

8 December 2011

GRAPHITE ENTERPRISE TRUST PLC
INTERIM MANAGEMENT STATEMENT FOR THE QUARTER
ENDED 31 OCTOBER 2011

Graphite Enterprise Trust PLC ('Graphite Enterprise' or 'the Company') presents its Interim Management Statement for the three months ended 31 October 2011, the third quarter of its financial year.

Unaudited net asset value

In the three months to 31 October 2011 the unaudited net asset value per share fell by 2.6% to 564.8p. In the first nine months of the Company's financial year, the net asset value per share increased by 5.8%.

The depreciation of the euro against sterling in the period accounted for approximately two thirds of the fall in the quarter or 1.7%. A fall in the reported underlying value of the investment portfolio resulted in a 0.7% reduction and expenses and other items accounted for the remaining 0.2%.

The rise in net asset value per share in the first nine months has principally been the result of realisations achieved at valuations above carrying values and increases in the valuations of unrealised investments. Together these generated an increase of 7.4% in the net asset value per share. This was partially offset by other items totalling 1.6%, reducing the increase in net asset value to 5.8%.

Share price and discount

The share price fell by 3.8% to 377.0p in the quarter, while the Company's benchmark, the FTSE All-Share Index, fell by 5.5%. The share price was at a discount of 33.3% to the net asset value per share at 31 October 2011, compared with 32.4% at 31 July.

In the Company's financial year to date the share price has strongly outperformed the Index, rising by 22.4% compared with a fall in the Index of 6.0%. The discount has narrowed from 42.3% at 31 January to 33.3% at 31 October.

Investment portfolio

Investment performance

The underlying value of the portfolio in local currencies fell by £3.2 million or by 0.9% of its opening value in the quarter. The euro fell by 3.4% against sterling, decreasing the sterling value of the portfolio by 2.0% and bringing the total valuation decrease to 2.9%.

No significant realisations took place in the quarter other than those which had already been reflected in the net asset value at 31 July.

The investment portfolio has been valued using the latest available managers' reports. September valuations covering 61.6% of the portfolio had been received by the cut-off date of 29 November. June valuations were used for the remainder.

Portfolio company valuations have not reflected the falls seen across public equity markets since the middle of the year. Although most private equity managers report quarterly, many only perform a full valuation exercise at the end of June and at the end of December.

While comparable quoted valuation multiples have fallen since June, the portfolio reported strong growth in earnings and revenue in the twelve months to 30 June and was also paying down debt. If these trends continue, they would to some extent offset any decline in multiples at the year end.

Proceeds

Proceeds generated by the portfolio in the quarter totalled £7.4 million or 2.1% of its opening value. The largest cash inflow was £5.4 million from the sale of Phadia by Cinven IV, on which the related net asset value uplift was recognised in the results for the period to 31 July 2011. A number of smaller and partial disposals generated a further £2.0 million.

Additions

A total of £18.0 million was invested in the quarter of which £14.4 million was drawn down by funds. This represented 9.5% of opening commitments. A total of 12 new underlying investments were made, of which the two largest were:

- £2.5 million in Lowell Group, through TDR Capital II Fund.
- £1.8 million in Primavista, through Activa Capital Fund II.

A secondary interest in Graphite Capital Partners VI was acquired for £2.5 million and the Company invested £1.1 million in the direct portfolio.

Cash and liquid assets

In the three months to 31 October 2011, cash and liquid asset balances fell by £14.8 million from £75.8 million to £61.0 million:

Movement in liquid assets £m	3 months to 31 Oct 2011	9 months to 31 Oct 2011
Additions	(18.0)	(48.3)
Proceeds generated by the portfolio*	7.4	76.0
Net cash flow (to)/from the investment portfolio	(10.6)	27.7
Non-investment cash flows	(4.2)	(9.9)
Net cash (outflow) / inflow	(14.8)	17.8
Effect of changes in foreign exchange rates	-	(0.3)
Total movement	(14.8)	17.5
Opening cash and liquid assets	75.8	43.5
Closing cash and liquid assets	61.0	61.0

**Including income*

Balance sheet and commitments

The summary balance sheet as at 31 October 2011 is set out below:

	31 Oct 2011	% of total	31 Jul 2011	% of total
	£m	assets	£m	assets
Total portfolio	359.3	85.1%	359.2	82.6%
Liquid assets	61.0	14.4%	75.8	17.4%
Other net current assets/(liabilities)	2.0	0.5%	(0.2)	<0.1%
Total assets	422.3	100.0%	434.8	100.0%
Equity shareholders' funds	411.8		423.0	
Undrawn bank facility	60.0		30.0	
Outstanding commitments	137.1		152.5	

During the period, Company increased its bank facility from £30 million to £60 million. The additional £30 million was provided by Lloyds Bank Corporate Markets on the same terms as the existing arrangements with The Royal Bank of Scotland. The bank facility remains undrawn.

