Interim Management's Report

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Three-Month Period Ended June 30, 2008

INTERIM MANAGEMENT'S REPORT

For the Three-Month Period Ended June 30, 2008

(Management's Discussion and Analysis of Operating Results, Cash Flows and Financial Position)

I. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Interim Management's Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with GLV Inc.'s operations and financial position. The statements set forth in this Management's Report and other communications to the public that describe management's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Forward-looking statements concern analyses and other information based on forecast future results and the estimate of amounts that cannot yet be determined. These may be observations concerning, among others, strategies, expectations, planned activities or actions to come. Forward-looking statements are recognized by the use of terms such as "forecast", "project" "could", "plan", "aim" and other similar terms, possibly used in the future or conditional, notably in regard to certain assumptions.

Management would like to point out that forward-looking statements involve a number of risks and uncertainties such that actual and future results could differ materially from those indicated. Factors of uncertainty and risk that might result in such differences include trends in the demand for GLV Inc.'s products and services and cost of its raw materials, fluctuations in the value of various currencies, pressures exerted on prices by the competition and general changes in economic conditions. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. Unless required to do so pursuant to applicable securities legislation, management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

Additional information about the risk factors to which GLV Inc. is exposed is provided in the *"Risk Management"* section of the Management's Report contained in its latest Annual Report, i.e. for the fiscal year ended March 31, 2008, available on SEDAR (www.sedar.com).

II. PROFILE

GLV Inc. ("GLV" or the "Company") is a leading global provider of technological solutions used in water treatment and pulp and paper production. Its **Water Treatment Group** (also known worldwide as "Eimco Water Technologies") specializes in the design and international marketing of solutions for the treatment and recycling of municipal and industrial wastewater and water used in various industrial processes. It also offers water intake screening solutions for power stations and desalination plants. With its extensive technological portfolio, the group is positioned to provide comprehensive solutions for the filtration, clarification, treatment and purification of water that will either be returned into the environment, or be re-used in various industrial processes or for domestic purposes. Its **Pulp and Paper Group** specializes in the design and global marketing of equipment and systems used in various stages of pulp and paper production, notably chemical pulping, pulp preparation and sheet formation and finishing. This group ranks among the foremost players in its industry and is a recognized leader in rebuilding, upgrading and optimization services for existing equipment, as well as the sale of spare parts. GLV is present in some 30 countries and has close to 1,700 employees.

III. PRELIMINARY COMMENTS TO MANAGEMENT'S REPORT

General

This Interim Management's Report was prepared under the responsibility of GLV's management and approved by its Board of Directors as of August 6, 2008. It presents the Company's status and business context as they were, to management's best knowledge, at the time these lines were written.

This Interim Management's Report should be read in conjunction with the interim consolidated financial statements and accompanying notes. The interim consolidated financial statements for the three-month period ended June 30, 2008 and the interim combined carve-out financial statements for the equivalent period ended June 30, 2007 have not been reviewed or audited by the Company's external auditors.

Unless otherwise indicated, the financial information presented in this Interim Report, including tabular amounts, is expressed in Canadian dollars. The sign "$M" means "millions of dollars".

Compliance with Canadian Generally Accepted Accounting Principles

The financial information presented in this Interim Management's Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in the Management's Report also includes some figures that are not performance measures consistent with GAAP, specifically:

- **EBITDA**: earnings before depreciation and amortization, financial expenses and income taxes;
- **normalized EBITDA**: according to the reporting periods, EBITDA before gains or losses on disposal of property, plant and equipment, other assets and commercial activities, non-recurring costs directly related to the Arrangement[1], restructuring expenses and impairment of long-lived assets;
- **EBIT**: earnings before financial expenses and income taxes;
- **normalized EBIT**: according to the reporting periods, EBIT before gains or losses on disposal of property, plant and equipment and other assets, non-recurring costs directly related to the Arrangement, and restructuring expenses;
- **normalized net earnings**: according to the reporting periods, earnings before gains or losses on disposal of property, plant and equipment and other assets, non-recurring costs directly related to the Arrangement, and restructuring expenses (net of related taxes);
- **free cash flows**: cash flows from operating activities excluding net changes in non-cash balances related to operations, less property, plant and equipment net of business disposals; and
- **free cash flows per share**: free cash flows divided by the weighted average number of participating shares outstanding during the reporting period.

