BOUSSARD& GAVAUDAN HOLDING LIMITED

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

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 2011 ("the period"), in line with the requirements of the EU Transparency Directive.

The Company is registered with the Dutch Authority for Financial Markets and listed on Euronext Amsterdam and on the London Stock Exchange ("LSE").

BGHL has invested almost all of its assets in the Boussard & Gavaudan Fund Plc ("BG Fund" or "the Fund"), a Europe-focused multi-strategy hedge fund which 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. Additionally, BGHL has some private equity investments.

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

II. Highlights

	30-Jun-2011	30-Sep-2011
Assets under management	€ 639 million	€ 595 million
Market capitalisation	€ 572 million	€ 517 million
Shares outstanding *	45,139,917	43,280,288

* Based on shares outstanding after conversion between share classes

	NAV per share		Share price **		Discount to NAV **	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
30-Jun-2011	€ 14.1502	£13.0638	€ 12.65	£11.94	-10.60%	-8.60%
30-Sep-2011	€ 13.7044	£12.5580	€ 11.93	£10.43	-12.95%	-16.95%
Performance	-3.15%	-3.87%	-5.69%	-12.65%		

III. Performance

As at 30 September 2011, the Company had approximately 96% of its assets invested in the BG Fund and the remainder in three private equity investments.

Below is an overview of the BG Fund and the private equity investments from 1 July to 30 September 2011.

1. BG Fund Plc

Over the period, European equities markets dropped with the Eurostoxx 50® at -23.5%. Volatilities on stock markets increased: the VDAX index moved to 43.2% from 16.5% and the VSTOXX® index to 46.7% from 21.6%. The iTraxx crossover index ended at 838bps (+441bps).

From 1 July to 30 September 2011, the BG Fund (Euro A share class) posted a -4.01% performance. All strategies, except trading, posted a negative performance. The main drivers to the negative performance were volatility strategies followed by credit strategies and equity strategies.

1.1. Volatility strategies

Convertible bond arbitrage
This sub-strategy contributed negatively to the Fund.
European CB market started the period softer across the board and in a limited volume. In August, whilst both credit and equity markets became extremely challenging, European CB market did not experience the kind of massive sell-off or significant de-rating of valuations that were seen in 2008 in the wake of the Lehman Brothers bankruptcy. Despite the continuous sell-off of the credit on the back of the on-going sovereign crisis and a concerning macro outlook in September, European convertibles held up relatively well on an arbitrage basis.

In terms of flows, the Investment Manager did not witness any significant acceleration of inflows or any significant forthcoming redemption amongst the European CB community in July. After notable outflows in August (~US$3bn on the European CB funds the Investment Manager tracked on Bloomberg and other public sources) representing approximately 7% of AUM, the Investment Manager witnessed a pause (or return to normal business) in September. AUM at global asset managers continued to decrease, but medium-sized asset managers did not face huge redemptions. In addition, the Investment Manager understood these asset managers could weather small redemptions, if need be, as they had cash representing 10 to 15% of their assets.

In this stressed macro environment, convertible bonds (excl. mandatories) were the main contributor to the negative performance of the Fund this quarter. The preemptive investment decision to reduce

** Amsterdam (AEX) market close for the Euros shares and London (LSE) market close for the Sterling shares the Fund's exposure and to focus on high delta names a few months ago helped the Fund to behave quite well but not enough though to offset the poor performance coming mostly from the Fortis CASHES position. This bond particularly suffered, dragged down by the turmoil in the Tier 1 space and by investor concerns over French banks and BNP Paribas in particular. The Fortis CASHES underperformed even BNP instruments that were structurally subordinated to it! This occurred in very limited volumes though, which meant most of the price decline was driven by remarks, not by actual trades in the market. The Investment Manager continues to have the highest conviction in this position and it believes the current price dislocation represents a fantastic entry point. To a lesser extent, the credit sensitive bonds in the portfolio also contributed negatively to the performance of the Fund. The remainder of the book, which were high delta names, held up relatively well thanks to the CDS hedges and the gamma gains booked over this volatile period.

