

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 2010 (“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 Sark Fund Limited (“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 equities 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-2010 * | 30-Sep-2010 |
|--------------------------------|---------------|---------------|
| Assets under management | € 673 million | € 675 million |
| Market capitalisation | € 551 million | € 547 million |
| Shares outstanding | 51,820,275 | 50,764,794 |

* 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-2010 | € 12.9124 | £12.1306 | € 10.60 | £9.55 | -17.91% | -21.27% |
| 30-Sep-2010 | € 13.2461 | £12.4098 | € 10.75 | £10.01 | -18.84% | -19.34% |
| Performance | 2.58% | 2.30% | 1.42% | 4.82% | | |

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

III. Performance

The Company has almost 100% of its assets invested in the Sark Fund Limited and the remainder in two private equity investments. Below is an overview of the Sark Fund Limited and the private equity investments from 1 July to 30 September 2010.

1. Sark Fund Limited

Over the period, European equities markets rallied with the Eurostoxx 50[®] at +6.8%. Volatilities on stock markets decreased: the VDAX index moved to 20.1% from 25.4% and the VSTOXX[®] index to 26.1% from 34.3%. The iTraxx crossover index ended at 510bps (-65bps).

From 1 July to 30 September 2010, the Sark Fund Limited (Euro share class) posted a 2.29% performance. All strategies contributed positively to the performance of the fund. The main drivers were volatility strategies followed by credit strategies and equity strategies. Trading also posted a positive performance to the Fund.

1.1. Volatility strategies

Convertible bond arbitrage

Convertible bond arbitrage (excl. mandatories) has been the main contributor to the performance of the fund this quarter.

This was primarily the result of a strong rebound of the Fortis CASHES which benefited on one hand from the global performance of the European Tier 1 market and on the other hand from the significant outperformance of beta products as investor demand for higher spreads rose with a softer rates market. The investment manager took advantage to reduce this position, as it felt they were exhibiting too high a beta: it remained convinced with the investment case but it was happy to reduce the position in times of (relative) euphoria in order to increase it should it see a repeat of the May 2010-market stress.

The trade in Theolia also performed well as its €60m capital increase, which closed the debt restructuring, was eventually 100% subscribed by shareholders. The successful conclusion of the capital increase lifted the price of the company's convertible bonds and enabled the Investment Manager to exit. The Investment Manager had a key role during all phases of this debt restructuring, from the renegotiation of the bonds in late 2009 / early 2010 to the commitment to subscribe to 2/3 of the capital increase should the shareholders decide not to subscribe.

The rest of the convertibles book, which remained concentrated and focused during the quarter, also performed well, in particular on the back of renewed investor demand for high delta bonds.

The new issue pipeline eventually unfolded at the end of the period with 4 new issues in Europe raising just over €2.0bn. The reopening of the European CB primary market has been relatively subdued so far, notably when compared for instance to the surge in new Asian deals. The investment manager selectively participated in such new issues, especially when asset swaps were available to hedge the credit.

Mandatory convertible bond arbitrage

Mandatory convertible bond arbitrage posted a gain. There was no major move in the portfolio over the period except that the Fortis mandatory which matured on December 2010 traded at or above fair value. This gave the investment manager the opportunity to progressively exit this position.

There was no new mandatory convertible bond issue in Europe over the period, although there were some renewed talks about potential mandatory deals for European corporates after two large mandatory issues were successfully priced in the US. In particular European banks looking to improve their capital ratios were considered as likely potential issuers.

Gamma trading

Over the past 3 months implied volatilities gradually drifted lower despite uncertainties linked to sovereign risk and a potential double dip scenario. Similarly realized volatilities were lower over that period with September being the most disappointing. Expectations of a volatile month given macro uncertainties and cash rich acquisitive corporates failed to materialize and, apart from the first day of the month, we witnessed a tight range bound market.

In August and July the investment manager decided to run the books marginally long gamma as that period of the year is often quiet due to market participants being away. Long gamma positions were then ramped up a little at month end in hope of a more volatile environment. Unfortunately the market was slow overall and it has been painful to pay theta. The strategy managed to be almost flat

1.2. Equity strategies

Equity strategies contributed positively to the performance of the Fund.

Over the period, the investment manager continued its focus on short-term trades with catalysts. It deployed progressively and selectively the capital whilst remaining exclusively active on liquid trades.

Most of the investors were out of equities as an asset class as a consequence any negative news had a marginal impact and volatility on the downside looked floored. On the contrary, positive news drove the market up as investors who were underinvested would run after it. Overall, uncertainties still prevailed; the market was waiting for the US mid-term election to get more visibility beginning of November.

During this quarter, corporate activity has been growing across Europe with some attractive opportunities arising such as hostile bids, special situations, companies' restructurings. This enabled the investment manager to position the fund on a few conviction trades on one hand and to continue benefiting from equity long / short trades with short-term catalysts on the other hand.

For the future, the investment manager would look for some stronger catalysts and opportunities to occur to seize up trades.

1.3. Credit strategies

Credit strategies contributed positively to the performance of the fund this quarter.

This was due in large part to the capital structure book. This strategy benefited from a macro call, at the beginning of the period, that credit was attractively valued vs. equities. At a point, the investment manager increased the number of positions reflecting that view. Indeed, after the "European Sovereign Crisis" in the spring, the book was focused on very specific long credit/short equity micro situations. This macro call has since been almost fully monetized.

The credit long / short book has also been profitable. The investment manager decided not to diverge from its stance of being theta neutral, and having the fund's core investments hedged by longer duration single-name and index shorts (away from restructuring strategies). This book benefited from the repricing of special situations and was, overall, slightly more exposed to the asset class than at any time this year. The investment manager took advantage of the primary calendar to diversify its long positions.

The investment manager's view going into the last quarter of the year continued to be rather positive on credit as an asset class. This was not because it fully abided with the adage that "the wall of money bulls are winning hands down over the Sovereign and economic bears". On the contrary, it remained quite wary of the fundamental situation which could renew systemic fears on both sides of the Atlantic.

Nevertheless, default rates would continue to regress until year end, market participants were putting their fate in QE2, and credit would preserve its appeal even as the summer rally in rates stalled. The investment manager has already started to see this pattern in the second half of September. The Sovereign issues have been postponed for now. Therefore spreads could well end the year tighter than 3Q10's close.

In the meantime, technicals might start to turn against spreads for the coming months: after a record month of supply in the US in September, markets might pause for a breath. Also the financial sector 3Q results should not be of much support in the medium to long term. European credit markets have been supported by rates and the Euro.

1.4. Trading

Trading posted a modest return for the period spread across the board.

2. Private equity investments

On top of its investment in the Sark Fund, BGHL may enter into private equity investments. BGHL has two 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 and dedicated to invest 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 December 2009 and February 2010, BGHL acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.18% of the share capital and 5.33% on a fully diluted basis). DSO Interactive is a private company incorporated in France and head quartered in Paris, where it employs over 122 people. DSO Interactive provides bad debt collection services to consumer creditors such as telecom operators, banks and specialised credit institutions.

At the end of September 2010, both investments, which represent slightly more than 1% 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 opportunities 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.

For further information contact:

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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).

This announcement is for information purposes only and is not an offer to invest. All investments are subject to risk. Past performance is no guarantee of future returns. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decision. The value of investments may fluctuate. Results achieved in the past are no guarantee of future results.

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Neither the Company nor Sark Fund Limited have 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.