

6. CABLE & WIRELESS PLC

6.1 COMPANY INFORMATION

Exhibit 18 – Cable and Wireless at a glance

| | |
|------------------|--|
| Shareholders | Public |
| Year established | 1872 (as Eastern Telegraph Company Ltd) 1929 as Imperial & International Communications – name changed in 1934 to Cable and Wireless |
| CEO | Graham Wallace |
| Revenue 2002 | £5.9 billion |
| Headquarters | London, UK |
| Customers | 17 million |

(Source: Paul Budde Communication based on company data)

Cable and Wireless plc (C&W) is one of the world's largest international telecommunications groups and one of the oldest, with a history stretching back some 125 years. Operations are centred on three regional hubs: Asia, North America and Europe. C&W businesses provide customers in over 70 countries with services spanning broadband data and Internet services, fixed and mobile voice, as well as interactive entertainment and information.

C&W's priority for expansion is the fast growing market of data and Internet Protocol (IP) services for business customers. Since November 1998, it has announced major investments in advanced networks in the US and Europe and has acquired full control of C&W IDC in Japan to support this strategy. Its network investments have been colossal across Europe, North America and Asia and its global infrastructure is the second largest in the world.

C&W assets which do not fit in with the new strategy are being divested. Stakes in a French mobile operator and Bezeq in Israel have been sold. Optus in Australia and Cable & Wireless HKT (previously called Hong Kong Telecom) were also divested, the latter in August 2000 and the former in September 2001.

London-based C&W coordinates the overall group business objectives of C&W companies, as well as financial performance, strategic and functional leadership.

6.1.1 Year 2002 results

Revenue declined 27%, mainly due to disposals following the company's decision to put more emphasis on regional rather than international activities. The resulting EBITDA was down 54% to £822 million.

Revenue highlights were:

- Global:
 - ⇒ Enterprise revenue grew 10%, with good growth in the US and the UK. IP revenue increased, through new customer wins and higher sales to existing customers in the US and the UK. Data revenue increased, capitalising on a large product portfolio. Voice revenue increased from high margin contact centre products and services from the Intelligent Network;
 - ⇒ Revenue from Service Providers was down 14% due to a sharp reduction in capacity sales and declining voice revenue in the US and the UK. IP revenue in Service Providers was lower, principally because of a decline in capacity sales;
 - ⇒ Business Markets saw an 18% decline in revenue as a result of weak market conditions in all regions and C&W's deliberate withdrawal from lower margin businesses;
 - ⇒ Hosting & web services revenue was due to the recent acquisitions of Digital Island and Exodus' business assets. These accelerated C&W's global IP and data strategy of moving towards higher margin, value-added services.
- Cable & Wireless Regional increased revenue by 8% in the year. This reflects the continuing success of the business in rebalancing away from international and towards domestic revenue, growth in the mobile and IP and data markets, and the development of new businesses.
 - ⇒ Domestic revenue grew 15% owing to continued rebalancing, growth in fixed-line to mobile calls, and increases in payphone and card sales revenue in Panama and the Caribbean;
 - ⇒ Mobile revenue grew 21%, despite the onset of competition in Jamaica and Macau;
 - ⇒ IP and data revenue grew 34% as revenue from Internet dial up, direct Internet access services and leased circuits all increased.
- In September 2001, the Group disposed of its 53% interest in Cable & Wireless Optus. Until that time, Optus increased its turnover 3% to £764 million.

Joint ventures and affiliates contributed £115 million, down 67%.

Abnormal items were mainly due to write-down of investments, and totalled £4.22 billion, leading to an operating loss before tax of £4.72 billion.

Capital expenditure was reduced by £1 billion.

The operating cash flow was negative £1.44 billion, but disposals (net of acquisitions) was positive £3.08 billion, leading to an overall positive cash flow.

Table 20 – Revenue for years ending March – 1996-2002

| Year | (£ billion) |
|------|-------------|
| 1996 | 5.5 |
| 1997 | 6.1 |
| 1998 | 7.0 |
| 1999 | 7.9 |
| 2000 | 9.2 |
| 2001 | 8.1 |
| 2002 | 5.9 |

(Source: Paul Budde Communication based on company data)

Table 21 – Revenue by segment – 2002

| Segment | Proportion | Annual change |
|-----------------|------------|---------------|
| Global | 69% | -10% |
| Hosting and Web | 3% | n/a |
| Regional | 28% | +8% |

(Source: Paul Budde Communication, based on company data)

6.2 COMPANY ANALYSIS – UPDATE NOVEMBER 2002

By Paul Budde (Original April 2001, updates December 2001, May 2002, November 2002)

A year has passed since I wrote my original analysis, and I am pleased to see that our projections have proved accurate.

