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
For the Quarter ended 28 September 2012

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 28 September 2012 ("the period").

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

	28-Sep-2012	29-Jun-2012
Assets under management (€m)	558	562
Market capitalisation (€m)	438	458
Shares outstanding	38,579,533	39,457,606

	NAV per Share		Share Price*		Discount to NAV	
	€ shares	**£ shares**	**€ shares**	**£ shares**	**€ shares**	**£ shares**
28-Sep-2012	14.3741	13.0310	11.31	9.805	-21.32%	-24.76%
29-Jun-2012	14.1674	12.8788	11.59	9.845	-18.19%	-23.56%
Performance	1.46%	1.18%	-2.42%	-0.41%		

III. PERFORMANCE

European equities saw the period finish with the Eurostoxx 50® up 8.4%. Volatilities on stock markets decreased: the VDAX index moved from 21.5% to 18.4% and the VStoxx® index from 24.9% to 23.4%. Credit spreads tightened with the iTraxx Crossover at 568bps (94bps of tightening).

1. BG Fund

As at 28 September 2012, the Company had approximately 95% of its assets invested in the BG Fund.

From 1 July to 28 September 2012, BG Fund (Euro A share class) posted a +1.1% performance. All strategies posted a positive performance, driven by credit strategies followed by volatility strategies and equity strategies.

1.1. Volatility Strategies

Convertible Bond Arbitrage

Convertible bonds (excl. mandatories) contributed positively to the performance of the Fund during the period. The largest contributors were positions in Alcatel, TUI Travel, and to a lesser extent, Banco Popolare.

Alcatel's position was managed with a higher delta than the market, having based it on a specific modelling of the bonds, which took into account the negative gamma on the CDS. When Alcatel announced a mid-July profit warning days prior to their poor Q2 results, market reaction resulted in a 30% fall in high volumes. Upon release of the company's Q1 numbers, shares tumbled up to 17%. The Fund was adequately protected, making gains, as the bonds did not cheapen to the extent the model had predicted.

The position in the TUI Travel 6% 2014 convertible also performed well, especially in the beginning of the period. In general, the Investment Manager witnessed strong European (outright) investor appetite for all short-term bonds carrying yield. This performance was partially driven by the tightening of short-term sovereign debt in core countries, reaching negative yields in Germany and France. This occurred in a context where most fund managers were also long cash, and needed to invest whilst limiting their risk exposure. As a result, short-dated bonds (typically less than 2 years) were in strong demand, in core-European countries, from corporates with no funding need and/or good credit metrics.

Lastly, the Banco Popolare 4.75% 2014 convertible bond benefited from the ECB's announcement of possible intervention in the short-term sovereign debt markets of peripheral countries.

There was no activity on the European primary market in July and August, but September was lively with more than €4.4bn being issued through 11 deals. Year-to-date, total issuance amounted to

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

€10bn, compared with the average yearly issue of €25bn over the past decade. The European CB universe saw no increase this year, due to new issues being almost completely offset by redemptions and conversions. At the end of September, the European CB universe stood at around €65bn (Source: BNP Paribas). The Investment Manager selectively participated in only a third of theses issues: the majority were expensive from an arbitrage standpoint. Even outright investors erred on the side of caution, despite their substantial cash levels.

With recent new issues, European convertible flow picked up slightly. Volumes were satisfactory, while most market-makers maintained minimal inventory.

Mandatory Convertible Bond Arbitrage

Mandatory convertible bond arbitrage posted a modest positive performance.

During the period, the Investment Manager built a decent position in the Credit Suisse 4% 2013 mandatory convertible (MACCS), in July, issued with pre-emptive rights for shareholders. The mandatory was a pure forward maturing in March 2013, which was issued for regulatory capital reasons. Credit Suisse issued CHF 3.8bn of bonds: CHF 1.9bn in a private placement with strategic investors and the remainder through the issue of subscription rights to shareholders. Even if the issue was targeted at existing shareholders, the Investment Manager reckoned (on the basis of the volumes of rights traded in the secondary market) that the vast majority of the mandatory bonds ended up in the hands of relative value investors.

The Investment Manager was pleased to see a new European mandatory issued, in particular from a large bank and for regulatory capital reasons. This may entice other issuers to follow suit much like the UBS/BBVA mandatory exchangeable triggered further issuance in Europe in 2007. The UBS/BBVA was the largest European existing issue and was finally redeemed on 31 July.

Gamma Trading

Gamma trading contributed negatively to the performance of the Fund during the period.

In the aftermath of the EU summit in July, equity markets regained confidence and short-term volatility drifted lower in low volume. The Investment Manager believed most market participants to be long protection, making the market range-bound and keeping implied volatility levels capped through a constant supply. The vega positions suffered in this environment. After the July expiry, European macro and sovereign worries re-surfaced on the back of a worsening situation in Spain. The short dated gamma was profitable, but this was unfortunately not enough to offset the drop in implied volatilities that occurred afterwards.