Such measures enable management to assess the performance and return of its operating groups and the proportion of the operating cash flows available for debt service and discretionary purposes other than capital expenditures. Additional information about such measures is provided on pages 19, 20 and 21 of the Management's Report contained in the Company's Annual Report for the fiscal year ended March 31, 2008, available on SEDAR (www.sedar.com).

In order to assess what the growth in its revenues would have been from one year to the next without the impact of business acquisitions, the Company uses the **organic growth** measure. As for the information provided regarding GLV's **order backlog**, it consists of contracts which are subject to a firm order supported, as the case may be, by a signed contract, a purchase order or an advance receipt on a contract. Additional information regarding the description of the organic growth and order backlog measures is provided on page 14 of the Management's Report contained in the Company's Annual Report for the fiscal year ended March 31, 2008, available on SEDAR (www.sedar.com).

[1] The "Arrangement" refers to the arrangement concluded on August 10, 2007 between Groupe Laperrière & Verreault Inc. ("GL&V"), its shareholders and FLSmidth & Co. A/S ("FLS"). This transaction is described in detail in GLV's Annual Report for the fiscal year ended March 31, 2008, available on SEDAR (www.sedar.com).

Basis of Comparison

The analysis of the first quarter ended June 30, 2008 relates to GLV's actual consolidated operating results and cash flows for this period. However, operating results and cash flows for the comparative period ended June 30, 2007 consist of combined carve-out data related to the businesses retained by GLV pursuant to the Arrangement. These data are derived from the accounting records of the former GL&V based on the historical value of the assets and liabilities and the historical operating results of the businesses retained by GLV. In addition to the direct charges and costs exclusively attributable to the operations of the Water Treatment Group, the Pulp and Paper Group and the Manufacturing unit, they include part of GL&V's head office expenses.

Management would like to point out that although the assumptions underlying the historical combined carve-out financial statements are in its opinion reasonable, these are not necessarily representative of the operating results and cash flows the retained businesses would have posted if they had been a stand-alone entity during the period preceding the Arrangement. In its opinion, the comparative analysis between the two periods must be approached with caution regarding certain items, in particular head-office-related administrative expenses and general expenses, financial expenses and income taxes.

The analysis of the consolidated balance sheet as at June 30, 2008 is performed in comparison with the consolidated balance sheet as at March 31, 2008.

IV. ANALYSIS OF CONSOLIDATED OPERATING RESULTS, CASH FLOWS AND BALANCE SHEET FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2008

GLV closed the first quarter of the fiscal year ending March 31, 2009 with satisfactory results that are generally in line with management's expectations. Keeping pace with previous quarters, this period was highlighted by a solid organic growth in the revenues of both groups and by a further increase in GLV's order backlog. The quarter also yielded an improvement in the Company's profitability, driven by the Pulp and Paper Group.

Consolidated Highlights of the First Quarter of Fiscal 2009: Business Growth and Enhanced Profitability

- Consolidated **revenues** of $145.5 M, posting a 26.2% increase over the previous year's combined carve-out revenues, mostly attributable to a 28.8% organic growth (at constant exchange rates) to which both groups contributed;
- Improvement in the **gross profit margin,** both in dollars and as a percentage of revenues;
- Consolidated **EBITDA** of $7.3 M, up 60.3% over the previous year's combined carve-out normalized EBITDA;
- $1.8 M increase in consolidated **net earnings** over the previous year's combined carve-out normalized net earnings: from $0.3 M or $0.01 per share (basic and diluted) to $2.1 M or $0.08 per share (basic and diluted);
- Unfavourable **currency fluctuation** impact of $5.6 M, $1.4 M, $0.5 M and $0.4 M respectively on consolidated revenues, gross margin, and EBITDA and EBIT margins;
- **Free cash flows** of $4.5 M or $0.17 per share;
- **Private placement** of 1,153,846 Class A subordinate voting shares for proceeds of $15 M, and arrangement of a new credit facility of $25 M by way of unsecured debentures;
- Record **order backlog** of $354.1 M as at June 30, 2008, reflecting respective increases of 8.7% and 2.8% over the order backlogs as at June 30, 2007 and March 31, 2008 (at constant exchange rates); and
- Good financial position as at June 30, 2008: **total net debt** to invested capital ratio of 25.3% and **available sources of financing** of $96.1 M.

