

PRESS RELEASE

CABLE & WIRELESS AGREES TO SELL BATELCO STAKE TO BAHRAIN GOVERNMENT ENTITIES

Cable & Wireless International (CWI) announces today, 6 December 2006, that three Bahraini Government entities will acquire CWI's 20% stake in Bahrain Telecommunications Company B.S.C. ("Batelco"), the leading Bahraini fixed line and mobile telecommunications operator.

The agreed price of US Dollar 506.1 million (approximately £258 million) represents an EV/EBITDA multiple of 8.0x and approximately 20x CWI's dividends from Batelco – both for the 12-month period ending 30 September 2006. The consideration is payable in cash on completion, which is expected in early January 2007. As a result of this transaction CWI will record a profit of approximately £150 million.

The acquiring entities are Bahrain Mumtalakat Holding Co. B.S.C.(c), General Organization for Social Insurance (GOSI) and The Pension Fund Commission. All three are existing shareholders of Batelco and each will acquire one-third of CWI's stake.

Harris Jones, Chief Executive Officer of Cable & Wireless International, said: "Our long and successful association with both the Government of Bahrain and Batelco, has seen the company playing a pivotal role in Bahrain's burgeoning economy and standing as an important international financial centre.

"The decision to sell our stake in Batelco is in line with our strategy to dispose of assets within the International portfolio where there is little likelihood of achieving management control. This transaction represents excellent value for our shareholders. We will use the sale proceeds to create further shareholder value by investing in our other International markets."

For the year ended 31 December 2005, CWI's share of Batelco's gross assets and profit before tax and extraordinary items was £119 million and £26 million respectively. The transaction will reduce CWI's share of associates' income by about £26 million, based on Batelco's contribution during the year ended 31 March 2006 and will increase CWI's gross cash balance by approximately £258 million.

Notes to editors

About Cable & Wireless

Cable & Wireless is one of the world's leading international communications companies. It operates through two stand-alone business units – International and UK.

The International business unit operates integrated telecommunications companies in 34 countries offering mobile, broadband, domestic and international fixed line services to residential and business customers, with principal operations in the Caribbean, Panama, Macau, Channel Islands and Monaco.

The UK business unit provides enterprise and carrier solutions to the largest users of telecoms services across the UK, US, continental Europe and Asia, plus wholesale broadband services in the UK.

For more information about Cable & Wireless, go to www.cw.com <<http://www.cw.com>>.

Description of Acquiring Entities

Bahrain Mumtalakat Holding Co. B.S.C(c). is a recently established holding company for the Government of Bahrain. It currently owns 37% of Batelco.

General Organization for Social Insurance (GOSI) and The Pension Fund Commission currently own 10% and 9%, respectively, of Batelco.

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