

S&P further downgrades Nokia after NSN purchase

July 5 2013, by Matti Huuhtanen

Ratings agency Standard and Poor's on Friday downgraded Nokia Corp.'s credit rating, citing the deal this week to buy out Siemens from its Nokia Siemens Networks joint venture for 1.7 billion euros (\$2.21 billion).

The agency lowered the Finland-based company's long-term corporate credit rating to B+ from BB-, warning that its strong balance sheet will weaken as a result of the acquisition.

S&P also affirmed Nokia's B short-term corporate credit rating, with a stable outlook, and cut the issue rating on Nokia's senior unsecured debt to B+ from BB-.

"The ratings reflect our revised assessment of Nokia's financial risk profile assessment to 'aggressive' from 'significant,'" the agency said. "We continue to assess its business risk profile as 'weak.'"

Nokia said it believes the deal to buy out Siemens, to be completed during the current quarter, added value to the company.

"With a strong positive gross and net cash position, Nokia was able to take advantage of an opportunity to fully own Nokia Siemens Networks and, we believe, create meaningful value for Nokia shareholders," CFO Timo Ihamuotila said. "We will continue to prudently manage our cash resources post-transaction."

On Monday, Nokia announced its intention to purchase Siemens' half of the 2007 [joint venture](#), in a move to help bolster its struggling smartphone division.

The networks operation had been lossmaking for several years amid speculation and rumors that it was an acquisition target but recently had shown signs of improvement after restructuring and substantial job cuts.

Nokia stock was down 2 percent at 3.10 euros in early afternoon trading in Helsinki.

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