Outstanding commitments fell by £15.4 million or by 10.1% to £137.1 million during the period. Drawdowns of commitments to funds accounted for £14.4 million of the fall and the aggregate of other movements was a further £1.0 million reduction.

The level of overcommitment, which is the amount by which commitments exceed cash and near cash, fell by £2.8 million to £74.1 million, equivalent to 17.6% of total assets at 31 October 2011. If the undrawn bank facility were added to the cash balance, the level of overcommitment would fall further to £14.1 million or 3.3%.

Recent events

The Directors are not aware of any events or transactions, other than as noted above, which have taken place between 31 October 2011 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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THE 30 LARGEST UNDERLYING INVESTMENTS

The table below summarises the 30 largest underlying investments, by value, in the Company's portfolio of funds and direct investments as at 31 October 2011. The valuations are gross and are shown as a percentage of the total investment portfolio.

Entity	Manager	Year of investment	Country	Value as a % of investment portfolio
1 Micheldever				
Distributor and retailer of tyres	Graphite Capital	2006	UK	4.6%
2 Park Holidays UK				
Operator of caravan parks	Graphite Capital	2006	UK	2.3%
3 NES Group				
Provider of recruitment services	Graphite Capital	2006	UK	2.1%
4 U-POL				
Manufacturer and distributor of automotive refinish products	Graphite Capital	2010	UK	1.9%
5 Data Explorers Group				
Provider of information to the global securities lending industry	Bowmark Capital	2007	UK	1.8%
6 Evonik Industries				
Diversified industrial group	CVC	2008	Germany	1.7%
7 London Square				
Developer of residential housing	Graphite Capital	2010	UK	1.5%
8 Tumi				
Manufacturer and retailer of performance luggage and accessories	Doughty Hanson	2004	USA	1.5%
9 Hellermann Tyton				
Manufacturer of high performance cable management products	Doughty Hanson	2006	UK	1.4%

10 Alexander Mann Solutions	Provider of recruitment process outsourcing	Graphite Capital	2007	UK	1.3%
11 Ziggo	Operator of cable TV networks	Cinven	2006	Netherlands	1.3%
12 CEVA	Manufacturer and distributor of animal health products	Euromezzanine	2007	France	1.2%
13 Ceridian	Provider of human resource and payment processing services	Thomas H Lee Partners	2007	USA	1.1%
14 Algeco Scotsman	Supplier and operator of modular buildings	TDR Capital	2007	USA	1.1%
15 Salient Surgical Technologies	Provider of medical technology	n/a	2000	USA	1.1%
16 Spire Healthcare	Provider of healthcare	Cinven	2007	UK	1.1%
17 Stork	Diversified engineering group	Candover	2008	Netherlands	1.1%
18 Preh	Manufacturer of control system devices	Deutsche Beteiligungs	2003	Germany	1.1%
19 TMF Group	Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.0%
20 Teaching Personnel	Provider of temporary staff for the education sector	Graphite Capital	2010	UK	1.0%
21 Parques Reunidos	Operator of attraction parks	Candover	2007	Spain	1.0%

22	Balta					
	Manufacturer of carpets and floor coverings	Doughty Hanson	2004	Belgium		1.0%
23	Avanza Group					
	Operator of buses	Doughty Hanson	2007	Spain		0.9%
24	Vue Entertainment					
	Operator of cinemas	Doughty Hanson	2010	UK		0.9%
25	Standard Brands					
	Manufacturer of domestic fire products	Graphite Capital	2001	UK		0.9%
26	Clyde Bergemann					
	Supplier of components for the power generation industry	Deutsche Beteiligungs	2005	Germany		0.9%
27	Avio					
	Manufacturer of aerospace engine components	Cinven	2007	Italy		0.9%
28	Norit					
	Supplier of water purification technologies	Doughty Hanson	2007	Netherlands		0.8%
29	Lowell Group					
	Purchaser of consumer debt	TDR Capital	2011	UK		0.8%
30	Weetabix					
	Manufacturer of breakfast cereals	HM Capital	2004	UK		0.7%
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Total of the 30 largest underlying investments						40.0%

