

DO INTERNATIONAL MERGERS AND ACQUISITIONS INCREASE
WEALTH OF SHAREHOLDERS OF THE ACQUIRING COMPANIES:
CASE OF TARGETS FROM TRANSITION ECONOMIES

by

Irina Gashchenko

A thesis submitted in partial fulfilment of
the requirements for the degree of

Master of Arts in Economics

National University "Kyiv-Mohyla Academy"
Economics Education and Research Consortium
Master's Program in Economics

2005

Approved by _____
Ms.Svitlana Budagovska (Head of the State Examination Committee)

Program Authorized
to Offer Degree _____ Master's Program in Economics, NaUKMA

Date _____

National University “Kyiv-Mohyla Academy”

Abstract

DO INTERNATIONAL MERGERS AND ACQUISITIONS INCREASE
WEALTH OF SHAREHOLDERS OF THE ACQUIRING COMPANIES:
CASE OF TARGETS FROM TRANSITION ECONOMIES

by Irina Gashchenko

Head of the State Examination Committee: Ms.Svitlana Budagovska,
Economist, World Bank of Ukraine

Current thesis considers the sample of 125 cross-border mergers and acquisitions announcements in order to assess their influence on valuation of securities of the acquiring companies via event study methodology. Market model is built in order to determine normal return for the securities, and market rate of return is proxied by market indices like S&P500 and FTSE100. Results show that these announcements lead to -9% average cumulative abnormal returns (CAR) significant at 1% to shareholders of the acquiring companies over 61 day event window period, and -7.93% CAR significant at 5% already in 41 day event window period. Nonzero pre-announcement CAR reflects possible information leakage, insiders' trading or market anticipation of the transaction. Empirical results show that M&A deals in transition countries do not create wealth to shareholders of the acquiring companies, but instead are focused on maximizing growth of sales and assets, generally constituting strong negative market signal due to riskiness of investments in the region.

TABLE OF CONTENTS

1: Introduction.....	1
2. Literature review	4
3. Event Study Model.....	10
3.1 Methodology	10
3.2 Data Description.....	16
3.3 Empirical Results	24
4. Conclusions.....	30
References.....	32
Appendices	35

LIST OF FIGURES AND TABLES

<i>Number</i>	<i>Page</i>
Figure 1. Distribution of M&A deals in transition economies, 1990 – 2005	16
Figure 2. Distribution of cross-border M&A deals by target country	17
Figure 3. Distribution of cross-border M&A deals by acquiring country	18
Figure 4. Final sample distribution of M&A deals by acquiring country	19
Figure 5. Final sample distribution of M&A deals by target country	20
Figure 6. 61 day CAR to M&A deal announcements	24
Figure 7. 41 day CAR to M&A deal announcements	24
Table 1. Stock price information	21
Table 2. Statistical properties of the sample	22
Table 3. Target industries	23
Table 4. Cumulative Abnormal Returns around M&A Announcements	26

ACKNOWLEDGMENTS

The author wishes to thank her adviser Tatyana Zabolina for inspiration, valuable comments and constant help during the work on the thesis.

Special thanks to Frank Schlitzer, Thomson Financial account director for Eastern Europe, who provided me the access to Thomson ONE Banker database, the main source of data for event study analysis.

Chapter 1

INTRODUCTION

The history of M&A activity is diverse and is mainly related to developed countries. As Keown et al. (2001) indicate the biggest waves of mergers and acquisitions occurred in 1960's when mostly unrelated firms tended to form conglomerates, then in 1980's investors purchased conglomerates and sold off the pieces as independent companies, and finally in 1990's strategic mergers of related firms to create synergies prevailed defining the current character of M&A activity.

As multinational companies seek to diversify their operations internationally, many have come to transition economies. Some of them simply establish local production for existing branded products, but other companies choose to acquire local market leaders. Theoretically, multinational companies are interested in potentially profitable companies that are expected to contribute to their growth and increase shareholders wealth.

Ideally, for a merger to create wealth, it should provide shareholders with something they could not get by merely holding the individual shares of the merging firms. The anticipated benefits from merging are referred to as synergies and can be captured by abnormal stock returns to shareholders. Reasons for mergers and acquisitions include, but are not limited to:

- Economies of scale: unification of several business units may lead to substantial reduction in administrative costs (for example, elimination of overlapping positions or removing inefficient management), increase in productivity per person employed, technological spillovers that result in

increased efficiency in the newly merged company and increased financial leverage capacity enabling the company to stimulate its operational activity by debt financing.

- Tax Benefits: companies with consistent history of positive earnings may seek to utilize available tax credit of less successful companies; tax credits can usually be carried over to past or future periods but represent no value to the company which endures operational losses year after year.
- Increased market power: although this motivation may be legally banned when merged company gains too much market power, approaching monopolistic position, it is favorable strategic policy for increasing customer base and combining the power of distribution channels to stimulate sales of all pooled products, especially when they are closely related in their characteristics.
- Diversification: unification of several small companies operating in different industries reduces the chance of bankruptcy as many unrelated businesses are unlikely to fail simultaneously, which induces variability of expected profits and consequently return to shareholders.

However, in transition economies it is difficult to estimate the fair price of a company, as financial markets are underdeveloped, stock pricing is ambiguous, and decisions about mergers and acquisitions are made according to subjective opinion of management. This thesis is intended to answer the question: “do international mergers and acquisitions increase wealth of shareholders of the acquiring companies?”

According to semi-strong market efficiency hypothesis, information on the net present value of the expected gain to shareholders of the acquiring firm from the prospective mergers and acquisitions are reflected in prices of equity upon acquisition announcement. When investors predict positive net present value creation by the deal, shareholders of the acquiring company experience relatively

higher than normal returns, or abnormal returns, following such events are generally predicted by financial theory but rarely proved by empirical studies. Moreover, mergers and acquisitions seem to decrease the returns of the acquirers while bringing positive abnormal returns to targets.

The topic of mergers and acquisitions has been widely studied during since the greatest M&A wave in 1960's. In recent years focus of research shifted to international mergers and acquisitions, number and volume of international M&A deals is rapidly increasing as world economy becomes more and more globalized. However, some authors indicate that most studies have concentrated on the US, Canada and Western Europe (Brealey et. Al, 1998), thus there is a lack of studies of M&A activities involving developing countries, especially in transition countries.

From the other hand, transition countries have become actively involved in global M&A process mainly as targets for multinational companies. Thus it is particularly important to estimate if acquisitions in transition economies provide any significant influence on shareholders' wealth, which would mean that transition economies became meaningful member of global financial community.

The remaining part is structured as follows: Chapter 2 provides review of related literature. Chapter 3 presents methodology of the event study, data description and results of empirical estimation. Chapter 4 concludes.

Chapter 2

LITERATURE REVIEW

When assessing wealth effects from domestic M&A activity, majority of studies report similar findings: (i) target shareholders earn significantly positive returns from all acquisitions, (ii) acquiring shareholders earn little or no abnormal return from tender offers, (iii) acquiring shareholders earn negative abnormal returns from mergers, as indicated by Loughran and Anand (1997). Similar results appear in studies by Schwert (1996), Mulherin and Boone (2000), Dennis and McConnell (1986), Servaes (1991), Jensen and Ruback (1983), Jarrell et al. (1988), Harris and Ravenscraft (1991), Danbolt (1999). In all these studies researchers try to estimate the effect of the acquisition announcement on market prices of underlying securities, and consequently increments in the returns to shareholders.

For example, Schwert (1996) finds a significant positive abnormal return for the target companies of 26.3% when examining a sample of 1,814 transactions of US companies in the period from 1975 to 1991, and Mulherin and Boone (2000) later reported a similar result: an abnormal return equal to 21.2%. Conn and Connell (1990) examined a sample of international mergers involving U.S. and U.K. firms from 1971 to 1980 and reported abnormal returns of about 2% for the bidding firms. They found positive abnormal returns of acquired companies in the U.K. to be half that of their U.S. counterparts.

At the same time there is no such unanimity about international mergers and acquisitions. Fatemi and Furtado (1988) analyzed a sample of 117 U.S. acquiring firms in the period from 1974 to 1979 and found negligible abnormal returns. They state, that different effects on the wealth of shareholders in case of

domestic and cross-border mergers may be attributed to market segmentation in imperfectly competitive markets. This position is supported by Danbolt (1995) and McCann (2001), who conclude that the degree of capital market integration may impact the presence of abnormal returns to acquiring firms' shareholders unlike the cases with purely domestic M&A activities.

Doukas (1995) considers a sample of 463 cross-border acquisitions by US corporations between 1975 and 1989 and finds small positive abnormal returns to acquiring companies, which is not a typical result. Eckbo and Thorburn (2000), for example, in their study of 1,846 acquisitions of Canadian corporations by domestic and US-based bidding firms detect positive abnormal returns for domestic bidders, but no abnormal returns for US-based acquirers. Brealey et al. (1998) study a world-wide sample of 74 cross-border mergers from 1987 to 1992 and distinguish significant gains for target firms are accompanied by negligible abnormal returns for acquirers.

Datta and Puia (1995) investigated the effect on shareholders' wealth of 112 international acquisitions undertaken by U.S. firms for the period from 1978 to 1990. They observed that cross-border acquisitions tend to destroy value for shareholders of U.S. bidding firms. Kang (1993) studied 102 Japanese acquisitions of U.S. firms between 1975 and 1988. He concluded that these transactions created significant wealth gains for bidding firms and observed a positive correlation between the appreciation of the yen and the gains to Japanese shareholders.

Recent studies for Switzerland indicate a high degree of integration of Swiss market into the EU, which eliminates differences between domestic and cross-border mergers. In particular, they indicate that potential abnormal return to shareholders are absorbed by fees paid to financial advisors and top financial

institutions, which sometimes even outweigh the benefits of the deals, leading to negative returns (Lowinski et al., 2004).

Such viewpoint contradicts to an earlier study by Servaes and Zenner (1996), who specifically concentrated on the role of financial intermediaries on the outcome of mergers and acquisitions. They considered a sample of US mergers from 1981 to 1992, 99 of which acquirer did not use investment banking services and 198 were closed in support of investment bank. They found that returns earned by acquirers do not depend on whether an investment bank is used to facilitate M&A transaction, after controlling for the determinants of investment banking choice. Moreover, involvement of financial intermediary may send a positive signal to potential investors of the acquiring company as the former is liable for misrepresentations in analyzing financial status of the later.

Interestingly, results of this study indicate that acquirers are more likely to hire an investment bank when targets are operating in several industries. So investment banks are more likely to be involved in a merger transaction when assessing performance of potential target creates a bigger challenge to the acquirer. This logic can be applied to cross-border acquisitions in transition economies, where advice of financial intermediary gets particularly high weight in the decision making process.

When analysis of post-merger effect on stock prices does not show any significant values, researchers may divide their observations in several sub-samples seeking reasons to justify such an outcome. This approach was chosen by Doukas and Travlos (1988), who examined shareholder value creation of 301 cross-border acquisitions undertaken by U.S. firms for the period from 1975 to 1983. They subdivided their sample into firms that were already present in the country of the acquired company, firms that were not operating in the target country, and finally firms going abroad for the first time. They found

announcements of acquisitions by companies in the first and the third subsamples to cause zero or insignificant fall in their returns. At the same time the result for the subgroup “not operating in the target firms’ country” was positive on average and statistically significant. This was particularly the case when firms expanded into a new industry and/or a new country. Authors argued that their findings indicating positive wealth effects of international acquisitions reflect the benefits of expanding current activities of multinational companies.

Another fruitful application of the event study method was introduced by Gugler et al. (2003). In the process of estimating abnormal returns they compare actual returns not to the predictions of a time series model of historical prices. Instead, they use portfolios of stocks of similar companies as proxies to capture the movements in prices as if merger had not happened. This approach is particularly useful in case of dramatic macroeconomic shocks, which could not have been predicted by means of historical prices. However, other authors like Fama et. al (1991) indicate that the estimation process for such model is complicated by the search of peers for the companies in question. Selecting peers according to financial performance coefficients, like earnings per share or book to market ratio, is not justified as these values can be altered by accounting tools and rarely convey valuable information to the outsiders.

Due to frequently observed evidence of common insignificant or negative abnormal returns to acquiring companies it’s reasonable to suggest that increasing shareholders’ wealth is not the primary motive for M&A activities. For example, Markides and Ittner (1994) hypothesize that the main motive for cross-border mergers could be international risk diversification. However, if international capital markets are perfectly integrated, if information is cheaply available and if agents behave rationally, then no diversification gains can be generated from international merger activity.

Difference in wealth effects between national and international merger activities could be explained by a high degree of capital market integration. These authors examined the impact of international acquisitions made in the period from 1975 to 1988 on the market value of the U.S. bidding firms, reporting a 2-day abnormal return of 0.32%, which was significant only at the 10% level. They argued that, “The stock market, therefore, is not overly enthusiastic about international acquisitions. It does not view them, however, as good news.” They further observed that acquisitions in related industries created more value than those in unrelated industries.

Despite the variety of studies about the issue, there is no consensus about returns to either party of international mergers and acquisitions. Results of the studies vary significantly due to the number of observations taken into consideration, accounting for the relative sizes of the companies (for example, proxied by ratio of sales of the target to the bidder, like in the study by Corhaya and Radb (2000)) and the time period of studies. Authors also provide several motives for international mergers. In particular they name the opportunity to take advantage of the mispriced factors of production, coping with trade barriers, especially in the East European and former Soviet Union countries that have been opening borders recently, as well as a means of enhancing concentrations in the industries. Rosi and Volpin (2004) also claim that cross-border acquisitions contribute to the improvement of investors’ protection in the target country, where this factor appears to be lower compared to the acquirer’s country.

Speaking about the acquiring process itself, most authors mentioned above dealt with equity transactions - cases when transactions were settled through the purchase of stocks. As Henry and Jespersen (2004) indicate, market takes these transactions as negative signals. Although stock deals reduce debt-to-equity ratio and retains cash reserves, market assumes that the acquiring company is not sure

about profitability of the deal as well as gets confirmation that company's shares are overvalued.

Time framework of the analysis is worth mentioning from theoretical standpoint. Since the late 1970's several attempts to assess long-run effects of event of the behavior of the underlying securities. Authors argued that total effect cannot be measured in the short-run, as investment projects all imply some uncertain future cash flows. In particular Megginson et. al (2002) attempt to capture "full effect" of strategic mergers in the long-term performance of companies, finding 18% long-term loss in shareholder wealth and 9% loss in firm value due to focus-decreasing mergers. However, these studies were proven to be inefficient and Fama et. al (1991) "irrational bubbles in stock prices are indistinguishable from rational time-varying expected returns" as in the long-horizon returns is subject to significant influence of autocorrelations causing low predictive power, while in the short-term analysis autocorrelation is close to zero. Thus only short-run analysis will be performed in this thesis.

Chapter 3

EVENT STUDY MODEL

3.1 Methodology

Event study methodology is typically used in order to assess the effect of economic event on the value of the firm, like mergers and acquisitions, earnings announcement, issues of new debt or equity, announcements of macroeconomic variables such as trade deficit or the prime rate. Assuming rationality of capital markets such information will be reflected in stock prices over a relatively short time period.

