

Impax Environmental Markets Plc (the 'Company')
Interim Management Statement
For the three months ended 30 September 2012

This interim management statement covers the period from 1 July 2012 to 30 September 2012 (the "Period"), and is prepared in accordance with the UK Listing Authority's Disclosure and Transparency Rule 4.3.

Investment objective

The Company's objective is to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste. Investments are made predominantly in quoted companies which provide, utilise, implement or advise upon technology-based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management.

Performance

Announcements regarding European Central Bank intervention to provide a backstop to the European sovereign debt crisis and additional quantitative easing in the US led to a recovery in equity markets during the Period. The Company's diluted Net Asset Value ("NAV") per Ordinary Share (excluding current year net revenue) rose 3.1% from 115.8p to 119.4p, broadly in line with the MSCI World Index and the MSCI World Small Cap Index, which rose 3.1% and 3.2% respectively, and ahead of the FTSE ET50 Index of environmental subsector stocks, which fell by 0.5% (all capital returns in pounds sterling). Robust performance ahead of environmental sector indices was driven in particular by strong performance of the Company's top ten holdings and of the energy efficiency sub-sector.

Discount

During the Period, the Company's share price traded at an average discount to NAV of 19%, with a range of 15% to 22%. The Board has sought to address concerns as to the share rating through the use of share repurchases, buying back 9,733,322 Ordinary Shares during the Period at an average discount to NAV of 20%. The Board remains mindful of the discount and will continue to utilise its powers to buy back shares when it considers the circumstances to be appropriate.

Portfolio activity

The Manager remains focussed on bottom-up stock picking and continues to favour energy efficiency as a sub-sector theme. In contrast, the Manager has maintained a low weighting in the renewable energy sub-sector, where valuations are attractive but near term challenges of overcapacity and pricing pressure overshadow long term growth prospects.

Portfolio activity during the Period has focussed on a consolidation into high quality companies with strong fundamentals and exposure to long term growth themes. During the year, the Manager has disposed of all early stage unprofitable listed holdings. The top ten holdings as at 30 September 2012 are set out below.

Company	Activity	Portfolio weighting
Nibe	Ground source heat pumps, Sweden	3.3%
Kingspan	Insulation products, Ireland	2.9%
Watts Water	Water control products, US	2.7%
Regal Beloit	Electric motors, US	2.7%
Vacon	Power electronics, Finland	2.6%
Pall Corporation	Filtration, US	2.5%
Spirax-Sarco	Steam-based energy efficiency, UK	2.5%
Pentair	Water infrastructure, US	2.5%
Clean Harbors	Hazardous waste treatment, US	2.5%
RPS	Environmental consultancy, UK	2.4%

Outlook

Sentiment in equity markets is currently fragile, particularly given the deteriorating fundamentals in Southern European economies such as Greece and Spain. Looking ahead to 2013, assuming that overall risk appetite does not deteriorate significantly, the Board and the Manager see a number of positive catalysts for improved ratings of environmental markets stocks, for example further recovery in US construction markets, stabilization of commodity prices and a smooth transition to the new leadership in China. The Board and Manager also expect progress on Japan and Germany's plans to phase out nuclear power to contribute to growth in renewable energy and energy efficiency markets in the coming years.

26 October 2012