

Newsletter

November 2015

Results for the six months to 31 July 2015

In September, Graphite Enterprise released its results for the six months to 31 July 2015. In the period the net asset value per share rose by 3%, and the share price rose by 5.4%*, closing at 590p. The underlying portfolio grew by 7.8% in local currencies.

Realisations remained very strong, generating £73 million of cash. The largest realised gain was generated by Graphite Capital's disposal of National Fostering Agency, a provider of foster carers to local authorities. New investments of £33 million were made in the six months, with the largest being PetSmart, the leading retailer of pet products and services in North America.

We completed new commitments of £35 million to four funds. Three of these, ICG Europe VI, Harwood IV and Hollyport V, were raised by managers we have been investing with for many years, while the manager of the fourth, Alcuin IV, is new to the portfolio.

The Company has been one of the stronger performers in the listed private equity sector in recent years. The strong underlying performance of the portfolio, our investment discipline and our balance sheet strength position Graphite Enterprise well for future growth in an uncertain environment.

The interim report is available to download at www.graphite-enterprise.com

Activity since 31 July

Since the half year we have completed new commitments of €15.0 million to Charterhouse Capital Partners X and \$20 million to Thomas H Lee Equity Fund VII. We have made a co-investment of £4.0 million in Swiss Education Group alongside Invision, a Swiss-based private equity firm.

With the Company holding high levels of cash, we have continued to return cash to shareholders through the share buy back programme. For the first time, we also paid an interim dividend, of 5.0p per share, on 20 October.

* After adding back the dividend in both cases

Financial highlights – Six months ended 31 July 2015

+3.0%

Net asset value per share

+5.4%

Share price

£73m

Realisation proceeds

General information

Investment focus

Private equity – European buy-outs

Year end 31 January

Listing London (premium listing)

Ticker / ISIN / SEDOL

GPE.LN / GB0003292009 / 0329200

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700.3p

Net asset value per share at 31.07.15

613.5p

Share price at 30.10.15

£443m

Market capitalisation at 30.10.15

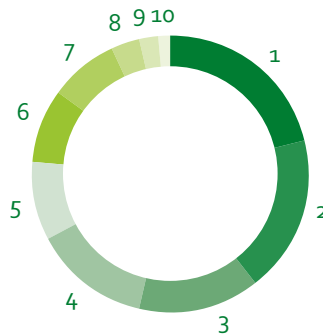
About Graphite Enterprise

Graphite Enterprise Trust plc is a specialist private equity investment trust which has been listed on the London Stock Exchange since 1981. It aims to provide shareholders with long-term capital growth through investment in unquoted companies. To achieve this, Graphite Enterprise invests in buy-outs of mature, profitable companies in established private equity markets, principally in Europe, both through private equity funds and directly.

The Company is managed by Graphite Capital, one of the UK's leading mid-market private equity firms with £1.3 billion of funds under management. Graphite Enterprise seeks to provide access to the investment programmes of the best buy-out managers across Europe. Investments in UK-based mid-market companies are made through funds managed by Graphite Capital. Investments in larger and smaller UK companies and in overseas markets are made through funds managed by high quality third party managers, selected by Graphite Capital.

Underlying companies – sector analysis

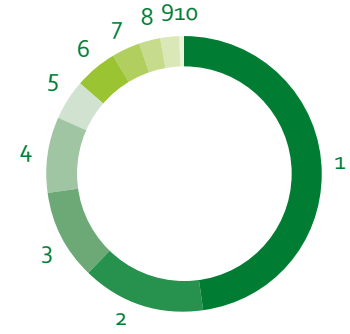
31.07.15



1. Business services	21.2%
2. Industrials	18.4%
3. Healthcare and education	14.2%
4. Consumer goods and services	13.5%
5. Leisure	9.1%
6. Financials	8.6%
7. Automotive supplies	8.1%
8. Technology and telecommunications	3.5%
9. Media	2.2%
10. Chemicals	1.2%

Underlying companies – geographic distribution*

31.07.15



1. UK	47.9%
2. North America	14.5%
3. Germany	10.6%
4. France	8.7%
5. Scandinavia	5.0%
6. Benelux	4.9%
7. Spain	3.2%
8. Italy	2.5%
9. Other Europe	2.4%
10. Rest of world	0.3%

* Location of headquarters of underlying companies in the portfolio. Does not necessarily reflect countries to which companies have economic exposure.