6.2.1 *A dangerous lack of direction*

For decades C&W was one of the leading telcos in the world and for a long time its international network was supreme. Not only did it build up one of the largest global networks in the world, it was also one of the most profitable ones. But for the last decade the company has suffered from a serious lack of control and direction.

6.2.2 *Residential adventures*

Unfortunately it proved to be incapable of making the change from a solid engineering based company to a nifty new-age telco. And, like so many other telcos, it tried to compensate for this by throwing heaps of money into all sorts of new investments, all around the world. Suddenly its solid international network was no longer sexy enough and consumer markets around the globe were tapped into. While that seemed to be a good idea at the time, a few years later this strategy was reversed and most of it was sold off again.

In 2000, they decided to quit the residential markets and closed operations in Europe and Asia – as well as the Optus business in Australia. The asset sale generated an enormous cash flow (£4 billion!!!). This had more to do with luck than anything else, as they were able to sell most of it before the big telco crash of 2000/2001.

6.2.3 The top 5000 corporate market

Apart from their hugely profitable regional services (mainly in developing countries using circuit-switched networks) the company offers corporate businesses global services to their customers. This business is responsible for over three-quarters of their revenue.

The strategy from 2001 was to concentrate on the top 5000 companies in the world and offer them IP-based networks for e-commerce, Internet and high-speed data services. This was a market that was savagely protected by the local incumbent telcos and savagely attacked by most of the new telcos, at least the ones who were still around by that time.

Surprise, surprise, one year later the company announced: 'The networking business has become a buyer's market due to a capacity glut'.

This business has not been performing – we had already warned of this in 2000. During 2001, this part of the business shrank by 5% in revenue and 13% in margins, according to the Nomura Bank. This trend continued over the 2001/2002 period.

In early 2001, after just 10 months of the new strategy, C&W admitted that it would miss its growth and revenue targets. By the end of that year this was confirmed, with no positive outlook for 2002 and 2003.

6.2.3.1 Analysis of global corporate market

Since the mid-1980s there have been many attempts in this direction by the various telcos. We have seen the failure of Concert (BT/AT&T), Worldpartners, Unisource and Global One, to name just the major ones. Furthermore, end-user prices in this market are still dropping. Overall growth is therefore expected to remain negative for the next few years.

Aside from this, every single incumbent carrier has seen itself as the potential global operator during that period and has positioned itself alone, or in a bilateral arrangement. None of them have been successful and many are in financial difficulties because of their international adventures. Cable & Wireless however thought they were different. They saw themselves as the only player who could single-handedly do the trick, since they already had a global network.

This is easier said than done – getting customers to actually use such a network is very difficult. All of the top 5000 customers already have a vast number of services in place, often established over decades.

It is in the more obscure places that these organisations need to operate at full strength. Every carrier in the world can link to London, New York, Amsterdam, Sydney etc. On these routes the deals are very lucrative and the connections are often no-brainers, so most companies go for the cheapest service and don't need a global carrier to look after them. Furthermore, for these companies the emphasis has already shifted from networks to e-commerce and none of the global carriers – or the national ones, for that matter – are seen as the experts in this market. For this you need the highly sophisticated applications providers, and these are found in the IT&T market. Again, the top 5,000 already have decades-old relationships with their IT&T providers. These IT&T providers know the ins and outs of the businesses and are far better situated to guide the company into the brave new world of e-commerce. The underlying networks are often seen as (important) commodities.

6.2.4 Running out of ideas

And what do you do when you run out of ideas and don't have a vision? You announce cost cuts. In early 2002 C&W indicated that they would cut capital expenditure for that year to about £650 million for its core Global network business – from £1.1 billion in the year to March 2002. The company would also combine its old US telecoms business with recent Web-host acquisitions, Exodus and Digital Island.

