

Newsletter

February 2013

Recent activity

The fourth quarter of Graphite Enterprise's financial year has been an active one with profitable realisations from the portfolio, further commitments to new funds, and new investments made by the managers in our fund portfolio.

The most significant proceeds were received from the successful exit of Coperion, a manufacturer of materials handling equipment, by Deutsche Beteiligungs in December. The same manager completed its exit from Preh, a manufacturer of automotive components, after selling the majority of its investment in 2011. The Company also sold its co-investment in Weetabix, the manufacturer of breakfast cereals. Further proceeds were generated by the sale of shares in Tumi, the manufacturer and retailer of luggage, and in Ziggo, the cable TV network operator, following their successful listings on stock markets earlier in the year.

New commitments were made to Advent International's latest buy-out fund (€4 million) and to the new fund of experienced Dutch mid-market investor Egeria (€10 million). Since the quarter end a further commitment of \$5 million was made to TowerBrook's latest fund. Managers made 11 new investments in the quarter into a diverse range of businesses including a healthcare consultancy and a textile manufacturer.

Our share price has risen strongly over the second half of the financial year, bringing the increase over the full year to 31 January 2013 to 36.4%, very substantially outperforming the FTSE All-Share Index which rose by only 12.1%.

In December we reported that our net asset value per share had risen by 4.1% in the 9 months to 31 October 2012. The full year results and year end net asset value will be published on Thursday 28th March.

Financial summary – Nine months to 31 October 2012

+17.2%

Share price

+9.8%

Underlying value of the investment portfolio

+4.1%

Net asset value per share

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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592.8p

Net assets per share at 31.10.12

464.5p

Share price at 19.02.13

£339m

Market capitalisation at 19.02.13

About Graphite Enterprise

Graphite Enterprise ("the Company") aims to provide shareholders with long term capital growth through investment in unquoted companies.

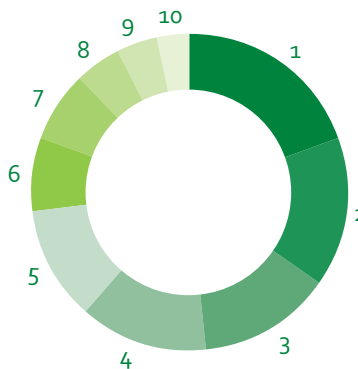
To achieve this, the Company invests in private equity funds and also directly in private equity backed companies.

The Company is managed by Graphite Capital ("the Manager"). As a fund of funds manager which also has a long history as a direct buy-out manager, Graphite Capital has an unusually broad perspective from which to assess opportunities to invest in other managers' funds and to make selective co-investments alongside those funds.

Typically 20-25% of the portfolio is in investments managed by Graphite Capital, and the remainder is in investments managed by other private equity managers.

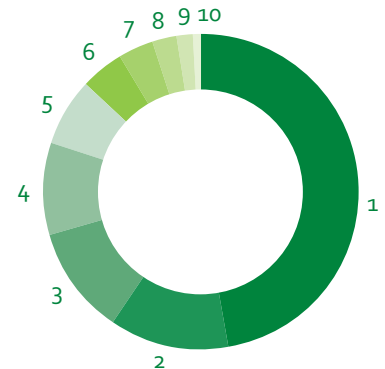
The Board and Manager have a conservative approach to portfolio and balance sheet management.

Portfolio — Sector analysis 31.10.12



1. Business services	19.5%
2. Industrials	15.3%
3. Consumer goods and services	13.6%
4. Healthcare and education	13.2%
5. Leisure	11.5%
6. Financials	7.7%
7. Automotive supplies	7.0%
8. Media	4.8%
9. Technology and telecommunications	4.1%
10. Basic materials	3.3%

Portfolio — Geographical distribution 31.10.12



1. UK	47.3%
2. France	12.3%
3. North America	11.0%
4. Germany	9.6%
5. Benelux	6.9%
6. Spain	4.4%
7. Italy, Ireland, Portugal and Greece	3.5%
8. Scandinavia	2.6%
9. Other Europe	1.6%
10. Rest of world	0.8%

The portfolio at 31.10.12



Case study: NES Global Talent

In October 2012, Graphite Capital sold NES for £234 million generating a significant multiple of cost.

Graphite Capital acquired NES, a leading provider of specialist engineers to the global oil and gas, power and infrastructure industries, in 2006. Under Graphite's ownership, the company was transformed from being predominantly UK focused into a global operator, with three-quarters of its profitability now generated overseas, across all continents. The Company's share of the sale proceeds was £12.4 million.



Top ten underlying holdings at 31.10.12

	Company	Country	Manager	% of portfolio	
1	MICHELDEVER	Distributor and retailer of tyres	UK	Graphite	3.6%
2	ALGECO SCOTSMAN	Supplier and operator of modular buildings	USA	TDR	3.3%
3	PARK HOLIDAYS UK	Operator of caravan parks	UK	Graphite	2.3%
4	NATIONAL FOSTERING AGENCY	Provider of foster care services	UK	Graphite	2.2%
5	U-POL	Manufacturer of automotive refinishing products	UK	Graphite	1.7%
6	COPERION*	Manufacturer of materials handling equipment	Germany	DBAG	1.6%
7	STORK	Provider of technical engineering services	Netherlands	Candover	1.6%
8	ALEXANDER MANN SOLUTIONS	Provider of recruitment process outsourcing	UK	Graphite	1.5%
9	LONDON SQUARE	Developer of residential housing	UK	Graphite	1.4%
10	TUMI*	Manufacturer and retailer of luggage & accessories	USA	Doughty Hanson	1.4%
					20.6%

* Fully or partially realised after 31.10.12

Key figures at 31.10.12

	£m
Net asset value	432.2
Portfolio value	394.6
Net cash	44.9
Undrawn bank facility	57.7
Total liquidity	102.6
Outstanding commitments	123.4

**At 31 October 2012
Graphite Capital
directly managed
22% of the portfolio
and six of the top ten
investments**

Important information

This Newsletter has been compiled using information set out in the Company's interim management statement for the quarter ended 31 October 2012. The delivery of this Newsletter shall not create any implication that there has been no change in the affairs of the Company since 31 October 2012. 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. This Newsletter has not been audited or reviewed by the Company's auditors.