# Management's Discussion & Analysis

## Fiscal year ended March 31, 2014

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June 5, 2014

Unless otherwise indicated, all amounts are in Canadian dollars.

## 1. PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") was prepared under the responsibility of GLV Inc.'s management and approved by its Board of Directors as of June 5, 2014. The information appearing herein accounts for all significant events that occurred up to that date. The MD&A presents the Corporation's position and business context as they were, to management's best knowledge, upon its approval by the Board of Directors.

This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2014.

The financial information presented in this MD&A, including tabular amounts, is prepared in accordance with the International Financial Reporting Standards ("IFRS") unless otherwise indicated.

In this MD&A, "GLV Group" or "the Corporation" designates, as the case may be, GLV Inc. and its subsidiaries and divisions, or GLV Inc. or one of its subsidiaries or divisions, and the information contained is mainly structured by group, specifically Ovivo (water treatment), GL&V Pulp and Paper and the Other group. The fiscal year ended March 31, 2014 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2014," "fiscal 2013" and so forth. The "fourth quarter of fiscal 2014" and the "fourth quarter of fiscal 2013" refer to the three-month periods ended March 31, 2014 and 2013, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three-month and twelve-month periods ended March 31, 2014 is performed in relation to the equivalent periods ended March 31, 2013, whereas the comparative analysis of the financial situation as at March 31, 2014 is performed in relation to data recorded as at March 31, 2013.

This MD&A also uses non-IFRS financial measures. Please refer to section 13, "Reconciliation of non-IFRS financial measures" of this report for more information.

Supplementary information about the Corporation, including the Annual Information Form dated June 5, 2014, the MD&A for the year ended March 31, 2014 and press releases are available on the websites of SEDAR (www.sedar.com) and the Corporation (www.glv.com). Certain other documents, including presentations to investors, are also available on the Corporation's website.

## 2. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain information and statements in this MD&A and other public communications regarding management's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements concern analyses and other information based on forecasted future results and estimates of amounts that cannot yet be determined. These may be observations concerning, in particular, strategies, expectations, planned activities or future actions. Forward-looking statements are recognized by the use of terms such as "forecast," "project," "could," "plan," "aim," "estimate" and other similar terms, possibly used in the future or conditional, particularly with regard to certain assumptions.

The management of GLV Inc. would like to point out that forward-looking statements involve a number of uncertainties and known and unknown risks such that the actual and future results of GLV Group could differ considerably from those stated.

Factors of uncertainty and risk that might result in such differences include contracts with clients regarding equipment and services, operations and turnkey projects, market risk, competition and innovation, concentration and liquidity risk, access to financing, dependence on key personnel, information system risk, credit risk, reputation, regulatory and legal risk, foreign exchange rate and foreign exchange contract risk, risks related to acquisitions, supply chain, asset impairment, interest rates, and the Corporation's holding company structure. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. In addition, unless otherwise indicated, the forward-looking statements included in this MD&A were made as at the date hereof, and unless required to do so pursuant to applicable securities legislation, management of GLV Inc. assumes no obligation to update or revise forward-looking statements as a result of new information, future events or other changes. Forward-looking statements are designed to provide the reader with a description of management's expectations regarding the Corporation's future financial performance and may not be appropriate for other purposes.

Additional information about the risk factors to which GLV Inc. is exposed is provided in section 11, "Risks and uncertainties" of this MD&A.

## 3. PROFILE OF THE CORPORATION

### Description of business

GLV Group is made up of international companies operating primarily in the water treatment (Ovivo) and pulp and paper (GL&V Pulp and Paper) industries that offer comprehensive technological solutions as well as services and equipment tailored to specific client needs. GLV Group's business units operate in more than 25 countries and have approximately 1,800 employees as at March 31, 2014. GLV Inc. is a public company whose shares trade on the Toronto Stock Exchange under the ticker symbols GLV.A and GLV.B.

- Ovivo designs and markets equipment and integrated solutions for the filtration, clarification, treatment and purification of water that will be used or reused in various industrial and municipal processes, returned into the environment or used for domestic purposes. Ovivo's offering includes rebuilding, upgrading and optimization services for existing equipment, the sale of spare parts as well as maintenance services. To maintain its position in this competitive market, Ovivo places know-how and innovation at the heart of its business strategy. With its advanced technologies, Ovivo stands out from the competition by putting the needs of its clients at the heart of its business strategy. Since April 1, 2013, the operations of Ramivo, previously reported under the Other group, are fully integrated within Ovivo. Ramivo is a manufacturing unit located in Tamàsi, Hungary. Comparative data have been reclassified to take this change into account.

- GL&V Pulp and Paper designs and globally markets equipment used in various stages from pulp preparation to paper production. It is also recognized worldwide for its rebuilding, upgrading and optimization services for existing equipment as well as for the sale of spare parts. By focusing on innovation, it ensures that its portfolio contains products and technologies that bring customers added value, such as lower energy consumption.

- GLV Group also has activities other than those associated with water treatment and pulp and paper. The Van der Molen division specializes in process solutions for the design and marketing of equipment for dissolving, dosing and mixing in beverage production. GLV Group also owned a manufacturing unit, GL&V Fabrication, located in Trois-Rivières, Québec, Canada, up to November 16, 2013, at which date the Corporation disposed of the business operations and a portion of assets of this unit.

## Strategic approach

GLV Group has always been committed to creating long-term shareholder value and ensuring sustained growth through its business model, which consists in:

- Acquiring technologies, know-how and innovative businesses;
- Generating organic growth through innovation and by focusing on recurring revenues; while
- Respecting the local cultures of countries in which GLV Group subsidiaries are based.

**Thus, GLV Group will generate growth using the following five strategies:**

- ***Focus on developing the Parts and Services market, which includes the sale of spare parts and the provision of maintenance and support services.*** With this strategy, GLV Group aims to generate recurrent revenues, which provide greater stability and reduces the impact of economic cycles. The Parts and Services market also ensures organic growth in the key businesses of GLV Group subsidiaries. This market also provides the opportunity to leverage GLV Group's excellent client services enabling it to stand out from the competition by offering a comprehensive range of services.

- ***Make innovation a key positioning factor in GLV Group's target markets.*** As GLV Group operates in highly competitive industries, it must continuously introduce innovative products and services for optimizing processes or for reducing clients' energy consumption. This innovation culture, which has been one of the factors driving GLV Group's success in the last three decades, is emphasized in the management of subsidiaries.

- ***Continuously improve the Corporation's profitability.*** GLV Inc.'s management maintains strict control over fixed costs across the organization by using human resources efficiently, effectively integrating and restructuring acquired businesses, continuously improving operational effectiveness of subsidiaries and maintaining an entrepreneurial culture. Also, under its business model, the Corporation makes significant use of an international network of manufacturing subcontractors, reducing fixed costs and giving it the flexibility it needs to accommodate the ebb and flow of demand. With all these measures, a flexible and optimal cost structure can be maintained.

- ***Focus primarily on geographic markets in which GLV Group subsidiaries are already operating.*** Certain markets in which GLV operates such as India, Southeast Asia, the Middle East, Brazil and Russia are expected to grow in the coming years. Meanwhile, more mature markets, namely North America, Europe and the United Kingdom, continue to offer attractive business opportunities for GLV Group businesses.

- ***Maintain the business acquisition strategy. GLV Group will keep seeking opportunities to broaden its technology portfolio, know-how and business unit trademarks.*** It will continue to apply the same acquisition model of focusing on intellectual property and the Parts and Services market.

## 4. HIGHLIGHTS

For the fourth quarter of fiscal 2014, GLV Inc. (GLV Group or the Corporation) reported consolidated revenues of $182.1 million and adjusted EBITDA [(1)] of $9.3 million, up 19.5% and 18.7%, respectively, from the fourth quarter of the previous fiscal year. The Corporation recorded net earnings attributable to shareholders of GLV Inc. of $1.7 million or $0.04 per share, basic and diluted, compared with net earnings from continuing operations of $0.9 million or $0.02 per share, basic and diluted, for the same quarter of the previous fiscal year. The improvement in net earnings was driven primarily by GL&V Pulp and Paper's operating results for the quarter, partly offset by lower profitability at Ovivo, owing mainly to the unfavourable adjustment to forecasted costs for a large contract in the Energy segment. This project, which was accepted before implementation of Ovivo's refocusing strategy announced in summer 2012, would no longer have met today's selection criteria.

Ovivo's revenues for the fourth quarter were up 15.5% from the same period of the previous fiscal year, bolstered essentially by the Electronics and Metals segment which doubled its operating volume mainly due to the three large contracts announced in April 2013. During the same period, Ovivo's Parts and Services market was up 16.5% from the fourth quarter of fiscal 2013. Ovivo is currently deploying a strategy with a "Total Life Cycle" approach to tap into this market segment's high potential. GL&V Pulp and Paper reported higher revenues, in both the Parts and Services and new equipment markets, up 31.7% from the corresponding quarter of the previous fiscal year.

At Ovivo, the Electronics and Metals market's operating profitability was higher than in the same quarter of the previous fiscal year, supported by a solid backlog and continued effectiveness in contract performance and monitoring. However, the Energy segment's profitability declined, directly resulting from the contract mentioned above. Operating profitability in the Municipal North America segment is comparable to fiscal 2013 performance, meeting management's expectations. Although stable compared with the previous fiscal year, operating performance in the Municipal Europe, Middle East and Africa ("EMEA") segment fell short of management's expectations.

Operating performance at GL&V Pulp and Paper was clearly higher than in the same quarter of the previous fiscal year, reflecting the impact of sustained growth in the Parts and Services market on group profitability and the completion of projects with lower margins that dampened results in the fourth quarter of fiscal 2013.

**Fiscal 2014**

The Corporation generated consolidated revenues of $635.1 million and adjusted EBITDA [(1)] of $25.2 million for the year ended March 31, 2014, up 8.5% and 4.3%, respectively, from the previous fiscal year. The Corporation reported a net loss attributable to shareholders of GLV Inc. of $22.3 million or $0.51 per share, basic and diluted, compared with a net loss from continuing operations of $5.8 million or $0.13 per share, basic and diluted, for the previous fiscal year. The net loss for fiscal 2014 resulted primarily from an asset impairment charge recorded in the third quarter as well the higher income tax expense. Excluding this one-time asset impairment charge and the restructuring costs, the Corporation recorded adjusted net earnings from continuing operations attributable to shareholders of GLV Inc.[(1)] of $7.1 million, up $6.9 million from the previous fiscal year.

*(1) See section13, "Reconciliation of non-IFRS financial measures."*

**Backlog and outlook**

GLV Group's backlog as at March 31, 2014 amounted to $382.7 million, up slightly from $380.0 million as at March 31, 2013 but down $46.4 million from the backlog as at December 31, 2013. The decline is mainly attributable to Ovivo's backlog. After significant contract wins early in fiscal 2014, the Electronics and Metals market backlog was down as at March 31, 2014 due to the percentage of completion of projects. However, management does not expect fiscal 2015 results to be significantly affected by the lower backlog in this segment, given its quality and that it remains at a significant level. The backlog in the Municipal EMEA market continues to be affected by lower order taking caused by the ongoing slowdown in this market in recent quarters. In the Energy market, although the backlog is down as at March 31, 2014, tendering activity remains high and should support this market's performance in fiscal 2015. Meanwhile, Municipal North America's backlog is up amid sustained order taking and a record high backlog in the Parts and Services market as at March 31, 2014, reflecting the measures implemented to develop this key strategic niche for Ovivo.

Given the strategic plan deployed to develop the Parts and Services market under the "Total Life Cycle" approach, the overall procurement strategy implemented and an innovative product offering, management expects a gradual improvement in Ovivo's operating profitability over the coming quarters.