Consolidated Results

(in thousands of $, except percentages, share data and number of shares)	**Three-month periods ended June 30,**		Variance 2008 versus 2007
	2008	2007	%
Revenues	**145,490**	115,268	26.2%
Gross margin	**33,048**	24,686	33.9%
Selling and administrative expenses	**25,737**	20,070	28.2%
EBITDA	**7,311**	3,719	96.6%
Normalized items:			
Costs related to the Arrangement	**-**	897	-
Gain on disposal of property, plant and equipment and other assets	**-**	(55)	-
Total	**-**	842	-
Normalized EBITDA	**7,311**	4,561	60.3%
Depreciation and amortization	**3,071**	2,864	7.2%
Normalized EBIT	**4,240**	1,697	149.9%
Financial expenses	**1,480**	1,269	16.6%
Income taxes	**655**	164	299.4%
Effective tax rate	***23.7%***	*(39.6%)*	63.3% pts
Net earnings (loss)	**2,105**	(578)	(464.2%)
per share (basic and diluted)(1)	**0.08**	(0.02)	
Normalized net earnings	**2,105**	326	545.7%
per share (basic and diluted)(1)	**0.08**	0.01	
Weighted average number of participating shares outstanding (in thousands)			
basic and diluted	**26,403**	25,389	4.0%
Profit margins as a percentage of revenues:			
Gross margin	***22.7%***	*21.4%*	
Normalized EBITDA	***5.0%***	*4.0%*	
Normalized EBIT	***2.9%***	*1.5%*	
Free cash flow	**4,462**	1,487	200.1%
Favourable (unfavourable) impact of currency fluctuations:	**June 30, 2008**		
Revenues	**(5,586)**		
Gross margin	**(1,351)**		
EBITDA	**(481)**		
EBIT	**(372)**		
Order backlogs:	**June 30, 2008**	March 31, 2008	June 30, 2007
Water Treatment	**200,397**	185,639	178,205
Pulp and Paper	**142,949**	152,454	143,276
Other and eliminations	**10,772**	9,903	3,768
Total	**354,118**	347,996	325,249

(1) Net earnings (loss) per share and normalized net earnings per share as of June 30, 2007 were calculated using the participating shares outstanding immediately after the completion of the Arrangement.

An analysis of the *Water Treatment Group* and the *Pulp and Paper Group*'s results is presented in *Section V.*

Revenues

First-quarter consolidated revenues grew by 31.1% at constant exchange rates, due to:

- a 28.8% organic growth, to which both groups contributed; and
- the contribution of AJM Environmental Services Pty Ltd. ("AJM") in Australia acquired on March 7, 2008 (less the revenues attributable to certain non-strategic operations of the Water Treatment Group that were divested in recent quarters).

The Water Treatment Group and the Pulp and Paper Group respectively generated 46.8% and 53.2% of first-quarter revenues (excluding the Manufacturing unit's revenues and before inter-segment eliminations).

The geographic breakdown of GLV's consolidated quarterly revenues was as follows:

- 46.9% in North America;
- 35.6% in Europe and Russia;
- 13.3% in Asia and the Asia-Pacific region;
- 3.7% in Latin America; and
- 0.5% in other geographic markets combined.

Operating Profitability

The gross margin grew by 33.9% (39.3% at constant exchange rates), attributable mainly to the significant revenues recognized by the Pulp and Paper Group in connection with certain large contracts in progress and to a good performance in the aftermarket. As a percentage of revenues, the gross margin rose from 21.4% in 2007 to 22.7% this year.

Total selling and administrative expenses represented 17.7% of revenues versus 17.4% the previous year, which is within the range deemed acceptable by management. This slight increase is due primarily to the setting up of additional resources to support the groups' strong business growth and the efficient execution of their order backlogs. It should be pointed out that this item is more or less comparable with the previous year's combined carve-out data.

EBITDA amounted to $7.3 M (no non-recurring costs were recognized during the first quarter of fiscal 2009). This result compares with normalized EBITDA of $4.6 M the previous year, representing a 60.3% increase (70.8% increase at constant exchange rates) being entirely attributable to the Pulp and Paper Group which more than doubled its operating profitability over the previous year.

The EBITDA margin as a percentage of revenues thus stood at 5.0%, compared with a normalized EBITDA margin of 4.0% for the same period last year.

Amortization expenses posted a slight increase of $0.2 M due to the acquisition of AJM.

EBIT thus amounted to $4.2 M, up by 149.9% (171.8% at constant exchange rates) over the combined carve-out normalized EBIT recorded for the same period the previous year.

