

## THE IMPACT OF FINANCIAL COMMUNICATION ON STOCK PRICE. THE CASE OF OMV PETROM S.A. 2004-2013.

Ioana Anghel<sup>1</sup>  
Mariana Man<sup>2</sup>

*ABSTRACT: Financial information is used primarily with the aim of predicting the profitability of companies. In order to achieve this goal, the information user resorts to fundamental analysis tools which seek to determine the intrinsic value of an asset, submitting for analysis determinant factors of performance such as earning, expenses and profits. By comparing the intrinsic value to the market price, the investor has to make a rational decision. The present study follows the stock performance evolution of OMV Petrom S.A. on the Bucharest Stock Exchange during 2004-2013, in order to identify the main factors which impact share price and the price to book ratio with the central objective of disclosing the importance of combined analysis of stock performance indicators and financial reports, so that company performance is depicted according to reality.*

*Keywords: financial performance, stock performance, stock growth ratios, dividend ratios, financial communication*

*JEL Codes: G32, M20, M40, M41*

### **Introduction**

Annual accounts are a set of accounting synthesis documents elaborated with the aim of offering an accurate image regarding firm performance and financial position, as well as relevant and credible information targeted towards users' needs. Moreover, they are a very important instrument used in the management process, being useful both in decision substantiation regarding allocation, financing and investing, as well as in evaluating decisions' results (Dragotă, 2003). A clear definition of financial statements is given by the Oxford Dictionary of Accounting (2005): "the annual statements summarizing a company's activities over the last year".

The accounting regulations elaborated according to European accounting directives prevail compulsory for companies to make annual financial statements comprising: balance sheet, profit and loss account, changes in equity statement, cash flow statement and supporting notes to annual accounts. At the same time, companies' management are encouraged to issue financial analysis to describe the opportunities and uncertainties that led to the company's results.

Given previous statements, the major objective is elaborating annual reports with the goal of depicting in good faith a real and correct image of the economic entity's activity. In order for the financial situations to be accurate they need to satisfy the criteria of completeness, reality, fairness, evaluation, imputation and correct takeover of data.

### **Literature review**

Value relevance can be seen as a measure of accounting usefulness by stock investors (Beisland, 2009). Financial-accounting information is primarily used for prevailing the profitability of firms. „Annual accounts seem to be the most important source used in taking decisions with investment character, the profit and loss account being considered the most influent document in

---

<sup>1</sup> „Valahia” University of Târgoviște, Romania, e-mail: ioana\_angel@ymail.com

<sup>2</sup> University of Petroșani, Romania, e-mail: manmariana@upet.ro

this respect” (Duțescu, 2000). In order to achieve this goal, the information user resorts to fundamental analysis tools which seek to determine the intrinsic value of an asset, submitting for analysis determinant factors of performance such as earning, expenses and profits. By comparing the intrinsic value to the market price, the investor has to make a rational decision (Petrescu, 2014).

Annual accounts analysis implies the study of the causal relationships that form between information at a specific point in time and their evolutionary trend seeking to obtain a clear and coherent image of companies’ profitability, risk and efficiency. This image is of utter importance in adopting best investment decisions (Elliott and Elliott, 2011).

The modern approach towards financial analysis requires the results of a company’s activity to be integrated into financial models useful for developing forecasts, becoming a true “information processing system able to provide the necessary data for financial decision-making crucial for managers” (Petrescu, 2010). Even more, financial reporting should evolve in the direction that amplifies the most its utility (International Financial Reporting Standards, 2013).

Generally, financial performance is defined and measured by the profit or loss of the company (Balteș, 2013). The communication of financial performance information bears relevance in evaluating potential changes of the economic resources which the firm controls or can control in the future. Annual reports help anticipate the firm’s capacity to generate cash flows using its existent resources as well as assessing management quality. Mainly, shareholders and potential investors are interested in the present or future beneficiary capacity of a company, which guarantees future dividends and achieving plus value of capital (Herciu et. al. 2011).

