

11 June 2012

GRAPHITE ENTERPRISE TRUST PLC

INTERIM MANAGEMENT STATEMENT QUARTER ENDED 30 APRIL 2012

Graphite Enterprise Trust PLC ('Graphite Enterprise' or 'the Company') presents its Interim Management Statement for the quarter ended 30 April 2012.

Unaudited net asset value

In the three months to 30 April 2012 the unaudited net asset value per share rose by 2.6% from 569.4p to 584.2p.

The increase in the underlying value of the investment portfolio, which represented 89.7% of total assets at the quarter end, generated a 4.6% increase in net asset value in the period. This was partially offset by the depreciation of the euro against sterling, which accounted for a fall of 1.2%, and by expenses and other items which reduced the net asset value by 0.8%.

These results do not include the effect of the proposed dividend of 5.0p per share (£3.6 million in total) which will be recorded in the second quarter if approved at the forthcoming Annual General Meeting.

Share price and discount

The share price rose by 14.0% to 407.0p in the quarter. This was substantially greater than the increase of 1.8% in the Company's benchmark, the FTSE All-Share Index. The share price was at a discount of 30.3% to the net asset value per share at 30 April 2012.

Since the end of April, equity markets have experienced sharp falls, due in particular to renewed concerns over the eurozone. In that period, the Company's share price has fallen by 6.9% and at 8 June 2011 was at 379.0p, a discount of 35.1% to the net asset value at 30 April. In the same period the FTSE All-Share Index has fallen by 5.4%.

In the financial year to date, the share price has therefore increased by 6.2%, compared with a 3.8% fall in the Index. This continues the trend of the previous financial year, during which the share price rose by 15.9% while the Index fell by 3.7%.

Investment portfolio

Investment performance

The portfolio has started the year well. The underlying value of the portfolio in local currencies increased by £19.2 million or by 5.1% of its opening value in the quarter. This compares with 12.0% underlying growth for the financial year to January 2012.

The euro fell in value by 1.8% against sterling, leading to a fall in the sterling value of the portfolio of 1.3%. The net portfolio valuation increase was therefore 3.8%.

Performance was driven by valuation uplifts achieved on full and partial realisations from the portfolio. These included the following:

Company	Manager	Year of investment	Size ranking at 31 Jan 2012	Exit type
Data Explorers	Bowmark *	2007	6 th	Trade sale
Ziggo	Cinven	2006	10 th	IPO (partial)
Tumi	Doughty Hanson	2004	11 th	IPO (partial)
Weetabix	Lion Capital	2004	19 th	Trade sale (partial)
Formula 1	CVC	2006	49 th	Financial sale (partial)

* The Company made a co-investment in Data Explorers alongside Bowmark Capital Partners III.

Some of these transactions closed after the quarter end but valuations have been updated to reflect uplifts achieved.

The average multiple of cost achieved on the full exits was 2.9x and the average uplift against the previous carrying value was 66%. We have been pleased to see that managers continue to achieve profitable disposals despite the prevailing economic uncertainty.

The investment portfolio has been valued using the latest available managers' reports. March valuations covering 69.2% of the portfolio had been received by the cut-off date of 1 June and December valuations were used for the remainder. As usual, adjustments have been made in a small number of cases to reflect post period end events.

Proceeds

Proceeds generated by the portfolio in the quarter totalled £17.3 million or 4.6% of its opening value. This represents a slowdown on the average rate for last year of 6.7% per quarter, which was enhanced by the disposal for four of the five largest investments during the year. The largest cash inflow was of £8.7 million from the disposal of the investment in Data Explorers.

Further proceeds totalling £3.0 million have been received since the quarter end, including proceeds from some of the transactions listed above.

Additions

A total of £16.0 million was invested in the quarter, substantially all of which was drawn down by funds. This was in line with our expected run-rate for drawdowns of existing commitments and was similar to the rates of investment seen in the third and fourth quarters of last year.

The largest drawdown was of £5.5 million to finance the purchase of National Fostering Agency ("NFA") by Graphite funds. This was in addition to £3.0 million already invested in NFA in January 2012.

A total of seven new underlying investments were made in the quarter in addition to NFA, none of which was individually large enough to be included in the Company's 30 largest investments.

Since the period end, co-investments in CPA Global (alongside Cinven, £2.5 million) and Spheros (alongside Deutsche Beteiligungs, £2.0 million) have been completed. After including drawdowns by funds, a total of £6.6 million has been invested in the portfolio since the end of April.