The portfolio at 31.07.15

Direct portfolio	Third party portfolio (selection only)
	
Graphite investments 24%	Third party funds 60%
	Third party co-investments 16%



Case Study: National Fostering Agency

In April 2015, Graphite Capital sold NFA to Stirling Square Capital Partners, a UK-based private equity firm

>2x

Multiple of original cost of investment achieved on disposal

In January 2012 Graphite Capital led the management buy-out of National Fostering Agency ("NFA"), the UK's largest independent fostering agency. Graphite Enterprise invested a total of £8.5 million in NFA, through its interest in Graphite Capital Partners VII and a co-investment alongside the fund.

NFA recruits and trains foster carers and provides them with 24 hour support. It works closely with Local Authority social services to match carers with placements of infants and children in need of foster care. The business was well placed to increase its share of the foster care market which was fragmented and growing strongly, driven by Local Authorities' preference towards foster care over residential care and their increasing use of private sector foster agencies.

Under Graphite's ownership, NFA grew organically and through acquisition, solidifying its position as the UK market leader. Organic turnover growth was driven by new contract wins, continued geographical expansion and increased placement complexity. A strong focus on quality and carer recruitment helped increase the number of foster placements by almost 30% and carer numbers by over 30%.

The business was refinanced in June 2014, returning more than half the amount invested. In April 2015, Graphite Capital sold NFA to Stirling Square Capital Partners, a UK-based private equity firm, generating further proceeds of £11.9 million for Graphite Enterprise. The disposal achieved an overall gross return of more than two times cost.

Top ten underlying holdings at 31.07.15

Company	Description	Country	Manager	Value as a % of investment portfolio
1 Micheldever	Distributor and retailer of tyres	UK	Graphite Capital	5.6%
2 City & County Healthcare Group	Provider of home care services	UK	Graphite Capital	3.4%
3 ICR Group	Provider of repair and maintenance services to the energy industry	UK	Graphite Capital	3.2%
4 Education Personnel	Provider of temporary staff for the education sector	UK	ICG	2.7%
5 Human Capital Investment Group	Provider of recruitment services	UK	Graphite Capital	2.1%
6 Skillsoft	Provider of off the shelf e-learning content	USA	Charterhouse	2.1%
7 Spheros	Provider of bus climate control systems	Germany	Deutsche Beteiligungs	1.9%
8 Standard Brands	Manufacturer of fire lighting products	UK	Graphite Capital	1.7%
9 David Lloyd Leisure	Operator of premium health and fitness clubs	UK	TDR Capital	1.7%
10 U-POL	Manufacturer and distributor of automotive refinishing products	UK	Graphite Capital	1.6%
				26.0%

Key figures at 31.07.15

	£m
Total equity	505.7
Portfolio value	411.5
Cash	101.0
Undrawn bank facility	93.7
Total liquidity	194.7
Outstanding commitments	248.0

Graphite Capital directly manages 24% of the portfolio and six of the top ten investments

Important information

This Newsletter was prepared as at 11 November 2015 and has been compiled primarily using information set out in the Company's investment management statement for the six months ended 31 July 2015. The delivery of this Newsletter shall not create any implication that there has been no change in the affairs of the Company since 31 July 2015. Past performance is not necessarily a guide to the future and the value of shares and the income from them can go down as well as up. The information contained in this Newsletter is selective and does not purport to contain all the information that recipients may require on the Company. No information contained in this Newsletter shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction. Nothing in this Newsletter constitutes an offer to sell or a solicitation of any offer to buy any securities of the Company in any jurisdiction. We do not offer investment advice. If you are unsure of the meaning of the above information, you should consult your own independent financial advisor. Further information and all announcements relating to the Company can be found on the Company's website www.graphite-enterprise.com. This Newsletter has not been audited or reviewed by the Company's auditors.