<u>Mandatory convertible bond arbitrage</u>
Mandatory convertible bonds returned a marginal positive performance to the Fund.

During the period, the Fund benefited from a better valuation on the UBS/BBVA exchangeable bonds which were lifted up in light volume.

The Fresenius 5.625% 2011 mandatory exchangeable bond was redeemed on 14 August and settled in Fresenius Medical Care (FMC) shares at a final conversion price of €35.26 per FMC share. The number of shares delivered to bondholders upon mandatory redemption was actually dependent upon the average VWAP of the FMC shares during the averaging period. As the Fund was hedged and the Investment Manager could thoroughly replicate the averaging formula it eventually managed to realise the entirety of the discount to fair value which remained in the bonds. This compensated for the limited losses of the other mandatory positions.

There was no new mandatory convertible bond issue in Europe this quarter.

<u>Gamma trading</u>
This sub-strategy contributed positively to the Fund.

July was a difficult month for equities, as the market basically drifted downwards on most days, with the exception of the week the European leaders agreed to draft a plan to solve the Greek financial situation and to stop the contagion. With a lot of uncertainties, in addition to the concerns on global growth and the drawn-out negotiations on the US debt ceiling, The Investment manager continued to protect the overall Fund with long gamma exposure, even through the carry has barely paid off.

The weakness in the equity markets grew dramatically during the first half of August, starting with the last-minute compromise on the US debt ceiling. Concerns over the European sovereign debt, mitigated corporate results and guidances, as well as fears of a US credit downgrade that materialised and a poor perception of policymakers, caused an abrupt fall in equities, together with a spike in implied volatilities that was reminiscent of the 2008-2009 crisis.
The massive correction led the Investment Manager to some restriking of the Fund's gamma exposure, as the spot moved away from his strikes and this reduced his long gamma. The Investment Manager bought downside volatility at high levels which still paid off with extreme intraday volatility.

In September, realised volatilities were high across all sectors and implied volatilities reached new highs for the year. The hot topics keeping the market unstable essentially revolved around the European sovereign debt crisis, which worsened due to the absence of a quick and cohesive response from policymakers. As a result, fears of a Greek restructuring intensified, badly affecting the French banking sector, for example. The recurrent negative newsflow, paired with contradicting comments from European officials, kept the intraday volatility high and therefore implied volatility at high but cheap levels.

Scarce liquidity on single stock options led the Investment Manager to increase in particular the Fund's long gamma position on the liquid Eurostoxx 50®, which made sense due to the unusually high internal correlation and consequently became a strong contributor to our positive performance that month. Other single stock positions, especially in the automobile and technology sectors, were also successful.

The Investment Manager continuously monitored the situation in order to raise the gamma exposure, should the downside risks increase.

Equity strategies

European equity markets dropped during the period with the Eurostoxx 50® down 23.5%. The market was mainly driven by the macro, with stress coming from the debt crisis, both from the European periphery and the US debt burden. In July, European Union leaders announced a new bail-out plan for Greece which gave some temporary relief to the European market but tension re-emerged dramatically on August 5th when Standard & Poor's cut the US long term debt to AA+, one notch below the top grade of AAA. The United States had until then maintained the highest credit rating since the creation of Standard & Poor's in 1941. Speculation that Greece may default re-appeared at the end of the period.

Special situations reduced dramatically in this environment, corporates becoming reluctant to take any risk. Whilst most of them have plenty of cash in their balance sheets, they prefer to use it for share buy backs rather than for acquisitions on the brink of a potential global recession.

In this challenging context, the Investment Manager continued to run a very limited book and used derivatives to protect the book. All moves were extremely correlated and, although the Investment Manager has started to see value opportunities emerging on some specific names, it thinks that it may not yet be the time to invest. Its outlook remains very cautious on the equity market evolution for the upcoming months so the Investment Manager will not deploy capital until the environment looks brighter, as this market is driven more by the macro rather than by fundamentals.

