

Ownership Structure and Acquiring Firm Performance

– An Empirical Analysis of Minority Expropriation

Caroline Johansson[♠]

Emma Nyberg[♣]

Abstract

This study examines the relationship between ownership structure and acquiring firm performance in order to determine whether mergers and acquisitions are used as means of minority expropriation. We find, using a sample of M&A transactions undertaken between 2000 and 2007, that Swedish M&A create value for acquiring firm shareholders, measured as CAR. Uncontested firms make worse acquisitions at the expense of other shareholders in order to extract private benefits. A discrepancy between voting and cash flow rights does not seem to lead to value destroying M&A, although several firms make use of separation through control enhancing devices in order to reach an uncontested position. Moreover, the market anticipates a family controlled firm to maximize firm value to a larger extent and expropriate the minority to a lesser extent than a non-family controlled firm.

[♠]19532@student.hhs.se

[♣]19894@student.hhs.se

Acknowledgments: We would like to thank our tutor Per Strömberg for his guidance and useful comments throughout this process.

Table of Contents

1. Introduction and Purpose	1
2. Theoretical Framework and Hypotheses	6
2.1 Minority Expropriation and the Contestability of Control Power	6
2.2 Separation of Ownership from Control.....	7
2.3 Family Control and Management Involvement.....	9
3. Methodology	11
3.1 Data	11
3.2 Dependent Variable	12
3.3 Independent Variables.....	13
3.4 Control Variables.....	16
4. Empirical Results and Analysis.....	18
4.1 Cumulative Abnormal Returns.....	18
4.2 Control Variables.....	18
4.3 Contestability of Control Power	19
4.4 Separation of Ownership from Control.....	20
4.5 Family Control and Management Involvement.....	21
5. Conclusions	24
6. Validity and Robustness of the Empirical Results.....	27
7. Further Research.....	28
8. References.....	29
9. Appendix.....	33

1. Introduction and Purpose

The ownership structure of corporations has been given extensive attention in the international academic literature. When analyzing control structures, there are two agency problems mainly in focus; the *principal-agent problem*¹ and the *minority expropriation problem*. The economic landscape in Sweden and most other European countries is dominated by large controlling shareholders, which contradicts Berle and Means' classic image of the modern corporation as having a widely dispersed ownership structure and control concentrated in the hands of managers (La Porta et al. (1999)). Thus, the focus has shifted from the principal-agent (manager-shareholder) conflict towards the conflict between large controlling shareholders and minority shareholders (La Porta et al. (1999), Claessens et al. (2000), Faccio and Lang (2002) and Dyck and Zingales (2004)). Although the minority expropriation problem has been well documented, the phenomenon has not been thoroughly examined in the context of Swedish mergers and acquisitions (M&A). Thus, the purpose of this study is to add to the prevailing literature covering minority expropriation by examining the effect of various ownership structure mechanisms on acquiring firm performance, more specifically for Swedish firms during the period 2000-2007.

The general opinion is that the presence of a large shareholder in widely held firms should have a positive impact on firm performance. Agency theory predicts that proper corporate governance mechanisms, such as ownership concentration, can reduce agency problems (Jensen and Meckling (1976) and Shleifer and Vishny (1986)). It is suggested that the monitoring role of large shareholders is a good internal mechanism to reduce agency costs since these shareholders have greater incentives and resources to efficiently monitor the management and ensure value maximization.

However, whereas widely held firms dominate the economic landscape in Anglo-Saxon countries such as the US and the UK, they are not prevalent in most other countries including Sweden, where a concentrated ownership structure is the norm (La Porta et al. (1999)). In fact, more than 90 percent of the companies listed on the Stockholm Stock Exchange have a well-defined owner or group of owners that controls at least 25 percent

¹ The principal-agent problem among dispersed firms is classic within contractual theory and was first developed by Jensen and Meckling in 1976.

of company votes (Söderström et al. (2003)). In 1998, the largest shareholder controlled, on average, 37.7 percent of the voting rights, whereas the second largest voting stake was, on average, 11.2 percent. Thus, the typical firm has a well-defined owner in control and the two largest stakes have close to absolute control (Cronqvist and Nilsson (2000) and Högfeldt (2004)).

Accordingly, La Porta et al. (1999), Claessens et al. (2000), Faccio and Lang (2002) and Dyck and Zingales (2004) suggest that the main agency problem outside the US and the UK is not the classical principal-agent (manager-shareholder) conflict but rather the risk of expropriation by the dominant shareholder at the expense of minority shareholders. This problem is known as the minority expropriation problem and was brought forward by Jensen and Meckling (1976). The phenomenon occurs when a controlling shareholder diverts company funds or engages in non-wealth maximizing activity in order to produce non-pecuniary benefits and gain private benefits of control.

The problem is further intensified when the controlling shareholder uses control enhancing mechanisms, such as pyramid structures and multiple voting class shares to exert control over the company. The non-wealth maximizing activity thus becomes more beneficial since the controlling shareholder does not hold the entire cash flow rights and therefore does not bear all costs associated. The effect is called the *entrenchment effect* and has a negative impact on firm value. The entrenchment effect is mitigated by the *incentives effect*, which suggests that the dominating shareholder should be more prone to maximize firm value if she increases her ownership stake in the company (Jensen and Meckling (1976)), Claessens et al (2002), and Stulz (1988)).

According to Johnson et al. (1999), large shareholders create group structures such as pyramids that enable them to transfer assets or profits to other dominated entities, a practice called tunneling. Thus, when choosing between investment projects, the controlling shareholder's concern is not only the shareholder value appreciation associated with each project, but also the private benefits involved.

Bennedsen and Wolfenzon (2000) suggest that the optimal ownership structure includes either a single large shareholder or multiple shareholders of more or less equal size. Bloch and Hege (2001) present a model in which two blockholders compete for the

control of a firm. They suggest that the relevant concept of control power is not just the ownership concentration, but rather how contestable the largest shareholder's position is. Contestability of control power can act as a mitigating force to the minority expropriation problem.

Another counterforce to minority expropriation is the legal protection of investors. The Swedish legal system, which belongs to the *civil law* group, is considered rather weak with regards to investor protection and is consequently not perceived to be a good counterforce to minority expropriation. Instead, it is alleged that the extra-legal institutions, such as the media, tax compliance, organized labor and social norms, can play an important role for minority shareholders as the legal setting (Holmén and Knopf (2004)).

Moreover, Amit and Villalonga (2004) claim that the special case of family firms encourages private benefit extraction, which increases the minority expropriation problem. Cronqvist and Nilsson (2003) show that families in Sweden have a high propensity to use control enhancing mechanisms, such as pyramid structures and multiple voting class shares. Furthermore, previous research by Maury and Pajuste (2005) suggests that blocks of families tend to form coalitions to make profit diversion easier. On the other hand, Holderness and Sheehan (2003) argue that families are in need of a strong long term relationship with the investment community, which would encourage more optimal investment choices and less minority expropriation.

The topic of minority expropriation and investment decisions has become commonly investigated in terms of studying ownership concentration and differences in cash flow and voting rights with respect to mergers and acquisitions.

Banerjee et al. (1997) find that non-controlling stake purchases by French holding companies neither create value for the target firms nor for their own shareholders. Furthermore, Bigelli and Mengoli (1999) investigate intra-pyramid Italian merger activity and find that wealth is transferred to the controlling shareholder by adjustments to the price paid for the target. Hanson and Song (1996) examine a sample of US firms with multiple voting share structures and the announcement date market reaction of M&A undertaken by these firms. They find that returns are negatively related to the level of separation between voting and cash flow rights. In countries with jurisdictions that offer

low minority protection, it is suggested that M&A are used by large shareholders to obtain private benefits (Bae et al. (2002) and Bigelli and Mengoli (2004)). However, Holmén and Knopf (2004) find that there is weak evidence of minority expropriation in the context of Swedish mergers², since the extra-legal institutions compensate weak legal protection and poor corporate governance.

In Sweden, there is limited empirical evidence on the minority expropriation problem measured through M&A market reactions. The purpose of this study is to add to the prevailing literature covering minority expropriation by investigating the effect of various ownership structure mechanisms on acquiring firm performance. In fact, the major problem posed in this thesis is:

What is the effect of the underlying ownership structure on acquiring firm performance and does a controlling owner make worse or better acquisitions depending on contestability, separation and whether or not it is a family?

To explore this issue, this paper uses data on M&A transactions undertaken by Swedish publicly listed firms in the period 2000-2007. The database consists of 194 firm year observations, which are used in various empirical tests. Transaction data is retrieved from Standard & Poor's Capital IQ Database. Furthermore, extensive ownership data has been collected from SIS Ägarservice (SIS Ownership Data) in order to be able to examine the impact of various ownership structure mechanisms.

Performance is measured in line with the arguments of Andrade et al. (2001), suggesting that the most reliable way to examine the value creation or destruction of M&A activity is through the market reaction around the announcement. We use the well-established event study methodology as suggested by Brown and Warner (1980, 1985) in order to obtain the abnormal stock price performance around the announcement, measured as the Cumulative Abnormal Return (CAR). Abnormal returns are accumulated over three days (-1, 0,+1) around the announcement, a typical event window used in studies of this kind. Independent variables include the contestability of control power, the

² Their study is performed using a sample of Swedish mergers with dual owners.

separation of ownership from control rights, and family control and management involvement.

In line with previous European studies (Bigelli and Mengoli (2004), Boehmer (2000), and Dumontier and Pecherot (2000)), our results show that Swedish M&A create value for acquiring firm shareholders. Moreover, we find that in the Swedish institutional setting, the most relevant factor to take into account when evaluating the effects of ownership structure on minority expropriation is the concept of control power, measured as how contested the largest shareholder's position is. A shareholder that has achieved a controlling position that is not contested by other shareholders is perceived by investors as making poor investment decisions at the expense of other shareholders in order to extract private benefits. A discrepancy between voting and cash flow rights does not seem to enhance minority expropriation, although several firms make use of separation through control enhancing devices in order to reach an uncontested position. Moreover, the market anticipates a family controlled firm to maximize firm value to a larger extent and expropriate the minority to a lesser extent than a non-family controlled firm. Overall, our results suggest that a contested position can limit the minority expropriation problem and that family firms are less prone to expropriate the minority.

The remainder of this paper is organized as follows. Section 2 explores pertinent research in the field of ownership structure and presents specified hypotheses. Section 3 describes the methodology and Section 4 presents empirical results and analysis. Section 5 presents conclusions and discussions of obtained results. Section 6 discusses the validity and robustness of our results and finally, Section 7 provides suggestions for further research.

2. Theoretical Framework and Hypotheses

2.1 Minority Expropriation and the Contestability of Control Power

In the case of a dominating shareholder there is a risk that she pursues her own goals, which may differ from the optimal setting of shareholder value maximization. Introducing additional large shareholders, blockholders³, can have two different implications. On the one hand, by holding a considerable voting stake, a blockholder possesses the power and incentives to monitor the largest shareholder, and thus the ability to limit profit diversion and minority expropriation. On the other hand, the blockholder can establish a controlling coalition with other large shareholders and share diverted profits (Bolton and Von Thadden (1998) and Pagano and Röell (1998)).