Stock performance indicators combine capital market tools with accounting information depicting profitableness from the perspective of shareholders remuneration (Ciora et. al. 2011). „Market rates or rates of profitableness of capital investments are the most comprising measures of performance of a firm because they reflect the influence corroborated of financial rates of risk and profitableness” (Borlea, 2010).

One of the most important stock market rate is Price to Book Ratio (PBR, P/B) which indicates the value given by the capital market participants to the management of one company. It is determined by dividing share market price to the accounting value of a share. Using PBR investors can identify companies with low share prices, but neglected by the market. A well-managed company and with sufficient increasing possibility should have a higher share market value than its accounting value. During recession times, exceptions occur. Highly profitable companies and with a high growth rate of profit and turnover have a high calculated PBR. „From the analyst’s perspective, the shares of a company with a lower PBR are a sure investment because of the fact that the market value is leaning on the accounting value. The accounting value is considered the level beyond which the market price will not decrease because the company has always the option to liquidate or to sell its assets, at their accounting value.” (Borlea, 2010). On the other side, if PBR is below 1 then the market considers that the assets are over evaluated or that their profitability is small.

Generally, major shareholders are the ones that make an investment on the long run and do not seek an immediate profitableness through considerable dividends. Their reasoning is that most part of the earning should be allocated towards developing and consolidating the company, with direct and positive impact on share market price. For the big shareholder the appreciation of share net profitableness is a sign of profitability, and the favorite indicator of this is earnings per share (net result per share). On the other side of the spectrum, the minor shareholder is interested in obtaining short term profitableness in the form of dividends.

There is a large body of research which studies and describes the link between accounting information and stock performance and asset pricing, moreover this is one of the most fundamental issues which has been a constant in accounting research. There are numerous empirical analytical models which examine the impact of accounting information following the evolution one or more

economic entities or which have a cross-sectional approach. Standard setters position the investor at the center of the pursuit towards high quality and largely accessible accounting information. From the investor's point of view the usefulness of accounting information is measured through value relevance studies.

In his study, Beisland (2009) found that for a given amount of loss, stock returns are higher when the loss can be attributed to depreciation than when it can be attributed to cash flows is in some sense understandable. Simion *et al.* (2011) found that there is a direct correlation between the communicated performance of Romanian companies and their market capitalization and added that turnover, profit before tax, dividends and market value of a company are dependent on each other, for the sample data considered for analysis.

Lambert *et al.* (2007) have demonstrated that the quality of accounting information can influence the cost of capital, both directly and indirectly, changing the market participants' perceptions on the distribution of future cash flows. They have developed a framework which connects accounting information disclosure to the cost of capital by building a model of a multi-security economy expressed in terms of cash flows. Hughes *et al.* (2005) on the other hand, have found that accounting information affects the market-wide risk premium with no cross-sectional effect.

Furthermore, Chen *et al.* (2007) proved that stock returns are closely related to the earnings yield, capital investment and changes in profitability, in growth opportunities and in the discount rate. The information content captured by their model is mainly attributed to the four cash flow factors, only a minor role being played by the change in the discount rates. Moreover, by using residual income models, Pirie and Smith (2005) have proven the fact that accounting-based measures used to estimate value creation are more effective in exploring the relationships between stock price and accounting information if they target both book value and earnings.

### **Research design and methodology**

Regarding the research approach, the first step selecting a "blue-chips" company, generous in terms of financial and accounting information accessibility and in terms of viable analysis directions, as well as extremely attractive and credible to investors. Then, the next step was elaborating a study regarding the investors' behavior and reaction to its annual accounts communication. The aim was to identify in the analyzed 10 year time interval (2004-2013) which were the evolutions and indicators which impacted the most share price fluctuations.

