

8 December 2015

## GRAPHITE ENTERPRISE TRUST PLC

### INTERIM MANAGEMENT STATEMENT PERIOD ENDED 31 OCTOBER 2015

Graphite Enterprise Trust PLC (“Graphite Enterprise” or “the Company”) presents its Interim Management Statement for the period ended 31 October 2015.

#### **Performance overview**<sup>1</sup>

In the nine months to 31 October, the net asset value per share increased by 2.9% to 694.9p. In the same period the FTSE All-Share Index fell by 0.9%.

The share price performed strongly in the nine months, increasing by 10.5%. An interim dividend of 5.0p per share was paid to shareholders on 20 October.

In the nine months, the value of the portfolio in local currencies increased by 7.6%. As the Company was 84% invested at the start of the year, this generated a 6.5% increase in the net asset value. The impact of currency movements on euro-denominated investments and cash balances reduced the net asset value by 2.3%, with expenses and other items reducing it by a further 1.3%. Overall, the net asset value increased by 2.9%.

The long term performance of the Company remains strong, with both the net asset value and the share price comfortably outperforming the Index over five and ten years.

In the most recent quarter, the three months to 31 October, the net asset value decreased slightly by 0.1%. As few of the managers of our fund portfolio revalue their investments at September, the great majority of the portfolio effectively remains at its reported June valuation. Further details about performance and activity in the quarter are presented below.

1. All performance figures are on a total return basis, including the effect of re-invested dividends.

#### **Performance and activity in the quarter**

##### **Net asset value**

A small decrease in the underlying valuation of the portfolio was more than offset by positive currency movements, with the result that the total valuation of the portfolio increased the net asset value by 0.3%. The impact of expenses and other items reduced the net asset value by 0.4%. Overall, the net asset value decreased slightly by 0.1%.

##### **Proceeds**

The portfolio generated £14.7 million of cash proceeds in the three months to 31 October. Eight full realisations were completed and these accounted for 68% of the proceeds received.

The amounts received in the quarter brought total proceeds received from the portfolio in the year to date to £88.2 million, or 20% of the opening portfolio. The full realisations brought the number completed in the year to 27 and these accounted for £55.6 million or 63% of the total proceeds received. The average uplift to the previous carrying value was 24% and the average return over the life of the investments was 1.8 times original cost. The remaining £32.6 million

or 37% of total proceeds was generated by a combination of refinancings, IPOs, sell-downs of listed holdings by third party managers and other partial realisations.

### **Additions and new commitments**

The slowdown in new investment activity, which we highlighted in the interim report, has continued, with £4.6 million invested in the quarter. This brings the total invested in the nine months to £37.5 million.

A total of 10 new underlying investments were made in the quarter. This brought the total for the year to date to 40.

In addition to the cash invested, we committed £3.9 million to a co-investment in Swiss Education Group, a provider of hospitality training in Switzerland, alongside Invision Private Equity, which completed shortly after the period end.

The Company made two new commitments to buy-out funds in the quarter. Both are existing manager relationships for Graphite Enterprise. The first was of €15 million to Charterhouse Capital Partners X and the second was of \$20 million to TH Lee Equity Fund VII. The latter was our first commitment to a US focused buy-out manager since 2007.

### **Cash and liquid assets**

The portfolio generated a net £10.1 million of cash in the three months to 31 October. Non-investment cash flows and adverse currency movements reduced cash by £2.8 million. The interim dividend of 5.0p per share returned £3.6 million to shareholders, and the Company bought back £0.4 million of shares. Overall, cash and liquid assets increased by £3.3 million to £104.4 million.

<b>Movement in liquid assets £m</b>	<b>3 months to 31 October 2015</b>	<b>9 months to 31 October 2015</b>
Additions	(4.6)	(43.6)
Proceeds generated by the portfolio*	14.7	88.0
Net cash generated by the investment portfolio	10.1	44.4
Non-investment cash flows	(2.7)	(10.3)
Effect of changes in foreign exchange rates	(0.1)	(0.6)
Cash inflow before shareholder distributions	7.3	33.5
Dividends	(3.6)	(14.8)
Share buy-backs	(0.4)	(4.4)
Net cash movement	3.3	14.3
Opening cash and liquid assets	101.1	90.1
<b>Closing cash and liquid assets</b>	<b>104.4</b>	<b>104.4</b>

\*Including income

Since the quarter end the cash balance has decreased to £95.8 million at 7 December, mainly due to net investment into the portfolio of £6.7 million and share buy-backs of £1.9 million.