As March 31, 2014, the GL&V Pulp and Paper backlog was down from December 31, 2013 and March 31, 2013 due to the level of order taking for new equipment, partially offset by growth in the Parts and Services market backlog. Nonetheless, the outlook in North America for fiscal 2015 remains bright.

## 5. SELECTED ANNUAL FINANCIAL INFORMATION

| | Years ended March 31 | | |
|---|---|---|---|
| *(In thousands of $, except per share amounts and percentages)* | **2014** | 2013 | 2012 |
| **Revenues** | **635,125** | 585,241 | 643,359 |
| **Adjusted EBITDA** (1) | **25,245** | 24,214 | 21,263 |
| ***Adjusted EBITDA margin*** (1) | ***4.0%*** | *4.1%* | *3.3%* |
| **Net loss attributable to shareholders of GLV Inc.** | | | |
| from continuing operations | **(22,346)** | (5,835) | (53,366) |
| from discontinued operations | **–** | (7,036) | (782) |
| **Total** | **(22,346)** | (12,871) | (54,148) |
| **Cash flows generated (used)** (1) | **27,163** | (3,683) | 14,268 |
| **Net loss per share (basic and diluted) attributable to shareholders of GLV Inc.** | | | |
| Net loss from continuing operations | **(0.51)** | (0.13) | (1.21) |
| Net loss from discontinued operations | **–** | (0.16) | (0.02) |
| Net loss | **(0.51)** | (0.29) | (1.23) |
| **Cash flows generated (used) per share (basic and diluted)** (1) | **0.62** | (0.08) | 0.32 |

| | As at March 31 | | |
|---|---|---|---|
| *(In thousands of $, except for financial ratios in % and in units)* | **2014** | 2013 | 2012 |
| **Total assets** | **488,055** | 474,862 | 523,189 |
| **Cash and cash equivalents** | **22,306** | 13,294 | 35,583 |
| **Long-term debt** | **(47,975)** | (53,708) | (80,932) |
| **Other non-current financial liabilities** | **(3,472)** | (5,159) | (4,325) |
| **Cash dividends per share (Class A and B shares)** | **–** | – | – |
| **Financial ratios** | | | |
| Total net debt to invested capital ratio | **12.8%** | 25.0% | 19.6% |
| Working capital ratio (excluding the current portion of long-term debt) | **1.46** | 1.51 | 1.57 |

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

## 6. ANALYSIS OF CONSOLIDATED OPERATING RESULTS

### Consolidated earnings (loss)

| | Quarters ended March 31 | | Years ended March 31 | |
|---|---|---|---|---|
| *(In thousands of $, except per share amounts and percentages)* | **2014** | 2013 | **2014** | 2013 |
| Revenues | **182,062** | 152,392 | **635,125** | 585,241 |
| Costs of contracts and goods sold | **139,427** | 117,460 | **489,522** | 451,008 |
| Gross margin | **42,635** | 34,932 | **145,603** | 134,233 |
| Selling and administrative expenses | **33,341** | 27,104 | **120,358** | 110,019 |
| Adjusted EBITDA (1) | **9,294** | 7,828 | **25,245** | 24,214 |
| *Adjusted EBITDA margin (1)* | ***5.1%*** | *5.1%* | ***4.0%*** | *4.1%* |
| Restructuring costs and loss on disposal | **–** | 2,528 | **2,752** | 5,418 |
| Amortization | **3,201** | 2,973 | **12,270** | 12,389 |
| Asset impairment | **–** | – | **26,880** | 650 |
| Net financial expenses | **1,800** | 1,985 | **6,201** | 7,990 |
| Foreign exchange loss | **1,732** | 581 | **1,669** | 1,487 |
| Loss (gain) related to financial instruments | **(1,210)** | 1,008 | **(8,320)** | 1,337 |
| Earnings (loss) before income taxes related to continuing operations | **3,771** | (1,247) | **(16,207)** | (5,057) |
| Income taxes | **1,966** | (2,165) | **5,900** | 781 |
| Net earnings (loss) from continuing operations | **1,805** | 918 | **(22,107)** | (5,838) |
| Discontinued operations | **–** | (548) | **–** | (7,036) |
| Net earnings (loss) | **1,805** | 370 | **(22,107)** | (12,874) |
| Net earnings (loss) attributable to shareholders of GLV Inc. | **1,678** | 361 | **(22,346)** | (12,871) |
| Net earnings (loss) per share (basic and diluted) | | | | |
| Net earnings (loss) from continuing operations | **0.04** | 0.02 | **(0.51)** | (0.13) |
| Net loss from discontinued operations | **–** | (0.01) | **–** | (0.16) |
| Net earnings (loss) | **0.04** | 0.01 | **(0.51)** | (0.29) |

### Revenues

| | Quarters ended March 31 | | Change | Organic change at constant exchange rates (1) | Years ended March 31 | | Change | Organic change at constant exchange rates (1) |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of $)* | **2014** | 2013 | % | % | **2014** | 2013 | % | % |
| **TOTAL** | **182,062** | 152,392 | 19.5% | 12.4% | **635,125** | 585,241 | 8.5% | 5.6% |
| **Ovivo** | **106,394** | 92,090 | 15.5% | 5.3% | **388,951** | 352,433 | 10.4% | 7.2% |
| New equipment | **87,033** | 75,465 | 15.3% | | **313,454** | 289,380 | 8.3% | |
| Sale of parts and provision of services | **19,361** | 16,625 | 16.5% | | **75,497** | 63,053 | 19.7% | |
| **GL&V Pulp and Paper** | **66,556** | 50,532 | 31.7% | 24.1% | **210,576** | 199,898 | 5.3% | 1.0% |
| New equipment | **26,699** | 15,255 | 75.0% | | **67,245** | 67,210 | 0.1% | |
| Sale of parts and provision of services | **39,857** | 35,277 | 13.0% | | **143,331** | 132,688 | 8.0% | |
| **Other** | **9,112** | 9,770 | (6.7)% | 22.3% | **35,598** | 32,910 | 8.2% | 18.1% |

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

## Revenue continuity

| | Quarter | | | |
|---|---|---|---|---|
| *(In thousands of $)* | **Ovivo** | **GL&V Pulp and Paper** | **Other** | **Total** |
| **Quarter ended March 31, 2013** | **92,090** | **50,532** | **9,770** | **152,392** |
| Foreign exchange impact | 9,418 | 3,838 | 1,038 | **14,294** |
| Business disposals | – | – | (3,169) | **(3,169)** |
| Organic growth | 4,886 | 12,186 | 1,473 | **18,545** |
| **Total change** | **14,304** | **16,024** | **(658)** | **29,670** |
| **Quarter ended March 31, 2014** | **106,394** | **66,556** | **9,112** | **182,062** |

| | Year | | | |
|---|---|---|---|---|
| *(In thousands of $)* | **Ovivo** | **GL&V Pulp and Paper** | **Other** | **Total** |
| **Fiscal year ended March 31, 2013** | **352,433** | **199,898** | **32,910** | **585,241** |
| Foreign exchange impact | 17,530 | 8,618 | 2,224 | **28,372** |
| Business disposals | (5,931) | – | (4,658) | **(10,589)** |
| Organic growth | 24,919 | 2,060 | 5,122 | **32,101** |
| **Total change** | **36,518** | **10,678** | **2,688** | **49,884** |
| **Fiscal year ended March 31, 2014** | **388,951** | **210,576** | **35,598** | **635,125** |

Consolidated revenues for the fourth quarter of fiscal 2014 were up $29.7 million from the fourth quarter of the previous fiscal year, driven by organic growth of $18.5 million, generated mainly by GL&V Pulp and Paper and, to a lesser extent, by Ovivo and the Other group. Foreign currency fluctuations had a favourable impact of $14.3 million, owing mainly to the strengthening of the U.S. dollar, the euro and the pound sterling against the Canadian dollar. The disposal of the business operations and a portion of the assets of GL&V Fabrication had an unfavourable impact of $3.2 million on consolidated revenues for the period.

Consolidated revenues for the year ended March 31, 2014 were up $49.9 million from the previous fiscal year, stemming from organic growth of $32.1 million, attributable to all groups, with Ovivo recording sharply higher revenues. Foreign currency fluctuations had a favourable impact of $28.4 million owing to the weakening of the Canadian dollar against the same currencies as for the quarter. Last, the disposal of an Ovivo subsidiary at the beginning of the third quarter of fiscal 2013 and the sale of the business operations and a portion of the assets of GL&V Fabrication during the third quarter of fiscal 2014 had a $10.6 million unfavourable impact on total revenues compared with the previous fiscal year.

## Ovivo

Ovivo's revenues for the fourth quarter of fiscal 2014 rose by a total amount of $14.3 million over the same period of the previous fiscal year, driven by organic sales growth of $4.9 million or 5.3%. This increase stemmed primarily from the performance of new projects announced in April 2013 for the Electronics and Metals market. Sale of parts and provision of services were up 16.5% from the same period of the previous fiscal year, in line with management's expectations under the group's business refocusing plan. This market's revenue potential for Ovivo remains high. Foreign currency fluctuations had a favourable impact of $9.4 million, owing mainly to the strengthening of the U.S. dollar, the euro and the pound sterling against the Canadian dollar.

Ovivo's revenues for the year ended March 31, 2014 were up $36.5 million from fiscal 2013, reflecting organic growth of $24.9 million or 7.2%. The increase is attributable to certain target markets of Ovivo, particularly Electronics and Metals, where the performance of new projects launched during fiscal 2014 made a significant contribution to growth. The Municipal North America segment also recorded higher revenues, bolstered mainly by a higher backlog. Last, sale of parts and provision of services grew significantly in all of Ovivo's target markets. Conversely, Municipal EMEA segment revenues declined significantly, caused by a slowdown in order taking and the market slowdown in the U.K. The U.K. slowdown also had an unfavourable impact on the Energy market, particularly in the first half of the year, while the disposal of a subsidiary at the beginning of the third quarter of fiscal 2013 reduced revenues by $5.9 million. Last, foreign currency fluctuations had a favourable impact of $17.5 million in fiscal 2014.

## GL&V Pulp and Paper

GL&V Pulp and Paper reported $16.0 million increase in revenues for the fourth quarter of fiscal 2014 compared with the same period of the previous fiscal year. The increase stemmed primarily from new equipment sales in North America given that assets in the region are in the later stage of their life cycle. Foreign currency fluctuations had a favourable impact of $3.8 million, arising mostly from the strengthening of the U.S. dollar against the Canadian currency.

GL&V Pulp and Paper revenues for the year ended March 31, 2014 grew $10.7 million from fiscal 2013, driven essentially by the good performance in terms of sales of parts and provision of services. Foreign currency fluctuations had a favourable impact of $8.6 million, owing mainly to the strengthening of the U.S. dollar, the euro and the Swedish krona against the Canadian dollar.

## Other

Revenues at the Other group for the three- and twelve-month periods ended March 31, 2014 grew organically by $1.5 million and $5.1 million, respectively. The Van der Molen division recorded satisfactory operating volumes during these periods, which contributed to the group's higher revenues. However, the disposal of business operations and a portion of the assets of GL&V Fabrication midway through the third quarter of fiscal 2014 caused revenues to decline by $3.2 million and $4.7 million for the three-month period and year ended March 31, 2014, respectively. Currency fluctuations also drove up revenues.

## Revenues by geographic segment based on destination address

| | **Total** | | **Ovivo** | | **GL&V Pulp and Paper** | |
|---|---|---|---|---|---|---|
| | **Years ended March 31** | | | | | |
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | *(as % of consolidated revenues)* | | *(as % of Group revenues)* | | | |
| North America | **49.3%** | 43.4% | **44.1%** | 30.5% | **64.6%** | 67.7% |
| Europe and Russia | **23.6%** | 26.4% | **25.0%** | 32.2% | **18.6%** | 16.0% |
| Asia and Asia-Pacific | **13.7%** | 15.5% | **17.1%** | 19.5% | **7.7%** | 9.2% |
| Middle East and Africa | **10.4%** | 11.9% | **13.2%** | 16.7% | **1.1%** | 0.8% |
| Latin America | **3.0%** | 2.8% | **0.6%** | 1.1% | **8.0%** | 6.3% |

The geographic breakdown of revenues by destination address for the year period ended March 31, 2014, compared with the same period of the previous year, showed a significant increase in the percentage of Ovivo revenues from North America. This larger share of revenues was generated by the Electronics and Metals market, which saw a number of significant contract wins in North America, as well as by Ovivo's business plan to refocus on its target markets. GL&V Pulp and Paper's share of revenues from North America is down but up in Europe and Russia, where large contracts were won.

## Gross margin (excluding amortization)

| | Quarters ended March 31 | | Change | Organic change at constant exchange rates (1) | Years ended March 31 | | Change | Organic change at constant exchange rates (1) |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | % | % | **2014** | 2013 | % | % |
| **In thousands of $** | **42,635** | 34,932 | 22.1% | 15.4% | **145,603** | 134,233 | 8.5% | 5.5% |
| **As % of revenues** | **23.4%** | 22.9% | | | **22.9%** | 22.9% | | |

Gross margin is higher, in dollars and as a percentage, for the three-month period ended March 31, 2014 compared with the same period of 2013. This improvement is mainly attributable to GL&V Pulp and Paper, where increased revenues from new equipment generated higher margins compared with the same period of the previous fiscal year. At Ovivo, the gross margin as a percentage of revenues is slightly below the level in the fourth quarter of fiscal 2013, owing mainly to a contract in the Energy segment with a lower-than-expected margin.

Gross margin as a percentage of revenues for the year ended March 31, 2014 remained stable from the same period of the previous fiscal year.

## Selling and administrative expenses (excluding amortization)

| | Quarters ended March 31 | | Change | Organic change at constant exchange rates (1) | Years ended March 31 | | Change | Organic change at constant exchange rates (1) |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | % | % | **2014** | 2013 | % | % |
| **In thousands of $** | **33,341** | 27,104 | 23.0% | 15.5% | **120,358** | 110,019 | 9.4% | 5.9% |
| **As % of revenues** | **18.3%** | 17.8% | | | **19.0%** | 18.8% | | |

Selling and administrative expenses for the three- and twelve-month periods ended March 31, 2014 were higher compared with the same periods of fiscal 2013, owing primarily to investments in resources made to develop Ovivo's Parts and Services market. Despite these investments, selling and administration expenses as a percentage of revenues were comparable with the same periods of the previous fiscal year. Foreign currency fluctuations also drove up selling and administration expenses for both the fourth quarter and fiscal 2014.

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

## Adjusted EBITDA [1]

| | **Quarters ended March 31** | | **Change** | **Organic change at constant exchange rates [1]** | **Years ended March 31** | | **Change** | **Organic change at constant exchange rates [1]** |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of $)* | **2014** | 2013 | % | % | **2014** | 2013 | % | % |
| **Adjusted EBITDA [1]** | **9,294** | 7,828 | 18.7% | 15.5% | **25,245** | 24,214 | 4.3% | 4.1% |
| Ovivo | **3,023** | 7,280 | (58.5)% | (59.4)% | **18,405** | 21,807 | (15.6)% | (15.3)% |
| GL&V Pulp and Paper | **8,759** | 2,422 | 261.6% | 248.6% | **18,245** | 11,158 | 63.5% | 60.4% |
| Other | **(2,488)** | (1,874) | (32.8)% | (24.9)% | **(11,405)** | (8,751) | (30.3)% | (27.9)% |
| *(As % of revenues)* | | | | | | | | |
| **Adjusted EBITDA margin [1]** | **5.1%** | 5.1% | | | **4.0%** | 4.1% | | |
| Ovivo | **2.8%** | 7.9% | | | **4.7%** | 6.2% | | |
| GL&V Pulp and Paper | **13.2%** | 4.8% | | | **8.7%** | 5.6% | | |
| Other | **n/a** | n/a | | | **n/a** | n/a | | |

### *Ovivo*

Ovivo's adjusted EBITDA **[1]** for the fourth quarter of fiscal 2014 was lower than for the same quarter of the previous fiscal year. The Energy market's profitability declined, caused mainly by a lower-than-expected profit margin for a specific contract. This project, which was accepted before implementation of Ovivo's refocusing strategy announced in summer 2012, would no longer have met today's selection criteria. The negative impact was partly offset by the Electronics and Metals market, which recorded higher profitability due to the performance of new projects announced in April 2013.

Ovivo's adjusted EBITDA [1] for the year ended March 31, 2014 was down compared with the same period of the previous year. As mentioned above for the fourth quarter, lower profitability in the Energy segment had impacts throughout the year ended March 31, 2014. Slower order taking and problems in performing certain contracts in the Municipal EMEA market also contributed to the decline in adjusted EBITDA [1] These declines were partly offset by good performance in the Electronics and Metals market, which recorded higher profitability driven by the performance of new projects announced in April 2013 and solid results in the Municipal North America segment due to efficient contract performance and rigorous contract management.

### *GL&V Pulp and Paper*

GL&V Pulp and Paper reported an increase in adjusted EBITDA [1] for the fourth quarter of fiscal 2014 compared with 2013, stemming from higher revenues from the sale of new equipment which generated better margins than in the previous year. Also, additional costs related to several contracts during the fourth quarter of the previous fiscal year had a negative impact on operating results.

The higher adjusted EBITDA [1] for the year ended March 31, 2014 compared with the previous fiscal year was driven mainly by the increase in the sale of parts and provision of services which generated higher margins and by improved margins on new equipment sales, particularly during the fourth quarter of fiscal 2014. Additional costs related to several contracts also dampened operating results for fiscal 2013.

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

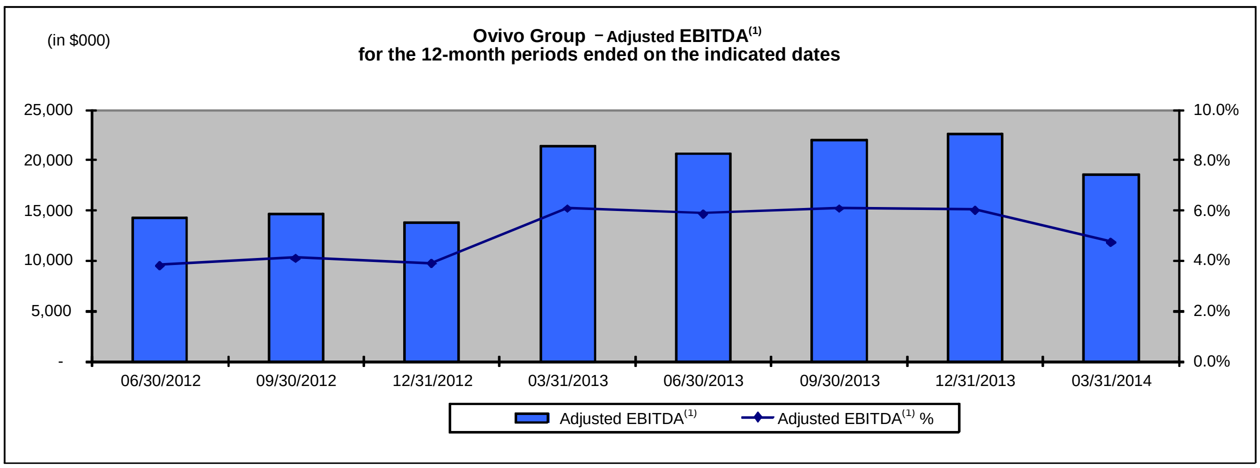
### *Other*

Adjusted EBITDA [(1)] for the fourth quarter of fiscal 2014 and the year ended March 31, 2014 declined compared with the same periods of fiscal 2013. The Van der Molen division reported higher revenues but did not generate an increase in adjusted EBITDA [(1)] as the margin was eroded by contract performance. Adjusted EBITDA [(1)] was also affected by the sale of business operations and a portion of the assets of GLV Fabrication during the third quarter of fiscal 2014. Last, head office costs for fiscal 2014 were slightly up from the previous fiscal year as the stock-based compensation expense was affected by the rise in the GLV share price.

## Evolution in adjusted EBITDA [(1)] and adjusted EBITDA margin [(1)]

The graphs below show the evolution in adjusted EBITDA [(1)] and adjusted EBITDA margin [(1)] for Ovivo and GL&V Pulp and Paper for the twelve-month periods ended on the indicated dates.

### *Ovivo*




The lower profitability for the twelve-month period ended June 30, 2012 stemmed mainly from significantly negative results at a subsidiary in Asia and Asia-Pacific and the Canadian subsidiary operating in the Municipal and Industrial segment, which mostly impacted the fourth quarter of fiscal 2012. The Electronics and Metals market also slowed with backlog at a record low in the first half of fiscal 2013, which has staged a sharp increase since then. This slowdown continued to affect adjusted EBITDA [(1)] at Ovivo for the twelve-month periods ended September 30, 2012 and December 31, 2012.

The significant recovery for the twelve-month period ended March 31, 2013 reflects the effect of Ovivo's operational refocusing on the gradual improvement in profitability. The period saw the favourable impact of the near-completion of desalination contracts with negative margins, resulting from the acquisition of Christ Water Technology AG ("CWT").

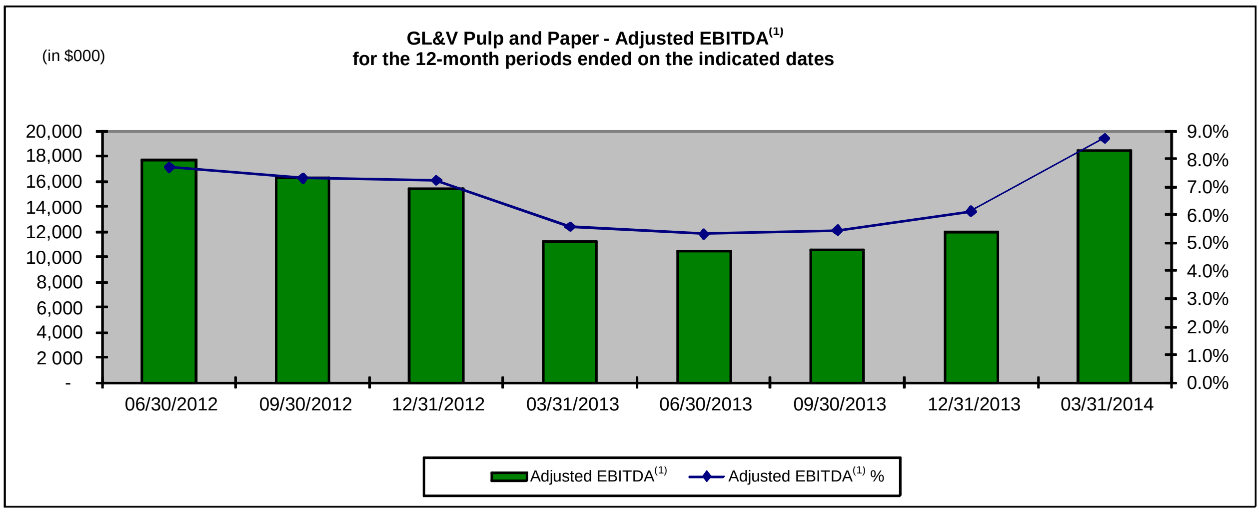
For the twelve-month period ended June 30, 2013, Ovivo's refocusing plan continued to have a positive impact, partly offset in the first quarter of fiscal 2014 by work performed on certain projects with lower-than-expected margins for the Energy segment in Europe and the Municipal EMEA market, as well as investments in resources required to develop the Parts and Services market.