OMV Petrom S.A. is the largest Romanian company activating in the gas and oil sector and the single company authorized to extract national natural oil reserves on Romanian territory. It was established on October the 27<sup>th</sup> 1997 and it was listed for the first time on the Bucharest Stock Exchange on September the 3<sup>rd</sup> 2001, under the symbol SNP. Due to its annual 1 billion euro investments, OMV Petrom S.A. is an economic growth factor in Romania.

Quantitative research methods were used in developing the case study, in order to systemize the necessary information regarding the selected sample, building statistical regression models appropriate to the studied phenomenon, with the aim of testing the established hypotheses. The multiple linear regression model is used to study the relationship between a dependent variable and one or more independent variables.

During the data collection phase, there were consulted a number of public official documents such as board annual reports and annual financial statements all available on the company's website ([www.petrom.com](http://www.petrom.com)). The data used describes the time interval 2004-2013, since the last annual financial statements published at the date of the analysis was related to 2013, moreover, the paper is based on official information provided by the analyzed company (OMV Petrom S.A., made available at [www.petrom.com](http://www.petrom.com) and [www.mfinante.ro](http://www.mfinante.ro)) and by the Bucharest Stock Exchange ([www.bvb.ro](http://www.bvb.ro)).

Subsequently, based on pooled data, there was necessary to determine a series of financial ratios corresponding to each year of the analyzed time spectrum. The ratios chosen for the study are: return on equity, return on assets, dividend per share, earnings before interest and taxes, earnings per share and price to sales ratio. All combine annual accounts information with capital market elements. To statistically process the data, using Pearson correlation and multiple linear regression, the SPSS software was used.

The central objective of the paper is to determine the extent to which financial communication affects stock price. In addition, analysis was carried out in two major directions identifying the influences on stock price. Multiple linear regression (or multifactorial linear regression) was used to identify what type of mathematical relationships there are between the selected predictors and stock price.

Considering all the above, a series of seven study hypotheses were formulated:

H<sub>1</sub>: Return on equity (ROE) does not influence stock price, the alternative hypothesis that ROE influences stock price.

H<sub>2</sub>: Return on assets (ROA) does not influence stock price, the alternative hypothesis that ROA influences stock price.

H<sub>3</sub>: The net result does not influence stock price, the alternative hypothesis that the net result influences stock price.

H<sub>4</sub>: Earnings before interest and taxes (EBIT) do not influence stock price, the alternative hypothesis that EBIT influences stock price.

H<sub>5</sub>: Earnings per share (EPS) do not influence stock price, the alternative hypothesis that EPS influences stock price.

H<sub>6</sub>: Price to sales ratio (PSR) does not influence stock price, the alternative hypothesis that PSR influences stock price.

H<sub>7</sub>: Dividend per share does not influence stock price, the alternative hypothesis that dividend per share influences stock price.

Since the operational profitability of OMV Petrom S.A. depends largely on the price action barrel of oil on the international markets, one would expect that the stock exchange performance of the company's shares would be largely affected by the fluctuations in oil price and consequently we decided to analyze the correlation between the price of a barrel of oil (provided by [www.eia.gov](http://www.eia.gov)) and stock price, by daily quotations from 01.01.2004 until 31.12.2013. The aim of this part of the paper is to create a parallel of approaches between two research directions and to assess which affected the most share price evolution: financial communication or oil barrel price quotation. Given these facts, we need to formulate an eight hypothesis:

H<sub>8</sub>: Oil barrel price does not influence share price, the alternative hypothesis that oil barrel price influences share price.

