

Newsletter

September 2014

Results for the six months to 31 July 2014

In September, Graphite Enterprise released its results for the sixth months to 31 July 2014, with the net asset value per share increasing by 2.9% before payment of the dividend. The share price generated a total return of 5.7% and has been very strong over the last year, increasing by 22%.

The portfolio performed well, driven by a number of successful realisations and by continued growth in the profits of underlying companies.

We have been active both in realising and in making investments, with £82 million generated by the portfolio during the period and £53 million invested.

The Company has been one of the stronger performers in the listed private equity sector in recent years. Our flexible investment strategy and the strong performance of the largest investments position Graphite Enterprise well for future growth.

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

Activity since the half year

It has been an active start to the second half of the year, with £30 million invested into the portfolio in less than two months*.

The new investments include two secondary fund purchases: £10.3 million in Graphite Capital Partners VI and £8.5 million in PAI Europe V, a £4.0 million co-investment, and a £4.3 million acquisition of a portfolio of three smaller Graphite Capital investments.

The balance sheet remains strong, with total liquidity of around £175 million, and we plan to make further co-investments and secondary fund purchases in the remainder of the year.

*1 August to 25 September

Financial highlights – Six months to 31 July 2014

+5.7%

Share price total return

+6.5%

Underlying rise in the value of the portfolio in local currencies

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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681.2p

Net asset value per share at 31.07.14

563.0p

Share price at 13.10.14

£411m

Market capitalisation at 13.10.14

£82m

Realisation proceeds**

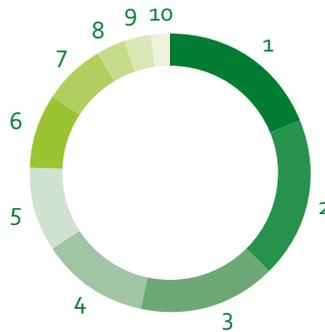
** Excluding secondary sales of fund interests

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 European private equity markets, both through private equity funds and directly.

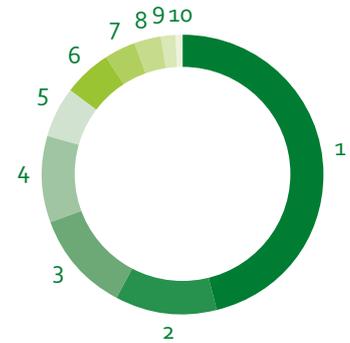
The Company is managed by Graphite Capital, one of the UK's leading mid-market private equity firms with £1.4 billion of funds under management. Graphite Enterprise seeks to provide access to the investment programmes of the best buy-out managers across Europe. Investments in UK-based mid-market companies 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.

Portfolio — Sector analysis 31.07.14



1. Healthcare and education	19.1%
2. Industrials	18.6%
3. Business services	15.8%
4. Consumer goods and services	12.4%
5. Leisure	9.9%
6. Financial services	8.5%
7. Automotive supplies	7.2%
8. Technology and telecommunications	3.3%
9. Media	3.1%
10. Chemicals	2.1%