## **Balance sheet and commitments**

The summary balance sheet and commitment position at 31 October 2015 is set out below. The Company was 79% invested at that date.

	<b>31 October 2015 £m</b>	<b>% of total assets</b>	<b>31 January 2015 £m</b>	<b>% of total assets</b>
Total portfolio	402.9	78.9%	431.9	83.6%
Cash and liquid assets	104.4	20.4%	90.1	17.4%
Other net current assets	3.6	0.7%	(5.4)	(1.0%)
Total assets	510.9	100.0%	516.6	100.0%
Equity shareholders' funds	501.3		506.9	
Undrawn bank facility <sup>1</sup>	94.1		96.4	
Total liquidity <sup>2</sup>	198.5		186.5	
Outstanding commitments	272.8		234.0	
Overcommitment <sup>3</sup>	74.3		47.5	
Overcommitment as % of shareholders' funds	14.8%		9.4%	

1. £50.0 million and €58.1 million translated into sterling at period end

2. Cash and liquid assets plus undrawn borrowing facilities

3. Outstanding commitments less total liquidity

Outstanding commitments increased by £24.1 million to £272.8 million in the quarter, primarily due to new primary commitments of £24.0 million (as discussed above).

## **Events since the quarter end**

Other than as discussed above, the Directors are not aware of any events or transactions which have taken place between 31 October 2015 and the date of publication of this statement which have had a material effect on the financial position of the company.

## **Not audited or reviewed**

This information has not been audited or reviewed by the Company's auditors.

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## **SUPPLEMENTARY INFORMATION**

### **THE 30 LARGEST UNDERLYING INVESTMENTS**

The table below presents the 30 companies in which Graphite Enterprise had the largest investments by value at 31 October 2015. These investments may be held directly or through funds, or in some cases in both ways. The valuations are gross and are shown as a percentage of the total investment portfolio.

	<b>Company</b>	<b>Manager</b>	<b>Year of investment</b>	<b>Country</b>	<b>Value as a % of investment portfolio</b>
<b>1</b>	<b>Micheldever +</b> Distributor and retailer of tyres	Graphite Capital	2006	UK	5.8%
<b>2</b>	<b>City &amp; County Healthcare Group</b> Provider of home care services	Graphite Capital	2013	UK	3.6%
<b>3</b>	<b>ICR Group</b> Provider of repair and maintenance services to the energy industry	Graphite Capital	2014	UK	3.2%
<b>4</b>	<b>Education Personnel +</b> Provider of temporary staff for the education sector	ICG	2014	UK	2.8%
<b>5</b>	<b>Spheros +</b> Provider of bus climate control systems	Deutsche Beteiligungs	2011	Germany	2.2%
<b>6</b>	<b>nGAGE</b> (previously Human Capital Investment Group) Provider of recruitment services	Graphite Capital	2014	UK	2.2%
<b>7</b>	<b>Skillsoft +</b> Provider of off-the-shelf e-learning content	Charterhouse	2014	USA	2.1%
<b>8</b>	<b>Standard Brands +</b> Manufacturer of fire lighting products	Graphite Capital	2001	UK	1.8%
<b>9</b>	<b>David Lloyd Leisure +</b> Operator of premium health and fitness clubs	TDR Capital	2013	UK	1.7%
<b>10</b>	<b>U-POL</b> Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.6%