Bennedsen and Wolfenzon (2000) suggest that the optimal ownership structure includes either a single large shareholder or multiple shareholders of more or less equal size. Bloch and Hege (2001) present a model in which two blockholders compete for the control of a firm. They suggest that the relevant concept of control power is not just the ownership concentration, but rather how contestable the largest shareholder's position is. Their model implies that control becomes more contestable as the size of the two competitors' voting blocks converges. Thus, the effect that contestability of control power has on acquisition decisions is an important factor to take into account. So far, there is limited empirical evidence within the area. However, there is some empirical evidence on the effect of contestability of control power on firm performance and valuation in general. In a study of German listed companies, Lehman and Weigand (2000) find that a strong second shareholder enhances profitability. In line with these results, Volpin (2002) show that valuation in Italian companies is higher when control is somewhat contested. Maury and Pajuste (2005) find that a more equal distribution of the voting power among the largest blockholders is positively related to firm value. Faccio et al. (2001) examine the impact of multiple large shareholders on dividends. They find that the presence of multiple large shareholders reduces expropriation in Europe due to monitoring, but intensifies it in Asia due to collusion.

³ A blockholder is defined as a shareholder holding at least 10 percent of the votes. The motive behind using the 10 percent threshold is the significant control it provides (La Porta et al. (1999)).

The literature generally suggests that introducing an additional shareholder of considerable size increases firm value, since such structure increases the contestability of the dominating shareholder's control power and thus mitigates the opportunity for private benefit extraction. Overall, in line with Lehman and Weigand (2000), Volpin (2002), and Maury and Pajuste (2005) we believe that there is a positive effect from contestability of the largest shareholder's M&A decisions.

Hypothesis 1: The presence of multiple blockholders has a positive influence on acquiring firm performance.

Hypothesis 2: A more equal distribution of the voting power among the largest blockholders has a positive effect on acquiring firm performance.

2.2 Separation of Ownership from Control

Minority expropriation is beneficial since the controlling shareholder does not hold the entire cash flow rights and therefore does not bear all costs associated with the non-wealth maximizing activity. The larger the discrepancy between ownership and control, the larger are the incentives for expropriation of minority shareholders.

La Porta et al. (2003) find evidence of higher firm value in countries with smaller differences between voting and cash flow rights. Moreover, Barontini and Caprio (2006) find that firm value and operating performance decrease as control rights exceed cash flow rights. Claessens et al. (2002) use a sample of East Asian firms and examine whether a larger difference between participation and voting rights is associated with a lower company value. The results suggest that firm value is positively related to the largest shareholder's cash flow rights. Furthermore, they show that the larger the discrepancy between ownership and control, the lower is the value of the company.

Sweden has a high degree of separation between ownership and control rights through not only dual class shares, but also via pyramids and cross-holdings (Holmén and Knopf (2004)). Sweden is reported to, on average, require the least capital, 12.6 percent, to control 20 percent of the votes. In fact, Sweden has the highest frequency of different stock classes, the second highest frequency of pyramidal structures, and the third highest frequency of crossholdings (La Porta et al. (1999)). Cronqvist and Nilsson (2003) find that

there is a negative relation between a controlling shareholder's voting stake and firm value. In addition, Bjuggren et al. (2007) conclude that the separation of cash flow rights and control rights in Swedish firms alters the incentives of owners and thereby affects investment decisions negatively.

Hence, the studies indicate, that the cash flow rights (the incentives effect) and voting rights (the entrenchment effect) held by the dominating shareholder have opposite effects on private benefit extraction and consequently on firm value.

One potential counterforce to minority expropriation is the legal protection of investors. La Porta et al. (2000) rank a number of legal systems based upon their investor protection. Swedish law belongs to the civil law group and ranks below common law, but above French and German civil law. All in all, Sweden is considered as being a country with low investor protection. Consequently, the weak Swedish legal minority protection may not act as such a strong mitigating force to the minority expropriation problem. However, the low legal protection for minorities is complemented by high accounting standards, tax compliance and intense media coverage (Holmén and Högfeldt (2004)). Holmén and Knopf (2004) find that extra legal institutions such as tax-exempts, social norms, organized labor, and the media can play an important role for investor protection, as the legal setting. According to them, the discrepancy between control rights and cash flow rights increases the propensity to exploit private benefits, yet despite the wide spread frequency of different stock classes and the discrepancy between control and cash flow rights, they find limited proof of controlling shareholders exploiting the minority. They further claim that it is the extra legal institutions that compensate the weak minority shareholder protection in Sweden. Coffee (2001), Dyck and Zingales (2004) and Nenova (2002) all conclude that despite Sweden's weak corporate governance, extra-legal institutions reduce the private benefits of control.

The literature suggests that the minority expropriation problem becomes more extensive as the separation between ownership and control increases. However, it is further suggested that the Swedish extra legal institutions compensate the weak minority shareholder protection and mitigate minority expropriation. Overall, we believe that the negative effects outweigh this compensation and that separation of cash flow rights and

control rights in Swedish firms alters the incentives of dominating shareholders and thereby negatively affects decisions concerning mergers and acquisitions.

Hypothesis 3: Acquiring firm performance decreases in the wedge between control rights and cash flow rights of the largest shareholder.

2.3 Family Control and Management Involvement

Cronqvist and Nilsson (2003) show that families in Sweden have a high propensity to use control enhancing mechanisms, such as pyramid structures and multiple voting class shares, and that there is a negative relation between a controlling shareholder's voting stake and firm value. On the other hand, Barontini and Caprio (2006) find that family control is positively related to firm value even after considering the fact that families to a large extent tend to use control enhancing mechanisms, which they show reduces firm value. Anderson and Reeb (2003) and Lee (2006) argue that family control should increase the value of US corporations. Family firms tend to have a larger part of their wealth invested in the firm and as a consequence, family shareholders should have further incentives to manage their firm in the best way. Families often stay linked to the firm over a long period of time and are thus more concerned about making value creating decisions. Moreover, Holderness and Sheehan (2003) argue that families are in need of a strong long term relationship with the investment community in order to be able to raise outside funds in the future at a lower cost of capital, which would encourage more optimal investment choices and less minority expropriation.

The literature on family management involvement is extensive and most researchers suggest that the knowledge that a founder brings to the firm has a positive influence (Anderson and Reeb (2003)) and Sraer and Thesmar (2006)). In fact, Barontini and Caprio (2006) show that founder management is highly positive for family firm performance. Furthermore, Maury (2006), and Sraer and Thesmar (2006) find a positive relation on firm performance from active family management independent of the manager being founder or descendant. Ben-Amar and André (2006) conclude that the appointment of a family member as CEO, has a positive impact on acquiring firm performance.

On the other hand, family involvement in the management can have a negative impact on firm performance if more skilled outside managers are put aside for family members. In addition, multi-generation family firms may lack the entrepreneurial drive and incentives that characterizes the first generation of a family firm (Howorth and Westhead (2006)). Claessens et al. (2003) and Barontini and Caprio (2006) show that when family firms are run by a successor, it negatively affects firm value. Perez-Gonzalez (2002) claim that the choice of a family member as CEO can have a significant negative impact if the manager obtains the position due to nepotism and without possessing the talent required.

Overall, the literature suggests that the frequent use of control enhancing mechanisms by families to establish controlling positions would further enhance the minority expropriation problem in family firms. As a result, families would, to a larger extent, engage in value destructive M&A. However, the knowledge that families bring to the firm as well as their long term horizon, should mitigate the use of M&A as means of minority expropriation. Consequently, we believe, in line with the results of Anderson and Reeb (2003) and Ben-Amar and André (2006), that family control and management involvement should have a positive effect on acquiring firm performance.

Hypothesis 4: Family control has a positive effect on acquiring firm performance.

Hypothesis 5: Family management involvement has a positive effect on acquiring firm performance.

Table 1. Summary of Hypotheses.

Hypothesis 1: The presence of multiple blockholders has a positive influence on acquiring firm performance.
Hypothesis 2: A more equal distribution of the voting power among the largest blockholders has a positive effect on acquiring firm performance.
Hypothesis 3: Acquiring firm performance decreases in the wedge between control rights and cash flow rights of the largest shareholder.
Hypothesis 4: Family control has a positive effect on acquiring firm performance.
Hypothesis 5: Family management involvement has a positive effect on acquiring firm performance.

3. Methodology

3.1 Data

The data sample of Swedish mergers and acquisitions is obtained from Standard & Poor's Capital IQ Database⁴.

The sample meets the following criteria:

- (1) Observations are from the time period 2000-2007.
- (2) Acquiring firms are Swedish publicly listed companies.
- (3) Deals are completed and mergers or acquisitions of majority stakes.
- (4) Transactions are made by sole acquirers.
- (5) Acquiring firms with multiple transactions during the period are included.
- (6) Multiple transactions undertaken by the same firm within an eleven day rolling period have been excluded⁵.
- (7) Only transactions with a deal value of at least USD10 million are included.
- (8) Only companies with available ownership data from SIS Ägarservice⁶ are included.

Our final data set comprises 194 transactions, undertaken by 159 companies.

As reported in Table 2 and Figure 1, the data sample consists of 194 transactions, with an aggregated market value of USD59.7 billion. The acquirers paid an average price of USD324.6 million for the targets.

The acquiring firms as well as the targets have been categorized⁷ and divided into nine industry sectors according to the Global Industry Classification Standards (GICS)⁸. As

⁴ Capital IQ is a research platform developed by Standard & Poor, combining comprehensive information on over 47,000 public companies, 822,000 private companies, 12,000 private capital firms, 370,000 transactions, and 1,000,000 professionals worldwide. Capital IQ is deployed at over 2,200 client firms including investment banks, hedge funds, and private equity firms.

⁵ The exclusion of these observations is carried out to enable an undistorted event window study.

⁶ SIS Ägarservice specializes in analysis of ownership, board and auditor data for the in Sweden domiciled listed companies on the Stockholm Stock Exchange and the companies listed on the Nordic Growth Market. SIS has close to 40 listed companies as clients for analyses of ownership data.

⁷ The sector classifications have been made in order to control for the potential market reactions due to synergies in strategic transactions.

can be observed in Table 3, there is a somewhat higher frequency of events within the Information Technology and Industrials sectors.

3.2 Dependent Variable

Andrade et al. (2001) argue that the most reliable way to examine the value creation or destruction of M&A activity is through the market reaction around the announcement. We use the well-established event study methodology as suggested by Brown and Warner (1980, 1985) to measure the change in acquiring shareholder wealth around the announcement of a transaction, that is, the abnormal stock price performance around the announcement.

The price performance of a security can only be considered ‘abnormal’ relative to a specific benchmark. Hence, it is necessary to specify a model generating normal, or expected, returns before abnormal returns can be measured. Two different approaches are used in order to generate expected returns:

- (1) The first is the Market and Risk Adjusted Returns method, which presumes that the Capital Asset Pricing Model (CAPM) generates expected returns. In order to capture the relative price movements of an individual security and to estimate the beta-value for each security, each stock is regressed against the market proxy of OMX Stockholm (OMXS). The estimation period is $(-40^9, -240)$ days from the announcement date, a conventional estimation period in studies of this kind (C.f. Bruner (2002)).
- (2) The second approach is the Market Adjusted Returns method, which assumes that expected returns are equal to the market return. This approach implicitly assumes that security betas are equal to one, and the model is thus consistent with CAPM if all securities have an equal systematic risk.

⁸ GICS is an industry classification that consists of ten sectors, 24 industry groups, 62 industries, and 132 sub-industries. GICS assigns an industry sector to each company according to its principal business activity, and the standard is widely accepted as a framework for investment research, portfolio management and asset management.

⁹ To avoid any impact from the event on the estimation parameters, the estimation window ends 40 days prior to the announcement of a transaction.

For each model, the abnormal return for a given security is defined as the difference between its actual return and the return which is predicted by the specific model. Abnormal returns are accumulated¹⁰ over a three day period (-1, +1) around the announcement date, as this is a typical and well-established event window and consequently allows for comparison. Moreover, to ensure that the underlying sample is robust, CARs are generated for another two event windows, (-5, +5) and (-10, +10) days around the announcement.

3.3 Independent Variables

Independent variables include the contestability of control power, the separation of ownership and control rights, and family control and management involvement. Information on participation and voting rights is obtained from SIS Ägarservice¹¹. With respect to the Swedish institutional setting, affiliated entities are grouped into spheres. For example, the Hagströmer & Qviberg sphere is seen as one joint owner. In order to measure the ultimate voting and cash flow rights held by shareholders, we apply the same methodology as La Porta et al. (1999), Claessens et al. (2002) and Faccio and Lang (2002). Hence, we include indirect as well as direct ownership held through the control of other companies.¹² The cash flow rights are adjusted in line with the same methodology as previously discussed.¹³

¹⁰ Abnormal returns are accumulated over a number of days surrounding the announcement date in order to capture price effects occurring after the stock market closes on the announcement day as well as market response to potential leakage prior to the announcement.

¹¹ Ownership information is collected per the last available date of the year prior to the transaction.

¹² A shareholder has x percent indirect control over firm A if

- (1) it directly controls firm B, which in turn directly controls x percent of the votes in firm A,
- (2) it directly controls firm C, which in turn controls firm B (either directly or through a control chain), which directly controls x percent of the votes in firm A (C.f. La Porta et al. (1999)).

¹³ If a shareholder owns x percent of the cash flow rights in firm A, which owns y percent of the cash flow rights of firm B, the shareholder owns xy (the product of the ownership stakes along the control chain) percent of the cash flow rights of firm B (C.f. Faccio et al. (2002)).

Contestability of Control Power

We use two separate variables as a measure of the contestability of the largest shareholder's control power:

- (1) A dummy (*Multiple Blockholders*), taking the value of one if there are multiple blockholders present, and zero otherwise.
- (2) Similar to Maury and Pajuste (2005), we use the Herfindahl index (*Herfindahl Differences*). The measure considers the voting power of the largest shareholder as well as the relative distribution of votes among individual blockholders. The Herfindahl index is defined as the sum of squares of the differences between the first and the second largest blockholders' voting stakes, and the second and the third largest blockholders' voting stakes.¹⁴ The Herfindahl index is transformed into logarithms to control for skewness.

Separation of Ownership from Control

The separation between ownership and control is measured by two variables:

- (1) In line with Claessens et al. (2002) and Faccio and Lang (2002), separation between ownership and control is measured by the ratio of the level of cash flow rights to the level of voting rights (*Separation Ratio*).
- (2) In addition, it is measured as the difference between cash flow and voting rights held by the largest owner (*Separation Wedge*).

If the dominating shareholder values control over ownership, the discrepancy will be high and the shareholder's wealth thus less affected by value destructive mergers and acquisitions.

¹⁴ For example, if the largest blockholder has 30 percent of the votes, the second largest blockholder has 20 percent of the votes, and the third largest blockholder has 10 percent of the votes, the index would equal 200 (Cf. Maury and Pajuste (2005)).

Family Control and Management Involvement

To examine the effects of family control and involvement in the management on acquiring firm performance we define two variables:

- (1) A dummy (*Family Control*), taking the value one if an individual or family¹⁵ holds the ultimate largest voting block in a company, and zero otherwise.
- (2) A dummy (*Family Management*), taking the value of one if a controlling family has representation in the active management¹⁶, and zero otherwise.

Table 4. Summary of Independent Variables.

Variable	Description	Expected Sign
Multiple Blockholders	Dummy taking the value of one if there are multiple blockholders present, and zero otherwise	+
Herfindahl Differences	The log of the sum of squares of the differences between the first and the second largest voting stakes, and the second and the third largest stakes	-
Separation Ratio	The ratio between cash flow rights and voting rights held by the largest shareholder	+
Separation Wedge	The difference between voting rights and cash flow rights held by the largest shareholder	-
Family Control	Dummy taking the value one if an individual or family holds the ultimate largest voting block in a company, and zero otherwise	+
Family Management	Dummy taking the value of one if a controlling family has representation in the active management , and zero otherwise	+

¹⁵ In line with LaPorta et al. (1999) and Claessens et al. (2002), we use the family as a unit and do not distinguish between family members.

¹⁶ The active management comprises the Chief Executive Officer (CEO) and the Chairman of the Board (COB).

3.4 Control Variables

There are a number of factors that could potentially influence the market reaction around the announcement date and that hence must be controlled for.

Relative Size of Acquirer and Target

Asquith et al. (1983) and Jarrell and Poulsen (1989) suggest that large transactions generate more easily observable gains, and would thus have a greater impact on acquiring firm performance.

Target Firm Status

Previous research by Chang (1998), Fuller et al. (2002), and Conn et al. (2005) finds that there are greater gains from purchasing private targets, since larger bid premiums must be paid for public targets and acquisition costs are greater.

Mode of Payment

Previous research shows that the mode of payment has an impact on the level of value created in M&A (Andrade et al. (2001)). The general view is that cash transactions are associated with more positive market reactions (Travlos (1987) and Huang and Walking (1987)). Moreover, Hansen (1987) proposes that stock is more often used in transactions in which the bidder is uncertain about the value of the target, thus forcing the target to share the risk with the acquirer. Hence, cash financing is considered a signal of a higher target value and should also preempt other firms from bidding (Fishman (1989)). Furthermore, Eckbo et al. (1990) show that higher valued bidders are more likely to use a larger proportion of cash to finance their acquisitions.

Strategic Transactions

In strategic transactions, in which acquirer and target operate in related industries, synergies are easier to achieve, than in conglomerate acquisitions where instead of operational advantages, the main motives are of financial character (Datta et al. (1992)). The GICS sector classifications have been used to identify the relatedness of acquiring and target firms.

Cross border transactions should be beneficial to shareholders when the acquiring firm can exploit market imperfections in the target market. However, there are costs associated with cross border transactions, due to cultural differences and integration, which limit these gains (Eun et al. (1996)). In a large UK study, Conn et al. (2003) explore cross border transactions. By using a sample of 4000 acquisitions executed by UK companies between 1984 and 1998, they find that bidders that acquire domestic targets outperform bidders focusing on international acquisitions, both short- and long-term.

Table 5. Summary of Control Variables.

Variable	Description	Expected Sign
Related Sector	Dummy taking the value of one if target and acquirer are active within the same sector, and zero otherwise	+
Relative Size	Log of the ratio between purchase price and market capitalization of the acquiring firm	+
Listed Target	Dummy taking the value of one if the target is publicly listed, and zero otherwise	-
Cross Border	Dummy taking the value of one if the transaction is a cross border transaction, and zero otherwise	-
Cash	Dummy taking the value of one if the transaction is paid entirely in cash, and zero otherwise	+

4. Empirical Results and Analysis

4.1 Cumulative Abnormal Returns

As a first step in our analysis we examine the impact of mergers and acquisitions on acquiring firm performance, using the event study methodology as previously discussed. The results, using our sample of transactions from 2000-2007, show that Swedish M&A create value for acquiring firm shareholders, measured as CAR. CARs are generated through the various approaches previously discussed and statistics are reported in Table 6. The CARs which are used further on in the analysis are obtained through the Market Adjusted Returns method with an event window of $(-1, +1)$ days from the announcement, and have an average value of 1.4 percent that is significant at the 1 percent level.

These results are consistent with those of previous European M&A studies (Bigelli and Mengoli (2004), Boehmer (2000), and Dumontier and Pecherot (2000)). However, they differ from American findings, which generally suggest that M&A has a negative or insignificant effect on acquiring firm share price (Bruner (2002)).

4.2 Control Variables

Average CARs and test statistics associated to the control variables are reported in Table 7 and 8.

The two sample t-tests confirm, consistent with the literature, that relative size has a significantly positive effect on CAR. We find no statistically significant difference between cross border and domestic acquisitions or between related and unrelated acquisitions. The same applies to the difference between acquisitions of private and public firms, although the results indicate that the former has a positive effect on CAR, in line with theory. Contrary to our expectations and previous research, cash transactions perform worse than mixed and stock only transactions as a group, although this is not statistically significant.

When the control variables are regressed simultaneously, similar results are obtained, only now the positive impact of private transactions on CAR is significant.

4.3 Contestability of Control Power

Hypothesis 1 suggests that the mere presence of multiple blockholders should positively influence CAR. Hypothesis 2 proposes that CAR increases as the votes among large blockholders are more equally distributed. Hence, both hypotheses suggest that acquiring firm performance should be positively influenced by contestability of the largest shareholder's position. Statistics from the analysis of Hypotheses 1 and 2 are reported in Table 7 and 8.

The two sample t-test indicates that *Multiple Blockholders* has the expected positive impact on CAR, although this effect is not significant. *Herfindahl Differences* has a significantly negative relation to CAR.

The results of the regressions are in line with those of the two sample t-tests. We find that the presence of multiple blockholders has a positive effect on CAR, however again insignificant. Further, it is confirmed that *Herfindahl Differences* has a significantly negative relation to CAR. A negative relation implies that a more unequal distribution of the votes among large shareholders has a negative effect on acquiring firm performance. Thus, a shareholder that has achieved a controlling position that is not contested is perceived by investors as making poor investment decisions at the expense of other shareholders in order to extract private benefits. Our results thus suggest that the contestability of the dominating shareholder's control power is highly valued by the market and can mitigate the expropriation of minority shareholders by the largest shareholder.

Result 1: The presence of multiple blockholders does not have a statistically significant effect on acquiring firm performance, although a positive influence is indicated.

Result 2: A more equal distribution of the voting power among the largest blockholders has a positive effect on acquiring firm performance.

Hence, the obtained results are in line with the findings of Maury and Pajuste (2005) and Lehman and Weigand (2000). Overall, this suggests that in the Swedish setting, an equal distribution of voting blocks is more important than the mere presence of multiple blockholders.

4.4 Separation of Ownership from Control

Hypothesis 2 suggests that separation of ownership from control should enhance the minority expropriation problem and negatively affect acquiring firm performance. Statistics from the analysis of Hypothesis 2 are reported in Tables 7 and 8.

The separation ratio as well as the separation wedge is used to test the potential effects of separation between ownership and control rights. The two sample t-tests show no significant differences in average CAR between observations with high versus low levels of separation. This suggests that the market does not necessarily believe that firms in which the largest shareholder has a high discrepancy between voting and cash flow rights make value destructive acquisitions despite the potential for private benefit extraction.

The result from Hypothesis 1 suggests that a shareholder that has achieved a controlling position that is not contested is perceived by investors as making poor investment decisions at the expense of other shareholders. In order to investigate whether or not the separation of ownership from control exacerbates the minority expropriation problem, we need to take this result into consideration and evaluate the effects of separation controlling for the impact of contestability. The results from the regressions are in line with those of the t-tests, indicating that separation of ownership from control does not have a significant impact on acquiring firm performance. Hence, the minority expropriation problem does not appear to be intensified through the separation of ownership from control rights.

Result 3: Separation between ownership and control rights does not have a statistically significant effect on acquiring firm performance.

Since no statistical significance is found we cannot draw any conclusions about the impact of separation. Previous results by Bjuggren et al. (2007), suggesting that separation of cash flow rights and control rights negatively affects investment decisions, can thus not be supported. Hence, there are no indications that separation per se leads to value destroying M&A.

4.5 Family Control and Management Involvement

As reported in Table 9, 59.8 percent of the acquiring firms in our sample are controlled by a family. Within these firms, the controlling family is involved in the active management in 44.8 percent of the cases. Controlling families hold, on average, a voting stake of 40.7 percent, while having 18.6 percent of the cash flow rights. This separation between ownership and control is achieved by using dual class shares (75.9 percent) or through pyramidal structures (37.1 percent) and separation is a much more widespread phenomenon in family controlled firms than in other firms. *Herfindahl Differences* is significantly higher in family firms, suggesting that controlling families have considerable voting power and are less contested. The powerful position that controlling family firms frequently occupy, along with the high discrepancy between voting and cash flow rights, suggests, according to theory, that families have a larger potential of private benefit extraction than other firms.

Furthermore, Table 9 suggests that families make less related acquisitions, whereas there is no significant difference as to payment mode, cross border or domestic transactions, relative size of the target, or the public or private status of the target.

According to Hypothesis 4, the benefits of family control outweigh the disadvantages, thus suggesting that the overall impact of family control on CAR is positive. Statistics from the analysis of Hypothesis 4 are reported in Tables 7 and 8.

Although the two sample t-test indicates that *Family Control* has a positive impact on CAR, the effect is insignificant. This initially implies that the market does not perceive that family firms are extracting private benefits through M&A at the expense of other shareholders. On the other hand, it further suggests that investors do not consider family firms as being more efficient in their investment decisions concerning M&A activity despite their long-term horizon.

As illustrated in Table 9, family firms in general have a more unequal distribution of votes among the largest shareholders, suggesting that controlling families have considerable voting power and are less contested by other shareholders. Through the examination of Hypothesis 2, a less contested position is proven to negatively influence

acquiring firm performance. By holding *Herfindahl Differences*, and thus the level of contestability, constant, we separate the impact of the uneven voting stake distribution from the impact of family control. When regressing *Family Control* along with *Herfindahl Differences* and the control variables, the family firm effect becomes positive and significant. This indicates that the market anticipates that family firms make more efficient mergers and acquisitions and expropriate the minority to a lesser extent than non-family firms.

Result 4: Family control has a positive effect on acquiring firm performance given constant levels of contestability.

In order to investigate and capture any potential interaction effects between family control and the level of contestability, we perform a regression including an interaction variable, defined as the product of *Family Control* and *High Herfindahl Differences*¹⁷. The results show no significant impact from the interaction between family control and contestability, although the results weakly indicate that family control is more important when the largest shareholder has reached an uncontested position. In order to further examine this phenomenon, we perform two separate t-tests, one on a sample of only uncontested firms¹⁸, and one on a sample of only contested firms. The results suggest that uncontested family firms perform better than uncontested non-family firms, whereas there is no significant difference in performance between contested family firms and contested non-family firms. Thus, the importance of family control appears to be higher in the case of weak contestability of the largest shareholder's position, although this is not statistically established.

In order to investigate and capture any potential interaction effects between family control and the level of separation between the largest shareholder's voting and cash flow rights, we perform a regression including a second interaction variable, defined as the product of *Family Control* and *High Separation Wedge*¹⁹. The results show no significant

¹⁷ *High Herfindahl Differences* is a dummy variable taking the value of one if *Herfindahl Differences* is above the sample median, and zero otherwise.

¹⁸ An uncontested firm is defined as a firm having a value of *Herfindahl Differences* above the sample median, whereas a contested firm is defined as a firm having a value of *Herfindahl Differences* below the sample median.

¹⁹ *High Separation Wedge* is dummy variable taking the value of one if *Separation Wedge* is above the sample median, and zero otherwise.

impact from the interaction between family control and the discrepancy between the largest shareholder's voting and cash flow rights.

Moreover, in order to evaluate the impact of family management involvement, we perform two sample t-tests and regressions using the total sample as well as a sample of only family controlled firms. Statistics are reported in Tables 7 and 8.

Although not statistically significant, the results weakly indicate that family firms in which the family has active management representation perform better than other firms.

Result 6: Family management involvement does not have a statistically significant effect on acquiring firm performance, although a positive influence is indicated.

The results, although weak, are in line with theory predicting that families which are active within the management signal that they are more linked to the firm over a long period of time, and thus more focused on making value creating decisions. Hence, family firms may be perceived to make more efficient M&A decisions if they are represented in the active management.

Table 5. Summary of Empirical Results.

Result 1:	The presence of multiple blockholders does not have a statistically significant effect on acquiring firm performance, although a positive influence is indicated.
Result 2:	A more equal distribution of the voting power among the largest blockholders has a positive effect on acquiring firm performance.
Result 3:	Separation does not have a statistically significant effect on acquiring firm performance.
Result 4:	Family control has a positive effect on acquiring firm performance given constant levels of contestability.
Result 5:	Family management involvement does not have a statistically significant effect on acquiring firm performance, although a positive influence is indicated.

5. Conclusions

This study examines the role of mergers and acquisitions as potential means of minority expropriation. In line with previous European studies, our results clearly indicate that Swedish M&A create value for acquiring firm shareholders.

We examine the impact of various ownership structure mechanisms on acquiring firm performance, more specifically contestability, separation, and family control and management involvement. Using a sample of M&A transactions undertaken by Swedish firms during the period 2000-2007, we find that the contestability of control power is of considerable importance to investors. In line with expectations and existing literature, this suggests that contestability of the largest shareholder's position is a relevant concept of control power and mitigates minority expropriation. These findings are reasonable as we could expect the minority expropriation problem to diminish when introducing additional shareholders of considerable size that are able to monitor the controlling shareholder. Furthermore, the presence of multiple blockholders has the expected positive impact on CAR, although the effect is not statistically significant. Thus, this suggests that in the Swedish setting, an equal distribution of voting blocks is more important than the mere presence of several blockholders. These results are in line with previous findings by Maury and Pajuste (2005).

Further, when evaluating the impact of separation between the level of participation rights and the level of voting rights on acquiring firm performance, we obtain no significant results. In general, the literature suggests that the cash flow rights (the incentives effect) and voting rights (the entrenchment effect) held by the dominating shareholder have opposite effects on private benefit extraction and consequently on firm value. However, we do not find any significant results of such kind in our sample. Thus, our results suggest that the separation of ownership from control itself, does not lead to value destroying M&A in Sweden.

By combining our results, we can conclude that a negative effect on acquiring firm performance can first be observed when the largest shareholder has established an uncontested position within the firm. As a consequence, the phenomenon of separation

itself does not have any observable effect on acquiring firm performance although it may be used by the largest shareholder as a tool to establish an uncontested position.

In order to further evaluate the minority expropriation problem, we examine the impact of family control on acquiring firm performance. Initially, our results show no significant relation between family control and acquiring firm performance. However, when evaluating the characteristics of family controlled firms, we find, in line with expectations, a bias towards uncontested controlling shareholders. This suggests that a potential positive effect of family control would be mitigated by the negative effect of having an uncontested shareholder in control. When examining the effect of family control, at the same time controlling for contestability effects, we find a positive impact on acquiring firm performance. On the basis of these results, we can conclude that the market anticipates that if the largest shareholder in a firm is a family, she makes more efficient M&A transactions and expropriate the minority to a lesser extent, than if she were not. Moreover, although the results are not statistically significant, they weakly indicate that family control is even more important in case the controlling shareholder has reached an uncontested position.

The obtained results can be explained by a number of factors. Firstly, families are prone to maximize firm value, considering the impact of their actions on future generations. Moreover, families often have a large part of their wealth invested in the firm, which gives them further incentives to make value enhancing decisions and not to extract private benefits. Such value destroying activity would disturb the relationship with the investment community, hence preventing them from raising external funds in the future at a lower cost of capital. Thus, it appears as if family firms are more eager to maintain a sound relationship with the investment market. Finally, one could argue that the intense Swedish extra legal institutions provide efficient monitoring of family firms, constraining them from using M&A activity as a way to extract private benefits.

As regards family management involvement, we find no significant impact, although there are weak indications of a positive effect from an increasing family participation through active management representation. The lack of significant results may be due to the fact that family involvement in the management may have opposing effects on

acquiring firm performance. On the one hand, the knowledge that a founder brings to the firm is considered to have a positive influence, whereas there is evidence indicating that family firms run by successors are valued lower than other family firms. Hence, family management involvement can have a negative impact if more skilled outside managers are put aside for family members.

Overall, we can conclude that in the Swedish institutional setting, the most relevant factor to take into account when evaluating the effects of ownership structure on minority expropriation is the concept of control power, measured as how contested the largest shareholder's position is. A shareholder that has achieved a controlling position that is not contested is perceived by investors as making poor investment decisions at the expense of other shareholders in order to extract private benefits. A discrepancy between voting and cash flow rights does not seem to enhance minority expropriation, although several firms make use of separation through control enhancing devices in order to reach an uncontested position. Moreover, the market anticipates a family controlled firm to maximize firm value to a larger extent and expropriate the minority to a lesser extent than a non-family controlled firm.

However, as revealed by the low explanatory power of our regression models, there are several other aspects that affect acquiring firm performance, which we do not try to explain within the scope of this thesis. Instead, we choose to focus on the ownership structure characteristics we believe to have the largest impact in the Swedish setting.

6. Validity and Robustness of the Empirical Results

In general, the empirical results should be robust to different data sources or selection conditions. Changes in market conditions and investor response to M&A activity over the time period could potentially lead to biased results. To make inferences about the impact of the post IT era, which is characterized by relatively extreme circumstances, we include in the regressions a dummy for the time period 2000-2002. We find no evidence of an impact from the post IT era, and thus it seems as if our obtained results are stable over time.

In order to obtain a dataset without distortions, we exclude a few outliers with extreme values of CAR. We define an outlier as an observation having a CAR that is, in absolute terms, larger than ± 3 standard deviations from the median. The number of excluded observations as a result of this process is three.

Furthermore, we check for outlying residuals. Less than 5 percent of the residuals are further than ± 2 standard deviations from the mean. Moreover, our data does not contain any outliers that are further than ± 3.4 standard deviations from the mean.

The robustness of the results with regards to CARs is tested by using different approaches to generate abnormal returns. The results reported in Table 6 show minor deviations in CAR depending on the method used and can thus be considered robust.

Finally, White's t-statistics are reported throughout the thesis in order to adjust for potential heteroscedasticity.

7. Further Research

As previously discussed, the fact that we do not obtain a significant impact of family management involvement may be due to its potential opposing effects on acquiring firm performance. Hence, it may be relevant to further look into the family management phenomenon and separate family firms with founder and descendant management and examine whether there is a difference in the impact on acquiring firm performance. Given the limited number of observations in our sample, there were too few family firms with management representation to further investigate this subject.

In addition, the topic of multiple blockholders may be interesting to develop and further examine. As previously mentioned, there are two potential effects of multiple blockholders. A second blockholder can either monitor the largest blockholder and inhibit minority expropriation or form a coalition with the dominating blockholder and further enhance it. The propensity to form profit diverting coalitions may depend on the identity of the blockholders. Thus, not only the simple presence of multiple blockholders may be of interest to examine, but also the potential effects of the identity of the blockholders on acquiring firm performance. Again, our limited sample constrained us from investigating this phenomenon within the scope of this thesis.

Moreover, control contestability and firm performance as a measure of minority expropriation, may be interesting to further examine in countries with different degrees of investor protection, that is, in countries with different legal systems and extra-legal institutions.