No secondary purchases of fund interests have been completed in the current financial year, although we continue to look at a number of opportunities.

Cash and liquid assets

In the three months to 30 April 2012, the portfolio was marginally cash generative. However, after taking account of other net outflows, cash and liquid asset balances fell by £0.8 million to £43.3 million:

Movement in liquid assets	3 months to
£m	30 Apr 2012
Additions	(16.0)
Proceeds generated by the portfolio*	17.3
Net cash flow from the investment portfolio	1.3
Non-investment cash flows	(2.1)
Net cash outflow	(0.8)
Effect of changes in foreign exchange rates	-
Total movement	(0.8)
Opening cash and liquid assets	44.1
Closing cash and liquid assets	43.3

**Including income*

Balance sheet and commitments

The summary balance sheet and commitment position as at 30 April 2012 are set out below:

	30 April	% of total	31 Jan 2012	% of total
	2012	assets	£m	assets
	£m			
Total portfolio	390.7	89.7%	377.7	89.2%
Cash and liquid assets	43.3	9.9%	44.1	10.4%
Other net current assets	1.8	0.4%	1.8	0.4%
Total assets	435.8	100.0%	423.6	100.0%
Equity shareholders' funds	426.0		415.2	
Undrawn bank facility	60.0		60.0	
Total liquidity ¹	103.3		104.1	
Outstanding commitments	125.5		142.8	
Overcommitment ²	22.2		38.6	
Overcommitment as % of total assets	5.1%		9.1%	

1. Total liquidity is cash and liquid assets plus undrawn borrowing facilities.

2. Overcommitment is outstanding commitments less total liquidity.

Outstanding commitments fell by £17.3 million to £125.5 million during the period, mainly as a result of drawdowns. No new commitments have been made in the current financial year although we are reviewing a number of opportunities and expect commitments to rise in the near term.

Recent events

The Directors are not aware of any events or transactions, other than as noted above, which have taken place between 30 April 2012 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 COMPANIES

The table below summarises the 30 largest underlying companies by value in the Company's portfolio of funds and direct investments, as at 30 April 2012. The valuations are gross and are shown as a percentage of the total investment portfolio.

	Entity	Manager	Year of investment	Country	Value as % of portfolio
1	Micheldever Distributor and retailer of tyres	Graphite Capital	2006	UK	3.7%
2	NES Group Provider of recruitment services	Graphite Capital	2006	UK	2.2%
3	National Fostering Agency Provider of foster care services	Graphite Capital	2012	UK	2.2%
4	Park Holidays UK Operator of caravan parks	Graphite Capital	2006	UK	2.1%
5	U-POL Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.8%
6	Tumi Manufacturer and retailer of luggage and accessories	Doughty Hanson	2004	USA	1.7%
7	Ziggo⁺ Operator of cable TV networks	Cinven	2006	Netherlands	1.6%
8	Alexander Mann Solutions Provider of recruitment process outsourcing	Graphite Capital	2007	UK	1.5%
9	Stork Provider of technical engineering services	Candover	2008	Netherlands	1.5%
10	Parques Reunidos Operator of attraction parks	Candover	2007	Spain	1.5%
11	Evonik Industries Manufacturer of specialty chemicals	CVC	2008	Germany	1.5%
12	Weetabix^{* +} Manufacturer of breakfast cereals	Lion Capital	2004	UK	1.4%
13	London Square Developer of residential housing	Graphite Capital	2010	UK	1.3%

14	Hellermann Tyton	Manufacturer of cable management products	Doughty Hanson	2006	UK	1.3%
15	Avio	Manufacturer of aerospace engine components	Cinven	2007	Italy	1.2%
16	Spire Health Club	Provider of healthcare	Cinven	2007	UK	1.1%
17	CEVA	Manufacturer and distributor of animal health products	Euromezzanine	2007	France	1.1%
18	Ceridian *	Provider of payment processing services	Thomas H Lee Partners	2007	USA	1.0%
19	StarBev +	Manufacturer of alcoholic beverages	CVC	2009	Czech Republic	1.0%
20	Teaching Personnel	Provider of temporary staff for the education sector	Graphite Capital	2010	UK	0.9%
21	Preh *	Manufacturer automotive of control system devices	Deutsche Beteiligungs	2003	Germany	0.9%
22	Acromas	Provider of financial, motoring and travel services	CVC / Charterhouse	2007	UK	0.9%
23	Dominion Gases	Supplier of specialist gases to the oil and gas industries	Graphite Capital	2007	UK	0.9%
24	Coperion	Provider of mechanical engineering services	Deutsche Beteiligungs	2007	Germany	0.9%
25	TMF	Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	0.9%
26	Avanza Group	Operator of buses	Doughty Hanson	2007	Spain	0.8%
27	Willowbrook Healthcare	Operator of care homes for the elderly	Graphite Capital	2008	UK	0.8%