First of all the purpose of the multiple regression is to reveal the average linear dependence of a dependent variable on a group of independent variables, all referring to the same statistic population. In this present case, the equation of the prime linear model, where  $y$  is the resultant variable,  $x_1 - x_7$  are the independent variables and  $\alpha$  is the coefficient vector is:

$$y = \alpha_0 + \alpha_1x_1 + \alpha_2x_2 + \alpha_3x_3 + \alpha_4x_4 + \alpha_5x_5 + \alpha_6x_6 + \alpha_7x_7$$

Proceeding with the first approach towards the studied issue, the primary objective was to identify a mathematical link between share price and dividend per stock, price to sales ratio, return on equity, net result, earnings before interest and taxes and return on assets through the multiple linear regression analysis. Our research led to the following results:

Table no.1: ANOVA statistical test - dependent variable Stock\_price

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,108	6	,018	19,850	,016 <sup>b</sup>
	Residual	,003	3	,001		
	Total	,111	9			

a. Dependent Variable: Stock\_price

b. Predictors: (Constant), Dividend\_per\_Stock, PSR, ROE, Net\_Result, EBIT, ROA

Source: Authors' projection in SPSS

Analyzing the above table (table no.1), we should take note that the sig. value is below the level of significance (of 0.05) which shows that the model is valid. However, we should proceed to analyze the table of correlations between the considered predictors and the stock price for the analyzed time period in order to eliminate those predictors which do not bear a significant correlation with stock price. This procedure will perfect our model to make it as accurate as possible.

Table no 2: Correlations between the independent variables and Stock\_price

		Correlations							
		Stock_price	ROE	ROA	EBIT	Net_Result	EPS	PSR	Dividend_per_Stock
Pearson Correlation	Stock_price	1,000	,504	,546	,337	,341	,343	,777	,557
	ROE	,504	1,000	,991	,818	,863	,865	-,064	,760
	ROA	,546	,991	1,000	,816	,878	,879	-,026	,773
	EBIT	,337	,818	,816	1,000	,968	,968	-,294	,927
	Net_Result	,341	,863	,878	,968	1,000	1,000	-,291	,886
	EPS	,343	,865	,879	,968	1,000	1,000	-,290	,886
	PSR	,777	-,064	-,026	-,294	-,291	-,290	1,000	-,001
	Dividend_per_Stock	,557	,760	,773	,927	,886	,886	-,001	1,000
Sig. (1-tailed)	Stock_price	.	,069	,051	,171	,168	,166	,004	,047
	ROE	,069	.	,000	,002	,001	,001	,430	,005
	ROA	,051	,000	.	,002	,000	,000	,471	,004
	EBIT	,171	,002	,002	.	,000	,000	,205	,000
	Net_Result	,168	,001	,000	,000	.	,000	,207	,000
	EPS	,166	,001	,000	,000	,000	.	,208	,000
	PSR	,004	,430	,471	,205	,207	,208	.	,499
	Dividend_per_Stock	,047	,005	,004	,000	,000	,000	,499	.
N	Stock_price	10	10	10	10	10	10	10	10
	ROE	10	10	10	10	10	10	10	10
	ROA	10	10	10	10	10	10	10	10
	EBIT	10	10	10	10	10	10	10	10
	Net_Result	10	10	10	10	10	10	10	10
	EPS	10	10	10	10	10	10	10	10
	PSR	10	10	10	10	10	10	10	10
	Dividend_per_Stock	10	10	10	10	10	10	10	10

Source: Authors' projection in SPSS

The correlations between stock price and four of the explanatory variables are characterized by a high Sig., which exceeds the maximum accepted level of significance. Consequently, in this

particular case, we accept as valid assumptions H<sub>1</sub>, H<sub>3</sub>, H<sub>4</sub>, and H<sub>5</sub> and we conclude that the return on equity, net result, earnings before interest and taxes and earnings per share did not influence the stock price for the sample data. By rewriting the model we obtain the new equation and we proceed to analyze it:

$$y = \alpha_0 + \alpha_2x_2 + \alpha_6x_6 + \alpha_7x_7$$

Table no.3: ANOVA statistical test - dependent variable Stock\_price  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,107	3	,036	49,459	,000 <sup>b</sup>
	Residual	,004	6	,001		
	Total	,111	9			

a. Dependent Variable: Stock\_price

b. Predictors: (Constant), PSR, Dividend\_per\_Stock, ROA

Source: Authors' projection in SPSS

The critical value is the number that the test statistic must exceed in order to consider the test rejected. Here, F<sub>crit</sub> (2,7) is 4.74 at α = 0.05. Since F = 49.459 > 4.74, we can strongly assert that the results are significant at the 5% significance level. Furthermore, the null hypothesis is rejected, and one would conclude that there is strong evidence that ROA, PSR and Dividend\_per\_share highly influence the share price evolution.

