Interim Management's Discussion & Analysis

Third quarter of fiscal 2011

Three- and nine-month periods ended December 31, 2010

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Thursday, February 10, 2011

Unless otherwise indicated, all amounts are in Canadian dollars.

1. HIGHLIGHTS

The Corporation's results for the quarter ended December 31, 2010 show a clear improvement in profitability compared with the two previous quarters, demonstrating that efforts to integrate Christ Water Technology (CWT), consolidate water treatment operations under the Ovivo brand and strengthen management and control processes are starting to pay off.

THIRD QUARTER OF FISCAL 2011

Revenues: $190.7 million

- Compared with $139.2 million for the same quarter in fiscal 2010, an increase driven by organic revenue growth (at constant exchange rates) in the Water Treatment Group (Ovivo) and the Pulp and Paper Group, plus the inclusion of CWT.

Gross margin: $38.6 million

- 20.2% of consolidated revenues, down from the margin of 23.7% ($33.0 million) for the third quarter of fiscal 2010 but up from 18.6% for the first half of the fiscal year.

EBITDA: $7.4 million
Normalized EBITDA: $9.6 million

- Compared with an EBITDA of $7.7 million and a normalized EBITDA of $7.3 million for the third quarter of 2010. The higher normalized EBITDA stems partly from the sound performance by the Water Treatment Group (Ovivo) in the U.S. municipal works and microelectronics markets, and overall Pulp and Paper Group results.
- A normalized consolidated EBITDA margin of 5.0%, down marginally from 5.3% year-over-year, but up sharply from the result of (0.1)% in the first half of fiscal 2011, which factored in the operating losses of the two European divisions of the Water Treatment Group (Ovivo).

Net loss: $(0.9) million or $(0.02) per share, basic and diluted

- Down from net earnings of $1.7 million ($0.05 per share, basic and diluted) for the third quarter of fiscal 2010 owing to provisions made during the quarter and the higher amortization expense of intangible assets resulting from the CWT acquisition and interest on the long-term debt for acquisition financing.

Normalized net earnings: $2.2 million or $0.05 per share, basic and diluted

- Compared with $1.5 million ($0.04 per share, basic and diluted) for the same period in the previous fiscal year.

Free cash flow: $4.1 million or $0.09 per share, basic and diluted

- Compared with free cash flow of $4.3 million ($0.12 per share, basic and diluted) for the third quarter of fiscal 2010.

OTHER DATA AS AT DECEMBER 31, 2010

Total net debt to invested capital ratio: 14.6%

- Up from 6.9% as at March 31, 2010 due to investments in working capital to support operations and investments aimed, in particular, at minimizing the difficulties of the European division responsible for energy contract management.

Backlog: $385.9 million

- Down from $428.2 million as at September 30, 2010, attributable to a decrease in orders in certain segments, amplified by the impact of exchange rate fluctuation for both the Water Treatment Group (Ovivo) and the Pulp and Paper Group.

  More specifically, the slowdown in orders resulted from:

  - The number of energy sector contracts decreasing over the past few months;
  - A more cautious approach to project selection in energy and seawater desalination segments;
  - Some delays in the awarding of contracts by clients of the Water Treatment Group (Ovivo), particularly in the U.S. municipal market and in the Asia-Pacific food and beverage sector, as well as by Pulp and Paper Group clients.

  The above factors were partly offset by higher order intake volumes in the U.K. municipal market and for water treatment systems used in the pulp and paper industry.

2. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

The management of GLV would like to point out that forward-looking statements involve a number of uncertainties and known and unknown risks such that GLV's actual and future results could differ materially from those stated. Factors of uncertainty and risk that might result in such differences include the risks related to acquisitions and contracts with clients, dependence on key personnel, exchange rate fluctuations, credit, market and liquidity risks, competition, supplier-related risks, availability of the financing required to carry on the business and strategic plan, concentration risk, availability of raw materials, fluctuations in interest rates, potential lawsuits regarding intellectual property rights, asset impairment risk and risks associated with GLV's holding company structure. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. In addition, unless otherwise indicated, the forward-looking statements included in this interim MD&A were set forth at the date hereof, and unless required to do so pursuant to applicable securities legislation, GLV's 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. Forward-looking statements are designed to provide the reader with a description of management's expectations regarding the Corporation's financial performance during fiscal 2011 and may not be appropriate for other purposes.