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

The twelve-month periods ended September 30, 2013 and December 31, 2013 were also bolstered by the ongoing positive effects of Ovivo's refocusing plan as well as by higher profitability in the Electronics and Metals market and Municipal North America segment. These positive impacts were partly offset by a slowdown in the Municipal EMEA market, a lower-than-expected margin on a large contract in the Energy segment and by investments in resources made under initiatives deployed to develop the Parts and Services market.

The lower profitability in the Energy segment for the twelve-month period ended March 31, 2014, caused essentially by the specific contract mentioned above and the slowdown in the Municipal EMEA market, continues to affect Ovivo negatively. These declines were partly offset by improved profitability in the Electronics and Metals market and the Municipal North America segment.

### *GL&V Pulp and Paper*




For GL&V Pulp and Paper, performance of contracts in progress slowed in the second and third quarters of fiscal 2013, curbing adjusted EBITDA [(1)] for the twelve-month periods ended September 30, 2012 and December 31, 2012. The sharper decline for the year ended March 31, 2013 resulted from the fourth-quarter slowdown in the North American market, while the effects of the slowdown was felt in the European and Asian markets during the last nine months of fiscal 2013.

Business continued to slow down, particularly for the new equipment market, which prompted a slight decline in adjusted EBITDA [(1)] for the twelve-month periods ended June 30, 2013 and September 30, 2013. Since then, adjusted EBITDA [(1)] has improved, resulting from better results in the third and fourth quarters of fiscal 2014 driven by higher revenues from the sale of parts and provision of services with greater margins. In the fourth quarter, improvement in the margin on new equipment sales also contributed to the higher adjusted EBITDA [(1)]

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

## Restructuring costs

For the year ended March 31, 2014, the Corporation reported restructuring costs totalling $2.8 million. These costs, which comprise severance benefits and relocation costs, are primarily related to the restructuring of Ovivo subsidiaries in Germany and the U.K., and to a lesser extent to the near-completion of the strategic refocusing announced during the fiscal year ended March 31, 2013, and represent additional costs beyond those initially announced in 2013. No restructuring costs were recognized for the fourth quarter of fiscal 2014.

Following changes to the Corporation's leadership team, particularly at Ovivo, announced in June 2012, Ovivo management has reviewed its business strategy to ensure a gradual improvement in profitability along with long-term growth. This repositioning resulted in workforce reductions at a number of Ovivo subsidiaries, and certain other initiatives were launched at GL&V Pulp and Paper and the Other group. The related restructuring costs for the fourth quarter of fiscal 2013 and fiscal year ended March 31, 2013, consisting primarily of severance benefits, totalled $2.5 million and $4.3 million, respectively.

On October 11, 2012, the Corporation disposed of its shares in a subsidiary of Ovivo in Finland, specialized in the water treatment segment for the pulp and paper industry, which is not a market targeted by Ovivo's refocusing strategy. Excluding impairment of non-current assets held, the loss on disposal of this subsidiary, recognized in the third quarter of fiscal 2013, amounted to $1.1 million, comprising net assets of $0.8 million and transaction and other costs of $0.3 million.

## Amortization

| | **Quarters ended March 31** | | **Change** | **Organic change (1)** | **Years ended March 31** | | **Change** | **Organic change (1)** |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of $)* | **2014** | 2013 | % | % | **2014** | 2013 | % | % |
| **Total** | **3,201** | 2,973 | 7.7% | 6.0% | **12,270** | 12,389 | (1.0)% | (2.9)% |
| Property, plant and equipment | **1,502** | 1,264 | 18.8% | | **5,505** | 5,327 | 3.3% | |
| Intangible assets | **1,699** | 1,709 | (0.6)% | | **6,765** | 7,062 | (4.2)% | |

The amortization expense for the year ended March 31, 2014 was up slightly from the same period of the previous fiscal year, due to acquisitions made, primarily at Ovivo, and the unfavourable impact of foreign currency fluctuations.

Amortization expense for the year ended March 31, 2014 was down slightly, primarily as a result of intangible assets that were fully amortized as at March 31, 2013, thereby reducing amortization expense for fiscal 2014. The decrease was partly offset by higher amortization expense due to the unfavourable impact of foreign currency fluctuations.

## Asset impairment

During the third quarter of 2014, the Corporation performed goodwill impairment tests on the Energy and Desalination and Municipal EMEA cash generating units (CGUs) as a result of the ongoing restructuring and decline in operating results of these two CGUs. Following this analysis, management recognized a goodwill impairment charge of $19.9 million ($14.6 million for Energy and $5.3 million for Desalination and Municipal EMEA). In addition, an impairment charge of $7.0 million was recognized for other intangible assets (refer to notes 11 and 12 to the audited consolidated financial statements for the year ended March 31, 2014). No additional impairment was recorded during the fourth quarter following the annual impairment test performed by the Corporation as at March 31, 2014.

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

## Net financial expenses

| | Quarters ended March 31 | | Change | Years ended March 31 | | Change |
|---|---|---|---|---|---|---|
| *(In thousands of $)* | **2014** | 2013 | % | **2014** | 2013 | % |
| **Total** | **1,800** | 1,985 | (9.3)% | **6,201** | 7,990 | (22.4)% |
| Interest on long-term debt | **959** | 1,387 | (30.9)% | **4,509** | 5,749 | (21.6)% |
| Interest expense related to retirement benefits | **1,474** | 1,454 | 1.4% | **1,474** | 1,454 | 1.4% |
| Interest income | **(178)** | (54) | 229.6% | **(462)** | (376) | 22.9% |
| Expected return on pension plan assets | **(996)** | (1,093) | (8.9)% | **(996)** | (1,093) | (8.9)% |
| Other | **541** | 291 | 85.9% | **1,676** | 2,256 | (25.7)% |

Financial expenses for the fourth quarter of fiscal 2014 declined compared with the same quarter of fiscal 2013, owing to lower interest on long-term debt, partly offset by the increase in other financial expenses.

The decline in financial expenses for the year ended March 31, 2014 compared with fiscal 2013 stemmed primarily from lower interest on long-term debt due to the gradual reduction in debt following the negotiation of favourable payment terms for certain contracts. The decrease in other financial expenses also contributed to the lower financial expenses.

## Foreign exchange loss and loss (gain) related to derivative financial instruments

| | Quarters ended March 31 | | Change | Years ended March 31 | | Change |
|---|---|---|---|---|---|---|
| *(In thousands of $)* | **2014** | 2013 | $ | **2014** | 2013 | $ |
| Foreign exchange loss | **1,732** | 581 | 1,151 | **1,669** | 1,487 | 182 |
| Loss (gain) related to derivative financial instruments | **(1,210)** | 1,008 | (2,218) | **(8,320)** | 1,337 | (9,657) |

The foreign exchange loss was triggered on translation of monetary items recognized in currencies other than the functional currencies of subsidiaries.

The foreign exchange loss for the fourth quarter of fiscal 2014 resulted mostly from the Canadian dollar's weakening against the U.S. dollar. During the fourth quarter of fiscal 2013, the depreciation of the Canadian dollar versus its U.S. counterpart and of the Canadian dollar and euro versus the Swedish krona also generated a foreign exchange loss, but to a lesser extent.

For the year ended March 31, 2014, the depreciation of Canada's currency against the U.S. dollar and the euro generated a foreign exchange loss. The foreign exchange loss for the year ended March 31, 2013 resulted mainly from the U.S. dollar's strengthening against the Corporation's main currencies and the euro's depreciation against the Swedish krona.

The gain related to derivative financial instruments for the fourth quarter of fiscal 2014 was attributable to realized gains on foreign exchange contracts outstanding as at March 31, 2014. Those gains were offset by the unfavourable remeasurement of the total return swap which is based on the price of Class A subordinate voting shares. The gain related to financial instruments for the year ended March 31, 2014 stemmed from the realized and unrealized net gains on foreign exchange contracts and the favourable remeasurement of the total return swap.

## Income taxes

| | Quarters ended March 31 | | Change | Years ended March 31 | | Change |
|---|---|---|---|---|---|---|
| *(In thousands of $, except percentages)* | **2014** | 2013 | $ | **2014** | 2013 | $ |
| Earnings (loss) before income taxes – continuing operations | **3,771** | (1,247) | | **(16,207)** | (5,057) | |
| Loss before income taxes – discontinued operations | **–** | (548) | | **–** | (7,255) | |
| **Earnings (loss) before income taxes** | **3,771** | (1,795) | 5,566 | **(16,207)** | (12,312) | (3,895) |
| Income tax expense (recovery) – continuing operations | **1,966** | (2,165) | | **5,900** | 781 | |
| Income tax recovery – discontinued operations | **–** | – | | **–** | (219) | |
| **Income tax expense (recovery)** | **1,966** | (2,165) | 4,131 | **5,900** | 562 | 5,338 |
| Effective tax rate (%) | **52.1%** | n/a | | **(36.4)%** | (4.6)% | |
| Canadian statutory rate (%) | **26.9%** | 26.9% | | **26.9%** | 26.9% | |

For the fourth quarter of fiscal 2014, the difference between the effective tax rate and Canadian statutory rate resulted primarily from a higher statutory tax rate in the U.S., tax withholding in respect of a U.S. dividend distribution to Canada and valuation allowances for deferred tax assets of other subsidiaries. For the year ended March 31, 2014, in addition to the same factors as in the fourth quarter, the asset impairment charge recognized during the third quarter had a significant impact on the effective tax rate.

The $5.3 million increase in tax expense for the year ended March 31, 2014 was triggered primarily by the increase in earnings before income taxes in the U.S., a tax withholding in respect of a U.S. dividend distribution to Canada and the remeasurement of a future income tax asset in Europe.

Improved profitability in the coming quarters will allow the Corporation to make partial use of these deferred tax assets related to unrecognized tax losses.

## Discontinued operations

In December 2012, operations of the Waste to Energy CGU were discontinued since they no longer reflected Ovivo and the Corporation's business model. On December 31, 2012, the Corporation entered into an agreement to sell its interest in its joint venture Ovivo GW&E for a consideration of $1. The disposal was carried out as part of the reorganization of Ovivo's operations, specifically the discontinuation of the Waste to Energy industrial operations, which also included some of the operations of an Ovivo subsidiary.

### Net earnings (loss) attributable to shareholders of GLV Inc.

| | Quarters ended March 31 | | Years ended March 31 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| ***(In thousands of $)*** | | | | |
| Net earnings (loss) attributable to shareholders of GLV Inc. | **1,678** | 361 | **(22,346)** | (12,871) |
| Net earnings (loss) from continuing operations attributable to shareholders of GLV Inc. | **1,678** | 909 | **(22,346)** | (5,835) |
| Adjusted net earnings from continuing operations attributable to shareholders of GLV Inc.[1] | **1,678** | 3,437 | **7,134** | 233 |
| ***(In $ per share, basic and diluted)*** | | | | |
| Net earnings (loss) attributable to shareholders of GLV Inc. | **0.04** | 0.01 | **(0.51)** | (0.29) |
| Net earnings (loss) from continuing operations attributable to shareholders of GLV Inc. | **0.04** | 0.02 | **(0.51)** | (0.13) |
| Adjusted net earnings from continuing operations attributable to shareholders of GLV Inc.[1] | **0.04** | 0.08 | **0.16** | 0.01 |
| Weighted average number of participating shares outstanding *(in thousands)* | | | | |
| Basic | **44,092** | 44,092 | **44,092** | 44,092 |
| Diluted | **44,120** | 44,097 | **44,092** | 44,092 |

The Corporation reported net earnings for the fourth quarter of fiscal 2014 of $1.7 million or $0.04 per share, basic and diluted, compared with net earnings of $0.4 million or $0.01 per share, basic and diluted, for the same quarter of the previous fiscal year. This improved profitability was driven primarily by the increase in adjusted EBITDA for GL&V Pulp and paper and the favourable change related to derivative financial instruments. This growth was partly offset by an increase in income tax expense.

For the year ended March 31, 2014, the Corporation reported a net loss of $22.3 million or $0.51 per share, basic and diluted, compared with a net loss of $12.9 million or $0.29 per share, basic and diluted, for the previous year. Excluding the effect of discontinued operations, the increase in net loss resulted primarily from an asset impairment charge recorded in the third quarter of 2014 (see “Asset impairment” section) and the increase in income tax expense. The loss was partly offset by the gain related to derivative financial instruments and decline in net financial expenses.

*(1) See section 13, “Reconciliation of non-IFRS financial measures.”*

## 7. SUMMARY OF QUARTERLY PERFORMANCE

| | Quarters ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fiscal 2014** | | | | **Fiscal 2013** | | | |
| *(In thousands of $, except per share amounts)* | **March 31, 2014** | **Dec. 31, 2013** | **Sept. 30, 2013** | **June 30, 2013** | **March 31, 2013** | **Dec. 31, 2012** | **Sept. 30, 2012** | **June 30, 2012** |
| Revenues | 182,062 | 158,576 | 149,782 | 144,705 | 152,392 | 145,530 | 140,575 | 146,744 |
| Adjusted EBITDA (1) | 9,294 | 5,138 | 5,870 | 4,943 | 7,828 | 4,615 | 5,198 | 6,573 |
| Operating income (loss) | 6,093 | (26,257) | 1,785 | 1,722 | 2,327 | 695 | (707) | 3,442 |
| Adjusted operating income (1) | 6,093 | 1,991 | 2,860 | 2,031 | 4,855 | 1,559 | 1,969 | 3,442 |
| **Net earnings (loss) attributable to shareholders of GLV Inc.:** | | | | | | | | |
| From continuing operations | 1,678 | (26,722) | 1,409 | 1,289 | 909 | 3,065 | (5,973) | (3,837) |
| Per share (basic and diluted) | 0.04 | (0.61) | 0.03 | 0.03 | 0.02 | 0.07 | (0.13) | (0.09) |
| From adjusted continuing operations (1) | 1,678 | 1,374 | 2,484 | 1,598 | 3,437 | 3,929 | (3,297) | (3,837) |
| Per share (adjusted basic and diluted) (1) | 0.04 | 0.03 | 0.06 | 0.04 | 0.08 | 0.09 | (0.07) | (0.09) |
| From discontinued operations | - | - | - | - | (548) | (4,503) | (281) | (1,703) |
| Per share (basic and diluted) | - | - | - | - | (0.01) | (0.10) | (0.01) | (0.04) |
| **Total** | 1,678 | (26,722) | 1,409 | 1,289 | 361 | (1,438) | (6,254) | (5,540) |
| Per share (basic and diluted) | 0.04 | (0.61) | 0.03 | 0.03 | 0.01 | (0.03) | (0.14) | (0.13) |
| **Net earnings (loss) attributable to non-controlling interests** | 127 | 135 | (4) | (19) | 9 | (1) | (11) | - |
| **Net earnings (loss)** | 1,805 | (26,587) | 1,405 | 1,270 | 370 | (1,439) | (6,265) | (5,540) |

The Corporation's quarterly results are exposed to economic conditions and are not necessarily comparable from quarter to quarter. Results were impacted by the following factors:

- Discontinuation of Waste to Energy's industrial operations at Ovivo in the third quarter of fiscal 2013, representing a loss of $4.5 million. To reflect the impact of these operations on earnings (loss), comparative figures for the previous quarters presented in this MD&A have been restated.

- The refocusing of Ovivo's operations on target markets translated into a gradual improvement in profitability in the fourth quarter of fiscal 2013, partly offset by GL&V Pulp and Paper given the market slowdowns, particularly in Europe.

- In the first quarter of fiscal 2014, while markets were slowing down for GL&V Pulp and Paper, the positive impact of Ovivo's business volumes in the Electronics and Metals market was offset by work performed on certain projects with lower-than-expected margins in the Energy segment in Europe and the Municipal EMEA market, as well as investments in resources required to develop the Parts and Services market.

- Even higher growth for Ovivo in the second and third quarters of fiscal 2014, driven by growth in the Electronics and Metals market and the Municipal North America market, was offset by the slowdown in the Municipal EMEA and Energy markets. Third-quarter earnings were adversely affected by a one-time $26.9 million asset impairment charge.

- The fourth quarter of fiscal 2014 saw a rise in profitability at GL&V Pulp and Paper, compared with a decline at Ovivo, owing primarily to a downturn in the Energy market. The decline was partially offset by the Electronics and Metals market which recorded higher profitability.

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

## 8. FINANCIAL POSITION AND CASH FLOWS

Including net additions to property, plant and equipment, cash flows generated in the fourth quarter of fiscal 2014 amounted to $3.2 million ($0.07 per share, basic and diluted) compared with $2.0 million ($0.05 per share, basic and diluted) for the same quarter of fiscal 2013. For the year ended March 31, 2014, cash flows were generated in an amount of $27.2 million ($0.62 per share, basic and diluted) while cash flows amounting to $3.7 million ($0.08 per share, basic and diluted) were used in the corresponding period of the previous fiscal year.

| | **Quarters ended March 31** | | **Years ended March 31** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| *(In thousands of $, except per share amounts)* | | | | |
| **Cash flows provided by operating activities of continuing operations before net change in non-cash items** | **6,540** | 1,283 | **17,061** | 4,881 |
| Net change in non-cash items related to continuing operations | **(2,437)** | 1,772 | **16,236** | (6,890) |
| Additions to property, plant and equipment, net of disposals | **(870)** | (1,038) | **(6,134)** | (1,674) |
| **Cash flows generated (used)** [(1)] | **3,233** | 2,017 | **27,163** | (3,683) |
| Per share (basic and diluted) | **0.07** | 0.05 | **0.62** | (0.08) |

### Impact of net change in non-cash operating items

| | **Quarter ended March 31** | **Year ended March 31** |
|---|---|---|
| *(In thousands of $)* | **2014** | **2014** |
| Trade and other receivables | **405** | **(6,503)** |
| Inventories | **726** | **2,230** |
| Contracts in progress | **3,187** | **14,556** |
| Prepaid expenses | **925** | **(1,826)** |
| Accounts payable and accrued liabilities, provisions and other liabilities | **16,176** | **(12,388)** |
| Deferred revenues | **(25,173)** | **22,936** |
| Income taxes receivable/payable | **1,317** | **(2,769)** |
| | **(2,437)** | **16,236** |

The $2.4 million adverse impact on cash flows for the fourth quarter of fiscal 2014 resulting from the change in non-cash operating items was mainly attributable to the increase in deferred revenues and to the decrease, at constant exchange rate, in contracts in progress, which vary according to percentage of completion and billing arrangements of projects. This impact was partially offset by an increase in accounts payable and accrued liabilities, provisions and other liabilities resulting from the timing of payments to suppliers.

*(1) See section 13, "Reconciliation of non-IFRS financial measures."*

The favourable impact on cash flows for the year ended March 31, 2014 owing to the change in non-cash operating items amounting to $16.2 million stemmed primarily from the increase in deferred revenues and the decline at constant exchange rates of contracts in progress, which vary according to the percentage of completion of contracts, and on which new contracts announced in April 2013 had a positive cash impact during recent quarters given their favourable payment terms. This effect was partly offset by the increase in trade and other receivables and by the decline at constant exchange rates in accounts payable and accrued liabilities, provisions and other liabilities owing to the timing of payments to suppliers.

As at March 31, 2014, the Corporation had a net working capital position of $110.1 million, representing a ratio of 1.46 as at that date, compared with $107.1 million and a ratio of 1.51 as at March 31, 2013. The Corporation's total assets amounted to $488.1 million as at March 31, 2014, compared with $474.9 million as at March 31, 2013, an increase owing primarily to a rise in trade and other receivables and cash and cash equivalents, partially offset by a decrease in goodwill and intangible assets. Management generally seeks to maintain a working capital ratio of around 1.25 given the Corporation's operating business model. The Corporation continues to focus on optimizing management of its working capital to maximize cash flows and reduce its indebtedness and financial expenses.

Note that changes in exchange rates for the fourth quarter of 2014 and year ended March 31, 2014 resulted in favourable changes on remeasurement of items of cash and cash equivalents totalling $1.9 million and $2.6 million, respectively.

The net effect of exchange rate movements on cash flows generated in the fourth quarter of fiscal 2014 and year ended March 31, 2014 amounted to increases in cash and cash equivalents of $0.6 million and $9.0 million, respectively.

## Investing activities

In total, $0.4 million were used in investing activities for the fourth quarter of fiscal 2014, compared with $1.3 million for the same period of the previous fiscal year. The disposal of the commercial operations and a portion of the assets of GL&V Fabrication, for which a payment of $0.3 million was received during the quarter, and the decline in restricted cash partly offset the additions to property, plant and equipment during the quarter. For the year ended December 31, 2014, $4.2 million were used in investing activities, compared with $3.3 million for the previous fiscal year. During the fiscal year, the Corporation made $6.2 million in additions to property, plant and equipment and an amount of $2.3 million was received in connection with the disposal of the commercial operations of GL&V Fabrication.

## Additional comments on financial position

| | **As at March 31, 2014** | As at March 31, 2013 |
|---|---|---|
| *(in thousands of $, except ratio)* | | |
| Long-term debt, including current portion | **47,975** | 70,023 |
| Cash and cash equivalents | **(22,306)** | (13,294) |
| **Total net debt** | **25,669** | 56,729 |
| Equity | **174,199** | 169,772 |
| **Invested capital** | **199,868** | 226,501 |
| Total net debt to invested capital ratio | **12.8%** | 25.0% |

The Corporation's total debt stood at $48.0 million as at March 31, 2014 compared with $70.0 million as at March 31, 2013. Net of cash and cash equivalents, total net debt as at March 31, 2014 amounted to $25.7 million for a total net debt to invested capital ratio of 12.8% compared with total net debt of $56.7 million and a 25.0% ratio as at March 31, 2013. Non-convertible European debentures were repaid in April 2013, while they were presented as short-term liabilities in the consolidated financial statements as at March 31, 2013. In April 2014, the Corporation amended its $25.0 million unsecured debenture in favour of The Fonds de solidarité FTQ (the "Fund"), reducing the interest rate to 5.4% and withdrawing GLV's early redemption right until its maturity on November 20, 2016.

As at March 31, 2014, the cash position and bank credit facilities were sufficient to fund the Corporation's operations. Moreover, all financial ratios met the requirements under current credit agreements with GLV Inc.'s banking institutions. Regarding extraordinary or non-recurring items, the terms of these credit agreements require the use of adjusted EBITDA to determine financial ratios. Accordingly, as at March 31, 2014, financial ratios were calculated using adjusted EBITDA as defined in the agreements, which includes, in particular, the operating income (loss) of the past twelve months ended March 31, 2014 of the entities whose shares were acquired and excludes the operating income (loss) of the past twelve months ended March 31, 2014 of closed entities or entities with discontinued operations or whose shares or certain assets were sold, as well as restructuring costs and other special items.

In December 2011, the Corporation renewed its main financing agreement for a five-year term for a total amount of $200 million. This facility consists primarily of a $100 million revolving credit facility to meet the Corporation's day-to-day operations, issue letters of credit and finance business acquisitions. As at March 31, 2014, drawdowns under this credit facility totalled $22.2 million. In addition, the Corporation has a second $100 million revolving credit facility to issue letters of credit guaranteed by Export Development Canada. As at March 31, 2014, drawdowns under this second facility amounted to $80.6 million. The financing agreement also includes an uncommitted accordion feature providing access to an additional $50 million.

In the first quarter of fiscal 2014, the Corporation amended certain provisions related to its credit facility in Austria for issuing letters of credit, reducing the maximum amount to €30.0 million ($45.6 million). On January 29, 2014, the facility was reduced again to €25.0 million ($38.0 million). This facility matures in May 2015, while its terms are renegotiable every year at the least. As at March 31, 2014, drawdowns under the facility totalled €15.8 million ($24.0 million).