Looking at the descriptive statistics for this model, we note that during the ten-year period analyzed on average the return on assets was 6,519%, the price to sales ratio 1,713 and the average dividend per share was 0,01575 lei.

Table no. 4: Descriptive statistics – dependent variable Stock\_price

	Mean	Std. Deviation	N
Stock_price	,406440	,1110428	10
ROA	,065190	,0512042	10
Dividend_per_Stock	,015750	,0123851	10
PSR	1,713000	,6486576	10

Source: Authors' projection in SPSS

Observing the correlations matrix, stock price correlated the strongest (0,777) with price to sales ratio, which was expected as the latter is determined by dividing the stock capitalization to the turnover, then followed dividend per stock with a Pearson correlation coefficient of 0,557 and the return on assets with 0,546. All three predictors correlate strongly and positively with stock price and it is expected that their increase will trigger also an increase in the dependent variable.

The next table (table no. 5) presents the model summary. The correlation coefficient for the given predictors (R) is 0,980 in this case and judging by the value of the coefficient of determination (R Square) we can state that the independent variables of the regression equation explain the variance of the dependent variable (stock price) at the very high rate of 96,10%.

The Durbin-Watson statistic test is used to identify the presence of autocorrelation in the prediction errors called residuals. In this present study, the Durbin-Watson test value is 3,245, between theoretical values (0 to 4), which indicates a negative autocorrelation. Negative serial correlation implies that a positive error for one observation increases the odds of a negative error for another observation and vice versa.

Table no. 5: Model summary – dependent variable Stock\_price  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,980 <sup>a</sup>	,961	,942	,0268113	,961	49,459	3	6	,000	3,245

a. Predictors: (Constant), PSR, Dividend\_per\_Stock, ROA

b. Dependent Variable: Stock\_price

Source: Authors' projection in SPSS

Table no. 6 presents in a synthetic form the estimates for our model coefficients alongside statistical individual testing which verifies coefficients assumptions. Firstly, column B is dedicated to the value of the coefficient, Std. Error is the coefficient standard error measured by the standard deviation of the random distribution, Beta is the value of the standardized coefficient and it indicates the change in the dependent variable standard deviation if the predictors change by one standard deviation, t is the expression of the significance test for the coefficient and lastly Sig. is the test's critical probability.

Table no. 6: Coefficients – dependent variable Stock\_price  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Partial	Tolerance	VIF
1 (Constant)	,086	,028		3,078	,022	,018	,155					
ROA	,732	,275	,338	2,661	,037	,059	1,405	,546	,736	,214	,403	2,484
Dividend_per_Stock	2,662	1,137	,297	2,341	,058	-,120	5,444	,557	,691	,188	,403	2,483
PSR	,135	,014	,786	9,764	,000	,101	,168	,777	,970	,786	,998	1,002

a. Dependent Variable: Stock\_price

Source: Authors' projection in SPSS

Through the above statistical processing we can attain the linear multiple regression function:

$$y = \alpha_0 + \alpha_2x_2 + \alpha_6x_6 + \alpha_7x_7 \text{ OR}$$

$$\text{Stock\_price} = 0,086 + 0,732 \times \text{ROA} + 0,135 \times \text{PSR} + 2,662 \times \text{Dividend\_per\_stock}$$

The collinearity diagnostics confirm that there is no issue of multicollinearity. If the eigenvalues would be close to 0, this would indicate that the independent variables are highly intercorrelated and that small changes in the data values may lead to large changes in coefficients' estimates. Regarding the condition index, values over 15 are an indicator of collinearity.

