

**Impax Environmental Markets Plc (the ‘Company’)**  
**Interim Management Statement**  
**For the three months ended 31 March 2010**

This interim management statement covers the period from the 1 January 2010 to 31 March 2010 (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 rapid and sustained growth anticipated by the directors 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, utilize, 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**

During the Period, the Company’s diluted Net Asset Value (“NAV”) per Ordinary Share (excluding current year net revenue) rose by 3.7% from 126.5p to 131.2p, underperforming the MSCI World Index and the MSCI World Small Cap Index, which rose 9.2% and 13.9% respectively during the period (both priced in pounds sterling). However, the Company performed well compared to the most relevant environmental sector index, the FTSE ET50, which was up 1.9% during the Period.

The Period was characterised by general weakness in the renewable energy sector and lacklustre performance of waste management stocks. In parallel, several sectors not targeted by the Company, for example consumer discretionary, performed strongly as investor confidence grew.

**Discount**

During the Period, the Company’s shares continued to trade at a discount to NAV, although modest in comparison to its peer group. The Board responded by buying back 827,032 Ordinary Shares in the Period at an average discount to diluted NAV of 8.7%.

**Portfolio activity**

In general, following a strong recovery in the markets, the Manager has placed less emphasis on macro, regional or sector considerations and has increased the focus on bottom-up stock picking.

For example, the Manager used the period of underperformance of the renewable energy sector to increase the weightings of selected holdings with strong long term growth potential and attractive valuations. The Company also took profits in selected early cycle holdings and companies that had performed strongly based on merger and acquisition speculation. During the period, the Manager added three new companies, participated in fundraisings for a further two existing holdings and sold out of two positions.

The top ten holdings as at 31 March 2010 are set out below.

<b>Company</b>	<b>Activity</b>	<b>Portfolio weighting</b>
Clean Harbors	Hazardous waste management	2.4%
Itron	Automated meter reading	2.3%
Chloride	Uninterruptible Power Supply	2.3%
Nibe	Ground source heat pumps	2.3%
China Everbright	Water and waste projects	2.3%
LKQ	Automotive recycling	2.2%
Horiba	Testing & monitoring	2.2%
Pall Corporation	Filtration	2.2%
Abengoa	Biofuels	2.0%
Vestas	Wind turbines	2.0%

The top ten holdings list illustrates the continued preference for a diversified portfolio, with all sectors (energy, water and waste) and geographical regions (North America, Europe and Asia) represented.

### **Dividend**

Subject to approval at the forthcoming Annual General Meeting, a dividend of 0.75p per Ordinary Share in respect of the year ended 31 December 2009 will be paid on 18 May 2010 to shareholders who were on the register at the close of business on 16 April 2010.

### **Outlook**

The Manager reiterates its outlook statement from the recent annual report published on 24 March 2010.

“Following the past two years of high volatility and unprecedented economic upheaval, we are encouraged by the resilience of the Company’s long term investment thesis. Environmental policy and legislation continues to strengthen, the costs of key technologies in sectors such as renewable energy, energy efficiency and water recycling have fallen, and the ongoing trend towards liberalisation of basic services is now being extended to the Asia-Pacific region.

Over the last couple of years we have felt it appropriate to adjust the Company’s exposure to different environmental sub-sectors depending on their sensitivity to the economic cycle. During 2008, IEM maintained a higher exposure to defensive areas while during 2009 we have benefitted from the strong performance of “early cycle” companies. In the current environment we feel that the cyclical exposure of companies is less important than the bottom-up stock-picking through the fundamental analysis that has always been our focus.

At the time of writing, the valuation of the Company’s portfolio has stabilised at a level that is slightly below the historic range (18-22x earnings), while market analysts anticipate earnings expectations will recover quickly to the long-term average level of greater than 20%. The recent quarterly results season has seen our companies continuing to surpass earnings expectations and start to report a return to organic revenue growth, giving us a justifiably positive outlook for the Company”.

The interim management statement will be made available on the Manager’s website [www.impax.co.uk](http://www.impax.co.uk)

22 April 2010