

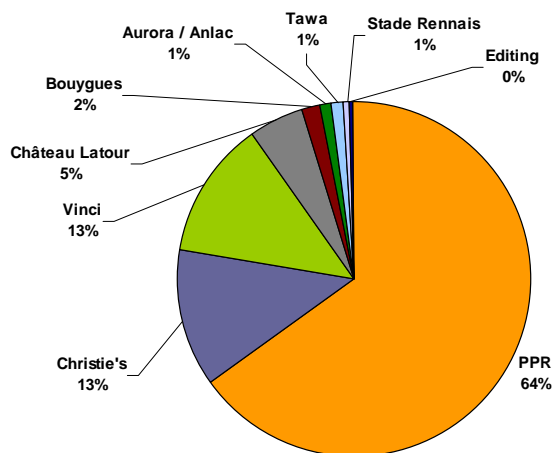
CB Credit Snapshot

Convertible Bond Research

September 15th 2009

All figures in this document as of Monday September 14 2009.

Weight of the holdings in % of the total portfolio



Source: Calyon.

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Calyon EQD Research and Information on
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HOLD Artemis / PPR 2 % 2011:

One year after the Fall of Lehman, the impact of the systemic crisis on Artemis appears to be low. The banks did not ask any additional pledge. Artemis did not have to suffer from cash margin calls, and the holding was not constrained to be a forced seller.

The read-across with the holding Carlo Tassara was irrelevant, and the "Galaxy" Artemis-PPR has now regained its normalized credit-volatility regime.

Despite a loan to value ratio (LTV) of 75% (based on our calculation), the interest coverage is expected to stay above 1x in 2009 and 2010. The reshaped & rescheduled balance sheet does not raise liquidity issue. Thanks to the US appeal court decision taken in August 2008, we expect that Artemis will sell its US Life Insurance Assets to Swiss Ré and get this long-awaited cash (around €200 M).

The scenario of a downgrade to junk bond of PPR by S&P, followed by a forced and dilutive capital increase, appears very unlikely. If the margin protection, based on cost cutting programmes, was not enough to sustain credit metrics, we think that the reopening of M&A activity should allow PPR to make opportunistic disposals.

The convertible bond 2% 2011 appears to be fairly priced (trading around 91 % of its redemption price) and we have a HOLD recommendation.

Executive Summary:

A year after the Fall of Lehman Brothers and the beginning of the systemic crisis, we think it's worth noting to draw a parallel between Artemis and the other European holdings well known by CBs-investors.

Artemis has been barely impacted by this past financial crisis. Indeed, the banks did not ask any additional pledge. Artemis did not have to suffer from cash margin calls, and the holding was not constrained to be a forced seller.

Some holdings like Wendel made forced disposal in order to reduce their leverage (Orange-Nassau). This is not the case for Artemis.

Indeed, Artemis launched debt renegotiation during the H1-08 and was able to face the systemic crisis with a reshaped, renegotiated and rescheduled balance sheet. This reshaping of the balance sheet was not present on our last update as we only had 2007 figures. During the systemic crisis, the holding communicated via Standard & Poors and declared on 16th December 2008 that « more than 95 % of its debt matures beyond 2010 ».

The European holding landscape was especially impacted by the liquidation of the holding Carlo Tassara owned by Romain Zaleski. The Artemis 2% 2011 convertible bond was under pressure as François Pinault and Romain Zaleski were both invested in Vinci, and played a common game in the acquisition of Arcelor by the Mittal Family.

However the read-across was irrelevant for two main reasons.

Firstly, Artemis lenders are not its main participations. Carlo Tassara's Italian holdings consisted of: ISP (5%), Generali (2.3%), Mediobanca (2.2%), A2A (2.5%), BPM (2%), MPS (2%), Fondiaria-SAI (1%), Edison (10%), UBI (2.3%) Mittel (18%). Italian banks provided with € 4.6 bn of debt to Romain Zaleski, with € 2.4 bn for Unicredito (or 0.4% of loans), € 1.8 bn (0.5%) for Intesa-SPI and ~ €1bn (0.7%) for MPS.

Secondly, interest coverage of Artemis is much more resilient. PPR, Christie's and Vinci did not cut their dividends as many Italian banks did.

Having perfectly survived the systemic crisis, we think that the main risk for Artemis is now to be constrained to participate to a possible capital increase of PPR.

We can for example notice that GBL (Groupe Bruxelles Lambert) has participated to the capital increase of Lafarge (€ 318 M), Pernod Ricard (€ 88 M) and Imerys (€ 79 M) and has drawn € 750 M on its credit lines at the beginning of 2009...

We estimate that PPR does not need to make a capital increase if it keeps its Investment Grade rating. PPR is currently rated BBB- by S&P with a Stable Outlook.

PPR has boosted its liquidity profile by raising more than € 1.3 bn straight bonds between march and august 2009.

PPR STRAIGHT BONDS - ISSUED IN 2009

ISIN	Yield to maturity (%)	Coupon (%)	Maturity	Rating S&P	Implied Credit Spread	Amount Out. (€M)	Announcement Date
FR0010784082 Corp	5.87	6.5	11/6/2017	BBB- STABLE	306	200	8/6/2009
FR0010762757 Corp	5.79	6.5	6/29/2017	BBB- STABLE	298	150	5/19/2009
FR0010754531 Corp	****	7.8	6/3/2014	BBB- STABLE	****	150	4/28/2009
FR0010744987 Corp	4.50	8.6	4/3/2014	BBB- STABLE	250	800	3/26/2009
					Sum (€M)	1,300	

Source: Bloomberg.

Losing this Investment Grade status would indeed be a major threat both for PPR and Artemis as its would broke the equilibrium of the whole structure (for example, the 5Y and 8Y bonds recently issued include a 125bp coupon step-up clause if PPR is downgraded to junk).

On its last report published in May 2009, S&P wrote: « given current financial metrics and the bleak economic context, we see any ratings upside at this stage as extremely remote. » However the Rating Agency gave a stable Outlook and noticed that “Artemis has never up-streamed cash from PPR beyond normal dividend distributions”.

They key ratio for S&P that assesses the minimum level commensurate with the Rating BBB- is a FFO to debt to 25% (vs. 22% at year end 2008).

PPR H1-09 results proved an impressive resilience of Retail division where the group launched aggressive costs-cutting programmes in order to protect its margin despite heavy decrease in sales (organic growth of -9.3% for Redcats in H1 and -11.3% for Conforama).

CA Cheuvreux analysts Arnaud JOLY and Françoise LAUVIN wrote: “For 2009, we now expect recurring EBITA of € 1582 M (-8.1% and margin of 8.13%, down 40bp), of which € 636 M for retail banners (-8.5% and -14bp for margin) and € 690 M for Luxury (-5.6% and -160bp for margin).” CA Cheuvreux expects a -6.5% decrease of EBITDA from € 2141 M in 2008 to € 2002 M in 2009.

One has to note that S&P did not change its Stable Outlook since May 09 after these results published on 31 July 2009.

However, in order to keep its stable Outlook, it seems that S&P expects that PPR will proceed to “substantial disposals” in order to boost the credit metrics, on top on the end of erosion of EBITDA from 2008 level.

“Barring disposals, however, PPR is unlikely, in our view, to reach this target by year-end 2009” (S&P, 29 May 2009).

We think that the reopening of financial markets and renewed appetite for M&A activity should help the group to make opportunistic disposals, if they would be necessary... Redcats & Conforama are commonly cited as potential candidates for a disposal.

As a conclusion, we think that PPR has taken the necessary decisions to protect its margin and could make opportunistic disposals in order to 1) keep its Investment Grade status and 2) avoid a forced and dilutive capital increase.

The convertible bond 2% 2011 appears to be fairly priced (trading around 91 % of its redemption price) and we have a HOLD recommendation.

For any further explanation concerning **PPR** you can contact:

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Artemis Participations:

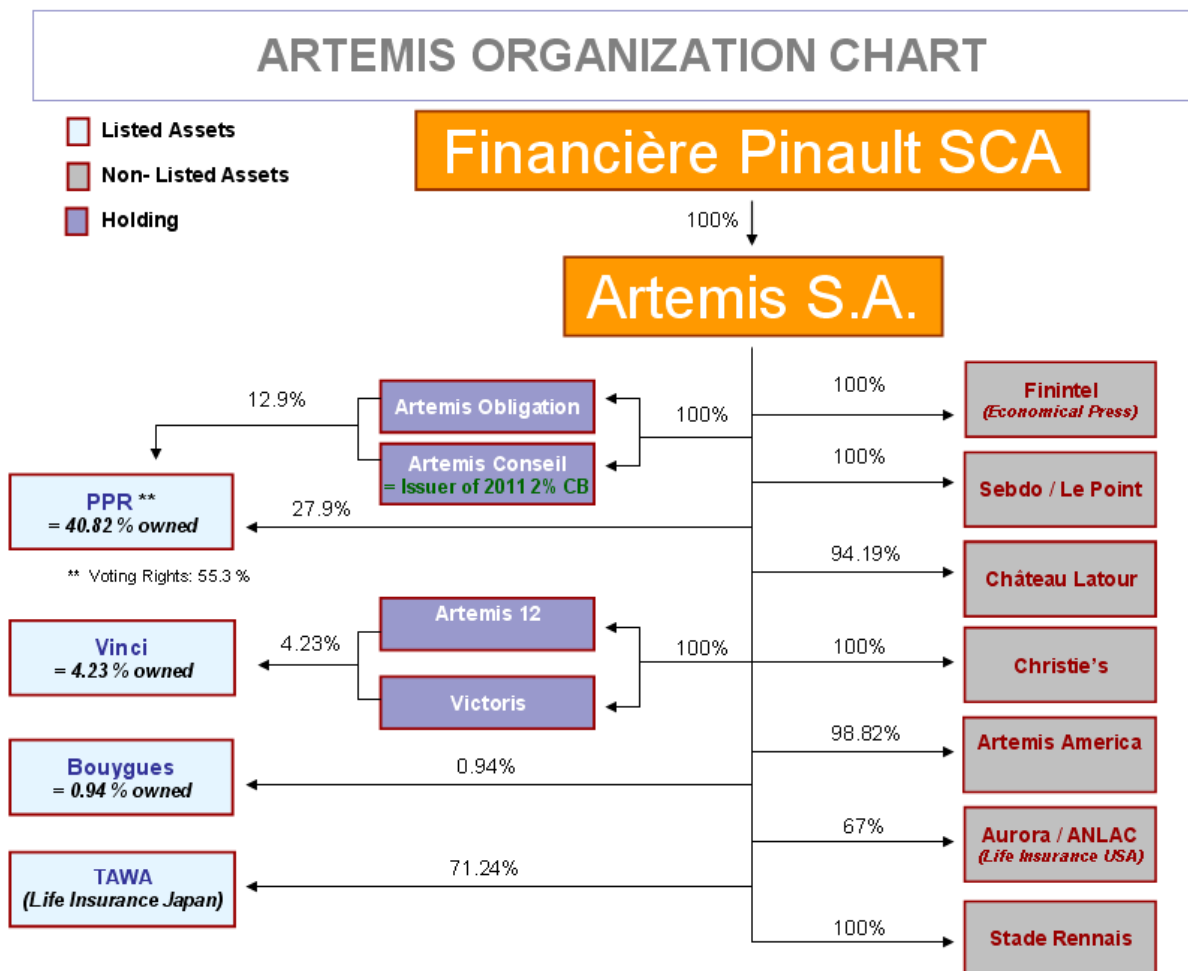
Artemis has barely modified its participations since our last publication in September 2008.

Artemis owns 40.82 % of PPR (vs. 40.49% in December 2007), 4.23% of Vinci (vs. 4.87% in December 2007), 0.94% of Bouygues (vs. 2.01% in December 2007), and 71.24% of Tawa (vs. 79% in December 2007).

In April 2008, Artemis sold 60% of its participation in Piasa (auction business).

Artemis has not changed its participations in Christie's (100%) and in Château Latour (94.19%).

Last but not least, thanks to the decision taken on August 26th, 2008 by the US appeal court (described on page 15 of Artemis 2008 social accounts) to avoid Artemis to pay a \$ 241 M fine to California Insurance Department, related to profits made on Junk bonds, Artemis should have the opportunity to sell these US Life insurance assets (Aurora / Anlac) to Swiss Ré and get this long-awaited cash (partly thanks to the bail-out organized on Swiss Ré by Warren Buffet).



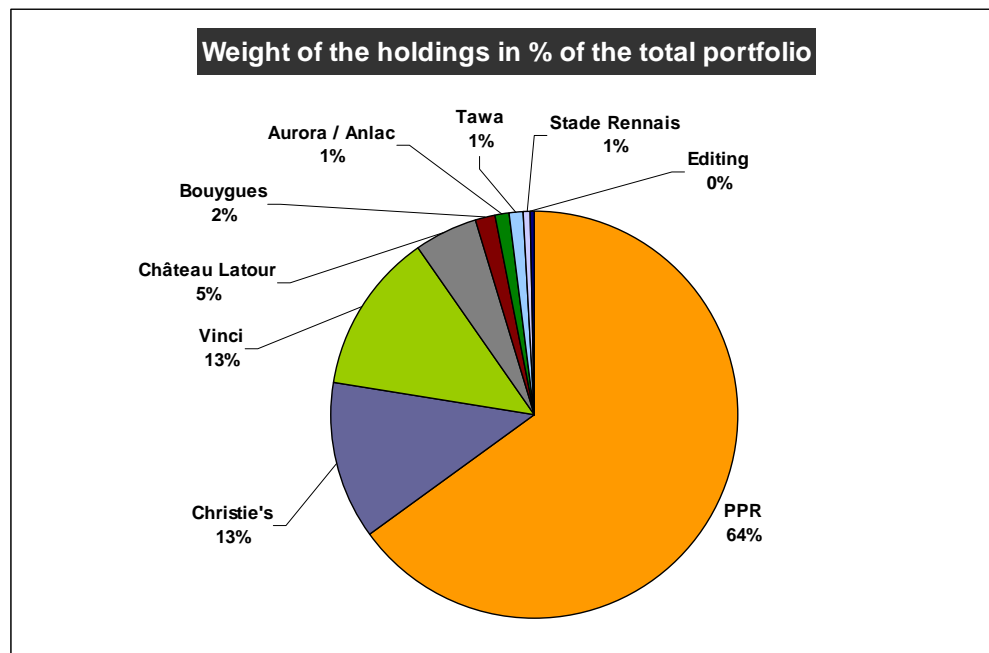
Source: Artemis Annual Report 2008.

As the tensions on PPR share price & Artemis CB were high during one year, we fine tuned our valorization of Christie's and Château Latour and do not use the non-updated book value given by Artemis in its social accounts.

Valuing Christies at € 850 M (2.7x estimated 2009 sales) and Château Latour at € 337 M (transaction multiple of Château d'Yquem), and marking to market other participations, we estimate that PPR represents 65% of the Portfolio.

For a debt estimated at € 5 bn, we calculate a LTV ratio around 75%. The potential increase of the value of the portfolio is limited if we stick to target prices provided by CA Cheuvreux (-8% of downside risk, LTV at 82%).

Taking Bloomberg consensus, we find a -2% downside risk (LTV at 76%).



Source: Calyon.

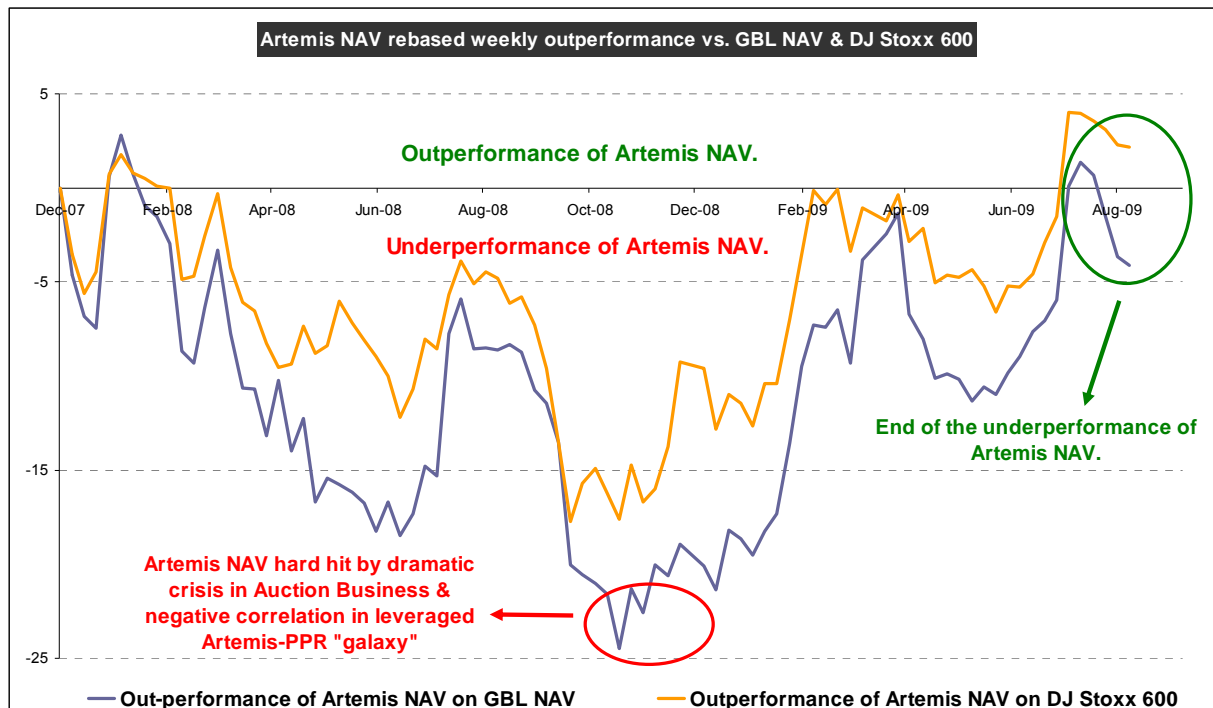
Asset	Valuation Method	Calyon Valuation		Valuation based on CA Cheuvreux Target Prices		Valuation based on Consensus	
		Value (€M)	Share Price (€)	CA Cheuvreux Target Price (€)	Value (€M)	Consensus Target Price (€)	Value (€M)
PPR	Listed Asset	4417	86	72	3720	81	4204
Christie's	Historical mean of Price / Sales ratio of Sotheby's	850	Non listed	Not covered		Not covered	
Vinci	Listed Asset	866	40	45	983	44	951
Château Latour	Château D'Yquem transaction multiple	337	Non listed	Not covered		Not covered	
Bouygues	Listed Asset	114	35	41	132	37	120
Tawa	Listed Asset	66	82	Not covered		Not covered	
Stade Rennais	Book Value	36	Non listed	Not covered		Not covered	
Editing	Book Value	27	Non listed	Not covered		Not covered	
Aurora / Anlac	Book Value	85	Non listed	Not covered		Not covered	
Sum		6798			6236		6677
LTV Ratio		75%			82%		76%

Source: CA Cheuvreux for their target prices, Bloomberg for consensus target prices, Calyon for other data.

