

Impax Environmental Markets Plc (the 'Company')
Interim Management Statement
For the three months ended 30th September 2013

This interim management statement covers the period from 1st July 2013 to 30th September 2013 (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

Global equity markets saw increased volatility during the third quarter, driven in particular by commentary on the timing and pace of tapering of the quantitative easing programme in the US. Postponement of tapering together with improving macroeconomic data in China and Europe, led to a positive result for equities in the quarter. Over the Period, the Company's Net Asset Value ("NAV") per Ordinary Share returned 7.2%, ahead of the MSCI All Country World Index, which rose 1.1%, but marginally behind the FTSE ET100 Index of environmental subsector stocks, which rose 8.2% (all total returns in pounds sterling). Strong performance was driven by cyclical sectors, European holdings and selected micro caps, which generally outperformed, while the Asian region and defensive holdings lagged. Underperformance of the FTSE ET100 reflects continued share price gains by Tesla Motors, a US electric vehicle business, whose shares the manager considers to be overvalued.

Discount

During the Period, the Company's share price traded at an average discount to NAV of 11%, representing a continued improvement from the 15% seen during the first half. This reflects improved performance as well as the share repurchases implemented by the Board in accordance with the enhanced discount control mechanism announced at the end of May. During the Period, the Company bought back 9,416,000 Ordinary Shares at an average discount to NAV of 12%. The discount to NAV at the date of publication of this interim management statement is 11%.

Gearing

The Board and Manager continue to progress discussions with banks with a view to putting in place a modest level of gearing.

Portfolio activity

The Manager remains focussed on bottom-up stock picking. In terms of environmental subsectors, the Manager favours buildings and consumer energy efficiency, pollution control, and water infrastructure. The Manager continues to look for opportunities within the renewable energy sector, where fundamentals continue to improve but margins remain depressed and balance sheets stretched.

Portfolio activity during the Period included the addition of two new Sustainable Food, Agriculture and Forestry holdings and the exit of five other holdings. The top ten positions as at 30th September 2013 are set out below.

| Company | Activity | % of net assets |
|------------------|--|------------------------|
| Kingspan | Buildings energy efficiency, Ireland | 3.3% |
| Pall Corporation | Water treatment equipment, US | 2.9% |
| Pentair | Water infrastructure, US | 2.9% |
| Clean Harbors | Hazardous waste management, US | 2.9% |
| Nibe | Buildings energy efficiency, Sweden | 2.5% |
| Horiba | Environmental testing and gas testing, Japan | 2.4% |
| Vacon | Industrial energy efficiency, Finland | 2.4% |
| Ensyn | Biofuels, Canada | 2.3% |
| Clarcor | Pollution control solutions, US | 2.3% |
| Itron | Power network efficiency, US | 2.2% |

Outlook

The Manager remains positive on the outlook for equity markets into 2014, while recognising the potential for consolidation in the near term. The Company's prospects continue to strengthen based on an improving macro outlook in key industries, notably automotive and construction, and at a micro level on improving fundamentals in a number of environmental markets. The portfolio represents a basket of high quality growth companies which the Manager believes are well positioned to perform in the long term.

31st October 2013