

# Moody's downgrades Nokia's rating, keeps negative outlook

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The international ratings agency Moody's downgraded on Monday its ratings for the Finnish telephone maker Nokia owing to poor prospects for future sales.

Moody's also maintained a a negative outlook on senior debt owed by Nokia.

Moody's downgraded Nokia from "Baa3" to "Baa2", calling the move a response to Nokia's announcement last week of a severe fall in first-quarter sales of [mobile telephones](#).

"Moody's believes that the structural challenges facing Nokia's mobile phones segment may not be easy to address, such as the market share gains recorded by makers of very low-end phones or new phone [promotions](#) by Chinese carriers," a statement said.

"This precipitous decline is of particular concern considering that Nokia's mobile phones segment was still the core income generator for the Nokia group in 2011, when it contributed 1.5 billion euros (\$1.9 billion) to the group's [operating profit](#) of 1.8 billion euros.<sup>2</sup>

Nokia, the world's biggest [mobile phone maker](#) which is struggling on the highly competitive [smartphone](#) market, said several factors had affected its Devices & Services business to a greater extent during the first quarter than previously expected.

The company is scheduled to publish its detailed first-quarter earnings report on April 19.

Nokia chief executive Stephen Elop has called the first quarter sales "disappointing" but noted the Devices & Services business was "in the midst of transition."

The Finnish company is undergoing a major restructuring, phasing out its Symbian line of smartphones in favour of a partnership with Microsoft that has produced a first line of Lumia smartphones.

Nokia is depending heavily on the new phones to help maintain its ranking as the world's biggest maker of mobile phones as it operates in a rapidly changing landscape with RIM's Blackberry, Apple's iPhone and handsets running Google's Android platform take growing bites out of its market share.

But just days after launching its new flagship Lumia 900 model in the United States, the company acknowledged on Wednesday that the smartphone contained a software bug which could cause users to lose their Internet connection.

"Nokia's current Baa3 rating reflects Moody's expectation that Lumia devices will be accepted in the market in 2012 with the help of price and marketing support and that it will become the third smartphone system next to Google's Android and Apple's iOS," the ratings agency said.

But it also forecast "that the margin pressure in Nokia's mobile phones segment and the downward migration of lower-end smartphones into the feature phone category will continue.

"[Nokia](#) is therefore more reliant on the Smart Devices segment and thus the Lumia product family, thereby reducing the group's revenue

diversification," Moody's concluded.

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