August felt somewhat more "normal" than what the Investment Manager has experienced over the past few years. There was no other significant newsflow to report and poor volumes indicated that many were not market positioned. As a result, volatilities drifted slightly lower on low realised volatility, thin volumes and low interest in general. Markets remained range-bound and stock dispersion declined significantly. This offered few opportunities for active stock picking.

Over the course of September, the market continued its recovery, driven mainly by the macroeconomic newsflow. As the equity market rallied, realised volatility fell sharply. The Investment Manager believed most market participants were already long gamma ahead of each event, making volatility expensive to carry. Thus, the Fund suffered from both low realised volatility and falling implied volatilities. The drop in implied volatility and the normalisation of the upside skew were even more pronounced at the end of the quarter, despite a slight consolidation of the equity market.

With historically low implied volatility levels and a lot of uncertainty remaining, especially regarding global economic growth and the timing of Spain's bailout request, the Investment Manager remained cautious, and continues to pay theta to protect the overall fund with a long gamma/vol exposure.

1.2. Equity Strategies

Given the challenging macroeconomic environment, the Investment Manager has been vigilant over the period. The exposure of the equity portfolio was limited with an extensive use of options. In the meantime, the Investment Manager tended to position the book on names where the possibility of corporate action could emerge. A few small deals were announced in September, however the only sizable one was the highly controversial merger proposal between EADS and BAE System, which seemed too political for the Investment Manager to consider.

In this context, equity strategies contributed positively to the performance of the Fund, driven by the long/short trading with short-term catalyst and value sub-strategy.

Part of the performance came from capital market activity. The Investment Manager participated, for example, in a block placement on Amadeus in August, with an attractive discount due to the low liquidity in the market at that time. The Investment Manager was also active on Credit Suisse. The Swiss bank issued a mandatory convertible bond, mostly held by arbitrageurs who hedged their exposure by selling shares, putting pressure on the stock price. The opportunity was taken to build a long position. This outperformed the market at the end of August as brokers upgraded Credit Suisse, through underperformance of the stock, due to the mandatory placement. Short-term trades on liquid names also performed well over the period spread across the board. The momentum continued to be very strong on Dia, the low cost Spanish retail brand, and Vivendi was one of the few active names with further rumours about the future of the company.

On the negative side, some risk arbitrage positions were costly to the Fund, in particular Rhoen Klinikum. On 3 September, Fresenius announced that they would not make a second offer on the Company due to shareholders blocking the deal. Fresenius' management had tried to come up with an alternative offer but finally failed in finding a workable solution. The Investment Manager had built a position at the end of June, as shares dropped following the first offer failing.

1.3. Credit Strategies

The period was positive for the overall credit asset class, in a market reacting sharply to macro/political developments in Europe. Trading activity was limited during the summer, with most market players remaining cautious. It is worth noting that in September, at the end of the period, markets reacted strongly to Central Banks' liquidity support announcement, drastically reducing the tail risk in Europe. Primary activity was close to an all time high with €38bn of European IG new issues, €10bn of European Senior Financials issues, and €7bn issued in the European HY space (Source: Société Générale). Within this activity, which was well absorbed by the market, the out-performance of new issues came from peripheral corporates and financials.

At the start of the period, the Investment Manager adopted a cautious approach by reducing the beta of the book and remained concentrated on specific situations in core Europe. Then, as primary markets picked up toward the end, the Investment Manager took the opportunity to increase the beta of our long/short credit book by participating in several new issues from Spanish and Italian corporates.

Long/short positions performed well over the period. The majority of the performance was driven by the positions in financials. Overall, Q2 results in the European financial sector were well received by the credit market. These results highlighted the focus of banks on strengthening capital positions and improving the quality of their balance-sheets, ahead of the Basel 3 implementation. This was particularly true for the positions in Commerzbank hybrid securities and, to a lesser extent, for the positions in UBS. In general, the Investment Manager believed that the optimisation of balance-sheets ahead of Basel 3 would continue to drive primary and secondary activity within the banking space for the remainder of the year.

Capital structure positions also contributed positively to the performance of the Fund thanks to the outperformance of the long credit positions vs. puts. In particular, Telefonica performed well on the back of Q2 results released in favour of bondholders. For example, the company announced several measures to preserve their credit ratings, such as a dividend suspension for 2012. The arbitrage position in Rallye/Casino also contributed positively with a strong outperformance of the Rallye 5-year CDS vs. a more stable equity market.

1.4. Trading

Trading was almost flat over the period.

2. Investments Other Than BG Fund

As of 28 September 2012, the net asset value of the investments other than BG Fund represented approximately 5% of the net asset value of BGHL.

The performance of the investments other than BG Fund 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. 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, 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 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.

2.4. Listed security

The Company has a small investment in a listed security, representing approximately €4.5 million as of 28 September 2012.

IV. OUTLOOK

Given the persistent BGHL discount, the Investment Manager has decided to stop private investments and sell all existing positions.

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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VC 15.05.12.01