CABLE & WIRELESS

17 November 2009

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CABLE AND WIRELESS PLC ANNOUNCES DETAILS OF PROPOSED DEMERGER

On 5 November 2009, Cable and Wireless plc ("Cable & Wireless") announced its intention to separate into its two businesses, Worldwide and CWI (the "Demerger"). Today, the Board is providing further information on these proposals, including the financing being arranged for each of Worldwide and CWI.

Highlights:

- Separation to be effected by a Demerger of Worldwide, aim to complete by 31 March 2010
- Demerger to create two companies separately listed on the London Stock Exchange
- Richard Lapthorne to be Chairman of CWI and Tony Rice to be CEO
- John Pluthero to be Chairman of Worldwide and Jim Marsh to be CEO
- Both businesses expected to have sufficient cash and lines of credit to meet their financing and refinancing needs for the three years following Demerger and to support the execution of their respective strategies. Cable & Wireless intends to put in place approximately:
    - US$1 billion of new bonds and bank facilities for CWI to replace existing debt facilities and meet its medium term debt maturities; and
    - £500 million of cash and new facilities for Worldwide, of which £200 million is to replace existing debt facilities
- The first part of this financing is today's launch of an offering of convertible bonds due 2014 (the "Convertible Bonds") to raise approximately £200 million for Worldwide
- Cable & Wireless is at an advanced stage of discussions with a group of leading banks for a new three year £300 million facility for Worldwide and a new three year US$500 million facility for CWI
- Discussions with the pension trustees are ongoing and Cable & Wireless expects that approximately half the pension assets and liabilities will be transferred to Worldwide, with the other half remaining with CWI
- There will be no automatic vesting on Demerger of any of the Group's executive incentive plans. Subject to necessary approvals, it is expected that incentive plans will continue until their original vesting and maturity dates

Richard Lapthorne, Chairman of Cable and Wireless plc, commented: "Today's announcement represents a significant milestone in the recent history of Cable & Wireless. Since 2003, we have successfully transformed the business to the point that we now have two strong businesses that are ready to stand on their own as separately listed companies.

"In Worldwide, we have taken a struggling business and transformed it through strong execution and the acquisition of Energis, and more recently Thus, into a business that is passionate about delivering the best service to the largest users of telecoms. The success of this transformation has clearly been demonstrated as they continue to win market share, improve their sales mix, grow their gross margin and deliver positive cash flow.

"CWI has been focused into four operating regions, maintaining market leadership despite increasing competition, developing new products and services and reducing its cost base. In the last six months, it has delivered EBITDA growth in three of its regions and in the fourth, the Caribbean, it is taking the necessary actions to offset the impact of the global recession on the tourist industry. Since 2003, CWI has continued to produce strong cash flows that have underpinned the Cable & Wireless dividend and allowed us to restructure the Worldwide business.

"The core strengths and momentum of these businesses were evident in our recent interim results. Despite the impact of the recession, both have made significant progress and together are expected to deliver EBITDA growth this financial year well into double digits, following 11% growth by CWI and 49% by Worldwide last year. The announcement of a 12% increase in our dividend reflects our belief in the future prospects for both businesses.

"The management teams have delivered everything and more that we have asked of them. In CWI, I am delighted that Tony Rice and Tim Pennington will continue as CEO and CFO respectively. In Worldwide, I am similarly pleased that John Pluthero and Jim Marsh have confirmed their long term commitment to the business. As Chairman, John will remain intimately involved with the business whilst Jim, as CEO, will continue to run the day to day operations. Finally, I am very excited to continue my own involvement with CWI as Chairman and know that Worldwide will go from strength to strength under John's and Jim's leadership.

"Finally I am pleased that we have been able to provide the key building blocks for how the Demerger will work, including ensuring that both businesses have the right capital structures and lines of credit to support their individual strategies. Over the coming months we will be laying out in more detail the strategies for both businesses. We believe that they both represent exciting opportunities for shareholders, customers and our employees in the future."