But after all these reorganisations the company still doesn't seem to have a business plan, nor does it appear to have a clue where it is going. Tomorrow is another day, and they may come up with yet another flavour and perhaps turn in yet another direction. As a result of this ineptness, the company has lost more than half its value. In 2002, it wrote off £4 billion (does that amount ring a bell?).

6.2.5 What's next?

So what does the future hold? A year or so ago I wrote:

The company could buy back some of the businesses it has sold. This, of course, is highly unlikely, but it could perhaps buy other companies, such as IT companies involved in e-commerce and Internet. It might also be a great take-over target for a cash-strapped telco, as C&W could be used for some large-scale broadband-based projects, which are based on a true vision and better strategies.

These options no longer exist. Even if they wanted to do this, they couldn't, because they have squandered all their money.

Gone now are those billions, and while it has been pondering over its corporate strategy the company has been sitting on the fence, doing nothing. They appear to have totally lost the plot. The latest revelation is that they have 'invested' an enormous amount of money in long-term property leases.

The most recent restructure, announced in November 2002, is definitely the most severe one to date. Not only are they cutting 3,500 staff; the restructuring is set to cost US\$2.2 billion, of which close to \$1.5 billion is related to these leases. I have lost count, but this latest restructure has to be number 7 or 8 since the mid-1990s.



Paul Budde

6.3 CORPORATE STRUCTURE

6.3.1 Cable & Wireless Global

Cable & Wireless Communications (CWC) was formed in 1997 with the merger of Mercury Communications, the country's second largest telco, and three cable TV operators Bell CableMedia, Nynex Cablecomms and Videotron. Mercury Communications was the second alternative telecoms provider in the UK market, established in 1984. CWC took over all Mercury's services including a range of telecommunications services as well as an extensive cable TV service.

In 1999, the residential businesses were sold to the UK's cable operator ntl, part financed by France Telecom which bought a stake in ntl. Under an exclusivity agreement, ntl was barred from merging with or acquiring Telewest (the UK's second largest cable operator after ntl) for the first six to nine months of 2000.

Further restructuring of CWC led to the formation of C&W Global in June 2000. Cable & Wireless Global is now the main company vehicle for the delivery of IP and data services to business customers in the US, Europe and Japan. Cable & Wireless is developing a single seamless global network and a global product suite. Cable & Wireless Global comprises the Group's wholly controlled operations in the US, Europe and Japan, together with Global Markets, which serves the specific requirements of multinational customers, and Service Providers, which meets the needs of telecommunication operators and service providers. Service Providers now operates and reports as a separate global channel.

Table 22 – C&W Global revenue by service – 2002

| Service | Enterprise | Service providers | Business markets | Hosting and web | Total | Annual growth |
|---------|------------|-------------------|------------------|-----------------|-------|---------------|
| IP | 2% | 12% | 4% | | 18% | n/a |
| Data | 10% | 4% | 8% | | 22% | +1% |

| Service | Enterprise | Service providers | Business markets | Hosting and web | Total | Annual growth |
|--------------|------------|-------------------|------------------|-----------------|-------|---------------|
| Voice | 11% | 28% | 15% | | 54% | -11% |
| Total | 23% | 44% | 28% | 5% | | -6% |

(Source: Paul Budde based on company data.)

Table 23 – C&W Global revenue by region – 2002

| Region | Enterprise | Service providers | Business markets | Hosting and web | Total | Annual growth |
|--------------|------------|-------------------|------------------|-----------------|-------|---------------|
| USA | 4% | 5% | 9% | 5% | 18% | -22% |
| UK | 16% | 29% | 13% | n/a | 58% | -9% |
| Europe | 1% | 6% | 1% | n/a | 8% | +19% |
| Asia | 3% | 3% | 5% | n/a | 12% | -11% |
| Total | 23% | 43% | 28% | 5% | | -6% |

(Source: Paul Budde based on company data.)

6.3.1.1 C&W UK

Cable & Wireless UK is part of a major global telecommunications business, focused on the provision of high performance IP and data services to business customers. The company delivers services to businesses of all sizes:

- Small to Medium Enterprises;
- Large Businesses;
- Global Enterprises;
- Alliance and Partners;
- The Public Sector;
- Carriers and Service Providers.

