

Interim Management's Report
For the Three and Six-Month Periods Ended
September 30, 2009

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November 12, 2009



**INTERIM MANAGEMENT'S REPORT
FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2009**

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INTERIM MANAGEMENT'S REPORT FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2009

I. INTRODUCTION

Notice Regarding Forward-Looking Statements

Certain statements included in this Interim Management's Report may constitute, within the meaning of applicable securities legislation, forward-looking statements relating to the Company's future growth trends, operating results and performance. Forward-looking statements concern analyses and other information based on forecasted future results and the estimate of amounts that cannot yet be determined. These may be observations concerning, among others, strategies, expectations, objectives, projections, estimates, predictions, 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, notably in regard to certain assumptions. The purpose of the forward-looking statements included herein is to assist the reader in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with the Company's operations and financial position, and may not be appropriate for other purposes.

The Company's management would like to point out that forward-looking statements involve a number of risks and uncertainties such that the Company's actual and future results could differ materially from the conclusions, assumptions or projections reflected in these forward-looking statements. Factors of uncertainty and risk that might result in such material differences include trends in the demand for the Company's products and services and cost of its raw materials, fluctuations in the value of various currencies, tightening of credit markets, pressures exerted on prices by the competition and general changes in economic conditions. The Company cautions readers that the foregoing list of risk factors is not exhaustive. Although the Company believes these assumptions to be reasonable and appropriate based on the information in its possession, 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 Interim Management's Report were set forth at the date hereof, and 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.

For further information regarding the various factors that might affect the Company's future results, the reader is referred to the Company's filings with Canadian securities regulatory authorities, including the "*Risk Management*" section of this Interim Management's Report and the "*Risk Management*" section of the Management's Report for the fiscal year ended March 31, 2009, available on the websites of SEDAR (www.sedar.com) and GLV Inc. (www.glv.com).

Description of Business

GLV Inc. is a leading global provider of technological solutions used in water treatment, recycling and purification as well as in pulp and paper production. GLV Inc. is present in some 30 countries and has approximately 1,500 employees.

- The **Water Treatment Group** (also known worldwide as "Eimco Water Technologies") specializes in the design and international marketing of solutions and high-performance, economical and eco-friendly processes 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, refineries and desalination plants. Given the range of its 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.
- The **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. It also stands apart for the superior performance of several of its key products and technologies, notably in terms of energy savings.

GLV Inc. is a public company whose shares trade on the TSX Stock Exchange under the ticker symbols GLV.A and GLV.B.

Preliminary Comments to Interim Management's Report

This Interim Management's Report was prepared under the responsibility of GLV Inc.'s management and approved by its Board of Directors as of November 12, 2009. The information appearing herein accounts for any major event occurring prior to that date. 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 Management's Report should be read in conjunction with the consolidated financial statements and accompanying notes, as well as with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2009. The interim consolidated financial statements for the three and six-month periods ended September 30, 2009, and the interim consolidated financial statements for the equivalent three and six-month periods ended September 30, 2008, have not been reviewed or audited by GLV Inc.'s external auditors.

In this Interim Management's Report, "GLV" or "the Company" designates, as the case may be, GLV Inc. and its subsidiaries and divisions, or GLV Inc. or one of its subsidiaries or divisions. The fiscal year ending March 31, 2010 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2010", "fiscal 2009" and so forth. The "second quarter of fiscal 2010" and the "second quarter of fiscal 2009" refer the three-month periods ended September 30, 2009 and 2008 respectively, whereas the "first half of fiscal 2010" and the "first half of fiscal 2009" refer to the six-month periods ended September 30, 2009 and 2008 respectively. Under otherwise indicated, the comparative analysis of operating results and cash flows for the three and six-month periods ended September 30, 2009 is performed in relation to the equivalent periods ended September 30, 2008, whereas the comparative analysis of balance sheet items as at September 30, 2009 is performed in relation to March 31, 2009.

The information contained in this Interim Management's Report is mainly structured by group, specifically the Water Treatment Group and the Pulp and Paper Group. The financial information presented in this Interim Management's Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, it also includes some figures that are not performance measures consistent with GAAP. (Information regarding these non-GAAP financial measures is provided in Section VII, "Other" of this Interim Management's Report.)

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

II. SALIENT EVENT OF THE SECOND QUARTER OF FISCAL 2010: ANNOUNCEMENT OF A VOLUNTARY TAKEOVER BID FOR THE SHARES OF CHRIST WATER TECHNOLOGY AG ("CWT")⁽¹⁾

On September 22, 2009, GLV announced that its Board of Directors approved a voluntary takeover bid (the "Offer") to purchase up to 100% of the shares of Christ Water Technology AG ("CWT"), an Austria-based company listed on the Vienna Stock Exchange (ISIN: AT0000499157; ticker symbol CWT) conducting international operations in the area of industrial and municipal water treatment technologies. The Offer was officially launched on October 13, 2009, at the beginning of the third quarter, immediately after its approval by the Austrian Takeover Commission. The Offer documentation was published and distributed by GLV pursuant to Austrian takeover legislation and is available on GLV's website (www.glv.com).

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

Profile of CWT

Founded in 1939, CWT specializes in the design and fabrication of systems based on cutting-edge technologies used for water purification and ultrapurification, wastewater treatment, recycling of process water, production of drinking water and desalination of seawater. Excluding its pharma and life science division which was sold to a third party at the end of September 2009, CWT currently employs approximately 900 people worldwide. The company's primary end markets are the microelectronics industry, desalination plants, power generation, the petrochemicals industry, the food and beverage processing industry and the municipal segment. During its last fiscal year ended December 31, 2008, CWT, which is present in some 30 countries, recorded 58% of its revenues in Europe, 30% in Asia and 12% in the rest of the world.

Description of the Offer and Its Financing

Pursuant to the Offer, holders of CWT shares are being offered a cash consideration of €3.35 per CWT share, representing a total equity purchase price of approximately \$105 M (using a 1.60 Canadian dollar/Euro exchange rate). In addition, GLV will assume an estimated \$48 M of net debt from CWT (net of the estimated cash position at the closing of the Offer and using a 1.60 Canadian dollar/Euro exchange rate), resulting in a total enterprise value consideration of \$153 M.

On November 5, 2009 (as described in the "*Events Subsequent to September 30, 2009*" section of this Management's Report), GLV announced its decision to reduce the minimum acceptance threshold for shares to be tendered by CWT's shareholders into the Offer from 90% to 75% of CWT's outstanding shares. CWT's shareholders have until November 17, 4:00 p.m. (Vienna time) to tender their shares into the Offer. After that date, the Offer will lapse if, among other conditions, the 75% minimum tender threshold has not been reached. If the minimum threshold condition is met, the Offer will close toward the end of November 2009, subject to various other relevant conditions described in the Offer documentation.

CWT's largest shareholder, Mr. Andreas Weissenbacher, who holds approximately 27% of the shares of CWT principally through WAB Privatstiftung, has already tendered its shares into the Offer, as of October 15, 2009. Additionally, as communicated on October 23, 2009, the Management and Supervisory Boards of CWT issued a statement recommending that CWT's shareholders tender their shares into GLV's Offer, being of the opinion that the price offered by GLV is appropriate and fair and that the Offer fairly takes into consideration the interest of CWT's shareholders, employees and creditors of CWT, as well as the public interest. The support document issued by CWT's Management and Supervisory Boards is also available on GLV's website (www.glv.com).

The equity purchase consideration in the approximate amount of \$105 M will be financed as follows:

- On October 30, 2009, GLV issued a total of 7,358,173 subscription receipts to the Caisse de dépôt et placement du Québec and the Solidarity Fund QFL (the "Fund"), for gross proceeds of \$53.3 M. Further information regarding this private placement is provided in Section III, under "*Events Subsequent to September 30, 2009*", of this Management's Report.
- On the Offer closing, GLV will also issue a new \$25 M subordinated debenture to the Fund.
- The balance of the equity purchase price will be financed by GLV's existing credit facility. Certain technical amendments will have to be made to GLV's existing credit agreement in the context of the Offer.

¹

The following text contains forward-looking statements, which are discussed in Section I, "*Notice Regarding Forward-Looking Statements*".

Advantages of the CWT Acquisition

The acquisition of CWT is consistent with GLV's long-term vision of securing a global platform and leadership as a provider of comprehensive, high-performance and eco-friendly industrial and municipal water treatment solutions. In fact, the combination of CWT's and Eimco Water Technologies' ("EWT") operations will give rise to a world leader in the global water treatment market.

This acquisition will also enhance GLV's strategic and market profile through the achievement of the following key objectives:

- It will give GLV access to the ultrapure water niche, where CWT has been a pioneer and ranks among the world leaders, thereby strengthening GLV's technological portfolio in process water treatment, as well as the recycling and re-use of industrial wastewater. For instance, in addition to its water intake screening technologies, GLV will be able to offer thermal power stations and seawater desalination plants comprehensive solutions including process water microfiltration, ultrafiltration, demineralization and process water recycling technologies.
- The technological fit between GLV and CWT will enhance GLV's position in its primary end markets, including the energy sector, the municipal market and the petrochemicals industry. Furthermore, it will provide the Company with access to additional industrial markets, such as the microelectronics and solar power industries.
- This acquisition will further enhance GLV's presence in certain markets such as Asia and Europe, where CWT records a significant proportion of its revenues, while also contributing to expand GLV's range of products and services and therefore, increase its revenues and market share in its existing markets in North America, Western Europe, the Pacific region and the Middle East.

Expected Financial Impact

Considering CWT's current order backlog and market opportunities, GLV's management estimates that the acquired business will provide GLV with additional revenues of approximately \$275 M during the first full fiscal year post-acquisition, i.e. the 12-month period ending March 31, 2011.

GLV estimates the restructuring costs to be incurred in combining the two organizations will amount to between \$20 M and \$30 M, to be expended in the 24 months following the closing of the Offer. The restructuring initiatives, which are necessary to bring CWT's profitability and operating efficiency in line with GLV's current internal working guidelines, are expected to generate recurring cost savings and to strengthen control mechanisms. GLV will announce its expectations in this respect at a later date. The transaction is expected to have a positive impact on GLV's earnings per share as of the first full fiscal year following the closing of the Offer, i.e. the year ending March 31, 2011. Management is confident that GLV can turn CWT around and raise its profitability to levels more in line with the Company's objectives, given the increased business volume and more comprehensive solutions that will result from the EWT/CWT combination, GLV's financial health and its experience as an efficient consolidator and integrator of businesses.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

III. ANALYSIS OF CONSOLIDATED OPERATING RESULTS, CASH FLOWS AND BALANCE SHEET FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2009

During the second quarter of fiscal 2010, as management expected, the Pulp and Paper Group's performance continued to be severely affected by the sharp slowdown in the global pulp and paper industry, although the group's volume of new order bookings has started to stabilize. Despite a slight decline in its revenues, the Water Treatment Group further improved its profitability in comparison with the previous year.

Consolidated highlights of the second quarter of fiscal 2010:

- Consolidated **revenues** of \$104.0 M, posting a 30.5% decrease (30.7% at constant exchange rates) from the same quarter of the previous year, primarily attributable to the Pulp and Paper Group;
- **Gross margin** representing 26.4% of revenues versus 20.8% last year, this improvement stemming from the Water Treatment Group's increased profitability, due, notably, to efficient contract execution, and from the larger proportion of sales generated by the aftermarket in the revenues of both groups;
- **Non-recurring costs** of \$1.0 M consisting mainly of severance pay related, notably, to the closing of one of the Water Treatment Group's operating units, whose manufacturing activities were transferred to outsourcing partners;
- Consolidated **normalized EBITDA** of \$4.7 M, posting a 37.5% decrease exclusively attributable to the Pulp and Paper Group, as the Water Treatment Group's normalized EBITDA rose by 31.3%;
- Consolidated **normalized EBITDA margin** of 4.5% (vs. 5.0% the previous year), of which a 7.5% margin (vs. 5.2%) for the Water Treatment Group and a 5.7% margin (vs. 8.0%) for the Pulp and Paper Group;
- Consolidated **normalized net earnings** of \$1.8 M or \$0.06 per share (basic and diluted), compared with \$2.9 M or \$0.11 per share (basic and diluted) the previous year;
- **Free cash flows** of \$1.1 M or \$0.03 per share;
- As a result of the \$36.2 M net proceeds from a share issuance and sound liquidity management, GLV posted a **cash surplus** of \$2.9 M over its total debt as at September 30, 2009;
- **Order backlog** of \$225.4 M as at September 30, 2009, a level comparable to June 30, 2009 (at constant exchange rates);
- For the **first six months** of fiscal 2010, GLV posted normalized net earnings of \$2.9 M or \$0.10 per share (basic and diluted), compared with \$5.0 M or \$0.19 per share the previous year, due to a significant decline in the Pulp and Paper Group's revenues which was, however, partially offset by an improvement in GLV's gross profit margin attributable to both groups.

A detailed analysis of the *Water Treatment Group's* and the *Pulp and Paper Group's* results in presented in Sections IV and V.

Consolidated Results

(in thousands of \$, except percentages, per share data and number of shares)	Three months ended		Change 2009 versus 2008	Six months ended		Change 2009 versus 2008
	September 30, 2009	September 30, 2008		September 30, 2009	September 30, 2008	
Revenues	104,016	149,559	-30.5%	217,351	295,049	-26.3%
Gross margin	27,512	31,047	-11.4%	54,682	64,095	-14.7%
Selling and administrative expenses	22,828	23,556	-3.1%	46,264	49,293	-6.1%
EBITDA	3,724	7,491	-50.3%	7,050	14,802	-52.4%
Normalized items:						
Restructuring costs	960	-	-	1,368	-	-
Normalized EBITDA	4,684	7,491	-37.5%	8,418	14,802	-43.1%
Depreciation and amortization	2,871	2,924	-1.8%	5,988	5,995	-0.1%
Normalized EBIT	1,813	4,567	-60.3%	2,430	8,807	-72.4%
Financial expenses	(424)	1,224	-	(1,217)	2,704	-
Income taxes	283	419	-32.5%	487	1,074	-54.7%
<i>Effective tax rate</i>	22.2%	12.5%	9.7% pts	21.4%	17.6%	3.8% pts
Net earnings	994	2,924		1,792	5,029	
per share (basic and diluted)	0.03	0.11		0.06	0.19	
Normalized net earnings	1,762	2,924		2,886	5,029	
per share (basic and diluted)	0.06	0.11		0.10	0.19	
Weighted average number of participating shares outstanding (in thousands):						
basic and diluted	31,776	26,543	19.7%	29,174	26,473	10.2%
Margins as a percentage of revenues:						
Gross margin	26.4%	20.8%		25.2%	21.7%	
Normalized EBITDA	4.5%	5.0%		3.9%	5.0%	
Normalized EBIT	1.7%	3.1%		1.1%	3.0%	
Free cash flow	1,073	6,413	-83.3%	2,409	11,451	-79.0%
Favourable (unfavourable) impact of currency fluctuations:	Three-month September 30, 2009			Six months September 30, 2009		
Revenues	410			7,329		
Gross margin	219			1,831		
EBITDA	430			1,804		
Normalized EBITDA	368			1,628		
Order backlogs:	Sept. 30, 2009	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008	
Water Treatment	165,111	179,501	191,640	192,293	202,243	
Pulp and Paper	54,253	57,980	74,157	88,152	123,791	
Manufacturing Unit	6,045	6,983	6,882	10,521	9,616	
Total	225,409	244,464	272,679	290,966	335,650	

Analysis of Operating Results for the Three and Six-Month Periods Ended September 30, 2009

Impact of Currency Fluctuations

As GLV's operations are conducted in some 30 countries, fluctuations between the various currencies used may have an impact on its operating results and balance sheet items, primarily fluctuations in the U.S. dollar, the pound Sterling and the Swedish krona in relation to the Canadian dollar.

During the second quarter of fiscal 2010, referring to the same period a year earlier, currency fluctuations had a relatively immaterial favourable impact on consolidated revenues and gross margin, whereas they contributed to increase normalized EBITDA by \$0.4 M or 8.5%. However, currency fluctuations between June 30 and September 30, 2009, more particularly the rise in the Canadian dollar in relation to the U.S. dollar, had an unfavourable impact of \$16.2 M on the variation in the order backlog between those dates.

During the six-month period ended September 30, 2009, currency fluctuations had a net favourable impact of \$7.3 M, \$1.8 M and \$1.6 M respectively on consolidated revenues, gross margin and normalized EBITDA.

Revenues

Second-quarter consolidated revenues decreased by \$45.5 M or 30.5% (30.7% decrease at constant exchange rates), of which:

- a 48.7% decrease (at constant exchange rates) in the Pulp and Paper Group's revenues attributable to the sharp decline in investments by global pulp and paper producers and to the fact that in the same period of 2008, the group was executing a contract worth more than \$60 M in Europe that was completed in the fourth quarter of fiscal 2009; and
- an 8.4% decline (at constant exchange rates) in the Water Treatment Group's revenues, due mostly to delays in the execution of certain contracts which are attributable to customers in the United Kingdom.