Additional information about the risk factors to which GLV is exposed is provided under "Risk management and risk factors" in the MD&A for the fiscal year ended March 31, 2010 available on SEDAR (www.sedar.com) and the Corporation's website (www.glv.com). The significant factors and assumptions used to draw conclusions or prepare forecasts or projections are also discussed in the MD&A for the fiscal year ended March 31, 2010.

3. PRELIMINARY COMMENTS TO THE INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim MD&A was prepared under the responsibility of GLV's management and approved by its Board of Directors as of February 10, 2011. The information appearing herein accounts for all significant events that occurred prior to that date. The MD&A presents the Corporation's position and business context as they were, to management's best knowledge, upon its approval by the Board of Directors.

This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the three- and nine-month periods ended December 31, 2010, as well as with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2010. The interim consolidated financial statements for the three- and nine-month periods ended December 31, 2010 and December 31, 2009 have not been reviewed or audited by the Corporation's external auditors.

Revenues, cost of contracts and goods sold, income taxes and backlogs for the third quarter of 2010 of the Corporation have been restated to reflect the change in accounting policy pertaining to revenue recognition adopted in the fourth quarter of fiscal 2010. The various items in the statement of earnings for all periods presented in the consolidated financial statements and MD&A have been restated accordingly. For more information about this change in accounting policy, see "Revenue recognition" in section 14, "Accounting policies and miscellaneous items."

In this interim MD&A, "GLV" or "the Corporation" designates, as the case may be, GLV Inc. and its subsidiaries and divisions, or GLV Inc. or one of its subsidiaries or divisions. The fiscal year ending March 31, 2011 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2011", "fiscal 2010" and so forth. The "third quarter of fiscal 2011" and the "third quarter of fiscal 2010" refer to the three-month periods ended December 31, 2010 and 2009, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three- and nine-month periods ended December 31, 2010 is performed in relation to the equivalent periods ended December 31, 2009, whereas the comparative analysis of balance sheet items as at December 31, 2010 is performed in relation to data recorded as at March 31, 2010.

The information contained in this interim MD&A is mainly structured by group, specifically the Water Treatment Group (Ovivo) and the Pulp and Paper Group. The financial information presented in this interim MD&A, including tabular amounts, has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). It also includes some financial data relating to operating results and cash flows that are non-GAAP measures. Information regarding the non-GAAP measures, along with a table providing a reconciliation between the non-GAAP measures and the audited consolidated financial statements of the Corporation, is provided in section 14, "Accounting policies and miscellaneous items," of this interim MD&A.

4. DESCRIPTION OF BUSINESS

GLV Inc. is a leading global provider of technological solutions used in water treatment as well as in pulp and paper production. The Corporation operates in some 30 countries and had approximately 2,300 employees as at December 31, 2010.

- The **Water Treatment Group (Ovivo)** designs and markets treatment and recycling solutions and components for municipal and industrial wastewater as well as water used in various industrial processes. The Group also develops seawater desalination technologies and offers water intake screening solutions for power stations, refineries and water desalination facilities. With its extensive technological portfolio, it is positioned to provide comprehensive solutions for the filtration, clarification, treatment and purification of water to be returned into the environment, re-used in various industrial processes or used for domestic purposes.
- The **Pulp and Paper Group** designs and globally markets equipment used in various stages of paper production, from pulp preparation to sheet formation and finishing. It also serves the global market with rebuilding, upgrading and optimization services for existing equipment, as well as the sale of replacement parts. It ensures that its portfolio consists of innovative products and technologies that bring added value to the customer, such as lower energy consumption.

GLV Inc. is a public company whose shares trade on the Toronto Stock Exchange (TSX) under the ticker symbols GLV.A and GLV.B. Its stock is a constituent of the S&P/TSX Clean Technology Index.

5. STRATEGIC APPROACH

To drive sustained revenue growth and continuous improvement in profitability, the Corporation maintains an entrepreneurial culture across the organization and implements a strategy based on four main axes:

- ***Business acquisitions***
  The Corporation continually seeks opportunities to enhance its technology portfolio, particularly through the addition of complementary technologies, to expand its commercial presence in high growth potential regions.
- ***Presence in target geographic markets***
  The Corporation operates on all continents. It strives to expand its presence in its traditional markets of North America and Western Europe, while positioning itself in areas of the world where water processing and pulp and paper industries boast high growth potential, such as Southeast Asia, Australia, the Middle East, China, India and Russia.

- ***Development of aftermarket services***
  Aftermarket services, including the sale of replacement parts and optimization services for existing equipment, generate recurring revenue streams and added value. The Pulp and Paper Group is already active in this market in North America and Western Europe and targets markets where new infrastructure spending is on the rise. The Water Treatment Group (Ovivo) intends to expand its service offering in equipment optimization services and increase sales of original quality replacement parts across all of its markets.

- ***Manufacturing subcontracting***
  Generally, the Corporation outsources the manufacture of components to a network of subcontractors around the globe while its teams focus on product engineering, and project and sales management, whose cost structure and responsiveness to changes in demand are considered competitive advantages.

6. SIGNIFICANT EVENTS IN THE THIRD QUARTER

Consolidation of global operations of the Water Treatment Group (Ovivo)

Since the beginning of fiscal 2011, the Corporation has devoted considerable resources to the integration of Christ Water Technology AG ("CWT") acquired in late November 2009 and deployment of its market positioning strategy in the water industry, including the launch of a brand to umbrella all operations in this area.

OVIVO
Bringing water to life

Following the launch of its brand in September 2010, the Water Treatment Group (Ovivo) continued to fine-tune its strategy, in light of its strengths, namely expertise, broad technological portfolio and global presence. The strategy includes focusing on markets, both segmented and geographic, with higher potential for the Corporation's expertise and technologies.

GLV has also taken steps to enhance profitability, which include tightening approval processes and controls for order taking and preparing cost estimates, strengthening turnkey contract management expertise, optimizing procurement processes and providing for more stringent management of working capital and collection of accounts receivable.

Recurring savings at the Water Treatment Group (Ovivo)
\- ***Sale, closure or restructuring of some non-profitable entities***

The Corporation's management is satisfied with the consolidation of the Water Treatment Group's global operations under the Ovivo brand. That said, for the first nine months of the fiscal year, the financial performance of certain CWT entities fell short of expectations, due in particular to low gross profit margins on several contracts that were part of CWT's backlog at the time of acquisition.

Following an in-depth analysis of the Group's operations, the Corporation intends to sell, close, or restructure some CWT entities either because they serve a market outside the core businesses of the Water Treatment Group (Ovivo) or because they have proved to be unprofitable over the long term due to limited size, low operational volume or excessive geographic dispersion of their potential market.

Considering the operational losses reported by the entities in question over the twelve-month period ended December 31, 2010, the Corporation estimates the favourable impact on annual EBITDA resulting from the planned sales or closures at $6.3 million.

As a result, management remains confident that results will improve, eventually lifting normalized EBITDA margin for the Water Treatment Group (Ovivo) to 10%.

Normalized items and asset impairment

In the third quarter of 2011, the Corporation reported normalized items totalling $2.2 million and an asset impairment charge of $0.9 million. These items are mostly attributable to the Water Treatment Group (Ovivo), mainly relating to provisions for severance benefits and restructuring costs related to the eventual sale, closure or restructuring of certain CWT entities as mentioned above, as well as asset write-offs (see note 10 to the interim consolidated financial statements accompanying this MD&A). Note that additional expenses or asset impairment charges could be recognized in the fourth quarter of fiscal 2011.