Financial Expenses

Financial expenses increased by $0.2 M or 16.6% to $1.5 M:

- GLV posted a reduction of approximately $0.9 M in interest on its long-term debt (compared with the interest on advances to companies of GL&V recorded for the previous year) and a $0.1 M increase in its interest income, for a total favourable variance of $1.0 M.
- Conversely, the Company recorded a total unfavourable variance of $1.2 M with respect to exchange losses and gains.

Income Taxes

The effective tax rate stood at 23.7% for the quarter ended June 30, 2008, compared with the regulatory Canadian tax rate of 32.65%. This can be explained by the breakdown of GLV's revenues between different jurisdictions, including some with lower tax rates. However, the effective tax rate was negatively affected by a $0.2 M increase in the valuation allowance.

Net Earnings and Earnings Per Share

GLV closed the quarter with consolidated net earnings of $2.1 M or $0.08 per share (basic and diluted), compared with combined carve-out normalized net earnings of $0.3 M or $0.01 per share (basic and diluted) for the equivalent period of the previous year.

The 4.0% increase in the weighted average number of shares outstanding is attributable to the issue, effective April 11, 2008, of 1,153,846 Class A subordinate voting shares.

Currency Fluctuations

As GLV's operations are conducted in some 30 countries, fluctuations between the various currencies used have an impact on the Company's operating results and balance sheet items.

The unfavourable impact of $5.6 M, $1.4 M, $0.5 M and $0.4 M respectively on consolidated revenues, gross margin, EBITDA and EBIT during the first quarter of fiscal 2009 is due primarily to the increase in the Canadian dollar in relation to the U.S. dollar and, to a lesser extent, to the pound Sterling and the Swedish krona.

Order Backlog and Outlook

As at June 30, 2008, GLV's order backlog stood at a record high of $354.1 M, reflecting increases at constant exchange rates of:

- 2.8% over March 31, 2008; and
- 8.7% over June 30, 2007.

These increases are mainly attributable to the Water Treatment Group.

Based on the current order backlog and market conditions, management expects that GLV will record consolidated revenues of between $570 M and $600 M for the fiscal year ending March 31, 2009, consistent with the objective stated at the beginning of June 2008. GLV also looks forward to an increase in profitability, especially in the second half of the year, due notably to the improvements made last year to the Water Treatment Group's global organization and North American operations and to the contribution of AJM.

The Company is also on the lookout for opportunities to acquire complementary businesses and technologies, mainly for the Water Treatment Group. To that end, the arrangement concluded in April 2008 with the Solidarity Fund QFL for the $15 M private placement and the additional $25 M credit facility by way of unsecured debentures (available for a six-month period and then renewable every three months at the option of the Solidarity Fund QFL) has further strengthened its financial position and its leverage in the acquisitions market. As at June 30, 2008, GLV presented a total net debt to invested capital ratio of 25.3% and had available sources of financing of $96.1 M.

Free cash flow

(in thousands of $, except per share data)	**Three-month periods ended June 30,**	
	2008	2007
Cash flows used in operating activities	**(8,286)**	(13,086)
Less:		
Net change in non-cash balances related to operations	**(14,546)**	(15,763)
Acquisition of property, plant and equipment	**1,798**	1,190
Free cash flow	**4,462**	1,487
per share (basic and diluted)	**0.17**	0.06

The increase in free cash flows, despite higher capital expenditures, is due primarily to the significant improvement in operating profitability.

Variance in cash and cash equivalents

(in thousands of $)	**Three-month periods ended June 30,**	
	2008	2007
Balance as at beginning of period	**18,724**	18,057
Free cash flow	**4,462**	1,487
Net changes in non-cash balances related to operations	**(14,546)**	(15,763)
Net utilization of the revolving credits	**(11,468)**	-
Repayments of long-term debt	**(1,621)**	(33)
Issuance of share capital	**15,000**	-
Other	**(2,181)**	(1,921)
Balance as at end of period	**8,370**	1,827

The negative net change of $14.5 M in non-cash balances related to operations is mainly attributable to a $21.7 M increase in contracts in progress (less progress billings) stemming from the business growth in the two operating groups.

These operational funding requirements resulting from the business growth were financed by free cash flows and by the use of $10.3 M of the cash and cash equivalents at the Company's disposal at the beginning of the quarter.

The $15 M proceeds from the share issue were used to repay the debt related to the acquisition of AJM. Combined with the period's other debt movements, this accounts for the reduction in revolving credit facilities and long-term debt totalling $13.1 M.