During the six-month period ended September 30, 2009, consolidated revenues decreased by \$77.7 M or 26.3% (28.8% decrease at constant exchange rates), including (at constant exchange rates) declines of 45.9% in the Pulp and Paper Group's revenues and of 8.6% for the Water Treatment Group.

The Water Treatment Group and the Pulp and Paper Group generated 58.9% and 41.1% respectively of consolidated revenues (excluding the Manufacturing unit's revenues and before inter-segment eliminations), compared with 46.5% and 53.5% respectively in the first half of fiscal 2009.

For information purposes, for the full 12-month period ended September 30, 2009, the geographic breakdown of consolidated revenues was as follows:

- 56.4% in North America (45.4% for the 12 months ended September 30, 2008);
- 23.5% in Europe and Russia (38.7% in 2008);
- 12.7% in Asia and the Asia-Pacific region (12.1% in 2008);
- 4.1% in Africa and the Middle East (0.4% in 2008); and
- 3.3% in Latin America (3.4% in 2008).

In the first half of fiscal 2010, the contribution of the North American market as a percentage of GLV's consolidated revenues increased significantly over the same quarter of the previous year, due to the appreciation of the U.S. dollar in relation to the Canadian dollar, the Water Treatment Group's good performance in the United States with respect to municipal water treatment infrastructure upgrading projects, and the relative decline in revenues generated in Europe as a result, notably, of the Pulp and Paper Group's finalization of a large contract. The proportion of revenues achieved in most emerging regions also rose.

Gross Margin

The quarterly gross margin in dollars decreased by \$3.5 M or 11.4% (12.1% decrease at constant exchange rates) due to lower revenues. Conversely, as was also the case in the previous quarter, the gross margin as a percentage of revenues improved from 20.8% last year to 26.4% this year. Both groups and the Manufacturing unit contributed to this improvement, due partly to the larger share of the aftermarket business in their revenue mix. This market, which generally yields higher profit margins, thus accounted for 34.9% of second-quarter consolidated revenues, compared with 26.7% a year earlier. Above all, the increase in the consolidated gross margin as a percentage of revenues can be attributed to the sustained improvement, over the past few quarters, in the profitability of the Water Treatment Group's U.S. operations, following a reinforcement of the Salt Lake City division's market strategy and operating management in the U.S.

For the first half of fiscal 2010, the gross margin in dollars decreased by 17.5% at constant exchange rates, but increased from 21.7% to 25.2% as a percentage of revenues. In addition to the steady improvement in the Water Treatment Group's profitability, total aftermarket sales accounted for 34.5% of consolidated revenues, compared with 27.0% the previous year.

Selling and Administrative Expenses

Total selling and administrative expenses decreased by 3.1% in the second quarter and by 6.1% or \$3.0 M for the full six-month period as a result, primarily, of the cost-reduction measures implemented during fiscal 2009 and at the beginning of fiscal 2010 to achieve savings of approximately \$10 M annually. These savings more than compensated for the increase in certain costs associated with the Water Treatment Group's development.

Non-Recurring Items

During the quarter ended September 30, 2009, GLV recorded non-recurring items totalling \$1.0 M consisting mainly of severance pay, of which \$0.4 M in the Pulp and Paper Group and the Manufacturing unit and \$0.6 M in the Water Treatment Group. The costs incurred by the Water Treatment Group relate to the closing of an operating unit in the United Kingdom, whose activities were transferred to outsourcing partners.

For the first half of fiscal 2010, non-recurring restructuring costs totalled \$1.4 M.

Normalized EBITDA

Excluding non-recurring items, second-quarter normalized EBITDA amounted to \$4.7 M, compared with \$7.5 M the previous year, a decrease of 37.5% (42.4% decrease at constant exchange rates). The normalized EBITDA margin as a percentage of revenues stood at 4.5% versus 5.0% the previous year. These declines are attributable to the difficult market conditions affecting the Pulp and Paper Group, as the Water Treatment Group conversely posted a significant increase in its EBITDA and EBITDA margin over the same quarter of the previous fiscal year.

For the first half of fiscal 2010, consolidated normalized EBITDA totalled \$8.4 M, compared with \$14.8 M for the first six months of the previous year, a decrease of 43.1% (54.1% at constant exchange rates). The normalized EBITDA margin as a percentage of revenues was 3.9% versus 5.0% the previous year. These variations are attributable to the Pulp and Paper Group and, to a lesser extent, to the Manufacturing unit which derives a large proportion of its revenues from the pulp and paper industry.

Financial Expenses

In the second quarter, GLV posted net financial income of \$0.4 M, compared with net financial expenses of \$1.2 M in the same period of the previous year. This \$ 1.6 M favourable variation consists of the following main items:

- a \$0.5 M decrease in interests on the long-term debt (net of interest income) which amounted to \$0.3 M this year versus \$0.8 M the previous year. As discussed further on in this Management's Report, this reduction is due primarily to the repayment of substantially all of the revolving credit during the quarter, notably using the proceeds from the July 2, 2009 share offering;
- a net favourable amount of \$1.2 M attributable to the change in fair value of derivative financial instruments, compared with a net unfavourable amount of \$0.7 M the previous year, representing a \$1.9 M favourable variation. (For further information regarding derivative financial instruments, please refer to note 17 accompanying the interim consolidated financial statements, and to the Management's Report for the fiscal year ended March 31, 2009.);
- a net unfavourable amount of \$0.1 M, compared with a net favourable amount of \$0.8 M the previous year related to realized and unrealized exchange gains and losses (including on foreign exchange contracts), representing a \$0.9 M unfavourable variation; and
- a \$0.1 M favourable variation in other financial expenses.

For the first half of fiscal 2010, GLV posted net financial income of \$1.2 M, compared with a net expense of \$2.7 M for the first six months of the previous year. This \$3.9 M favourable variation consists of the following main items:

- a \$0.6 M decrease in interests on long-term debt (net of interest income) which totalled \$0.7 M, compared with \$1.3 M in the first half of fiscal 2009, due mainly to the repayment of the revolving credit during the second quarter;

- a net favourable amount of \$3.0 M attributable to the change in the fair value of derivative financial instruments, compared with a net unfavourable amount of \$1.2 M the previous year, representing a \$4.2 M favourable variation; and
- a net unfavourable amount of \$0.4 M, compared with a net favourable amount of \$0.5 M the previous year related to realized and unrealized exchange gains and losses, representing a \$0.9 M unfavourable variation.

Income Taxes

The effective tax rate stood at 22.2% for the quarter ended September 30, 2009, compared with 12.5% a year earlier. For the six-month period, the effective tax rate stood at 21.4%, compared with 17.6% the previous year. The difference between these effective rates and the 31.0% Canadian regulatory tax rate can be explained by the benefits associated with revenues earned in jurisdictions with lower effective tax rates.

Net Earnings and Earnings per Share

GLV closed the second quarter with normalized net earnings of \$1.8 M or \$0.06 per share (basic and diluted) compared with normalized net earnings of \$2.9 M or \$0.11 per share (basic and diluted) the previous year. The 19.7% increase in the weighted average number of shares outstanding (basic and diluted) can be explained by the July 2, 2009 issue of 5,290,000 Class A subordinate voting shares ("Class A shares").

For the first half of fiscal 2010, GLV posted year-to-date normalized net earnings of \$2.9 M or \$0.10 per share (basic and diluted), compared with normalized net earnings of \$5.0 M or \$0.19 per share (basic and diluted) for the first six months of the previous year. The weighted average number of shares outstanding (basic and diluted) increased by 10.2%.

