In this paper the author presents the ways to analyze the performance of the company Nokia. Thus based on a system of indicators are highlighted the key situations that emphasize performance, namely: operational activity, financial balance, cash flows.

Keywords: net sales, gross profit, ROE, ROA

JEL Classification: G32

1. Introduction
Nokia is a consumer led company. There is a progressive and continuous increase in consumer involvement with technology and communications globally. People are broadening their modes of communication to include the web, and social networks are becoming central to how people communicate.
People want to be truly connected, independent of time and place, in a way that is very personal to them. And, Nokia’s promise is to connect people in new and better ways.
Nokia’s strategy is to build trusted consumer relationships by offering compelling and valued consumer solutions that combine beautiful devices with context enriched services.

2. Method and Results
Analyses of financial performances are based on the income statement. The most important indicators in this process are presented bellow.
- **The net sales** increase year by year with around 20%, the net sales have encountered good values.
- **The gross profit on sales** is influenced by sales and also by cost of sales. Because of the increase in both elements, the increase of gross profit on sales is not the same as for the net sales, so in the first year is only 12% meanwhile in the second it gets to 29%.
- **The operating income** is related to gross profit and also other expenses like those for research and development, selling and marketing expenses and also the general and administrative expenses. These expenses encounter an increase every year, the situation being influenced by the amount of each modification, so the encountered operating profit gets higher and higher every year.
- **The profit before taxes** has almost the same shape as the operating income. Also this is influenced by the financial results which are separated into those related to share of results of associated companies and those related to financial income and expenses.
- **The net result** is materialized during all the period in growing profits but is differentiated from one year to another. Thus in 2009 is a normal increase of around 20%, while in 2010 we have a bigger increase of financial profits by almost 70%.

In order to determine a company’s profitability and efficiency, the main indicators used are the ones presented in the Table no.1.
Table no.1 Operating ratios

<table>
<thead>
<tr>
<th>OPERATING RATIOS</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>20.66%</td>
<td>24.26%</td>
<td>21.24%</td>
</tr>
<tr>
<td>ROS</td>
<td>13.57%</td>
<td>13.35%</td>
<td>15.64%</td>
</tr>
<tr>
<td>Assets Turnover</td>
<td>152.28%</td>
<td>181.81%</td>
<td>135.80%</td>
</tr>
<tr>
<td>ROE</td>
<td>28.90%</td>
<td>35.70%</td>
<td>41.56%</td>
</tr>
<tr>
<td>Inventory Turnover</td>
<td>-</td>
<td>17.22</td>
<td>15.24</td>
</tr>
<tr>
<td>Account Receivable</td>
<td>-</td>
<td>7.32</td>
<td>5.98</td>
</tr>
</tbody>
</table>

2.1. Return on assets (ROA), Return on sales (ROS) and Return on equity (ROE).
The profitability ratios relate the company’s income to bases such as assets, sales or owners’ equity. The first one’s evolution is a complementary one, ROA encountering an increase in 2009 and a decrease the year after, while in case of ROS, it’s exactly vice-versa, in 2009 it’s going down and one year after it’s going up, although the modifications are not significantly. Less favorable developments of ROA and ROS are caused by the following factors:
- a higher increase in total assets, in 2010, compared with the increase in the operating profit;
- lower growth in operating income compared with the sales’ growth, in 2009.
The evolution of ROE is a positive one, higher and higher from one year to another, indicating a good efficiency of capital for shareholders.

Inventory and Assets Turnover.
A higher increase in the company’s inventories generates a decrease of the Inventory Turnover in 2010, while a big growth of total assets in 2010, much higher then the one in sales leads significant to a decrease in Assets Turnover.

2.2. Financing Ratios
Financing ratios reflect the capital structure of the firm and are widely used by investor analysts in assessing the potential risks and returns related to the firm’s debt and equity securities.

Liquidity and Solvency
From the liquidity point of view we can observe that the company is more then able to pay its short-term debts at maturity, even though its liquidity is lowering, both in terms of current ratio and quick ratio. The decrease is the result of the major increase in current liabilities, up to 86% in 2010. In terms of solvency, the ratios are increasing during the years. The first one indicates that over the years approximately 48% of Nokia’s capital is financed from borrowed funds.

Equity Ratios
Equity ratios are used in common stock valuation and in the assessment of stock risk. Earnings per Share increases over the followed period, reaching 1.85% in 2010, more then double from the first analyzed year. Market value per share increases its value in 2009, the next year being characterized by a high reduction, reaching a level under the one from 2008. This ratio reflexes a market value of the shares at least eleven times higher then the book value. The dividend per share registered growth in the last year even if it’s just a small one.

Growth rates are computed as average annual rates of growth over time periods. All ratios are increasing over the years, the assets encountering the highest raise in 2010 compared with 2009, (66%), followed by the earnings with 55%, in the same year.
Other Ratios
One of the most important indicators in this category is the Price to Earnings ratio (P/E), which in our case is having a sinusoidal evolution, with an increase in 2009, followed by a decrease in 2010. The ratio indicates a lower confidence of investors in Nokia’s stocks in 2010, when their value is decreasing.

2.3. Analysis of Cash Flow Statement
Cash flow is the balance of the amount of cash being received and paid by a business during a defined period of time, sometimes tied to a specific project. In constructing its cash flow, the company Nokia uses the indirect method. The three-year data in Table no.2 presents the activities which provide cash flows for the company, activities divided into operating, investing and financing. The most important activity that brings money into the company is the operating one, while the financing activity is the most expensive one, the result over the three years being a negative one, but in decrease. Over the studied period, the amount of cash in the company is increased, in 2010 reaching almost double the value from the beginning of the year.

The table below underlines the indicators most used for correlations between cash and shares.

<table>
<thead>
<tr>
<th>Cash flow indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow per share</td>
<td>0.001</td>
<td>0.001</td>
<td>0.002</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>2524</td>
<td>2837</td>
<td>5996</td>
</tr>
<tr>
<td>Cash flow from operations (CFOT)</td>
<td>135.51%</td>
<td>127.04%</td>
<td>115.07%</td>
</tr>
<tr>
<td>Cash flow from operations (CFOD)</td>
<td>15.46</td>
<td>11.31</td>
<td>6.13</td>
</tr>
</tbody>
</table>

From this table, it can be observed that the cash flow per share is approximately the same during the three years, with a slightly increase in the last one. The cash flow from operations represents at least 115% of the cash flow entered into the company and a level of 135.51% in 2008.

Some correlations between loans and cash flow from operating activities are made in order to evidence the influence of borrowings on company’s cash.

3. Conclusions
Over the three years, Nokia has encountered a general ascendant evolution regarding all main financial elements – assets, owners’ equity, the company’s solvency, as well as the in terms of money that entered the firms accounts. The company’s leaders developed it and added value through proper management of heritage, increasing the goodwill at remarkable levels. The financial results for Nokia are bringing profit every year both from operating activities as well as investment activities.

As strengths, it can be mentioned:
- a favorable situation regarding liquidity and solvency ratios;
- very low short-term borrowing;
- earnings, assets and sales growths positive;
- increase in sales and a reduced increase of the costs of sales.

In terms of weak points, the company could make substantial improvements, most important being:
- increasing the speeds of rotation for assets regarding the inventories and accounts receivables;
- reduce its long-term indebtedness, to move the financial result on plus.

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Taking into consideration the history of one and a half century of Nokia, period during which it has become the first company in the mobile phone business, we can say that its stocks can be a profitable investment for the future.

4. References
- Single-author books:

- Two-author books: