**Impax Environmental Markets Plc (the 'Company')**
**Interim Management Statement**
**For the three months ended 31 March 2011**

This interim management statement covers the period from the 1 January 2011 to 31 March 2011 (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, 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

During the Period, the Company's diluted Net Asset Value ("NAV") per Ordinary Share (excluding current year net revenue) rose 0.8% from 141.8p to 142.9p, compared with the MSCI World Index and the MSCI World Small Cap Index, which rose 1.9% and 3.4% respectively (capital returns priced in pounds sterling).

The Period was dominated by ongoing political instability in the Middle East, the tsunami in Japan and subsequent events at the Fukushima nuclear power plant. Nuclear plant closures, strength in energy prices and speculation of an increased role for renewable energy led to strong performance in the wind and solar segments where IEM has a relatively low exposure. The Company's performance was also held back by weakness in some Asian-listed holdings, lack-lustre performance of general waste management companies and write-downs of certain private equity holdings.

## 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 1,252,000 Ordinary Shares in the Period at an average discount to diluted NAV of 12.7%.

## Portfolio activity

The Manager has continued to focus on bottom-up stock picking, although energy efficiency remains a key sub-sector theme, as does growth in Asian environmental markets. This is reflected in portfolio activity during the Period as three of the four new holdings were in Asian companies and the same number in the energy efficiency sub sector. We sold out of two holdings.

The top ten holdings as at 31 March 2011 are set out below.

| **Company** | **Activity** | **Portfolio weighting** |
|---|---|---|
| Regal Beloit | Electric motors, US | 2.9% |
| Nibe | Ground source heat pumps, Sweden | 2.9% |
| Nalco | Water treatment chemicals, US | 2.7% |
| Pall Corporation | Filtration, US | 2.7% |
| Telvent | Automated meter reading, Spain | 2.5% |
| LKQ | Automotive recycling, US | 2.4% |
| Clean Harbors | Hazardous waste treatment, US | 2.4% |
| Horiba | Environmental and engine testing, Japan | 2.4% |
| EDP Renovaveis | Renewable IPP, Spain | 2.2% |
| Vacon | Power electronics, Finland | 2.1% |

The top ten holdings reflect the thematic preference for energy efficiency and otherwise the continued preference for a diversified portfolio, with water and waste also represented, as are all geographical regions (North America, Europe and Asia).

**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 2010 will be paid on 17 May 2011 to shareholders who were on the register at the close of business on 15 April 2011.

**Outlook**

Recent international events have further reinforced several of the drivers behind environmental markets, and we are confident about the prospects for the portfolio. We continue to favour energy efficiency stocks as well as those in the water, pollution control, waste and support services sub-sectors. Although we are optimistic about the longer term prospects for renewable energy, we do not yet see sufficient positive catalysts to justify building up the Company’s exposure to the wind and solar equipment manufacturers. However, we have been adding exposure to the renewable energy developers and power producers.

The Company’s portfolio valuation continues to be below the normal historical range and is considered attractive in the light of accelerating earnings and the likely additional contribution from continued M&A activity.

28 April 2011