Portfolio analyses at 31 October 2011

Portfolio - Investment type

	% of total investment portfolio
Large buy-outs	43.6%
Small and mid-market buy-outs	40.7%
Mezzanine	12.9%
Infrastructure	2.1%
Quoted	0.7%
Total	100.0%

Portfolio - Geographic distribution

	% of total investment portfolio
UK	44.4%
France	13.7%
North America	12.1%
Germany	8.8%
Benelux	6.5%
Spain	4.3%
Scandinavia	2.4%
Other Europe	6.3%
Rest of world	1.5%
Total	100.0%

Portfolio - Year of investment

	Multiple of cost	% of total investment portfolio
2011	1.0x	9.1%
2010	1.1x	15.4%
2009	1.3x	2.5%
2008	1.1x	13.0%
2007	1.3x	25.7%
2006	1.4x	17.9%
2005	1.2x	2.8%
2004	2.3x	7.6%
2003	1.3x	1.0%
2002 and before	0.9x	5.0%
Total	1.2x	100.0%

Portfolio - Sector analysis

	% of total investment portfolio
Consumer services	22.8%
Consumer goods	19.7%
Support services	17.0%
Industrials	13.5%
Financials	10.4%
Health Care	8.1%
Basic materials	4.3%
Technology and telecommunications	4.2%
Total	100.0%

Investment portfolio 3 and 9 months to 31 October 2011

Quarter to 31 October 2011 £ million	Opening value	Additions	Disposals	Gains and losses	Closing value
Investment portfolio	359.2	18.0	(7.4)	(10.5)	359.3

Nine months to 31 October 2011 £ million	Opening value	Additions	Disposals	Gains and losses	Closing value
Investment portfolio	356.6	48.3	(76.0)	30.4	359.3

31 October 2011 £ million	Third party investments	Graphite investments	Total
Fund investments	255.7	53.3	309.0
Direct investments	27.7	22.6	50.3
Total	283.4	75.9	359.3

Commitments analysis - 31 October 2011

Closing commitments	Original commitment ¹ £m	Outstanding commitment £m	Average drawdown percentage	% of commitments
Funds in investment period	282.3	116.1	58.9%	84.7%
Funds post investment period	310.7	21.0	93.2%	15.3%
Total	593.0	137.1	76.9%	100.0%

¹ Original commitments are at 31 October 2011 exchange rates

Closing commitments - remaining investment period	% of commitments
> 5 years	n/a
4-5 years	6.5%
3-4 years	1.2%
2-3 years	17.0%
1-2 years	46.9%
<1 year	13.1%
Investment period complete	15.3%
Total	100.0%

Notes

Graphite Enterprise Trust PLC

Graphite Enterprise is a London listed investment trust, managed by Graphite Capital. Its objective is to generate long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly.

Graphite Enterprise primarily invests in buy-outs of mature companies in established European private equity markets. Investments in UK-based mid-market companies are made through funds managed by Graphite Capital, which will typically represent 20-25% of the portfolio. Investments in other sectors of the UK market and in overseas markets are made through third party funds selected by Graphite Capital. Shareholders gain exposure to a diversified portfolio in which Graphite Capital directly manages many of the largest investments.

The Company celebrated its 30 year anniversary this year and has invested exclusively in private equity and been managed by Graphite Capital throughout its life. In that time, the Company has generated a return of more than 24 times the amount subscribed. The net asset value per share has outperformed the FTSE All-Share Index in 16 out of the last 20 financial years and in every rolling three-year period in that 20 years.

www.graphite-enterprise.com

Graphite Capital

Graphite Capital is one of the UK's leading mid-market private equity firms with over £1.2 billion of funds under management and a 30-year history. Graphite Capital manages both direct investments in portfolio companies and private equity fund investments. Direct investments account for more than two-thirds of funds under management while third party private equity funds and co-investments account for the remainder.

Graphite Capital's direct investments focus on buy-outs of companies valued at between £25 million and £200 million in the UK. These investments are made through limited life funds which have a global institutional investor base. The team has invested in over 100 portfolio companies since 1991 of which two thirds have been realised generating an annualised rate of return of over 40%.

Graphite Capital's fund investments and co-investments are made exclusively through Graphite Enterprise Trust PLC. The focus is on established managers with strong track records operating in mature markets, with the aim of building long term relationships. Since 1989 the team has invested in more than 50 funds and almost 30 co-investments. The net return on realised funds and co-investments is twice the amount invested.

Graphite Capital operates from a single office in London with separate teams focusing on direct and fund investments. As it has a long experience both of managing its own funds and investing in third party funds and co-investments, Graphite Capital has an unusually broad perspective when assessing new investment opportunities.

www.graphitecapital.com