

# Cable & Wireless Jamaica Limited

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## Unaudited Group Results

### For the six months ended September 30, 2000

- Continued revenue and profits growth
- New rates effective 1st September 2000
- On track to deliver 100,000 gross lines by February 2001
- Significant digitalisation of the mobile network
- Further investment in superior informatics infrastructure

President & CEO Errald Miller said "The continued growth of the business in the run up to full competition is a clear indication of the soundness of the Company's strategy and our staff must be commended for their support in these rapidly changing times. We do however remain concerned at the levels of unauthorised bypass activity and intend to pursue these unauthorised operators by all legal means."

#### Financial Performance

Gross operating revenue for the six months ended 30th September 2000 increased by 8% over the same period last year to J\$9,527.6 million. The growth in operating revenues reflects the increasing demand for mobile and data services but is offset by the continued reductions in international settlement rates, primarily by US carriers, and the unauthorised by pass activity.

The net profit attributable to stockholders for the six months ended 30th September 2000 increased by 23% compared with the same period last year to J\$1,985.5 million. The growth in net profit attributable to stockholders in the current year reflects the modest growth in revenues, and the J\$479 million redundancy costs paid in the previous period to 30th

September 1999.

In the six months ended 30th September 2000, the company invested J\$2,462 million to expand its telecommunications network in line with its strategic objectives and commitments to the Government. The company has now built 55,258 lines of the 100,000 lines it promised the Government would be built by February 2001. Of the 55,258 lines, 14,448 are for new customers in rural communities. In addition, the mobile networks digitalisation programme is almost complete.

#### **Business Review**

The Company continues to make the necessary investments to maintain regulatory compliance. Additionally, the Company is well advanced and remains fully committed to the deliberations with the Office of Utilities Regulation on the framework that will guide the interconnection of Carriers in a competitive market.

Given the realities of the changing business environment and the Company's acceptance of the varied rates application (effective September 1, 2000), the Company heightened its efforts to maintain long term viability by devising appropriate business strategies geared at cost containment and revenue growth. Product and Market development cycles have shortened, the distribution network has broadened, and even more innovative approaches to Customer Service have been adopted.

The Company continues to take action, in conjunction with the appropriate authorities, to reduce the impact of bypass. The Company anticipates that the new partially rebalanced telecommunications rates, which became effective on 1st September 2000, will to some extent mitigate the reductions in international settlement rates.

#### **NOTES:**

##### **What is Bypass**

Bypass is where incoming and outgoing international telephone calls are being routed to and from Jamaica through unauthorised VSAT and other satellite facilities and connected to CWJ's domestic network principally through certain internet service providers ("ISPs"). This traffic comprises basic voice telephony whereby an overseas caller (principally from the United States) can use any telephone to place a call to any telephone in Jamaica.

##### **What is rebalancing**

Rebalancing is a process whereby the pricing of local call charges is matched to the cost of providing

the service. Historically, local services were subsidised by the international product but with the introduction of competition this will no longer be possible under the terms of the new Telecommunications Act. The September 1st 2000 rate increase reflects a certain level of rebalancing of our rates, a process which must be continued towards full rebalancing.

THREE MONTHS ENDED 30th SEPTEMBER			SIX MONTHS ENDED 30th SEPTEMBER	
2000 J\$'000	1999 J\$'000		2000 J\$'000	1999 J\$'000
<u>4,875,432</u>	<u>4,680,149</u>	Gross operating revenue	<u>9,527,671</u>	
<u>8,808,930</u>				
1,412,712	1,653,343	Profit before taxation	2,955,236	2,487,918
<u>435,572</u>	<u>582,771</u>	Taxation	<u>969,755</u>	<u>878,844</u>
		Net profit attributable		
<u>977,140</u>	<u>1,070,572</u>	to stockholders	<u>1,985,481</u>	<u>1,609,074</u>
<u>8,92¢</u>	<u>9,77¢</u>	Earnings per stock unit	<u>18,12¢</u>	<u>14,69¢</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 1999 have been restated to reflect the 'two-for-eleven' bonus Issue on November 22, 1999.

3) Profit before tax for the period to 30th September 1999 was arrived at after Incurring redundancy Costs of J\$479M.

4) These results include those of Jamaica Digiport International Limited, a 100% wholly owned subsidiary of Cable & Wireless Jamaica Limited.