Equity strategies contributed negatively to the performance of the Fund during the quarter, mostly impacted by the Fund's core positions

1.2. Credit strategies

Credit strategies contributed negatively to the performance of the Fund.

Over the period, credit markets woke up to the fragility of the global recovery based on unsustainable government fiscal deficits. The "Fukushima effect" had been largely expected to weigh on 2Q worldwide growth data. Weaker economic numbers in the US and Europe, which followed the US sovereign downgrade on August 5th, magnified the repricing of all spreads in a major "flight-to-quality" from which benefitted US Treasuries (oddly?) and German Bunds. Government spreads widened within core-Europe itself, between core and peripheral Europe… and by transition, the Investment Manager saw the same effects in Financial and Corporate spreads within the Eurozone.

Overall credit valuations are presently not far from pricing in a normal recession. With the flavor of panic in August and in September, the Investment Manager was getting closer to the point where it wanted to be outright long, and continue to approach the market with a view to scale in. Senior financials traded wide, even to 2008. The Investment Manager does expect to see more negative headlines: Italian and Spanish banks are increasing their dependence on the ECB, and some US money market investors have already announced they will now pull back from French banks... That said, the Investment Manager has been monetising its hedges for its Financials book as well as its High Yield investments in the first two months of the quarter.

Although the Euro area policymakers reached an agreement in July, and again in September … on a new bailout package for Greece and an increase in the functionality of the EFSF, there are still many shortcomings and legal hurdles to be overcome. Credit markets will remain volatile and driven by political headlines. The Investment Manager thinks spreads are pricing the risks of an economic downturn rather appropriately. As the Investment Manager continues to monetise shorts and hedges, the Investment Manager will look to deploy capital in this asset class, only once the political agenda is clearer.

The extent of disagreements among key political actors, to our mind, is presently an impediment to creating a package that encompasses a full solution. But the current situation also highlights the role of the apolitical ECB as the provider of area-wide support to the financial system for as long as the current deadlock persists. The Investment Manager thinks the ECB is unlikely to adopt a pro-active approach to addressing market tensions, for example, by capping peripheral sovereign yields or financing the EFSF directly. The institutional barriers are too high, and the risk of distorting the incentives of national governments to reform is too great. At the same time, however, the Investment Manager thinks the ECB's unwillingness to allow a disorderly disruption in financial markets will mean it continues to underpin the system. The supply of short-term bank financing and the purchase of peripheral sovereign paper will therefore continue.

1.3. Trading

Trading posted a positive return for the period.

2. Private equity investments

On top of its investment in the BG Fund Plc, BGHL may enter into private equity investments. BGHL has three investments in the portfolio.

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, which is dedicated to investing in land, land development 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 DSO Interactive

On 9 December 2009 and 19 February 2010, BGHL acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.2% of the share capital and 5.3% on a fully diluted basis). DSO Interactive is a private company incorporated in France and headquartered in Paris, where it employs over 120 people. DSO Interactive provides bad debt collection services to consumer creditors such as telecom operators, banks and specialised credit institutions.

2.3 Compagnie des Minquiers

On 3 March 2011, Compagnie des Minquiers SAS, a 83.3%-owned subsidiary of BGHL (held jointly with the executive committee members of the Cofigeo group) acquired 100% of the shares of MPF (renamed Financière des Minquiers), a holding company, holding 26,523 shares in Cofigeo negotiated 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 Minquers 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.

With sales of 138 million and approximately 650 employees, Cofigeo is a leading player in France in 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%. BGHL's total investment in the transaction amounts to approximately €18 million, which represents less than 3% of its NAV.

At the end of September 2011, these investments, which represent approximately 4% of the net asset value of BGHL, were marked at cost.

IV. Outlook

Financial prospects for the coming months will be linked to the level of opportunity created across the Fund’s strategies in the European corporate environment. The Fund's equity at risk is expected to be deployed in a very cautious way.

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

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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 Boussard & Gavaudan Fund Plc 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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