28	Algeco Scotsman					
	Supplier and operator of modular buildings	TDR Capital	2007	USA		0.8%
29	Vue Entertainment *					
	Operator of cinemas	Doughty Hanson	2010	UK		0.8%
30	Formula One Group +					
	Owner and manager of sports media rights	CVC	2006	UK		0.7%
Total of the 30 largest underlying investments						40.0%

** Held both through a fund and directly as a co-investment.*

+ Proceeds from full or partial disposal received after the quarter end, or awaited at date of reporting.

Portfolio analyses at 30 April 2012

Portfolio - Investment type

	% of total portfolio
Large buy-outs	48.0%
Small and mid-market buy-outs	40.7%
Mezzanine	10.3%
Quoted	0.7%
Infrastructure	0.3%
Total	100.0%

Portfolio - Geographic distribution *

	% of total portfolio
UK	45.6%
France	12.8%
North America	11.1%
Germany	8.7%
Benelux	6.8%
Spain	4.6%
Scandinavia	2.8%
Other Europe	6.4%
Rest of world	1.2%
Total	100.0%
<i>NB: total continental Europe</i>	<i>42.1%</i>

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

Portfolio - Year of investment

	Multiple of cost	Primary portfolio	Secondary portfolio	Total portfolio
2012	1.0x	3.7%	0.2%	3.9%
2011	1.1x	10.2%	0.2%	10.4%
2010	1.1x	14.4%	0.6%	15.0%
2009	2.0x	3.0%	0.4%	3.4%
2008	1.1x	11.2%	1.4%	12.6%
2007	1.4x	20.9%	4.6%	25.5%
2006	1.3x	14.3%	3.1%	17.4%
2005	1.1x	0.8%	1.0%	1.8%
2004	2.7x	5.4%	0.1%	5.5%
2003 and before	0.7x	4.2%	0.3%	4.5%
Total	1.3x	88.1%	11.9%	100.0%

Portfolio - Sector analysis

	% of total portfolio
Business services	19.3%
Consumer goods and services	15.4%
Industrials	14.9%
Healthcare and education	11.2%
Leisure	10.3%
Financials	8.2%
Automotive supplies	7.5%
Media	5.3%
Technology and telecommunications	4.6%
Basic materials	3.3%
Total	100.0%

Movement in the portfolio

Quarter to 30 April 2012 £ million	Opening value	Additions	Disposals	Underlying gains and losses	Currency movement	Closing value
Investment portfolio	377.7	16.0	(17.3)	19.2	(4.9)	390.7

Portfolio – Graphite and third party investments

30 April 2012 £ million	Third party investments	Graphite investments	Total
Fund investments	281.6	63.2	344.8
Direct investments	24.0	21.9	45.9
Total portfolio	305.6	85.1	390.7
<i>Graphite investments</i>			<i>21.8%</i>
<i>Third party fund investments</i>			<i>72.1%</i>
<i>Third party co-investments</i>			<i>6.1%</i>

Commitments analysis

Commitments at 30 April 2012	Original commitment¹ £m	Outstanding commitment £m	Average drawdown percentage	% of commitments
Funds in investment period	320.1	98.2	69.3%	78.2%
Funds post investment period	350.6	27.3	92.2%	21.8%
Total	670.7	125.5	81.3%	100.0%

¹ *Original commitments are at 30 April 2012 exchange rates*

Commitments at 30 April 2012 - remaining investment period	% of commitments
> 5 years	6.5%
4-5 years	12.0%
3-4 years	1.3%
2-3 years	16.0%
1-2 years	34.4%
<1 year	8.0%
Investment period complete	21.8%
Total	100.0%

Notes

Graphite Enterprise Trust PLC

Graphite Enterprise is a London listed investment trust, managed by Graphite Capital. It 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.

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 has been listed on the London Stock Exchange for 31 years 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 17 out of the last 20 financial 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 31-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 35%.

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 60 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.

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