Financial Position

Balance sheet highlights

(in thousands of $, except ratio)	**June 30, 2008**	March 31, 2008	**Explanation of variations**
Assets			
Cash and cash equivalents	**8,370**	18,724	Use of cash of $10.3 M to finance operational requirements stemming from business growth
Accounts receivable	**137,050**	141,744	Reduction of $4.7 M, despite significant billing activity on contracts, thanks to the disciplined collection strategy implemented by management
Income taxes receivable	**2,445**	2,107	Immaterial change
Inventories	**29,765**	31,419	Immaterial change
Contracts in progress, less progress billings	**69,529**	47,808	Increase of $21.7 M due to the execution in progress of large contracts, particularly in the Pulp and Paper Group
Prepaid expenses	**6,343**	3,824	Interest on long-term debt and payment on various commitments at the beginning of the fiscal year
Future income taxes	**5,915**	6,134	Immaterial change
Long-term investments and other	**1,528**	1,527	Immaterial change
Property, plant and equipment	**42,328**	42,677	Immaterial change
Future income taxes	**2,997**	3,428	Immaterial change
Goodwill	**33,653**	33,686	Immaterial change
Intangible assets	**40,835**	40,982	Immaterial change
Restricted cash	**4,901**	4,537	Immaterial change
Other assets	**5,555**	4,407	Immaterial change
Liabilities			
Accounts payable and accrued liabilities	**133,727**	130,106	Increase related to business growth
Advances from companies of GL&V	**991**	991	-
Long-term debt	**66,978**	80,055	Repayment of part of debt using proceeds from the $15 M share issue
Other liabilities	**10,101**	9,690	Immaterial change
Future income taxes	**3,459**	3,913	Immaterial change
Shareholders' Equity			
Share capital	**178,517**	163,517	Issue of $15 M
Current assets	**259,417**	251,760	
Current liabilities	**(133,727)**	(130,106)	
Working capital	**125,690**	121,654	Immaterial change
Current ratio	***1.94 :1***	*1.94 :1*	

Indebtedness

(in thousands of $, except ratio)	**June 30, 2008**	March 31, 2008
Total net debt:		
Long-term debt and advances from companies of GL&V	**67,969**	81,046
Less:		
Cash and cash equivalents	**(8,370)**	(18,724)
Total debt net of cash	**59,599**	62,322
Total invested capital:		
Shareholders' Equity	**175,958**	158,249
Total net debt	**59,599**	62,322
Total	**235,557**	220,571
Total net debt on invested capital ratio	***25.3%***	*28.3%*

The slight reduction in total net debt and the total net debt to invested capital ratio can be explained by the share issue effective April 11, 2008.

Available sources of financing

(in thousands of $)	**June 30, 2008**	March 31, 2008
Credit facilities:		
Authorized	**200,000**	175,000
Borrowed	**(65,400)**	(76,875)
Letters of credit issued	**(46,836)**	(42,990)
Unused credit	**87,764**	55,135
Cash and cash equivalents	**8,370**	18,724
Total available	**96,134**	73,859

V. ANALYSIS OF SEGMENTED RESULTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2008

WATER TREATMENT GROUP

Results of operations

(in thousands of $, except percentages)	Three-month periods ended June 30,		Variance 2008 versus 2007
	2008	2007	%
Revenues:			
New equipment	**61,968**	48,494	27.8%
Aftermarket	**4,585**	6,183	(25.8%)
Total	**66,553**	54,677	21.7%
EBITDA	**2,665**	3,114	(14.4%)
Normalized items:			
Costs related to the Arrangement	**-**	29	
Gain on disposal of property, plant and equipment and other assets	**-**	(66)	
Normalized EBITDA	**2,665**	3,077	(13.4%)
Depreciation and amortization	**1,571**	1,393	12.8%
Normalized EBIT	**1,094**	1,684	(35.0%)
Profit margins as a percentage of revenues:			
Normalized EBITDA	**4.0%**	5.6%	
Normalized EBIT	**1.6%**	3.1%	

Other selected financial information

Favourable (unfavourable) impact of currency fluctuations:	**June 30, 2008**
Revenues	**(4,091)**
Gross margin	**(736)**
EBITDA	**(76)**
EBIT	**28**

	June 30, 2008	March 31, 2008	June 30, 2007
Order backlog	**200,397**	185,639	178,205

Revenues

The Water Treatment Group's first-quarter revenues grew by $11.9 M or 21.7% (29.2% growth at constant exchange rates):

- Most of the revenue increase is attributable to a 24.4% organic growth (at constant exchange rates), mainly stemming from market development in Asia and the Asia-Pacific region and a solid performance in the U.S. municipal market; and
- The group also benefited from the additional contribution of AJM acquired in the fourth quarter of fiscal 2008.