In terms of portfolio performances, we have calculated the rebased weekly performance of adjusted Net Asset Value (NAV) of GBL and Artemis, and compared them with a large European equity index (DJ Stoxx 600).

We have chosen to compare Artemis NAV with GBL NAV to illustrate how an opaque and leveraged holding focused on a core asset could impact the performance of its own portfolio, contrary to a listed, diversified and cash-rich holding taking minority stakes in its participations.

We can observe that the underperformance of Artemis NAV has collapsed since the beginning of May 2009 due to the rally observed on PPR share price (+ 167 % since end November 2008) and, more generally, on cyclical names. Indeed, apart from its stake in Lafarge and Imerys, GBL is more focused on defensive utility & energy stocks (GDF-Suez, Suez Environnement, Total...).



Source: Calyon.

Artemis Liabilities:

As we said before, Artemis has reshaped and rescheduled its debt structure before the Fall of Lehman. Its financial debt now matures after 2010.

The intra-group debt has increased to € 1 bn. We believe that Artemis has played its role of “cash pooling structure” in order to finance its subsidiaries without the help of panicked capital markets.

This intra-group debt constitutes the sole short term “debt” of the group in 2009 and 2010.

Debt attached to Christie's has decreased by € 100 M to € 336 M.

Artemis S.A. Debt Structure (€ M)

	YE 2008	YE 2007	YE 2006
Total Financial debt (a)	2,783	2,231	2,276
+ Total Off_Balance Sheet debt (b)	3,333	3,024	4,371
- Intragroup debt	1,025	480	1,924
= Total debt YE	5,092	4,774	4,722

	YE 2008	YE 2007	YE 2006
(a) Total financial balance sheet debt details (1) + (2):	2,783	2,231	2,276
1) Bank Debt	1759	1751	351
→ m EUR of bank debt which is granted by pledged assets	1759	1741	350
2) m EUR of gross debt is intra-group debt.	1025	480	1,924
<i>% of financial balance sheet debt at variable interest rates:</i>	<i>67%</i>	<i>62%</i>	<i>74%</i>

	YE 2008	YE 2007	YE 2006
(b) Off-Balance Sheet Debt details:	3333	3024	4,371
Artemis Conseil	1321	1210	2,696
→ Debt composed by CB Artemis / PPR 2011	1005	1005	956
→ Debt composed by CB Artemis/PPR 2007 (redeemed)		-	1454
Artemis Obligations (due Feb 2011, bond indexed on PPR)	294	294	294
Others (mainly made of Vinci Acquisition Debt)	1000	1078	896
Christie's	336	436	477
Financiere Lumis	383		

Source: Artemis Annual Report 2008 for all figures of this page.

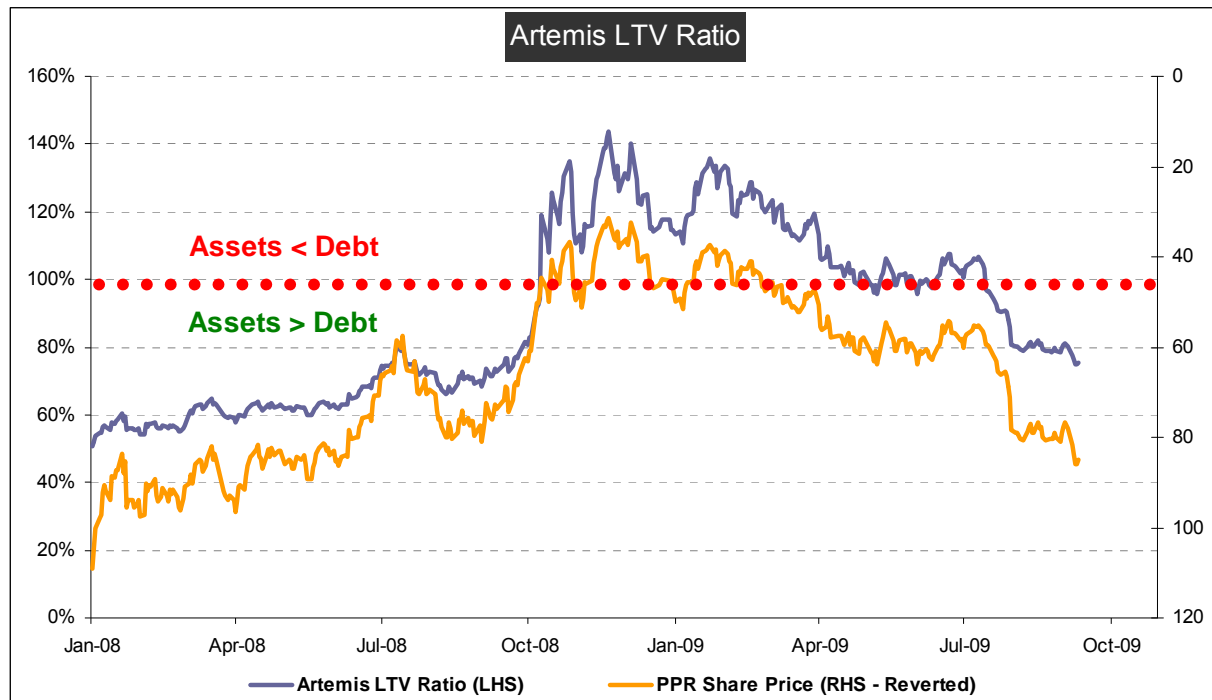
Shadow Rating:

The LTV ratio now stands at 75%.

For the notation of a holding, Moody's estimates that a LTV ratio below 30% is necessary for an Investment Grade rating, while a 45% LTV would match with a BB / Ba2 Rating.

We think that Artemis should then have a shadow rating around BB- / B+ (Ba3 / B1).

Artemis is for example is a much better shape than TUI rated B- (negative outlook) by S&P and B3 (negative outlook) by Moody's: no need for shareholder-loan rescheduling, debt to equity swap, or government guarantee...



Source: Calyon.

Artemis Debt Schedule:

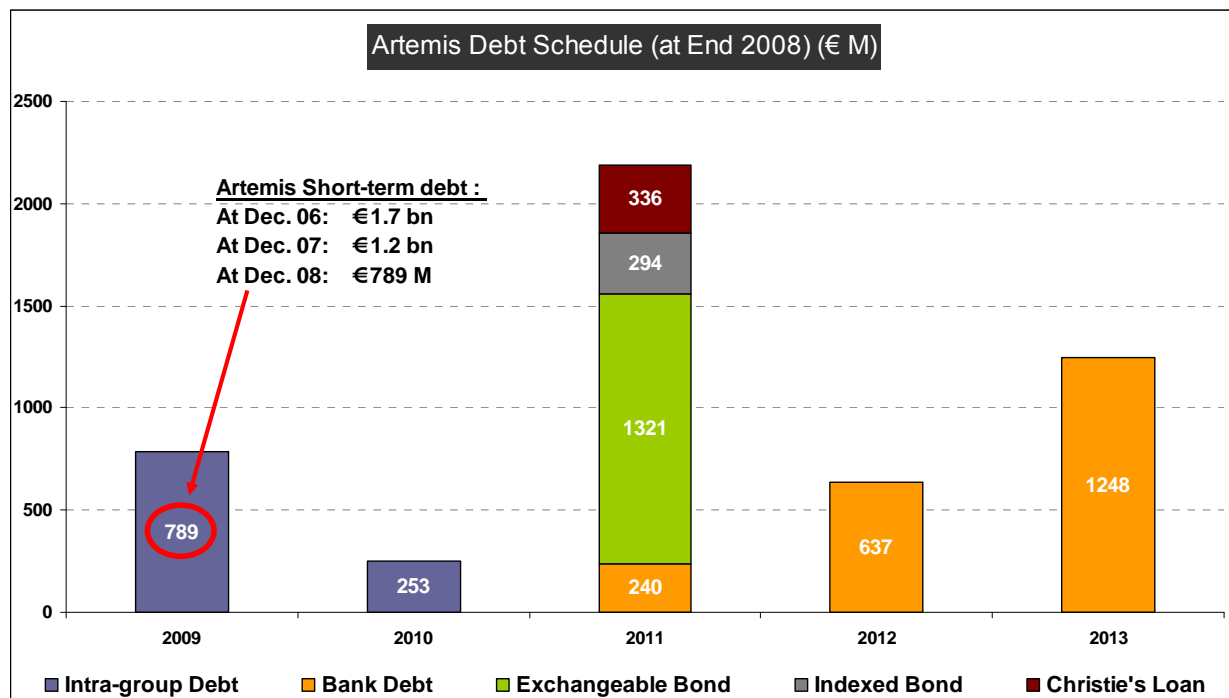
As declared to S&P, « more than 95 % of Artemis debt matures beyond 2010 ». We have to note that we do not know the maturity of Vinci acquisition loan (€ 1 bn).

We consider that the debt schedule is highly manageable and does not raise liquidity threat on the whole structure.

Indeed, we think that a significant cash-inflow (around € 200 M) should come soon from the disposal of US Life insurance assets as the US appeal court has decided on August 26th, 2008 that Artemis was not obliged to pay a fine of \$ 241 M to California Insurance Department, corresponding to half of its profits realized on junk bonds purchase.

