2 Interim Report
for the three-month 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

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

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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 and 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 will 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 September 30,**		Change 2009 versus 2008	**Six months ended September 30,**		Change 2009 versus 2008
	2009	2008	%	**2009**	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%
Effective tax rate	***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

(in thousands of $, except per share amounts)		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.

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[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

(in thousands of $, except per share data)	**Three months ended September 30,**		**Six months ended 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.

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[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

(in thousands of $)	Three months ended September 30,		Six months ended 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

(in thousands of $, except ratio)	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	
Current ratio	***2.08 :1***	*2.05 :1*	

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

(in thousands of $, except ratio)	**September 30, 2009**	March 31, 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
Total net debt on invested capital ratio	***-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

(in thousands of $)	**September 30, 2009**	March 31, 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

(in thousands of $, except number of shares)	**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

(in thousands of $, except percentages)	**Three months ended September 30,**		Change 2009 versus 2008	**Six months ended September 30,**		Change 2009 versus 2008
	2009	2008	%	**2009**	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) impact of currency fluctuations:	**Three-month September 30,2009**	**Six months September 30,2009**
Revenues	**(86)**	**3,034**
Gross margin	**90**	**874**
EBITDA	**272**	**953**
Normalized EBITDA	**217**	**897**

Order backlogs:	**Sept. 30, 2009**	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 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.

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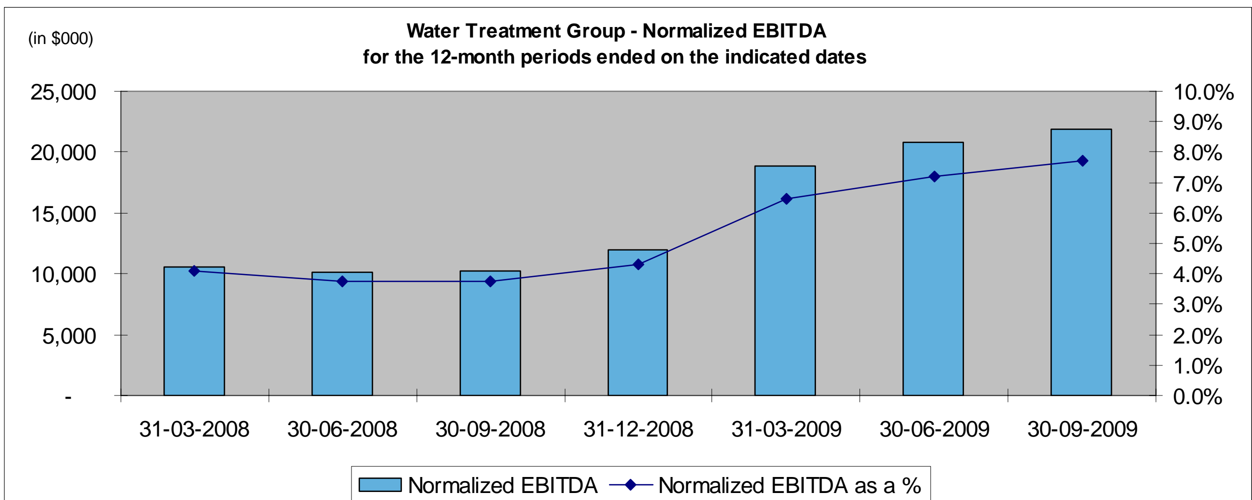
[1] The following text contains forward-looking statements, which are discussed in Section I, *"Notice Regarding Forward-Looking Statements"*.

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.

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[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

(in thousands of $, except percentages)	**Three months ended September 30,**		Change 2009 versus 2008	**Six months ended September 30,**		Change 2009 versus 2008
	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 September 30,2009**	**Six months September 30,2009**
Revenues	**444**	**4,051**
Gross margin	**77**	**713**
EBITDA	**101**	**655**
Normalized EBITDA	**94**	**535**

Order backlogs:	**Sept. 30, 2009**	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 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

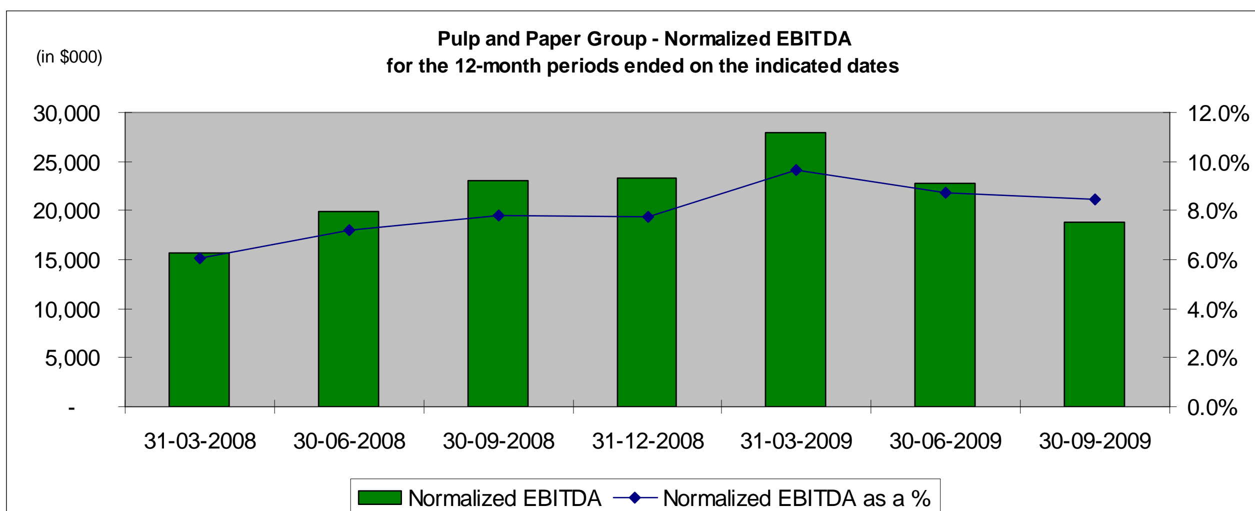
During the second quarter of fiscal 2010, the Pulp and Paper Group's revenues decreased by $37.7 M or 48.2% (48.7% decrease at constant exchange rates). In addition to the finalization of a large-scale contract that was in progress during the corresponding quarter of the previous year, this decline is 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 MANANAGEMENT