Demerger proposals

The separation is subject to shareholder approval and is expected to be effected by way of a Demerger of Worldwide from the existing Cable & Wireless Group, which will then comprise just the CWI business. The Demerger will result in existing Cable & Wireless shareholders receiving one share in Worldwide and one share in CWI for every Cable & Wireless share that they hold at the completion of Demerger.

Following the Demerger, the holding companies of both Worldwide and CWI will be separately listed on the Main Market of the London Stock Exchange.

Boards of CWI and Worldwide

At CWI, the Chairman will be Richard Lapthorne, the CEO will be Tony Rice, the CFO will be Tim Pennington and the Corporate Services Director will be Nick Cooper. George Battersby will also be an Executive Director of CWI, focusing on managing the transition from Cable and Wireless plc, and he will retire in July 2010. The Non-executive Directors will be Simon Ball (also Deputy Chairman and Senior Independent Director), Mary Francis, Kate Nealon and Kasper Rorsted.

At Worldwide, the Chairman will be John Pluthero and the CEO will be Jim Marsh. The CFO will be announced by January 2010. The Non-executive Directors of Worldwide will be John Barton (also Deputy Chairman and Senior Independent Director), Clive Butler and Penny Hughes.

The Non-executive Directors of CWI and Worldwide are all existing Non-executive Directors of Cable and Wireless plc. John Barton, Mary Francis and Penny Hughes all joined within the past year.

CWI

CWI is a global telecommunications business, operating in 38 local markets, through four regional operations – Panama, Caribbean, Macau and Monaco & Islands – offering fixed line, broadband, mobile and entertainment. In most of its markets, CWI is the market leader (19 out of 26 mobile markets, 27 out of 34 broadband markets and 25 out of 27 fixed line markets) and it is the primary challenger in the others.

As a full service provider to consumers, businesses and governments, CWI is naturally diversified by product, from more mature fixed line operations to higher growth broadband and mobile applications, and by customer. Furthermore, the spread of CWI operations provides the business with geographic diversity.

CWI has increased its EBITDA from US$749 million in 2005/06 to US$880-US$900 million expected for 2009/10. In the 3½ years from 1 April 2006 to 30 September 2009, CWI has played its full part in enabling the transformation of the Group, repatriating US$1.55 billion (£836 million) of cash to Cable and Wireless plc.

CWI believes it is well positioned to continue to provide attractive shareholder returns, from ongoing operational improvements and from the growth opportunities inherent in many of its markets. It also anticipates a number of additional investment opportunities becoming available over the medium term, both to reinforce its existing operations and to develop in adjacent areas. CWI will continue to evaluate opportunities within strict financial and investment criteria.

Worldwide

Worldwide provides mission critical communications for the world's largest users of telecoms, with particular strength in the UK, Asia and the Middle East. Its success in the marketplace is driven by its service reputation for delivering a highly evolved product and service capability specific to the needs of those large users. Worldwide is one of the largest global network operators and has the biggest UK network dedicated to the largest users of telecoms.

Worldwide has growing market share and, in the first half of 2009/10, over two thirds of its gross margin and over 80% of incremental customer wins were from its strategic product set of IP, data and hosting.

Worldwide has increased its EBITDA almost tenfold from £44 million in 2005/06 to £430 million expected for 2009/10 and improved its operating cash flow from an outflow of £332 million in 2005/06 to an inflow expected of £80 million for 2009/10.

Worldwide management believes that its clear focus on providing communication solutions to the largest and most sophisticated customers will continue to provide opportunities to grow its business both from new customer wins and increasing services with existing customers.

Capital structure

The Board of Cable & Wireless believes that it is in the interests of all stakeholders that Worldwide and CWI should continue to have amongst the strongest financial profiles of their peer group. It intends that CWI and Worldwide will have robust capital structures with sufficient cash and lines of credit to meet their financing and refinancing needs for the first three years following Demerger and to support the execution of their respective strategies.

Worldwide is a major supplier to large enterprise customers who choose to use its services for mission critical applications. It is intended that Worldwide will have sufficient access to funding to support its continued success in growing its market share and a balance sheet to maintain the confidence of its customers and other stakeholders.