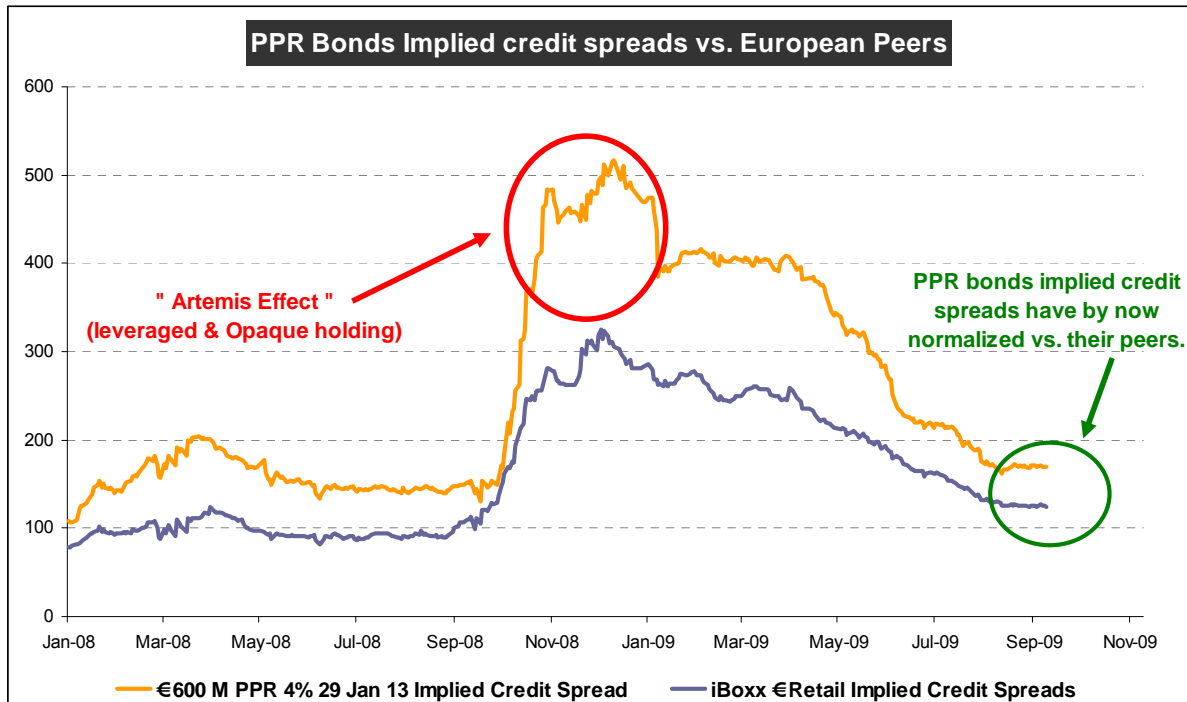
These US Life insurance assets (Aurora / Anlac) should be sold to Swiss Ré, which is now in a much better form (Swiss Ré Senior 5Y CDS being now at 162 bp, vs. 850 bp in March 2009) thanks to the bail-out organized by Warren Buffet.

There are hence few reasons to worry about a positive (and long awaited) outcome.



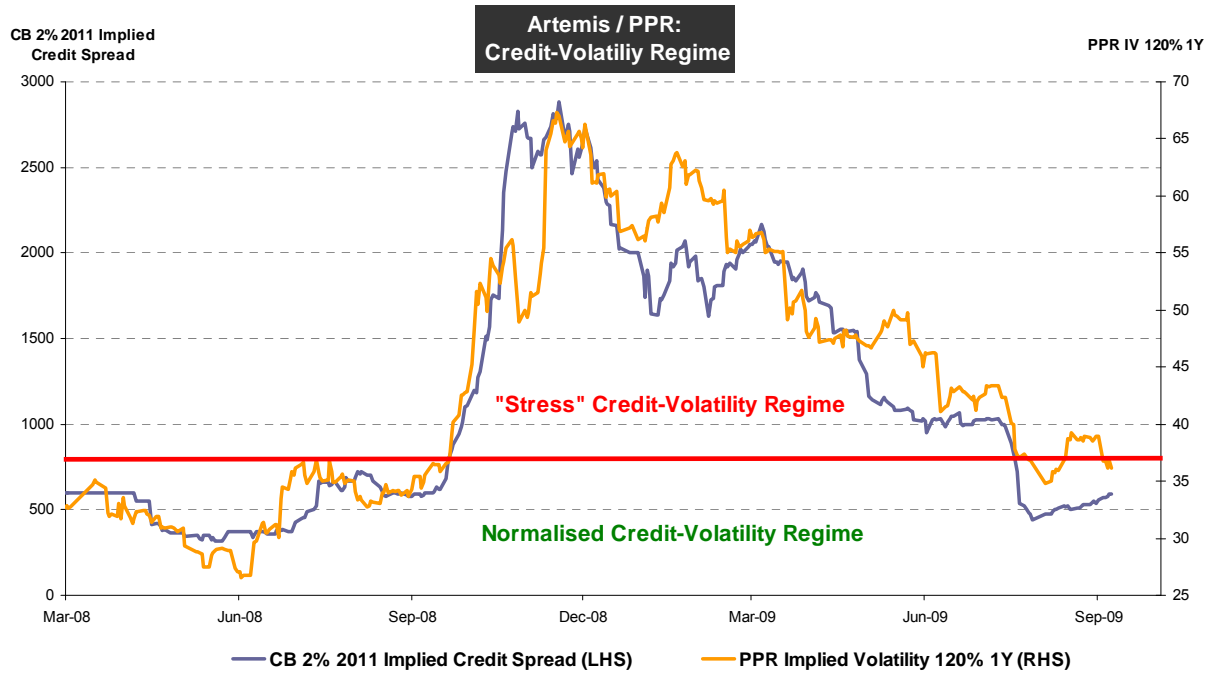
Source: Artemis Annual Report 2008.

PPR itself has boosted its liquidity profile by raising more than € 1.3 bn straight bonds between march and august 2009, and its bonds have now found their normalized level against their European peers.



Source: Bloomberg.

Having successfully crossed the “refinancing gate”, we can note that the whole credit-volatility regime of Artemis-PPR has largely normalized.



Source: Calyon.

Un-pledged Debt Recovery:

Even if Artemis has gone through uncomfortable situation with an important LTV ratio from September 2008 to April 2009, we have to note that nothing has changed in terms of assets pledged.

The banks did not ask for more assets pledged, cash margin calls or coupon step-ups.

Pledged Debt (€M)			
	YE 2008	YE 2007	YE 2006
1) Pledged debt at Artemis Group Consolidated Accounts	3571.7	3694.3	2141
→ Pledged debt at Artemis SA (bank debt)	1759	1741	350
2) Non Pledged debt at Artemis SA	1,520	1080.1	2581.3
→ Exchangeable Bonds	1005	1004.5	2,410
Total Debt (1) + (2)	5,092	4,774	4,722

Source: Artemis Annual Report 2008.

In terms of recovery, the Artemis exchangeable bond into PPR Shares could not be compared to the recently issued Eurazéo exchangeable bond into Danone Shares.

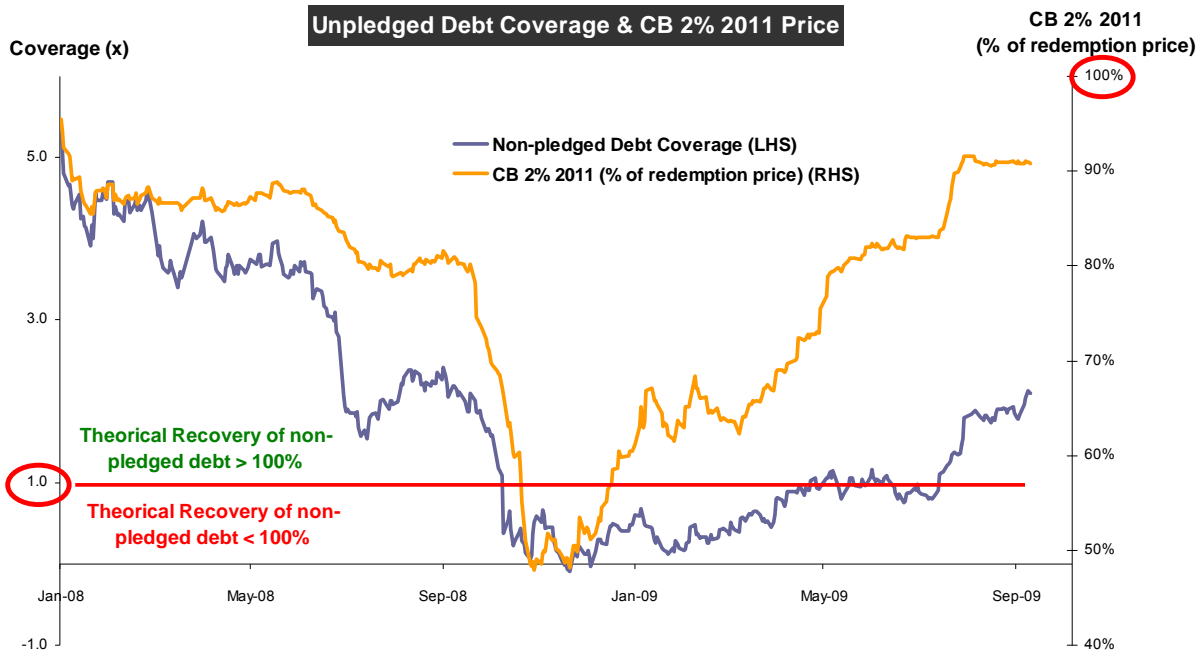
The 8 millions underlying PPR shares are under escrow ("sequestre" in French prospectus) but not pledged ("nanties" in French prospectus) for the benefit of the sole CB-holders.

