

Impax Environmental Markets Plc (the ‘Company’)
Interim Management Statement
For the three months ended 30 September 2010

This interim management statement covers the period from the 1 July 2010 to 30 September 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 Net Asset Value (“NAV”) per Ordinary Share (excluding current year net revenue) rose by 5.0% from 120.9p to 126.9p, underperforming the MSCI World Index, the MSCI World Small Cap Index and the FTSE ET50, which rose 7.7%, 8.7% and 6.3% respectively during the Period (all priced in pounds sterling).

The Period was characterised by continued weakness in the renewable energy sector (specifically the wind segment), which continued to suffer from regulatory uncertainty and challenging fundamentals in power markets. Energy efficiency holdings continued to generate strong out-performance and merger and acquisition (“M&A”) activity also made a positive contribution.

Discount

During the Period, the Company’s Ordinary Shares traded at an average 9% discount to NAV. In the Period the Company bought back 250,000 Ordinary Shares.

Portfolio activity

During the Period, the Manager added three new companies to the portfolio and sold out of five holdings. The Manager remains focussed primarily on bottom-up stock picking, although there remains a bias towards increasing the exposure to the Asia Pacific region and to companies in the energy efficiency sector. The Manager believes that the long term prospects for the wind industry and the valuation of the stocks in the sector are very attractive. However, given the short term challenges facing the industry in Europe and North America, we have consolidated our holdings into those companies with strongest market position and those best placed to benefit from ongoing growth in Asia and other emerging markets.

The top ten holdings as at 30 September 2010 are set out below.

Company	Activity	Portfolio weighting
LKQ	Automotive recycling	2.7%
Nibe Industrier	Ground source heat pumps	2.5%
Clean Harbors	Hazardous waste management	2.4%
Telvent	Utility software	2.4%
Pall Corp	Filtration	2.4%
Regal Beloit	Energy efficient motors	2.1%
Nalco	Water treatment chemicals	2.1%
Horiba	Testing and monitoring	2.0%
China Longyuan	Renewable independent power producer	2.0%
Itron	Smart grid technology	2.0%

Outlook

Macro concerns receded somewhat in the third quarter particularly with regard to a global double dip recession and a “hard landing” in China. In addition, markets drew comfort from governments stated readiness for further quantitative easing should the recovery falter. Nonetheless, macro risks remain particularly regarding the timing of the economic recovery in Europe and the US. With regard to environmental markets, we remain optimistic on the medium to long term outlook on the basis of accelerating growth, a portfolio valuation below the historical range and ongoing M&A activity.

The interim management statement will be made available on the Manager’s website www.impax.co.uk

20 October 2010