The AJM unit is performing according to management's expectations and is contributing to the group's objective of building its presence and technological offering in targeted niches of the industrial segment, including food and beverage processing. In fact, it is interesting to note that the Water Treatment Group recorded 36% of its revenues in the industrial segment during the first quarter of fiscal 2009, compared with 26% in the first quarter of 2008 and 29% for the last fiscal year as a whole. The greater share of the industrial segment is attributable to the acquisition of AJM and internal development.

The acquisition of AJM, coupled with internal development, also contributed to more than triple the group's revenues recorded in Asia and the Asia-Pacific region, as their contribution to the group's total revenues rose from to 4% to 8%. Revenues also posted solid growth in North America.

Operating Profitability

EBITDA decreased by $0.4 M (10.9% decline at constant exchange rates) compared with last year's normalized EBITDA, to stand at $2.7 M during the first quarter of fiscal 2009. This reduction can be explained by two key factors:

- This group's gross margin continues to be affected by certain lower-margin contracts that are being finalized by the Salt Lake City (Utah) division. As part of its recent restructuring, this division refocused its market development efforts on stronger value-added contracts yielding higher profit margins, and which better reflect the quality of the Water Treatment Group's technological portfolio. This shift is progressing according to expectations.
- Operating expenses, primarily selling and administrative expenses, increased as a result of the setting of new resources to support the group's organic growth and the efficient execution of its order backlog. These additional expenses will be absorbed by the foreseen revenue growth in upcoming quarters.

The normalized EBITDA profit margin thus decreased from 5.6% in the first quarter of fiscal 2008 to 4.0% this year.

The $0.2 M or 12.8% increase in amortization expenses can be explained by the acquisition of AJM.

Consequently, normalized EBIT declined by $0.6 M or 36.7% at constant exchange rates. The Water Treatment Group's results for the first quarter of fiscal 2009 were anticipated by management in light of the ongoing turnaround of the Salt Lake City division and the costs associated with the group's worldwide growth.

Order Backlog and Outlook

As at June 30, 2008, the Water Treatment Group's order backlog stood at an all-time high of $200.4 M. At constant exchange rates, it posted growth rates of:

- 8.7% over March 31, 2008, due to organic growth; and
- 16.0% over June 30, 2007, as a result of the addition of AJM and organic growth.

During the next quarters, in light of the current economic context that could prompt some customers to postpone part of their investments, management believes that there could be a certain slowdown in the municipal market in the United Kingdom, as well as a minor slowdown in the municipal market in the United States, but mostly for new capital projects. However, demand in the United States remains good for the refurbishing of municipal systems, one of Eimco Water Technologies' strengths. If that is the case, the Water Treatment Group will nevertheless pursue its growth as it will continue to gradually build its industrial customer base – notably in the energy and food and beverage processing segments – and to increase its presence in geographic markets where the demand for water treatment solutions is growing.

In addition, management is of the opinion that the Water Treatment Group's profitability should improve in the second half of the year, considering its expected revenue growth and the savings and synergies stemming from the restructuring of its North American operations, the benefits of which will start to materialize more clearly.

PULP AND PAPER GROUP

Results of operations

(in thousands of $, except percentages)	**Three-month periods ended June 30,**		Variance 2008 versus 2007
	2008	2007	%
Revenues:			
New equipment	**41,428**	24,625	68.2%
Aftermarket	**34,153**	33,292	2.6%
Total	**75,581**	57,917	30.5%
EBITDA	**7,209**	1,581	356.0%
Normalized items:			
Costs related to the Arrangement	**-**	1,388	
Loss on disposal of property, plant and equipment and other assets	**-**	9	
Normalized EBITDA	**7,209**	2,978	142.1%
Depreciation and amortization	**755**	752	0.4%
Normalized EBIT	**6,454**	2,226	189.9%
Profit margins as a percentage of revenues:			
Normalized EBITDA	**9.5%**	5.1%	
Normalized EBIT	**8.5%**	3.8%	