Table no. 7: Collinearity Diagnostics – dependent variable Stock\_price  
Collinearity Diagnostics<sup>a</sup>

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	ROA	Dividend_per_Stock	PSR
1	1	3,484	1,000	,01	,01	,01	,01
	2	,380	3,027	,04	,10	,09	,10
	3	,081	6,539	,01	,85	,90	,00

4	,054	8,002	,95	,04	,00	,89
---	------	-------	-----	-----	-----	-----

a. Dependent Variable: Stock\_price

Source: Authors' projection in SPSS

Changing the analysis approach, we move on to the second part of the study, which focuses on the relationship between the daily quotations of OMV Petrom S.A. share price on the Bucharest Stock Exchange and oil barrel price evolution during 01.01.2004 – 31.12.2013. Regarding oil price we decided to use for our research the Europe Brent Spot Price FOB and in respect to share price we used the daily closing quotation.

Summarizing, the average SNP share price during 2004-2013 was 0,3859 lei/share, reaching its minimum on March the 3<sup>rd</sup> 2009 with 0,1160 lei/share and its maximum on February 2<sup>nd</sup> 2006 with 0,6450 lei/share. Generally, share quotation deviate from the mean with 0,1205 lei. On the other side, the average oil price quotation was 80,5479 dollars/barrel, its minimum was reached on February the 5<sup>th</sup> 2004 29,02 dollars and its maximum of 143,95 dollars on July the 3<sup>rd</sup> 2008. On a first glance we notice that for both variables the minimum was reached during the same period.

Table no. 8: Descriptive statistics – oil price and share price evolution 2004-2013

No.	Indicator	Oil price (USD)	Share price (RON)
1.	Maximum	143,9500	0,6450
2.	Minimum	29,0200	0,1160
3.	Average	80,5479	0,3859
4.	Standard Deviation	27,0877	0,1205
5.	Amplitude	114,9300	0,5290
6.	Number of observations	2402	2402

Source: Authors' projection

By analyzing table no. 9, we can firmly assert that between share price and oil price there is a moderate correlation because the Pearson correlation coefficient has a value close to 0,3 (0,269). As the significance level of this correlation is below our theoretical level of 0,05, we can say that the correlation is significant.

Table no. 9: Correlations between stock price and oil quotation

		stock_price	oil_price
Pearson Correlation	stock_price	1,000	,269
	oil_price	,269	1,000
Sig. (1-tailed)	stock_price	.	,000
	oil_price	,000	.
N	stock_price	2402	2402
	oil_price	2402	2402

Source: Authors' projection in SPSS

Table no. 10 summarizes the analysis of variance and helps us understand whether we have a statistically significant difference between our selected data. We can see that the significance level is 0.000, which is below 0.05 and, therefore, we can say that there is a statistically significant difference in the mean oil price and share price. Our F test reveals as well statistical significance as it exceeds the theoretical significance threshold.

Table no. 10: ANOVA statistical test – dependent variable stock\_price, predictor oil\_price

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,519	1	2,519	187,027	,000 <sup>b</sup>
	Residual	32,328	2400	,013		

Total	34,847	2401			
-------	--------	------	--	--	--

a. Dependent Variable: stock\_price  
 b. Predictors: (Constant), oil\_price

Source: Authors' projection in SPSS

As for the model summary table no. 11 tells us that there is a valid link between oil price and stock price, that the two variables correlate moderately (R = 0,269) and that the independent variable of the regression equation explains the variance of the dependent variable (stock price) at the low rate of 7,20%.