CWI is a well diversified full service global communications provider. In many of the countries in which it operates, CWI works in partnership with third parties and, whilst its businesses are generally highly cash generative, it does not in all cases have immediate access to the cash flows in its operations. As a result it has traditionally maintained high levels of cash and finance with long maturities as the best means of managing its liquidity and meeting its business objectives.

As part of the plans for Demerger, Cable & Wireless plans to put in place approximately £1.1 billion of new and replacement cash and bank credit lines to meet the objectives set out above:

- £500 million of financing for Worldwide, through a combination of new bank credit lines and the Convertible Bonds, of which £200 million is to replace existing facilities; and
- US$1 billion of financing for CWI, through new bank credit facilities which are intended to replace existing facilities and new bonds to be issued during 2010 to cover medium term debt maturities.

At Demerger, Worldwide is expected to have negligible net debt and good liquidity in the form of cash and available bank credit lines. It will have no material loans at Demerger maturing within three years and sufficient liquidity to cover its seasonal working capital requirements and invest in its business to support customer growth. Upon completion of the Demerger, the Convertible Bonds are intended to become obligations of Worldwide and the net proceeds of the Convertible Bond Offering transferred to Worldwide. In addition, Cable & Wireless is at an advanced stage of agreeing a new three year £300 million secured bank facility for Worldwide which will replace its existing £200 million facility. This new facility is expected to be signed shortly with a group of leading banks and carry a margin over LIBOR of 3.50%. Accordingly, Worldwide is expected to have cash and available bank credit lines at Demerger of approximately £500 million. Worldwide historical net assets and net cash and debt as at 30 September 2009 are shown in Appendix 1.

At Demerger, CWI is expected to have net debt which represents approximately 0.8 times on a consolidated basis CWI's EBITDA guidance of US$880 – US$900 million and approximately 1.2 times on a proportionate basis. CWI intends to fund itself through a combination of new US dollar bonds and bank credit facilities. CWI plans to access the bond market in 2010 to extend the current maturity profile of its debt. It also expects to sign shortly new three year facilities totalling US$500 million with margins of between 3.25% and 4.00% over LIBOR with a group of leading banks to replace the existing US$415 million facility and other undrawn facilities. On Demerger, CWI debt will also include the existing Cable & Wireless sterling bonds due in 2012 (£195 million, approximately US$311 million) and 2019 (£147 million, approximately US$234 million) as well as other debt held in CWI's local operations. CWI historical net assets and net cash and debt as at 30 September 2009 are shown in Appendix 1.

Dividends

Cable & Wireless has announced that, subject to shareholder approval and trading performance in the second half of 2009/10, it intends to recommend a final dividend of approximately 6.34 pence per share, resulting in a 2009/10 total dividend of approximately 9.50 pence per share.

Details of dividend policies for the demerged businesses will be included in their prospectuses.

Pension fund

On Demerger, the main UK pension scheme will be split between the two businesses subject to final agreement with the trustees. Cable & Wireless expects that approximately half of the pension assets and liabilities will be transferred to a new, identical scheme created for Worldwide, with the other half remaining with CWI.

As at 30 September 2009, the scheme had an IAS 19 deficit of £305 million reflecting lower corporate bond spreads and lower real interest rates, which have outweighed the growth in the scheme's assets. Over a year ago, the pension trustees secured all the UK pensioner liabilities, approximately half of the total liabilities, through an annuity buy-in with the Prudential and as a consequence those liabilities are fully matched.

Discussions with the pension scheme trustees are underway and we anticipate reaching agreement on the appropriate measures including any additional funding to ensure that the expected security of any scheme member's benefits is not adversely affected by splitting the fund between the two businesses. We enjoy good relations with the trustees and are grateful for the efforts being put in to reach this agreement to allow a timely demerger to progress. Clearance for the split of the scheme will be sought from the Pensions Regulator once agreement with the pension trustees has been reached.

Reporting currency

Post separation, CWI 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.

Incentive plans

Cable & Wireless operates a number of employee and management incentive plans including share options, restricted shares, performance shares and the 2006 Long Term Incentive Plan (LTIP). It is intended that on Demerger, subject to necessary approvals, incentive plan awards will be treated consistently and continue to run until their planned vesting and maturity dates. This treatment will ensure that executive incentive and retention arrangements continue in force, removing the risk of Demerger creating any discontinuity in this regard.