8. References

- Ben-Amar, W. and P. André, 2006, "Separation of Ownership from Control and Acquiring Firm Performance: The Case of Family Ownership in Canada", *Journal of Business Finance & Accounting* 33(3-4), 517-543
- Amit, R. and B. Villalonga, 2006, "How Do Family Ownership, Control, and Management Affect Firm Value?", *Journal of Financial Economics* 80, 385-417
- Anderson, R. C. and D. M. Reeb, 2003, "Founding-Family Ownership and Firm Performance -Evidence from S&P 500", *The Journal of Finance* 58(3), 1301-1328
- Andrade, G., M. Mitchell and E. Stafford, 2001, "New Evidence and Perspectives on Mergers", *Journal of Economic Perspectives* 15(2), 103-20
- Asquith, P., R.F. Bruner and D.W. Mullins Jr., 1983, "The Gains to Bidding Firms from Mergers", *Journal of Financial Economics* 11(1-4), 121-140
- Banerjee, S., B. Leleux and T. Vermaelen, 1997, "Large Shareholdings and Corporate Control: An Analysis of Stake Purchases by French Holding Companies", *European Financial Management* 3(1), 23-43
- Barontini, R. and L. Caprio, 2006, "The Effect of Ownership Structure and Family Control on Firm Value and Performance: Evidence from Continental Europe", *European Financial Management* 12(5), 689-723
- Bigelli, M. and S. Mengoli, 2004, "Private Benefits from New Acquisitions: Evidence from the Italian Stock Market", *Journal of Management and Governance* 8(4), 373-405
- Bjuggren, P.-O., J.E. Eklund and D. Wiberg, 2007, "Ownership Structure, Control and Firm Performance: the Effects of Vote Differentiated Shares", *Applied Financial Economics* 17(16), 1323-1334
- Bloch, F. and U. Hege, 2001, "Multiple Shareholders and Control Contests", *Université d'Aix-Marseille Working Paper*
- Boehmer, E., 2000, "Business Groups, Bank Control, and Large Shareholders: An Analysis of German Takeovers", *Journal of Financial Intermediation* 9(2), 117-148
- Bolton, P. and E.-L. Von Thadden, 1998, "Blocks, Liquidity and Corporate Control", *Journal of Finance* 53(1), 1-25
- Brown, S.J. and J.B. Warner, 1980, "Measuring Security Price Performance", *Journal of Financial Economics* 8(3), 205-258
- Brown, S.J. and J.B. Warner, 1985, "Using Daily Stock Returns: The Case of Event Studies", *Journal of Financial Economics* 14(1), 3-31

- Bruner, R.F., 2002, "Does M&A Pay? A Survey of Evidence for the Decision Maker", *Journal of Applied Finance* 12(1), 48-68
- Chang, S., 1998, "Takeovers of Privately Held Targets, Methods of Payment and Bidder Returns", *Journal of Finance* 53(2), 773-784
- Claessens, S., S. Djankov, J. Fan and L. Lang, 2000, "The Separation of Ownership and Control in East Asian Corporations", *Journal of Financial Economics* 58(1-2), 81-112
- Claessens, S., S. Djankov, J. Fan and L. Lang, 2002, "Disentangling the Incentive and Entrenchment Effects of Large Shareholdings", *Journal of Finance* 57(6), 2741-2771
- Coffee, J., 2001, "Do Norms Matter? A Cross-Country Examination of the Private Benefits of Control", *Columbia Law and Economics Working Paper No. 183*
- Conn, R.L., A. Cosh, P.M. Guest and A. Hughes, 2005, "The Impact on UK Acquirers of Domestic, Cross-border, Public and Private Acquisitions", *Journal of Business Finance & Accounting* 32(5-6), 815-871
- Cronqvist, H. and M. Nilsson, 2003, "Agency Costs of Controlling Minority Shareholders", *Journal of Financial and Quantitative Analysis* 38(4), 695-719
- Datta, D.K., G.E. Pinches and V.K. Narayanan, 1992, "Factors Influencing Wealth Creation from Mergers and Acquisitions: A Meta-Analysis", *Strategic Management Journal* 13(1), 67-84
- DeAngelo, H., and L. DeAngelo, 1985, "Managerial Ownership of Voting Rights - A Study of Public Corporations with Dual Classes of Common Stock", *Journal of Financial Economics* 14(1), 33-39
- Dumontier, P. and B. Pecherot, 2001, "Determinants of Returns to Acquiring Firms Around Tender Offer Announcement Dates: The French Evidence", *ESA Université de Grenoble Working Paper*
- Dyck, A. and L. Zingales, 2004, "Private Benefits of Control: An International Comparison", *Journal of Finance* 59(2), 537-600
- Eckbo, B.E., R.M. Giammarino and R. Heinkel, 1990, "Asymmetric Information and the Medium of Exchange in Takeovers: Theory and Tests", *Review of Financial Studies* 3, 651-675
- Eun, C.S., R. Kolodny and C. Scheraga, 1996, "Cross-border Acquisitions and Shareholder Wealth: Tests of the Synergy and Internalization Hypotheses", *Journal of Banking and Finance* 20(9), 1559-1582
- Faccio, M. and L. Lang, 2002, "The Ultimate Ownership of Western European Corporations", *Journal of Financial Economics* 65(3), 365-395

- Faccio, M., L. Lang and L. Young, 2001, "Dividends and Expropriation", *American Economic Review* 91(1), 54-78
- Fishman, M.J., 1989, "Preemptive Bidding and the Role of the Medium of Exchange in Acquisitions", *Journal of Finance* 44, 41-57
- Fuller, K., J. Netter and M. Stegemoller, 2002, "What Do Returns to Acquiring Firms Tell Us? Evidence from Firms that Make Many Acquisitions", *Journal of Finance* 57(4), 1763-1793
- Hansen, R.G., 1987, "A theory for the Choice of Exchange Medium in Mergers and Acquisitions", *Journal of Business* 60, 75-95
- Hanson, R.C. and M.H. Song, 1996, "Ownership Structure and Managerial Incentives: The Evidence from Acquisitions by Dual Class Firms", *Journal of Business Finance & Accounting* 23(5-6), 831-849
- Holmén, M. and P. Högfeldt, 2004, "A Law and finance Analysis of Initial Public Offerings", *Journal of Financial Intermediation* 13(3), 324-358
- Holmén, M. and P. Högfeldt, 2005, "Pyramidal Discounts: Tunneling or Agency Costs?", *ECGI - Working Paper No. 73*
- Holmén, M. and J.D. Knopf, 2004, "Minority Shareholder Protections and the Private Benefits of Control for Swedish Mergers", *Journal of Financial and Quantitative Analysis* 39, 167-191
- Howorth, C. and P. Westhead, 2006, "Ownership and Management Issues Associated with Family Firm Performance and Company Objectives", *Family Business Review* 4, 301-316
- Huang, Y. and R. Walking, 1987, "Target Abnormal Returns Associated with Acquisition Announcements: Payment, Acquisition Form and Managerial Resistance", *Journal of Financial Economics* 19, 329-349
- Högfeldt, P., 2004, "The History and Politics of Corporate Ownership in Sweden", *Working Paper no. 1064*
- Jarrell, G. A. and A.B. Poulsen, 1989, "The Returns to Acquiring Firms in Tender Offers: Evidence from Three Decades", *Journal of the Financial Management Association* 18(3), 12-19
- Jensen, M. and W. Meckling, 1976, "Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure", *Journal of Financial Economics* 3(4), 305-360
- La Porta R., F. Lopez-De-Silanes and A. Shleifer, 1999, "Corporate Ownership Around the World", *Journal of Finance* 54(2), 471-517
- La Porta R., F. Lopez-De-Silanes and A. Shleifer, 2000, "Investor Protection and Corporate Governance", *Journal of Financial Economics* 58(1-2), 3-27

- La Porta, R., F. Lopez-de-Silanes, A. Shleifer and R. Vishny, 2002, "Investor Protection and Corporate Valuation", *Journal of Finance* 57(3), 1147-1170
- Lee, J., 2006, "Family Firm Performance – Further Evidence", *Family Business Review* 19(2), 103-114
- Lehman, E. and J. Weigand, 2000, "Does the Governed Corporation Perform Better? Governance Structures and Corporate Performance in Germany", *European Finance Review* 4, 157-195
- Maury, B., 2006, "Family Ownership and Firm Performance – Empirical Evidence from Western European Corporations", *Journal of Corporate Finance* 12(2), 321-341
- Maury, B. and A. Pajuste, 2005, "Multiple Large Shareholders and Firm Value", *Journal of Banking and Finance* 29(7), 1813-1834
- Nenova, T., 2003, "The Value of Corporate Votes and Control Benefits: A Cross-country Analysis", *Journal of Financial Economics* 68(3), 325-351
- Pagano, M. and A. Röell, 1998, "The Choice of Stock Ownership Structure: Agency Costs, Monitoring, and the Decision to go Public", *Quarterly Journal of Economics* 113(1), 187-226
- Perez-Gonzalez, F., 2002, "Inherited Control and Firm Performance", *Columbia University Working Paper*
- Shleifer, A. and R.W. Vishny, 1986, "Large Shareholders and Corporate Control", *Journal of Political Economy* 94(3), 461-488
- Sraer, D. and D. Thesmar, 2006, "Performance and Behaviour of Family Firms – Evidence from the French Stock Market", *ECGI Finance Working Paper No. 130*
- Stulz, R., 1988, "Managerial Control of Voting Rights, Financing Policies and the Market for Corporate Control", *Journal of Financial Economics* 20, 25-54
- Söderström H.T., E. Berglöf, B. Holmström, P. Högfeldt and E. M. Meyerson Milgrom, 2003, *Ägarmakt och Omvandling – Den Svenska Modellen Utmanad*, Ekonomirådets Rapport, SNS förlag, Stockholm
- Travlos, N.G., 1987, "Corporate Takeover Bids, Method of Payment, and Bidding Firms' Stock Returns", *Journal of Finance* 42(4), 943-963
- Volpin, P., 2002, "Governance with Poor Investor Protection: Evidence from Top Executive Turnover", *Journal of Financial Economics* 64(1), 61-90

9. Appendix

Table 2. Sample by Year. The table displays summary statistics over the number of transactions, number of acquiring firms, total and average value (USD millions) for the acquisitions taking place 2000-2007. In total there are several firms making several acquisitions in a year, however, multiple transactions within the same event window are excluded.

Year	Number of Transactions	Number of Firms	Average Value (USD millions)	Total Value (USD millions)
2000	16	14	416.6	6,666.4
2001	10	9	114.6	1,146.0
2002	13	11	817.5	10,627.3
2003	20	16	91.8	1,835.5
2004	23	19	268.4	6,172.5
2005	30	25	261.9	7,855.6
2006	42	34	167.3	7,027.3
2007	40	31	458.9	18,356.2
Total	194	159	324.6	59,686.7

Figure 1. Transactions and Total Deal Value. The table displays the total number of transactions as well as the total deal value (USD millions) for the 194 transactions taking place 2000-2007.

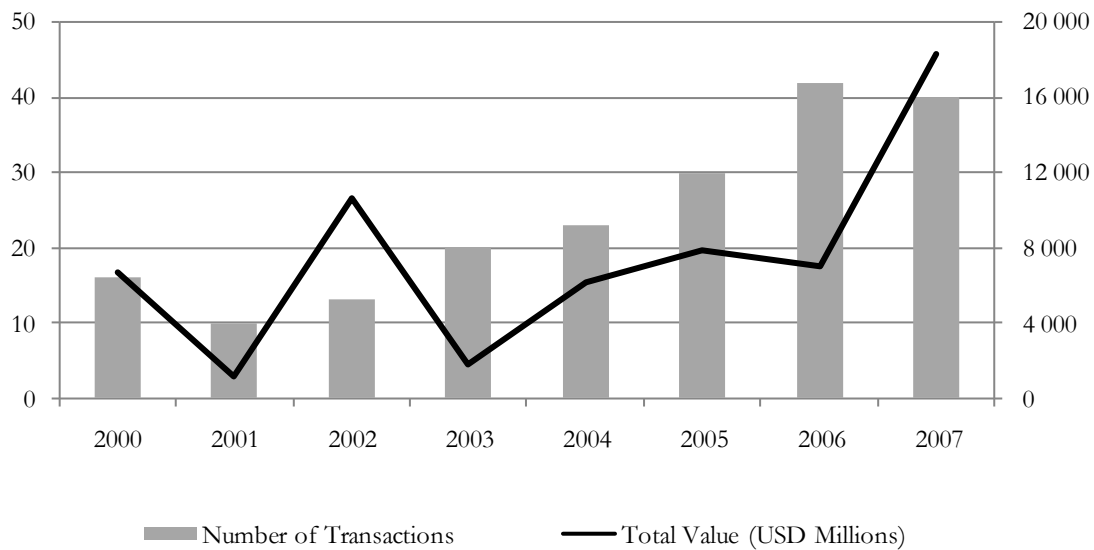


Table 3. Industry Sector Classification by Target and Year. The table presents summary statistics over the target firm industry sector classification for the 194 firms taking place 2000-2007. Observations are divided into industry sectors according to the nine GICS industry sectors.

