

BOUSSARD & GAVAUDAN H O L D I N G L I M I T E D

Boussard & Gavaudan Holding Limited
A closed-ended investment company incorporated with limited liability under the laws
of Guernsey, with registration number 45582.

Interim Management Statement **For the Quarter ended 30 September 2013**

I. PRINCIPAL ACTIVITIES

Boussard & Gavaudan Holding Limited (“BGHL” or “the Company”), a closed-ended investment company incorporated under the laws of Guernsey, announces its interim management statement for the period from 1 July to 30 September 2013 (“the period”).

The Company is registered with the Dutch Authority for Financial Markets and is listed on the NYSE Euronext Amsterdam, and the London Stock Exchange.

During the period, BGHL has invested indirectly almost all its assets in BG Master Fund Plc (“BG Fund” or “the Fund”), a Europe-focused multi-strategy hedge fund established in Ireland and authorised by the Central Bank as a Qualified Investor Fund (QIF), through a dedicated share class of the feeder fund, BG Umbrella Fund Plc.

The Fund aims primarily at arbitraging instruments with linear or non-linear pay-offs on equities and credit markets. The overall investment objective of the Fund is to provide investors with consistent absolute returns, primarily through investing and trading in financial instruments of companies incorporated in, or whose principal operations are in Europe. In addition, a proportion of the net assets of BGHL may be invested in other hedge funds and/or other financial assets.

Boussard & Gavaudan Asset Management LP (“BGAM” or “the Investment Manager”) is the Investment Manager for both the Company and the Fund.

II. HIGHLIGHTS

	30-Sep-13	28-Jun-13
Assets under Management (€m)	579	567
Market Capitalisation (€m)	455	449
Shares Outstanding	36,999,154	37,215,028

	NAV per Share		Share price [*]		Discount to NAV	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
30-Sep-13	15.5998	14.0971	12.28	£10.52	-21.28%	-25.37%
28-Jun-13	15.2148	13.7567	12.06	£10.51	-20.74%	-23.60%
Performance	2.53%	2.47%	1.82%	0.10%		

III. PERFORMANCE

European equities rallied during the period with the Eurostoxx 50® 11.2%. Volatilities on stock markets went down: the VDAX index moved from 19.2% to 15.6% and the VStoxx® index from 21.8% to 19.4%. Credit spreads tightened with the iTraxx Crossover S19 at 379bps (97bps of tightening).

1. **BG Fund**

As at 30 September 2013, the Company had approximately 90% of its assets invested in the BG Fund.

From 28 June to 30 September 2013, BG Fund (Euro A share class) posted a +2.61% performance. All strategies, except trading, posted a positive performance, driven by equity strategies followed by credit strategies and volatility strategies. Trading posted a negative performance.

1.1. **Volatility Strategies**

Convertible Bond Arbitrage

During the period, net issuance of European convertibles reached less than €1bn and flows were still dominated by outright investors who pushed valuations higher.

In particular, the rally in Europe was dominated by the summer squeeze triggered by long only funds raising assets and chasing balanced names. However, market liquidity was very limited which led to a significant richening of some names. September, which is traditionally an active month in terms of issuance, was disappointing both in terms of quantity and quality. Investors were under pressure to invest their cash as opposed to managing their risk. As a consequence, most of the fund's positions drifted higher along with the market. The Investment Manager took profit on various convertible bonds trading at fair value.

Two specific positions can be highlighted during the period: Theolia and Nokia. Theolia was the best performer of the sub-strategy. On 8 July, Macquarie launched a takeover of Theolia, with the support of the management and recommendation from the board. This came as a surprise to the market, the Investment Manager included; having built the position based on a restructuring of the CB with the belief that Theolia's assets were undervalued by market participants. Prior to the deal being announced, the CB was trading at 60%. The prospectus allowed reimbursement at par + accrued. Unexpectedly, the tender did not reach the 2/3 trigger but only 64% of the voting rights. As a consequence both shares and CBs collapsed. Macquarie did not comment on the situation. The CB was puttable at par on 1 January 2015. While unsuccessful, Macquarie's proposal convinced all players of Theolia's valuable asset ownership. At the end of the period, the CB level was around 82% and liquidity was very limited.

* Amsterdam (AEX) market close for the Euros shares and London (LSE) market close for the Sterling shares

The Nokia position was also a significant contributor. On 3 September, Nokia announced that Microsoft was to acquire its Devices & Services business for \$7.2bn. The share price rallied (+60%) and the credit spread strongly tightened (5-year CDs from 540bps to 225bps). The Investment Manager hedged this CB with a higher delta than the market and with no CDS protection. Thanks to these parameters, the negative impact of a higher delta was minimal compared to the tightening of the credit.

