

Impax Environmental Markets Plc (the 'Company')
Interim Management Statement
For the three months ended 31 March 2014

This interim management statement covers the period from 1st January 2014 to 31st March 2014 (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 (which includes sustainable food, agriculture and forestry).

Performance

Global equity markets saw increased volatility during the first quarter of 2014, reflecting consolidation of strong performance in 2013, realisation of known risks such as tapering of quantitative easing in the US and slowing growth in China, and the emergence of new risks such as those associated with Russia's dramatic intervention in the Ukraine.

Over the Period, the Company's Net Asset Value ("NAV") per Ordinary Share returned 3.0%, ahead of the MSCI All Country World Index, which rose 0.4%, but behind the FTSE ET100 Index of environmental subsector stocks, which rose 5.2% (all total returns in pounds sterling). Strong performance was driven by the renewable energy and energy efficiency subsectors and by European holdings. Underperformance of the FTSE ET100 during the Period largely reflects continued share price gains by US technology stocks not owned by the Company.

Discount

During the Period, the Company's share price traded at an average discount to NAV of 10.6%, in line with the 10.7% discount recorded at the end of 2013. The Company bought back 6,030,000 Ordinary Shares in the Period at an average discount to NAV of 12%, which enhanced the NAV by 0.5p. On 13 February 2014, the Company cancelled 50 million Ordinary Shares held in treasury and as at 31 March 2014 the Company held 45,698,109 Ordinary Shares in treasury. The discount to NAV at the date of publication of this interim management statement is 11%.

Gearing

As notified in the annual report, the Company drew down and invested half of the £30 million revolving credit facility during the first quarter. During April 2014, the Company has drawn the remaining balance from the facility. Approximately one half of the facility has been drawn down in US dollars.

Portfolio activity

Portfolio activity during the Period included the addition of three new US holdings in the energy efficiency subsectors and the exit of three other holdings. The top ten positions as at 31st March 2014 are set out below.

Company	Activity	% of net assets
Clean Harbors	Hazardous waste management, US	3.2%
Pall Corporation	Water treatment equipment, US	3.2%
Kingspan	Buildings energy efficiency, Ireland	3.2%
Nibe	Buildings energy efficiency, Sweden	3.0%
Abengoa	Biofuels, Spain	2.7%
Horiba	Environmental testing and gas testing, Japan	2.6%
Rinnai	Buildings energy efficiency, Japan	2.6%
Vacon	Industrial energy efficiency, Finland	2.4%
Watts Water	Water infrastructure, US	2.4%
Lee & Man Paper	Recycling & value added waste processing, Hong Kong	2.3%

Outlook

The Manager remains positive on the outlook for global equity markets for 2014, albeit with periods of volatility. Fundamentals continue to improve across a broad range of environmental markets. Despite the re-rating of the portfolio in the last 18 months, the premium to global indices remains in line with historical levels. The focus is now on delivery of earnings expectations and the Manager is confident in this regard based on a robust performance in recent earnings seasons.

1 May, 2014