No normalized items or asset impairment charges were recorded during the first two quarters of the current fiscal year.

Finalization of allocation of CWT acquisition costs

For the three-month period ended December 31, 2010, in light of additional information and analyses unavailable as at November 30, 2009, adjustments of $5.5 million were made to the opening balance sheet, resulting in an increase in goodwill and bringing total adjustments since the beginning of the fiscal year to $11.5 million.

Restructuring of the division responsible for energy contract management

During the third quarter of fiscal 2011, the Water Treatment Group (Ovivo) continued with the restructuring plan for the U.K. division responsible for energy contract management. A new management team is in place and has started hiring large-scale project management experts. The team is also optimizing processes, mainly relating to project, procurement and outsourcing management.

Management expects most of these restructuring measures to be in place by the end of fiscal 2011.

7. CONSOLIDATED OPERATING RESULTS

The results of the three- and nine-month periods ended December 31, 2010 include the full-period impact of the operations of CWT, acquired at the end of November 2009, while in the third quarter of 2010, only one month of CWT operations were included in the consolidated results. While the CWT integration has proven to be more challenging than expected and had a negative impact on the results of the first half of the fiscal year, efforts to consolidate operations, strengthen management and control processes are starting to pay off.

The results also reflect the impact of world economic conditions on each of the Corporation's main businesses, namely water treatment and pulp and paper.

- Most key segments served by the Water Treatment Group (Ovivo) posted solid results for the third quarter of 2011, particularly in the U.S. municipal and the global microelectronics markets.
- Demand and investments in the global pulp and paper industry has been recovering at a healthy pace since the beginning of the year after a sharp slump.

The entire nine-month period's results include the unfavourable impact of second quarter operating losses incurred by two European divisions of the Water Treatment Group (Ovivo). Excluding the losses of these divisions, normalized consolidated EBITDA would have amounted to $19.9 million for the first nine months of the fiscal year with a normalized consolidated EBITDA margin of 4.2%.

Selected Information

	Quarters ended December 31		Nine-month periods ended December 31	
	2010	2009	**2010**	2009
(in thousands of $, except per share data and percentages)		[restated]		[restated]
Revenues	**190,656**	139,192	**511,951**	355,165
Water Treatment (Ovivo)	**127,298**	95,925	**337,301**	219,719
Pulp & Paper	**52,876**	40,700	**144,412**	128,174
Other	**10,482**	2,567	**30,238**	7,272
EBITDA	**7,403**	7,685	**6,962**	14,400
Water Treatment (Ovivo)	**6,333**	6,651	**6,569**	14,797
Pulp & Paper	**3,561**	3,268	**10,892**	7,277
Other	**(2,491)**	(2,234)	**(10,499)**	(7,674)
Normalized EBITDA[1]	**9,569**	7,335	**9,128**	15,418
Water Treatment (Ovivo)	**7,863**	6,651	**8,099**	15,408
Pulp & Paper	**3,561**	2,268	**10,892**	6,908
Other	**(1,855)**	(1,584)	**(9,863)**	(6,898)
Normalized EBITDA margin[1] (% of revenues)	**5.0%**	5.3%	**1.8%**	4.3%
Water Treatment (Ovivo)	**6.2%**	6.9%	**2.4%**	7.0%
Pulp & Paper	**6.7%**	5.6%	**7.5%**	5.4%
Other	**n/a**	n/a	**n/a**	n/a
Net earnings (loss)	**(852)**	1,737	**(14,643)**	3,327
Free cash flow	**4,148**	4,347	**878**	6,421
Per Share (basic and fully diluted)				
Net earnings (loss)	**(0.02)**	0.05	**(0.33)**	0.11
Free cash flow	**0.09**	0.12	**0.02**	0.21
Capitalization ratio	**December 31 2010**	**March 31 2010**	**December 31 2010**	**March 31 2010**
Total net debt to invested capital ratio	14.6%	6.9%	14.6%	6.9%

[1] Excluding restructuring costs and special doubtful account and compensation items

Results for the three- and nine-month periods ended December 31, 2009 have been restated to reflect the change in the revenue recognition accounting policy adopted in the fourth quarter of fiscal 2010 (see note 3 to the interim consolidated financial statements accompanying this MD&A).