As summarized by Campbell et al. (1997), event study approach has been widely used since 1933, when it was first applied by Dolley in his work on the price effects of stock splits based on the analysis of nominal price changes at the time of split. This study concentrated mainly on estimation of post-split performance of nominal stock prices: whether they rose, stayed the same or decreased. Modern event study methodology was proposed by the works of Ball and Brown (1968) and Fama et al. (1969); the former considered the information content of earnings and the latter studied the effects of stock splits after removing the effects of simultaneous dividend increases. Since then sophistication of this method was mainly focused on problems of violation of statistical assumptions about the data and introducing more specific hypotheses. For example, Brown and Warner (1980) elaborates on usage of monthly stock prices data; and Fama et al. (1969) deal with statistical issues with daily data.

There is no unique way to construct event study model, as mentioned by MacKinlay (1997), “there is a general flow of analysis”. Methodology of the current study will be mainly based on the paper mentioned above as it is classical for event studies.

Common procedure for application of event study method includes several steps. First, an event window period is defined, which is a relatively short period of time surrounding the event date, which for this study will be the date when merger was announcement for the first time. Actual deal date is not an appropriate event for this kind of study as by the time of actual acquisition the stock price is assumed to absorb all information according to market efficiency hypothesis, and no effect will be observed according to the theory. Event window period is normally chosen to include at least several days before and after the event as market’s response is sometimes slow. Most commonly 61 day window period is used, including 30 before and after the event date and same will be used for this analysis.

Second, an estimation window is defined and may vary from 360 ??? to 120 days (MacKinlay (1997)) before the beginning of event window. It’s particularly important that the estimation and window periods do not overlap so that the effect on the price could be estimated clearly. In this study

Next, selection criteria step follows, which implies definition of the specific criteria for the companies to be included into the analysis. Such criteria may include market capitalization, belonging to a certain industry, involvement into a domestic or cross-border merger or time distribution of events. The last criterion has particular importance to the analysis of M&A activity as normally companies closing merger deals more frequently than once a year are sorted out of the analysis due to impossibility to estimate the net effect of every transaction on the stock price movement. However, in cases when time period between two

consecutive mergers is longer than the chosen estimation window, last criterion is not binding and these deals are included into the analysis.

Current study includes deals which satisfy the following selection criteria:

1. Transaction involves publicly traded company from developed countries targeting companies of any ownership type in transition economies during years 1990 – 2005.
2. Acquiring company has stock price history at least 300 trading days before the M&A announcement and 30 days after. This criterion selects companies that have existed in the market before the M&A deal announcement long enough and ensures feasibility of estimating normal return for a given stock for the prior period.
3. Acquiring company has not to be engaged in any other M&A deals within estimation and event window periods. Absence of other events that could create additional noise in the stock price is crucial for estimating normal return for the company and ability to detect any abnormal return associated with the M&A deal announcement under consideration.
4. Transaction is completed. This criterion is conventional in studies of M&A events. It focuses the analysis on deals that actually happened and produce credible market signal.

Evaluating event's impact on the stock price behavior involves estimating stock's abnormal return, which is the difference between the actual ex post return of the security and the normal return of the company's stock over the event window:

$$AR_{it} = R_{it} - E[R_{it} | X_t] \quad [1]$$

where: AR_{it} – abnormal return;

R_{it} – individual company's return;

$E[R_{it} | X_t]$ - expected individual company's return given the conditional information.

Thus the following step requires estimating normal return for the company. In the course of this study market model will be built. This model assumes a stable linear relationship between the market return and the security's return, and joint normality of asset returns.

$$R_{it} = \alpha_i + \beta_i R_{mt} + \xi_{it}; \quad i=1, \dots, N \quad t=t_{230}, \dots, t_{31} \quad [2]$$

$$E(\xi_{it}) = 0 \quad \text{var}(\xi_{it}) = \sigma_{\xi}^2$$

where: R_{it} – individual company's return;

R_{mt} – market return.

Logarithmic returns are used in order to calculate both individual stock returns and market returns:

$$R_{it} = \frac{\ln(P_{it+1})}{\ln(P_{it})} * 100 \quad [3]$$

Market return is proxied by the home market indices for individual companies. For example, S&P500 is used for US-based companies, FTSE100 for United Kingdom, and countries' market indices for other countries, as shown in Appendix 7. This allows obtaining higher R^2 and lower variance of the disturbance term in the market model, thus increasing the ability of detecting abnormal returns. However, if market index data for individual countries are not available, S&P500 and FTSE100 are used for Canada and European countries respectively.

Using parameter estimates from the market model we obtain the tool to measure the abnormal returns, which are in fact disturbance terms for the market model calculated on the out of sample basis.

$$AR_{it} = R_{it} - \alpha_i - \beta_i R_{mt}; \quad i=1, \dots, N \quad t=t_{30}, \dots, t_{+30} \quad [4]$$

According to statistical assumptions of the model, the abnormal returns have to be jointly normally distributed with zero conditional mean and conditional variance $\sigma^2(\text{AR}_{it})$ that is unknown and proxied by the variance obtained from the market model. Null hypothesis states that event has no effect on the stock price, thus:

$$\text{AR}_{it} \sim N(0, \sigma^2(\text{AR}_{it})) \quad [5]$$

In order to draw general conclusions about event's effect on the stock price the abnormal returns need to be aggregated across the companies and through time. First, individual securities are aggregated into portfolio relative to event date, disregarding calendar time:

$$\overline{\text{AR}}_t = \sum_{i=1}^N \text{AR}_{it} * w_i, \quad [6]$$

where: $\overline{\text{AR}}_t$ – average abnormal return,

w_i – weight of each company in the portfolio,

N – number of companies in the portfolio.

General approach is to create two portfolios: one equally weighted and another weighted according to relative variance of the individual stock in the total portfolio variance. Theory predicts that analysis of both of these portfolios has to produce similar results; however, the numerical values of the results may differ. The relative variance weighted portfolio allows reducing the influence of the low-volatility companies with small effect on the general outcome and thus gives more informative result.

Average cumulative abnormal return CAR is calculated as:

$$\overline{\text{CAR}}(t_1, t_2) = \sum_{t=t_1}^{t_2} \overline{\text{AR}}_t, \quad [7]$$

where: CAR – average cumulative abnormal return.

Or equivalently, average cumulative abnormal return may be first aggregated through time and then across the companies:

$$\overline{CAR}(t_1, t_2) = \sum_{t=t_1}^{t_2} \sum_{i=1}^N AR_{it} * w_i \quad [8]$$

$$\text{var}(\overline{CAR}(t_1, t_2)) = \frac{1}{N^2} \sum_{i=1}^N \sigma_i^2(t_1, t_2) \quad [9]$$

As markets are assumed to be efficient, average CAR is expected to equal zero. Null hypothesis implies no effect of the event on the stock price, thus:

$$\overline{CAR}(t_1, t_2) \sim N [0, \text{var}(\overline{CAR}(t_1, t_2))] \quad [10]$$

Using this information, H_0 can be tested using:

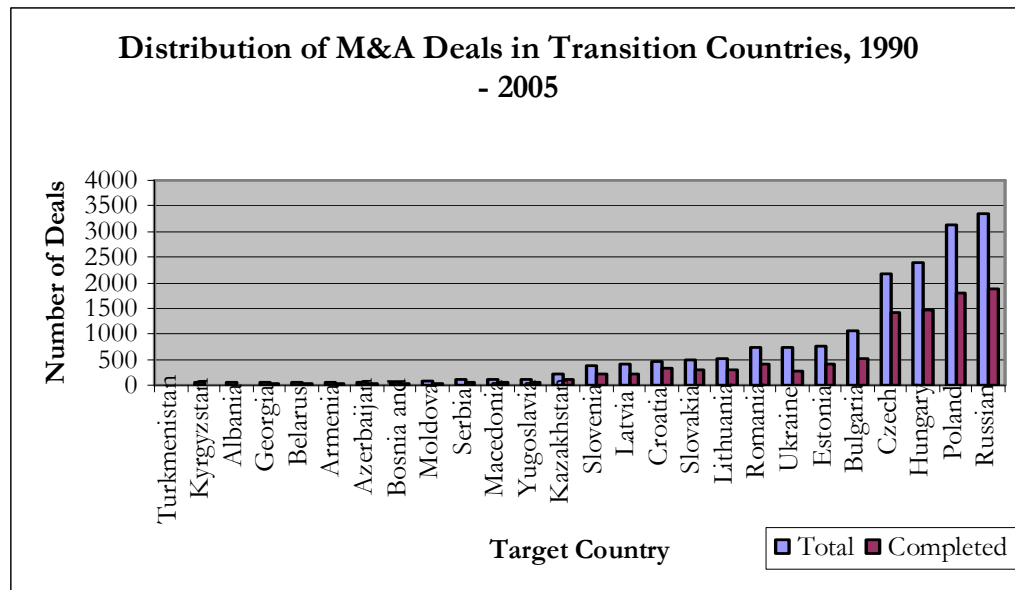
$$J = \frac{\overline{CAR}(t_1, t_2)}{[\text{var}(\overline{CAR}(t_1, t_2))]^{1/2}} \sim N(0,1) \quad [11]$$

Interpretation and conclusions about the mechanism by which events influence stock price behavior usually appear to be the final step of the analysis. There is no a priori effect stated in financial theory, though stock underperformance following acquisition announcement is not infrequent.

3.2 Data description

Current analysis is focused on cross-border M&A deals undertaken by companies from developed countries targeting companies in transition economies during years 1990 - 2005. According to Thomson One Banker M&A Deals Database 17,572 M&A deals were announced in transition economies during this period, 9952 of which were completed, thus average completion rate of M&A deals in transition countries is 56.62%. Appendix 3 indicates, there is not much variability in the percentage of deals completed between the countries as standard error is just 10% with the mean of 50%, but the number of deals differs significantly among transition countries.

Figure 1



Greatest number of MA& deals occurred in Russian Federation, Poland, Hungary and Czech Republic as we can observe from Figure 1. These four countries account for 62% of all deals announcements, and 65% of completed M&A deals. Slovenia, Latvia, Croatia, Slovakia, Lithuania, Romania, Ukraine, Estonia and Bulgaria comprise the group of countries with average number of M&A deals, as

they are associated with about 30% of deals both announced and completed. All the rest of the countries account only for about 5% of the deals announced and completed in the region.

Applying the selection criteria listed in the methodology section, deals with appropriate characteristics were selected. 4720 of all the deals involved developed countries as acquirers, thus satisfying first selection criterion, and only 3230 of those deals were completed.

Figure 2

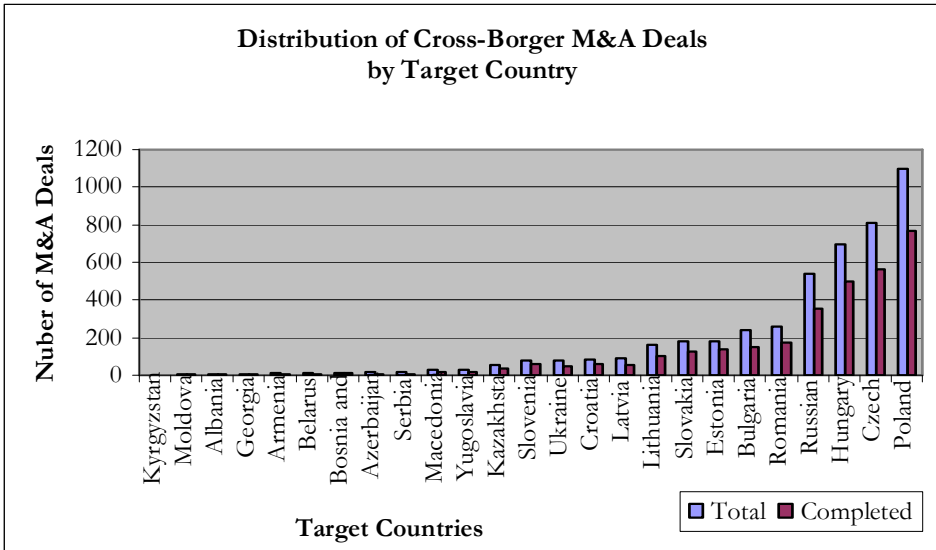
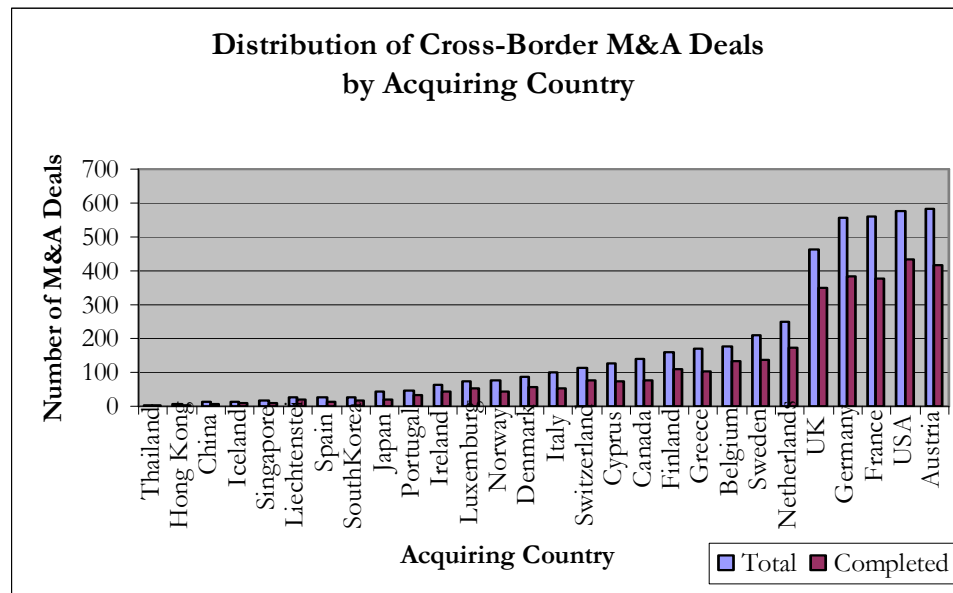


Figure 2 above illustrates distribution of cross-border M&A deals involving developed countries as acquirers and reflects relatively same comparative relations between transition countries. However, the order of countries in the sub-group of leaders is altered as Poland and Czech Republic becoming leaders and Russian Federation descending to the fourth place. Numerical comparison of cross-border M&A deals relative to total number of deals presented in Appendix 4 reveals that Russian Federation is relatively more actively engaged in domestic mergers and acquisitions and deals within transition countries as the ratio of cross-border deals constitutes only 16%, while for Poland and Czech Republic this parameter

equals 35% and 38% respectively. Thus, Poland and Czech Republic are most intensively targeted in M&A deals by multinational corporations from developed countries. Speaking of general population of transition countries it's worth mentioning that the rate of cross-border deals announcements averages 28.9%, but the rate of completion for cross-border deals is much higher and averages at 32.5%. Taking into account that average completion rate on the sub-group of cross-border deals the equals 68.4% while population average equals only 56.6% we may conclude that cross-border deals announcements are more credible market signal as they have higher probability to be completed.

