

# Telefonica selling 02 Ireland to Irish rival

June 24 2013, by Shawn Pogatchnik

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Spain's debt-burdened Telefonica said Monday it is selling its 02 Ireland unit to Hutchison Whampoa in a potential 850 million euro (\$1.1 billion) deal that would create a larger rival to Vodafone in Ireland's cellphone-hungry market.

The proposed sale to Hutchison Whampoa's Irish subsidiary, Three Ireland, requires regulatory approval. If authorized, the merged Three-02 company would start with a 37.5 percent market share and 2 million customers in Ireland, a country of 4.6 million. Vodafone's Irish division has 2.2 million customers.

The price includes 780 million euros in cash plus a potential deferred payment of 70 million euros that is conditional on the achievement of agreed [financial targets](#).

Since entering the Republic of Ireland market in 2005, Three Ireland has been the distant No. 3 cellphone service provider to 02 and Vodafone with barely a 7 percent market share.

With unfortunate timing, Three's Irish networks for cell calls, [texting](#) and internet services all suffered a nationwide failure Monday shortly after its proposed 02 takeover was announced. Tens of thousands of Three customers were forced to roam services on to 02 or Vodafone signals. Three's system breakdown lasted more than four hours.

Three said this was its first such national service failure since 2005. It blamed a "transmission link failure" by its business partner [Virgin Media](#)

Telefonica, Europe's second-largest [telecommunications company](#) behind Vodafone, bought the London-based 02 cellphone division from [British Telecom](#) in 2005 for 17.7 billion pounds (\$31 billion). That deal included 02's Irish subsidiary.

But the Madrid telecoms giant soon found itself struggling to finance mounting debts that peaked at 56.3 billion euros in 2011. Telefonica said it hopes to trim its debts to below 47 billion euros this year.

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