These shares could not be used as a pledge for other creditors, but existing creditors have the same seniority on these shares as the CBs holders.

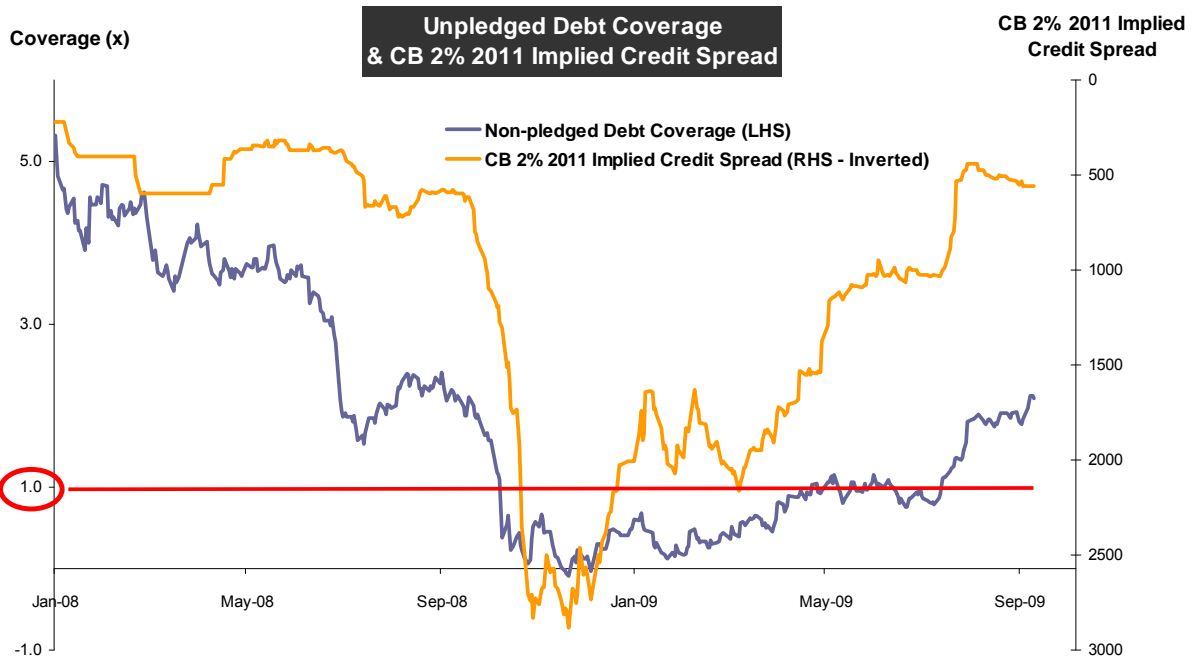
These shares are simply here to simplify the conversion, not to boost the recovery.

Recovery for un-pledged debt is now above 1x. We estimate its coverage at around 2.1x.

This reassuring situation sustain PPR rating and, of course, the valuation of the CB 2% 2011 (trading currently around 91 % of its redemption price).



Source: Calyon.



Source: Calyon.

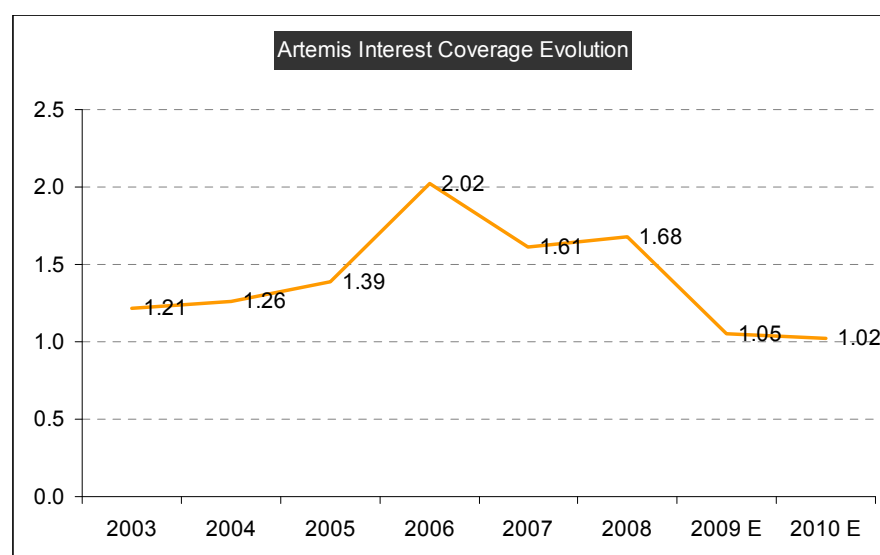
Artemis Interest Coverage:

Driving a leveraged-holding is a delicate play as the mother-structure needs to be able to service its own-interests without starving its rated-subsiaries and without burning cash. Artemis gives in its social accounts the P&L extract describing its "Gain on Holdings" and its "Interest and charges".

P&L extract (m EUR)	2002	2003	2004	2005	2006	2007	2008
Gain on holdings, of which:	269	215	312	235	245	210	208
Dividends & other results	181	167	256	178	196	162	156
Interest & other charges:	-218	-164	-125	-128	-129	-122	-169

Source: Artemis Annual Report 2008.

As the financial community has feared that Artemis could experience the same treatment as Carlo Tassara, we have detailed the contribution of each of its participations to the total dividends received by Artemis and compared them with its sole financial interests.



We can observe that between 2002 and 2008, Artemis interest coverage has been resilient and always above 1x.

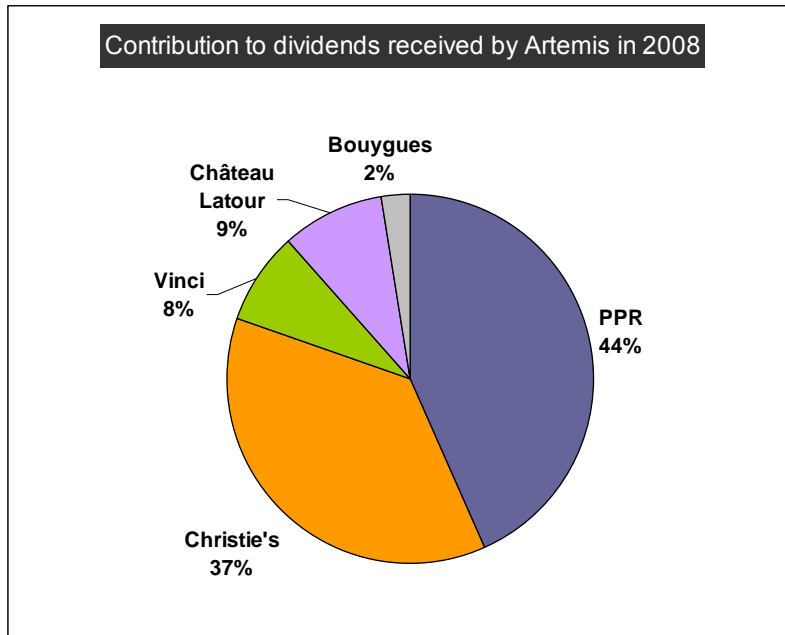
Source: Artemis Annual Report 2008, except for Calyon 2009 and 2010 expected interest coverage.

For the estimation of 2009 and 2010 Artemis dividends, we have taken the dividends forecasted by CA Cheuvreux for Vinci, Bouygues, and PPR. We have cut the dividends paid by Christie's by 3x, therefore forecasting the same evolution as Sotheby's dividends. And we have reduced by 30% the dividends paid by Château Latour, reflecting the decrease of its net result from € 41 M in 2007 to € 29 M in 2008.

Dividends received by Artemis (a) (€M)	2003	2004	2005	2006	2007	2008	2009 E	2010 E
PPR	119	124	130	140	155	178	170	162
Christie's	28	29	37	68	97	153	51	51
Vinci				7	29	33	35	35
Château Latour	13	8	9	17	17	38	27	27
Bouygues	10	13	20	17	8	10	11	11
Sum	170	174	196	249	306	412	294	286
Financial Charges (b) (€M)	-140	-138	-141	-123	-190	-245	-280	-280
Interest Coverage (a) / (b)	1.21	1.26	1.39	2.02	1.61	1.68	1.05	1.02