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 Board[1] ("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

Interim Consolidated Financial Statements of

GLV INC.

(Unaudited)

For the three-month and six-month periods ended September 30, 2009 and 2008

GLV INC.

Interim Consolidated Financial Statements
For the three-month and six-month periods ended September 30, 2009 and 2008
(Unaudited)

Financial Statements

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Interim Consolidated Statements of Earnings A-4

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Interim Consolidated Statements of Shareholders' Equity A-6

Interim Consolidated Statements of Cash Flows A-7

Notes to Interim Consolidated Financial Statements A-8

GLV INC.

Interim Consolidated Balance Sheets
(in thousands of dollars)

		September 30, 2009 (Unaudited)		March 31, 2009
Assets				
Current assets:				
Cash and cash equivalents	**$**	**4,827**	$	7,590
Accounts receivable (note 4)		**102,613**		125,553
Income taxes receivable		**149**		1,815
Derivative financial instruments (notes 17 and 18)		**2,038**		602
Inventories (note 5)		**36,962**		39,709
Contracts in progress, less progress billings (note 6)		**61,270**		79,688
Prepaid expenses		**3,741**		4,739
Future income taxes		**9,271**		10,085
		220,871		269,781
Property, plant and equipment		**34,680**		36,918
Future income taxes		**20**		832
Goodwill (note 7)		**31,399**		33,550
Intangible assets (note 8)		**43,721**		44,549
Restricted cash		**3,987**		3,969
Other assets		**4,717**		2,926
	$	**339,395**	$	392,525
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**104,989**	$	128,892
Derivative financial instruments (notes 17 and 18)		**1,047**		2,679
Future income taxes		**–**		246
		106,036		131,817
Advances from companies of Groupe Laperrière & Verreault Inc.		**1,026**		1,174
Long-term debt (note 9)		**904**		50,000
Other liabilities		**9,332**		10,527
Future income taxes		**2,501**		3,966
		119,799		197,484
Shareholders' equity:				
Share capital (note 10)		**216,885**		178,532
Contributed surplus		**2,499**		1,860
Retained earnings		**11,021**		11,417
Accumulated other comprehensive income		**(10,809)**		3,232
		219,596		195,041
	$	**339,395**	$	392,525

Guarantees (note 19)

See accompanying notes to unaudited interim consolidated financial statements.

GLV INC.

Interim Consolidated Statements of Earnings
For periods ended September 30, 2009 and 2008
(in thousands of dollars, except for per share amounts)
(Unaudited)

	Three months		Six months	
	2009	2008	**2009**	2008
Revenues	**$ 104,016**	$ 149,559	**$ 217,351**	$ 295,049
Costs of contracts and goods sold	**76,504**	118,512	**162,669**	230,954
	27,512	31,047	**54,682**	64,095
Selling and administrative expenses	**22,828**	23,556	**46,264**	49,293
Restructuring costs (note 12)	**960**	–	**1,368**	–
	23,788	23,556	**47,632**	49,293
Earnings before depreciation and amortization, financial expenses and income taxes	**3,724**	7,491	**7,050**	14,802
Depreciation and amortization	**2,871**	2,924	**5,988**	5,995
Earnings before financial expenses and income taxes	**853**	4,567	**1,062**	8,807
Financial expenses (income) (note 13)	**(424)**	1,224	**(1,217)**	2,704
Earnings before income taxes	**1,277**	3,343	**2,279**	6,103
Income taxes	**283**	419	**487**	1,074
Net earnings	**$ 994**	$ 2,924	**$ 1,792**	$ 5,029
Earnings per share (note 14):				
Basic and diluted	**$ 0.03**	$ 0.11	**$ 0.06**	$ 0.19
Weighted average number of participating shares outstanding (in thousands) (note 14):				
Basic and diluted	**31,776**	26,543	**29,174**	26,473

See accompanying notes to unaudited interim consolidated financial statements.

GLV INC.