## Share capital information and stock-based compensation

| | **Authorized** | **Number of shares issued and outstanding as at March 31, 2014 and June 4, 2014** |
|---|---|---|
| Class A subordinate voting shares | Unlimited | 41,912,594 |
| Class B multiple voting shares | Unlimited | 2,179,305 |
| Preferred shares | Unlimited | – |
| | | 44,091,899 |

During the year ended March 31, 2014, the Corporation issued 18,018 stock options on Class A subordinate voting shares under the Corporation's stock option plan (the "stock options"). The stock options granted to directors vested on the grant date. During the same period, 20,000 stock options were cancelled, bringing the number of outstanding stock options to 2,111,840 (2,113,822 as at March 31, 2013) of which 1,677,840 (1,497,822 as at March 31, 2013) were exercisable based on the time requirement, notwithstanding achievement of target prices where the requirement applies.

On July 15, 2013, the Corporation's Board of Directors approved implementation of a new performance share unit ("PSU") plan as a long-term incentive plan for senior executives and designated key employees. Under this plan, PSUs may be granted annually and will vest after three years based on achievement of certain performance criteria. The grant of 296,467 PSUs on July 15, 2013 will be payable on July 15, 2016 subject to achievement of said criteria. Each plan member would receive a payment equal to the value on vesting (which is the weighted average price of the Class A subordinate voting shares for the five trading days immediately preceding the vesting date of the PSUs) multiplied by the number of PSUs vested.

For further information, see notes 21 and 22 to the audited consolidated financial statements for the year ended March 31, 2014.

## 9. CONTRACTUAL COMMITMENTS, FINANCIAL INSTRUMENTS AND RELATED PARTY TRANSACTIONS

### Contractual commitments

Management believes that the Corporation's cash and cash equivalents, capital resources and net cash flows from operations will suffice to finance its working capital requirements, interest payments, and principal repayments on long-term debt in the foreseeable future, capital expenditures and the Corporation's pension plan obligations.

As at March 31, 2014, in addition to the debts appearing in the consolidated statement of financial position as at that date, the Corporation had operating leases for premises and equipment expiring at various dates through April 2025, representing total minimum current lease payments of $28.4 million.

The following table presents a summary of minimum annual payments and principal contractual commitments as at March 31, 2014:

| | **Total** | **Next 12 months** | **2 to 5 years** | **Over 5 years** |
|---|---|---|---|---|
| *(In thousands of $)* | | | | |
| Accounts payable and accrued liabilities | **156,795** | 156,795 | – | – |
| Derivative financial instruments | **2,593** | 1,101 | 1,492 | – |
| Long-term debt | **56,066** | 3,089 | 52,977 | – |
| Pension plan liabilities | **12,763** | 1,140 | 4,317 | 7,306 |
| Leases | **28,381** | 7,250 | 13,815 | 7,316 |
| Total | **256,598** | 169,375 | 72,601 | 14,622 |

The Corporation is also committed under letters of credit, corporate guarantees and insurance surety bonds for the performance of its contracts. As at March 31, 2014, the Corporation had commitments totalling $256.7 million ($186.7 million as at March 31, 2013).

### Financial instruments

The fair value of financial assets and liabilities reflects the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in the context of a forced or liquidation sale. The following methods and assumptions were used to estimate the instrument's fair values:

- Cash and cash equivalents, restricted cash, trade and other receivables, and accounts payables and accrued liabilities: fair values approximate their carrying amounts largely due to their short-term maturities and high liquidity. Their carrying amount is therefore largely equivalent to their fair value.

- Long-term debt and revolving credit facilities: the fair value of variable-rate debt approximates its carrying amount because these debt instruments bear interest at rates that fluctuate with market rates. The fair value of fixed-rate debt is determined using the discounted cash flow method. The discount rates used reflect the prevailing market rates available to the Corporation for loans on similar terms and conditions.

## Derivative financial instruments

Derivative financial instruments are used to manage the Corporation's exposure to interest rate risk, foreign exchange risk and equity price risk in connection with stock-based compensation. The Corporation does not hold or issue derivative financial instruments for speculative purposes. The Corporation does not use hedge accounting.

The following methods and assumptions were used to estimate fair values:

- Foreign exchange contracts: Estimated using period-end market rates and reflect the amount the Corporation would receive or pay if the instruments were closed out at those dates.

- Total return swap: Estimated using the underlying shares' period-end market price.

- Interest rate swap: Estimated by discounting expected future cash flows using period-end interest rate yield curves.

- Cross currency interest rate swap: Estimated by discounting expected future cash flows using period-end interest rate yield curves and exchange rates. The Corporation's cross currency interest rate swap matured in June 2013.

The fair values of the Corporation's derivative financial instruments are determined based on quoted market prices received from counterparties and adjusted for credit risk, as applicable. The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but does not expect any counterparties to fail to meet their obligations. The Corporation is exposed to credit risk when a derivative financial instrument's fair value is positive at a reporting date. The maximum exposure in the event of counterparty default on derivative financial instruments with positive fair values as at March 31, 2014 amounted to $1.6 million ($1.9 million as at March 31, 2013).

Derivative financial instruments are subject to normal credit conditions, financial controls and management and risk monitoring procedures. In the Corporation's opinion, none of the parties to the existing financial instruments are expected to default on their obligations since they are large multinational financial institutions.

The Corporation does not apply hedge accounting to its foreign exchange contracts, its total return swap, its interest rate swap or its cross currency interest rate swap; instead, it recognizes these arrangements at fair value. This practice occasionally gives rise to unrealized gains and losses that can cause some volatility in the Corporation's financial results from quarter to quarter.

For further information, see notes 7 and 31 to the audited consolidated financial statements for the year ended March 31, 2014.

## Related party transactions

The consolidated financial statements of Group GLV include the accounts of the Corporation and its Canadian and foreign subsidiaries. The list of the principal consolidated subsidiaries is disclosed in note 2 of the audited consolidated financial statements for the year ended March 31, 2014. The Corporation consolidates the entities over which it has control. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation.

Key senior executives have the authority and responsibility to plan, lead and control the Corporation's operations. They include Board members and key senior executive officers, consisting of the Executive Chairman of the Board of directors, the President and Chief Executive Officer, the Executive Vice-President and President of Ovivo, the President of Pulp and Paper group and the Chief Financial Officer. For the year ended March 31, 2014, their compensation amounted to $4.3 million ($3.1 million in 2013).

## 10. BACKLOG AND OUTLOOK

| | **Quarter ended March 31** | Quarter ended December 31 | **Change** | **Organic change** | Quarter ended March 31 | Change | Organic change |
|---|---|---|---|---|---|---|---|
| *(In thousands of $)* | **2014** | 2013 | **%** | **%** | 2013 | % | % |
| **Total** | **382,739** | 429,119 | **(10.8)%** | **(13.5)%** | 380,019 | **0.7%** | **(8.0)%** |
| Ovivo | **311,050** | 345,618 | **(10.0)%** | **(12.8)%** | 303,082 | **2.6%** | **(7.6)%** |
| GL&V Pulp and Paper | **61,994** | 68,668 | **(9.7)%** | **(12.3)%** | 62,665 | **(1.1)%** | **(6.6)%** |
| Other | **9,695** | 14,833 | **(34.6)%** | **(36.6)%** | 14,272 | **(32.1)%** | **(27.7)%** |

### Ovivo

Ovivo's backlog as at March 31, 2014 stood at $311.1 million, up from $303.1 million as at March 31, 2013, but down from $345.6 million as at December 31, 2013. The decline stemmed primarily from the Electronics and Metals market which, after major contract wins in early fiscal 2014, recorded a decline in backlog as at March 31, 2014 owing to the percentage of completion of projects. However, management does not expect fiscal 2015 results to be significantly affected by the lower backlog in this segment, given the backlog's quality and that it remains a significant level. The backlog in the Municipal EMEA market continues to be affected by lower order taking caused by the ongoing slowdown in this market in recent quarters. In the Energy market, although the backlog is down as at March 31, 2014, tendering activity remains high and should support this market's performance in fiscal 2015. Meanwhile, the Municipal North America backlog is up amid sustained order taking and a record high backlog in the Parts and Services market as at March 31, 2014, reflecting the measures implemented to develop this key strategic niche for Ovivo.

Given the roll-out of its strategic plan to develop the Parts and Services market using a "Total Life Cycle" approach, global procurement strategy put in place and innovative development of its product offering, management expects a gradual improvement in Ovivo's operational profitability over the coming quarters.

### GL&V Pulp and Paper

As March 31, 2014, the GL&V Pulp and Paper backlog was down compared with December 31 and March 31, 2013 due to the level of order taking for new equipment, partially offset by growth in the Parts and Services market backlog. However, the outlook in North America remains bright for fiscal 2015.

### Other

The backlog at the Van der Molen division was down as at March 31, 2014 due to a drop in order taking in the fourth quarter. Management remains prudent as to division's outlook for fiscal 2015.

As announced on November 16, 2013, the commercial operations and a portion of the assets of our manufacturing unit, namely GL&V Fabrication, were sold to a group of employees. Accordingly, no orders related to this unit are included in the backlog of the Other group as at March 31, 2014.

Lastly, head office costs for fiscal 2015 are projected to remain comparable to fiscal 2014 levels.

### Overall outlook

GLV Group remains focused on its objective of long-term value creation for shareholders. To do so, it will rely primarily on Ovivo's refocusing, as well as on the roll-out of its strategic plan built using a "Total Life Cycle" approach to parts and services, implementation of its global supply strategy and innovative developments in its product offering. The water treatment industry has strong organic growth potential driven by expanding global demand for water and as well as growth from acquisition opportunities due to the highly fragmented nature of the industry.

Given its overall financial performance and flexibility to adjust to economic conditions, GL&V Pulp and Paper continues to be a major component of our corporate strategy. Last, GLV Group enjoys a favourable financial position and an adequate capital structure to support current operations and pursue development projects.

## 11. RISKS AND UNCERTAINTIES

In the course of business, the Corporation is subject to a certain number of risks that management assesses on an ongoing basis. The nature of these risks and the controls to manage them across the organization and its subsidiaries are continuously reviewed. In particular, the Corporation's Management Committee, comprising senior executives from its two core operating groups, Ovivo and GL&V Pulp and Paper, as well as representatives from finance, legal affairs, human resources and information technology, is responsible for identifying, implementing and monitoring measures to manage risks that can have a significant impact on the Corporation's operations and financial position, given the implemented business strategies, in accordance with the governance structure set forth. The Corporation's Management Committee is also responsible for implementing the necessary risk management oversight mechanisms. This includes developing and implementing various policies and procedures to support the Corporation's subsidiaries in developing and implementing strategies aimed at monitoring business, operational and financial risk factors.

It should be noted that additional risks and uncertainties of which management currently has no knowledge or which it deems immaterial could have a notable adverse impact on its financial position, operating results, cash flows or operations. These risks and uncertainties are described below in order of importance.

## Contracts covering equipment, services, operations and turnkey projects

For the most part, contracts for the provision of services or equipment are awarded at set prices. As a result, the Corporation is exposed to the risk of increases in labour and material costs and inherent project management risks. The refocusing strategy of Ovivo to no longer accepting projects with a civil construction component, except for a few entities with a proven track record in managing such projects, has limited the number of turnkey projects. In such cases, the Corporation either shares joint and several liabilities with the strategic partners in charge of construction or assumes full liability for the project and subcontracts the construction portion to third parties. In the event a strategic partner or a subcontractor is unable to fulfill its obligations, or if its obligations toward the Corporation are less onerous than those of the Corporation toward its clients, additional financial obligations could arise for the Corporation, thereby creating upward pressure on costs. The Corporation adopts risk management practices that notably include initial and ongoing technical and commercial risk assessments of business opportunities, reviews of contractual legal clauses, working capital situation, cost management and project scheduling, revisiting forecasts with regard to project completion and other provisions also designed to manage and mitigate risk exposures. In addition, the Corporation typically elects to assume certain types of potential risks through self-insurance practices.