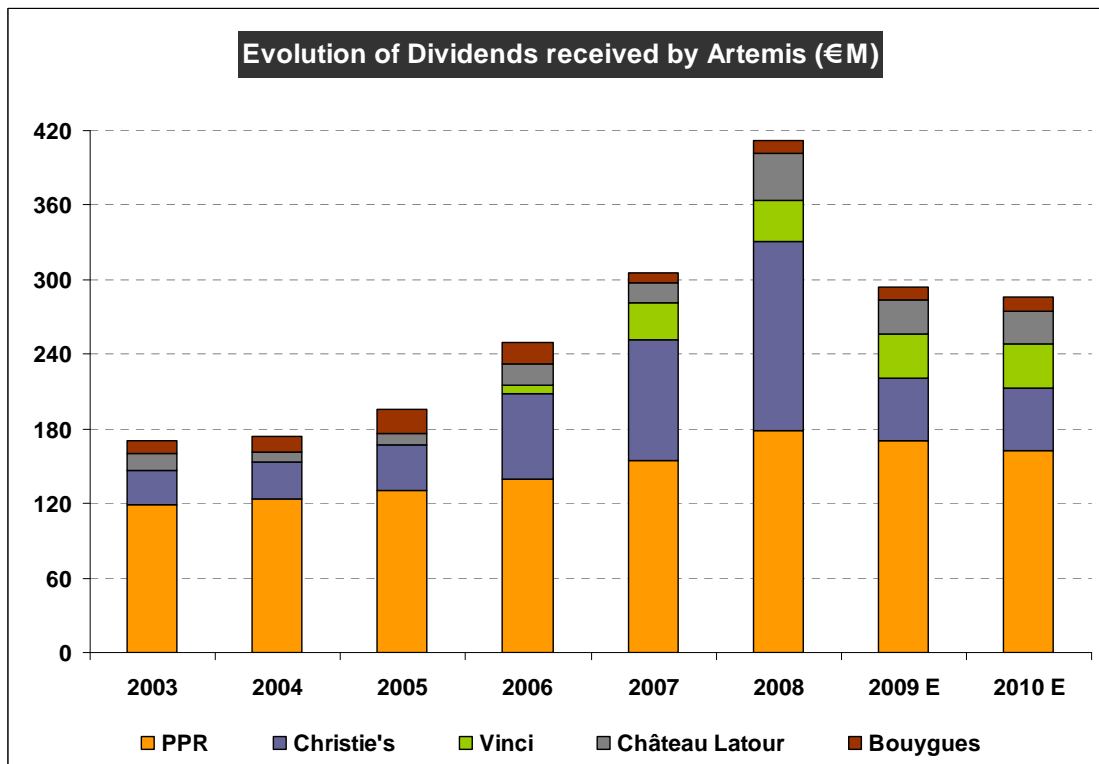
Source: Artemis Annual Report 2008, except for 2009 and 2010 expected dividends from Calyon (for Christie's and Château Latour) and CA Cheuvreux (for PPR, Bouygues and Vinci).

Due to an exceptional 2007 year, Christie's contributed to 37% of dividends received by Artemis in 2008 (the auction business reached an all-time high of \$ 11 bn in 2007).



Source: Artemis Annual Report 2008.

Due to the expected fall of 50% of the auction business between 2007 and 2009, we believe that Christie's contribution to Artemis total dividends will decrease to 17%, but without threatening Artemis interest coverage.



Source: Artemis Annual Report 2008, excepted for Calyon 2009 and 2010 expected dividends of Christie's and Château Latour, and excepted CA Cheuvreux expected dividends for PPR, Bouygues and Vinci.

Please find below CA Cheuvreux projection for 2009 & 2010 dividends of Artemis listed participations:

PPR	2003	2004	2005	2006	2007	2008	2009 CA Cheuvreux Expectations
Dividend per share (€)	2.4	2.52	2.72	3.0	3.45	3.3	3.14
Payout ratio			61%	55%	49%	48%	
% of free cash-flow			42%	44%	40%	63%	
Dividends paid to Artemis (<i>the year after</i>) (€ M)	124	130	140	155	178	170	162

Vinci	2003	2004	2005	2006	2007	2008	2009 CA Cheuvreux Expectations
Dividend per share (€)		0.88	1.00	1.33	1.52	1.62	1.62
Payout ratio		40%	42%	45%	50%	50%	55%
Dividends paid to Artemis (<i>the year after</i>) (€ M)			7	29	33	35	35

Bouygues	2003	2004	2005	2006	2007	2008	2009 CA Cheuvreux Expectations
Dividend per share (€)		0.73	0.99	1.15	1.5	1.6	1.6
Payout ratio		35%	40%	44%	37%	37%	44%
Dividends paid to Artemis (<i>the year after</i>) (€ M)		20	17	8	10	11	11

Source: Artemis Annual Report 2008, excepted CA Cheuvreux expected dividends for PPR, Bouygues and Vinci.

Valuing Château Latour

Artemis communicates a book value of € 112 M for its stake in Château Latour.

With a LTV of roughly 75%, we estimate that it is worth noting to fine-tune the value of this unlisted and precious asset as the real value of Château Latour is much higher than € 112 M....

Following discussion with CA Cheuvreux analysts, we estimate that valuing Château Latour via transaction multiples in the whole Spirits Segment is not rigorous as this asset is precious and could not be transferred in an other place (as the production of Vodka could be...). If we use transaction multiples since 10 years in the Spirit Segment (leading to an average EV / Sales of 4.1x and an average EV / EBITDA of 14.9x), we would get an average value of € 292 M.

(€ M)	2007	2008
Sales	48	37
of which new wine	34	18
of which old wine	12	16
Net result	41	29
Dividend paid to Artemis	38	Unknown

Source: Artemis Annual Report 2008.

TRANSACTION MULTIPLES IN THE SPIRITS SEGMENT

Date	Acquirer	Target	Transaction value	EV / Sales (x)	EV / EBITDA (x)	EV / EBIT (x)
1999	Edrington	Highland Distillers	USD980m	2.8	15.1	15.8
2000	Diageo	Seagram	USD4,972m	4.6	10.1	10.6
2000	Pernod	Seagram	USD3,179m	2.6	9.5	10.2
2000	Rémy Cointreau	Bols	EUR510m	2.2		12.5
2001	Campari	Skyy Vodka	EUR233m	3.7	16	
2002	Allied Domecq	Malibu	GBP560m	5.6	12.9	
2003	Campari	Sella & Mosca	EUR93m	3	12.9	18.6
2003	Campari	Barbero 1891 SA	EUR150m	2.7	12.1	
2004	Bacardi-Martini	Grey Goose	USD2,290m		26	
2004	LVMH	Glenmorangie	EUR432m	6	23.8	26
2005	Pernod	Allied Domecq	EUR13,726m		10.4	
2005	Fortune	Allied Domecq	EUR4,054m		14.7	
2005	Campari	Glen Grant	EUR115m	2.6	8.1	8.7
2006	Brown Forman	Tequila Herradura	USD876m	4.4	17.5	19.9
2007	Campari	Cabo Wabo (Tequila)	EUR60m		11.8	
2008	Diageo	Ketal One	USD900m	8.3	20	
2008	Pernod	Absolut Vodka	EUR5,600m	5.1	20.8	
2009	Campari	Wild Turkey	EUR433m		12	
Average				4.1	14.9	15.3

Source: « *LVMH or LV something else?* », page 5, written by Françoise Lauvin, Luxury CA Cheuvreux Analyst, 07 may 09, + (33) 1 41 89 73 09, flauvin@cheuvreux.com.

We think that the best way to estimate Château Latour value is to take the transaction multiple established during the acquisition of Château D'Yquem by LVMH in 1999. LVMH acquired 64% of this 102 ha vineyards property and the global stake was valorized at € 150 M in its balance sheet. The 78 ha vineyards of Château Latour could then be valued around € 117 M. If we add the value of the inventory (which we estimate would be around € 222 M), we would value Château Latour at € 337 M.

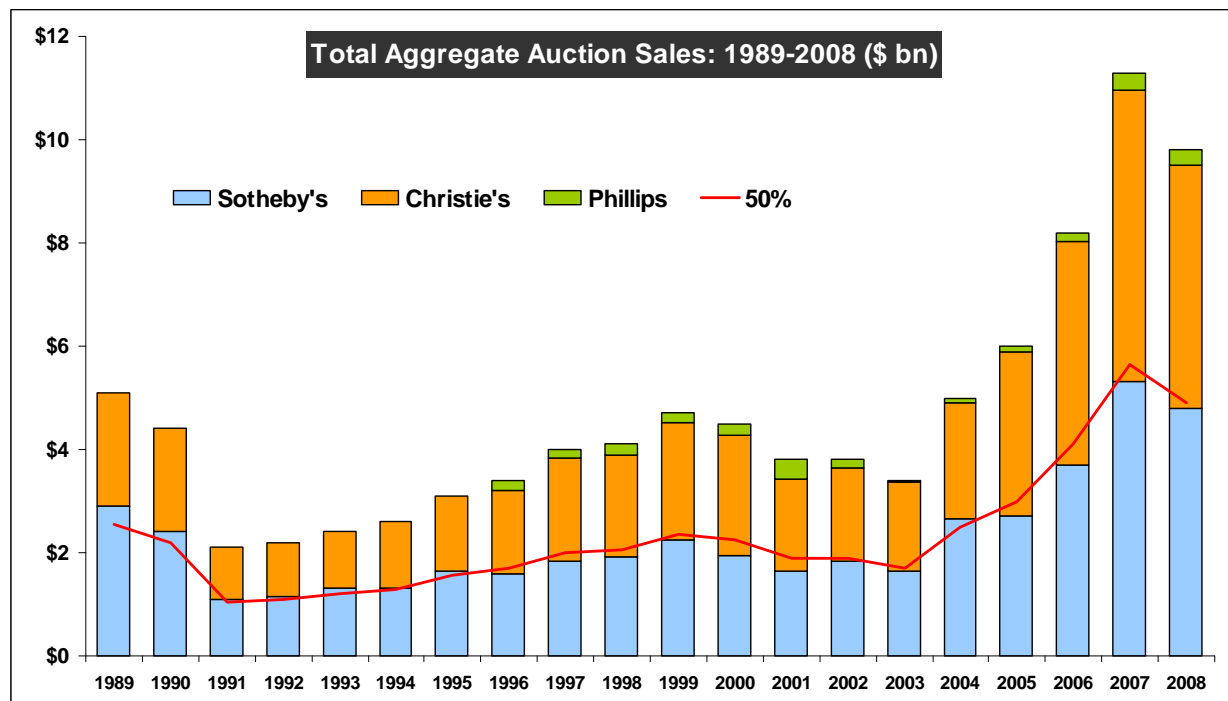
The Auction Business

The Auction House Christie's is a key asset for Artemis as it contributes to 13 % of its portfolio and around 17% of its 2009E dividends.