Interim Consolidated Statements of Comprehensive Income
For periods ended September 30, 2009 and 2008
(in thousands of dollars)
(Unaudited)

	Three months		Six months	
	2009	2008	**2009**	2008
Net earnings	**$ 994**	$ 2,924	**$ 1,792**	$ 5,029
Other comprehensive income, net of income taxes:				
Foreign exchange adjustment on self-sustaining foreign operations	**(13,309)**	(5,765)	**(14,041)**	(5,497)
Comprehensive income	**$ (12,315)**	$ (2,841)	**$ (12,249)**	$ (468)

See accompanying notes to unaudited interim consolidated financial statements.

GLV INC.

Interim Consolidated Statements of Shareholders' Equity
(in thousands of dollars)
(Unaudited)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, March 31, 2008	$ 163,517	$ 662	$ 423	$ (6,353)	$ 158,249
Net earnings	–	–	5,029	–	5,029
Foreign exchange adjustment on self-sustaining foreign operations	–	–	–	(5,497)	(5,497)
Stock-based compensation	–	663	–	–	663
Issuance of share capital and related share issue costs	15,000	–	(33)	–	14,967
Options exercised	15	(4)	–	–	11
Balance, September 30, 2008	**$ 178,532**	**$ 1,321**	**$ 5,419**	**$ (11,850)**	**$ 173,422**
Net earnings	–	–	6,051	–	6,051
Foreign exchange adjustment on self-sustaining foreign operations	–	–	–	15,082	15,082
Stock-based compensation	–	539	–	–	539
Issuance of share capital and related share issue costs	–	–	(53)	–	(53)
Balance, March 31, 2009	**$ 178,532**	**$ 1,860**	**$ 11,417**	**$ 3,232**	**$ 195,041**
Net earnings	**–**	**–**	**1,792**	**–**	**1,792**
Foreign exchange adjustment on self-sustaining foreign operations	**–**	**–**	**–**	**(14,041)**	**(14,041)**
Stock-based compensation (note 11(a))	**–**	**639**	**–**	**–**	**639**
Issuance of share capital and related share issue costs (note 10)	**38,353**	**–**	**(2,188)**	**–**	**36,165**
Balance, September 30, 2009	**$ 216,885**	**$ 2,499**	**$ 11,021**	**$ (10,809)**	**$ 219,596**

See accompanying notes to unaudited interim consolidated financial statements.

GLV INC.

Interim Consolidated Statements of Cash Flows
For periods ended September 30, 2009 and 2008
(in thousands of dollars)
(Unaudited)

	Three months		Six months	
	2009	2008	**2009**	2008
Operating activities:				
Net earnings	**$ 994**	$ 2,924	**$ 1,792**	$ 5,029
Non-cash items in earnings:				
(Gain) loss on disposal of property, plant and equipment	**(5)**	(288)	**109**	(288)
Amortization of property, plant and equipment	**1,465**	1,571	**2,935**	3,229
Amortization of intangible assets	**1,406**	1,353	**3,053**	2,766
Amortization of deferred financing costs	**68**	104	**148**	175
Amortization of the deferred gain on sale-leaseback arrangement	**(117)**	(114)	**(241)**	(222)
Stock-based compensation (note 11)	**404**	35	**684**	495
Future income taxes	**(573)**	90	**(954)**	321
Changes in the fair value of derivative financial instruments (note 13)	**(1,228)**	700	**(3,044)**	1,130
Cash flows from operating activities before net changes in non-cash balances	**2,414**	6,375	**4,482**	12,635
Net changes in non-cash balances related to operations (net of effect of business acquisitions)	**14,602**	(6,281)	**12,449**	(20,827)
Cash flows from operating activities	**17,016**	94	**16,931**	(8,192)
Financing activities:				
Net change of the revolving credits facilities	**(51,096)**	7,091	**(49,096)**	(4,377)
Repayment of long-term debt	**–**	(1,317)	**–**	(2,938)
Financing costs	**(202)**	1	**(202)**	(102)
Issuance of share capital	**38,353**	11	**38,353**	15,011
Costs of issuance of share capital	**(2,188)**	3	**(2,188)**	(49)
Cash flows from (used in) financing activities	**(15,133)**	5,789	**(13,133)**	7,545
Investing activities:				
Business acquisitions (note 15)	**–**	–	**(515)**	–
Acquisition of property, plant and equipment	**(1,345)**	(2,234)	**(2,079)**	(3,456)
Disposal of property, plant and equipment	**4**	2,272	**6**	2,272
Addition of intangible assets	**(317)**	(389)	**(944)**	(965)
Changes in restricted cash	**(9)**	(38)	**(18)**	(402)
Net changes in other assets	**(1,851)**	1,069	**(1,837)**	26
Cash flows used in investing activities	**(3,518)**	680	**(5,387)**	(2,525)
Effect of exchange rate changes on cash and cash equivalent	**(1,602)**	(1,506)	**(1,174)**	(2,125)
Net increase (decrease) in cash and cash equivalents	**(3,237)**	5,057	**(2,763)**	(5,297)
Cash and cash equivalents, beginning of period	**8,064**	8,370	**7,590**	18,724
Cash and cash equivalents, end of period	**$ 4,827**	$ 13,427	**$ 4,827**	**$** 13,427
Supplemental information:				
Net interest paid (received)	**$ 578**	$ (209)	**$ 1,184**	$ 1,175
Income taxes paid (received)	**320**	1,017	**(466)**	1,823

See accompanying notes to unaudited interim consolidated financial statements.

1. Nature of Operations and Organization:

GLV Inc. ("GLV" or the "Company") is a provider of technological solutions for the water treatment and pulp and paper manufacturing sectors. The Water Treatment Group specializes in the design and marketing of solutions for the treatment of municipal and industrial wastewater and water used in various industrial processes, and also offers water intake screening solutions for power stations and desalination plants. The Pulp and Paper Group specializes in the design and marketing of equipment used in various stages of pulp and paper production, notably chemical pulping, pulp preparation and sheet formation, and is a recognized leader in rebuilding, upgrading and optimization services for existing equipment, as well as the sale of replacement parts. GLV was incorporated on May 15, 2007, under the Canada Business Corporations Act.

2. Basis of Presentation:

The unaudited interim consolidated financial statements of the Company have been prepared under Canadian Generally Accepted Accounting Principles ("GAAP") and are expressed in Canadian dollars. The unaudited consolidated balance sheet as at September 30, 2009 and the unaudited interim consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the three-month and six-month periods ended September 30, 2009 and 2008 reflect all adjustments which are, in the opinion of the Company, necessary to a fair statement of the results of the interim periods presented.

The unaudited interim consolidated financial statements follow the same accounting policies described in note 4 of the audited consolidated financial statements of the Company for the year ended March 31, 2009, except for the changes described in note 3 below. The unaudited interim consolidated financial statements for the three-month and six-month periods ended September 30, 2009 and 2008 have not been reviewed by the Company's auditors.

The unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended March 31, 2009.

Certain comparative figures have been reclassified in order to comply with the current period's presentation.

All amounts in the attached notes are unaudited unless specifically identified.

3. Changes and Future Changes in Accounting Policies:

(a) 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 retrospectively adopted this accounting policy without restating comparative figures of prior periods.

Intangible Assets

In February 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 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 section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition.

3. Changes and Future Changes in Accounting Policies (continued)

(a) Changes in Accounting Policies (continued):

For the Company, this standard applies to interim and annual financial statements beginning on April 1, 2009. The adoption of Section 3064 did not have an impact on the Company's financial statements, other than certain balance sheet reclassifications. The comparative figures have been reclassified as follows:

	Net value Reported as at March 31, 2009	Net value Reclassification	Net value Reclassified as at March 31, 2009
Property, Plant and Equipment	$ **40,399**	$ **(3,481)**	$ **36,918**
Intangible Assets (note 8)			
Technologies	**28,734**	**–**	**28,734**
Development costs	**–**	**2,409**	**2,409**
Trademarks	**4,899**	**–**	**4,899**
Customer relations	**3,493**	**–**	**3,493**
Non-compete agreements	**1,533**	**–**	**1,533**
Acquired software [(1)(3)]	**–**	**2,273**	**2,273**
Internally-generated software [(2)(3)]	**–**	**1,208**	**1,208**
Other Assets			
Development costs	**2,409**	**(2,409)**	**–**
	$ **81,467**	$ **–**	$ **81,467**

[(1)] Acquired software is purchased software that is non embedded in a machine.
[(2)] Internally-generated software arises from internal development activities.
[(3)] Amortized on a straight-line basis over a three or ten-year useful life.

(b) Transition to IFRS

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with 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 period beginning on 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 uses a conceptual framework similar to Canadian GAAP, but presents 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 Board[1] ("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.

[1] The International equivalent of the AcSB.

3. Changes and Future Changes in Accounting Policies (continued)

(b) Transition to IFRS (continued)

The Company has developed 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 various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

4. Accounts Receivable:

	September 30, 2009	March 31, 2009
Trade	$ **81,975**	$ 104,979
Holdbacks on contracts	**9,574**	9,861
Other	**11,064**	10,713
	$ **102,613**	$ 125,553

5. Inventories:

	September 30, 2009	March 31, 2009
Raw materials	**$ 7,604**	$ 8,715
Finished goods	**29,358**	30,994
	$ 36,962	$ 39,709

During the three-month and six-month periods ended September 30, 2009 and 2008, the cost of raw materials and finished goods expensed to the costs of contracts and goods sold represents respectively $21,881,000 ($20,582,000 in 2008) and $42,266,000 ($52,627,000 in 2008).

A net reversal of write-down of inventories totalling $9,000 and $415,000 were respectively recognized in the costs of contracts and goods sold for the three-month and six-month periods ended September 30, 2009. A net reversal of write-down of inventories totaling $3,000 for the three-month period and a net write-down of $663,000 for the six-month period ended September 30, 2008 were recognized in the costs of contracts and goods sold.