GICS Sector	2000	2001	2002	2003	2004	2005	2006	2007	2000-2007
Consumer Discretionary	2	2	0	2	2	6	6	9	29
Consumer Staples	1	0	0	0	2	1	2	2	8
Energy	0	0	0	0	1	0	4	0	5
Financials	0	3	2	1	7	5	3	1	22
Healthcare	2	0	1	6	2	3	6	6	26
Industrials	4	1	6	7	6	4	6	9	43
Information Technology	5	3	0	1	2	8	9	9	37
Materials	1	0	3	2	0	1	3	2	12
Telecommunication Services	1	1	1	1	1	2	3	2	12
Total	16	10	13	20	23	30	42	40	194

Figure 2. Cumulative Abnormal Return Distribution. The figure displays the distribution of CARs. The added trendline reveals a rather normal distribution of CARs.

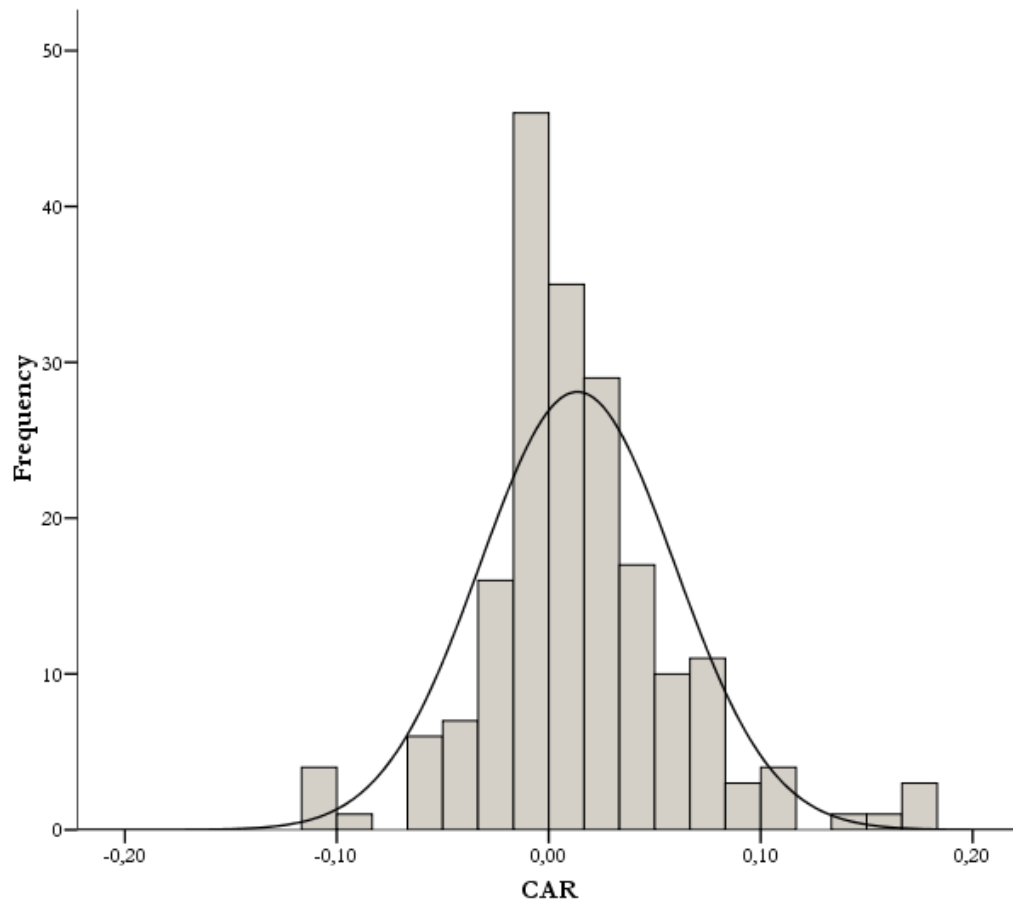


Table 6. Cumulative Abnormal Returns. Announcement period abnormal returns are accumulated over (-1, +1), (-5, +5) and (-10, +10) days from the announcement using the Market Adjusted Returns method as well as the Market and Risk Adjusted Returns method and an estimation period of (-239, -40) days from the announcement. Heteroscedasticity consistent White's *t*-statistics are reported. ***Significant at the 1 percent level. **Significant at the 5 percent level. *Significant at the 10 percent level.

	± 1 Days			± 5 Days			± 10 Days		
	Mean	Std. dev.	<i>t</i> -statistic	Mean	Std. dev.	<i>t</i> -statistic	Mean	Std. dev.	<i>t</i> -statistic
CAR									
Market Adjusted Returns Method	0.014***	0.046	4.101	0.019***	0.071	3.674	0.022***	0.082	3.805
Market and Risk Adjusted Returns Method	0.013***	0.045	3.881	0.014***	0.073	2.620	0.011*	0.085	1.848

Table 7. Cumulative Abnormal Returns by Independent and Control Variables. The table displays the mean and the standard deviation for CARs. For dummy variables, the sample is divided into observations taking a value of 1 and 0, respectively. For continuous variables, the sample is divided into observations taking a value above or below the total sample median, respectively. Two sample *t*-tests have been performed and heteroscedasticity consistent White's *t*-statistics are reported. In addition, Wilcoxon's Sign rank tests have been performed and Z-statistics are reported. ***Significant at the 1 percent level. **Significant at the 5 percent level. *Significant at the 10 percent level. ^(U) Mean CARs are obtained and tests are performed using a sample of only uncontested firms. ^(C) Mean CARs are obtained and tests are performed using a sample of only contested firms. ^(F) Mean CARs are obtained and tests are performed using a sample of only family controlled firms.

	N	Mean	Std. dev.	Mean diff	<i>t</i> -statistic	Z-statistic
All	194	0.014***	0.046		4.101	
High Herfindahl Differences	97	0.008	0.045	0.011*	1.686	1.405
Low Herfindahl Differences	97	0.019	0.046			
Multiple Blockholders	65	0.017	0.047	-0.005	-0.666	-0.928
Single Blockholder	129	0.012	0.045			
High Separation Ratio	95	0.015	0.052	0.003	0.506	-0.221
Low Separation Ratio	99	0.012	0.040			
High Separation Wedge	97	0.011	0.043	0.005	0.807	0.784
Low Separation Wedge	97	0.016	0.049			
Family Control	116	0.017	0.048	-0.008	-1.226	-0.712
Non-Family Control	78	0.009	0.043			
Family Control ^(U)	72	0.014	0.046	-0.022**	-2.098	-1.278
Non-Family Control ^(U)	25	-0.008	0.043			
Family Control ^(C)	44	0.022	0.050	-0.005	-0.579	-0.500
Non-Family Control ^(C)	53	0.017	0.041			
Family Management	52	0.022	0.049	-0.011	-1.544	-1.236
Non-Family Management	142	0.010	0.044			
Family Management ^(F)	52	0.022	0.049	-0.009	-1.031	-0.949
Non-Family Management ^(F)	64	0.013	0.046			
Cash only	138	0.020	0.406	0.009	1.195	0.982
Stock only/Mixed	56	0.011	0.057			
High Relative Size	96	0.004	0.034	-0.020***	-3.089	-2.665
Low Relative Size	98	0.024	0.054			
Publicly Listed Target	46	0.015	0.053	0.007	1.012	1.488
Private Target	148	0.008	0.044			
Cross Border Transactions	141	0.014	0.045	0.001	0.051	-0.636
Domestic Transactions	53	0.013	0.051			
Related Acquisitions	128	0.017	0.052	0.010	-1.462	-0.756
Unrelated Acquisitions	66	0.007	0.030			

Table 8. Linear Regressions. The table presents regressions of CAR on ownership and control variables. Heteroscedasticity consistent White's *t*-statistics from the regressions are reported in the parenthesis. An IT dummy is included in the regressions, to check for robustness, but is not reported. ***Significant at the 1 percent level. **Significant at the 5 percent level. *Significant at the 10 percent level.

	(1)	(2)	(3)	(4)	(5)
Multiple Blockholders		0.005 (0.76)			
Herfindahl Differences			-0.004** (-2.35)	-0.004** (-2.35)	-0.004** (-2.33)
Separation Ratio				0.002 (0.21)	
Separation Wedge					-0.000 (-0.31)
Cash	-0.002 (-0.24)	-0.003 (-0.30)	-0.002 (-0.26)	-0.002 (-0.25)	-0.002 (-0.24)
Relative Size	0.005*** (2.72)	0.005** (2.46)	0.004** (2.31)	0.004** (2.16)	0.004** (2.31)
Listed Target	-0.015* (-1.75)	-0.016* (-1.79)	-0.0156* (-1.78)	-0.016* (-1.77)	-0.016* (-1.75)
Cross Border	0.002 (0.28)	0.002 (0.27)	0.004 (0.49)	0.004 (0.51)	0.004 (0.48)
Related Sector	0.009 (1.50)	0.009 (1.53)	0.008 (1.35)	0.008 (1.34)	0.008 (1.34)
R^2	0.068	0.071	0.086	0.086	0.087
<i>F</i> -statistic	2.60	2.54	3.37	3.01	2.95
Number of observations	194	194	194	194	194

Table 8 Continued. Linear Regressions. The table presents regressions of CAR on ownership and control variables. Heteroscedasticity consistent White's *t*-statistics from the regressions are reported in the parenthesis. An IT dummy is included in the regressions, to check for robustness, but is not reported. ***Significant at the 1 percent level. **Significant at the 5 percent level. *Significant at the 10 percent level. ^(f) Regressions are performed using a sample of only family controlled firms.

	(6)	(7)	(8)	(9)	(10)
Herfindahl Differences	-0.005*** (-2.83)	-0.006** (-2.54)	-0.006*** (-3.18)	-0.004** (-2.37)	-0.004 (-1.54)
Family Control	0.012* (1.72)	0.007 (0.73)	0.011 (1.14)		
High Herfindahl Differences		-0.008 (-0.66)			
High Herfindahl Differences × Family Control		0.014 (0.97)			
High Separation Wedge			0.005 (0.52)		
High Separation Wedge × Family Control			-0.001 (-0.11)		
Family Management				0.010 (1.30)	0.002 (0.24)
Cash	-0.004 (-0.47)	-0.006 (-0.64)	-0.004 (-0.45)	-0.002 (-0.24)	-0.004 (-0.29)
Relative Size	0.004* (1.92)	0.003 (1.61)	0.004** (1.99)	0.004** (2.01)	0.006** (2.31)
Listed Target	-0.016* (-1.76)	-0.016* (-1.77)	-0.016* (-1.79)	-0.017* (-1.92)	-0.018 (-1.29)
Cross Border	0.004 (0.56)	0.004 (0.59)	0.004 (0.50)	0.004 (0.51)	0.002 (0.19)
Related Sector	0.009 (1.47)	0.007 (1.23)	0.009 (1.54)	0.007 (1.26)	0.012 (1.56)
R^2	0.102	0.106	0.103	0.096	0.113
<i>F</i> -statistic	3.44	2.93	2.88	3.52	2.39
Number of observations	194	194	194	194	116 ^(f)

Table 9. Descriptive Statistics. The table displays the mean and the standard deviation for each variable divided into three samples, one consisting of all firms, one of family firms, and one of non-family firms. The total sample comprises 194 observations and the family and non-family samples, 116 and 78 observations, respectively. Two sample *t*-tests have been performed and heteroscedasticity consistent White's *t*-statistics are reported. ***Significant at the 1 percent level. **Significant at the 5 percent level. *Significant at the 10 percent level.