Table no. 11: Model Summary – dependent variable stock\_price, predictor oil\_price  
 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,269 <sup>a</sup>	,072	,072	,11606061	,072	187,027	1	2400	,000

a. Predictors: (Constant), oil\_price

Source: Authors' projection in SPSS

Lastly, using the data from table no. 12, we attained the linear simple regression function:  
 $stock\_price = 0,290 + 0,01 \times oil\_price$

Table no. 12: Coefficients – dependent variable stock\_price, predictor oil\_price  
 Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,290	,007		38,973	,000
	oil_price	,001	,000	,269	13,676	,000

a. Dependent Variable: stock\_price

Source: Authors' projection in SPSS

### Results and discussion

Stock prices are very hard to predict, but as we can see in this case, “blue-chips” companies, who are very liquid, not volatile and sought after by the potential investors manage to maintain certain centers of interest in their activity through financial communication. The present study revealed the fact that the investors that buy OMV Petrom S.A. shares are very interested in the company’s return on assets, more so than in its return on equity, contrary to initial expectations based on the financial theory (for instance Stancu, 2002). Moreover, they seem to be very attracted by the dividend per share the most relevant example occurred in 2008 when the management of the company decided not to distribute dividends, the stock price fell by 61% (from 0,495 to 0,19 lei/share). Through the analysis carried out, there was mathematically proven what was anticipated in the incipient stages of the study.

Given the fact that during the ten-year period the book value of shares has remained unchanged (0,10 lei/share), the evolution of this financial rate is given solely by the share price. This means that the above analysis is also valid for the price to book ratio, with the exact same results. One first conclusion that we can draw is that the management of the company is highly appreciated by the investors as the average PBR during 2004-2013 is 4,065. This suggests that due to the high profitability of the company which is successfully communicated on the stock market through reports and annual accounts, investors are willing to pay several times the book value of a share. Even during recession times (for example 2008), the market does not under evaluate companies’ assets by comparison to the book value.

Taking all aspects into consideration, one can state that generally investors see OMV Petrom S.A. shares as stable placements and they are a constant in their portfolios. As well, in spite of the

inconsistent dividend policy, there is a direct and verified link between dividend distribution and share price evolution. The other stock market financial rates and dividend rates that were excluded from the model, correlate strongly with the earnings before interest tax depreciation and amortization, which also strongly impacts the return on assets and the return on equity. We can also notice a direct causal link between share price and oil barrel prices during 2004-2013.

Despite this connection, the company's share price variations are more closely linked to financial communication and reporting. This last assertion answers the question: which is the most powerful tool used by investors in their decision making process, financial and accounting information or market conjuncture? Generally it is safe to say that SNP share investor is very well informed and that he analyzes carefully the information communicated by OMV Petrom S.A. Also, he is guided by performance-guided reasoning in the pursuit of finding a solid and stable funds placement.

### **Concluding remarks**

All things considered, we can note the importance of a thorough financial analysis of each indicator's significance and of the financial information used to determine them. The conclusions drawn from the stock market ratio analysis are complementary and grow in relevance if the analysis is extended to the annual accounts. Stock market ratios are the most comprising instruments to measure the performances of a listed company because they are generated by the cumulated influence of risk ratios and financial profitability.

From the study, we concluded that there is a direct link between the financial performance of the company and its evolution on the stock exchange. In order to measure the value creation of an economic entity, analysts and informed investors use a wide range of indicators that serve complementary purposes: accounting, economic and stock performance indicators.

Due to the complexity of economic phenomena and the particularities of the operational activities of each company, in the absence of a thorough and complete analysis, comprising all relevant aspects of a company's activities, generic economic indicators can mislead unsuspecting investors on the capital market. Moreover, investors should seek only to identify not only current performant companies, but should strive to find those companies that maintain safe levels of sustainable growth, free from high fluctuations in their performance indicators.