6. Contracts in Progress, Less Progress Billings:

	September 30, 2009	March 31, 2009
Contracts in progress	**$ 439,855**	$ 423,797
Progress billings	**(378,585)**	(344,109)
	$ 61,270	$ 79,688

7. Goodwill:

	Balance as at March 31, 2009	**Translation adjustment**	**Balance as at September 30, 2009**
Water Treatment Group	$ 29,414	$ (1,765)	**$ 27,649**
Pulp and Paper Group	4,136	(386)	**3,750**
	$ 33,550	$ (2,151)	**$ 31,399**

8. Intangible Assets:

	Balance as at March 31, 2009	**Additions**	**Disposal**	**Amortization**	**Translation adjustment**	**Balance as at September 30, 2009**
Technologies	$ 28,734	$ 608	$ –	$ (1,461)	$ 980	**$ 28,861**
Development costs	2,409	437	–	(225)	56	**2,677**
Trademarks	4,899	–	–	(170)	68	**4,797**
Customer relations	3,493	–	–	(370)	(48)	**3,075**
Non-compete agreements	1,533	–	–	(75)	60	**1,518**
Software acquired	2,273	174	(14)	(644)	(187)	**1,602**
Software internally generated	1,208	120	–	(108)	(29)	**1,191**
	$ 44,549	$ 1,339	$ (14)	$ (3,053)	$ 900	**$ 43,721**

9. Long-Term Debt:

	September 30, 2009	March 31, 2009
Revolving credit facilities for a maximum amount of $225,000,000 ($175,000,000 as at March 31, 2009); the rates vary depending on the Canadian prime rate and US base rate, plus 0% to 1.25% and/or the bankers' acceptance rates and/or LIBOR and/or the European rates plus 0.625% to 2.25%, maturing in August 2012 (1)		
Amount of Canadian dollars denominated debt	**$ 904**	$ 50,000

(1) An amount of $125,000,000 may be used to meet day-to-day financing requirements, to issue letters of credit and to finance business acquisitions. The remaining $100,000,000 ($50,000,000 as at March 31, 2009) may be used to issue letters of credit guaranteed by Export and Development Canada ("EDC").

As at September 30, 2009, the revolving credit facilities were used to issue letters of credit totaling $1,085,000 ($1,324,000 as at March 31, 2009) and to issue EDC-guaranteed letters of credit totaling $34,531,000 ($42,004,000 as at March 31, 2009).

No capital repayments are required before the revolving credit facilities become due in August 2012.

The Company is required to maintain certain financial ratios with respect to the credit facilities. As at September 30, 2009, the Company was in compliance with all financial ratios.

In July 2009, the Company has agreed with its principal lenders to amend the credit facility entered into in August 2007, which consists of two non-reducing revolving credits totaling $175,000,000, of which $125,000,000 by way of a revolving credit facility is available to finance business acquisitions, meet day-to-day financing requirements and issue letters of credit, and $50,000,000 that may be used to issue letters of credit guaranteed by Export and Development Canada (EDC). The amended agreement provides for an increase of the latter amount from $50,000,000 to $100,000,000, raising the total credit facilities made available as part of the August 2007 financing from $175,000,000 to $225,000,000. The other terms and conditions of the financing agreement, maturing in August 2012, remain substantially the same.

In April 2008, The Solidarity Fund QFL (the "Fund") made financing available to GLV, for an initial period of six months, by way of unsecured debentures of up to $25,000,000, to be issued as the Company's expansion projects progressively materialize, repayable seven years after the issue thereof. The Fund has renewed the commitment for additional periods, the latest of which was to December 15, 2009. As at September 30, 2009, no debenture had been issued.

10. Share Capital:

Authorized:

Unlimited number of shares without par value:

Class A subordinate voting shares, participating

Class B multiple voting shares, carrying 10 votes per share, participating, convertible into Class A subordinate voting shares

Preferred shares, issuable in series

Issued and fully paid:

	September 30, 2009		March 31, 2009	
	Number of shares	**Share capital**	Number of shares	Share capital
Class A subordinate voting shares				
Outstanding beginning of period	**24,111,821**	**$ 162,869**	22,841,075	$ 147,108
Conversion of Class B shares into Class A shares	**227,700**	**1,466**	115,900	746
Issuance of shares	**5,290,000**	**38,353**	1,153,846	15,000
Options exercised	**–**	**–**	1,000	15
Outstanding, end of period	**29,629,521**	**202,688**	24,111,821	162,869
Class B multiple voting shares				
Outstanding beginning of period	**2,431,905**	**15,663**	2,547,805	16,409
Conversion of Class B shares into Class A shares	**(227,700)**	**(1,466)**	(115,900)	(746)
Outstanding, end of period	**2,204,205**	**14,197**	2,431,905	15,663
Total	**31,833,726**	**$ 216,885**	26,543,726	$ 178,532

On July 2, 2009, the Company closed a bought deal public offering of 5,290,000 Class A subordinate voting shares at $7.25 per share for total gross proceeds of $38,352,500. The share issue costs of $2,188,000 have been accounted for as a reduction of retained earnings.

11. Stock Option and Other Stock-Based Compensation Plans:

(a) Stock Option Plan:

Under the stock option plan put in place by GLV for senior executives, management and directors, a maximum of 2,538,888 Class A subordinate voting shares of the share capital of the Company may be issued. Under the plan, the exercise price of each option cannot be less than the weighted average price of the shares traded on the Toronto Stock Exchange for the five days immediately preceding the grant date of the stock options. The number of stock options that may be issued to non managing directors is limited to 1% of the outstanding number of shares of the Company.

