

# Telefónica agrees to buy a unit of Telecom Italia

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Telefónica SA agreed to buy Telecom Italia SpA's German broadband unit HanseNet for €900 million (\$1.34 billion) in a move to improve its foothold in the competitive German telecommunications market.

Madrid-based Telefónica has been looking to bulk up its high-speed Internet offer in Germany, where at the end of June it had only 253,000 Internet customers. HanseNet will give Telefónica an influx of roughly 2.2 million broadband customers, the company said.

Telecom Italia put HanseNet on the block as part of a plan to dispose of noncore assets and raise up to €3 billion. The assets earmarked for sale last year also included international cable unit Sparkle and Cuban unit Etecsa.

Italy's largest telecommunication operator said the HanseNet sale will accelerate the reduction of its closely watched net debt, which stood at €35.5 billion at the end of September. It now forecasts its net debt to fall to €34 billion at year-end, not taking into account the

HanseNet sale, which is expected to be completed in the first quarter of 2010.

On Thursday, Telecom Italia reported third-quarter profit, including HanseNet, increased to €741 million from €626 million a year earlier. Profit increased despite a 5.6% fall in revenue to €6.76 billion, as margins improved on cost-cutting and as a recent price war in Italy abated.

The HanseNet deal puts Telefónica's O2 German unit on equal footing with rivals Vodafone PLC and United Internet AG, which compete with incumbent Deutsche Telekom AG in the German market. The German telecommunications market has become increasingly competitive in recent years, with strong price pressure as a result of the launch of promotional rate plans and the strengthening of Deutsche Telekom's return strategy.

The Spanish operator recently decided to remain as a strategic investor in Telecom Italia, having renewed its shareholder pact for a further three years. It holds a 10% indirect stake through holding company Telco.



Telefónica decide di acquisire una divisione di Telecom Italia (ac)