REVENUES

	Quarters ended December 31		Change	Organic[1] change at constant exchange rates	Nine-month periods ended December 31		Change	Organic[1] change at constant exchange rates
	2010	**2009**	**%**	**%**	**2010**	**2009**	**%**	**%**
(in thousands $)		[restated]				[restated]		
TOTAL	**190,656**	**139,192**	**37.0%**	**27.5%**	**511,951**	**355,165**	**44.1%**	**11.7%**
Water Treatment (Ovivo)	**127,298**	**95,925**	**32.7%**	**24.7%**	**337,301**	**219,719**	**53.5%**	**7.5%**
New equipment	106,943	83,117	28.7%		287,348	186,125	54.4%	
Aftermarket	20,355	12,808	58.9%		49,953	33,594	48.7%	
Pulp & Paper	**52,876**	**40,700**	**29.9%**	**32.6%**	**144,412**	**128,174**	**12.7%**	**18.2%**
New equipment	23,239	13,844	67.9%		56,731	49,756	14.0%	
Aftermarket	29,637	26,856	10.4%		87,681	78,418	11.8%	
Other[2]	**10,482**	**2,567**	**308.3%**	**13.4%**	**30,238**	**7,272**	**315.8%**	**4.3%**

[1] Excluding CWT
[2] Revenues of certain divisions of CWT not related to the major activities of the Water Treatment Group (Ovivo), including the Van der Molen entities, are presented under "Other," which also includes the revenues of the Manufacturing units. CWT was acquired on November 30, 2009.

For the three-month period ended December 31, 2010, the year-over-year increase in consolidated revenues resulted from organic revenue growth (at constant exchange rates) of each of the Corporation's two operational groups as well as CWT's inclusion. For the first nine months of fiscal 2011, consolidated revenue growth is largely attributable to CWT's inclusion.

Accordingly, the Water Treatment Group (Ovivo) accounts for approximately two-thirds of the Corporation's total revenues since the beginning of the current fiscal year.

Revenues by operating segment

	Nine-month periods ended December 31	
	2010	**2009**
(as a % of consolidated revenues)		[restated]
Water Treatment (Ovivo)	65.9%	61.9%
Pulp & Paper	28.2%	36.1%
Other[1]	5.9%	2.0%

[1] Revenues of certain divisions of CWT not related to the major activities of the Water Treatment Group (Ovivo), including Van der Molen entities, are presented under "Other", which also includes the revenues of the Manufacturing units. CWT was acquired on November 30, 2009.

Water Treatment Group (Ovivo)

Revenue growth in the third quarter of 2011 stems partly from the contribution of entities resulting from the CWT acquisition, particularly those operating in the microelectronic and seawater desalination segments.

Excluding CWT's results, the Water Treatment Group (Ovivo) recorded organic revenue growth (at constant exchange rates) driven by sustained business volumes in the U.S. municipal and energy markets.

For the nine-month period ended December 31, 2010, the Group generated organic revenue growth (at constant exchange rates), owing primarily to positive second and third quarter results that offset the slump in certain markets at the beginning of the fiscal year amidst a climate of uncertainty sparked by a slower-than-expected economic recovery and postponed start dates on a number of contracts.

Pulp and Paper Group

The Pulp and Paper Group reported organic revenue growth (at constant exchange rates) for the third consecutive quarter resulting from a recovery in investments since the beginning of the fiscal year. Growth in the most recent quarter is mostly attributable to higher demand in the new equipment market.