At book value, this is valued at € 704 M in Artemis social account.

Artemis owns a very precious asset as the auction business is a duopoly market.

The auction business is characterized by important barrier to entry based on credibility, market knowledge, relationships with fiduciaries, and expertise.



Source: Sotheby's Investor Briefing, May 2009.

However, this business has been impacted by losses on guarantee offered to vendors by Christie's and Sotheby's.

For instance, Sotheby's has recorded a \$ 60.2 M of net losses related to property offered or sold under auction guarantees during the year 2008 (this loss would be reduced to \$ 16.4 M if we deduct the auction commission revenues linked to these properties sold).

The Guarantee Transaction is indeed much more dangerous for the Auction House than the General Auction Transaction.

In the General Auction Transaction, the Auction House just takes a double margin on the auction sale (the hammer price of property sold at auction.)

General Auction Transaction



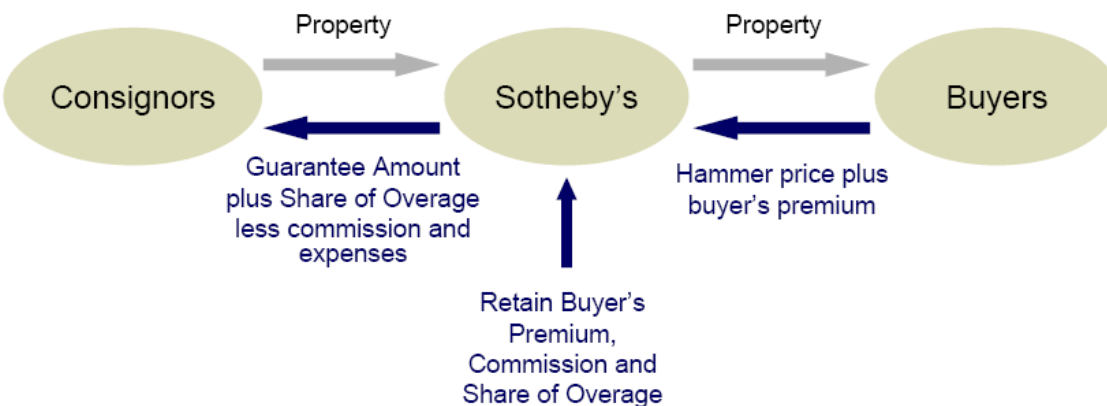
Source: Sotheby's Investor Briefing, May 2009.

In a Guarantee Transaction, Sotheby's or Christie's will guarantee to consignors a minimum price in connection with the sale of property at auction (an "auction guarantee").

In the event that the property is sold for less than the minimum guaranteed price, Sotheby's or Christie's must perform under the auction guarantee by funding the difference between the sale price at auction and the amount of the auction guarantee.

If the property is not sold, the amount of the guarantee must be paid, but Sotheby's or Christie's have the right to recover such amount through the future sale of the property.

Guarantee Transaction



Source: Sotheby's Investor Briefing, May 2009.

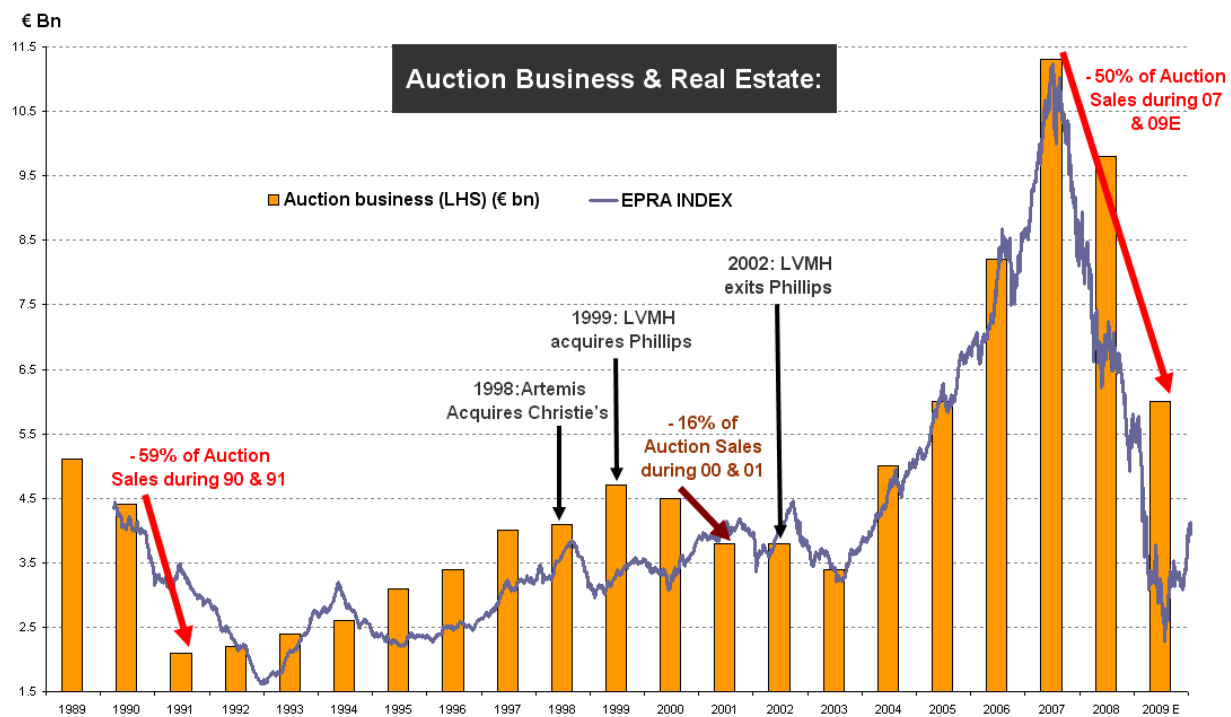
Sotheby's & Christie's stopped guarantee at the end of 2008.

On top of the losses linked to the Guarantee Transaction, the Auction Houses had to face the worst drop of their market experimented since 1990-1991.

This fall could not be compared with the crisis of 2000-2001, but much more with the -59% fall of the Auction sales during 1990 and 1991.

Even if the last increase in the auction business was partly driven by new fortunes issued from the commodity boom, we believe that the correlation with the real estate market is much more relevant.

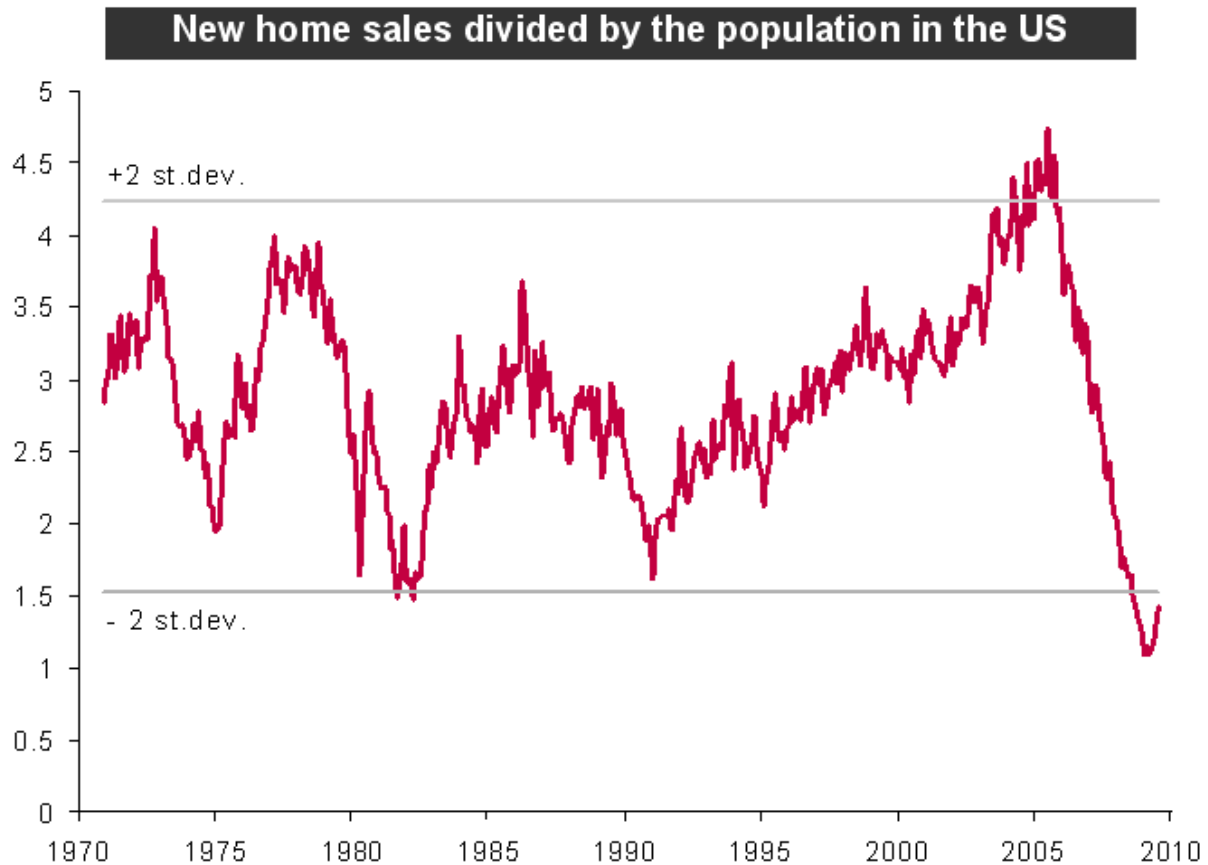
Contrary to the crack of 2000-2001 (or 1987) that hurt superficially the Auction Houses, the financial crisis of 1990-1991, stemming from the depression experienced by real estate developers, led to a fall of 59% of auction sales.