C&W's networking capability in the UK has been increased by £400 million worth of investment during 2000, building an extensive IP network, and the acquisitions of the following network integrators and Internet Service Providers (ISPs):

- Cable & Wireless BTN;
- Cable & Wireless INS;
- Cable & Wireless Jaguar.

More information about the telecommunications markets in the UK is available, including C&W's main competitors there, see separate report: *United Kingdom – Key Statistics and Telecommunications Market Overview* at www.budde.com.au.

6.3.1.1.1 Cable & Wireless BTN

In October 2000, C&W acquired Baynton Thompson Networks Limited (BTN), a leading UK Web infrastructure company selling to blue-chip corporations, including mobile operators. The acquisition enhances C&W's ability to meet demand for IP services from corporate customers.

6.3.1.1.2 Cable & Wireless INS

In July 1999, C&W acquired business ISP, Internet Network Services Group, the UK's largest independent ISP. The deal encompassed all Internet Network Services group companies, including Edex, the UK's largest education specific ISP. INS specialises in the business and corporate marketplace, so the acquisition strengthens C&W's position in the global ISP market for business customers.

INS operates its own international IP network with national and international peering agreements. The network is aligned with C&W's global network. The Edex subsidiary is also the largest supplier of safe filtered bandwidth to the fast growing UK education market.

6.3.1.1.3 Cable & Wireless Jaguar

Jaguar Communications was founded in 1982 to provide interoperable networking facilities and services. In April 2000, Cable & Wireless Plc acquired Jaguar Communications as part of its corporate IP and Data expansion. Jaguar Communications was the largest Network Systems Integrator acquired in the UK and forms a pivotal link in realising the C&W expansion.

In 1998 and 1999 Jaguar won the prestigious Network Systems Integrator of the Year Award, and came second in 2000.

6.3.1.1.4 Other ISP acquisitions

Since January 1999, Cable & Wireless has acquired 22 businesses, with presence in 11 European countries. Included in these were the following ISPs and ISP-related businesses, expanding the group's services from hosting and access to design and consultancy services and geographical reach and an increased customer base: INS Ltd in the UK, PI.SE in Sweden, Xpoint in Austria, online Internet and the Impact Group in Belgium, ISDnet and Pictime in France, UNIDATA and DSLogic-DSNet in Italy, grupo INTERCOM and Eaisa in Spain, agri.ch, Petrel Communications and E-Media in Switzerland, POP GmbH in Germany and Widexs BV in Holland.

6.3.2 *European focus*

In 1998, the company announced a major strategic shift into Europe, with moves towards a pan-European network. A five-year US\$1 billion investment plan for a fully integrated voice, Internet and data super-network, linking more than 40 major cities in 13 countries was the plan to create one of the world's largest and most sophisticated global networks.

Beginning with ATM transmission across mainland Europe, using Hermes Europe Railtel (HER) capacity, a high capacity fibre optic network is being built using US\$100 million 7,200km dark fibre from Global Crossing's European subsidiary, Pan European Crossing. Hermes Europe Railtel is a joint venture between the US-based Global TeleSystems Group and two European rail operators, which provided advanced transmission capacity for the pan-European network. HER, Europe's most extensive carriers' carrier, is providing fibre optic rings covering 10 main cities.

Under a 10-year agreement, HER provides C&W with ATM services, with immediate bandwidth deployment and higher capacities available in the future. Interconnect agreements are being obtained in each country, with many already in place. HER will purchase capacity on Gemini's transatlantic cable, the first intercontinental network designed to carry Internet, multimedia and voice services between Europe and North America on a city to city basis.

The company's focus on Europe is reflected in several acquisitions and initiatives undertaken in 2000. In April, it purchased four European data integrators in Ireland, the Netherlands, the UK and in Spain, adding to its ISP acquisitions.

In November C&W acquired ML Integration Group Ltd, a data networking communications and systems integration company, based in the UK. ML Integration is C&W's largest European network integration acquisition.

6.3.3 C&W Regional

The major businesses within Cable & Wireless Regional are in the Caribbean and Central America. Cable & Wireless Regional also includes operations in Macau, the Middle East, South East Asia and in the Pacific, Indian and Atlantic Oceans.