<b>11</b>	<b>R&amp;R Ice Cream +</b>					
	Manufacturer and distributor of ice cream products	PAI Partners	2013	UK	1.6%	
<b>12</b>	<b>CPA Global +</b>					
	Provider of patent and legal services	Cinven	2012	UK	1.5%	
<b>13</b>	<b>TMF</b>					
	Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.5%	
<b>14</b>	<b>Frontier Medical +</b>					
	Manufacturer of medical devices	Kester Capital	2013	UK	1.5%	
<b>15</b>	<b>Parques Reunidos</b>					
	Operator of attraction parks	Arle Capital	2007	Spain	1.5%	
<b>16</b>	<b>Algeco Scotsman</b>					
	Supplier and operator of modular buildings	TDR Capital	2007	USA	1.5%	
<b>17</b>	<b>Guardian Financial Services</b>					
	Provider of insured life and pension products	Cinven	2011	UK	1.4%	
<b>18</b>	<b>The Laine Pub Company +</b>					
	Operator of pubs and bars	Graphite Capital	2014	UK	1.3%	
<b>19</b>	<b>TMP</b>					
	Provider of recruitment services	Graphite Capital	2006	UK	1.2%	
<b>20</b>	<b>PetSmart +</b>					
	Retailer of pet products and services	BC Partners	2015	USA	1.2%	
<b>21</b>	<b>Co-investment +/ **</b>					
	Provider of business services	Large buy-out manager	2014	Europe	1.2%	
<b>22</b>	<b>Stork</b>					
	Provider of technical engineering services	Arle Capital	2008	Netherlands	0.9%	
<b>23</b>	<b>Cognito +</b>					
	Supplier of communications equipment, software and services	Graphite Capital	2002	UK	0.9%	
<b>24</b>	<b>Odgers +</b>					
	Provider of recruitment services	Graphite Capital	2009	UK	0.9%	

<b>25</b>	<b>Suddenlink</b>				
	Operator of cable networks	BC Partners	2012	USA	0.8%
<b>26</b>	<b>Swissport</b>				
	Provider of airport ground and cargo handling services	PAI Partners	2011	Switzerland	0.8%
<b>27</b>	<b>VWR International +/ *</b>				
	Distributor of laboratory supplies	Madison Dearborn	2007	USA	0.8%
<b>28</b>	<b>Technogym</b>				
	Manufacturer of premium fitness equipment and wellness products	Arle Capital	2006	Italy	0.8%
<b>29</b>	<b>Gerflor</b>				
	Manufacturer of vinyl flooring	ICG	2011	France	0.8%
<b>30</b>	<b>Ceridian +</b>				
	Provider of payment processing services	Thomas H Lee Partners	2007	USA	0.7%
<hr/>					
<b>Total of the 30 largest underlying investments</b>					<b>49.8%</b>

+ All or part of this investment is held directly as a co-investment or other direct investment.

\* Quoted investment.

\*\* We are not permitted to disclose the details of this co-investment under the terms of a confidentiality agreement.

## THE 30 LARGEST FUND INVESTMENTS

The 30 largest funds by value at 31 October 2015 are set out below:

	<b>Fund</b>	<b>Outstanding commitment £ million</b>	<b>Year of commitment</b>	<b>Country/ region</b>	<b>Value £ million</b>
<b>1</b>	<b>Graphite Capital Partners VIII *</b> Mid-market buy-outs	61.2	2013	UK	35.0
<b>2</b>	<b>Graphite Capital Partners VI **</b> Mid-market buy-outs	5.4	2003	UK	23.9
<b>3</b>	<b>CVC European Equity Partners V **</b> Large buy-outs	1.3	2008	Europe/ USA	18.6
<b>4</b>	<b>Candover 2005 Fund **</b> Large buy-outs	0.1	2005	Europe	14.7
<b>5</b>	<b>BC European Capital IX **</b> Large buy-outs	5.1	2011	Europe	13.8
<b>6</b>	<b>Thomas H Lee Parallel Fund VI</b> Large buy-outs	1.7	2007	USA	13.1
<b>7</b>	<b>Graphite Capital Partners VII */**</b> Mid-market buy-outs	7.6	2007	UK	13.0
<b>8</b>	<b>PAI Europe V **</b> Mid-market and large buy-outs	1.1	2007	Europe	12.1
<b>9</b>	<b>Deutsche Beteiligungs Fund V</b> Mid-market buy-outs	0.3	2006	Germany	11.4
<b>10</b>	<b>Fourth Cinven Fund **</b> Large buy-outs	3.5	2006	Europe	10.9
<b>11</b>	<b>TDR Capital II</b> Mid-market and large buy-outs	0.7	2006	Europe	10.4
<b>12</b>	<b>Fifth Cinven Fund</b> Large buy-outs	5.7	2012	Europe	10.3
<b>13</b>	<b>Bowmark Capital Partners IV</b> Mid-market buy-outs	0.5	2007	UK	10.3
<b>14</b>	<b>Activa Capital Fund II</b> Mid-market buy-outs	0.8	2007	France	10.0
<b>15</b>	<b>Doughty Hanson &amp; Co V **</b> Mid-market and large buy-outs	5.4	2006	Europe	8.0
<b>16</b>	<b>Landmark Acquisition Fund VIII **</b> Mezzanine	10.3	2014	Europe	7.3

<b>17</b>	<b>ICG Europe V</b>				
	Mezzanine	0.5	2012	Europe	7.1
<b>18</b>	<b>Permira V</b>				
	Large buy-outs	2.7	2013	Europe	4.6
<b>19</b>	<b>Deutsche Beteiligungs Fund VI</b>				
	Mid-market buy-outs	2.8	2012	Germany	4.2
<b>20</b>	<b>IK VII</b>				
	Mid-market buy-outs	2.8	2013	Europe	4.1
<b>21</b>	<b>Charterhouse Capital Partners IX **</b>				
	Large buy-outs	0.8	2008	Europe	4.0
<b>22</b>	<b>Piper Private Equity Fund V</b>				
	Small buy-outs	2.0	2010	UK	3.7
<b>23</b>	<b>Hollyport Secondary Opportunities IV</b>				
	Tail-end secondary portfolios	0.8	2013	Global	3.7
<b>24</b>	<b>Segulah IV</b>				
	Mid-market buy-outs	1.2	2008	Nordic	3.6
<b>25</b>	<b>Nordic Capital Partners VIII</b>				
	Mid-market and large buy-outs	3.7	2013	Nordic	3.6
<b>26</b>	<b>TowerBrook III **</b>				
	Mid-market and large buy-outs	1.3	2007	Europe/ USA	3.2
<b>27</b>	<b>Doughty Hanson &amp; Co IV</b>				
	Mid-market and large buy-outs	0.3	2005	Europe	3.0
<b>28</b>	<b>TDR Capital III</b>				
	Mid-market and large buy-outs	4.5	2013	Europe	2.9
<b>29</b>	<b>Piper Private Equity Fund IV</b>				
	Small buy-outs	1.1	2006	UK	2.7
<b>30</b>	<b>Permira IV **</b>				
	Large buy-outs	0.2	2006	Europe	2.6
<b>Total of the largest 30 fund investments</b>		<b>135.4</b>			<b>275.8</b>
<b>Percentage of total investment portfolio</b>					<b>68.9%</b>

\* Includes the associated Top Up fund(s)

\*\* All or part of interest acquired through a secondary fund purchase



## PORTFOLIO ANALYSIS

The following five tables analyse the companies in which Graphite Enterprise had investments at 31 October 2015.

### Portfolio - Investment type

	<b>% of value of underlying investments</b>
Large buy-outs	46.6%
Mid-market buy-outs	39.5%
Mezzanine	8.3%
Small buy-outs	4.3%
Quoted	1.3%
Total	100.0%

### Portfolio - Geographic distribution\*

	<b>% of value of underlying investments</b>
UK	47.8%
North America	13.9%
Germany	10.6%
France	9.3%
Scandinavia	5.0%
Benelux	4.5%
Spain	3.3%
Italy	2.4%
Other Europe	2.9%
Rest of world	0.3%
Total	100.0%

NB: Total Continental Europe 38.0%

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

<b>Portfolio - Year of investment</b>	<b>Valuation as multiple of cost</b>	<b>% of value of underlying investments</b>
2015	1.0x	6.9%
2014	1.2x	22.0%
2013	1.4x	16.7%
2012	1.6x	9.3%
2011	1.6x	9.5%
2010	1.6x	7.7%
2009	2.7x	1.8%
2008	1.1x	7.0%
2007	1.7x	6.8%
2006	1.6x	9.5%
2005 and before	1.8x	2.8%
<b>Total</b>	<b>1.4x</b>	<b>100.0%</b>

<b>Portfolio - Sector analysis</b>	<b>% of value of underlying investments</b>
Business services	20.3%
Industrials	19.2%
Healthcare and education	15.0%
Consumer goods and services	13.1%
Leisure	9.5%
Automotive supplies	8.0%
Financials	7.9%
Technology and telecommunications	3.7%
Media	2.1%
Chemicals	1.2%
<b>Total</b>	<b>100.0%</b>

## Quoted equity holdings at 31 October 2015

All quoted holdings, other than Intermediate Capital Group, are held indirectly through third party funds and may have restrictions on their sale. The timing of any disposal of these interests is determined by the managers of those funds.

<b>Underlying investment</b>	<b>Ticker</b>	<b>£ million</b>	<b>% of investment portfolio</b>
VWR International	VWR	3.2	0.8%
Avolon Aerospace	AVOL	2.8	0.7%
Intermediate Capital	ICP	2.4	0.6%
Saga	SAGA	2.4	0.6%
Party City	PRTY	1.9	0.5%
Partnership	PA	1.7	0.4%
Black Knight	BKFS	1.7	0.4%
Abertis	ABE	1.6	0.4%
ComHem	COMH	1.6	0.4%
Elior	ELIOR	1.5	0.4%
Tumi	TUMI	0.8	0.2%
Evonik	EVK	0.8	0.2%
Fogo do Chao	FOGO	0.8	0.2%
West Corporation	WSTC	0.8	0.2%
FleetCor (Comdata)	FLT	0.7	0.2%
Univar N.V	UNVR	0.7	0.2%
Others		4.0	1.0%
<b>Total</b>		<b>29.4</b>	<b>7.4%</b>

The following table analyses the closing portfolio by value.

## Graphite and third party investments at 31 October 2015

<b>Portfolio</b>	<b>Third party £ million</b>	<b>Graphite Capital £ million</b>	<b>Total £ million</b>	<b>% of investment portfolio</b>
Primary investments in funds	180.4	59.6	240.0	59.6%
Secondary investments in funds	57.3	12.3	69.6	17.3%
Direct and co-investments	67.8	25.5	93.3	23.1%
<b>Total portfolio</b>	<b>305.5</b>	<b>97.4</b>	<b>402.9</b>	<b>100.0%</b>
<i>Discretionary investments*</i>	125.1	97.4	222.5	55.2%

\*Includes Graphite Capital funds, all secondary fund interests and all direct investments

## INVESTMENT ACTIVITY

The following two tables analyse the investment activity of Graphite Enterprise in the three months to 31 October 2015.

### Largest new underlying investments

Investment	Description	Country	Cost £ million
Pharmathen	Manufacturer of pharmaceutical products	Greece	0.7
PKP Energetyka	Provider of electricity and maintenance to the rail sector	Poland	0.5
Imtech T&I	Provider of electronic systems for traffic and infrastructure	Netherlands	0.5
Tractel	Provider of working-at-height equipment	France	0.4
Linxens	Designer and manufacturer of smart card connectors	France	0.3
Total of 5 largest new underlying investments			2.4

### Largest underlying realisations

Investment	Manager	Realisation type	Proceeds £ million
Lowell Group	TDR Capital	Secondary	2.7
Balta	Doughty Hanson	Secondary	1.6
Skrill	CVC Partners	Trade	1.3
Briefing Media	Kester Capital	Secondary	1.2
Formel D	Deutsche Beteiligungs	Refinancing	1.2
Total of 5 largest underlying realisations			8.0

## COMMITMENTS ANALYSIS

The following four tables analyse Graphite Enterprise's commitments at 31 October 2015.

