreement whereby Worldwide will pay £11 million into the new scheme in October 2010 and a further £25 million in April 2011.
- A £100 million contingent funding agreement under which the trustee can call for a letter of credit or cash escrow in certain circumstances, such as material deterioration in the financial performance of the business.

The details of the triennial valuation of the new Worldwide scheme and any associated funding plan will be agreed with the trustee of the new Worldwide scheme in due course.

#### **Current trading and trends**

Cable and Wireless plc confirms the 2009/10 EBITDA guidance given on 5 November 2009: Worldwide continues to expect that its 2009/10 EBITDA will be approximately £430 million; Communications continues to expect that its 2009/10 EBITDA will be in a range of approximately US\$880 million to US\$900 million; and Central costs are still expected to be approximately £28 million. This guidance is confirmed as a formal profit forecast contained in the respective prospectuses of Communications and Worldwide.

The costs and expenses related to demerger are expected to be approximately £22 million, to be shared approximately £12 million by Communications and approximately £10 million by Worldwide.

#### Cable & Wireless Communications

Communications continues to trade in the EBITDA range of US\$880 million to US\$900 million. It now expects 2009/10 capital expenditure to be lower than the guidance of US\$325 million. Exceptional costs

are expected to be in line with the November 2009 guidance (excluding any exceptional costs arising as a result of demerger).

Trading continues to be challenging within the Caribbean. Whilst we are holding market share, lower usage by customers and more aggressive price promotions means that revenue and EBITDA continue to trend in line with the first half of 2009/10. We believe that the market conditions within the Caribbean region will remain difficult through the remainder of this year and into next.

Trading in our other three businesses continues to progress satisfactorily. In Panama we maintained mobile market share and are starting to see more government enterprise projects. Trading continues to be in line with performance at the half year as we maintain discipline around operating costs. The economy in Macau has benefited in the last quarter from increased tourist numbers and a resumption of a number of the hotel and casino projects. However, we would not expect the resumption of economic growth to fully filter through to our results during this financial year. Monaco & Islands has seen some impact in the third quarter from a more competitive trading environment in Guernsey but this has been offset by better trading in the Maldives.

#### *Cable & Wireless Worldwide*

Worldwide continues to make excellent progress with strong new contract wins in the third quarter. Worldwide expects to achieve its EBITDA and operating cash flow guidance for 2009/10, with EBITDA of approximately £430 million, capital expenditure of approximately £280 million and exceptional costs (cash and P&L) of approximately £70 million and £55 million respectively before any costs arising from the demerger.

In the third quarter we saw strong sales of our strategic product set – Data, IP and Hosting – up more than 40% on the same period last year. These are long term contracts and can take nine months or more to convert into revenue. The recessionary effects that we saw earlier in the year are showing some signs of abating; for example voice minutes have stabilised and we have seen the anticipated improvement in the levels of project work. In the second half, revenue will reflect the previously noted regulatory price changes which will have a minimal effect on our margins. Gross margin continues to grow in line with our expectations.

The integration of Thus continues to make good progress and we are on track to deliver the expected synergies of £104 million by 2011/12.

## **Financing and capital structure**

As part of the demerger, Cable and Wireless plc intends that Cable & Wireless Communications and Cable & Wireless Worldwide will have sufficient cash and lines of credit to meet at least three years of projected financing and refinancing needs post demerger.

### *Cable & Wireless Communications*

Communications has recently signed US\$500 million of new credit facilities and today has announced an offering of US\$500 million bonds due 2017. Proceeds of the bonds and the new credit facilities will be used to repay existing credit facilities and for general corporate purposes. This is the final element in the US\$1 billion demerger financing package for Communications. At the date of demerger, Communications is expected to have net debt representing approximately 0.8 times its EBITDA guidance of US\$880 to US\$900 million on a consolidated basis, and approximately 1.2 times on a proportionate ownership basis.

### *Cable & Wireless Worldwide*

The financing package for Worldwide is in place and comprises £230 million of convertible bonds issued by Cable and Wireless plc in November 2009 which will transfer to Worldwide upon demerger and an increase to its existing £200 million secured bank facility to £300 million upon demerger. As a result, Worldwide will have negligible net debt and good liquidity at the date of demerger.

## **Corporate costs**

For 2009/10, the Central costs of Cable and Wireless plc are expected to be £28 million. These costs will remain with Cable & Wireless Communications as any allocation between Communications and Worldwide would be arbitrary. From 2010/11 onwards, Communications and Worldwide will incur corporate costs in order to operate as independent, listed companies. These costs are expected to be approximately £15 million for Communications and approximately £10 million for Worldwide, a total saving of £3 million on the cost for 2009/10.

## **Cable & Wireless name**

Communications and Worldwide have agreed to share the use of the Cable & Wireless name as it has significant value to both businesses. The use of the Cable & Wireless name by Communications and Worldwide is largely unrestricted in each of their respective geographic markets.

**Advisers**

The following are advising Cable and Wireless plc on the transaction:

- N M Rothschild & Sons Limited and Gleacher Shacklock LLP - Joint Sponsors and Financial Advisers
- Allen & Overy LLP – Legal Advisers
- Linklaters LLP – Legal Advisers to the Joint Sponsors and Financial Advisers
- KPMG LLP – Reporting Accountants
- Barclays Capital, BNP Paribas, J.P. Morgan Cazenove, Lloyds TSB Bank Plc Corporate Markets, The Royal Bank of Scotland plc – Financial Advisers to the transaction.

## **NOTES TO EDITORS**

### **Summary details of the proposed demerger**

Below is a summary of the key details of the proposed demerger extracted from the shareholder circular and the Cable & Wireless Worldwide and Cable & Wireless Communications prospectuses which will be available on the cw.com website later today.