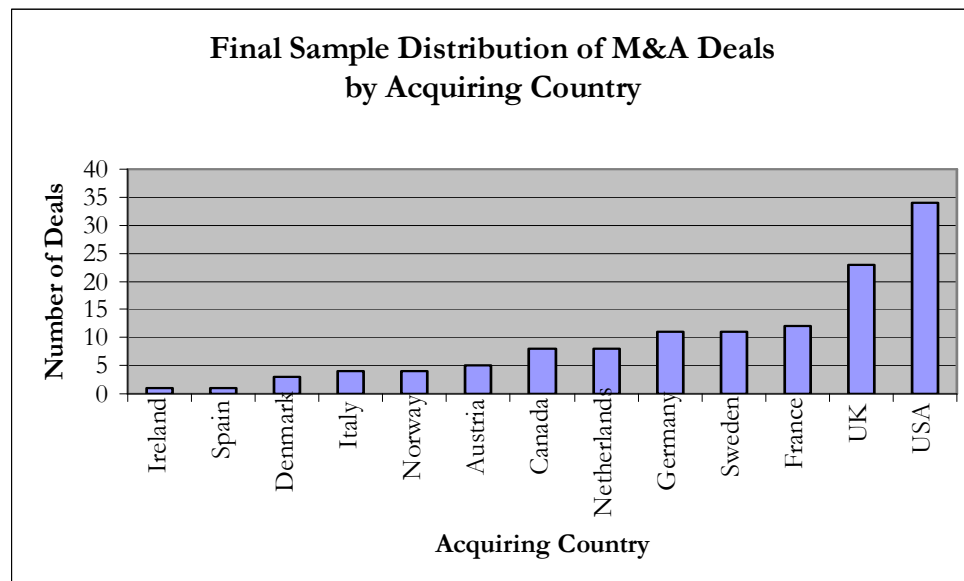
Figure 3



National origin of acquiring companies also exhibits considerable variation. Figure 3 above suggests that most active acquirers in transition countries include Austria, the USA, France, Germany and the UK, that announce 59% of M&A deals and complete 61% of deals in the considered region. For 90% of the acquiring countries deals completion rate is above 50%, as reflected in Appendix 6 this may indicate that multinational companies chose to announce the deal when it's the probability of its completion is rather high.

As far as timing selection criterion is concerned, only 622 deals satisfied its requirements: acquiring companies did not have deal announcements 350 calendar days before the deal in question. Further selection of deals for consideration focused on company’s public status – selecting only publicly traded companies, and availability of historical price information for the necessary estimation period. Daily stock price information was collected from finance.yahoo.com, which contains information from 48 biggest world stock exchanges. Finally, application of all selection criteria reduced the sample to 125 companies that are listed in Appendix 1.

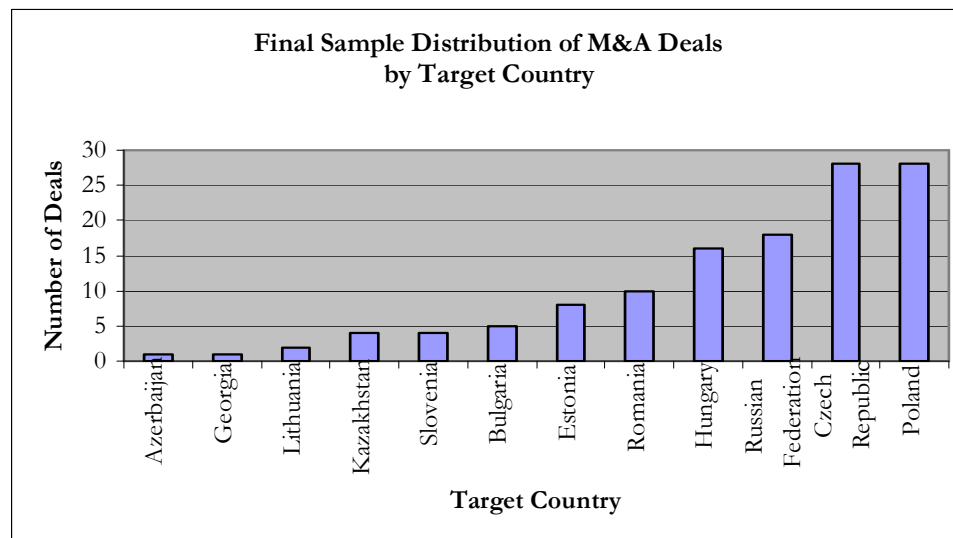
Figure 4



Distribution of acquiring countries in the final sample reflects main features of the general population of cross-border deals in the region: the USA and the UK are distinct leaders and the majority of the least active acquirers dropped away in during selection process. Theoretical framework requires that only stock price information from primary markets for the companies should be included in the event study analysis as any new information is more rapidly reflected in the security valuation in the home market, but freely-available information does not contain information from Finland, Greece, Luxemburg, Liechtenstein and

Ireland, thus deal originated by these countries were not considered even if these companies are listed on other major world stock exchanges. The only deal from Ireland that appears in the sample was included in the analysis as Thomson One Banker database lists London as the primary market for the company (Aminex PLC). Nevertheless, number of companies considered in the final sample is quite enough to draw statistically significant implications as sample of 20 securities gives the power of test almost equal to 1 with for the 5% test to correctly detect 2% abnormal return with variance of 0.02 (MacKinlay, 1997).

Figure 5



From the target country side, the final sample is even more representative as all most actively targeted countries are included into the analysis, with biggest share related to Poland and Czech Republic, similar to general population described above. Therefore, we may conclude that final sample correctly reflects population of cross-border M&A deals in transition economies.

Available dataset on historical stock prices include several time series for each individual company: opening price, high - maximum price for the day, low - minimum price for the day, closing price, volume and adjusted closing price. However, only adjusted closing price was used in order to calculate daily returns

both for individual securities and for market indices. These data are adjusted for stock splits and cash dividends in order to eliminate the influence of evident corporate specific shocks and are more appropriate for event study analysis.

Building market model in order to assess returns on individual company's securities requires usage of market return, which is proxied by local market return in empirical estimation. Detailed information on the source of stock price information and choice of market index is given in Appendix 7 and summarized in Table 1 below.

Market Index	Country	Number of Cases Used
S&P500	USA	53
FTSE100	UK	25
CAC 40	Paris	12
DAX	Germany	10
Stockholm General	Sweden	8
ATX	Austria	5
KFX	Denmark	3
OSE All Share	Norway	3
AEX General	Amsterdam	2
MIBTel	Italy	2
S&P TSX Composite	Canada	2
Total		125

As we can observe, S&P500 is the most commonly used market index for the given sample of securities, what is consistent with the fact that the USA has greatest share of deals in the sample. However, frequency of S&P500 usage as market index outweighs the share of the USA companies in the sample due to the fact that some big European companies are primarily listed in the NYSE, making it the home market for these companies despite country or origin.

In order to explain existence and character of abnormal returns similar studies usually use characteristics of the companies and transactions, which creates the need to briefly describe details of the deals under consideration. As Table 2 reveals, the volume of transactions in transition economies is relatively low

compared to other global M&A deals. The highest transaction value of USD 390.5 million is associated with the acquisition of Moscow-based manufacturer of cigarettes Liggett-Ducat by Gallaher Group PLC from the UK, which is far below average global deal value. For example, average value of deal in Switzerland is about USD 1 billion, as indicated by Lowinski et al., 2004.

Table 2

Statistical Properties of the Sample	
Transaction Value*	USD, millions
arithmetic average	39.15
median	13.20
standard error	77.29
min	0.32
max	390.50
Percentage of Shares Acquired**	%
arithmetic average	63.33
median	70.00
standard error	35.05
min	2.50
max	100

* Based on 52 companies that disclosed transaction volume

** Based on 122 companies that disclosed percentage of shares acquired

However in final 5 years of the period in question there is an increasing tendency both in volume and the number of M&A transactions, which speaks of greater interest in the region from multinational companies from developed countries. This constitutes the evidence that transition economies become more actively involved in the global economy.

According to the tendencies in global financial management, multinational corporations chose to diversify their operations both across countries and across industries to gain greatest risk reduction, however in 72% of the deals considered mergers and acquisitions happened within the same industry. As we observe in Table 3, vast variety of industries is targeted in transition countries. There is no clear preference in the distribution of targets by industry as Energy and Power is targeted with the same frequency as Food and Beverage.

Table 3

Target industry	Number of Deals
Energy and Power	18
Food and Beverage	18
Consumer Products and Services	14
Automobiles and Components	11
Media and Entertainment	11
Machinery	6
Construction Materials	5
Industrials	5
Metals and Mining	5
Textiles and Apparel	5
Banks	4
Chemicals	4
Household and Personal Products	4
Building/Construction and Engineering	3
Computers and Electronics	3
Paper and Forest Products	3
Financials	2
Biotechnology	1
Containers and Packaging	1
Hotels and Lodging	1
Software	1
Total	125

As was mentioned in Literature Review section, Doukas and Travlos (1988) find going abroad for the first time to be the factor determining existence of significant abnormal return. While most of the companies included in our sample have long history of international deals, it is reasonable to suggest that entering transition countries region may be significant factor for stock's reaction to the deal announcement. In our sample 60 deals satisfy this criterion and will be used to analyze the effect of the event.

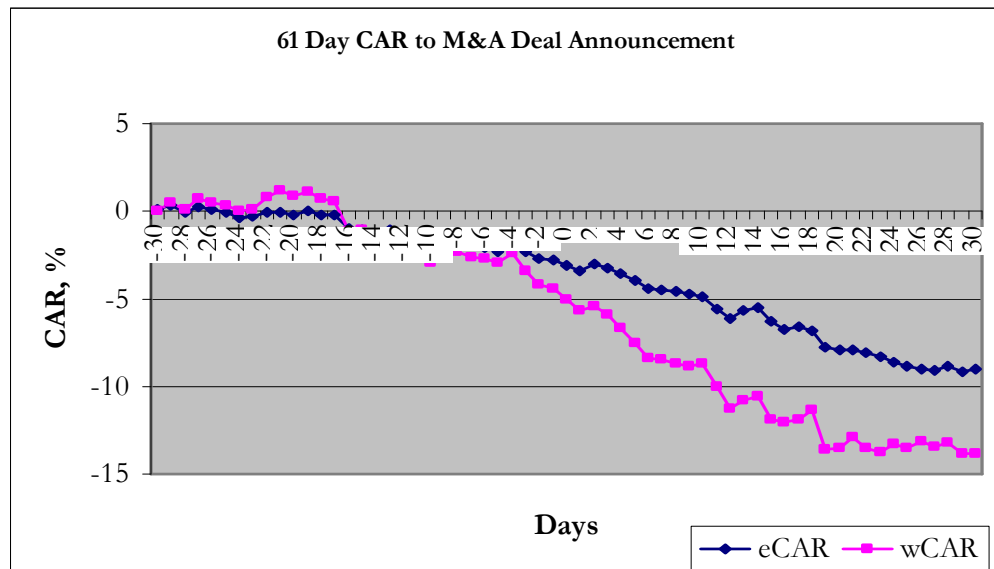
Speaking of some other deals details listed in Appendices 2 it is important to mention that transaction was settled in stock in 65 cases, cash payments was used in 35 deals, and asset completed 25 deals. This evidence confronts the previously stated hypothesis about dominating cash type of the transaction which was expected to contribute to positive effect of the event.

3.3 Empirical results

Results of the event study model are presented in appendices. Average abnormal returns and average cumulative abnormal returns for 61 event window period are presented in Appendix 8 and Appendix 9 reports abnormal returns and cumulative average abnormal returns for the whole portfolio of 125 companies.

The results provide evidence that acquirers achieve significant negative cumulative average abnormal returns as a result of M&A transaction in transition countries. Specifically, 61 day equally weighted CAR is 9.01% which is significant at 1% significance level, and respective volatility weighted CAR is 13.82%, which is also significant at 1% significance level. Given the standard error of the portfolio of 0.0291, null hypothesis of no effect of the event on the behavior of stock price may be strongly rejected at 1% significance level. Plot of these daily CAR values is presented in Figure 6.

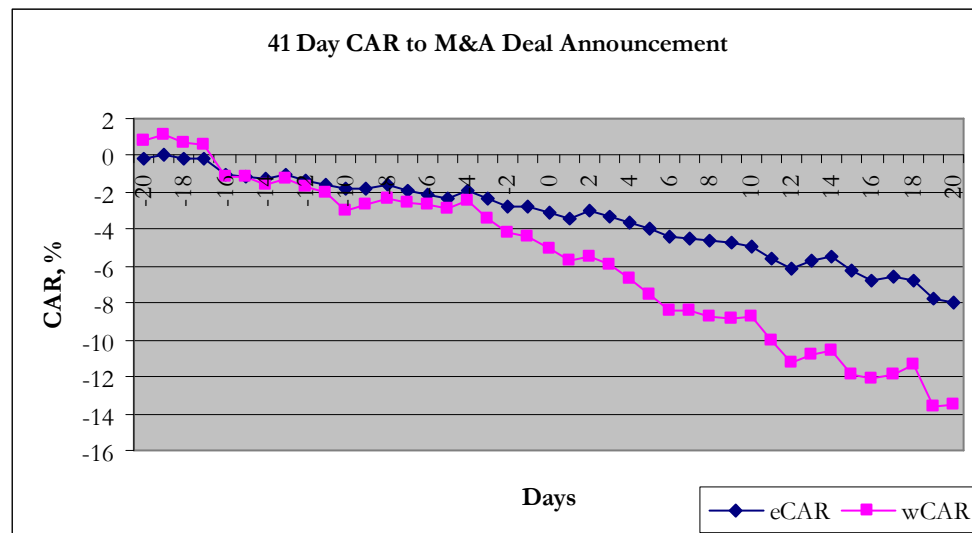
Figure 6



This result indicates that announcements of M&A transaction in transition countries constitute a negative market signal and the underlying transactions do not create value for shareholders of the acquiring company in the short-run as the region of transition countries is associated with great deal of risk, exchange rate risk, political and economic instability. These deals may create value for shareholders in the long-run, but as Fama (1991) argues, it's next to impossible to assess long-run security valuation effects as there are many other shocks to the company's stock crating noise in its performance.

Interestingly, according to the graph cumulative abnormal returns start deviating from zero long before the event date, about 17 trading days, period of about 3 weeks. This peculiarity may reflect information leakage of individual companies' short-term plans, insiders' trading or market anticipation of the transaction. Consequently, we observe market inefficiency as financial analysts may gain abnormal returns if they predict the announcement of a transaction correctly.

Figure 7



Visual inspection of CAR behavior shows that the downward tendency disappears around 20th day after the announcement. Numerical results shown in

Appendix (nr) support this conclusion and indicate 41 day equally weighted CAR is 7.93% which is significant at 5% significance level, and respective volatility weighted CAR is 13.53%, which is also significant at 1% significance level. Thus the market responds to the announcements of M&A transaction even faster than was expected: we observe significant results within the event window of 41 days, that is 20 days before and after the event.

Table 4

Cumulative Abnormal Returns around M&A Announcements

Event window	CAR	Test Statistic
[-30,+30]	-9.00552	-3.09233*
[-25,+25]	-8.92527	-3.06477*
[-20,+20]	-7.90703	-2.71513**
[-15,+15]	-5.2556	-1.80468
[-10,+10]	-3.36363	-1.15501
[-30, 0]	-3.0647	-1.05236
[-25, 0]	-3.1499	-1.08165
[-20, 0]	-3.0424	-1.0447
[-15, 0]	-0.87498	-0.30045
[-10, 0]	-1.53128	-0.52581
[0, +10]	-2.10182	-0.72173
[0, +15]	-3.46051	-1.18828
[0, +20]	-5.13409	-1.76295
[0, +25]	-6.04475	-2.07565**
[0, +30]	-6.21029	-2.1325**

*Significant at 1% significance level

** Significant at 5% significance level

Statistics on values of CAR for different event window periods is provided in Table 4 above. CAR calculation results indicate that for the current sample of deals abnormal returns are significant for quite long window periods: [-30,+30], [-25,+25] and [-20,+20] days reflecting relatively slow market response to the announcement in comparison to other similar studies, where significant abnormal return can be detected within 3 and 5 days event windows (Lowinski et al., 2004). At the same time we observe significant result for post-

announcement periods of [0, +25] and [0, +30], while all pre-announcement values are insignificant. Thus the despite existence of consistent nonzero cumulative abnormal returns in the pre-announcement period, they are statistically insignificant.