Table 24 – C&W Regional revenue by service – 2002

| Service | Caribbean | Panama | Middle East | Macau | Annual growth |
|----------------------|-------------|------------|-------------|-------------|---------------|
| International | 22% | 4% | 6% | 3% | -7% |
| Domestic | 17% | 12% | 2% | 1% | +15% |
| Mobile | 9% | 2% | 2% | 4% | +21% |
| IP & Data | 6% | 2% | 1% | 1% | +34% |
| Other | 4% | 1% | n/a | n/a | -2% |
| Total | 59% | 20% | 11% | 10% | +8% |
| Annual growth | +10% | -2% | +9% | +11% | |

(Source: Paul Budde based on company data.)

6.3.3.1 C&W in North America

Established in 1975, C&W Inc in the US is a leading long-distance telephony company, serving business customers exclusively. The company offers a wide range of voice and data services to companies of all sizes. Although its rates are somewhat higher than competitors, C&W Inc offers customised billing, sales and support services, and has developed a strong customer base built on loyalty. CWI has signed a five-year contract with Qwest for capacity, its leased and owned fibre network connecting most major US cities. It has also established an Internet presence there with its CXI product online.

CWI has three customer segments:

- Small and Medium Sized Enterprises (SMEs), consisting of some 100,000 customers and representing about 50% of CWI revenues;
- Wholesale (leased lines) representing around 25% of revenues;
- T-Net, offering outsourcing and customised solutions to carriers, agents and resellers. Products include 1+ Dedicated access, toll free, debit card and calling card.

C&W acquired the Internet business of MCI during 1998, enhancing its position in the US Internet market, with 5,000 directly connected business customers and 1,300 ISPs.

In April 1999, the company announced investment of US\$670 million over two years to develop a next generation high capacity Internet network in the USA to fully integrate data, voice and messaging communications. Some 15,000 route miles of dark fibre are being purchased to enable the company to reach more than 50 metropolitan areas across the country. The network links with the global network, including the Internet backbone in Europe and the Asia-Pacific region.

In September 2000 C&W Global launched Cable & Wireless a-Services in the US, an end-to-end hosted business application service enabled by Compaq and Microsoft. It initially offers the Microsoft Office 2000 and Exchange 2000 software packages delivered through browser enabled devices. C&W a-Services will continue to develop its service to offer more hosted business applications. C&W a-Services now also offers its services to small and medium sized businesses in the UK. The service launch in Continental Europe, Japan and Australia in 2001.

6.3.3.2 C&W in the Caribbean and Latin America

C&W is the dominant player in the geographically-extensive Caribbean region, in many cases owning all or the greater part of both international and local switched voice, data and Internet operations. The company owns operations in Anguilla, Antigua, Bermuda, British Virgin Islands, Cayman Islands, Montserrat, St Lucia, St Vincent and the Grenadines, the Turks and Caicos Islands.

In Grenada (70%) and Trinidad and Tobago (49%), C&W operates under joint venture agreements with local governments. In Barbados, domestic services are provided through the Barbados Telephone Company (75%) and external services with Barbados External Telecommunications (85%). The company also has presence in Jamaica (C&W Jamaica, 79%).

The Caribbean region, including Panama, increased its turnover by 3% to £506 million in the 6 months to end September 2000. Revenue growth came from increased lines in service, growth in mobile and Internet customers, as well as some rebalancing of domestic tariffs.

Lines in service in the Caribbean grew by 4% in the same period, including 35,000 new installations in Jamaica. Mobile subscribers grew by more than 30% to 384,000 and mobile revenues grew by 32%. Growth is expected to continue with the roll out of prepaid mobile services, Short Messaging Services (SMS) and roaming facilities in those mobile markets across the region not already providing them.

Cable & Wireless e-Business, based in Bermuda, was launched in June 2000, offering offshore e-commerce solutions, including multi currency, on-line payment processing and web-hosting. Other advances in the region include the launch of Asymmetrical Digital Subscriber Line (ADSL) services in Panama and pre-launch trials in a number of other Caribbean operating units.

6.3.3.3 Cable & Wireless in Asia

Cable & Wireless' new emphasis on its European operations has been accompanied by a reduction in overseas subsidiaries, including Hong Kong Telecom. Cable & Wireless HKT, which used to contribute the over two-thirds of the group's revenues, but by 1999 accounted for less than a third. In August 2000, the C&W Group disposed of its interests in Cable & Wireless HKT.

