

# Cable & Wireless Jamaica Limited

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## UNAUDITED GROUP RESULTS

For the nine months ended 31 December 1999

- By-pass operators reduced Cable & Wireless Jamaica's revenues by at least J\$1.0 billion in the nine months to 31 December
- Customers increased by 77,000
- Company continues preparation for liberalised telecommunications market
- Continued strong focus on cost controls
- No Year 2000 issues

President and CEO Errald Miller said:

"Cable & Wireless Jamaica has had a challenging nine months to 31 December 1999, with the unauthorised activities of by-pass operators reducing the Company's revenues by at least J\$1,000 million. These activities not only harm Cable & Wireless Jamaica, but also the Company's customers who face higher domestic telephone rates as a consequence, and the Jamaican economy as a whole due to reduced tax receipts and lower foreign exchange inflows. Notwithstanding the impact of by-pass, Cable & Wireless Jamaica has continued to invest heavily in the provision of telephone service; we expect to install some 92,000 lines in the year ending 31 March 2000. This brings the expected capital expenditure to over J\$24 billion in the five years to 31 March 2000.

### Financial Performance

Gross operating revenue for the nine months ended 31 December 1999 increased by 7% over the same period last year to J\$13,394 million and net profit attributable to stockholders for the nine months ended 31 December 1999 increased by 6% compared with the same period last year to J\$2,605 million.

The modest growth in gross operating revenue (compared with the 17% growth in customer base over the same period) reflects the continuing impact on incoming international call revenues of by-pass of the Company's international facilities by unauthorised operators. The Company continues to take action, in conjunction with the Minister of Commerce and Technology (the "Minister"), to reduce the impact of by-pass. Cable & Wireless Jamaica's incoming international revenues are also, to a lesser extent, being impacted by an agreed reduction in settlement rates payable by U.S. carriers. Reduced international settlement rates became effective from 1 July 1999. The effects of by-pass and lower settlement rates are, however, being partially mitigated by the new telecommunications rates which were introduced on 1 September 1999.

The growth in net profit attributable to stockholders principally reflects the modest growth in operating revenues, a J\$490 million redundancy programme which was substantially implemented during the three months ended 30 June 1999 and continued tight cost controls.

In the nine months ended 31 December 1999, the Company invested some J\$2,314 million to expand its telecommunications network. This investment has supported the net addition of approximately 77,000 new customers (including 41,000 new mobile users) bringing the total to some 626,000 including 120,000 mobile users. This included the addition of approximately 15,800 new customers in rural communities.

#### Business Review

Parliament is currently debating a new Telecommunications Act which will result in the phased liberalisation of the Jamaican telecommunications market over a three year period commencing when the new Act comes into effect. The Company has already commenced its preparations for liberalisation, including discussions with the Office of Utilities Regulation (OUR) on a range of matters including interconnection and tariff rebalancing. Cable & Wireless Jamaica continues to pay close attention to controlling costs as part of these preparations.

The Company has experienced no adverse effects from the potential Year 2000 problem, reflecting

the significant efforts made over the past three and a half years to ensure that the Company's computer systems are Year 2000 compliant.

Cable & Wireless Jamaica is increasingly focusing on services which can be offered using internet protocol ("IP") technology. The Company recently commissioned its N3 node, linking its network directly to Cable & Wireless USA's internet backbone. This will enable the Company to offer in Jamaica internet-based products and services which are available in the United States and will also allow connectivity to Cable & Wireless' global networks. Cable & Wireless Jamaica was also voted as best internet service provider on quality and customer service in a recent Gleaner poll.

The Company will spend some J\$400 million in the three months ending 31 March 2000 expanding the capacity and coverage of its digital mobile system. This will include the installation of four new cell sites (at Mandela Highway, Spanish Town, Stony Hill and Bellevue Heights) and the commissioning of the new micro-cell site on Knutsford Boulevard in Kingston.

Unaudited Group Results  
For the Nine Months Ended December 31, 1999

Three Months Ended 31st December			Nine Months Ended 31st December	
1999	1998		1999	1998
J\$'000	J\$'000		J\$'000	J\$'000
<u>4,586,086</u>	<u>4,217,917</u>	Gross operating revenue	<u>13,394,016</u>	<u>12,494,369</u>
1,538,048	1,466,117	Profit before taxation	4,025,966	3,924,842
<u>542,244</u>	<u>515,752</u>	Taxation	<u>1,421,088</u>	<u>1,465,398</u>
<u>995,804</u>	<u>950,365</u>	Net profit attributable to stockholders	<u>2,604,878</u>	<u>2,459,444</u>
9.09¢	8.67¢	Earnings per stock unit	<u>23.78¢</u>	<u>22.45¢</u>

NOTE:

- 1) Gross operating revenue represents amounts excluding GCT accruing to the company for the provision of domestic and international telecommunications services.

- 2) Earnings per stock unit for 1998 have been restated to reflect the 'two-for-eleven' bonus issue on November 22, 1999.
- 3) On April 29, 1999, the company agreed to acquire an additional 70% of the issued ordinary shares of its associated company, Jamaica Digiport International Ltd (JDI). These unaudited group results incorporate the results of JDI for the period since that date.
- 4) Profit before taxation has been arrived at after incurring redundancy costs of J\$490 million (1998: J\$180 million).