Speaking about the effect to the securities of individual companies it is necessary to mention that 98 out of 125, or about 78% of the companies experienced significant effect on their stock price at 5% significance level. So unlike cross-border M&A deals involving countries with similar level of economic development, which tend to produce negligible effect on the stock price of the acquiring company as was mentioned in the literature review, same event targeting transition countries creates significant effect on the underlying security of the acquirer.

Table 5

Effect to Individual Securities	
Negative	77
Negative significant at 5%	64
Negative significant at 1%	59
Positive	48
Positive significant at 5%	34
Positive significant at 1%	29
Total Significant at 5%	98
Total Significant at 1%	88
Total	125

Statistics on the effect of M&A announcement in transition counties is summarized in Table 5 above. The data shows that distribution of positive and negative effects to underlying security is almost equal, with 61% being negative and 59% positive. But when average CAR is calculated on these sub-samples we find the explanation of statistically significant general negative effect. In particular, CAR on sub-sample of companies experiencing negative effect is -21.20% with test statistic of -8.55, while same figures for the positive sub-

sample are 10.55% and 5.00 respectively. Thus when negative effect occurs, it is more significant leading to general negative result. Such phenomena may have psychological nature as humans are less reluctant to believe good news while trusting the bad news; consequently the response to events that are treated as bad news by the market are more sizable.

Despite the variety of data describing details of the considered sample those factors appear to be poor explanation to the general result as the regressions on deals specific factor returns insignificant. Both OLS and Probit regressions use the following deals factors as explanatory variables: D_at – dummy for the nature of deal attitude, 1 for friendly, 0 for neutral; D_same_ind – dummy for both acquiring and target companies being in the same industry; D_First – dummy for first M&A deal in transition country for the acquiring company; P_ac – percentage of target company acquired; D_100 – dummy for complete buyout of the target, when 100% of the company changes its owner; D_fin – dummy for financial advisor involvement in deal settlement from either side; D_stock – dummy for using stock as a means of deal settlement, D_cash - dummy for using cash as a means of deal settlement (asset being the third option), Value – USD million value of the deal, D_act_tg – dummy for active target country: Poland and Czech Republic, D_act_ac – dummy for active acquirer: the USA and the UK. OLS model uses the value of average CAR for the portfolio as dependent variable, while Probit model is run on the dummy for positive individual company CAR assessing the probability of positive effect of the event on the stock price.

The outputs for the regressions are presented in the Appendix 11 and suggest that only dummy for being in the same industry appears to be significant and implies 13% expected increase in CAR and 26% increase in probability of positive effect on stock in case of M&A deal within the same industry, which is associated with less risk to company's operations and financial performance.

Calculation of average CAR on the sub-sample of deals settled with the same industry supports this idea as 61 days average equally weighted CAR is -7.94% for same industry deals and -11.54% otherwise, with respective values of volatility weighted CAR of -10.11% and -13.29%.

General insignificance of the other deal specific factors may be explained by undisclosed information in case of some variables, for example the value of the deal is disclosed only in 52 cases out of 125 deal sample (41% of cases) and the information about financial advisor involvement is given only in 23 cases (18% of deals). However, such tendency is typical for the whole population of M&A deals in transition economies as transaction value is disclosed in 38% of completed deals and information regarding financial advisors is present only in 11% of the whole population.

From the other hand, insignificance of deals characteristics may be attributed to the fact that the sample includes deals completed in 12 different countries, which may add country – specific features to the security valuation and the countries experience quite different rates of economic growth despite their belonging common group of countries.

Therefore, significant negative average CAR to securities of acquiring companies detected by event study model are explained by general riskiness of the targeted region and does not depend of deal specific features. Thus cross-border M&A deals announcement in transition economies are not value crating events and only add volatility to the underlying securities in the short-run.

Chapter 4

CONCLUSIONS

Event study analysis of stock price reaction performed in this thesis allows drawing the following conclusions.

Announcements of mergers and acquisitions in transition economies provide significant effect on valuation of underlying securities of publicly traded companies from developed countries, thus, creating significant market signal to potential investors and shareholders. Hence transition economies are becoming became meaningful members of global financial community

These announcements lead to 9% significant negative average cumulative abnormal returns to shareholders of the acquiring companies over 61 day event window period and do not create value to the shareholders, thus null hypothesis of no effect of the event is strongly rejected at 1% significance level. Estimation results indicate existence of significant negative average cumulative abnormal returns of 7.93% already in 41 event window period significant at 5%, with the tendency of non-zero cumulative abnormal returns starting about 17 days before the announcement. Existence of pre-announcement non-zero CAR indicates information leakage, insiders' trading or market anticipation of the transaction.

Thus, M&A deals in transition countries are not examples of wealth maximizing behavior of multinational corporations; instead they are aimed at promoting the growth of sales and assets of the acquiring companies. Hypothesis of growth-motivated cross-border mergers and acquisitions is supported by the fact that

most acquiring companies are actively involved in M&A activity, providing theoretical justification for the obtained significant negative result.

Despite almost equal distribution of positive and negative individual effects to the sample of underlying securities, general negative effect is not explained by characteristics of the specific deals – only the factor of both companies belonging to same industry appears to be significant and provides positive effect. Therefore, results imply that markets react negatively to firms' mergers and acquisitions in transition countries as investments in this region are associated with great deal of risk and uncertainty, adding volatility to the underlying securities in the short-run and contributing to put downward pressure on its valuation in the open market.

BIBLIOGRAPHY

- Ball, R. and P. Brown (1968), “An Empirical Evaluation of Accounting Income Numbers”, *Journal of Accounting Research*, p. 159-178.
- Brealey, R.A., Cooper, I.A. and E. Kaplanis (1998), “International Sources of Risk: Evidence from Cross-Border Mergers”, *Working Paper*, London Business School.
- Brown, S., and J. Warner (1980), “Measuring Security Price Performance”, *Journal of Financial Economics*, 8, p. 205-258.
- Brown, S., and J. Warner (1985), “Using Daily Stock Returns: The Case of Event Studies”, *Journal of Financial Economics*, 14, p. 3-31.
- Campbell, J., A. W. Lo and C. ManKinlay (1997), “The econometrics of financial Markets”, Princeton University Press.
- Conn, R. L. and F. Connell (1990), “International mergers: returns to U.S. and British firms”, *Journal of Business Finance and Accounting* 17, p. 689–711.
- Corhay, A. and A. Radb (2000), “International acquisitions and shareholder wealth: Evidence from the Netherlands”, *International Review of Financial Analysis*, 9:2, 163-174.
- Danbolt, J. (1995), “An analysis of gains and losses to the shareholders of foreign bidding companies engaged in cross-border acquisitions into the United Kingdom, 1986-1991”, *The European Journal of Finance*, 1, p. 279-309.
- Danbolt, J. (1999), “Target Company Cross-Border Effects in Acquisitions into the UK”, *Working Paper, Department of Accounting & Finance*, University of Glasgow.
- Datta, D. K., & Puia, G. (1995), “Cross-border acquisitions: an examination of the influence of related and cultural fit on shareholder value creation in U.S. acquiring firms”, *Management International Review* 35, p. 337–359.
- Dennis, D. and J. McConnell (1986), “Corporate Mergers and Security Returns”, *Journal of Financial Economics* 16, p. 143-187.
- Dolley, J., (1933), “Characteristics and Procedure of Common Stock Stlit-Ups”, *Harvard Business Review*, p. 316-326.
- Doukas., J. (1995). “Overinvestment, Tobin’s q and Gains from foreign

- acquisitions”, *Journal of Banking and Finance* 19, p. 1285–1303.
- Eckbo, B.E. and K.S. Thorburn (2000), “Gains to Bidder Firms Revisited: Domestic and Foreign Acquisitions in Canada”, *Journal of Financial and Quantitative Analysis*, 35, 1-25.
- Fama, E. F. (1991), “Efficient Capital markets: II”, *The Journal of Finance*, 5, p.1575-1617.
- Fama, E., L. Fisher, M. Jensen, and R. Roll (1969), “The Adjustment of Stock Prices to New Information”, *International Economic Review*, 10, p. 1-21.
- Fatemi, A. and E. Furtado (1988), “An Empirical Investigation of the Wealth Effects of Foreign Acquisitions, in: Khoury, S. and A. Ghosh, Recent Developments in International Banking and Finance, Vol. 2, Lexington Books, p. 363-379.
- Gugler, K., D. Mueller, B. Yurtoglu, C. Zulehner (2003), “The effects of mergers: an international comparison”, *International Journal of Industrial Organization*, 21, p. 625-653.
- Harris, R.S. and D. Ravenscraft (1991), “The Role of Foreign Acquisitions in Foreign Direct Investment: Evidence from the U.S. Stock Market”, *Journal of Finance*, p. 825-844.
- Henry, D and F. Jespersen (2004), “Mergers: Why most big deals don’t pay off”, *Business Week*, October 14.
- Jarrell, G., Brickley, J. and J. Netter (1988), “The Market for Corporate Control: The Empirical Evidence since 1980.” *Journal of Economic Perspectives*, 2, nr. 1: p. 49–68.
- Jensen, M. and R. Ruback (1983), “The Market for Corporate Control: The Scientific Evidence.” *Journal of Financial Economics*, 11, p. 5–50.
- Keown A., J Martin, W. Petty and D. Scott (2001) “Financial Management: Principles and Applications”, 9 edit., Prentice-Hall, Inc.
- Loughran, T. and M. Anand M. (1997), “Do long-term shareholders benefit from corporate acquisitions?”, *Journal of Finance* 52, p. 1765-1790.
- Lowinski, F., Schiereck, D. and T. Thomas (2004), “The Effect of Cross Border Acquisitions on Shareholder Wealth – Evidence from Switzerland”
- MacKinlay, C. (1997) “Event Studies in Economics and Finance”, *Journal of Economic Literature*, 1, p. 13-39.
- Markides, C. C., and C. D. Ittner (1994). “Shareholder benefits from corporate international diversification: evidence from U.S. international acquisitions”,

- Journal of International Business Studies* 25, p. 343–366
- McCann, M. (2001), “Cross-border acquisitions: the UK experience”, *Applied Economics*, 33, p. 457-461.
- Meggison, W., A. Morgan, L. Nail (2002), “The determinants of positive long-term performance in strategic mergers: corporate focus and cash”, *Journal of Banking and Finance*, 28, p. 523-552.
- Mulherin, J.H. and A. Boone (2000), “Comparing Acquisitions and Divestitures”, *Journal of Corporate Finance* 6, p. 117-134.
- Rossi, S., and P. Volpin (2004), “Cross-country determinants of mergers and acquisitions”, *Journal of Financial Economics*, 74, p. 277-304.
- Schwert, G.W. (1996), “Markup Pricing in Mergers and Acquisitions”, *Journal of Financial Economics* 41, p. 153-162.
- Servaes, H. and M. Zenner (1996), “The Role of Investment Banks in Acquisition”, *Review of Financial Studies* 9, p. 787-815.
- <http://finance.yahoo.com>
<http://banker.thomsonib.com/ta>

Appendix 1

Sample Cross-Border M&A Deals in Transition Countries, 1990 - 2005

Deal #	Date Announced	Date Effective	Target Name	Target country	Acquirer name	Acquirer Country
1	20-May-94	20-May-94	AB AEGON	Hungary	Aegon NV	Netherlands
2	7-Mar-00	7-Mar-00	Soraya SA	Poland	Alberto-Culver Co	USA
3	17-Oct-96	17-Oct-96	Vidima(Bulgaria)	Bulgaria	American Standard Cos Inc	USA
4	4-Jul-00	4-Jul-00	MicroLink Electronics	Estonia	Amphenol Corp	USA
5	29-Sep-04	29-Sep-04	Profil	Poland	Arcadis NV	Netherlands
6	19-Jun-01	19-Jun-01	Autoliv Romania SA	Romania	Autoliv Inc	Sweden
7	1-Nov-01	1-Nov-01	GSM Partner	Czech Republic	Avenir Telecom	France
8	8-Oct-02	8-Oct-02	Menada Vinprom (Bratia Siarovi)	Bulgaria	Belvedere SA	France
9	13-Jan-99	13-Jan-99	TPK	Czech Republic	Bongrain SA	France
10	6-Dec-96	6-Dec-96	Zalatej Tejipari(Dairy)(APV)	Hungary	Bongrain SA	France
11	22-Nov-93	22-Nov-93	Veszpremi Allami Gazdasag	Hungary	Bongrain SA	France
12	5-Feb-99	5-Feb-99	Kreenholmi Vaduse AS	Estonia	Boras Wafveri AB	Sweden
13	6-Jan-95	6-Jan-95	Kreenholmi Manufaktuur	Estonia	Boras Wafveri AB	Sweden
14	13-Jul-95	20-Jul-95	Korgaz(Poland)	Poland	British Petroleum Co PLC	UK
15	22-Oct-98	22-Oct-98	Fabryka Osy Napedowych	Poland	Carraro SpA	Italy
16	13-Mar-00	13-Mar-00	Czechpol Energy	Czech Republic	Cinergy Corp	USA
17	7-Nov-02	7-Nov-02	IRBIS	Kazakhstan	Carlsberg A/S	Denmark
18	5-Feb-99	5-Feb-99	Ozgorkey Coca-Cola	Romania	Coca-Cola Beverages PLC	UK
19	30-Aug-99	16-Oct-02	Moscow Tire Works	Russian Federation	Continental AG	Germany
20	5-Oct-04	5-Oct-04	Biorex Research & Development	Hungary	CytRx Corp	USA

Deal #	Date Announced	Date Effective	Target Name	Target country	Acquirer name	Acquirer Country
21	5-Jan-98	5-Jan-98	TRISS spool Sro	Czech Republic	David S Smith (Holdings) PLC	UK
22	23-Sep-98	23-Sep-98	Marca Litu (Marca Furniture AS)	Lithuania	Denka Holding A/S	Denmark
23	24-Jun-02	24-Jun-02	Servisco SP Zoo	Poland	Deutsche Post AG	Germany
24	4-May-95	4-May-95	NordTrans Handelshus AB	Poland	Elanders AB	Sweden
25	29-Jul-04	31-Oct-04	Stara Zagora EAD	Bulgaria	EVN AG	Austria
26	28-Nov-00	2-May-01	Oltchim SA	Romania	Exall Resources Ltd	Canada
27	19-Aug-96	19-Aug-96	AIOC	Azerbaijan	Exxon Corp	USA
28	9-Mar-01	9-Mar-01	Skoda Electrical Machines	Czech Republic	FKI PLC	UK
29	29-Sep-03	29-Sep-03	DVUnlimited	Hungary	FOCUS Enhancements Inc	USA
30	25-Apr-02	25-Apr-02	Freeport Leisure sro	Czech Republic	Freeport PLC	UK
31	29-May-00	29-May-00	Zeletavska Syrna	Czech Republic	Fromageries Bel SA	France
32	22-Apr-04	22-Apr-04	Volgageoresource	Russian Federation	Geotec Thermal Generators Inc	USA
33	9-Jun-99	9-Jun-99	Famot-Pleszew SA	Poland	Gildemeister AG	Germany
34	7-Apr-04	29-Jun-04	Sava Tires DOO	Slovenia	Goodyear Tire & Rubber Co	USA
35	6-May-02	6-May-02	Sava Tires DOO	Slovenia	Goodyear Tire & Rubber Co	USA
36	20-Jan-99	20-Jan-99	Alfoldi Porcelan Edenygyar Rt	Hungary	Guy Degrenne	France
37	23-Oct-02	23-Oct-02	Est Radio(Pesti Est Kft)	Hungary	GWR Group PLC	UK
38	24-Aug-04	24-Aug-04	Buryatzoloto	Russian Federation	High River Gold Mines Ltd	Canada
39	16-May-01	16-May-01	Buryatzoloto	Russian Federation	High River Gold Mines Ltd	Canada
40	6-Mar-03	6-Mar-03	Cesky Mobil AS	Czech Republic	Imax Corp	Canada
41	8-Jan-03	8-Jan-03	Presscom	Russian Federation	InfoSpace Inc	USA
42	30-Sep-94	30-Sep-94	Poland-Kwidzyn Paper(Poland)	Poland	International Paper Co	USA
43	18-Nov-94	18-Nov-94	Zodiac On-Line	Russian Federation	International Totalizator Sys	USA