Other selected financial information

Favourable (unfavourable) impact of currency fluctuations:	**June 30, 2008**
Revenues	**(1,399)**
Gross margin	**(519)**
EBITDA	**(303)**
EBIT	**(282)**

	June 30, 2008	March 31, 2008	June 30, 2007
Order backlog	**142,949**	152,454	143,276

Revenues

The Pulp and Paper Group's revenues increased by $17.7 M or 30.5% (32.9% at constant exchange rates), due exclusively to organic growth, particularly in the chemical pulping niche, as well as in the aftermarket that the group has undertaken to develop not only in North America and Europe, but in all its geographic markets. Revenues were broken down as follows:

- Revenues from the sale of new equipment grew by 68.2%, thus accounting for 54.8% of total revenues compared with 42.5% last year, due to the significant revenues recognized in connection with the large-scale contracts booked in recent quarters; and
- Aftermarket revenues rose 2.6%, accounting for 45.2% of total revenues (57.5% last year).

The group's growth was particularly strong in Europe and Russia, due mainly to the contribution of the Karlstad technology centre and the execution in progress of a major contract in Portugal. It also posted satisfactory revenue growth in North America.

Operating Profitability

The group's EBITDA grew to $7.2 M, up by $4.2 M or 142.1% (152.2% at constant exchange rates) over the normalized EBITDA of $3.0 M posted the previous year, due to the following factors:

- significant revenues recognized during the quarter, consistent with the execution schedule of certain large contracts;
- the strengthening of the group's international manufacturing outsourcing network, particularly in India and China; and
- the increasing contribution of the technology centre in Karlstad (Sweden), which was in a start-up phase last year whereas it is fully operational today.

The group's normalized EBITDA margin thus rose from 5.1% to 9.5%. Management would like to point out that the scale of the contracts booked by this group in recent quarters and their execution schedules can cause certain fluctuations in the profit margin from quarter to quarter.

Order Backlog and Outlook

As at June 30, 2008, the Pulp and Paper Group's order backlog totalled $142.9 M. At constant exchange rates, it posted respective decreases of:

- 4.8% from March 31, 2008; and
- 5.1% from June 30, 2007.

These changes are due mainly to the significant revenues recognized during the first quarter consistent with the execution schedule of the large-scale contracts in progress.

The group is continuing to post a good volume of new orders, particularly in the chemical pulp and filters segments and in the aftermarket. However, GLV is witnessing a certain slowdown in the Chinese market which, according to management, should not have a material impact on the Pulp and Paper Group. In general, management believes that this group should maintain a solid performance throughout fiscal 2009.

VI. OTHER

Selected financial information for the past eight quarters

(in thousands of $, except per share amounts)	**Fiscal Year 2009**				Fiscal Year 2008			Fiscal Year 2007
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Revenues	**145,490**	147,548	137,690	125,887	115,268	144,011	111,792	92,066
EBITDA	**7,311**	200	6,302	(96)	3,719	11,591	3,715	3,999
Normalized EBITDA	**7,311**	1,081	7,487	4,839	4,561	11,526	2,228	4,009
EBIT	**4,240**	(2,437)	3,502	(2,867)	855	7,594	1,063	2,455
Normalized EBIT	**4,240**	(1,556)	4,687	2,068	1,697	7,529	(424)	2,465
Net earnings (loss)	**2,105**	(1,902)	1,025	(2,155)	(578)	1,673	623	745
per share (basic and diluted)	**0.08**	(0.07)	0.04	(0.09)	(0.02)	0.07	0.02	0.03
Normalized net earnings (loss)	**2,105**	(1,169)	1,891	440	326	2,004	(537)	751
per share (basic and diluted)	**0.08**	(0.05)	0.08	0.02	0.01	0.08	(0.02)	0.03

Investor Information

Authorized, issued and outstanding share data as at June 30, 2008

(in thousands of $, exept number of shares)	**Authorized**	**Number of shares issued and outstanding**
Class A subordinate voting shares	Unlimited	24,034,921
Class B multiple voting shares	Unlimited	2,507,805
Preferred shares	Unlimited	-
	-	26,542,726

On April 11, 2008, GLV issued 1,153,846 Class A subordinate voting shares to the Solidarity Fund QFL, at a price of $13.00 per share, for net proceeds of $15 M.