	Total Sample (N = 194)		Family (N = 116)		Non-Family (N = 78)			
	Mean	Std. dev.	Mean	Std. dev.	Mean	Std. dev.	Mean diff	<i>t</i> -statistic
CAR	0.014	0.046	0.017	0.048	0.009	0.043	-0.008	-1.226
Votes Largest Owner	0.361	0.185	0.407	0.196	0.293	0.142	-0.114***	-4.398
Capital Largest Owner	0.196	0.158	0.186	0.152	0.209	0.165	-0.023	0.997
Dual Class Shares	0.613	0.488	0.759	0.430	0.397	0.492	-0.361***	-4.510
Pyramid	0.330	0.471	0.371	0.485	0.269	0.446	-0.101*	-1.474
Separation Ratio	0.613	0.367	0.471	0.027	0.733	0.401	0.262***	5.247
Separation Wedge	0.166	0.161	0.221	0.156	0.156	0.158	-0.136***	-6.323
Herfindahl Differences	6.634	1.510	6.926	1.537	6.199	1.364	-0.727***	-3.377
Family Control	0.598	0.492	1.000	0.000	0.000	0.000	-	-
Family Management	0.268	0.444	0.448	0.499	0.000	0.000	-	-
Cash	0.711	0.454	0.741	0.440	0.667	0.474	-0.075	-1.124
Cross Border	0.727	0.447	0.716	0.453	0.744	0.439	0.028	0.428
Listed Target	0.237	0.426	0.224	0.419	0.256	0.439	0.032	0.516
Related Sector	0.660	0.475	0.621	0.487	0.717	0.453	0.097*	1.402
Relative Size	0.383	1.105	0.329	0.646	0.462	1.396	0.133	0.896

Table 8. Transactions. Transactions are obtained from Standard & Poor's Capital IQ Database based on the following criteria: Observations are from the time period 2000-2007, acquiring firms are Swedish publicly listed companies, deals are completed and mergers or acquisitions of majority stakes, transactions are made by sole acquirers, acquiring firms with multiple transactions during the period are included, multiple transactions undertaken by the same firm within an eleven day rolling period have been excluded, only transactions with a deal value of at least USD10 million are included, only companies with available ownership data from SIS Ägarservice are included. The table displays the 194 transactions used in the analysis and displays date, acquirer, target, whether or not the firm is classified as a family firm and whether or not the largest shareholder is contested. A firm is classified as contested if its *Herfindahl Differences* value is below the sample median.