Deal #	Date Announced	Date Effective	Target Name	Target country	Acquirer name	Acquirer Country
44	24-Nov-98	24-Nov-98	Agentura Triumf spol sro	Czech Republic	ITE Group PLC	UK
45	2-Oct-95	2-Oct-95	Pharmatop Ltd	Poland	IVAX Corp	USA
46	19-May-99	19-Jul-99	Galenas (IVAX Corp)	Czech Republic	IVAX International BV	Netherlands
47	5-Jun-97	5-Jun-97	Personnel Corps	Russian Federation	Kelly Services Inc	USA
48	21-Sep-00	21-Sep-00	Alcatel-Poznan Manufacturing	Poland	Kimball International Inc	USA
49	12-Jul-95	12-Jul-95	Orlican (Czech Republic)	Czech Republic	Koegel Fahrzeugwerke AG	Germany
50	17-Mar-05	17-Mar-05	GRAFITEC spol sro	Czech Republic	Koenig & Bauer AG	Germany
51	1-Feb-95	1-Feb-95	Metal	Czech Republic	Kolbenschmidt AG	Germany
52	14-Jan-94	14-Jan-94	Czech Republic-11 Stores	Czech Republic	Koninklijke Ahold NV	Netherlands
53	24-Mar-97	24-Mar-97	ZWS Wroclaw Sphinx	Poland	Koninklijke Sphinx Gustavsberg	Netherlands
54	13-Sep-01	1-Jan-02	Bester(Poland)	Poland	Lincoln Electric Holdings Inc	USA
55	7-Apr-00	7-Apr-00	Liteksas & Calw AB	Lithuania	Marzotto SpA	Italy
56	1-Dec-95	1-Dec-95	Stomil Olsztyn SA(Stomil)	Poland	Michelin SA	France
57	9-Apr-01	22-May-01	Darial TV	Russian Federation	Modern Times Group MTG AB	Sweden
58	16-Dec-03	16-Dec-03	Doveri Brico	Bulgaria	Monsieur Bricolage	France
59	7-Jun-04	7-Jun-04	Interfax Rating Agency	Russian Federation	Moody's Corp	USA
60	5-Nov-02	5-Nov-02	VAW Aluminiumtechnika Kft	Hungary	Norsk Hydro ASA	Norway
61	24-Mar-97	9-Dec-97	Roto(SEPAP)	Czech Republic	Norske Skogindustrier ASA	Norway
62	8-Apr-04	8-Apr-04	Elso Iroda Superstore Kft	Hungary	Office Depot Inc	USA
63	12-Aug-04	12-Aug-04	Danubius Hotels Rt	Hungary	Aberdeen Asset Management PLC	UK

Deal #	Date Announced	Date Effective	Target Name	Target country	Acquirer name	Acquirer Country
64	22-Dec-04	9-Mar-05	SladCo	Russian Federation	Orkla ASA	Norway
65	8-Mar-01	8-Mar-01	Baltic Microwave Sp zoo	Poland	PartnerTech AB	Sweden
66	1-Oct-96	1-Oct-96	E Wedel SA(PepsiCo)	Poland	PepsiCo Inc	USA
67	30-Jan-96	8-Feb-96	ZPT Krakowie(Poland)	Poland	Philip Morris Cos Inc	USA
68	30-Mar-94	30-Mar-94	Sandomierz Glassworks(Poland)	Poland	Pilkington PLC	UK
69	14-Jul-99	2-Mar-00	Pilkington Sandoglass Sp Zoo	Poland	Pilkington PLC	UK
70	12-Jun-02	12-Jun-02	Elektrownia Skawina SA(Poland)	Poland	Public Svc Enterprise Grp Inc	USA
71	30-Jun-01	12-Jun-02	Elektrownia Skawina SA(Poland)	Poland	Public Svc Enterprise Grp Inc	USA
72	15-Jun-99	15-Jun-99	Romanian Block VI	Romania	Ramco Energy PLC	UK
73	2-Apr-01	2-Apr-01	Wydawnictwa Prawnicze PWN Sp	Poland	Reed Elsevier Nederland BV	Netherlands
74	2-Nov-98	2-Nov-98	Karosa (Renault Vehicules)	Czech Republic	Renault Vehicules Industriels	France
75	21-Jan-97	21-Jan-97	Karosa	Czech Republic	Renault Vehicules Industriels	France
76	11-Jul-01	2-Oct-01	Schmalbach-Lubeca-Ejovice	Czech Republic	Rexam PLC	UK
77	15-Jun-00	15-Jun-00	Raklami Agentura Start Praha	Czech Republic	Robert Half International Inc	USA
78	11-Feb-99	11-Feb-99	Hitrom SA	Romania	Rockwool International A/S	Denmark
79	18-Oct-01	25-Feb-02	Banka Koper	Slovenia	San Paolo Bank	Italy
80	25-Feb-03	24-Apr-03	Inter-Europa Bank RT	Hungary	Sanpaolo IMI Bank Intl SA	Italy
81	1-Oct-01	8-Jan-02	Prima (Drie Mollen Holding)	Poland	Sara Lee/DE NV(Sara Lee Corp)	Netherlands
82	9-Dec-03	30-Jul-04	PetroAlliance Services Co Ltd	Russian Federation	Schlumberger Ltd	USA
83	22-Apr-03	22-Apr-03	Lomac Sp zoo	Poland	SDL PLC	UK

Deal #	Date Announced	Date Effective	Target Name	Target country	Acquirer name	Acquirer Country
84	9-Jul-99	9-Jul-99	Pramet Sumperk-Nastroje Div	Czech Republic	Seco Tools AB	Sweden
85	13-Sep-02	15-Nov-02	Titan	Bulgaria	Securidev	France
86	23-Apr-99	23-Apr-99	Zaklady Elektrod Węglowych	Poland	SGL Carbon AG	Germany
87	15-Dec-03	15-Dec-03	LUKoil-Czech Gas Stn(3)	Czech Republic	Shell Oil Co	USA
88	28-Aug-00	20-Oct-00	EUP(SEB)	Estonia	Skandinaviska Enskilda Banken	Sweden
89	4-Jan-00	10-Jan-00	EMV	Estonia	Skanska AB	Sweden
90	7-Aug-03	26-Aug-03	AS Voru Juust	Estonia	Synnove Finden ASA	Norway
91	17-Oct-97	17-Oct-97	Cukrownia Garbow SA	Poland	Tate & Lyle PLC	UK
92	19-Feb-91	29-Mar-91	Hajdusagi Cukorgyar	Hungary	Tate & Lyle PLC	UK
93	15-May-01	15-May-01	Motoco AS	Czech Republic	Tecumseh Products Co	USA
94	30-May-01	30-May-01	Levicom Broadband (Levicom Ltd)	Estonia	Tele2 AB	Sweden
95	12-Jan-04	17-Mar-04	MobiFon SA	Romania	Telesystem Int Wireless Inc	Canada
96	11-Jan-00	28-Jan-00	Cesky Mobil	Czech Republic	Telesystem Int Wireless Inc	Canada
97	29-Dec-01	29-Dec-01	Globus Konzervipari Rt	Hungary	Templeton Emerging Mkts Fund	USA
98	21-Apr-03	21-Apr-03	Perekriostok	Russian Federation	Templeton Russia Fund Inc	USA
99	3-Sep-03	3-Sep-03	Tatra AS	Czech Republic	Terex Corp	USA
100	16-Jan-97	16-Jan-97	Global TH Befektetesi (Tesco)	Hungary	Tesco PLC	UK
101	17-Sep-99	17-Sep-00	Meva Drobeta Turnu Severin	Romania	Trinity Industries Inc	USA
102	4-May-95	4-May-95	Dero (Romania)	Romania	Unilever NV	Netherlands
103	26-Jul-02	26-Jul-02	Funeuropa Biztosito	Hungary	Uniqa Versicherungen AG	Austria
104	16-Sep-04	16-Sep-04	Severnaya Verf JSC	Russian Federation	United Industrial Corp	USA
105	22-Dec-04	28-Feb-05	Telemach doo	Slovenia	UnitedGlobalCom Inc	USA

Deal #	Date Announced	Date Effective	Target Name	Target country	Acquirer name	Acquirer Country
106	24-Aug-04	24-Aug-04	ZAO Pechoraneftgaz	Russian Federation	Valkyries Petroleum Corp	Canada
107	25-Oct-00	25-Oct-00	AS Lokman	Estonia	VBH Holding AG	Germany
108	14-Aug-96	14-Aug-96	Mondial SA	Romania	Villeroy & Boch AG	Germany
109	28-Sep-94	28-Sep-94	Kaolin Hlubany AG(Czech Rep)	Czech Republic	Villeroy & Boch AG	Germany
110	25-Jun-01	25-Jun-01	Remix Group Electronics Rt	Hungary	Beru AG	Germany
111	15-Dec-04	11-Jan-05	Altius Energy Corp	Kazakhstan	Arawak Energy Corp	UK
112	22-May-00	5-Jul-00	Ninotsminda Oil Company	Georgia	CanArgo Energy Corp	UK
113	27-May-02	27-May-02	Gold mine-Suzdal	Kazakhstan	Celtic Resources Holdings PLC	UK
114	5-Apr-01	5-Apr-01	Astor Co	Poland	Central European Distn Corp	USA
115	16-Oct-96	7-Feb-97	Cutisin AS	Czech Republic	Devro International PLC	UK
116	15-Jun-00	4-Aug-00	Liggett-Ducat(Vector Group)	Russian Federation	Gallaher Group PLC	UK
117	18-Dec-00	18-May-01	Ugraneft(Sibir Energy PLC)	Russian Federation	Sibir Energy PLC	UK
118	25-Nov-04	10-Mar-05	Evikhon	Russian Federation	Sibir Energy PLC	UK
119	14-Jun-99	2-Jul-99	Mostostal Warszawa SA	Poland	Acciona SA	Spain
120	10-May-96	10-May-96	Ceska Kooperativa Druzstevni	Czech Republic	Wiener Stadtischen	Austria
121	31-Jul-04	18-Oct-04	Sparkasse-Czech Activities	Czech Republic	Oberbank AG	Austria
122	14-Mar-97	14-Mar-97	Major SA	Poland	Julius Meisl International AG	Austria
123	12-Sep-03	12-Sep-03	Liman Caspian Oil	Kazakhstan	Aurado Exploration Inc	Canada
124	18-Dec-97	18-Dec-97	AmKomi Ltd	Russian Federation	Aminex PLC	Ireland
125	2-Jun-97	20-Dec-97	Samus	Romania	Electrolux AB	Sweden

Appendix 2

Sample M&A Deals Details

Deal #	Target Industry	Acquirer Industry	Deal Attitude	Percent acquired, %	Percent held, %	Deal Value, USD millions	Consi-deration	Deal technique
1	Financials	Financials	Friendly	20	75	-	Stock	Privatization
2	Consumer Products and Services	Consumer Products and Services	Friendly	100	-	-	Assets	-
3	Construction Materials	Construction Materials	Friendly	77	-	5.4	Stock	Privatization
4	Textiles & Apparel	Computers and Electronics	Friendly	100	-	-	Assets	Divestiture
5	Building/Construction & Engineering	Building/Construction & Engineering	Friendly	100	-	-	Stock	-
6	Textiles & Apparel	Textiles & Apparel	Friendly	10	90	-	Stock	-
7	Computers and Electronics	Media and Entertainment	Friendly	90	-	-	Stock	-
8	Food and Beverage	Food and Beverage	Friendly	100	-	-	Cash	Divestiture
9	Food and Beverage	Food and Beverage	Friendly	-	-	-	Stock	-
10	Food and Beverage	Food and Beverage	Friendly	60	-	-	Stock	Privatization
11	Food and Beverage	Food and Beverage	Friendly	100	-	-	Assets	-
12	Textiles & Apparel	Textiles & Apparel	Friendly	7	86	0.9	Stock	Privatization
13	Textiles & Apparel	Textiles & Apparel	Friendly	75.5	-	16.9	Cash	Privatization
14	Energy and Power	Energy and Power	Friendly	49	-	7.9	Cash	Privatization
15	Automobiles and Components	Automobiles and Components	Friendly	75	-	-	Stock	-
16	Energy and Power	Energy and Power	Friendly	100	-	-	Stock	-
17	Food and Beverage	Food and Beverage	Friendly	76	-	-	Stock	-
18	Food and Beverage	Food and Beverage	Friendly	100	-	24.55	Cash	-
19	Automobiles and Components	Automobiles and Components	Friendly	76	-	-	Stock	-
20	Biotechnology	Pharmaceuticals	Friendly	100	-	3	Cash	-
21	Paper & Forest Products	Paper & Forest Products	Friendly	100	-	-	Assets	-
22	Household and Personal Products	Household and Personal Products	Friendly	100	-	-	Stock	Divestiture
23	Consumer Products and Services	Consumer Products and Services	Friendly	40	60	24.5	Cash	-
24	Media and Entertainment	Media and Entertainment	Friendly	51	-	-	Stock	-

Deal #	Target Industry	Acquirer Industry	Deal Attitude	Percent acquired, %	Percent held, %	Deal Value, USD millions	Consi-deration	Deal technique
25	Energy and Power	Energy and Power	Friendly	67	-	32 6.4	Cash	Privatization
26	Chemicals	Metals & Mining	Friendly	53.3	-	10. 00	Cash	Privatization
27	Energy and Power	Energy and Power	Friendly	3	5	-	Stock	-
28	Machinery	Industrials	Friendly	100	-	22. 33	Cash	divestiture
29	Software	Computers and Electronics	Friendly	100	-	-	Assets	-
30	Consumer Products and Services	Consumer Products and Services	Friendly	100	-	-	Assets	-
31	Food and Beverage	Food and Beverage	Friendly	100	-	-	Stock	-
32	Energy and Power	Energy and Power	Friendly	51	-	-	Stock	-
33	Machinery	Machinery	Friendly	-	-	-	Stock	Divestiture
34	Automobiles and Components	Automobiles and Components	Friendly	20	80	52	Cash	-
35	Automobiles and Components	Automobiles and Components	Neutral	20	60	38. 5	Cash	-
36	Household and Personal Products	Household and Personal Products	Friendly	40	60	-	Stock	Divestiture
37	Media and Entertainment	Media and Entertainment	Friendly	100	-	0.3 2	Cash	Divestiture
38	Metals & Mining	Metals & Mining	Friendly	12	51. 1	12. 27	Stock	Privately Negotiated Purchase
39	Metals & Mining	Metals & Mining	Neutral	16.9	26. 5	1.4 9	Stock	Stock Swap
40	Media and Entertainment	Media and Entertainment	Friendly	100	-	-	Assets	-
41	Media and Entertainment	Media and Entertainment	Friendly	100	-	-	Assets	Divestiture
42	Paper & Forest Products	Paper & Forest Products	Friendly	100	-	-	Assets	Privatization
43	Consumer Products and Services	Other Industrials	Friendly	100	-	2.2 5	Stock	Stock Swap
44	Consumer Products and Services	Consumer Products and Services	Friendly	75	-	2.3	Cash	-