During the six-month period ended September 30, 2009, the Company issued 328,010 stock options. Of these stock options, 320,000 will vest over five years at the rate of 20% per year, becoming exercisable upon the achievement of a fixed quoted market price of the Class A subordinate voting shares as determined by the Board of Directors of the Company. Resulting from a Board of Directors resolution, 8,010 stock options issued to directors were vested at the issuance date. During the same period, 22,000 stock options were cancelled. All these stock options have a maximum term that may not exceed 10 years from the grant date.

	September 30, 2009	
	Number	**Weighted average exercise price**
Balance, beginning of period	**1,312,000**	**$ 10.98**
Issued	**328,010**	**6.83**
Cancelled	**(22,000)**	**12.78**
Balance, end of period	**1,618,010**	**$ 10.11**

The following table summarizes the information on the stock options outstanding as at September 30, 2009:

	Options outstanding			Options exercisable	
Exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 6.72	280,000	9.7	$ 6.72	–	$ –
7.32	40,000	9.5	7.32	–	–
8.31	8,010	10.0	8.31	8,010	8.31
10.82	1,230,000	7.9	10.82	507,000	10.82
12.98	40,000	8.4	12.98	8,000	12.98
14.77	20,000	8.7	14.77	4,000	14.77
	1,618,010		$ 10.11	527,010	$ 10.84

11. Stock Option and Other Stock-Based Compensation Plans (continued):

(a) Stock Option Plan (continued):

The Company recorded stock-based compensation expenses related to the stock option plan of respectively $360,000 and $639,000 during the three-month and six-month periods ended September 30, 2009.

The fair value of options granted during the six-month period ended September 30, 2009 was determined using a binomial simulation option pricing model and Black Scholes based on the following assumptions:

Weighted average fair value of options granted	$2.90
Risk-free interest rate	between 2.5% and 3.5%
Expected life	7 years
Expected volatility of stock price	35%
Expected dividend yield	0%

(b) Other Stock-Based Compensation Plans:

In April 2009, the Company put in place a new long term incentive program providing for grants of stock appreciation rights ("SARs"), which plan is in addition to the initial SAR plan that had been put in place in 2007. A total of 480,000 SARs were granted in April 2009 in accordance to the new plan, offered exclusively to key staff and employees involved in the operations of our Water Treatment and Pulp & Paper segments. Each SAR granted in April 2009 has a reference price of $7.06, which represents the weighted average price of the underlying Class A subordinate voting shares of the Company as traded on the Toronto Stock Exchange during the ten days immediately preceding the grant date (April 9, 2009). The SARs vest over five years (in equal blocks of 20%) starting at the sixth anniversary of the grant date, becoming fully vested upon their tenth anniversary, with mandatory payment at each vesting block of the excess of the then calculated weighted average price of the Class A subordinate voting shares of the Company (for the ten days preceding each vesting anniversary) compared to the reference price of $7.06. There were 480,000 SARs outstanding pursuant to the new plan as at September 30, 2009. The Company recorded a compensation cost of $44,000 and $45,000 respectively for the three-month and six-month periods ended September 30, 2009, with the corresponding credit accrued in other liabilities.

12. Restructuring Costs:

During the quarter ended September 30, 2009, GLV accounted non-recurring expenses totaling $960,000, principally severance charges of which $365,000 were related to Pulp and Paper Group and manufacturing unit, and $595,000 were related to Water Treatment Group.

Since beginning of fiscal year 2010, restructuring non-recurring charges were recorded, totaling $1,368,000.

13. Financial Expenses (Income):

	Three months		Six months	
	2009	2008	**2009**	2008
Interest on long-term debt	**$ 292**	$ 965	**$ 825**	$ 1,605
Interest income, net	**(14)**	(163)	**(147)**	(343)
Amortization of deferred financing costs	**68**	104	**148**	175
Foreign exchange (gain) loss	**137**	(796)	**361**	(466)
Changes in the fair value of derivative financial instruments	**(1,228)**	700	**(3,044)**	1,130
Other	**321**	414	**640**	603
	$ (424)	$ 1,224	**$ (1,217)**	$ 2,704

14. Earnings per Share:

Basic earnings per share are calculated by dividing the net earnings attributable to the shareholders by the weighted average number of participating shares outstanding during the fiscal years.

Diluted earnings per share are calculated by dividing the net earnings attributable to the shareholders by the weighted average number of participating shares outstanding adjusted to take into account the potential diluting impact of the outstanding stock options.

The net effect of outstanding stock options in the determination of the weighted average number of participating shares outstanding for the diluted earnings per share calculation in the fiscal years presented was nil, as the effect was anti-dilutive.

15. Business Acquisition:

Business acquisitions are accounted for using the purchase method. Accordingly, the allocation of the purchase price to net assets acquired is based on their fair values. The results of business acquired are included in the consolidated financial statements from the date of acquisition.

During the six-month period ended September 30, 2009, the Company acquired the net assets of the following business:

On April 14, 2009, the Company acquired certain assets of Elcotech Technologies Inc. (“Elcotech”), based in Boucherville (Quebec, Canada) for a cash consideration of $515,000. The acquisition primarily covers the intellectual property rights and patents related to the equipment line using the state-of-the-art municipal and industrial wastewater sludge treatment technology developed by Elcotech. No goodwill was recorded as part of the purchase price allocation related to this acquisition.