Source: Calyon.

We then believe that the recent rebound of real estate prices in the US should be a strong support for the Auction market.

Our CA Cheuvreux Economics & Strategy Team estimates indeed that the activity in the US Housing market has bottomed and will be followed by a price recovery.



Source: « *Crisis and Continuity* », September 2009, Christopher Potts, Head of Economics & Strategy, CA Cheuvreux, cpotts@cheuvreux.com, +44 207 621 66 40.

Valuing Christie's

In terms of financial risk, Sotheby's offers a relevant listed peer for Christie's for the following reasons:

- ❖ Each company owns around 50% of the auction business (Phillips is much smaller player).
- ❖ Their leverage is similar.
- ❖ Sotheby's long term debt is currently at \$ 509 M / € 349 M, which is comparable to Christie's € 336 M debt.

S&P describes Sotheby's as a "highly leveraged capital structure with weak credit protection measures". Sotheby's is rated BB- with a negative Outlook.

S&P expects "leverage likely will end the year at or below 6.5x and interest coverage will remain under 2.0x".

Sotheby's P&L (\$ M)	2008	2007
Net Auction Sales	4190	4626
Private Sales	374	730
Consolidated Sales	5335	6184
Auction and related revenues	617	833
Total revenues	692	918
Margin	13%	15%
EBITDA	94	314
EBITDA margin	14%	34%
Net income	28	213
Net margin	4%	23%
Dividend Paid (\$ M)	41	33
Leverage (Debt / EBITDA)	4.4	1.7

Source: Sotheby's.

Sotheby's - Liquidity Information (\$ M)	30-Jun-09
Cash	141
Restricted Cash	12
Total Cash	153
Undrawn Credit Facility	200
ST Debt	0
LT Senior debt	509
Net Debt	367

Source: Sotheby's.

Being a non-listed company, Christie's discloses its auction sales, but not its revenues. H1-09 Christie's auction sales were boosted by the exceptional \$ 443.1 M auction of the Yves Saint Laurent collection in February.

Christie's Auction sales breakdown by geography (\$ M):	H1-08	H1-09	% Var
France	132	509	286%
USA	1200	463	-61%
UK	1380	388	-72%
CHINA	312	129	-59%
DUBAI	39	9	-77%
Total auction division	3063	1498	-51%
excl. Saint Laurent		1055	-66%
Private sales	301	200	-34%
Total auction sales	3500	1800	-49%

Source: Christie's.

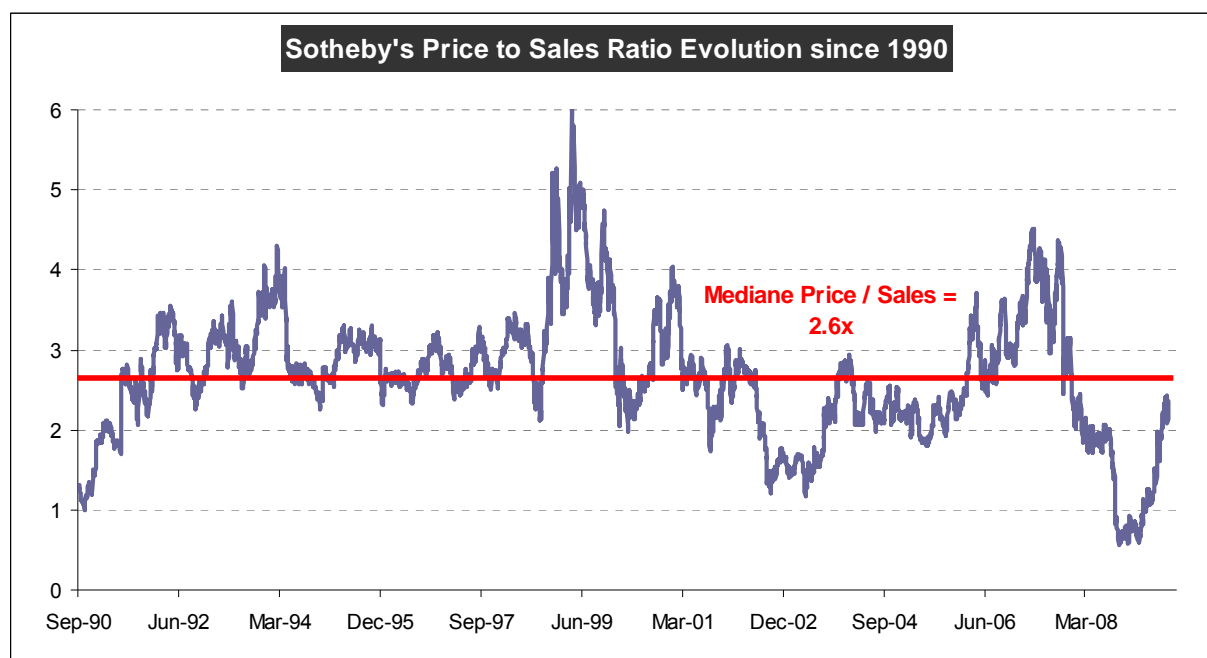
With a H1-09 auction sales of \$ 1.8 bn, we estimate that Christie's FY 09 auction sales could reach \$ 2500 M (we exclude from our forecasts the one-off of Yves Saint Laurent as we fear that the auction margin should have been in the low-range for this event).

	Christie's Auction Sales (\$M)	% Var
H1 2008	3500	
H2 2008	1550	-56%
H1 2009	1800	16%

Source: Christie's.

In its H1-09 results, Sotheby's recorded an increase of auction commission margin from 13.6% in Q1-08 to 19.2% in Q1-09 (boosted by cost cutting, no losses on guarantee, and a favorable product-mix based on lower priced items with high margin).

Assuming a 18% commission margin, we estimate that Christie's FY 09 revenues should reach \$ 464 M.



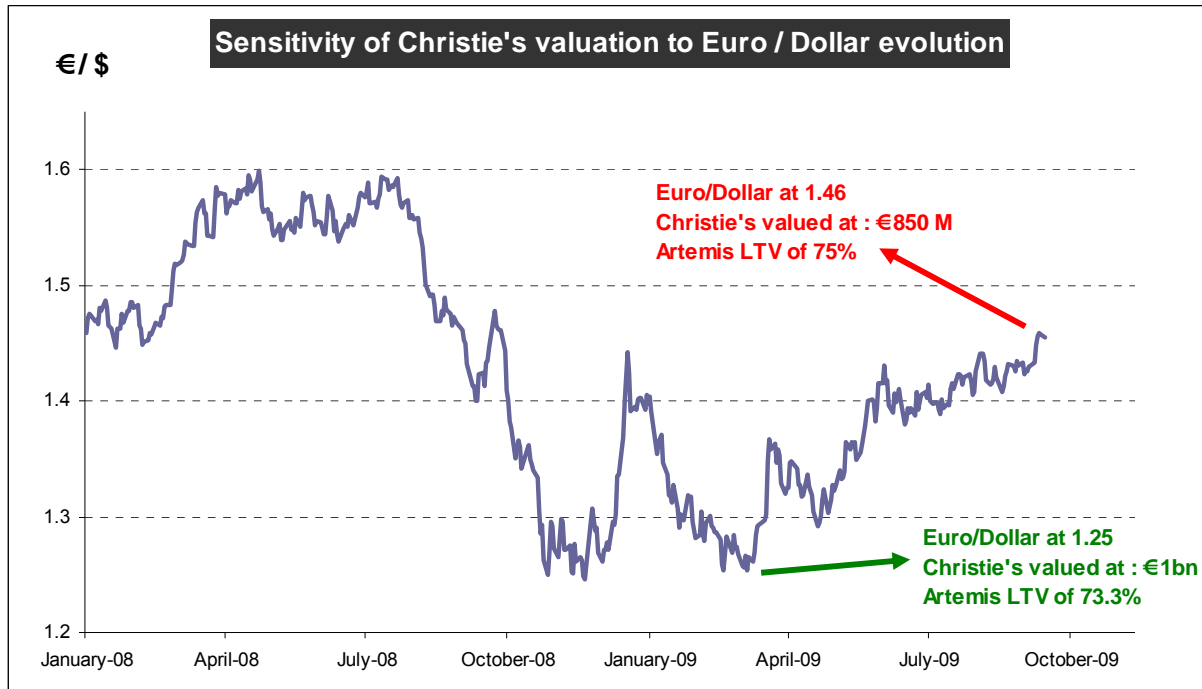
Source: Bloomberg.

We use a 10 year median of Sotheby's Price / Sales ratio as we think that a low-cycle multiple is no more justified.

During H1-09 Conference Call, Bill Ruprecht, CEO of Sotheby's commented "there is now a more stable marketplace".

This 2.6x Price / Sales ratio would then give us a value of € 850 M for Christie's (euro-dollar rate: 1.46).

Please note that our valuation is conservative, as the euro-dollar has of course an impact on the value of Christie's....



Source: Calyon.

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