## Market risk

For Ovivo, global economic conditions and the political environment may significantly affect backlog, particularly during economic slowdowns. While any reduction in backlog will impact the Corporation's future revenues, this risk is mitigated by Ovivo's move to streamline and refocus operations on recognized, profitable markets and its accelerated development plan for the Parts and Services market. Underperforming significantly in one of these markets could adversely impact its operations, forward-looking financial position and operating results.

GL&V Pulp and Paper operates in a cyclical market that is dependent on global economic conditions. In addition, this market has undergone major structural changes in recent years, including the shifting of production toward regions in the southern hemisphere, Asia and Eastern Europe, which benefit from abundant natural resources and competitive production costs. Concurrently, the market situation is such that pulp and paper companies will tend to opt for new technologies to boost plant capacity, productivity and efficiency. To date, the GL&V Pulp and Paper has benefited from the necessary resources to adapt its product portfolio to market trends, notably through the acquisition or development of technologies, and has also been able to expand into regions with higher growth potential. A significant decrease in revenues resulting from a sharp business slowdown in the global pulp and paper industry could, in particular, reduce its ability to adapt to new market realities.

## Competition and innovation

The Corporation competes in industries with companies of various sizes offering substantially similar technologies. In addition, some large-scale competitors have significantly greater resources than the Corporation. Historically, the Corporation has developed its target markets by building on the expertise and know-how of its employees to offer clients tailored solutions that provide economic and operational advantages.

Developing new procedures and technologies and access to cutting-edge technologies, to which the Corporation owns the rights, are key to its strategy for maintaining and expanding market share and to remaining competitive. With this in mind, the Corporation encourages innovation and makes every effort to protect the intellectual property rights to its technologies and products, and the rights to use third-party technologies. The risk of insufficient innovation could reduce the Corporation's competitive positioning in its various markets. In addition, despite the steps taken by Corporation to cover its entire portfolio of technologies, a dispute could potentially arise with a third party regarding the rights to a technology or product, resulting in costs for the Corporation and potentially curbing its ability to capitalize on the technology.

## Concentration risk

Concentration risk arises when a significant portion of revenues is generated from a single client, product, industry or region of the world. If the client were to fail to meet its financial obligations, the product to be overshadowed by a competitor's or the region or industry to experience a major slowdown, the Corporation's financial strength could be affected.

## Liquidity risk

Given the large size of the contracts it is awarded and their execution based on progress billing, the Corporation may be required to incur a significant percentage of the costs before billing the client. If several large-scale contracts were to be executed simultaneously, such a situation could put temporary pressure on the Corporation's liquidity. Historically, the Corporation has been able to limit this risk due to the geographic and sector diversification of its contract wins and staggered contract completion timelines.

## Availability of financing

To pursue its growth strategy and day-to-day operations, the Corporation could from time to time require funding sources other than the credit facilities already in place. For instance, additional financing could be needed to complete a business acquisition or to meet a one-time working capital requirement. This could consist of loans from financial institutions or the issuance of securities (bonds, term notes, debentures, shares, etc.) in capital markets. The terms of such financing may vary according to market conditions. As a result, there can be no assurance that the Corporation will secure financing under favourable conditions, which could limit its ability to pursue its business plan.

## Dependence on key personnel

The Corporation relies on the expertise and know-how of its personnel to conduct its operations. Its success is primarily dependent on its ability to recruit and retain qualified employees with the requisite skills and knowledge to execute the contracts awarded by its clients. The water treatment sector represents a special challenge, given that expanding operating volume sparks greater competition to recruit qualified personnel. To be able to recruit the talent it needs, the Corporation strives to offer competitive employment conditions, a wide variety of career opportunities and a stimulating working environment. However, other factors may come into play, and there can be no assurance that the conditions offered by the Corporation will be sufficient to retain key professionals.

## Information systems risk

The Corporation regularly uses and develops information tools and systems to better serve clients or improve the effectiveness of its resources. Operational interruptions or delays could result if those tools were to cease to function or if the Corporation was unable to upgrade or develop them. To mitigate that risk, the Corporation has set up a committee tasked with monitoring information systems performance and prioritizing projects for optimal use of the Corporation's resources.

## Credit risk

The Corporation's business consists primarily of contracts awarded by clients. Those contracts set out the clients' obligations, particularly the terms of payment based on the nature, scope and calendar of the work to be carried out. Most of the time, payments are made in more than one instalment based on an established schedule and the percentage of completion. For the Corporation, credit risk is primarily the risk of loss due to certain clients' inability to meet their contractual obligations. Any default or delay in payment by clients may impact contract profitability as well as the Corporation's cash flows and financial position.

To mitigate its credit risk, the Corporation closely monitors its accounts receivable and collection times. Furthermore, it evaluates its clients' creditworthiness on entering into contracts and the credit limits granted to them. In certain cases, the Corporation may use credit insurance to cover its exposure to doubtful accounts, as well as letters of credit to cover a portion of payments. Despite the measures in place, a rapid deterioration in market conditions combined with other factors could materially affect a client, potentially rendering it unable to fulfill its obligations.

As at March 31, 2014, no given customer represented more than 10% of the Corporation's total consolidated trade accounts receivable and the Corporation's ten largest customers accounted for 28.7% of total consolidated trade accounts receivable. At the same date, no given customer accounted for more than 10% of the Corporation's sales.

## Reputation, regulatory and legal risk

Given the nature of its international operations, the Corporation is required to comply with a large range of local, national and international laws enforced by governments or other regulatory authorities. Non-compliance with these laws and regulations on the part of employees, agents, subcontractors, suppliers and partners could have an adverse impact on the Corporation's results and reputation.

The Corporation develops and maintains client relationships in the normal course of business in accordance with high ethical standards as set out in its policies. The risk of non-performance of a contract under the terms agreed including the possibility of a default or a significant incident could adversely impact its reputation and influence its future capacity to win projects.

## Foreign exchange risk and foreign exchange contracts

Given that it carries on a large proportion of its business in foreign countries, the Corporation is exposed to risks arising from currency fluctuations which can also impact its competitiveness. Moreover, any strengthening in the value of the Canadian dollar relative to one of these currencies would have a negative impact on the Corporation's financial position and operating results, which could be significant on consolidation of the subsidiaries' accounts.

The Corporation can make use of foreign exchange contracts to manage the foreign exchange risk related to certain large-scale contracts won by its subsidiaries. However, foreign exchange contracts also include the risk of a potential default by a counterparty on its obligations. To reduce this risk, the Corporation arranges foreign exchange forward contracts with sound financial institutions that have good credit ratings from recognized credit agencies.

## Acquisition risk

The Corporation's growth strategy relies in particular on business acquisitions to broaden its portfolio of technologies and trademarks and strengthen its expertise in targeted markets, such as Parts and Services. While the Corporation's management has solid experience in integrating businesses, with many successful acquisitions over the past 15 years, any new acquisition can entail new challenges that may hamper the integration process or reduce its economic or operational advantages.

## Supply chain risk

Under its business model, the Corporation makes significant use of an international network of manufacturing subcontractors, reducing fixed costs and giving it the flexibility it needs to accommodate the ebb and flow of demand. Although subcontractor obligations are clearly set out in the contracts entered into with the Corporation or its subsidiaries, a subcontractor could fail to meet the delivery schedule or the specifications of deliverables due to factors beyond the Corporation's control, which could adversely impact the Corporation's results.

In addition, the Corporation's key raw material is steel. The inability to procure this raw material in sufficient quantities and in a timely fashion, along with cost increases, could adversely affect the Corporation's operations and financial position.

## Asset impairment risk

A significant portion of the Corporation's assets is attributable to goodwill, intangible assets and other assets. In particular, intangible assets primarily refer to the value assigned to technologies, trademarks and customer relations, whereas other assets relate to development costs. Although the Corporation has devoted specific resources and initiatives to continuous improvement of customer relations, upgrading and expanding its portfolio of technologies and expertise and protecting its trademarks, other factors related to market and economic conditions could influence the value of its assets. Annually or when there is evidence of impairment, the Corporation conducts an impairment test of its goodwill and intangible assets to track changes in their value and reports its findings in its MD&A and consolidated financial statements.

## Interest rate risk

The Corporation's profitability and financial position may be directly affected by changes in interest rates. Based on the potential effects of interest rate movements, the Corporation may use interest rate swaps when it deems appropriate.

## Holding company structure

As a holding company, the Corporation operates through its subsidiaries. As a result, the Corporation's ability to meet its financial obligations is primarily contingent on receipt from its subsidiaries of interest and principal payments on intercompany advances, management fees, cash dividends and other cash payments. However, for a number of reasons, the subsidiaries may be unable to pay to the Corporation the amounts it needs to discharge its obligations.

As distinct legal entities, the subsidiaries of the Corporation have no obligation, contingent or otherwise, to make funds available to the Corporation, whether by way of dividends, interest payments, loans, advances or other payments. In addition, the payment of dividends and the granting of loans, advances and other payments to the Corporation by its subsidiaries are subject to statutory or contractual restrictions and are contingent on the earnings of such entities and various business and other considerations. These subsidiaries are parties to other agreements, including loan agreements that restrict their capacity to pay cash dividends or to make advances or other payments.

# 12. ACCOUNTING POLICIES

## (a) Critical accounting policies and estimates

The preparation of the Corporation's consolidated financial statements in accordance with IFRS requires management to exercise judgment in developing estimates and making forward-looking assumptions that affect the amounts reported in the consolidated financial statements. Actual earnings (loss) could differ due to significant adjustments to the reported amounts of assets, liabilities and earnings (loss) in subsequent periods.

The Corporation's most significant estimates and judgments consist of the following:

### Revenue recognition

Revenues and margins from the sale of new equipment are recognized using the percentage-of-completion method of accounting. The calculation of expected costs in respect of new equipment sales contracts requires the use of estimates, such as total revenues expected from a given contract, as well as the assessment of total costs to be incurred to complete the contract. As a result, the percentage of completion of contract work is determined by dividing total costs incurred to date by total expected costs. Estimated revenues at completion are adjusted for changes in contract scope and claims. If it is probable that additional revenues will be realized, they are included in total estimated revenues. These total estimated revenues, which are assessed periodically, could be affected by various factors such as changes in maturities, material costs or labour costs. These costs are affected by the nature and complexity of the work to be performed, as well as potential delays in delivery. If it is probable that additional costs will be realized, they are included in estimated costs on completion. In such a case, project margins could be directly affected.

Management performs periodic follow-ups on its largest contracts to review the reasonableness of its estimates, particularly in establishing total expected costs and the amount of revenues recognized based on the percentage of work completed.

Revenues are recognized to the extent it is probable that the economic benefits will accrue to the Corporation and the revenues can be reliably measured. Revenues are measured at the fair value of the consideration receivable, excluding discounts, rebates and sales taxes.

The Corporation's revenues are derived primarily from new equipment sales contracts, and the sale of parts and provision of services. These various types of revenue are accounted for using different methods. The following specific recognition criteria must also be met before revenues are recognized:

*New equipment contracts*
As soon as the amount of a new equipment contract can be reliably estimated, contract revenues and expenses are recognized in the consolidated statement of earnings (loss) based on the percentage of completion of the contract. The percentage of completion is usually assessed by comparing costs incurred to date with total estimated costs at completion according to the Corporation's estimates.

The entire amount of an expected loss on a contract is recognized immediately in the consolidated statement of loss.