Later, in April 2001, Cable & Wireless placed out its US\$1.5 billion exchangeable bond and offloaded its 14.7% stake in Hong Kong's embattled telecom and Internet firm Pacific Century CyberWorks. Analysts said the exchangeable structure helped C&W rid itself of the PCCW holding which it might not have been able to dispose of via a share placement.

In June 1999, the company successfully bid nearly US\$600 million for Japan's IDC, in a battle with NTT, in a country where hostile takeovers are rare and bids by foreign companies are regarded with some suspicion.

Under its Japanese operations, C&W IDC, the company doubled the capacity of its Internet gateway service to the US to 400Mb/s. This capacity doubled again during 2000 to 1Gb/s. C&W IDC has a 20% share of the international switched voice market and a 25% share of the leased line market.

In October 2000, C&W announced a major initiative to create a national optical fibre network in Japan. This advanced network will enable the group to deliver a IP and Data services to business customers throughout Japan. The total investment of US\$1.4 billion over five years represents the largest single investment by a UK company in the Japanese telecommunications industry.

6.3.4 C&W in other countries

Other countries in which the company is involved include Bahrain (Bahrain Telecommunications Company, 20%), Macau (CMT, 51%) and Yemen (Yemen International Telecommunications Company, 51%). Some of these assets may be divested as part of the European focus.

6.4 SERVICES

6.4.1 IP

A number of partnerships designed to improve Cable & Wireless' ability to offer value added IP services were announced in 2000:

- in July 2000, Cable & Wireless Global and Nokia Networks announced plans to create a global wireless Internet platform, hosted in Cable & Wireless' data centres. The platform will provide managed wireless Internet services to Second Generation (2G) and Third generation mobile system (3G) mobile network operators, ISPs and large businesses. This will also provide wireless capability to Cable & Wireless' application services (ASP) portfolio.
- in August 2000, Cable & Wireless Global and Reality united to deliver global end-to-end e-commerce services for online retailers (e-tailers). These services include Internet-hosting, Website design, e-commerce, business ASP services, customer relationship management and contact management, on-line credit and fraud verification, home delivery and logistics.
- in September 2000, Cable & Wireless Global launched Cable & Wireless a-Services in the US, an end-to-end business application service with Compaq and Microsoft. This initially offers the Microsoft Office 2000 and Exchange 2000 software packages delivered through browser enabled devices. Cable & Wireless a-Services also offers its services to small and medium sized businesses in the UK. The service will be launched in Continental Europe, Japan and Australia by mid-2001.

Cable & Wireless and Baltimore Technologies are developing Trusted Third Party (TTP) secure e-business services based on Public Key Infrastructure (PKI) technology for large corporations. The first service, scheduled for rollout in the UK, Continental Europe and US in the first half of 2001, will be a PKI-based secure Virtual Private Networks (VPN) service.

Cable & Wireless Global Markets' customers are increasingly demanding IP solutions for their business needs. For example, Cable & Wireless Global Markets has been awarded a contract by Standard Chartered Bank (SCB) to be the prime contractor, systems integrator and global service operator for a major new e-commerce initiative. SCB's Business-to-Business Exchange (B2BeX) will provide importers and exporters with unique, International Trade Solutions destined to enhance the efficiency of their global trade processes. B2BeX will be piloted later this year with the launch scheduled for the first half of 2001.

6.4.2 Data

Demand for data services continued to grow strongly in the six months to the end of September 2000, particularly for data network services, such as frame relay, ATM and voice over frame relay. Growth in the volume of basic data circuits has been more modest, increasing by 14%, as customers migrate to managed data solutions.

6.4.3 Voice

In December 2000, Cable & Wireless IDC launched a new set of national services in addition to its current international services, using its recently awarded domestic Type 1 licence. The domestic launch is part of the process of transforming Cable & Wireless IDC from a predominantly international operator, to one offering a comprehensive set of domestic and international services to business customers throughout Japan.

6.5 GLOBAL INFRASTRUCTURE

Submarine cables are the primary means of Cable & Wireless' international connectivity. Cable & Wireless owns 460,000 km of undersea fibre optic cable around the world, making it the world's second largest owner of cable capacity. This is sufficient cable to circle the equator 11.5 times. C&W is laying undersea cables with Alcatel Submarine Networks. The predecessors of C&W laid the first transatlantic cable over 150 years ago. As C&W, the company recently initiated the Gemini (C&W and

MCI Worldcom) and PTAF-1 private transatlantic systems, and the first private cable across the Pacific.