### **References**

1. Balteş Nicolae (coord.), 2013, "Analiza economico-financiară a întreprinderii", Ed. Universităţii "Lucian Blaga", Sibiu, 2013
2. Beisland Leif Atle, 2009, "A Review of the Value Relevance Literature". The Open Business Journal, 2;
3. Elliott Berry, Elliott Jamie, 2011, „Financial accounting and reporting”, Fourteenth Edition, Pearson Education Limited, Harlow, United Kingdom;
4. Borlea Nicolae Sorin, 2010, „Analiza performanţei financiare şi a riscului întreprinderii”, CCIA Sălaj, <http://www.ccisalaj.ro/proj/modul1.pdf>;
5. Chen, Peter F. and Zhang, Guochang, 2007, „How Do Accounting Variables Explain Stock Price Movements? Theory and Evidence”, Journal of Accounting and Economics, Vol. 43, Issues 2-3;
6. Ciora Costin, Iordache Vlad, Munteanu Mădălin, 2011, „Impact of economic and financial indicators over the performance and efficiency measurement”, International Conference on Sociality and Economics Development, IPEDR vol.10;
7. Dragotă Victor (Coord.), 2003, „Management financiar”, Vol. II „Politici financiare de întreprindere”, Ed. Economică, Bucureşti;

8. Duțescu Adriana, 2000, „Informația contabilă și piețele de capital”, Ed. Economică, București;
9. Herciu, M., Ogorean, C., Belășcu, L., 2011, „A Du Pont Analysis of the 20 Most Profitable Companies in the World”, International Conference on Business and Economics Research, Vol. 1, IACSIT Press, Kuala Lumpur, Malaysia;
10. Hughes, J., J. Liu, J. Liu, 2005, „Information, diversification and the cost of capital”, working paper, UCLA.
11. Lambert Richard, Leuz Christian, Verrecchia Robert E., 2007, „Accounting information, disclosure, and the cost of capital”, Journal of Accounting Research, Vol. 45 No. 2 May 2007;
12. Petrescu Silvia, 2010, „Analiză și diagnostic financiar contabil”, Ed. III, Editura CECCAR, București;
13. Petrescu Silvia, 2014, „Performanța întreprinderii cotate în managementul bazat pe valoare”, Revista CECCAR „Contabilitatea, expertiza și auditul afacerilor”, Nr. 5;
14. Pirie Scott, Smith Malcom, 2005, „Relationships between stock prices and accounting information: a review of the residual income and Ohlson models”, School of Accounting, Finance and Economics & FIMARC Working Paper series, Edith Cowan University, Working Paper 0508;
15. Simion Dalia, Tobă Elena, Armășelu Sabin, 2011, „Romanian companies increasing performance under the influence of their capitalization stock”, Annals of University of Craiova - Economic Sciences Series, Vol. 4, Issue 39;
16. Stancu Ion, 2002, „Finanțe: Piețe financiare și gestiunea portofoliului. Investiții reale și finanțarea lor. Analiza și gestiunea financiară a întreprinderii”, Ediția a treia, Editura Economică, București;
17. \*\*\* „International Financial reporting Standards”, 2013, Ed. CECCAR, București
18. \*\*\* Oxford Dictionary of Accounting, Oxford University Press, New York, 2005;
19. \*\*\* [www.bvb.ro](http://www.bvb.ro), Bucharest Stock Exchange, 01.09.2014;
20. \*\*\* <http://www.eia.gov>, U.S. Energy Information Administration, 03.09.2014;
21. \*\*\* [www.mfinante.ro](http://www.mfinante.ro), Romanian Ministry of Finance, 01.09.2014;
22. \*\*\* [www.petrom.com](http://www.petrom.com), OMV Petrom S.A., 01.09.2014.

### ***Acknowledgements***

This paper has been financially supported within the project entitled “Horizon 2020 - Doctoral and Postdoctoral Studies: Promoting the National Interest through Excellence, Competitiveness and Responsibility in the Field of Romanian Fundamental and Applied Economic Research”, contract number POSDRU/159/1.5/S/140106. This project is co-financed by European Social Fund through Sectoral Operational Programme for Human Resources Development 2007 - 2013. Investing in people!