*Contracts in progress*
Contracts in progress include direct labour, materials and overhead costs plus any estimated margin on such costs. General and administrative expenses are recognized as incurred. Contracts in progress relate to revenues recognized by the Corporation as the work progresses, according to the revenue recognition method applied, in excess of client billings, and are recorded at their estimated net realizable value.

*Deferred revenues*
Deferred revenues refer to client billings, in excess of revenues recognized by the Corporation according to the revenue recognition method applied.

*Sale of parts*
Revenues from the sale of parts (or spare parts) are recognized when the risks and rewards of ownership of the goods have passed on to the buyer, usually on delivery of goods.

*Provision of services*
Revenues from after-sales services, aftermarket and upgrades are recognized when the service is performed.

*Contractual arrangements with multiple revenue categories*
The Corporation may enter into contractual arrangements with a client whereby, for a single project, deliverables from several revenue categories—construction and manufacture of new equipment, technical services, maintenance and parts—may be included. When entering into such arrangements, the Corporation assesses each activity based on its fair value or the best estimate of the selling price. Accordingly, when entering into such arrangements for a single project, the value of each revenue category is based on the relative fair value of the related deliverable and recognized according to the respective revenue recognition methods described above.

*Combining and segmenting new equipment sales contracts*
When a contract covers numerous pieces of equipment, the sale of a piece of equipment is treated as a separate contract when separate proposals have been submitted for each piece of equipment, each piece of equipment item has been subject to separate negotiation, and the costs and revenues of each piece of equipment item can be identified. A group of contracts, whether with a single customer or with several customers, is treated as a single contract when the group of contracts is negotiated as a single package, the contracts are part of a single project with an overall profit margin, and the contracts are performed concurrently or in a continuous sequence.

## Provision for doubtful accounts

The measurement of the provision for doubtful accounts is based on certain assumptions and assessments as to clients' ability to pay their outstanding balances. These estimates are based primarily on overall client payment history or a specific analysis of clients' ability to meet their obligations to the Corporation in special cases.

## Goodwill and long-lived assets

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into CGUs, defined as the smallest group of assets generating cash inflows that are largely independent. An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount of a CGU is the greater of value in use and fair value less costs to sell. The Corporation determined the recoverable amount using value in use for some CGUs and fair value less costs to sell for other CGUs. The method used to determine the recoverable amount varies based on available data and each CGU's different business environments. A CGU's value in use is determined using valuation models based on normalized estimated discounted future cash flows. Future cash flows are based on the Corporation's projections over a three- to four-year period. Beyond this period, projections are extrapolated using a constant growth rate.

Fair value less costs to sell is determined using valuation multiples on expected earnings before amortization, interest and income taxes.

The Corporation applies valuation multiples on expected operating income before amortization, interest and income taxes. In this regard, management establishes projections for the year ending March 31, 2015, which were approved by the Board of Directors. The projections were prepared based on both historical data and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples are determined based on comparable market data, each CGU's specific risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

The Corporation uses valuation multiples for expected operating income before amortization, interest and income taxes. In this regard, management established projections for the year ending March 31, 2015, which were approved by the Board of Directors. The projections were prepared based on both historical data and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples are determined based on comparable market data, each CGU's specific risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

### Income taxes and measurement of deferred tax assets

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates for the various tax jurisdictions for the year in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings (loss) in the period in which the rates are enacted or substantively enacted.

Deferred tax assets are recognized only when their realization is deemed probable. This method requires the exercise of significant judgment in determining whether or not the Corporation's future income tax assets are "more likely than not" to be recovered from future taxable income and therefore, can be recognized in the Corporation's consolidated financial statements. Also, estimates are required to determine the realization and settlement dates for income tax assets and income tax liabilities, respectively, as well as the enacted or substantially enacted tax rates effective at such time.

## (b) Future changes in accounting policies

IFRS 9, *Financial Instruments*
In November 2009, the IASB released IFRS 9, *Financial Instruments*, which provides a model for the recognition, classification and measurement of financial instruments, replacing the guidance set out in IAS 39, *Financial Instruments: Recognition and Measurement.* The mandatory effective date of the standard, initially set for annual periods beginning on or after January 1, 2015, has been deferred temporarily by the IASB. The Corporation has not yet assessed the impacts of the standard's adoption on its financial statements.

The following amendments will be effective for the Corporation as of the annual period beginning April 1, 2014:

IAS 32, *Financial Instruments: Presentation*
In December 2011, the IASB amended this standard for consistency in the application of certain financial asset and financial liability offsetting criteria.

The adoption of these new standards is not expected to have a significant impact on the Corporation's consolidated financial statements.

## 13. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

In addition to providing IFRS measures, this MD&A includes additional measures and the following non-IFRS measures that are also used by management and the Corporation's Board of Directors to monitor and evaluate the performance of the Corporation and its operating sectors.

- **Adjusted EBITDA**: Earnings (loss) before restructuring costs, amortization, asset impairment, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments, restructuring costs and other special items, and income taxes. The adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenues;
- **Adjusted net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.**: Earnings (loss) before items recorded outside the normal course of business, including restructuring costs and the asset impairment charge;
- **Cash flows generated (used)**: Cash flows provided by (used in) operating activities, less additions to property, plant and equipment (net of disposals);
- **Cash flows generated (used) per share**: Cash flows generated from (used in) divided by the weighted average number of participating shares outstanding during the reporting period.

Such measures enable management to assess the operational and financial performance of its operating divisions. These measures are also commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries. However, they are not intended to be regarded as alternatives to other financial performance measures or to the statement of cash flows as indicators of liquidity. They are not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures calculated under IFRS. Management's definition of these measures may differ from similarly titled measures reported by other companies.

To assess the annual growth in revenues excluding the impact of business acquisitions or disposals, the Corporation uses the organic change measure. Organic change is computed by eliminating the impact of revenue from acquisitions or disposals with the comparative period of the previous fiscal year, at constant exchange rates.

The Corporation's backlog consists of firm orders supported, as the case may be, by a signed contract, a purchase order or an advance receipt on a contract. Under certain circumstances, management may decide to include a contract in the backlog even though the contract has not been signed if the stages to be completed are administrative in nature or deemed not to be significant. Management may also decide to defer recognition of a contract in the backlog if, for instance, there are risks that the order could be cancelled or delayed, or that the collection of the selling price is exposed to risks. In that case, the order in question will normally be added to the backlog only upon collection of part of the selling price in the form of advance receipts on a contract, or when management has a reasonable degree of comfort thereof. Management may also decide to record a general reserve accounting for its assessment of the various risks related to the orders recognized in the backlog.

The following table reconciles IFRS financial measures reported in the Corporation's consolidated statements of loss and adjusted EBITDA:

| *(In thousands of $)* | **Ovivo** | **GL&V Pulp and Paper** | **Other** | **Consolidated earnings (loss)** |
|---|---|---|---|---|
| **Quarter ended March 31, 2014** | | | | |
| Operating income (loss) from continuing operations | **1,161** | **8,106** | **(3,174)** | **6,093** |
| Amortization | **1,862** | **653** | **686** | **3,201** |
| **Adjusted EBITDA** | **3,023** | **8,759** | **(2,488)** | **9,294** |
| **Fiscal year ended March 31, 2014** | | | | |
| Operating income (loss) from continuing operations | **(17,792)** | **15,418** | **(14,283)** | **(16,657)** |
| Asset impairment | **26,880** | **–** | **–** | **26,880** |
| Amortization | **7,026** | **2,371** | **2,873** | **12,270** |
| Restructuring costs and loss on disposal | **2,291** | **456** | **5** | **2,752** |
| **Adjusted EBITDA** | **18,405** | **18,245** | **(11,405)** | **25,245** |
| **Quarter ended March 31, 2013** | | | | |
| Operating income (loss) from continuing operations | 3,110 | 1,908 | (2,691) | 2,327 |
| Amortization | 1,662 | 558 | 753 | 2,973 |
| Restructuring costs and loss on disposal | 2,508 | (44) | 64 | 2,528 |
| **Adjusted EBITDA** | 7,280 | 2,422 | (1,874) | 7,828 |
| **Fiscal year ended March 31, 2013** | | | | |
| Operating income (loss) from continuing operations | 9,746 | 8,744 | (12,733) | 5,757 |
| Asset impairment | 650 | – | – | 650 |
| Amortization | 6,460 | 2,334 | 3,595 | 12,389 |
| Restructuring costs and loss on disposal | 4,951 | 80 | 387 | 5,418 |
| **Adjusted EBITDA** | 21,807 | 11,158 | (8,751) | 24,214 |

The following table reconciles IFRS measures reported in the Corporation's consolidated statements of loss and adjusted net earnings from continuing operations attributable to shareholders of GLV Inc.:

| | **Quarters ended March 31** | | **Years ended March 31** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| *(in thousands of $)* | | | | |
| **Net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.** | **1,678** | 909 | **(22,346)** | (5,835) |
| Asset impairment | – | – | **26,880** | 650 |
| Restructuring costs and loss on disposal (net of taxes) | – | 2,528 | **2,600** | 5,418 |
| **Adjusted net earnings from continuing operations attributable to shareholders of GLV Inc.** | **1,678** | 3,437 | **7,134** | 233 |

The following table reconciles IFRS measures reported in the Corporation's consolidated statements of loss and adjusted net earnings per share from continuing operations attributable to shareholders of GLV Inc.:

| | Quarters ended March 31 | | Years ended March 31 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| *(In $)* | | | | |
| **Net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.** | **0.04** | 0.02 | **(0.51)** | (0.13) |
| Asset impairment | – | – | **0.61** | 0.02 |
| Restructuring costs and loss on disposal (net of taxes) | – | 0.06 | **0.06** | 0.12 |
| **Adjusted net earnings per share from continuing operations attributable to shareholders of GLV Inc.** | **0.04** | 0.08 | **0.16** | 0.01 |

The following table reconciles IFRS financial measures reported in the Corporation's consolidated statements of loss and adjusted operating income:

| | Quarters ended March 31 | | Years ended March 31 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| *(In thousands of $)* | | | | |
| **Operating income (loss)** | **6,093** | 2,327 | **(16,657)** | 5,757 |
| Asset impairment | – | – | **26,880** | 650 |
| Restructuring costs and loss on disposal | – | 2,528 | **2,752** | 5,418 |
| **Adjusted operating income** | **6,093** | 4,855 | **12,975** | 11,825 |

The following table reconciles IFRS measures reported in the Corporation's consolidated statements of cash flows and cash flows generated (used):

| | Quarters ended March 31 | | Years ended March 31 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| *(in thousands of $)* | | | | |
| **Cash flows provided by (used in) operating activities of continuing operations** | **4,103** | 3,055 | **33,297** | (2,009) |
| Additions to property, plant and equipment | **(904)** | (1,042) | **(6,245)** | (4,268) |
| Proceeds from sale of property, plant and equipment | **34** | 4 | **111** | 2,594 |
| **Cash flows generated (used)** | **3,233** | 2,017 | **27,163** | (3,683) |

## 14. CONTROLS AND PROCEDURES

As required by Regulation 52-109 of the Canadian Securities Administrators ("Regulation 52-109"), GLV Inc. has filed certificates signed by the President and Chief Executive Officer and Chief Financial Officer that specifically attest to the design of the disclosure controls and procedures and the design of internal control over financial reporting.

### Disclosure controls and procedures

- The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that: material information relating to the Corporation has been made known to them; and;

- Information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Under the supervision of the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures was carried out as of March 31, 2014. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

### Internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, an evaluation of the design and effectiveness of the Corporation's internal controls over financial reporting was carried out as of March 31, 2014. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

### Changes in internal control over financial reporting

There were no changes to the Corporation's internal control over financial reporting during the fourth quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

*(SIGNED)*
**Richard Verreault**
President and Chief Executive Officer

*(SIGNED)*
**François Dufresne**
Chief Financial Officer

June 5, 2014