Selected Financial Information for the Past Eight Quarters

<i>(in thousands of \$, except per share amounts)</i>	Fiscal Year 2010		Fiscal Year 2009		Fiscal Year 2008			
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Revenues	104,016	113,335	149,854	153,960	149,559	145,490	147,548	137,690
EBITDA	3,724	3,326	12,677	2,293	7,491	7,311	200	6,302
Normalized EBITDA	4,684	3,734	13,264	7,997	7,491	7,311	1,265	7,300
EBIT	853	209	9,702	(599)	4,567	4,240	(2,437)	3,502
Normalized EBIT	1,813	617	10,289	5,105	4,567	4,240	(1,372)	4,500
Net earnings (loss)	994	798	5,587	464	2,924	2,105	(1,902)	1,025
per share (basic and diluted)	0.03	0.03	0.21	0.02	0.11	0.08	(0.07)	0.04
Normalized net earnings (loss)	1,762	1,124	6,231	4,744	2,924	2,105	(1,021)	1,742
per share (basic and diluted)	0.06	0.04	0.23	0.18	0.11	0.08	(0.04)	0.07

Events Subsequent to September 30, 2009 ⁽¹⁾

On October 30, 2009, GLV issued a total of 7,358,173 subscription receipts at a price of \$7.25 per receipt to the Caisse de dépôt et placement du Québec (the "Caisse") and the Solidarity Fund QFL (the "Fund"). Each subscription receipt will be exchangeable, for no additional consideration, into one Class A subordinate voting share of GLV upon the closing of the voluntary takeover bid launched by GLV to purchase up to 100% of the shares of CWT. The gross proceeds from the private placement of subscription receipts total \$53.3 M, of which \$39.8 M comes from the Caisse and \$13.5 M from the Fund, and will be placed in escrow until the Offer closing, which is subject to certain conditions. These proceeds will be used to finance part of the equity purchase price of approximately \$105 M.

GLV's takeover bid was officially launched on October 13, 2009 and CWT's largest shareholder, who holds 27% of CWT's stock, tendered all of his shares into the Offer on October 15, 2009. Furthermore, as communicated on October 23, 2009, the Offer received a favourable recommendation from CWT's Management and Supervisory Boards.

On November 5, 2009, GLV announced that the minimum acceptance threshold for shares to be tendered into the Offer was reduced from 90% to 75% of CWT's outstanding shares. GLV considers the offered price of €3.35 per CWT share to be fair and reasonable considering the restructuring and market challenges faced by CWT. As communicated to the Austrian Takeover Commission, GLV's management confirmed that the offered price as well as the tender period would in no way be altered. CWT's shareholders have until November 17, 4:00 p.m. (Vienna time) to tender their shares into the Offer. After that date, the Offer will lapse if, notably, the 75% minimum tender threshold condition has not been met.

Order Backlog as at September 30, 2009 and Overall Outlook ⁽¹⁾

As at September 30, 2009, GLV's order backlog stood at \$225.4 M. At constant exchange rates, it reflected decreases of:

- 1.2% from June 30, 2009; and
- 32.1% from September 30, 2008.

GLV's order backlog has somewhat stabilized since June 30, 2009, after declining significantly over the past 12 months (or since the outset of the global economic slowdown in September 2008, which particularly affected the Pulp and Paper Group). In fact, between June 30 and September 30, 2009, the Pulp and Paper Group's order backlog decreased by only 3.6% at constant exchange rates (compared with a 56.7% decrease for the past 12 months), whereas the Water Treatment Group's backlog increased slightly (as opposed to a 16.9% decrease at constant exchange rates for the past 12 months).

The acquisition of CWT, which management hopes to close in the third quarter, and its combination with Eimco Water Technologies will contribute additional revenues of approximately \$275 M during the first full year post-closing and thereby contribute to GLV meeting its objective of achieving revenues of \$1 billion within a few years, of which \$700 M from the Water Treatment Group.

Notwithstanding the acquisition of CWT, for fiscal 2010 as a whole, based on the groups' order backlogs as at September 30, 2009 and current trends in its various markets, GLV expects to achieve consolidated revenues of \$460 M to \$480 M. This represents a downward adjustment from the \$500 M to \$550 M revenue forecast stated in June 2009, upon disclosure of the fiscal 2009 financial results. This adjustment can be explained by the significant rise in the Canadian dollar in relation to the U.S. dollar over the past few weeks, and by a weaker than expected performance by the Pulp and Paper Group, especially in the spare parts niche.

GLV's management continues to believe that the Pulp and Paper Group's volume of order bookings and order backlog should improve in the second half of fiscal 2010, once overall conditions in the global pulp and paper market start to gradually recover. This forecast is based on certain encouraging signs currently observed in this industry, including a strengthening of pulp prices and an increase in the number of inquiries and calls for tenders by producers. However, management believes that during the second half of fiscal 2010, this group's results will continue to be affected by its low volume of order bookings over the past twelve months, although the cost-reduction measures implemented in recent quarters should enable this group to maintain an acceptable level of profitability in the current context.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

GLV's management is confident as to the Water Treatment Group's performance for fiscal 2010, considering the favourable outlook for this industry worldwide and the progress achieved by this group in recent quarters to optimize its business model and develop its presence in its principal target markets. Again, notwithstanding the acquisition of CWT, management expects the Water Treatment Group to continue improving its normalized EBITDA margin, which could reach 10% toward the end of fiscal 2010, although the rise in the Canadian dollar in relation to the U.S. dollar could delay the achievement of this objective.

(A description of the Water Treatment Group's and the Pulp and Paper Group's order backlogs and outlook is presented in Sections IV and V of this Management's Report.)

Finally, as described and discussed further on in this Management's Report, GLV benefits from a healthy financial position, which was further strengthened by the July 2, 2009 share issue and the recent amendment to its existing credit facility during the second quarter.

Analysis of Cash Flows, Liquidity and Balance Sheet

Free Cash Flow

<i>(in thousands of \$, except per share data)</i>	Three months ended		Six months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Cash flows from (used in) operating activities	17,016	94	16,931	(8,192)
Less:				
Net change in non-cash balances related to operations	14,602	(6,281)	12,449	(20,827)
Acquisition of property, plant and equipment, net of disposals	1,341	(38)	2,073	1,184
Free cash flow	1,073	6,413	2,409	11,451
per share (basic and diluted)	0.03	0.24	0.08	0.43

In the second quarter of fiscal 2010, GLV generated free cash flows of \$1.1 M or \$0.03 per share, compared with \$6.4 M or \$0.24 per share in the same quarter of 2008. In addition to a \$1.4 M unfavourable variation in acquisitions (net of disposals) of property, plant and equipment, the decline in free cash flows from a year earlier is primarily attributable to a \$4.0 M reduction in cash flows provided by operating activities (before net change in non-cash balance related to operations), which amounted to \$2.4 M versus \$6.4 M the previous year.

Operating working capital provided cash flows of \$14.6 M in the second quarter (as opposed to a cash outflow of \$6.3 M the previous year), which can be explained by a reduction in accounts receivable and contracts in progress, although largely offset by the reduction in accounts payable.

For the first half of fiscal 2010, free cash flows totalled \$2.4 M or \$0.08 per share, compared with \$11.5 M or \$0.43 per share in the first six months of 2008, due to the aforementioned factors. Operating working capital provided cash flows of \$12.4 M, as opposed to a cash outflow of \$20.8 M the previous year, as a result of a decrease in accounts receivable, contracts in progress (less progress billings) and inventories since March 31, 2009, mostly attributable to the decline in the Pulp and Paper Group's business volume.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

Variance in Cash and Cash Equivalents

<i>(in thousands of \$)</i>	Three months ended		Six months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Balance as at beginning of period	8,064	8,370	7,590	18,724
Free cash flow	1,073	6,413	2,409	11,451
Net changes in non-cash balances related to operations	14,602	(6,281)	12,449	(20,827)
Net utilization of the revolving credits	(51,096)	7,091	(49,096)	(4,377)
Repayments of long-term debt	-	(1,317)	-	(2,938)
Issuance of share capital	38,353	11	38,353	15,011
Cost issuance of share capital	(2,188)	3	(2,188)	(49)
Change in restricted cash	(9)	(38)	(18)	(402)
Effect of exchange rate changes on cash and cash equivalents	(1,602)	(1,506)	(1,174)	(2,125)
Other	(2,370)	681	(3,498)	(1,041)
Balance as at end of period	4,827	13,427	4,827	13,427

The second-quarter highlight was the share issue completed on July 2, 2009, for total gross proceeds of \$38.4 M and net proceeds of \$36.2 M. Combined with its free cash flows, cash provided by its working capital and cash on hand, the Company temporarily used the net proceeds to repay \$51.1 M, i.e. substantially all of its long-term debt.

Also considering the increase in other assets (primarily amounts allocated to development activities and software purchases) and the impact of currency fluctuations, cash and cash equivalents decreased by \$3.2 M in the second quarter and by \$2.8 M since March 31, 2009, to \$4.8 M as at September 30, 2009.