Revenue growth in the first nine months of fiscal 2011 is driven by both new equipment sales and aftermarket services, including spare part sales.

Other

The significant increase in revenues reported under "Other" for both the third quarter and the first nine months of fiscal 2011 results almost entirely from CWT entities not directly related to water treatment, namely the Van der Molen entities and the manufacturing units.

The unfavourable impact of year-over-year currency fluctuations on consolidated and segmented revenues for the three- and nine-month periods ended December 31, 2010 resulted mainly from the strengthening of Canada's currency against the euro, the U.S. dollar and the pound sterling, in that order.

Revenues by region

	Total		Water Treatment (Ovivo)		Pulp & Paper	
	% of consolidated revenues		% of Group revenues		% of Group revenues	
	12-month periods ended December 31		12-month periods ended December 31		12-month periods ended December 31	
	2010	2009	2010	2009	2010	2009
		[restated]		[restated]		[restated]
North America	39.3%	53.5%	32.2%	47.3%	58.6%	62.8%
Europe and Russia	28.4%	23.3%	30.8%	25.0%	20.4%	20.1%
Asia and Asia-Pacific	16.3%	14.8%	17.6%	18.1%	15.6%	10.4%
Middle-East and Africa	14.3%	4.9%	19.4%	7.7%	0.9%	0.8%
Latin America	1.7%	3.5%	0.0%	1.9%	4.5%	5.9%

The geographic breakdown of revenues of the **Water Treatment Group (Ovivo)** for the most recent period of twelve months show a significant change compared with the previous period due to:

- CWT's contribution with a significant portion of sales generated in Europe;
- Integration of CWT's technologies related to seawater desalination and drinking water treatment, for which demand is particularly strong in the Middle East and Africa.

The geographic breakdown of revenues of the **Pulp and Paper Group** shows a stronger presence in China and India and expanding market share in these regions.

Gross margin

	Quarters ended December 31		Change	Change at constant exchange rates	Nine-month periods ended December 31		Change	Change at constant exchange rates
	2010	**2009**	**%**	**%**	**2010**	**2009**	**%**	**%**
(in thousands of $)		[restated]				[restated]		
TOTAL	38,578	32,975	17.0%	20.0%	98,398	87,322	12.7%	17.2%
(as a % of revenues)								
TOTAL	20.2%	23.7%			19.2%	24.6%		

For the third quarter and first nine months of fiscal 2011, the Corporation reported year-over-year increases in its consolidated gross margin in dollars. The increases are explained by two main factors, namely the inclusion of CWT's results and the improvement in the Pulp and Paper Group's gross margin resulting from higher aftermarket sales, and the cost-cutting measures implemented in the previous two fiscal years.

Expressed as a percentage of revenues, consolidated gross margin for the third quarter of fiscal 2011 was lower than in the corresponding period of fiscal 2010. The decline is attributable to both the Water Treatment Group (Ovivo) and the Pulp and Paper Group. However, the Corporation improved on the gross margin of 18.6% as a percentage of revenues recorded in the first six months of 2011, which stemmed from lower profit margins on contracts performed by two European divisions of the Water Treatment Group (Ovivo) as explained in the interim MD&A for the period.

The decline in the gross margin as a percentage of revenues in the first nine months of fiscal 2011 over the same period in fiscal 2010 is amplified by the unfavourable impact of the results of these two European divisions of the Water Treatment Group (Ovivo).

Selling and administrative expenses

	Quarters ended December 31		Change		Change at constant exchange rates	Nine-month periods ended December 31		Change		Change at constant exchange rates
	2010	2009	$	%	%	2010	2009	$	%	%
(in thousands of $)		[restated]					[restated]			
TOTAL	29,009	25,640	3,369	13.1%	15.9%	89,270	71,904	17,366	24.2%	29.7%
(as a % of revenues)										
TOTAL	15.2%	18.4%				17.4%	20.2%			

The inclusion of the results of CWT was the main factor behind the increase in consolidated selling and administrative expenses for the third quarter and first nine months of fiscal 2011. Selling and administrative expenses included $0.7 million in expenses arising from the Water Treatment Group positioning strategy and the launch of the Ovivo brand.