Cable & Wireless Global has completed the first phase of its three year, global IP network build program with the installation of IP nodes in London, Frankfurt, Amsterdam, Paris, Tokyo and Sydney. The second phase commenced in December 2000. Nodes, all carrying Cable & Wireless' single global AS number, AS3561, have been completed in London (2 nodes), Frankfurt, Madrid (2 nodes), Swindon, Amsterdam, Paris, Barcelona, Oslo, Milan, Zurich, Copenhagen, Geneva, Dusseldorf, Stockholm, and Brussels (2 nodes). Cable & Wireless will deliver 84 IP nodes by 2001 as part of the drive to create the most advanced global IP network in the industry, capable of OC-192 (9.6Gb/s).

The Continental European capacity is provided by the integration of 11,000 miles of four strand dark fibre and the Ipergy network. The European IP businesses will each be integrated onto the network, giving Cable & Wireless 200 Points of Presence (POPs) by 2002.

The second phase of the network build in the US is complete. Cable & Wireless now operates a network with a capacity of 6.5 times more than that of the original IP network purchased from MCI. The new network has 23 newly constructed nodes linked to the 23 nodes that existed previously. These 23 new nodes are, in turn, linked to the Global nodes. The US network now operates at 2.4Gb/s on a nationwide basis; with between 2 and 4 OC-48 links for each city-to-city pair. The third phase of the US network plan will link the same 23 nodes with 17,000 miles of dark fibre. The third phase of the network is now complete in the New York to Washington, DC corridor.

Cable & Wireless has Global Internet Solutions Centres in Reston, Santa Clara, Swindon and Munich. Further centres are under construction in Tokyo and Osaka. In addition to these major centres there will be many smaller centres designed to the same global blueprint but more tuned to local market requirements. All the centres are connected to AS3561.

In the UK, the Network 2000 program has greatly increased the capacity in the core network. Some 150 national Synchronous Digital Hierarchy (SDH) rings, at up to 9.6Gb/s, have been completed. Progress towards achieving our Network 2000 targets of 210 rings delivering 225,000 E1 equivalents by the end of 2000 is on track.

Cable & Wireless IDC is building a 10,000km fibre backbone network in Japan. The network will connect around 80 cities in all 47 prefectures, and will include 65 PoPs and 75 points of interconnection. Cable & Wireless IDC's Internet Solutions Centre capacity will be almost trebled in the process, to 32,000 square metres. Metropolitan networks will be constructed in Tokyo and Osaka, using a mixture of fibre, Digital Subscriber Line (DSL) and Local Multipoint Distribution Service (LMDS) technologies.

The Group has invested in 22 STM-1s of capacity in APCN-2, a 19,000 km cable connecting 8 Asian countries, and has purchased over 100 STM-1s on the China-US, Japan-US and PC1 international cables. It also has a 40% interest in the Southern Cross cable system and has purchased over 400 STM-1s on the Gemini and TAT-14 transatlantic cable systems.

Cable & Wireless has also embarked upon the industry's largest global Voice over Internet Protocol (VoIP) program. This transformation from a legacy switched network to a fully operational VoIP network will take place over three years. Cable & Wireless has entered an agreement with Nortel Networks to manage the legacy switched assets in Europe and the US, and to build a VoIP switching platform and migrate existing customers onto the new platform. The program will bring together voice, data and IP applications onto a single network, making possible an entirely new range of fully integrated end-to-end applications for Cable & Wireless' business customers.

C&W announced in December 2000 the second-phase completion of its US\$3.5 billion global IP infrastructure build program with a further 38 international nodes put into service across the US, Europe, and Asia Pacific. Already the largest IP infrastructure based on a single, fully meshed architecture, C&W will incorporate 84 international nodes into this infrastructure by end- 2001. The announcement brings the total number of fully operational nodes to 49. There are now 23 nodes in the US; 24 nodes in 12 countries across Europe and two in the Asia Pacific.

In January 2001, C&W announced it is building the world's most advanced IP transatlantic cable, known as Apollo, together with Alcatel, to meet growing IP and data demand. The new cable is expected to begin service in mid-2002.

6.6 CONTACT DETAILS

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