Stock option plan as at June 30, 2008

	Options available for issuance	**Options issued and outstanding**
Class A subordinate voting shares	2,538,888	1,365,000

Upcoming Change in Ticker Symbols on TSX

GLV wishes to inform investors that effective August 21, 2008, its Class A subordinate voting shares and Class B multiple voting shares will trade on the TSX under the new ticker symbols GLV.A and GLV.B respectively.

Risk Management

Since March 31, 2008, GLV's management has not noted any material changes that could have an impact on the effectiveness of disclosure controls and procedures and internal control over financial reporting.

GLV's management makes every effort to ensure that the Company and its subsidiaries benefit from effective risk management. For instance, the Company has formed an Enterprise Risk Management Committee in charge of identifying and assessing the potential risks that could have a material impact on the Company's operations and financial position, as well as the risk management strategies implemented within the Company. It is also responsible for implementing the measures necessary for monitoring risk management, among others, by developing and recommending to the Board of Directors or its Audit Committee the various policies and procedures serving to support GLV's subsidiaries in developing and implementing effective strategies in regard to internal and external control, aimed at improving and reducing the impact of business and operating risk factors.

The principal risk factors to which the Company is exposed are described in the Management's Report contained in GLV's Annual Report for the fiscal year ended March 31, 2008 as well as in the 2008 Annual Information Form available on SEDAR (www.sedar.com) and on GLV's website (www.glv.com).

Effectiveness of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Management of GLV has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and disclosed in public documents pursuant to the requirements of *Multilateral Instrument 52-109*.

As at June 30, 2008, GLV's Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, concluded that the design and operation of the Company's disclosure controls and procedures are effective. GLV's Chief Executive Officer and Chief Financial Officer also concluded that the Company has designed appropriate internal control over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Contractual Commitments, Critical Estimates and Financial Instruments

The Company has not noted any material changes in these items since the end of the last fiscal year. For further information, the reader is referred to the Management's Report contained in GLV's Annual Report for the fiscal year ended March 31, 2008.

Changes in Accounting Policies

The following Handbook Sections, released by the Canadian Institute of Chartered Accountants ("CICA"), were adopted by the Company on April 1, 2008:

The Company adopted the new recommendations of the CICA Handbook Section 3862, *Financial Instruments – Disclosures,* Section 3863, *Financial Instruments – Presentation*, and Section 1535, *Capital Disclosures*. These new Handbook sections are effective for interim and fiscal years beginning on or after October 1, 2007. Section 3862 requires an increased emphasis on disclosing the nature and the extent of risk arising from financial instruments and how the Company manages those risks. Section 3863, establishes standards for presentation of financial periods and non-financial derivatives. Sections 3862 and 3863 replaced Section 3861, *Financial Instruments – Disclosures and Presentation*. Section 1535 requires the Company to disclose information to enable users of its financial statements to evaluate the Company's objectives, policies and processes for managing capital. Other than the additional disclosure in the notes to these financial statements, the adoption of these Sections had no impact on the financial results of the Company.

The Company adopted the new recommendation of the CICA Handbook Section 3031, *Inventories*. This section which is effective for fiscal years beginning after January 1, 2008, requires that inventories be measured at the lower of cost and net realizable value. Other than the additional disclosure in the notes to these financial statements, the implementation of this new policy did not have any significant impact on the results of the Company.

The Company retroactively adopted these accounting policies without restating comparative figures of prior periods.

Future changes in accounting policies:
In January 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and results in the withdrawal of Section 3450, *Research and Development Costs,* and Emerging Issues Committee Abstract 27, Revenues and Expenditures during the Pre-operating Period and amendments to Accounting Guideline No. 11, *Enterprises in the Development Stage*. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effect of adopting this standard.

In 2005, the Accounting Standards Board of Canada announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards" into Canadian GAAP. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS. In February 2008, the CICA confirmed the change over date from current Canadian GAAP to IFRS to be January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is in the process of assessing the future impact of these new standards on its consolidated financial statements.

Supplementary Information
Supplementary information about the Company, including its latest Annual Report, the documents prepared for the August 7, 2008 Annual General Meeting of Shareholders, the Annual Information Form dated June 18, 2008, the interim reports for the fiscal year ended March 31, 2008 and press releases, are available on SEDAR's website (www.sedar.com) and GLV's website (www.glv.com). Certain other documents, including presentations to investors, are also available on the Company's website.

(SIGNED)
Laurent Verreault
Chairman of the Board and Chief Executive Officer

(SIGNED)
Marc Barbeau, CA
Executive Vice-President and Chief Financial Officer

August 6, 2008