Financial Position

Balance Sheet Highlights

<i>(in thousands of \$, except ratio)</i>	September 30, 2009	March 31, 2009	Major explanations of variances
Assets			
Cash and cash equivalents	4,827	7,590	See statement of cash flows
Accounts receivable	102,613	125,553	Decline in foreign exchange translation rates and slowing order intake during recent quarters
Income taxes receivable	149	1,815	
Financial Instruments	2,038	602	Favourable mark-to-market of the SARs total return swap and foreign exchange forward contracts
Inventories	36,962	39,709	Decline in foreign exchange translation rates
Contracts in progress, less progress billings	61,270	79,688	Significant increase in progress billings and decline in foreign exchange translation rates
Prepaid expenses	3,741	4,739	
Future income taxes	9,271	10,085	
Property, plant and equipment	34,680	36,918	Decline in foreign exchange translation rates
Future income taxes	20	832	
Goodwill	31,399	33,550	Decline in foreign exchange translation rates
Intangible assets	43,721	44,549	
Restricted cash	3,987	3,969	
Other assets	4,717	2,926	Capitalization of costs related to the acquisition of Christ Water Technology AG
Liabilities			
Accounts payable and accrued liabilities	104,989	128,892	Slowing order intake during recent quarters and decline in foreign exchange translation rates
Financial Instruments	1,047	2,679	Favourable mark-to-market of foreign exchange forward contracts and of the interest rate swap
Advances from companies of GL&V	1,026	1,174	
Long-term debt	904	50,000	As per preceding explanation
Other liabilities	9,332	10,527	
Future income taxes	2,501	4,212	
Shareholders' equity			
Share capital	216,885	178,532	Issuance of 5,290,000 class A subordinate voting shares at \$7.25 per share in July 2009
Current assets	220,871	269,781	
Current liabilities	(106,036)	(131,817)	
Working capital	114,835	137,964	
<i>Current ratio</i>	2.08 :1	<i>2.05 :1</i>	

Additional Comments Regarding Financial Position

Considering GLV's manufacturing outsourcing strategy, capital assets account for approximately 10% of its total assets. In addition to strictly controlling its capital expenditures, especially in the current economic context, GLV is concentrating its business acquisitions on the integration of technologies, intellectual property rights, know-how and customer relations. As a result, intangible assets, goodwill and other assets represented an aggregate 23.5% of GLV's total assets as at September 30, 2009.

Indebtedness

	September 30,	March 31,
<i>(in thousands of \$, except ratio)</i>	2009	2009
Total net debt:		
Long-term debt and advances from companies of GL&V	1,930	51,174
Less:		
Cash and cash equivalents	(4,827)	(7,590)
Total net debt	(2,897)	43,584
Total invested capital:		
Shareholders' equity	219,596	195,041
Total net debt	(2,897)	43,584
Total	216,699	238,625
<i>Total net debt on invested capital ratio</i>	-1.3%	18.3%

In light of the aforementioned cash inflows and outflows, GLV's total debt was lowered from \$51.2 M as at March 31, 2009, to \$1.9 M as at September 30, 2009, consisting primarily of advances from former GL&V companies. Consequently, the Company ended the second quarter with a cash surplus over its total debt.

GLV estimates that subsequent to the closing of the CWT⁽¹⁾ acquisition and its financing, the Company will post a total net debt to invested capital ratio of approximately 35%, which remains reasonable considering the economic context and the expected liquidity requirements to restructure and integrate CWT. As GLV has done with earlier acquisitions the Company intends to gradually repay this debt by optimizing the acquired business and the synergies to be created with Eimco Water Technologies.

Unused Financing Sources

	September 30,	March 31,
<i>(in thousands of \$)</i>	2009	2009
Credit facilities:		
Authorized	250,000	200,000
Borrowed	(904)	(50,000)
Letters of credit issued	(35,616)	(43,327)
Unused credit	213,480	106,673
Cash and cash equivalents	4,827	7,590
Total unused financing sources	218,307	114,263

On July 30, 2009, GLV announced an agreement with its principal lenders to raise its credit facilities by \$50 M. The credit facility entered into in August 2007 consisted of two non-reducing revolving credits totalling \$175 M, of which \$125 M in the form of a revolving credit facility available to finance business acquisitions, meet day-day financing requirements and issue letters of credit, and \$50 M available to issue letters of credit guaranteed by Export and Development Canada ("EDC"). The latter amount was increased by \$50 M to \$100 M, raising to \$225 M the total credit facilities made available as part of the August 2007 financing. The other terms and conditions of the financing agreement remain substantially the same, including, in particular, no principal repayment on the long-term debt being required before it matures in August 2012. Thus, as at September 30, 2009, total unused sources of financing amounted to \$218.3 M. GLV is currently negotiating with its key lenders to make certain technical amendments to its existing credit facility in connection with the acquisition of CWT.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

Share Capital Information

Authorized, issued and outstanding share data as at Nov. 11 and September 30, 2009

<i>(in thousands of \$, except number of shares)</i>	Authorized	Number of shares issued and outstanding
Class A subordinate voting shares	Unlimited	29,629,521
Class B multiple voting shares	Unlimited	2,204,205
Preferred shares	Unlimited	-
		31,833,726

This table reflects the issue of 5.3 million Class A shares effective July 2, 2009.

Normal Course Issuer Bid

A normal course issuer bid has been in effect since December 4, 2008. No shares have been acquired thus far under this issuer bid, which is described in the Management's Report for the fiscal year ended March 31, 2009.

Stock Option Plan and Other Stock-Based Compensation

Stock Option Plan as at September 30, 2009

	Options available for issuance	Options issued and outstanding
Class A subordinate voting shares	2,538,888	1,618,010

During the first six months of fiscal 2010, 328,010 new stock options were granted to employees and directors. (For further information, please refer to note 11 accompanying the interim consolidated financial statements appended to this Management's Report.)

Other Stock-Based Compensation

In April 2009, GLV set up a new long-term incentive program qualifying grants of stock-appreciation rights ("SARs"). (For further information, please refer to note 11 accompanying the interim consolidated financial statements appended to this Management's Report.)

IV. ANALYSIS OF SEGMENTED OPERATING RESULTS: WATER TREATMENT GROUP

Results of Operations

<i>(in thousands of \$, except percentages)</i>	Three months ended		Change	Six months ended		Change
	September 30,		2009	September 30,		2009
	2009	2008	versus 2008	2009	2008	versus 2008
			%			%
Revenues:						
New equipment	50,974	60,374	(15.6%)	104,434	122,342	(14.6%)
Aftermarket	10,418	6,763	54.0%	20,755	11,348	82.9%
Total	61,392	67,137	(8.6%)	125,189	133,690	(6.4%)
EBITDA	3,994	3,495	14.3%	8,578	6,160	39.3%
Normalized items:						
Restructuring costs	595	-	-	611	-	-
Normalized EBITDA	4,589	3,495	31.3%	9,189	6,160	49.2%
Depreciation and amortization	987	1,400	(29.5%)	1,950	2,971	(34.4%)
Normalized EBIT	3,602	2,095	71.9%	7,239	3,189	127.0%
Margins as a percentage of revenues:						
Normalized EBITDA	7.5%	5.2%		7.3%	4.6%	
Normalized EBIT	5.9%	3.1%		5.8%	2.4%	

Other selected financial information

Favourable (unfavourable)	Three-month		Six months		
impact of currency fluctuations:	September 30, 2009		September 30, 2009		
Revenues	(86)		3,034		
Gross margin	90		874		
EBITDA	272		953		
Normalized EBITDA	217		897		
Order backlogs:	Sept. 30,	June 30,	March 31,	Dec. 31,	Sept. 30,
	2009	2009	2009	2008	2008
	165,111	179,501	191,640	192,293	202,243

Analysis of Operating Results and Achievements of the Second Quarter and First Six Months of Fiscal 2010

Impact of Currency Fluctuations

Currency fluctuations had an immaterial impact on this group's revenues and gross margin and a favourable impact of \$0.2 M on its normalized EBITDA during the second quarter ended September 30, 2009 in comparison with the same three-month period of 2008. However, the rise in the Canadian dollar in relation to the U.S. dollar between June 30 and September 30, 2009 had an unfavourable impact of \$14.6 M on the change in its order backlog between those dates.

During the first six months of fiscal 2010, currency fluctuations had a favourable impact of \$3.0 M, \$0.9 M and \$0.9 M respectively on the group's revenues, gross margin and normalized EBITDA.

Revenues

At constant exchange rates, this group's quarterly revenues decreased by \$5.7 M or of 8.4%. This decrease is entirely attributable to a 15.6% decline in revenues generated by new infrastructure projects, due primarily to delays in the execution of certain contracts which are attributable to customers, especially in the United Kingdom. Eimco Water Technologies (or "EWT") expects to recover this revenue shortfall in upcoming quarters. Conversely, revenues from the aftermarket grew by 54.0% to account for 17.0% of total revenues (versus 10.1% the previous year). This performance was primarily achieved in the U.S. municipal market and the global market for water intake screening solutions.