Deal #	Target Industry	Acquirer Industry	Deal Attitude	Percent acquired, %	Percent held, %	Deal Value, USD millions	Consi-deration	Deal technique
45	Consumer Products and Services	Pharmaceuticals	Friendly	100	-	10.54	Stock	Stock Swap
46	Consumer Products and Services	Financials	Friendly	22.2	77.8	3.6	Cash	Tender offer
47	Consumer Products and Services	Consumer Products and Services	Friendly	100	-	-	Assets	-
48	Media and Entertainment	Home Furnishings	Friendly	100	-	-	Assets	Divestiture
49	Automobiles and Components	Automobiles and Components	Friendly	56	-	-	Stock	Privatization
50	Machinery	Machinery	Friendly	100	-	-	Assets	-
51	Automobiles and Components	Metals & Mining	Friendly	15	-	-	Stock	-
52	Food and Beverage	Food and Beverage	Friendly	100	-	-	Assets	Privatization
53	Industrials	Household and Personal Products	Friendly	66	-	-	Stock	-
54	Machinery	Machinery	Friendly	85	-	7.3	Cash	Privatization
55	Textiles & Apparel	Textiles & Apparel	Friendly	84.4	-	10.7	Cash	-
56	Chemicals	Tires & Rubber	Friendly	32.7	-	55	Stock	Privatization
57	Media and Entertainment	Media and Entertainment	Friendly	75	-	-	Stock	-
58	Consumer Products and Services	Consumer Products and Services	Friendly	31.9	8.1	-	Stock	-
59	Consumer Products and Services	Consumer Products and Services	Friendly	-	20	-	Stock	Divestiture
60	Metals & Mining	Chemicals	Friendly	100	-	-	Assets	-
61	Paper & Forest Products	Paper & Forest Products	Friendly	100	-	-	Stock	Divestiture
62	Computers and Electronics	Paper & Forest Products	Friendly	100	-	10	Cash	Divestiture
63	Hotels and Lodging	Asset Management	Friendly	5	-	-	Stock	Privately Negotiated Purchase
64	Food and Beverage	Food and Beverage	Friendly	96.2	-	-	Stock	Privately Negotiated Purchase

Deal #	Target Industry	Acquirer Industry	Deal Attitude	Percent acquired, %	Percent held, %	Deal Value, USD millions	Consi-deration	Deal technique
65	Metals & Mining	Computers and Electronics	Friendly	100	-	-	Stock	-
66	Food and Beverage	Food and Beverage	Friendly	2.5	67.2	4.95	Cash	-
67	Industrials	Tobacco	Friendly	33.3	-	24.5	Cash	Privatization
68	Construction Materials	Construction Materials	Friendly	100	-	-	Assets	Privatization
69	Construction Materials	Construction Materials	Neutral	18.6	56.4	13.24	Cash	Privatization
70	Energy and Power	Energy and Power	Friendly	15	35	6.3	Cash	Privatization
71	Energy and Power	Energy and Power	Friendly	35	-	25	Cash	Privatization
72	Energy and Power	Energy and Power	Friendly	70	30	-	Stock	Divestiture
73	Media and Entertainment	Media and Entertainment	Friendly	50	50	-	Stock	Divestiture
74	Automobiles and Components	Automobiles and Components	Friendly	6	78	-	Stock	-
75	Automobiles and Components	Automobiles and Components	Friendly	17	34	-	Stock	-
76	Containers and Packaging	Containers and Packaging	Friendly	100	-	22.26	Assets	Divestiture
77	Consumer Products and Services	Consumer Products and Services	Friendly	100	-	-	Assets	-
78	Construction Materials	Construction Materials	neutral	33	-	-	Stock	Privately Negotiated Purchase
79	Banks	Banks	Friendly	47.1	-	10.24	Stock	Tender offer
80	Banks	Banks	Friendly	21	8.8	72.5	Stock	Tender offer
81	Food and Beverage	Food and Beverage	Friendly	100	-	-	Assets	Divestiture
82	Energy and Power	Energy and Power	Friendly	26	25	24.13	Stock	-
83	Consumer Products and Services	Software	Friendly	100	-	1.56	Cash	-
84	Machinery	Machinery	Friendly	100	-	16.4	Cash	Divestiture
85	Industrials	Industrials	Friendly	84.2	-	-	Stock	-
86	Computers and Electronics	Materials	Neutral	9.6	-	2.3	Cash	Privately Negotiated Purchase

Deal #	Target Industry	Acquirer Industry	Deal Attitude	Percent acquired, %	Percent held, %	Deal Value, USD millions	Consi-deration	Deal technique
87	Energy and Power	Energy and Power	Friendly	100	-	-	Assets	Divestiture
88	Banks	Banks	Friendly	49.8	50.2	72.6	Cash	Tender offer
89	Building/Construction & Engineering	Building/Construction & Engineering	friendly	61	-	5.6	Cash	-
90	Food and Beverage	Food and Beverage	Neutral	35.6	-	1.1	Cash	-
91	Food and Beverage	Food and Beverage	Friendly	80	-	-	Stock	-
92	Food and Beverage	Food and Beverage	Friendly	30.3	-	19	Stock	-
93	Automobiles and Components	Machinery	Friendly	100	-	-	Assets	-
94	Media and Entertainment	Media and Entertainment	Neutral	40.1	19.9	-	Stock	-
95	Media and Entertainment	Media and Entertainment	Neutral	5.8	50.1	15.29	Stock	-
96	Media and Entertainment	Media and Entertainment	Friendly	34.5	51	-	Stock	-
97	Food and Beverage	Financials	Neutral	7.1	-	1.68	Cash	Financial Aquiror
98	Food and Beverage	Financials	Friendly	7	-	-	Stock	Financial Aquiror
99	Automobiles and Components	Machinery	Friendly	51	20	13.16	Stock	Divestiture
100	Consumer Products and Services	Consumer Products and Services	Friendly	25	70	-	Stock	-
101	Machinery	Machinery	Friendly	70	-	-	Assets	Divestiture
102	Household and Personal Products	Food and Beverage	Friendly	70	-	20	Cash	Privatization
103	Financials	Financials	Friendly	100	-	-	Assets	Divestiture
104	Consumer Products and Services	Automobiles and Components	Friendly	46.5	53.5	-	Stock	-
105	Media and Entertainment	Internet Software & Services	Neutral	100	-	-	Stock	-
106	Energy and Power	Energy and Power	Friendly	100	-	39.00	Stock	Divestiture
107	Household and Personal Products	Construction Materials	Friendly	100	-	-	Assets	-
108	Chemicals	Building Products	Friendly	51	-	-	Assets	-
109	Construction Materials	Building Products	Friendly	51	-	-	Stock	Privatization

Deal #	Target Industry	Acquirer Industry	Deal Attitude	Percent acquired, %	Percent held, %	Deal Value, USD millions	Consi-deration	Deal technique
110	Energy and Power	Automobiles and Components	Friendly	75.1	-	-	Stock	-
111	Energy and Power	Energy and Power	Friendly	50	-	70.6	Stock	Stock Swap
112	Energy and Power	Energy and Power	Friendly	78.8	21	-	Stock	-
113	Metals & Mining	Metals & Mining	Friendly	50	50	-	Stock	-
114	Food and Beverage	Food and Beverage	Friendly	100	-	1.26	Cash	-
115	Chemicals	Food and Beverage	Friendly	36.4	56.5	14.64	Stock	Divestiture
116	Industrials	Industrials	Friendly	100	-	39.05	Cash	-
117	Energy and Power	Energy and Power	Neutral	21	78.3	5.08	Stock	Stock Swap
118	Energy and Power	Energy and Power	Neutral	10	82	28	Cash	-
119	Building/Construction & Engineering	Building/Construction & Engineering	Friendly	24	-	15.2	Cash	Tender offer
120	Automobiles and Components	Automobiles and Components	Friendly	6.62	-	-	Stock	-
121	Banks	Banks	Friendly	100	first	-	Assets	Divestiture
122	Food and Beverage	Financials	Friendly	51	-	-	Stock	-
123	Energy and Power	Energy and Power	Friendly	100	-	-	Assets	-
124	Energy and Power	Energy and Power	Friendly	5	50	-	Stock	-
125	Industrials	Household and Personal Products	Friendly	100	-	1.1	Cash	-

Appendix 3

Distribution of M&A Deals in Transition Countries, 1990 - 2005

Target Country	Total	Completed	Percentage Completion, %
Turkmenistan	2	1	50.00
Kyrgyzstan	43	13	30.23
Albania	44	13	29.55
Georgia	45	18	40.00
Belarus	55	23	41.82
Armenia	56	22	39.29
Azerbaijan	61	30	49.18
Bosnia and Herzegovina	64	37	57.81
Moldova	81	29	35.80
Serbia	98	50	51.02
Macedonia	106	50	47.17
Yugoslavia	113	49	43.36
Kazakhstan	221	104	47.06
Slovenia	377	226	59.95
Latvia	418	229	54.78
Croatia	473	324	68.50
Slovakia	503	306	60.83
Lithuania	510	288	56.47
Romania	728	397	54.53
Ukraine	736	283	38.45
Estonia	751	399	53.13
Bulgaria	1058	514	48.58
Czech Republic	2165	1409	65.08
Hungary	2383	1466	61.52
Poland	3134	1804	57.56
Russian Federation	3347	1868	55.81
Total	17572	9952	56.64
Simple mean	675.85	382.77	49.90
Standard error	968.13	570.55	10.31

Appendix 4

Distribution of Cross-Border M&A Deals in Transition Countries
by Target Country, 1990 - 2005

Target Country	Total	Completed	Percentage Completion, %
Poland	1098	770	70.13
Czech Republic	813	567	69.74
Hungary	696	499	71.70
Russian Federation	543	357	65.75
Romania	256	175	68.36
Bulgaria	240	148	61.67
Estonia	182	136	74.73
Slovakia	181	126	69.61
Lithuania	161	104	64.60
Latvia	93	54	58.06
Croatia	82	60	73.17
Ukraine	79	47	59.49
Slovenia	78	59	75.64
Kazakhstan	57	37	64.91
Yugoslavia	32	16	50.00
Macedonia, TFYR	30	16	53.33
Serbia	18	9	50.00
Azerbaijan	16	8	50.00
Bosnia and Herzegovina	14	10	71.43
Armenia	11	8	72.73
Belarus	11	7	63.64
Albania	9	4	44.44
Georgia	9	6	66.67
Moldova	8	6	75.00
Kyrgyzstan	3	1	33.33
Total	4720	3230	68.43
Simple mean	188.80	129.20	63.12
Standard error	288.95	202.67	10.89

Appendix 5

Distribution of Cross-Border M&A Deals in Transition Countries
by Acquiring Country, 1990 - 2005

Acquirer Country	Total	Completed	Percentage Completion, %
Austria	585	417	71.28
USA	577	435	75.39
France	561	377	67.20
Germany	556	385	69.24
UK	463	351	75.81
Netherlands	250	174	69.60
Sweden	211	138	65.40
Belgium	178	135	75.84
Greece	170	103	60.59
Finland	161	109	67.70
Canada	141	76	53.90
Cyprus	126	73	57.94
Switzerland	113	77	68.14
Italy	100	53	53.00
Denmark	86	56	65.12
Norway	76	43	56.58
Luxemburg	73	54	73.97
Ireland	65	43	66.15
Portugal	47	35	74.47
Japan	44	20	45.45
South Korea	28	17	60.71
Liechtenstein	27	19	70.37
Spain	27	14	51.85
Singapore	17	9	52.94
Iceland	14	9	64.29
China	13	6	46.15
Hong Kong	8	4	50.00
Thailand	3	2	66.67
Total	4720	3234	68.52
Simple mean	168.57	115.50	63.42
Standard error	192.41	139.50	9.20

Appendix 6

Comparative Distribution of M&A Deals in Transition Countries, 1990 - 2005

Target Country	Total number of deals	Number of completed deals	Percentage Completion, %	Total number of cross-border deals	Number of completed cross-border deals	Percentage CB Completion, %	Rate of cross-border deals, %	Rate of completed cross-border deals, %
Russian Federation	3347	1868	55.81	543	357	65.75	16.22	19.11
Poland	3134	1804	57.56	1098	770	70.13	35.04	42.68
Hungary	2383	1466	61.52	696	499	71.70	29.21	34.04
Czech Republic	2165	1409	65.08	813	567	69.74	37.55	40.24
Bulgaria	1058	514	48.58	240	148	61.67	22.68	28.79
Estonia	751	399	53.13	182	136	74.73	24.23	34.09
Ukraine	736	283	38.45	79	47	59.49	10.73	16.61
Romania	728	397	54.53	256	175	68.36	35.16	44.08
Lithuania	510	288	56.47	161	104	64.60	31.57	36.11
Slovakia	503	306	60.83	181	126	69.61	35.98	41.18
Croatia	473	324	68.50	82	60	73.17	17.34	18.52
Latvia	418	229	54.78	93	54	58.06	22.25	23.58
Slovenia	377	226	59.95	78	59	75.64	20.69	26.11
Kazakhstan	221	104	47.06	57	37	64.91	25.79	35.58
Yugoslavia	113	49	43.36	32	16	50.00	28.32	32.65
Macedonia	106	50	47.17	30	16	53.33	28.30	32.00
Serbia	98	50	51.02	18	9	50.00	18.37	18.00
Moldova	81	29	35.80	8	6	75.00	9.88	20.69
Bosnia and Herzegovina	64	37	57.81	14	10	71.43	21.88	27.03
Azerbaijan	61	30	49.18	16	8	50.00	26.23	26.67
Armenia	56	22	39.29	11	8	72.73	19.64	36.36
Belarus	55	23	41.82	11	7	63.64	20.00	30.43
Georgia	45	18	40.00	9	6	66.67	20.00	33.33
Albania	44	13	29.55	9	4	44.44	20.45	30.77
Kyrgyzstan	43	13	30.23	3	1	33.33	6.98	7.69
Turkmenistan	2	1	50	-	-	-	-	-
Total	17572	9952	56.64	4720	3230	68.43	26.86	32.46
Simple mean	675.85	382.77	49.90	188.80	129.20	63.12	23.38	29.45
Standard error	968.13	570.55	10.31	288.95	202.67	10.89	8.11	9.09