Portfolio — Geographical distribution* 31.07.14

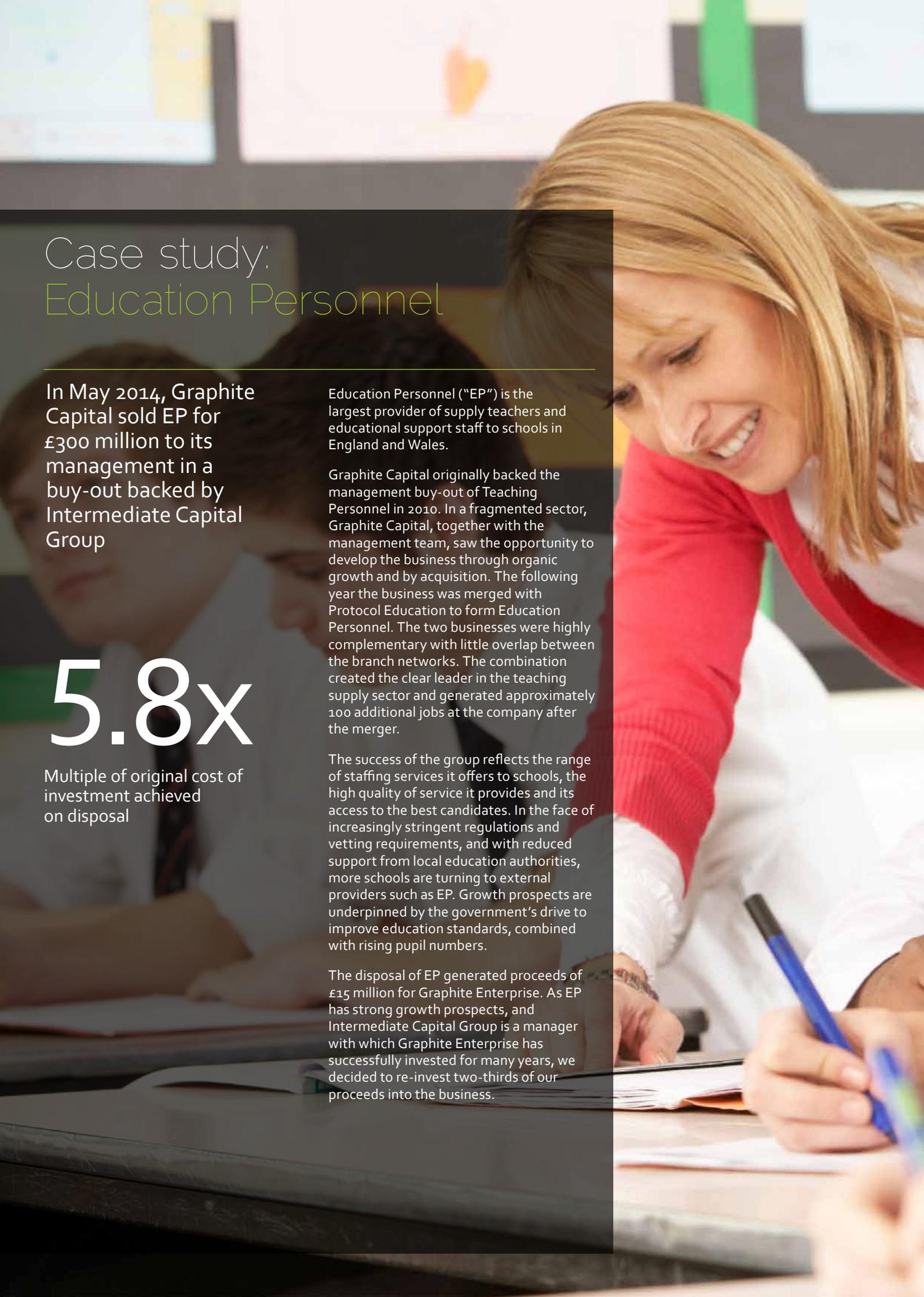


1. UK	46.2%
2. France	11.7%
3. North America	11.6%
4. Germany	10.0%
5. Benelux	6.0%
6. Spain	5.5%
7. Greece, Ireland, Italy, Portugal	3.5%
8. Scandinavia	3.1%
9. Other Europe	1.6%
10. Rest of world	0.8%

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

The portfolio at 31.07.14

Direct portfolio	Third party portfolio (selection only)
 <p>Graphite Capital</p>	
Graphite investments 21%	Third party funds 68%
	Third party co-invest 11%



Case study: Education Personnel

In May 2014, Graphite Capital sold EP for £300 million to its management in a buy-out backed by Intermediate Capital Group

5.8x

Multiple of original cost of investment achieved on disposal

Education Personnel (“EP”) is the largest provider of supply teachers and educational support staff to schools in England and Wales.

Graphite Capital originally backed the management buy-out of Teaching Personnel in 2010. In a fragmented sector, Graphite Capital, together with the management team, saw the opportunity to develop the business through organic growth and by acquisition. The following year the business was merged with Protocol Education to form Education Personnel. The two businesses were highly complementary with little overlap between the branch networks. The combination created the clear leader in the teaching supply sector and generated approximately 100 additional jobs at the company after the merger.

The success of the group reflects the range of staffing services it offers to schools, the high quality of service it provides and its access to the best candidates. In the face of increasingly stringent regulations and vetting requirements, and with reduced support from local education authorities, more schools are turning to external providers such as EP. Growth prospects are underpinned by the government’s drive to improve education standards, combined with rising pupil numbers.

The disposal of EP generated proceeds of £15 million for Graphite Enterprise. As EP has strong growth prospects, and Intermediate Capital Group is a manager with which Graphite Enterprise has successfully invested for many years, we decided to re-invest two-thirds of our proceeds into the business.

Top ten underlying holdings at 31.07.14

Company	Description	Country	Manager	% of portfolio
1 Micheldever*	Distributor and retailer of tyres	UK	Graphite	4.5%
2 City & County Healthcare Group	Provider of home care	UK	Graphite	3.5%
3 ICR Group	Provider of repair and maintenance services to the energy industry	UK	Graphite	2.7%
4 Education Personnel	Provider of temporary education staff	UK	ICG	2.4%
5 Algeco Scotsman	Supplier and operator of modular buildings	USA	TDR	2.2%
6 National Fostering Agency	Provider of foster care services	UK	Graphite	2.1%
7 Quiron**	Operator of private hospitals	Spain	Doughty Hanson	1.6%
8 U-POL	Manufacturer of automotive refinishing products	UK	Graphite	1.6%
9 David Lloyd Leisure	Operator of premium health and fitness clubs	UK	TDR	1.6%
10 TMF	Provider of outsourcing services	Netherlands	Doughty Hanson	1.5%
				23.7%

* The Company increased its holding in this company through a transaction completed since 31 July 2014. On a pro forma basis Micheldever represents 5.5% of the portfolio.

** Sale was announced in July but is not expected to complete until the end of the year.

Key figures at 31.07.14

	£m
Total equity	496.7
Portfolio value	402.2
Net cash	101.1
Undrawn bank facility	96.0
Total liquidity	197.1
Outstanding commitments	240.7

**At 31 July 2014
Graphite Capital
directly managed
21% of the portfolio
and five of the top
ten investments**

Important information

This Newsletter has been compiled primarily using information set out in the Company's interim report for the six months to 31 July 2014. 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 2014. 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.