Consequently, it is intended that, subject to shareholder and participant approval, the LTIP will not vest automatically on Demerger and will continue to run until 31 March 2011 and 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.

Details of how all incentive plans are treated on Demerger will be provided to shareholders in the Demerger shareholder circular.

At 30 September 2009 the outstanding LTIP reward pool was approximately £45 million based on the average share price during September 2009 of 146.5 pence. There are approximately 50 participants in the LTIP.

Taxation

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

Timing of Demerger

Cable & Wireless aims to complete the Demerger by 31 March 2010. This timetable is subject, inter alia, to completing the necessary financing transactions, the arrangements for the pension scheme and obtaining shareholder approval. Cable & Wireless expects to issue the shareholder circular and prospectuses in February 2010.

Details of the Convertible Bond offering

Cable & Wireless intends to make an offering of approximately £200 million of Convertible Bonds to certain institutional investors. The Convertible Bonds will initially be debt obligations of Cable & Wireless and convertible into new fully paid ordinary shares of Cable & Wireless. The shares that may be issued upon full conversion of the Convertible Bonds are expected to represent approximately 5% of the current issued share capital of Cable & Wireless. On Demerger, and subject to the fulfilment of certain conditions, the Convertible Bonds will become debt obligations of Worldwide and convertible into new fully paid ordinary shares of Worldwide.

The final size, coupon and conversion price of the Convertible Bond offering will be determined following the close of bookbuilding which is to be expected to be later today.

The Convertible Bonds will be issued at 100% of their principal amount and, unless previously redeemed, converted or purchased and cancelled, will mature on the fifth anniversary of the issue of the Convertible Bonds in 2014.

Full details of the Convertible Bond offering are contained in a separate announcement released today.

INVESTOR AND ANALYST CALL DETAILS

A conference call for investors and analysts will be held at 09:00am UK time today.

Dial in: +44 (0) 20 7162 0077
Conference ID: 851489

Replay: +44 (0) 20 7031 4064
Access code: 850397
Available for 7 days

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Convertible bonds in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by US Treasury regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and the regulations promulgated thereunder.

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.

APPENDIX 1

Worldwide and CWI historical net asset statements

The unaudited historical net asset statements of Worldwide and CWI are shown below. Notes explaining the basis on which these statements have been prepared can be found below.

	Historical net asset statement for Worldwide as at 30 Sept 2009	**Historical net asset statement for CWI as at 30 Sept 2009**	
	£m	**£m**	**$m[1]**
Non-current assets			
Intangible assets	937	236	376
Property, plant and equipment	965	988	1,575
Investments in joint ventures	–	210	336
Deferred tax asset	84	8	12
Available-for sale financial assets	2	26	41
Retirement benefit asset	–	27	43
Other receivables	27	23	38
	2,015	**1,518**	**2,421**
Current assets			
Inventories	13	20	32
Trade and other receivables	669	340	542
Cash and cash equivalents	150	274	437
	832	634	1,011
Non-current assets held for sale	–	1	2
	832	635	1,013
Total assets	**2,847**	**2,153**	**3,434**
Current liabilities			
Trade and other payables	1,079	377	601
Financial liabilities at fair value	–	5	8
Current tax liabilities	14	118	188
Loans and obligations under finance leases	19	116	185
Provisions	31	58	92
	1,143	674	1,074
Net current liabilities	**(311)**	**(39)**	**(61)**
Non-current liabilities			
Trade and other payables	–	2	5
Loans and obligations under finance leases	122	650	1,036
Provisions	163	17	27
Deferred tax liabilities	–	29	46
Financial liabilities at fair value	1	133	212
Retirement benefit obligations	274	102	162
	560	933	1,488
Net assets	**1,144**	**546**	**872**

[1] Translated at 30 September 2009 closing rate of $1.5945:£1.00.