### Commitments

	Original commitment <sup>1</sup> £ million	Outstanding commitment £ million	Average drawdown percentage	% of commitments
Funds not yet in investment period	18.2	18.1	0.4%	6.7%
Funds in investment period	310.0	204.5	34.0%	74.9%
Funds post investment period	522.2	50.2	90.4%	18.4%
Total	850.4	272.8	67.9%	100.0%

<sup>1</sup> Original commitments are translated at 31 October 2015 exchange rates

**Commitments - remaining investment period**

	<b>% of commitments</b>
Investment period not commenced	6.7%
4-5 years	25.5%
3-4 years	11.2%
2-3 years	30.8%
1-2 years	5.0%
<1 year	2.4%
Investment period complete	18.4%
Total	100.0%

**Movement in outstanding commitments in the three months  
to 31 October 2015****£ million**

Opening	248.6
Drawdowns	(4.7)
New primary commitments	24.0
New commitments relating to co-investments*	3.9
Currency	1.1
Other	(0.1)
Closing	272.8

\*This commitment was in respect of the co-investment in Swiss Education Group, which completed in November.

**New commitments in the three months to 31 October 2015**

<b>Fund</b>	<b>Strategy</b>	<b>Geography</b>	<b>£ million</b>
<i>Primary commitments</i>			
Charterhouse Capital Partners X	Large buy-outs	Europe	11.0
Thomas H. Lee Equity Fund VII	Large buy-outs	USA	13.0
Total primary commitments			24.0
<i>Commitments relating to co-investments</i>			
Swiss Education Group	Provider of hospitality training	Europe	3.9
Total new commitments			27.9

## CURRENCY EXPOSURE

	<b>31 October 2015 £ million</b>	<b>31 October 2015 %</b>
<b>Portfolio*</b>		
- Sterling	210.5	52.3
- Euro	105.3	26.1
- US dollar	56.7	14.1
- Other European	28.7	7.1
- Other	1.7	0.4
<b>Total</b>	<b>402.9</b>	<b>100.0</b>

\*Currency exposure is calculated by reference to the location of the underlying portfolio companies' headquarters.

	<b>31 October 2015 £ million</b>	<b>31 October 2015 %</b>
<b>Outstanding commitments</b>		
- Sterling	112.3	41.2
- Euro	136.8	50.1
- US dollar	18.6	6.8
- Other European	5.1	1.9
<b>Total</b>	<b>272.8</b>	<b>100.0</b>

## **NOTES**

### **Graphite Enterprise Trust PLC**

Graphite Enterprise Trust PLC (“Graphite Enterprise” or “the Company”) aims to provide shareholders with long term capital growth through investment in unquoted companies. To achieve this, the Company invests in private equity funds and also directly in private companies.

The Company has been listed on the London Stock Exchange since 1981 and has invested exclusively in private equity and has had the same manager throughout its life.

Graphite Enterprise provides access to a diverse portfolio of buy-outs of mature, profitable companies in established private equity markets, principally in Europe. The Company invests in UK-based mid-market companies through funds managed directly by Graphite Capital. Typically these will make up 20-25% of the portfolio. Investments in other UK companies and in overseas markets are made through funds managed by third parties. The Company does not invest in start ups or early stage businesses. Direct investments in companies may be made alongside both Graphite Capital and third party funds.

Shareholders of Graphite Enterprise gain exposure to a diverse portfolio of buy-outs of mature, profitable companies in established private equity markets, with nearly 400 underlying companies. Graphite Capital directly manages many of the largest companies in the portfolio.

Since inception, the Company has generated a return of over 29 times the amount subscribed.

[www.graphite-enterprise.com](http://www.graphite-enterprise.com)

### **The Manager - Graphite Capital**

Graphite Capital is one of the UK’s leading mid-market private equity firms with over £1.3 billion of funds under management. It has raised and managed funds for 34 years. The senior management team has worked together for 18 years.

Graphite Capital manages both direct investments in portfolio companies and private equity fund investments.

Direct investments are predominantly made through institutional funds with a global investor base. The focus of direct investments is on UK mid-market buy-outs of companies valued at between £25 million and £200 million across a range of industry sectors.

Fund investments are made exclusively by Graphite Enterprise. Fund investments focus principally on European buy-out funds. The investment strategy is to back private equity managers with strong track records operating in mature markets, with the aim of building long term relationships.

As Graphite Capital has a long experience both of managing its own funds and of investing in third party funds, it has an unusually broad perspective when assessing fund and co-investment opportunities. Graphite Enterprise benefits from both the expertise of a dedicated fund investment team as well as the insights of Graphite Capital’s direct investment team.

[www.graphitecapital.com](http://www.graphitecapital.com)