For the six-month period, the group's revenues decreased by \$11.5 M or 8.6% (at constant exchange rates). However, aftermarket revenues increased by 82.9% to account for 16.6% of total revenues (versus 8.5% the previous year). The decline in the Water Treatment Group's revenues in the new infrastructure project segment is primarily attributable to delays beyond the Company's control in the start-up or execution of certain projects.

Business Development by Market ⁽¹⁾

Municipal Segment

For information purposes, during the 12-month period ended September 30, 2009, this market segment accounted for 68% of the Water Treatment Group's revenues (68% for the equivalent 12-month period ended September 30, 2008 as well). During the past quarters, compared to the previous year, the group's performance in this segment was driven by the increase in the U.S. dollar in relation to the Canadian dollar and by a good level of activity in the upgrading of existing municipal infrastructures in the United States, where the group markets complete municipal facility optimization solutions. Given its recognized technologies, special expertise in this field and extensive installed equipment base, Eimco Water Technologies is positioned to take advantage of such activity. However, investments in new municipal infrastructure projects have been delayed during the past quarters, due notably to the complexity and restrictions imposed by the *Buy American Act*, which have delayed the launch of several large municipal projects. It seems that this situation has started to improve, as the access to government funds becomes less complex for large projects. This is attested to by the launch of large municipal projects in the last few weeks and the recent award to Eimco Water Technologies of a number of large-scale contracts related to new municipal infrastructures, including for the supply of submerged membrane bioreactors (MBR).

Elsewhere in the world, although the market remains difficult in England, Eimco Water Technologies is actively pursuing its development in Eastern Europe and the Middle East, including with the support of its new team dedicated to the marketing of integrated municipal solutions.

Industrial Segment

During the 12-month period ended September 30, 2009, this market segment accounted for 32% of the Water Treatment Group's revenues (32% for the equivalent period ended September 30, 2008 as well). This apparent stability is partly attributable to the fact that currency fluctuations had a less significant favourable impact on this segment than on the municipal segment, since its business is less concentrated in the United States. Nonetheless, EWT has achieved significant advances in the industrial segment since the beginning of fiscal 2010. After a temporary first-quarter decline in its revenues from water intake screening projects — as a result of the previous month's tightening of credit markets — global demand for infrastructure upgrading and new infrastructure construction projects has started to grow again in the power generation, refining and seawater desalination niches, thus contributing to renewed growth in the group's revenues and order backlog in this market. This type of activity is likely to account for a substantial share of the Water Treatment Group's revenues in the future, especially since the planned acquisition of CWT will provide it with a more complete and stronger value-added technological portfolio to serve the high-potential energy and seawater desalination markets.

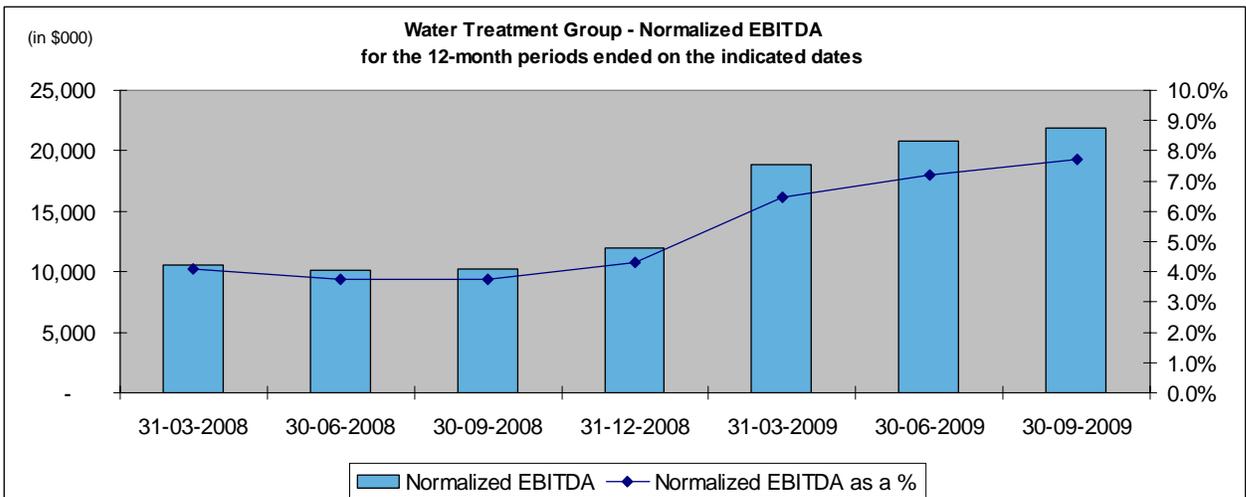
EWT also continues to develop its business base in the food and beverage processing niche in the Asia-Pacific region, South-East Asia and Europe, whereas the new joint venture GW&E is working to achieve a breakthrough in this market in North America. Finally, the group intends to increase its presence in the pulp and paper industry and petrochemicals industry. The acquisition of CWT will also contribute to strengthen GLV's technological portfolio and positioning in these market niches.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

Operating Profitability

During the second quarter, the Water Treatment Group recorded non-recurring restructuring costs of \$0.6 M due to the closure of a U.K. operational unit whose manufacturing operations were outsourced to sub-contractor partners. Excluding these costs, the group's normalized EBITDA increased by \$1.1 M or 31.3% (25.1% increase at constant exchange rates) to \$4.6 M. The normalized EBITDA margin thus improved from 5.2% in the second quarter of fiscal 2009 to 7.5% in the same period this year. This improvement, which is in line with management's expectations, is primarily attributable to an increase in the group's gross margin resulting, among other factors, from the growth in its aftermarket sales, increasingly efficient project management and contract execution, and a turnaround in the Canadian operations' performance. Furthermore, recurring savings generated by the cost-optimization measures implemented in fiscal 2009 compensated for the additional selling expenses associated to its development, including the acquisition of a Canadian business at the beginning of fiscal 2010, the creation of the new U.S joint venture GW&E in January 2009 and the expansion of the group's market presence in South-East Asia, Eastern Europe and the Middle East.

For the first half of fiscal 2010, excluding non-recurring restructuring costs of \$0.6 M, the Water Treatment Group's normalized EBITDA grew by \$3.0 M or 49.2% (34.6% growth at constant exchange rates) to \$9.2 M. Year-to-date normalized EBITDA thus improved from 4.6% in the first six months of fiscal 2009 to 7.3% in the same period this year. In addition, excluding the expenses incurred by two subsidiaries of the Water Treatment Group, dedicated to the marketing of new technologies, but which have not yet started recording revenues, the normalized EBITDA margin of this group for the three and six-month periods ended September 30, 2009, would have been 8.3% and 8.1% respectively.



For information purposes, this graph presents the Water Treatment Group's normalized EBITDA and normalized EBITDA margin for the full 12-month periods ended on the indicated dates. The Water Treatment Group's normalized EBITDA margin for the 12-month period ended September 30, 2009 stood at 7.7%, versus 3.8% for the equivalent 12-month period ended September 30, 2008, and 6.5% for the fiscal year ended March 31, 2009.

Technologies ⁽¹⁾

GLV builds its Water Treatment Group's development and leadership on the establishment of a comprehensive, high-performance and cost-effective technological portfolio based on sustainable technologies. This strategy is being implemented not only by way of acquisitions, partnerships and alliances, but also through the development of solid internal expertise in the area of sustainable technologies.

In this regard, the new technologies recently acquired by the Water Treatment Group are being well received in the municipal and industrial markets:

- The LM Mixer advanced digester sludge mixing technology continues to attract interest and orders in the North American municipal market and abroad.
- The municipal and industrial sludge dewatering technology based on electro-osmosis acquired in April 2009 is currently being implemented in a Canadian municipality that will serve as a North American showcase for this technology.
- The new U.S.-based joint venture GW&E is developing as planned and expects to shortly effect an inroad in the food and beverage processing market with its cutting-edge technology for anaerobic sludge digestion and green energy production from the biogases thereby generated.

As previously described, the planned acquisition of CWT will provide Eimco Water Technologies with access to water ultrapurification technologies that will complete its offering in the treatment of process water and the recycling and re-use of industrial wastewater, enhance its position in the energy, seawater desalination, pulp and paper, petrochemicals and municipal niches, and give it access to new industrial markets such as microelectronics and solar energy.

Order Backlog as at September 30, 2009 and Outlook ⁽¹⁾

As at September 30, 2009, the Water Treatment Group's order backlog stood at \$165.1 M. At constant exchange rates, it reflected:

- a 0.1% increase over June 30, 2009; and
- a 16.9% decrease from September 30, 2008.