Notes

1. Worldwide represents the companies belonging to the Cable & Wireless Group less those companies that will form CWI (which principally comprises the CWI business).

   CWI represents the companies belonging to the Cable & Wireless Group less those companies that will form Worldwide (which principally comprises the Worldwide business).

2. The unaudited historical net asset statements are based on historical financial information extracted from the consolidation schedules which supported the financial statements of the Cable & Wireless Group. The unaudited historical net asset statements have been prepared on the basis set out below. The accounting policies used in their preparation are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Cable & Wireless Group.

3. IFRS does not provide for the preparation of extracted financial information. Accordingly, in preparing the historical net asset statements, Worldwide and CWI have used certain commonly used accounting conventions for the financial information in investment circulars (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). The application of these conventions results in the following material departures from IFRS:

   - On demerger it is expected that Worldwide will not be required to repay non-trading intra-group balances with CWI. For this reason, these amounts have been treated as invested capital, rather than being treated as receivables and borrowings as required by IFRS.

   - Carved out and combined financial information - The historical financial information for CWI combines only the financial information for those businesses that will be held by that Group and therefore excludes financial information for those subsidiaries of the Cable & Wireless Group that will form Worldwide. Such excluded subsidiaries, were, however, subsidiaries of entities within the Cable & Wireless Group at 30 September 2009. This approach differs from the consolidation requirements of IAS 27 *Consolidated and Separate Financial Statements* which requires consolidation of all subsidiaries.

   In addition, the following principles have been applied in preparing the historical net asset statement:

   - Trading balances between CWI and Worldwide are presented within receivables and payables as though they were with an external party.

   - The main UK defined benefit scheme represents obligations of both CWI and Worldwide. For the purposes of the historical net asset statement, this scheme has been allocated between the two businesses as 20% to CWI and 80% to Worldwide in line with the historical allocation within the Cable & Wireless Group. The IAS 19 deficit at 30 September 2009 on this scheme was £305 million of which £61 million (US$97 million) was allocated to CWI and £244 million was allocated to Worldwide. On demerger it is likely that approximately half of the pension assets and liabilities of the main UK pension scheme will be transferred to Worldwide, with the other half remaining with CWI. If such a transfer had been effected at 30 September 2009, the portion of the £305 million IAS 19 pension deficit on this scheme allocated to Worldwide would have been approximately £152.5 million, representing a £91.5 million increase to the historical net assets presented for Worldwide, and the portion allocated to CWI would also have been approximately £152.5 million (US$243 million), representing a £91.5 million (US$146 million) reduction in the historical net assets presented for CWI.

Worldwide and CWI historical statements of net cash and debt

At 30 September 2009, the Cable & Wireless Group reported net debt of £483 million with a further £185 million of facilities available. The following table shows the split of the cash and debt between Worldwide and CWI as at 30 September 2009.

	Cable & Wireless Group £m	Worldwide £m	CWI £m	CWI $m[1]
Cash and cash equivalents	**424**	**150**	**274**	**437**
£200 million facility[2]	(107)	(107)	-	-
$415 million facility[3]	(257)	-	(257)	(410)
Sterling bonds due 2012 and 2019[4]	(342)	-	(342)	(545)
Other debt and finance leases	(201)	(34)	(167)	(266)
Total debt	**(907)**	**(141)**	**(766)**	**(1,221)**
Total net (debt)/cash	**(483)**	**9**	**(492)**	**(784)**
£200 million facility	*90*	*90*	*-*	*-*
$152 million facility	*95*	*-*	*95*	*152*
Available facilities	***185***	***90***	***95***	***152***

[1] Translated at 30 September 2009 closing rate of $1.5945:£1.00.
[2] £110 million of the £200 million facility has been drawn down. This is recorded net of fees of £3 million.
[3] The $415 million facility has been drawn down in full. This is recorded net of fees of $5 million.
[4] The outstanding 2012 and 2019 million bonds have been recorded net of fees of £5 million.

In addition to the total debt shown above, Cable & Wireless had £670 million of minimum operating lease payments at 30 September 2009. Of this total, £546 million was attributable to Worldwide and £124 million (US$198 million) was attributable to CWI.