### **Background and reasons for the demerger**

In November 2009, Cable and Wireless plc announced its intention to separate Communications and Worldwide, reflecting the Board's belief that the two businesses had reached a position where they are best placed to deliver further value to shareholders as separately listed companies. The separation is the culmination of work which began in April 2006, when Cable and Wireless plc created two largely distinct operating units under the Cable and Wireless plc umbrella to reflect their differing characteristics and the establishment of clear strategies for both. As a result of the significant progress made since then, the Board considers that the two businesses are now ready to operate as independent, publicly listed businesses.

The Cable and Wireless plc Board believes that the separation will deliver further value for shareholders by:

- Allowing Cable & Wireless Communications and Cable & Wireless Worldwide to pursue their strategies independently with greater flexibility over management of resources and opportunities;
- Creating two separately listed companies with distinct investment profiles and clear market valuations;
- Sharpening management focus still further, helping the two businesses maximise their performance; and
- Providing a transparent capital structure and an efficient balance sheet for each business.

### **Demerger proposals**

In essence, the demerger proposals involve the separation of Worldwide from the existing Cable & Wireless Group, which will then comprise just the Communications business, via four steps:

- The insertion of Cable & Wireless Communications Plc as the new holding company for the Cable & Wireless Group through a scheme of arrangement;
- The Cable & Wireless Communications Plc reduction of capital to facilitate the Demerger and to provide potentially distributable reserves for Communications;
- The demerger and issue of Cable & Wireless Worldwide plc ordinary shares; and

- The Cable & Wireless Worldwide plc reduction of capital to provide potentially distributable reserves for Worldwide.

If the demerger proposals are approved and the demerger becomes effective, Cable and Wireless plc shareholders will receive for every one Cable and Wireless plc share:

- One share in Cable & Wireless Communications Plc, a UK incorporated company, admitted to the Official List and to trading on the London Stock Exchange; and
- One share in Cable & Wireless Worldwide plc, a UK incorporated company, admitted to the Official List and to trading on the London Stock Exchange.

### **Expected demerger timetable**

For a summary of the expected demerger timetable, see the main body of this press release.

### **Boards of Communications and Worldwide**

At Cable & Wireless Communications Plc, the Chairman will be Sir Richard Laphorne, the CEO will be Tony Rice and the CFO will be Tim Pennington. The other Executive Directors will be Nick Cooper and George Battersby. The Non-executive Directors will be Simon Ball (also Deputy Chairman and Senior Independent Director), Mary Francis, Kate Nealon and Kasper Rorsted.

At Cable & Wireless Worldwide plc, the Chairman will be John Pluthero and the CEO will be Jim Marsh. Tim Weller will join as Worldwide CFO from May 2010. The Non-executive Directors will be John Barton (also Deputy Chairman and Senior Independent Director), Clive Butler and Penny Hughes.

### **Capital structure, dividends and pensions**

For a summary of the dividends, pensions and capital structure, see the main body of this press release.

As at 30 September 2009, Worldwide and Communications had gross assets of £2,847 million and US\$3,434 million, respectively.

### **Arrangements for incentive plans**

Cable and Wireless plc operates a number of employee and management incentive plans including share options, restricted shares, performance shares and the 2006 Long Term Incentive Plan (LTIP). As part of the demerger arrangements, the existing incentive plans of Cable and Wireless plc need to be replicated in Cable & Wireless Communications and Cable & Wireless Worldwide.

In addition, where Worldwide or Communications performance is relevant to the vesting of incentive awards, the objective is that these should not vest automatically on demerger. The Board believes this

approach ensures that executive incentive and retention arrangements will remain fully aligned with the business and continue in force, removing the risk of demerger creating any discontinuity. Consequently, it is intended that:

- awards under the LTIP will not vest automatically on demerger and will continue to run until their end date of 31 March 2011; and
- awards under most other Cable and Wireless plc incentive plans including the performance shares granted in June 2009 with vesting in June 2012 will also not vest automatically on demerger but will roll over into shares in the demerged businesses

Further details of the arrangements for the incentive plans are set out in the shareholder circular and prospectuses.

### **Taxation**

On the basis of current legislation, it is expected that the Communications current tax charge will not be affected by the demerger. The UK tax asset is expected to remain with Worldwide and, as a result, no UK tax payments are expected in the medium term.

There should generally be no tax liabilities for UK resident shareholders arising from the demerger. Shareholders, in particular those resident outside the UK, should consult their tax advisers about any tax consequences which may be applicable to them.

### **Reporting currency**

Post separation, Communications will report in US dollars as the majority of its revenue and profit is earned in US dollars or related currencies. Worldwide will continue to report its results in sterling.

## **CONTACTS**

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## **ABOUT CABLE & WIRELESS**

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

The Cable&Wireless Worldwide business specialises in the provision of critical communication infrastructure and services for large users of telecommunications. Worldwide provides high quality managed voice, data, applications and IP based services to its customers, focusing on larger corporates, multinational companies, governments, carrier customers and telecommunications resellers. Worldwide operates globally, serving large users of telecommunications in the UK, its largest market, as well as Asia- Pacific, India, the Middle East, Africa, Continental Europe and the United States of America.

Cable & Wireless Communications, headquartered in London, operates through four regional business units – the Caribbean, Panama, Macau and Monaco & Islands. It is a full-service telecommunications provider offering mobile, broadband, domestic and international fixed line services, as well as enterprise and managed service telecom solutions.

## **STABILISATION / FSA**

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Certain statements in this announcement, in particular in relation to expected financial performance and the Group's funding position are forward-looking statements which are based on the Company's expectations, intentions, projections, anticipated events and other matters that are not current or historical facts. These statements are subject to risks and uncertainties and are not guarantees of future developments or performance.