Mandatory Convertible Bond Arbitrage

There were no issues during the period and volumes remained muted. The fund benefited from the Orane Publicis position but suffered, to some extent, on the Volkswagen position.

On 28 July, Publicis' and Omnicom's management agreed on a merger of equals. The Orane position could be seen as a sum of 10 forwards on the stocks (one per year), until September 2022. The prospectus allowed for an accelerated conversion in such a situation. As this position was very illiquid, the Investment Manager marked it at the bid price found on the electronic market. There remained a similar profit to be made from this mark in the near future, including a special dividend of €1, which was not protected by the prospectus. In accordance with the Investment Manager's fundamental analysis and the estimated probability for the deal to complete, the position was managed with a delta of 100%.

Volkswagen's valuation drifted lower during the period. Outright investors in Europe were not considering this mandatory, whilst sellers were mainly from the US.

Gamma Trading

Gamma trading contributed a marginal negative performance the period. The Investment Manager continued mostly to trade naked equity options in equity strategies to express its directional views. Therefore, from a gamma / theta standpoint the fund's exposure was kept to a minimum. Nevertheless, the Investment Manager was able to almost compensate theta, thanks to various earnings situations and to trading around investor days.

Implied volatility remained at historically low levels. However, as realised volatility continued to be subdued, implied volatility in the short term was not deemed attractive by the Investment Manager.

The Investment Manager continues to monitor the situation in order to raise the gamma exposure, should the downside risk increase.

1.2. Equity Strategies

Equity strategies were the best performer over the period, having benefited from the unlocking of several catalysts on various positions and despite keeping the net exposure to a minimum. In particular, the Investment Manager's expectation of further consolidation within the telecommunications sector was confirmed, the fund's overweighting in the sector having significantly contributed to the performance.

The biggest gain was on the Vodafone position. The stock rallied following rumours at the end of August that it was close to selling its 45% stake in Verizon Wireless for US\$130bn to its US partner, Verizon. The deal was confirmed on 2 September. KPN was another significant contributor. The stock rallied 24% in July, following an attractive offer from Telefonica to merge its German subsidiary E-plus with Telefonica Deutschland. These transactions could serve as catalysts for a rerating of the entire telco sector in Europe. Hence, the fund also benefited from its exposure to the sector through other names.

Significant positive contributions were also sourced in other sectors, such as the position in EADS. The stock finished September up over 60% since the start of the year. The position continues to benefit from strong momentum following favourable half year results.

On a negative note, Mobistar's pre-reported half year results announced a guidance cut of up to 30% at the EBITDA level which came as a surprise, and the stock fell significantly. Additionally, the fund suffered on its position in Barclays. Having disclosed a capital shortfall under the PRA leverage ratio of around £7bn at the end of June, Barclays surprisingly increased this figure at the interim stage to

£12.8bn. This amount will now be plugged, among a series of announced measures, with a £6bn rights issue, leading to a significantly higher dilution than anticipated.

While Europe slowly emerges from its difficult economic environment, it appears that corporate activity is on the rise. With the equity market well supported, the Investment Manager expects several IPOs to be launched in Europe by the end of the year. As recent deals have been well received by the market both for the targets and the acquirers, this could push more companies to launch new deals.

1.3. Credit Strategies

Capital Structure Arbitrage

Following the strong equity vs. credit discrepancy in June, the relationship between credit spreads and equities renormalised. During the period, the Investment Manager kept a balanced portfolio between long equity / short credit and long credit / long put trades and all these trades were profitable.

In particular, the position in Rallye benefited from emerging market macro improvement, and also from Casino's results. In the Investment Manager's opinion, Rallye's credit was too wide and began to converge toward its fair value.

The position in ArcelorMittal also benefited from the positive emerging market macro news flow and from the active trading in the shares, especially in September. The stock increased sharply with the CDS only marginally changed. The uncertainty of the company's balance sheet had little impact on its CDS.

Finally, there was a significant outperformance in the oil and gas trades, thanks to their strong equity performance, and in value stocks vs. their credit spreads.

The Investment Manager continued to actively trade other positions, which also contributed positively to the fund.

The Investment Manager expects to identify new capital structure arbitrage opportunities in the coming months.

Credit Long / Short

During the period, the fund's positioning remained focused on specific situations. The outperformer was the long position in French insurer Groupama's subordinated instruments. The market welcomed the company's H1 2013 results, which confirmed the recovery trajectory of the credit with a solvency ratio stabilising at 170%. The Company also confirmed its continued balance sheet de-risking. The successful sale of 1.86% stake in Société Générale was announced on 13 August. Following H1 results, Fitch confirmed they had placed Groupama's hybrid securities on positive watch. Groupama announced further de-risking of their balance sheet with the successful placement of their 6.9% Eiffage stake, on 9 September.