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
12-20-2007	Beijer Electronics AB	Quality Hotel Mastemyr	32.7	Non-Family	Contested
12-20-2007	Home Properties AB	Westermo Teleindustri AB	24.9	Family	Uncontested
11-15-2007	Skandinaviska Enskilda Banken AB	Joint-Stock Bank Factorial-Bank	116.7	Family	Contested
11-08-2007	Alfa Laval AB	Fincoil-teollisuus Oy	67.4	Non-Family	Contested
11-05-2007	Getinge AB	Boston Scientific Corporation, Cardiac Surgery and Vascular Surgery Businesses	750.0	Family	Uncontested
10-25-2007	Meda AB	Reep Pharma AB	491.0	Non-Family	Contested
10-15-2007	Orexo AB	Biolipox AB	121.4	Non-Family	Uncontested
10-05-2007	Tele2 AB	Eurasia Telecom LLC	24.7	Family	Uncontested
09-28-2007	Hexagon AB	NovAtel Inc	432.1	Family	Uncontested
09-24-2007	XponCard Group AB	All Cards Service Center AB	34.7	Family	Contested
07-23-2007	Ratos AB	Contex A/S	239.0	Family	Uncontested
07-20-2007	Meda AB	Meda Pharmaceuticals, Inc	792.9	Non-Family	Contested
07-06-2007	TeliaSonera AB	MCT Corporation	300.0	Non-Family	Uncontested
06-29-2007	Ratos AB	AAK Bakery Services	64.2	Family	Uncontested
06-29-2007	AarhusKarlshamn AB	EuroMaint AB	14.8	Family	Uncontested
06-21-2007	SKF AB	Baker Instruments Company, Inc	14.0	Family	Contested
06-19-2007	Hakon Invest AB	InkClub AB	61.0	Non-Family	Uncontested
06-05-2007	LM Ericsson Telephone Co.	LHS Telekommunikation GmbH & Co. KG	442.4	Non-Family	Contested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
06-04-2007	Opcon AB	Svensk Røkgasenergi AB	11.8	Family	Contested
05-23-2007	Ratos AB	Hag ASA	82.8	Family	Uncontested
05-23-2007	Saab AB	Seacye Marine Limited	25.9	Family	Uncontested
05-03-2007	Svenskt Stål AB	IPSCO Inc	8,476.0	Non-Family	Contested
04-27-2007	Meda AB	Wyeth Pharmaceuticals	78.1	Non-Family	Contested
04-12-2007	New Wave Group AB	Cutter & Buck Inc	160.7	Family	Uncontested
04-04-2007	Ratos AB	Mobile Climate Control Industries Inc.	43.1	Family	Uncontested
03-29-2007	Addtech AB	Metric Industrial Oy	12.0	Family	Contested
03-23-2007	Elekta AB	3D Line Medical Systems S.r.l	23.9	Family	Contested
03-21-2007	A-Com AB	Spits ASA	29.5	Non-Family	Contested
03-12-2007	Svenska Cellulosa Aktiebolaget	IVM Automotive Holding GmbH & Co. KG	675.2	Non-Family	Uncontested
03-12-2007	Semcon AB	Procter & Gamble Co., European Tissue Operations	47.5	Family	Contested
03-05-2007	Nolato AB	AB Cerbo Group	61.5	Family	Uncontested
02-26-2007	LM Ericsson Telephone Co.	Tandberg Television ASA	1,232.4	Non-Family	Contested
02-26-2007	SKF AB	ABBA Linear Tech Co., Ltd.	75.4	Family	Contested
02-19-2007	Volvo AB	Nissan Diesel Motor Co. Ltd.	2,131.4	Non-Family	Contested
02-16-2007	Modern Times Group Mtg AB	Balkan Media Group Limited	15.2	Family	Uncontested
02-13-2007	Duroc AB	Swedish Tool Holding AB	16.6	Family	Uncontested
02-05-2007	Atlas Copco Group	Dynapac AB	891.9	Family	Contested
01-31-2007	TeliaSonera AB	Sommer Corporate Media GmbH & Co. KG	186.2	Non-Family	Uncontested
01-31-2007	Elanders AB	Debitel Danmark A/S	40.7	Family	Uncontested
01-09-2007	Modern Times Group AB	Nordic Modular Group	14.5	Family	Uncontested
12-19-2006	LM Ericsson Telephone Co.	Redback Networks Inc	2,067.8	Non-Family	Contested
12-08-2006	Getinge AB	Huntleigh Technology Plc	870.3	Family	Uncontested
11-23-2006	Central Asia Gold AB	Kopylovskoye Gold Deposit	15.0	Non-Family	Contested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
11-21-2006	Ballingslöv International AB	Geislergruppen	28.4	Non-Family	Contested
11-20-2006	Munters AB	Sial SpA	26.9	Non-Family	Contested
11-16-2006	TeliaSonera AB	Cygate AB	80.2	Non-Family	Uncontested
11-15-2006	Midelfart Sonesson AB	MZ Group	66.0	Non-Family	Contested
11-15-2006	Ticket Travel Group AB	Midelfart Sonesson A.S.	10.6	Non-Family	Contested
11-09-2006	Meda AB	Cipax AS	822.8	Non-Family	Contested
11-09-2006	XANO Industri AB	3M Co., Branded Pharmaceutical Business in Europe	10.1	Family	Uncontested
11-07-2006	Nordea Bank AB.	Orgresbank Joint Stock Bank	313.8	Non-Family	Contested
10-23-2006	Nolato AB	Medical Rubber AB	21.8	Family	Uncontested
10-17-2006	Ljungberggruppen AB	Atrium Fastigheter AB	557.4	Family	Uncontested
10-05-2006	Svenska Cellulosa Aktiebolaget	Cool Logistics Limited	14.6	Non-Family	Uncontested
10-03-2006	ReadSoft AB	ADECO Congo BVI Ltd.	10.4	Family	Contested
09-14-2006	PartnerTech AB	Hansatech Limited	10.9	Non-Family	Uncontested
09-04-2006	Svenska Cellulosa Aktiebolaget	Manufacturas Papeleras Canarias SL	12.0	Non-Family	Uncontested
08-07-2006	TMG International AB	TMG Zitzmann	13.9	Family	Contested
07-18-2006	Tele2 AB	Vostok Mobile Northwest B.V.	35.0	Family	Uncontested
07-17-2006	Ratos AB	Medifiq Healthcare Oy	84.0	Family	Uncontested
06-30-2006	Tele2 AB	Tele2 Syd AB	69.2	Family	Uncontested
06-30-2006	Modern Times Group AB	PRVA TV	10.3	Family	Uncontested
06-21-2006	SKF AB	John Crane Safematic Oy, Lubrication Systems Business	29.1	Family	Contested
06-14-2006	TeliaSonera AB	Yoigo	89.3	Non-Family	Uncontested
06-14-2006	Ratos AB	Jøtul AS	37.8	Family	Uncontested
06-07-2006	Sandvik AB	Sandvik Mining Construction Australia	34.1	Non-Family	Contested
06-05-2006	LM Ericsson Telephone Co.	Netwise AB	42.1	Non-Family	Contested
05-30-2006	Lagercrantz Group AB	Elpress AB	13.6	Family	Contested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
05-29-2006	Lundin Petroleum AB	Valkyries Petroleum Corp.	729.5	Family	Contested
05-16-2006	TeliaSonera AB	NextGenTel Holding ASA	297.1	Non-Family	Uncontested
05-11-2006	Sandvik AB	Hagby-Asahi AB	18.5	Non-Family	Contested
05-10-2006	RNB Retail and Brands AB	JC AB	291.0	Family	Contested
05-08-2006	Ångpanneföreningen AB	Benima AB	72.6	Non-Family	Uncontested
04-24-2006	Pricer AB	Eldat Communication Ltd.	40.2	Family	Contested
04-11-2006	Teleca AB	Telma Ltd.	57.0	Family	Contested
03-31-2006	Elekta AB	Beijing Medical Equipment Institute	20.0	Family	Uncontested
02-24-2006	Sigma AB	Sigma Meteorit AB	11.3	Family	Uncontested
02-17-2006	Cardo AB	Grupo Combursa	40.7	Family	Uncontested
01-30-2006	Ångpanneföreningen AB	ÅF-Enprima Ltd.	15.7	Non-Family	Uncontested
01-26-2006	Vitrolife AB	Vitrolife Sweden Instruments AB	12.4	Non-Family	Contested
01-03-2006	Bilia AB	Tronrud Holding AS	12.4	Family	Contested
01-02-2006	Home Properties AB	Hasseludden Konferens & Yasuragi AB	11.3	Family	Uncontested
12-28-2005	ORC Software AB	Cameron Systems Pty Ltd.	33.0	Non-Family	Contested
12-23-2005	Fabege AB	Fastighets AB Tornet	1,279.6	Family	Contested
12-15-2005	Securitas AB	Black Star SL	27.5	Family	Contested
12-01-2005	Elekta AB	Medical Intelligence Medizintechnik GmbH	23.4	Family	Uncontested
11-04-2005	Fagerhult AB	Whitecroft Lighting Ltd.	36.8	Family	Uncontested
10-25-2005	LM Ericsson Telephone Co.	Marconi Corporation plc, Majority Telecommunications Equipment & International Services Businesses	2,121.1	Non-Family	Contested
10-10-2005	Fastighets AB Balder	Bygg-Fast Fastigheter AB	36.4	Family	Uncontested
10-04-2005	Getinge AB	Lancet UK Ltd.	15.4	Family	Uncontested
09-26-2005	Eniro AB	Findexa AS	1,404.8	Non-Family	Contested
09-23-2005	Alfa Laval AB	Tranter PHE Inc	150.0	Non-Family	Contested
08-15-2005	Hexagon AB	Leica Geosystems Holdings AG	1,180.8	Family	Uncontested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
07-14-2005	Tele2 AB	Comunitel Global, S.A.	310.6	Family	Uncontested
07-12-2005	Ratos AB	Stefanel SpA	67.0	Family	Uncontested
07-12-2005	Hennes & Mauritz AB	Arcus Gruppen ASA	12.0	Family	Uncontested
07-06-2005	TeliaSonera AB	Vollvik Gruppen AS	285.6	Non-Family	Uncontested
06-20-2005	HQ Bankaktiebolag	HQ Fonder AB	58.8	Family	Contested
05-30-2005	Ortivus AB	MEDOS AG	10.4	Non-Family	Contested
05-24-2005	SkiStar AB	Trysilfjell BA	29.6	Family	Uncontested
05-10-2005	LBI International AB	Oyster Partners Ltd	22.7	Non-Family	Contested
05-09-2005	IBS AB	IDS Enterprise Systems Pty Ltd.	18.0	Family	Uncontested
05-02-2005	Fabege AB	AP Fastigheter AB	89.0	Family	Contested
04-25-2005	Skandinaviska Enskilda Banken AB	SEB Privatbanken ASA	183.6	Family	Contested
03-31-2005	Assa Abloy AB	Doorman Services Limited	12.5	Family	Contested
03-01-2005	IBS AB	TMS Tailor Made Systems Pty Ltd.	10.1	Family	Uncontested
02-21-2005	Biotage AB	Argonaut Technologies Inc, Substantially All Assets	21.6	Non-Family	Contested
02-15-2005	Alfa Laval AB	Packinox S.A.	77.6	Non-Family	Contested
02-09-2005	RNB Retail and Brands AB	C/O Departments & Stores AB	22.9	Family	Contested
02-04-2005	Addtech AB	Addtech Life Science	25.2	Non-Family	Contested
02-03-2005	Fagerhult AB	LampGustaf AB	39.1	Family	Uncontested
01-17-2005	Elekta AB	IMPAC Medical Systems Inc.	250.7	Family	Uncontested
12-22-2004	Nocom AB	TurnIT AB	43.8	Family	Uncontested
11-22-2004	Midelfart Sonesson AB	Friggs AB	24.7	Family	Uncontested
11-19-2004	Scania AB	Ainax AB	1,091.1	Non-Family	Contested
11-05-2004	Ratos AB	Inwido AB	67.0	Family	Uncontested
10-14-2004	Tele2 AB	Tele2 Telecommunication GmbH	262.9	Family	Uncontested
10-07-2004	Rederi AB Transatlantic	Gorthon Lines AB	47.4	Non-Family	Uncontested
09-06-2004	CashGuard AB	SQS Security Qube System AB	20.2	Non-Family	Contested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
07-19-2004	Fabege AB	Fabege AB, Prior to the Acquisition by Wihlborgs Fastigheter AB	1,758.9	Family	Contested
07-08-2004	TeliaSonera AB	Orange A/S	737.3	Non-Family	Uncontested
07-01-2004	Atlas Copco Group	Ingersoll-Rand Ltd., Drilling Services Business	225.0	Family	Contested
06-24-2004	Skandinaviska Enskilda Banken AB	Codan AS, Life and Pension Operations	442.5	Family	Contested
05-14-2004	Aspiro AB	Cellus Norway AS	16.8	Family	Contested
05-06-2004	Securitas AB	Bell Group plc	177.3	Family	Contested
05-04-2004	SKF AB	Busto & Tema	87.7	Family	Contested
05-04-2004	Svenska Cellulosa Aktiebolaget, SCA	Willy Vogel AG	37.2	Non-Family	Uncontested
04-26-2004	Investment AB Öresund	Custos AB, Prior To Its Acquisition By Forvaltnings AB Johnson Pump	82.6	Family	Uncontested
03-30-2004	Meda AB	Ipx Medical AB	18.4	Non-Family	Contested
03-25-2004	Svenska Cellulosa Aktiebolaget, SCA	Carter Holt Harvey Ltd., Tissue Unit	661.5	Non-Family	Uncontested
03-02-2004	Svenska Cellulosa Aktiebolaget, SCA	Drypers Malaysia Sdn Bhd	90.0	Non-Family	Uncontested
02-20-2004	Atlas Copco Group	Atlas Copco Drilling Solutions Inc.	225.0	Family	Contested
01-28-2004	Peab AB	F18	10.9	Family	Contested
01-27-2004	Ratos AB	Haendig	14.9	Family	Uncontested
01-21-2004	B&B TOOLS AB	Momentum Industrial Maintenance Supply AB	29.6	Non-Family	Contested
12-22-2003	Ratos AB	Vincor Group	52.9	Family	Uncontested
12-22-2003	Svenska Cellulosa Aktiebolaget, SCA	Bluegarden AS	11.6	Non-Family	Uncontested
12-18-2003	Home Properties AB	Home Invest AB	48.7	Family	Uncontested
12-03-2003	Sweco AB	SWECO PIC Oy	41.7	Family	Contested
12-01-2003	Nobia AB	Metzeler Automotive Hose Systems GmbH	118.0	Non-Family	Contested
12-01-2003	Trelleborg AB	Gower Group Ltd.	36.6	Family	Uncontested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
10-14-2003	Biotage AB	Biotage, LLC	35.0	Family	Contested
10-14-2003	Meda AB	Medic Team A/S	21.3	Non-Family	Contested
10-02-2003	Alfa Laval AB	Biokinetics, Inc	27.9	Non-Family	Contested
08-15-2003	Getinge AB	Siemens, Life Support Systems Business	225.2	Family	Uncontested
08-07-2003	Biotage AB	Personal Chemistry	23.5	Family	Contested
07-24-2003	Trelleborg AB	Trelleborg Sealing Solutions	789.5	Family	Uncontested
06-18-2003	Securitas AB	Armored Motor Service Of America Inc	32.0	Family	Uncontested
06-13-2003	Ljungberggruppen AB	Fastighets AB Celtica	17.7	Family	Uncontested
05-22-2003	Getinge AB	MAQUET Cardiopulmonary AG	70.1	Family	Uncontested
05-15-2003	Acando AB	Acando	17.6	Family	Contested
04-01-2003	Securitas AB	Lincoln Security Services, Inc	13.7	Family	Uncontested
03-27-2003	Eniro AB	Eniro 118 118 AB	104.1	Non-Family	Contested
02-17-2003	Tele2 AB	Alpha Telecom (UK) Limited	83.4	Family	Uncontested
01-01-2003	Höganäs AB	SCM Metal Products, Inc	65.0	Family	Uncontested
09-20-2002	Svenska Cellulosa Aktiebolaget, SCA	Benedetti International Plc, Paper Division	14.7	Non-Family	Uncontested
08-29-2002	Svenska Cellulosa Aktiebolaget, SCA	Bertako, S.A.	17.2	Non-Family	Uncontested
07-30-2002	Svenska Cellulosa Aktiebolaget, SCA	Stabernack	129.3	Non-Family	Uncontested
07-11-2002	Bilia AB	Oy Rolac Ab	11.4	Non-Family	Contested
06-18-2002	Sandvik AB	Valenite LLC	175.0	Non-Family	Contested
05-27-2002	Ledstieman AB	Speed Ventures NV	15.2	Non-Family	Contested
05-07-2002	Nordea Bank AB	LG Petro Bank S.A.	117.9	Non-Family	Contested
05-02-2002	Electrolux AB	Diamant Boart International SA	167.7	Family	Contested
04-29-2002	Assa Abloy AB	Besam AB	298.4	Non-Family	Contested
03-26-2002	TeliaSonera AB	TeliaSonera Finland Oyj.	9,583.4	Non-Family	Uncontested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
01-30-2002	Atlas Copco Group	Atlas Copco Construction Tools GmbH	47.6	Family	Contested
01-18-2002	Getinge AB	Heraeus Medical, Inc	28.3	Family	Uncontested
01-07-2002	Cardo AB	Amber Doors Holding Limited	21.3	Family	Contested
12-18-2001	Securitas AB	Securitas Beveiliging B.V.	98.7	Family	Uncontested
12-11-2001	Haldex AB	The Holland Group, Inc, Two Business Units	21.5	Family	Contested
12-10-2001	Teleca AB	Teleca AU-System AB	130.5	Family	Uncontested
10-09-2001	PartnerTech AB	Vellinge Electronics AB	14.9	Non-Family	Contested
07-31-2001	Nordea Bank AB	Postgirot Bank	388.2	Non-Family	Contested
06-26-2001	TeliaSonera AB	Powercom	50.7	Non-Family	Uncontested
05-31-2001	Home Properties AB	Scandic Hotel Malmen	26.2	Family	Uncontested
05-15-2001	Securitas AB	Loomis, Fargo & Co.	102.0	Family	Uncontested
04-11-2001	Svenska Handelsbanken AB	Handelsbanken Midtbank	279.6	Non-Family	Contested
02-05-2001	Scribona AB	PC Lan ASA	33.6	Non-Family	Contested
11-20-2000	Electrolux AB	Email Ltd., Major Appliances Division	252.9	Family	Contested
11-17-2000	Hexagon AB	Brown & Sharpe, Inc	155.5	Family	Uncontested
11-16-2000	Getinge AB	MAQUET GmbH & Co. KG	77.7	Family	Uncontested
11-06-2000	Assa Abloy AB	HID Global Corporation	250.0	Non-Family	Contested
10-25-2000	Telelogic AB	Telelogic Configuration Management Inc	44.8	Family	Contested
10-12-2000	LM Ericsson Telephone Co.	Ericsson Amplified Technologies Inc.	107.9	Family	Uncontested
08-10-2000	Gunnebo AB	Chubb Safes Group	74.9	Non-Family	Contested
08-03-2000	Securitas AB	Burns International Security Services Ltd	457.0	Family	Uncontested
07-24-2000	Tele2 AB	Société Européenne de Communication	3,304.2	Family	Uncontested

Date	Acquirer	Target	Transaction value (USD millions)	Family/ Non-Family	Contested/ Uncontested
05-08-2000	Electrolux AB	Electrolux LLC, Trademark And Intellectual Properties In North America	50.0	Family	Contested
03-27-2000	Karo Bio AB	Karo Bio USA	106.7	Non-Family	Contested
03-27-2000	Ratos AB	Camfil Farr, Inc	138.7	Family	Uncontested
03-24-2000	Assa Abloy AB	YSG Door Security Consultants	1,301.8	Non-Family	Contested
03-06-2000	Höganäs AB	Pyron Metal Powders Inc	41.0	Family	Uncontested
02-07-2000	Nolato AB	Nolato Shieldmate, Inc	25.5	Family	Uncontested
01-20-2000	Swedish Match AB	General Cigar Holdings, Inc	277.8	Non-Family	Contested