Appendix 7

Sample Stock Details

Acquirer Name	Acquirer Country	Market	Listings	Market Index
Aberdeen Asset Management PLC	UK	London	London	FTSE100
Acciona SA	Spain	London	Madrid	FTSE100
Aegon NV	Netherlands	USA	New York	S&P500
Alberto-Culver Co	USA	USA	New York	S&P500
American Standard Cos Inc	USA	USA	New York	S&P500
Aminex PLC	Ireland	London	London	FTSE100
Amphenol Corp	USA	USA	New York	S&P500
Arawak Energy Corp	UK	Canada	CA Vent Ex	S&P TSX Composite
Arcadis NV	Netherlands	USA	Nasdaq	S&P500
Aurado Exploration Inc	Canada	USA	Toronto	S&P500
Autoliv Inc	Sweden	USA	New York	S&P500
Avenir Telecom	FranceA	Paris	Paris	CAC 40
Belvedere SA	France	Paris	Paris	CAC 40
Beru AG	Germany	Germany	Frankfurt	DAX
Bongrain SA	France	Paris	Paris	CAC 40
Bongrain SA	France	Paris	Paris	CAC 40
Bongrain SA	France	Paris	Paris	CAC 40
Boras Wafveri AB	Sweden	Sweden	Stockholm	Stockholm General
Boras Wafveri AB	Sweden	London	Stockholm	FTSE100
British Petroleum Co PLC	UK	London	London	FTSE100
CanArgo Energy Corp	UK	USA	Nasdaq	S&P500
Carlsberg A/S	Denmark	Denmark	Copenhagen	KFX
Carraro SpA	Italy	Italy	Rome	MIBTel
Celtic Resources Holdings PLC	UK	London	Dublin	FTSE100
Central European Distn Corp	USA	USA	Nasdaq	S&P500
Central European Distn Corp	USA	USA	Nasdaq	S&P500
Cinergy Corp	USA	USA	New York	S&P500
Coca-Cola Beverages PLC	UK	USA	London	S&P500
CytRx Corp	USA	USA	Nasdaq	S&P500
David S Smith(Holdings)PLC	UK	London	London	FTSE100
Denka Holding A/S	Denmark	Denmark	Copenhagen	KFX
Deutsche Post AG	Germany	Germany	Frankfurt	DAX

Acquirer Name	Acquirer Country	Market	Listings	Market Index
Devro International PLC	UK	London	London	FTSE100
Elanders AB	Sweden	London	Stockholm	FTSE100
Electrolux AB	Sweden	Sweden	Stockholm	Stockholm General
EVN AG	Austria	Austria	Vienna	ATX
Exall Resources Ltd	Canada	USA	New York	S&P500
Exxon Corp	USA	USA	New York	S&P500
FKI PLC	UK	London	London	FTSE100
FOCUS Enhancements Inc	USA	USA	Nasdaq	S&P500
Freeport PLC	UK	London	London	FTSE100
Fromageries Bel SA	France	Paris	Paris	CAC 40
Gallaher Group PLC	UK	USA	New York	S&P500
Geotec Thermal Generators Inc	USA	USA	OTC	S&P500
Gildemeister AG	Germany	Germany	Dusseldorf	DAX
Goodyear Tire & Rubber Co	USA	USA	New York	S&P500
Goodyear Tire & Rubber Co	USA	USA	New York	S&P500
Guy Degrenne	France	Paris	Paris	CAC 40
GWR Group PLC	UK	London	London	FTSE100
High River Gold Mines Ltd	Canada	USA	Toronto	S&P500
High River Gold Mines Ltd	Canada	USA	Toronto	S&P500
Imax Corp	Canada	USA	Nasdaq	S&P500
InfoSpace Inc	USA	USA	Nasdaq	S&P500
International Paper Co	USA	USA	New York	S&P500
International Totalizator Sys	USA	USA	OTC	S&P500
IIE Group PLC	UK	London	London	FTSE100
IVAX Corp	USA	USA	New York	S&P500
IVAX International BV	Netherlands	USA	Nasdaq	S&P500
Julius Meinl International AG	Austria	Austria	vienna	ATX
Kelly Services Inc	USA	USA	Nasdaq	S&P500
Kimball International Inc	USA	USA	Nasdaq	S&P500
Koegel Fahrzeugwerke AG	Germany	Germany	Frankfurt	DAX
Koenig & Bauer AG	Germany	Germany	Dusseldorf	DAX
Kolbenschmidt AG	Germany	Germany	Frankfurt	DAX
Koninklijke Ahold NV	Netherlands	USA	EuronextAM	ftse100
Koninklijke Sphinx Gustavsberg	Netherlands	London	EuronextAM	FTSE100
Lincoln Electric Holdings Inc	USA	USA	Nasdaq	S&P500
Marzotto SpA	Italy	Italy	Milan	MIBTel
Michelin SA	France	Paris	Paris	CAC 40

Acquirer Name	Acquirer Country	Market	Listings	Market Index
Modern Times Group MTG AB	Sweden	Sweden	Stockholm	Stockholm General
Monsieur Bricolage	France	Paris	Paris	CAC 40
Moody's Corp	USA	USA	New York	S&P500
Continental AG	Germany	Germany	Frankfurt	DAX
Norsk Hydro ASA	Norway	Norway	Oslo	OSE All Share
Norske Skogindustrier ASA	Norway	London	Oslo	FTSE100
Oberbank AG	Austria	Austria	Vienna	ATX
Office Depot Inc	USA	USA	New York	S&P500
Orkla ASA	Norway	Norway	Oslo	OSE All Share
PartnerTech AB	Sweden	Sweden	Stockholm	Stockholm General
PepsiCo Inc	USA	USA	New York	S&P500
Philip Morris Cos Inc	USA	USA	New York	S&P500
Pilkington PLC	UK	London	London	FTSE100
Public Svc Enterprise Grp Inc	USA	USA	New York	S&P500
Public Svc Enterprise Grp Inc	USA	USA	New York	S&P500
Ramco Energy PLC	UK	London	London	FTSE100
Reed Elsevier Nederland BV	Netherlands	Netherlands	Amsterdam	AEX General
Renault Vehicules Industriels	France	Paris	Paris	CAC 40
Renault Vehicules Industriels	France	Paris		CAC 40
Rexam PLC	UK	London	London	FTSE100
Robert Half International Inc	USA	USA		S&P500
Rockwool International A/S	Denmark	Denmark	Copenhagen	KFX
San Paolo Bank, Italy	Italy	USA	Milan	S&P500
Sanpaolo IMI Bank Intl SA	Italy	USA	New York	S&P500
Sara Lee/DE NV(Sara Lee Corp)	Netherlands	Netherlands	Amsterdam	AEX General
Schlumberger Ltd	USA	USA	New York	S&P500
SDL PLC	UK	London	London	FTSE100
Seco Tools AB	Sweden	Sweden	Stockholm	Stockholm General
Securidev	France	Paris	Paris	CAC 40
SGL Carbon AG	Germany	USA	New York	S&P500
Shell Oil Co	USA	USA	New York	S&P500
Sibir Energy PLC	UK	London	London	FTSE100
Sibir Energy PLC	UK	London	London	FTSE100
Skandinaviska Enskilda Banken	Sweden	Sweden	Stockholm	Stockholm General

Acquirer Name	Acquirer Country	Market	Listings	Market Index
Skanska AB	Sweden	Sweden	Stockholm	Stockholm General
Synnove Finden ASA	Norway	Norway	Oslo	OSE All Share
Tate & Lyle PLC	UK	London	London	FTSE100
Tate & Lyle PLC	UK	London	London	FTSE100
Tecumseh Products Co	USA	USA	New York	S&P500
Tele2 AB	Sweden	Sweden	Stockholm	Stockholm General
Telesystem Int Wireless Inc	Canada	Canada	Nasdaq	S&P TSX Composite
Telesystem Int Wireless Inc	Canada	USA	Nasdaq	S&P500
Templeton Emerging Mkts Fund	USA	USA	New York	S&P500
Templeton Russia Fund Inc	USA	USA	New York	S&P500
Terex Corp	USA	USA	New York	S&P500
Tesco PLC	UK	London	London	FTSE100
Trinity Industries Inc	USA	USA	Nasdaq	S&P500
Unilever NV	Netherlands	USA	New York	S&P500
Uniq Versicherungen AG	Austria	Austria	Vienna	ATX
United Industrial Corp	USA	USA	New York	S&P500
UnitedGlobalCom Inc	USA	USA	Nasdaq	S&P500
Valkyries Petroleum Corp	Canada	USA	TSX Venture	S&P500
VBH Holding AG	Germany	Germany	Frankfurt	DAX
Villeroy & Boch AG	Germany	Germany	Frankfurt	DAX
Villeroy & Boch AG	Germany	Germany	Frankfurt	DAX
Wiener Stadtischen	Austria	Austria	Vienna	ATX

Appendix 8

61 Day CAR to M&A Announcements in Transition Economies

Days	AAR	eCAR	Test Statistics	wCAR	Test Statistics
-30	0.067	0.067	0.023	0.038	0.013
-29	0.231	0.298	0.102	0.520	0.178
-28	-0.323	-0.024	-0.008	0.088	0.030
-27	0.241	0.216	0.074	0.705	0.242
-26	-0.131	0.085	0.029	0.474	0.163
-25	-0.113	-0.027	-0.009	0.347	0.119
-24	-0.345	-0.373	-0.128	-0.022	-0.008
-23	0.117	-0.256	-0.088	0.066	0.023
-22	0.179	-0.077	-0.027	0.760	0.261
-21	0.055	-0.022	-0.008	1.207	0.414
-20	-0.161	-0.183	-0.063	0.829	0.285
-19	0.191	0.008	0.003	1.102	0.378
-18	-0.199	-0.190	-0.065	0.683	0.235
-17	-0.027	-0.218	-0.075	0.547	0.188
-16	-0.783	-1.000	-0.343	-1.165	-0.400
-15	-0.100	-1.100	-0.378	-1.084	-0.372
-14	-0.117	-1.217	-0.418	-1.561	-0.536
-13	0.176	-1.041	-0.357	-1.209	-0.415
-12	-0.282	-1.323	-0.454	-1.672	-0.574
-11	-0.210	-1.533	-0.527	-2.024	-0.695
-10	-0.257	-1.791	-0.615	-2.940	-1.010
-9	-0.054	-1.845	-0.634	-2.685	-0.922
-8	0.262	-1.583	-0.544	-2.299	-0.789
-7	-0.292	-1.875	-0.644	-2.570	-0.882
-6	-0.227	-2.102	-0.722	-2.683	-0.921
-5	-0.239	-2.341	-0.804	-2.899	-0.995
-4	0.442	-1.899	-0.652	-2.394	-0.822
-3	-0.438	-2.337	-0.803	-3.391	-1.164
-2	-0.396	-2.734	-0.939	-4.194	-1.440
-1	-0.062	-2.795	-0.960	-4.360	-1.497
0	-0.269	-3.065	-1.052	-4.962	-1.704
1	-0.307	-3.371	-1.158	-5.554	-1.907
2	0.340	-3.032	-1.041	-5.355	-1.839
3	-0.256	-3.288	-1.129	-5.780	-1.985
4	-0.306	-3.594	-1.234	-6.618	-2.272
5	-0.390	-3.984	-1.368	-7.472	-2.566
6	-0.409	-4.393	-1.508	-8.262	-2.837
7	-0.097	-4.490	-1.542	-8.363	-2.872
8	-0.076	-4.566	-1.568	-8.597	-2.952
9	-0.157	-4.723	-1.622	-8.747	-3.004
10	-0.174	-4.897	-1.682	-8.648	-2.970
11	-0.707	-5.604	-1.924	-9.935	-3.412

Days	AAR	eCAR	Test Statistics	wCAR	Test Statistics
12	-0.535	-6.139	-2.108	-11.210	-3.849
13	0.484	-5.655	-1.942	-10.707	-3.677
14	0.147	-5.508	-1.891	-10.450	-3.588
15	-0.748	-6.256	-2.148	-11.770	-4.042
16	-0.510	-6.765	-2.323	-11.956	-4.105
17	0.205	-6.560	-2.253	-11.758	-4.038
18	-0.266	-6.827	-2.344	-11.271	-3.870
19	-0.928	-7.755	-2.663	-13.508	-4.639
20	-0.175	-7.929	-2.723	-13.454	-4.620
21	0.042	-7.887	-2.708	-12.842	-4.410
22	-0.175	-8.062	-2.768	-13.469	-4.625
23	-0.215	-8.277	-2.842	-13.713	-4.709
24	-0.359	-8.636	-2.966	-13.248	-4.549
25	-0.204	-8.840	-3.035	-13.479	-4.628
26	-0.202	-9.042	-3.105	-13.018	-4.470
27	-0.010	-9.052	-3.108	-13.379	-4.594
28	0.230	-8.822	-3.029	-13.155	-4.517
29	-0.358	-9.180	-3.152	-13.789	-4.735
30	0.175	-9.006	-3.092	-13.818	-4.745

Appendix 9

	CAR	s.e.	Test Statistic	weight of s.e.	weighted CAR _i	Share of Volatility in the Portfolio
1	-6.25427	1.5499	-4.03527	0.0043	-0.0266	0.43%
2	8.708474	1.6568	5.256201	0.0046	0.0396	0.46%
3	2.312704	1.7582	1.315382	0.0048	0.0112	0.48%
4	3.620878	4.1198	0.878896	0.0113	0.0410	1.13%
5	3.217808	2.3152	1.389862	0.0064	0.0205	0.64%
6	-16.1183	2.4474	-6.58589	0.0067	-0.1084	0.67%
7	-137.845	5.9948	-22.9941	0.0165	-2.2700	1.65%
8	-0.13168	3.017	-0.04365	0.0083	-0.0011	0.83%
9	18.08243	1.8652	9.694636	0.0051	0.0927	0.51%
10	-4.28859	1.5065	-2.84672	0.0041	-0.0177	0.41%
11	-10.0469	1.5173	-6.62157	0.0042	-0.0419	0.42%
12	-30.4226	2.6797	-11.353	0.0074	-0.2239	0.74%
13	9.518816	4.3461	2.190197	0.0119	0.1136	1.19%
14	-0.21324	1.0824	-0.19701	0.0030	-0.0006	0.30%
15	-5.43154	1.9373	-2.80366	0.0053	-0.0289	0.53%
16	-16.5707	1.4339	-11.5564	0.0039	-0.0653	0.39%
17	-0.14412	1.2885	-0.11185	0.0035	-0.0005	0.35%
18	-2.57641	1.6161	-1.59422	0.0044	-0.0114	0.44%
19	-9.84787	5.2941	-1.86016	0.0145	-0.1432	1.45%
20	-27.5176	5.5642	-4.94547	0.0153	-0.4206	1.53%
21	6.367274	2.3445	2.715835	0.0064	0.0410	0.64%
22	-23.6131	1.4068	-16.7849	0.0039	-0.0913	0.39%
23	27.02842	1.8513	14.5997	0.0051	0.1375	0.51%
24	4.40393	2.5951	1.697017	0.0071	0.0314	0.71%
25	-0.21316	0.01219	-17.4868	0.0000	0.0000	0.00%
26	-21.7887	6.9461	-3.13683	0.0191	-0.4158	1.91%
27	9.924035	1.1602	8.553728	0.0032	0.0316	0.32%
28	-0.85523	2.7692	-0.30884	0.0076	-0.0065	0.76%
29	-13.6044	5.8527	-2.32447	0.0161	-0.2187	1.61%
30	6.480015	1.3075	4.956034	0.0036	0.0233	0.36%
31	3.099507	1.7151	1.807188	0.0047	0.0146	0.47%
32	-97.0407	1.0204	-95.1007	0.0028	-0.2720	0.28%
33	-57.7078	5.358	-10.7704	0.0147	-0.8494	1.47%
34	-17.3081	3.2028	-5.40406	0.0088	-0.1523	0.88%
35	13.02018	2.6154	4.978274	0.0072	0.0935	0.72%
36	8.347664	3.6339	2.297164	0.0100	0.0833	1.00%
37	-19.9479	3.2211	-6.19289	0.0088	-0.1765	0.88%
38	-6.01274	3.1225	-1.92562	0.0086	-0.0516	0.86%
39	-46.1591	7.6331	-6.04723	0.0210	-0.9679	2.10%
40	-42.7256	5.4631	-7.82077	0.0150	-0.6412	1.50%
41	-41.6414	7.2347	-5.75578	0.0199	-0.8276	1.99%
42	5.454189	1.1505	4.740712	0.0032	0.0172	0.32%

