



## Announcement

6 June 2007

### **CABLE & WIRELESS ANNOUNCES REVISIONS TO CHAIRMAN'S CONTRACT AND PROPOSED CHANGES TO THE CASH LONG TERM INCENTIVE PLAN (LTIP)**

Cable and Wireless plc ("Cable & Wireless"), one of the world's leading telecommunications companies, announces revisions to the contract of its Chairman, Richard Laphorne, and proposed changes for executives participating in the Cash Long Term Incentive Plan.

The changes to the Chairman's contract will be made today, 6 June 2007, to secure his contribution and continuing role in the turnaround of the business, driving Cable & Wireless on to further value creation. The changes are:

- Fixed contract to January 2009 to be replaced by a standard contract with 12 months' notice on either side and annual re-election, with immediate effect;
- Award of up to 5.5 million shares on demanding performance criteria, within an existing Cable & Wireless share scheme. Zero shares vest for total shareholder return at the mid point of the comparator group of companies in the FTSE Global Telecoms Index, through to 100% vesting for performance in the top ten per cent of this comparator group, on a straight line scale. The award is based on a three year performance period, starting from the date of the award on 6 June 2007. The award will be deferred for one year if earlier vesting is triggered by an event such as a sale of a business unit or demerger, apart from in exceptional circumstances. The award is conditional on the Chairman's re-election at the Cable & Wireless Annual General Meeting (AGM) on 20 July 2007;
- The Chairman's personal holding of 3.5 million shares to be retained for the duration of his appointment; and
- No change to his current salary or fee arrangements, which include a salary of £386,000 per annum, but no bonus or pension payments.

Clive Butler, Senior Non-executive Director of Cable & Wireless said:

"The Board considered it a priority to secure Richard's continuing contribution to the turnaround and transformation of our business beyond his current fixed term. He has played a key role to date and will do so in the future as we develop and execute our strategies and continue to create long-term

value. These proposed arrangements reflect the reality of the Chairman's involvement and commitment to Cable & Wireless and are in the best interests of all shareholders."

At the same time, Cable & Wireless announces that it intends to recommend, at its AGM on 20 July 2007, the removal of the cap for individuals within the LTIP, as it is inconsistent with the objective of maximising shareholder value. This matter will be the subject of a shareholder vote at the AGM. The proposed changes to the LTIP are:

- Removal of the £20 million cap on the amount that can be received by an individual;
- Cable & Wireless to have the option to make some or all of any reward in excess of £20 million in the form of Cable and Wireless plc shares, rather than cash;
- Cable & Wireless to have the option to defer rewards over £20 million for up to one year in the case of an earlier vesting event or at the end of the LTIP performance period i.e. until April 2011; and
- Any individual to hold one times their salary in Cable and Wireless plc shares (in addition to any shareholding at 1 April 2007) once their reward pool is £15 million or above, if removal of the cap is to apply to that individual. This will significantly increase the amount of personal capital tied up in Cable & Wireless shares.

Richard Laphorne, Chairman of Cable & Wireless said:

"I have been very pleased with our progress which has been driven by the new organisation structure and incentive plans that we put in place in April 2006 – the creation of over £1.5 billion of shareholder value this financial year, which ranks in the top 10% of FTSE Global Telecoms companies, is testament to this. But, there is the potential to create and deliver a lot more value and I and my team are personally committed to seeing this through."

### **Notes to editors**

#### **FTSE Global Telecoms Index**

The comparator group of companies in the FTSE Global Telecoms Index are: Alltel, AT&T, BCE, Belgacom, BT Group, China Mobile, China Netcom, China Unicom, Deutsche Telekom, France Telecom, OTE-Hellenic Telecom, KDDI, NTT, NTT DoCoMo, Portugal Telecom, Qwest, Rogers comms, KPN Kon, Singapore Telecom, Sprint Nextel, Swisscom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Teliasonera, Telstra, Telus, Verizon Communications, Vodafone Group.

#### **Cash Long Term Incentive Plan – Summary of current terms**

The Cash Long Term Incentive Plan (LTIP) was approved by shareholders at the July 2006 AGM.

The LTIP creates a reward pool for the International and Europe, Asia & US business units over a four-year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which business units have grown in value from their base valuations at the start of the period (these base valuations are £2,041 million for International and £536 million for Europe, Asia & US).

Base valuations are adjusted over the four-year performance period (i) to reflect additional capital notionally treated as borrowed by the business unit (ii) to reflect capital notionally treated as returned by the business unit and (iii) increased by the notional weighted average cost of capital of the business unit (which will be at least 8% per annum compounded).

If a business unit's value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool for that business. To the extent that a business unit's value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

The business unit Joint Managing Directors, Harris Jones and John Pluthero, receive 20% of their business unit reward pool with other executives receiving smaller awards. Currently, no individual is able to receive more than £20 million out of their reward pool, irrespective of the reward pool size.

75% of the reward pool will be payable to participants at the end of year three (April 2009) and 100% payable (less payments made at the end of year three) to participants at the end of year four (April 2010). In the case of an earlier vesting event e.g. a take-over of Cable & Wireless, a sale of either or both of the business units or a demerger, the performance period will end and all awards will vest in full. However, the Remuneration Committee may decide to defer payment of up to 50% of the award for up to six months in the case of a sale, and up to 12 months in the case of a demerger.

The combined value of the reward pools at 31 March 2007 was £120 million (£46 million for International and £74 million for Europe, Asia & US). This compares with the return for shareholders of over £1.5 billion since the start of the performance period. This reward pool does not represent a committed amount to participants in the plan which will depend on performance over the life of the plan.

### **About Cable & Wireless**

Cable & Wireless is one of the world's leading international communications companies. It operates through two standalone business units – Europe, Asia & US and International.

The Europe, Asia & US business unit (formerly known as the "UK" business) provides enterprise and carrier solutions to the largest users of telecoms services across the UK, US, continental Europe and Asia, and wholesale broadband services in the UK. With experience of delivering connectivity to 153 countries - and an intention to be the first customer-defined communications services business - the focus is on delivering customers a service experience that is second to none.

The International business unit operates integrated telecommunications companies in 33 countries offering mobile, broadband, domestic and international fixed line services to residential and business customers, with principal operations in the Caribbean, Panama, Macau, Monaco and the Channel Islands.

For more information about Cable & Wireless, go to [www.cw.com](http://www.cw.com)

### **For further information:**

Clare Waters	Group Director of External Affairs	+44 (0)20 7315 4088
Rollo Head	Finsbury	+44 (0)20 7251 3801
Ashley Rayfield	Investor Relations Director	+44 (0)20 7315 4460
Mat Sheppard	Investor Relations Manager	+44 (0)20 7315 6225