These changes are not attributable to a decline in demand, but primarily to customers' aforementioned delays in the start-up of certain contracts.

Between now and the end of fiscal 2010, notwithstanding the acquisition of CWT, GLV's management expects that this group will continue to increase its presence and revenues in the following markets:

- the municipal market in North America;
- the municipal market in Europe, especially in Eastern Europe;
- the global water intake screening market, particularly with regard to nuclear power station and refinery upgrading projects in North America, as well as the construction or upgrading of power stations and desalination plants; and
- the food and beverage processing industry.

The group also plans to develop its business in the petrochemicals and pulp and paper industries, where management expects investments to gradually pick up in light of the strengthening of oil and pulp prices.

In terms of profitability, GLV's management estimates that the favourable trend in the Water Treatment Group's normalized EBITDA margin since mid-fiscal 2009 should continue, with the result that this group's normalized EBITDA margin could reach the target objective of 10% toward the end of the current fiscal year. However, the significant rise in the Canadian dollar in relation to the U.S. dollar over the past few weeks could delay the achievement of this objective. Management aims to reach and maintain a 10% margin from a long-term perspective, subject however to certain fluctuations related to economic conditions, changes in exchange rates and the types of contracts executed and their execution schedule. Over the longer term, the acquisition of Christ Water Technologies and the integration of its operations with those of Eimco Water Technologies would be a major driver for this group's global growth and leadership.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

V. ANALYSIS OF SEGMENTED OPERATING RESULTS: PULP AND PAPER GROUP

Results of Operations

<i>(in thousands of \$, except percentages)</i>	Three months ended		Change 2009 versus 2008	Six months ended		Change 2009 versus 2008
	September 30,			September 30,		
	2009	2008	%	2009	2008	%
Revenues:						
New equipment	15,338	46,173	(66.8%)	34,235	87,601	(60.9%)
Aftermarket	25,274	32,167	(21.4%)	53,038	66,320	(20.0%)
Total	40,612	78,340	(48.2%)	87,273	153,921	(43.3%)
EBITDA	2,075	6,301	(67.1%)	3,728	13,510	(72.4%)
Normalized items:						
Restructuring costs	239	-	-	631	-	-
Normalized EBITDA	2,314	6,301	(63.3%)	4,359	13,510	(67.7%)
Depreciation and amortization	701	709	(1.1%)	1,530	1,464	4.5%
Normalized EBIT	1,613	5,592	(71.2%)	2,829	12,046	(76.5%)
Margins as a percentage of revenues:						
Normalized EBITDA	5.7%	8.0%		5.0%	8.8%	
Normalized EBIT	4.0%	7.1%		3.2%	7.8%	

Other selected financial information

Favourable (unfavourable) impact of currency fluctuations:	Three-month			Six months	
	September 30, 2009			September 30, 2009	
Revenues	444			4,051	
Gross margin	77			713	
EBITDA	101			655	
Normalized EBITDA	94			535	
Order backlogs:	Sept. 30,	June 30,	March 31,	Dec. 31,	Sept. 30,
	2009	2009	2009	2008	2008
	54,253	57,980	74,157	88,152	123,791

Analysis of Operating Results for the Second Quarter and First Six Months of Fiscal 2010

Impact of Currency Fluctuations

For the three-month period ended September 30, 2009 in comparison with the same period of 2008, currency fluctuations (more particularly the increase in the U.S. dollar in relation to the Canadian dollar) had a favourable impact of \$0.4 M on this group's revenues, but an immaterial impact on its gross margin and normalized EBITDA. The rise in the Canadian dollar between June 30 and September 30, 2009 had an unfavourable impact of \$1.7 M on the trend in its order backlog between those dates.

For the first six months of fiscal 2010, currency fluctuations had a favourable impact of \$4.1 M, \$0.7 M and \$0.5 M respectively on this group's revenues, gross margin and normalized EBITDA.

Revenues

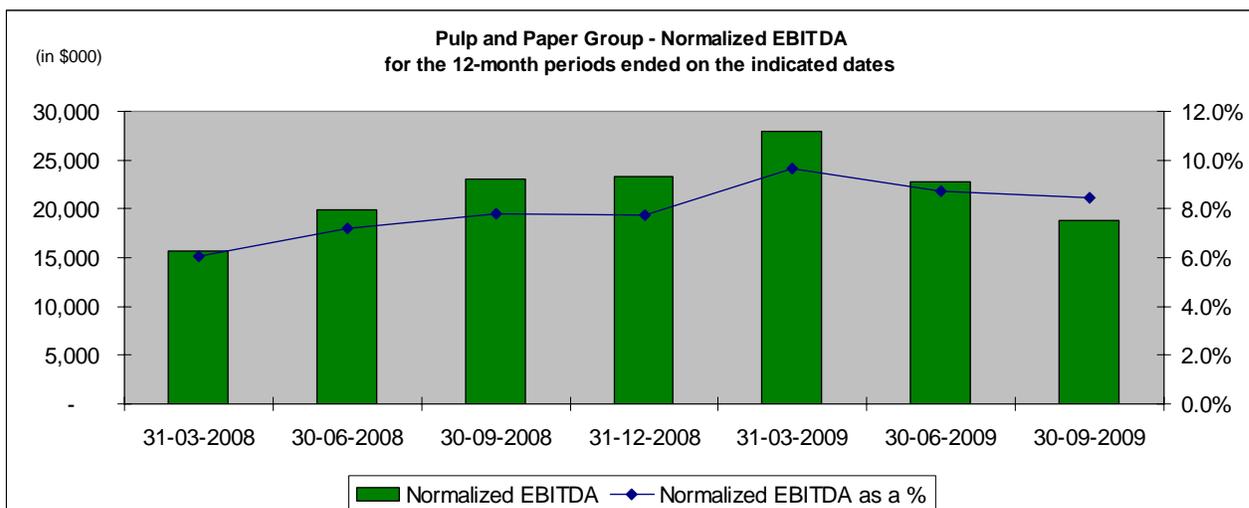
During the second quarter of fiscal 2010, the Pulp and Paper Group's revenues decreased by \$37.7 M or 48.2% (48.7% decrease at constant exchange rates). In addition to the finalization of a large-scale contract that was in progress during the corresponding quarter of the previous year, this decline is attributable to the severe slowdown in the global pulp and paper industry since the winter of 2008-2009, which affected all of the group's operations. Sales of new equipment were down by 66.8% and aftermarket revenues, by 21.4%. Sales of spare parts, especially, were below management's expectations. Considering the sharper decline in sales of new equipment, however, the aftermarket accounted for 62.2% of the group's total second-quarter revenues, compared with 41.1% in the same quarter last year.

During the first six months of fiscal 2010, the Pulp and Paper Group's revenues decreased by \$66.6 M or 43.3% (45.9% decrease at constant exchange rates). Sales of new equipment were down by 60.9%, and aftermarket business sales declined by 20.0%. The latter market thus accounted for 60.8% of the group's year-to-date revenues, up from 43.1% in the first half of fiscal 2009.

Operating Profitability

In light of the difficult context, additional streamlining measures consisting primarily of workforce reductions were implemented throughout the Pulp and Paper Group's organization, resulting in non-recurring restructuring costs of \$0.2 M in second-quarter results. Excluding these non-recurring costs, the Pulp and Paper Group's normalized EBITDA decreased by \$4.0 M or 63.3% (64.8% decrease at constant exchange rates) to \$2.3 M. Its quarterly normalized EBITDA margin thus slipped from 8.0% last year to 5.7% this year. This decline is mainly attributable to lower revenues resulting from the economic context. However, it should be noted that the group improved its gross profit margin (as a percentage of revenues), due to the larger share of the aftermarket in its revenue mix and sound overall management of its operations.

For the first six months of the current fiscal year, the Pulp and Paper Group incurred restructuring costs totalling \$0.6 M. Excluding these costs, its year-to-date normalized EBITDA decreased by \$9.2 M or 67.7% (71.7% at constant exchange rates) to \$4.4 M. Its normalized EBITDA margin thus decreased from 8.8% in the first half of fiscal 2009 to 5.0% this year. Management estimates that the cost-reduction measures implemented during fiscal 2009 and since the beginning of fiscal 2010, combined with sound overall management and the contribution of the aftermarket, enabled this group to preserve its operating profitability.