43	29.22045	5.4685	5.343411	0.0150	0.4390	1.50%
44	-36.5477	4.4701	-8.17604	0.0123	-0.4488	1.23%
45	9.588559	1.9987	4.797398	0.0055	0.0526	0.55%
46	-19.6123	2.9782	-6.58527	0.0082	-0.1605	0.82%
47	-29.5886	1.6892	-17.5163	0.0046	-0.1373	0.46%
48	-4.75654	2.4579	-1.9352	0.0068	-0.0321	0.68%
49	-12.8573	1.3958	-9.21143	0.0038	-0.0493	0.38%
50	-8.26913	1.7695	-4.67314	0.0049	-0.0402	0.49%
51	12.08851	2.3164	5.218663	0.0064	0.0769	0.64%
52	0.458092	1.6516	0.277362	0.0045	0.0021	0.45%
53	-12.1191	1.1611	-10.4376	0.0032	-0.0387	0.32%
54	-18.5727	2.8807	-6.4473	0.0079	-0.1470	0.79%
55	-4.04541	1.765	-2.29202	0.0048	-0.0196	0.48%
56	0.749627	1.4299	0.524252	0.0039	0.0029	0.39%
57	4.976325	5.6219	0.885168	0.0154	0.0769	1.54%
58	3.565179	2.166	1.645974	0.0060	0.0212	0.60%
59	7.903182	1.0981	7.197142	0.0030	0.0238	0.30%
60	-20.7693	1.7261	-12.0325	0.0047	-0.0985	0.47%
61	-17.7639	1.5912	-11.1638	0.0044	-0.0776	0.44%
62	11.77614	2.0147	5.84511	0.0055	0.0652	0.55%
63	0.874065	3.3244	0.262924	0.0091	0.0080	0.91%
64	-4.42486	2.3142	-1.91205	0.0064	-0.0281	0.64%
65	39.90195	3.5634	11.19772	0.0098	0.3906	0.98%
66	10.67368	1.236	8.635663	0.0034	0.0362	0.34%
67	5.562862	1.142	4.871157	0.0031	0.0175	0.31%
68	-7.14306	1.6554	-4.31501	0.0045	-0.0325	0.45%
69	-40.8247	3.8763	-10.5319	0.0106	-0.4347	1.06%
70	27.69389	1.3316	20.79746	0.0037	0.1013	0.37%
71	19.04655	1.9917	9.56296	0.0055	0.1042	0.55%
72	-41.7849	4.9035	-8.52143	0.0135	-0.5628	1.35%
73	9.283792	2.7086	3.427524	0.0074	0.0691	0.74%
74	13.10193	3.029	4.325497	0.0083	0.1090	0.83%
75	-10.248	1.5674	-6.53823	0.0043	-0.0441	0.43%
76	-4.23288	2.1305	-1.9868	0.0059	-0.0248	0.59%
77	19.15374	3.6598	5.233549	0.0101	0.1926	1.01%
78	3.193875	2.0936	1.525542	0.0058	0.0184	0.58%
79	8.47687	2.352	3.604112	0.0065	0.0548	0.65%
80	-12.7296	3.2972	-3.86072	0.0091	-0.1153	0.91%
81	-14.6874	1.7552	-8.36796	0.0048	-0.0708	0.48%
82	-16.6205	1.6103	-10.3214	0.0044	-0.0735	0.44%
83	-49.1754	3.7576	-13.0869	0.0103	-0.5076	1.03%
84	-11.9287	2.7461	-4.34387	0.0075	-0.0900	0.75%
85	21.61662	1.5196	14.2252	0.0042	0.0902	0.42%
86	-75.9494	3.985	-19.0588	0.0109	-0.8314	1.09%
87	-3.53992	1.2375	-2.86054	0.0034	-0.0120	0.34%
88	4.709548	2.0256	2.325014	0.0056	0.0262	0.56%

89	14.83326	2.1507	6.896947	0.0059	0.0876	0.59%
90	-42.0639	3.4817	-12.0814	0.0096	-0.4023	0.96%
91	-19.9002	1.1253	-17.6843	0.0031	-0.0615	0.31%
92	-33.9464	1.5413	-22.0245	0.0042	-0.1437	0.42%
93	7.349635	2.9451	2.495547	0.0081	0.0595	0.81%
94	-8.70614	4.8014	-1.81325	0.0132	-0.1148	1.32%
95	29.9907	13.513	2.219396	0.0371	1.1133	3.71%
96	-4.16013	2.3407	-1.7773	0.0064	-0.0267	0.64%
97	2.1769	2.0605	1.056491	0.0057	0.0123	0.57%
98	-21.6557	2.5232	-8.58265	0.0069	-0.1501	0.69%
99	-9.22105	3.9511	-2.33379	0.0109	-0.1001	1.09%
100	8.059391	1.2633	6.379634	0.0035	0.0280	0.35%
101	8.718693	2.0997	4.152352	0.0058	0.0503	0.58%
102	6.213745	0.766	8.111938	0.0021	0.0131	0.21%
103	19.01918	1.4412	13.19677	0.0040	0.0753	0.40%
104	-5.23409	1.5568	-3.36208	0.0043	-0.0224	0.43%
105	-31.8428	2.3308	-13.6617	0.0064	-0.2039	0.64%
106	1.487664	6.895	0.21576	0.0189	0.0282	1.89%
107	0.28187	1.3903	0.20274	0.0038	0.0011	0.38%
108	15.21704	2.2401	6.793017	0.0062	0.0936	0.62%
109	-15.9713	1.9218	-8.31061	0.0053	-0.0843	0.53%
110	-9.43402	1.7776	-5.30716	0.0049	-0.0461	0.49%
111	-2.078	5.3021	-0.39192	0.0146	-0.0303	1.46%
112	-52.0577	10.306	-5.0512	0.0283	-1.4738	2.83%
113	-33.5728	8.6047	-3.90168	0.0236	-0.7936	2.36%
114	-63.0691	6.5131	-9.68342	0.0179	-1.1284	1.79%
115	-12.5077	1.2175	-10.2733	0.0033	-0.0418	0.33%
116	-13.911	3.2561	-4.27229	0.0089	-0.1244	0.89%
117	-15.2214	6.4731	-2.35149	0.0178	-0.2707	1.78%
118	-21.0832	4.9517	-4.25777	0.0136	-0.2868	1.36%
119	-14.1456	3.1619	-4.47378	0.0087	-0.1229	0.87%
120	-4.31791	0.50476	-8.55438	0.0014	-0.0060	0.14%
121	-5.75001	0.60096	-9.56804	0.0017	-0.0095	0.17%
122	-17.0813	0.5006	-34.1216	0.0014	-0.0235	0.14%
123	-6.3017	5.8538	-1.07651	0.0161	-0.1013	1.61%
124	-18.185	4.2153	-4.31404	0.0116	-0.2106	1.16%
125	-16.6039	1.3777	-12.0519	0.0038	-0.0628	0.38%

Appendix 10

61 Day CAR to M&A Announcements in Transition Economies

Days	AAR	eCAR	Test Statistics	wCAR	Test Statistics
-20	-0.16059	-0.18289	-0.06280	0.829086	0.284693
-19	0.191114	0.00823	0.00282	1.101618	0.378275
-18	-0.19872	-0.19050	-0.06541	0.682924	0.234503
-17	-0.02703	-0.21753	-0.07470	0.546778	0.187753
-16	-0.78262	-1.00015	-0.34343	-1.16541	-0.40018
-15	-0.10011	-1.10026	-0.37781	-1.10879	-0.38074
-14	-0.11719	-1.21745	-0.41805	-1.58578	-0.54453
-13	0.176491	-1.04096	-0.35745	-1.23509	-0.42411
-12	-0.2824	-1.32336	-0.45442	-1.70138	-0.58422
-11	-0.21005	-1.53342	-0.52655	-2.04299	-0.70153
-10	-0.25737	-1.79078	-0.61492	-2.95987	-1.01637
-9	-0.05426	-1.84505	-0.63356	-2.70306	-0.92818
-8	0.261961	-1.58309	-0.54360	-2.31102	-0.79356
-7	-0.29204	-1.87512	-0.64388	-2.58788	-0.88863
-6	-0.22711	-2.10224	-0.72187	-2.70343	-0.92831
-5	-0.23909	-2.34133	-0.80397	-2.93035	-1.00623
-4	0.442279	-1.89905	-0.65210	-2.41929	-0.83074
-3	-0.43844	-2.33750	-0.80265	-3.39855	-1.167
-2	-0.39614	-2.73363	-0.93868	-4.19492	-1.44046
-1	-0.0616	-2.79523	-0.95983	-4.40262	-1.51178
0	-0.26947	-3.06470	-1.05236	-5.05349	-1.73527
1	-0.30658	-3.37128	-1.15764	-5.64552	-1.93857
2	0.339768	-3.03151	-1.04096	-5.45071	-1.87167
3	-0.25634	-3.28785	-1.12899	-5.87396	-2.01701
4	-0.30637	-3.59422	-1.23419	-6.71136	-2.30456
5	-0.38975	-3.98397	-1.36802	-7.56562	-2.5979
6	-0.40883	-4.39280	-1.50841	-8.3562	-2.86936
7	-0.097	-4.48980	-1.54171	-8.45545	-2.90345
8	-0.07616	-4.56596	-1.56786	-8.68535	-2.98239
9	-0.15705	-4.72301	-1.62179	-8.83406	-3.03345
10	-0.17404	-4.89705	-1.68156	-8.7308	-2.99799
11	-0.70708	-5.60413	-1.92435	-10.0102	-3.43731
12	-0.53487	-6.13900	-2.10802	-11.2799	-3.87332
13	0.484051	-5.65495	-1.94181	-10.7747	-3.69985
14	0.147317	-5.50763	-1.89122	-10.5279	-3.61509
15	-0.74811	-6.25574	-2.14811	-11.8506	-4.06929
16	-0.50968	-6.76543	-2.32312	-12.0432	-4.13541
17	0.20508	-6.56035	-2.25270	-11.8542	-4.07052
18	-0.26629	-6.82664	-2.34414	-11.355	-3.8991
19	-0.92798	-7.75462	-2.66279	-13.5744	-4.66118
20	-0.1747	-7.92932	-2.72278	-13.5229	-4.64351

Appendix 11

Regression Outputs

```
. reg CAR D_att D_same_ind D_First P_ac D_100 D_fin D_stock D_cash Value
Act_tg Act_ac
```

Source	SS	df	MS	Number of obs =	125
Model	7329.86854	11	666.351685	F(11, 113) =	1.15
Residual	65606.0913	113	580.584879	Prob > F =	0.3318
Total	72935.9598	124	588.193224	R-squared =	0.1005
				Adj R-squared =	0.0129
				Root MSE =	24.095

CAR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
D_att	6.854239	7.943057	0.86	0.390	-8.882388 22.59087
D_same_ind	13.28284	5.039308	2.64	0.010	3.299066 23.26662
D_First	3.352653	4.635993	0.72	0.471	-5.832084 12.53739
P_ac	-9.270694	7.198292	-1.29	0.200	-23.53181 4.99042
D_100	-.1829402	4.967623	-0.04	0.971	-10.0247 9.658817
D_fin	-.2654163	6.527863	-0.04	0.968	-13.19829 12.66746
D_stock	-9.651981	6.725663	-1.44	0.154	-22.97673 3.67277
D_cash	-11.7514	7.08497	-1.66	0.100	-25.78801 2.285199
Value	.0450092	.0476016	0.95	0.346	-.0492982 .1393166
Act_tg	-.4344914	4.468834	-0.10	0.923	-9.288057 8.419074
Act_ac	-3.664181	4.597443	-0.80	0.427	-12.77254 5.444184
_cons	-11.35445	12.22123	-0.93	0.355	-35.56691 12.85802

```
. probit Pos_eff D_att D_same_ind D_First P_ac D_100 D_fin D_stock D_cash
Value Act_tg Act_ac
```

```
Iteration 0: log likelihood = -83.248551
Iteration 1: log likelihood = -74.783625
Iteration 2: log likelihood = -74.6846
Iteration 3: log likelihood = -74.684536
```

```
Probit estimates
```

Number of obs =	125
LR chi2(11) =	17.13
Prob > chi2 =	0.1041
Pseudo R2 =	0.1029

Log likelihood = -74.684536

Pos_eff	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
D_att	.6380197	.4894834	1.30	0.192	-.3213501 1.59739
D_same_ind	.7539593	.2941172	2.56	0.010	.1775001 1.330419
D_First	.4925111	.2556167	1.93	0.054	-.0084883 .9935105
P_ac	-.7544495	.4063305	-1.86	0.063	-1.550843 .0419437
D_100	-.0175899	.2738805	-0.06	0.949	-.5543859 .5192061
D_fin	-.3085126	.3829559	-0.81	0.420	-1.059092 .4420671
D_stock	-.4826445	.3703396	-1.30	0.192	-1.208497 .2432078
D_cash	-.6693113	.3985835	-1.68	0.093	-1.450521 .1118981
Value	.0011077	.00267	0.41	0.678	-.0041254 .0063408
Act_tg	.0453714	.2474119	0.18	0.854	-.4395471 .5302898
Act_ac	-.0087231	.2548977	-0.03	0.973	-.5083135 .4908672
_cons	-.7793667	.6995676	-1.11	0.265	-2.150494 .5917606

```
. dprobit Pos_eff D_att D_same_ind D_First P_ac D_100 D_fin D_stock D_cash
Value Act_tg Act_ac
```

```
Iteration 0: log likelihood = -83.248551
Iteration 1: log likelihood = -74.783625
Iteration 2: log likelihood = -74.6846
Iteration 3: log likelihood = -74.684536
```

Probit estimates

```
Number of obs = 125
LR chi2(11) = 17.13
Prob > chi2 = 0.1041
Pseudo R2 = 0.1029
```

Log likelihood = -74.684536

Pos_eff	dF/dx	Std. Err.	z	P> z	x-bar	[95% C.I.]
D_att*	.2107985	.1334585	1.30	0.192	.912	-.050775	.472372	
D_same-d*	.2601655	.0894612	2.56	0.010	.728	.084825	.435506	
D_First*	.1845724	.0943201	1.93	0.054	.488	-.000292	.369436	
P_ac	-.2847337	.1531094	-1.86	0.063	.618082	-.584823	.015355	
D_100*	-.0066336	.1032099	-0.06	0.949	.376	-.208921	.195654	
D_fin*	-.1115809	.1313921	-0.81	0.420	.168	-.369105	.145943	
D_stock*	-.1809322	.1365158	-1.30	0.192	.512	-.448498	.086634	
D_cash*	-.2345412	.1262053	-1.68	0.093	.28	-.481899	.012817	
Value	.0004181	.0010076	0.41	0.678	16.2856	-.001557	.002393	
Act_tg*	.0171355	.0935177	0.18	0.854	.448	-.166156	.200427	
Act_ac*	-.0032917	.0961701	-0.03	0.973	.456	-.191782	.185198	
obs. P	.384							
pred. P	.3695094	(at x-bar)						

(*) dF/dx is for discrete change of dummy variable from 0 to 1
z and P>|z| are the test of the underlying coefficient being 0