

Impax Environmental Markets Plc (the 'Company')
Interim Management Statement
For the three months ended 30 September 2014

This interim management statement covers the period from 1st July 2014 to 30th September 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

Equity markets saw increased volatility during the Period, with pronounced weakness in September. Concerns about the resilience of global growth were the main driver, fed by deteriorating macroeconomic data globally, reduced confidence in the size and shape of European Central Bank ("ECB") intervention and a more cautious tone from the Federal Open Market Committee ("FOMC") in the United States. Ongoing military and political tension in Russia and Ukraine and the Middle East also reduced risk appetite.

Over the Period, the Company's Net Asset Value ("NAV") per Ordinary Share fell by 4.5%, in line with the FTSE ET100 Index of environmental subsector stocks, which fell by 4.4%, but behind the MSCI All Countries World Index ("MSCI ACWI"), which rose by 3% (all total returns in pounds sterling). Underperformance of MSCI ACWI reflects weakness in small caps, in cyclical sectors with construction and automotive exposure, and in higher beta sectors such as renewable energy. Key positive developments included merger and acquisition activity, with the first bid for an IEM holding in over two years, strong results from our filtration companies and early signs of a pick-up of capex in the light emitting diode markets.

Discount

During the Period, the Company's share price traded at an average discount to NAV of 10.9%, in line with the rates recorded in recent quarters. The Company bought back and cancelled 2,668,000 Ordinary Shares in the Period at an average discount to NAV of 11.6%, which enhanced the NAV per Ordinary Share by 0.2p. The discount to NAV at the end of the Period was 10.7%.

Gearing

At the end of the Period, the net gearing of the Company amounted to 7.1% of NAV.

Portfolio activity

Portfolio activity during the Period included the addition of one new US water utility and the exit of three holdings. The top ten positions as at 30th September 2014 are set out below.

Company	Activity	% of net assets
Pall Corporation	Water treatment equipment, US	3.5%
Kingspan	Buildings energy efficiency, Ireland	3.1%
Spirax Sarco	Industrial energy efficiency, UK	3.1%
China Longyuan	Renewable energy developers & IPP's, China	2.8%
Vacon	Industrial energy efficiency, Finland	2.7%
Nibe	Buildings energy efficiency, Sweden	2.7%
BorgWarner	Transport energy efficiency, US	2.6%
Watts Water	Water infrastructure, US	2.6%
Horiba	Environmental testing and gas testing, Japan	2.5%
Clean Harbors	Hazardous waste management, US	2.3%

Outlook

Macro issues are likely to remain in focus in the coming quarters as investors reassess global growth prospects and digest recent (and possible subsequent) intervention by central banks, notably the FOMC and the ECB. Despite recent negative sentiment, the Manager believes that central banks have the tools necessary to avert another financial crisis and that the global economy will continue to expand. Therefore, notwithstanding the recent market correction and increase in volatility, the Board and Manager remain cautiously optimistic on the medium term prospects for equity markets.

Within Environmental Markets fundamentals remain robust across the range of sectors. Instability in Ukraine and the Middle East keeps energy security high on the political agenda, while the momentum behind international climate change policy negotiations continues to build. Following the recent de-rating, the Company's valuation is now below the long term average, and a recent pick-up in mergers and acquisition activity affecting portfolio holdings appears to be well-timed.

31 October 2014