16. Segmented Information:

	Three-month period ended September 30, 2009			
	Water Treatment Group	**Pulp and Paper Group**	**Other and elimination**	**Total**
Revenues	**$ 61,392**	**$ 40,612**	**$ 2,012**	**$ 104,016**
Restructuring costs	**595**	**239**	**126**	**960**
Earnings (loss) before amortization, financial expenses and income taxes	**3,994**	**2,075**	**(2,345)**	**3,724**
Amortization excluding deferred financing costs	**987**	**701**	**1,183**	**2,871**
Earnings (loss) before financial expenses and income taxes	**3,007**	**1,374**	**(3,528)**	**853**
Acquisition of property, plant and equipment	**733**	**481**	**131**	**1,345**

	Three-month period ended September 30, 2008			
	Water Treatment Group	Pulp and Paper Group	Other and elimination	Total
Revenues	$ 67,137	$ 78,340	$ 4,082	$ 149,559
Earnings (loss) before amortization, financial expenses and income taxes	3,495	6,301	(2,305)	7,491
Amortization excluding deferred financing costs	1,400	709	815	2,924
Earnings (loss) before financial expenses and income taxes	2,095	5,592	(3,120)	4,567
Acquisition of property, plant and equipment	132	1,808	294	2,234

16. Segmented Information (continued):

	Six-month period ended September 30, 2009			
	Water Treatment Group	**Pulp and Paper Group**	**Other and elimination**	**Total**
Revenues	**$ 125,189**	**$ 87,273**	**$ 4,889**	**$ 217,351**
Restructuring costs	**611**	**631**	**126**	**1,368**
Earnings (loss) before amortization, financial expenses and income taxes	**8,578**	**3,728**	**(5,256)**	**7,050**
Amortization excluding deferred financing costs	**1,950**	**1,530**	**2,508**	**5,988**
Earnings (loss) before financial expenses and income taxes	**6,628**	**2,198**	**(7,764)**	**1,062**
Acquisition of property, plant and equipment	**1,253**	**643**	**183**	**2,079**

	Six-month period ended September 30, 2008			
	Water Treatment Group	Pulp and Paper Group	Other and elimination	Total
Revenues	$ 133,690	$ 153,921	$ 7,438	$ 295,049
Earnings (loss) before amortization, financial expenses and income taxes	6,160	13,510	(4,868)	14,802
Amortization excluding deferred financing costs	2,971	1,464	1,560	5,995
Earnings (loss) before financial expenses and income taxes	3,189	12,046	(6,428)	8,807
Acquisition of property, plant and equipment	860	2,177	419	3,456

17. Financial Instruments:

As at September 30, 2009 and March 31, 2009, the carrying amounts and fair values of derivative financial instruments were as follows:

	September 30, 2009		March 31, 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Foreign exchange contracts				
-Favourables	**$ 546**	**$ 546**	$ 66	$ 66
-Unfavourables	**(328)**	**(328)**	(1,373)	(1,373)
Total return swap	**1,492**	**1,492**	536	536
Interest rate swap	**(719)**	**(719)**	(1,306)	(1,306)

The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties to derivative financial instruments with positive fair values failed completely to perform under the contracts was $2,038,000 as at September 30, 2009 ($602,000 at March 31, 2009).

GLV does not apply hedge accounting to its foreign exchange contracts, its total return swap and its interest rate swap; rather, it recognizes them at their fair value. This practice occasionally gives rise to unrealized gains and losses that can cause some volatility in the Company's financial results from quarter to quarter.

18. Financial Risk Management:

Credit Risk:

As at September 30, 2009 and March 31, 2009, the aging analysis of accounts receivable (including holdbacks) is as follows:

	Accounts Receivable	
	September 30, 2009	March 31, 2009
Current	**$ 71,705**	$ 93,834
Past due	**23,803**	26,602
Trade accounts receivable (including holdbacks)	**95,508**	120,436
Less allowance for doubtful accounts	**3,959**	5,596
	$ 91,549	$ 114,840

The following table provides the change in allowance for doubtful accounts:

	Allowance for Doubtful Accounts	
	September 30, 2009	March 31, 2009
Balance at beginning of period	**$ 5,596**	$ 2,850
Change in allowance for doubtful accounts	**(1,637)**	2,746
Balance at end of period	**$ 3,959**	$ 5,596

18. Financial Risk Management (continued):

Liquidity Risk:

The following table summarizes the carrying amount and the contractual maturities of interest and capital of significant financial liabilities as at September 30, 2009.

	Carrying amount	Contractual Cash Flows	Twelve months ending September 30,		
			2010	2011	2012
Accounts payable and accrued liabilities	$ 104,989	$ 104,989	$ 104,989	$ –	$ –
Derivative financial instruments	1,047	1,628	1,074	457	97
Advances from Companies of Groupe Laperrière & Verreault Inc.	1,026	1,026	1,026	–	–
Long-term debt	904	962	20	20	922
	$ 107,966	$ 108,605	$ 107,109	$ 477	$ 1,019

18. Financial Risk Management (continued):

Market Risk – Foreign Exchange:

The notional amounts and terms of the outstanding foreign exchange forward contracts as at September 30, 2009 and March 31, 2009, presented by currency are included in the following tables:

	September 30, 2009			March 31, 2009		
Currencies (sold/purchased)	**Average Rate**	**Notional Amount**	**Fair Value**	Average Rate	Notional Amount	Fair Value
Sell contracts:						
USD/CAD:						
Less than 1 year	**1.2233**	**$ 713**	**$ 101**	1.1692	$ 2,631	$ (189)
USD/GBP:						
Less than 1 year	**0.5536**	**708**	**(78)**	0.5556	555	(108)
More than 1 year	**–**	**–**	**–**	0.5536	833	(164)
AUD/USD:						
Less than 1 year	**–**	**–**	**–**	0.7856	1,166	(130)
EUR/SEK:						
Less than 1 year	**11.0857**	**2,353**	**203**	10.1692	8,856	(626)
EUR/CAD:						
Less than 1 year	**1.6076**	**341**	**9**	1.6076	363	(14)
USD/AUD						
Less than 1 year	**1.2847**	**669**	**88**	–	–	–
USD/SEK:						
Less than 1 year	**7.9188**	**1,072**	**145**	7.9188	1,260	(51)
Buy contracts:						
EUR/CAD:						
Less than 1 year	**1.5660**	**341**	**–**	–	–	–
USD/EUR:						
Less than 1 year	**–**	**–**	**–**	0.7745	392	13
CAD/GBP:						
Less than 1 year	**0.5685**	**5,147**	**(144)**	0.5618	3,244	53
AUD/EUR:						
Less than 1 year	**0.5642**	**875**	**(56)**	0.4975	741	(39)
AUD/GBP:						
Less than 1 year	**0.5021**	**538**	**(50)**	0.4585	863	(49)
NZD/AUD:						
Less than 1 year	**–**	**–**	**–**	0.7837	55	(3)

Exchange rates as at September 30, 2009 and March 31, 2009, were used to translate amounts in foreign currencies.

18. Financial Risk Management (continued):

Market Risk – Foreign Exchange (continued):

As per the sensitivity analysis performed as at September 30, 2009, based on the Company's foreign exchange exposure as its pertains to changes in the fair value of monetary assets and liabilities, and assuming all other variables remain constant, a 5% strengthening of the U.S. dollar over the functional currencies of the Company and its subsidiaries would have had a favorable impact of $33,000 on net earnings. Also, a strengthening of 5% of the Euro and the pound Sterling would have had a favorable impact of $471,000 and $129,000, respectively, on net earnings. On the other hand, a 5% strengthening of the Canadian dollar and the Swedish Krona would have an unfavorable impact of $53,000 and $90,000, respectively, on net earnings. A 5 % decrease of these currencies would have the inverse effect on net earnings.

Market Risk – Interest Rates:

On November 10, 2008, the Company entered into an interest rate swap agreement to synthetically convert its interest rate exposure. The interest swap agreement in place has a maturity date of January 7, 2012 and is for decreasing notional amounts of $50,000,000, $35,000,000 and $20,000,000 for the periods ending January 7, 2010, 2011 and 2012, respectively. Under the terms of the agreement, for the interest rate swap, the Company receives a variable rate equal to CDOR (1) and pays a fixed rate of 2.36%, for the full duration of the agreement, as applied to the notional amounts for each period.

As per the sensitivity analysis performed, assuming all other variables remain constant, a 1% increase on all the interest rates for the three-month and six-month periods ended September 30, 2009, would have had a favorable impact of $76,000 and $58,000 respectively on net earnings, while a 1% decrease in interest would have resulted in an unfavorable impact of $34,000 and $25,000 respectively on net earnings. For interest rate derivative financial instruments, an increase of 1% in interest rates as of September 30, 2009, would have had, with respect to the financial instrument's market revaluation, a favorable impact of approximately $665,000 on net earnings, and a decrease of 1% would have resulted in an equally unfavorable decrease on net earnings.

Market Risk – Equity Price

In early fiscal 2010, the Company put in place a new stock appreciation rights plan. Since that date, the Company is exposed to a financial risk as impacted by fluctuations in the market price of its Class A subordinate voting shares which underlie the stock-based compensation expense related to the above mentioned plan. During the third quarter of fiscal 2009, the Company entered into a total return swap agreement with a financial institution in order to mitigate this risk. The Company recognizes mark-to-market adjustments related to the derivative financial instrument in gains and losses. Under the swap agreement, 500,000 Class A subordinate voting shares have been purchased under the total return swap agreement at an average price of $5.517 per share. The total return swap agreement provides for an initial termination date of March 29, 2019.

(1) Canadian Dealer Offered Rate (CDOR).

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19. Guarantees:

The Company is committed under letters of credit, corporate guarantees as well as insurance surety bonds for the achievement of its contracts. As at September 30, 2009, the Company had commitments totaling $118,285,000 (March 31, 2009 – $135,141,000), including letters of credit and letters of credit guaranteed by EDC as disclosed in note 9.

20. Subsequent Events:

On October 13, 2009, GLV launched 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 and conducting international operations in the area of industrial and municipal water treatment technologies. The completion of the Offer is conditional on having a minimum of 75% of CWT’s shares tendered into the Offer. CWT’s shareholders have until November 17, 2009, 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.

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 $53,300,000, of which $39,800,000 comes from the Caisse and $13,500,000 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 acquisition cost of approximately $105,000,000 for CWT shares.

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