The long position in Solocal (ex Pages Jaunes) HY bonds also performed well. The market reacted very positively to the commercial partnership between Solocal and Google, announced on 26 September. This was perceived as another positive step to sustain the company's digital strategy.

The fund also held some short positions via CDS in selected European peripheral credits, as the Investment Manager believed some volatility could resurface on that front.

The European HY market was set for a record issuance year with close to €60bn issued year-to-date. Those volumes were absorbed by investors' appetite given the lack of alternative sources of yield. Corporates have increasingly been using the HY market over the banking/leveraged loans market to refinance their debt. Bank deleveraging will continue to sustain the capital market supply. Despite the record supply and increasing positive net issuance trend, the European HY market remained healthy. In Financials, new hybrid structures picked up, with the pipeline growing. This segment should dominate the primary market in the coming months.

Trading

Trading contributed a negative performance during the period.

2. Investments Other Than BG Fund

As of 30 September 2013, the net asset value of the investments, other than BG Fund, represented approximately 10% of the net asset value of BGHL. The performance of the investments was marginal over the quarter.

2.1. Rasaland

BGHL entered into Rasaland in June 2008 for \$10 million. Rasaland is a Maltese company structured as a private equity fund in terms of fees and organisation, dedicated to investing in land and high-end resort developments in Mexico. The EUR/USD exposure is hedged by an FX forward which is rolled on a 3 month basis.

2.2. Compagnie des Minquiers

On 3 March 2011, Compagnie des Minquiers SAS, an 83.3%-owned subsidiary of BGHL (held jointly with the executive committee members of the Cofigeo group), acquired 100% of the shares of the holding company, MPF (renamed Financière des Minquiers), holding 26,523 shares in Cofigeo, traded on the regulated market NYSE Euronext in Paris, representing approximately 36% of capital and 41% of voting rights. On 29 March 2011, in compliance with French securities law, Compagnie des Minquiers filed a mandatory tender offer for all the remaining shares of Cofigeo at a price of €530. On 20 June 2011, following the completion of the “offre publique de retrait” on Cofigeo, Compagnie des Minquiers SAS announced that it held 100% of the capital of Cofigeo. BGHL’s initial investment in the transaction amounts to approximately €18 million.

With sales of 138 million and approximately 650 employees, Cofigeo is a leading player in France within the canned food industry. The group sells prepared meals and sauces under the brands Zapetti (formerly Buitoni) and Raynal & Roquelaure, as well as under private labels. It ranks #2 in France with a market share of approximately 25%.

2.3. GFI Informatique

On 7 June 2013, BGHL signed a shareholders’ agreement in order to act in concert with the two main shareholders of GFI Informatique. GFI Informatique is one of the leading IT services firms in France and Southern Europe, employing 10,000 people as at the end of 2012.

In compliance with applicable regulations, the concert through Infofin Participations (an entity created for this purpose, hereafter “Infofin”), filed a mandatory public tender offer with the French Autorité des Marchés Financiers (AMF) for all of the outstanding shares and bonds giving access to GFI’s share capital or voting rights not yet held by the concert.

Under the shareholders’ agreement BGHL agreed to invest - after completion of the public offer - in bonds to be issued by Infofin and exchangeable into GFI shares. On 29 August 2013 BGHL completed its subscription of Infofin exchangeable bonds for the amount of €20,364,030.72.

In addition, the Company has an equity investment in GFI Informatique (FR0004038099) representing approximately €6.2 million as of 30 September 2013.

IV. OUTLOOK

Financial prospects for the coming months will be linked to the level of opportunity created across the Company's strategies in the European corporate environment.

The Investment Manager continues to be fully committed to the strategies of the Company.

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Disclaimer

The Company is established as a closed-ended investment company domiciled in Guernsey. The Company has received the necessary approval of the Guernsey Financial Services Commission and the States of Guernsey Policy Council. The Company is registered with the Dutch Authority for the Financial Markets as a collective investment scheme pursuant to article 2:73 in conjunction with 2:66 of the Dutch Financial Supervision Act (Wet op het financieel toezicht). The shares of the Company (the "Shares") are listed on Euronext Amsterdam. The Shares are also listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange plc's main market for listed securities.

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Neither the Company nor BG Fund has been, and neither will be, registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition the securities referenced in this announcement have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"). Consequently any such securities may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, US persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the issuer of such securities to register under the Investment Company Act. No public offering of any securities will be made in the United States.

You should always bear in mind that:

- All investment is subject to risk;*
- Results in the past are no guarantee of future results;*
- The investment performance of BGHL may go down as well as up. You may not get back all of your original investment; and*
- If you are in any doubt about the contents of this communication or if you consider making an investment decision, you are advised to seek expert financial advice.*

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