For information purposes, this graph presents the Pulp and Paper Group's normalized EBITDA and normalized EBITDA margin for the full 12-month periods ended on the indicated dates. For the 12-month period ended September 30, 2009 (which coincided with the first full year of the global recession), this group's normalized EBITDA margin stood at 8.4%, versus 7.8% for the equivalent 12-month period ended September 30, 2008, and 9.6% for the fiscal year ended March 31, 2009. This trend shows that this group can achieve an EBITDA margin of 10% and over with revenues of approximately \$300 M, considering its product selection (including spare parts), cost structure and lean organization, notably in the area of project management.

Order Backlog as at September 30, 2009 and Outlook⁽¹⁾

As at September 30, 2009, the Pulp and Paper Group's order backlog stood at \$54.3 M. At constant exchange rates, it reflected:

- a 3.6% decrease from June 30, 2009; and
- a 56.7% decrease from September 30, 2008.

The decline in the order backlog witnessed within the past year as a result of the global slowdown in the pulp and paper industry is tending to abate. For instance, the Pulp and Paper Group recently announced it had been awarded several large-scale contracts, including two orders totalling \$7.8 M for new pulp preparation equipment in the United States. Furthermore, order bookings in the aftermarket have improved in the last few weeks, especially in Europe.

In light of the positive signs that continue to materialize in the global pulp and paper market, including a strengthening of pulp prices and an increase in the number of inquiries and calls for tenders by the group's international customer base, GLV's management still believes that order bookings will gradually pick up in the second half of fiscal 2010, which should enable the Pulp and Paper Group to improve its profitability as of fiscal 2011. However, between now and the end of fiscal 2010, the Pulp and Paper Group's results will continue to be affected by the weakness of its new order bookings over the past 12 months, although the cost-reduction measures implemented in recent quarters to yield recurring savings of more than \$7.5 M annually should enable this group to maintain an acceptable level of profitability in the current context.

The Pulp and Paper Group's primary objectives for fiscal 2010 are to:

- accelerate the pace of new order bookings so as to begin fiscal 2011 with a more significant order backlog;
- maintain rigorous and proactive control over its credit risks, accounts receivable collection and operating costs; thus, if management deems it necessary in light of its reading of trends in the pulp and paper industry, further cost-reduction measures could be contemplated;
- focus its efforts on the aftermarket in order to maximize its share of this niche worldwide and increase the added value and profitability thereof; and
- further optimize its business model, especially in the area of project management, global outsourcing operations and aftermarket services.

¹ The following text contains forward-looking statements, which are discussed in Section I, "Notice Regarding Forward-Looking Statements".

VI. RISK MANAGEMENT

Since the disclosure of its financial results for the last fiscal year, on June 6, 2009, management has not observed any major changes in the risks and uncertainties to which GLV is exposed, or in its credit and liquidity management, notably in the context of the current economic slowdown. These elements are described in detail in the Company's Management's Report for the fiscal year ended March 31, 2009.

VII. OTHER

Compliance with Canadian Generally Accepted Accounting Principles

The financial information presented in this 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 items recorded outside the normal course of business, including restructuring costs;
- **EBIT:** earnings before financial expenses and income taxes;
- **normalized EBIT:** according to the reporting periods, EBIT before items recorded outside the normal course of business, including restructuring costs;
- **normalized net earnings:** according to the reporting periods, earnings before items recorded outside the normal course of business, including restructuring costs (less 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 acquisitions (net of 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 operational and financial performance of its operating groups. These measures 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 accounting performance measures or to the statement of cash flows as a measure 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 prepared in accordance with Canadian GAAP. Management's definition of these measures may not similarly titled measures reported by other companies.

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. The organic growth of each of its operating groups is computed by eliminating from the current fiscal year the revenues from the acquisitions that were not present during the comparative period of the previous fiscal year. The revenues thereby eliminated correspond to the revenues recorded by the acquired companies based on the latest financial data available preceding their acquisition by GLV, prorated to correspond to the analyzed periods. This computation method highlights the impact that GLV itself had on the revenue growth of the acquired companies subsequent to their acquisition date.

As for 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. Under certain circumstances, management may decide to defer the inclusion of a contract in the order backlog if, for instance, there are risks that the order could be cancelled or delayed, or that the collection of the selling price involves a risk. In that case, the order in question will normally be added to the order 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 included in the backlog.

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 September 30, 2009, 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.

Since September 30, 2009, there have been no changes in internal control over financial reporting that have materially affected, or would likely materially affect, GLV's internal control over financial reporting.

Contractual Commitments, Critical Accounting 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 for the fiscal year ended March 31, 2009.

Changes in Accounting Policies and Future Changes in Accounting Standards

Changes in Accounting Policies

The following Handbook Section released by the Canadian Institute of Chartered Accountants ("CICA") was adopted by the Company on April 1, 2009. The Company has retrospectively adopted this accounting policy without restatement of comparative of prior periods.

Intangible Assets

Goodwill and Other Intangible Assets, and results in the withdrawal of Section 3450, *Research and Development Costs*, and EIC-27, *Revenues and Expenditures during the Pre-operating Period* and amendments to Accounting Guideline No. 11, *Enterprises in the Development Stage*. This section is the Canadian equivalent to IAS 38, *Intangible Assets* under International Financial Reporting Standards ("IFRS"). The new standard provides guidance on the recognition, measurement and presentation of goodwill and intangible assets subsequent to their initial recognition.

For the Company, this section applies to interim and annual financial statements beginning on April 1, 2009. The adoption of Section 3064 had no impact on the Company's financial statements, except for the reclassification of certain balance sheet items. (For further information, please refer to note 3 accompanying the interim consolidated financial statements appended to this Interim Management's Report.)

Future Changes in Accounting Standards

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interest*.

Section 1582 replaces former Section 1581 and establishes standards for the accounting of a business combination and is mostly aligned with International Financial Reporting Standards 3 ("IFRS 3"), *Business Combinations*. Section 1582 specifies (i) an expanded definition of a business; (ii) that most assets acquired and liabilities assumed will be measured at fair value; and, (iii) that acquisition costs will be recognized as expenses.

Sections 1601 and 1602 together replace former Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602, which converges with the requirements of International Accounting Standard 27 (IAS 27), *Consolidated and Separate Financial Statements*, establishes standards for accounting of a non-controlling interest resulting from a business acquisition, recognized as a distinct component of shareholders' equity. Net income will present the allocation between the controlling and non-controlling interests.

For the Company, these three standards will become effective for business combinations for which the acquisition date is on or after April 1, 2011 and for interim and annual consolidated financial statements relating to the fiscal year starting April 1, 2011. As Section 1582 is applicable only to future business combinations, the Company does not expect these new standards to have a material impact on the Company's consolidated financial statements prior to such acquisitions.

Transition to International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (“AcSB”) announced that accounting standards in Canada are to converge with International Financial Reporting Standards (“IFRS”). In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011, which in the case of the Company, represents interim and fiscal year-end periods beginning on or after April 1, 2011 (the “Changeover” date). In the Company’s reporting in those periods following the Changeover date, GLV will be required to present comparative data for equivalent periods in the previous fiscal year, making April 1, 2010 the “Transition” date for the Company.

IFRS use a conceptual framework similar to Canadian GAAP, but present significant differences on certain recognition, measurement and disclosure principles. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are better aligned with IFRS as illustrated by Section 3031 “Inventories” applicable for the Company as of April 1, 2008 and Section 3064 “Goodwill and intangible assets” applicable for the Company as of April 1, 2009 as they respectively relate to IAS 2 “Inventories” and IAS 38 “Intangible assets”, thus mitigating the impact of conversion to IFRS. Further, the International Accounting Standard Board¹ (“IASB”) will also continue to issue new, or amend existing accounting standards during the conversion period, and as a result, the final impact on the Company’s consolidated financial statements of applying IFRS in full will only be entirely measurable once all applicable IFRS standards at the final Changeover date are known.

The Company has drawn up a plan to convert its consolidated financial statements to IFRS. The Company has also set up an IFRS dedicated team. The Company is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting. A detailed analysis of the differences between IFRS and the Company’s accounting policies, as well as an assessment of the impact of the various alternatives, are in progress. Changes in accounting policies are likely and may materially impact the Company’s consolidated financial statements.

For further information, the transition plan is described in detailed in the March 31, 2009 Management’s Report. GLV will provide updates as further progress is achieved and conclusions are drawn by the Company.

Supplementary Information

Supplementary information about the Company, including the Annual Information Form dated June 12, 2009, the interim reports for the fiscal year ended March 31, 2009 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 of Directors and Chief Executive Officer

(SIGNED)

Marc Barbeau, CA

Executive Vice-President and Chief Financial Officer

November 12, 2009