Excluding CWT and the favourable impact of various currency fluctuations on the operating expenses of most of the Corporation's foreign subsidiaries, selling and administrative expenses for the Water Treatment Group (Ovivo), the Pulp and Paper Group and head office remained, relatively speaking, largely unchanged from their year-over-year levels.

EBITDA and normalized EBITDA

	Quarters ended December 31		Change	Change at constant exchange rates	Nine-month periods ended December 31		Change	Change at constant exchange rates
	2010	**2009**	**%**	**%**	**2010**	**2009**	**%**	**%**
(in thousands $)		(restated)				(restated)		
EBITDA								
TOTAL	7 403	7 685	-3,7%	-0,1%	6 962	14 400	-51,7%	-52,2%
Water Treatment (Ovivo)	6 333	6 651	-4,8%	-0,8%	6 569	14 797	-55,6%	-58,4%
Pulp & Paper	3 561	3 268	9,0%	11,1%	10 892	7 277	49,7%	56,8%
Other	(2 491)	(2 234)	-11,5%	-14,2%	(10 499)	(7 674)	-36,8%	-39,3%
Normalized items								
TOTAL	2 166	(350)	-	-	2 166	1 018	112,8%	112,8%
Water Treatment (Ovivo)	1 530	-	-	-	1 530	611	150,4%	150,4%
Pulp & Paper	-	(1 000)	-	-	-	(369)	-	-
Other	636	650	-2,2%	-2,2%	636	776	-18,0%	-18,0%
Normalized EBITDA[1]								
TOTAL	9 569	7 335	30,5%	34,2%	9 128	15 418	-40,8%	-41,3%
Water Treatment (Ovivo)	7 863	6 651	18,2%	22,2%	8 099	15 408	-47,4%	-50,1%
Pulp & Paper	3 561	2 268	57,0%	60,1%	10 892	6 908	57,7%	65,2%
Other	(1 855)	(1 584)	-17,1%	-21,0%	(9 863)	(6 898)	-43,0%	-45,7%
(as a % of revenues)								
Normalized EBITDA Margin[1]								
TOTAL	5,0%	5,3%			1,8%	4,3%		
Water Treatment (Ovivo)	6,2%	6,9%			2,4%	7,0%		
Pulp & Paper	6,7%	5,6%			7,5%	5,4%		
Other	n/a	n/a			n/a	n/a		

[1] Excluding restructuring costs and special doubtful accounts expense and compensation items

Water Treatment Group (Ovivo)

The Water Treatment Group (Ovivo) reported a normalized EBITDA higher than for the third quarter of 2010 with a normalized EBITDA margin slightly below the level one year ago, but well above the result of (0.1)% for the first six months of fiscal 2011.

As mentioned in section 6, "Significant events of the third quarter," the Group recorded normalized items related to provisions made relating to the sale, closure or restructuring of certain non-profitable entities resulting from the CWT acquisition. No normalized items were recognized in the corresponding quarter of the previous fiscal year.

Excluding the operating losses of entities earmarked for sale, closure or restructuring, normalized EBITDA of the third quarter of 2011 would have amounted to $10.0 million with a normalized EBITDA margin of 8.2% as a percentage of revenues.

The Group's improved profitability in the third quarter of fiscal 2011 was driven by a combination of factors, including its sound performance in most of its operational segments, the near completion of contracts with low profit margins that were part of CWT's backlog at the time of the acquisition, and its cost structure that now makes it possible to benefit from the integration of various entities within a single group.

The Group's normalized EBITDA and normalized EBITDA margin for the nine-month period ended December 31, 2010 are significantly lower compared with the same period of fiscal 2010. The factors underlying this decline includes operating losses reported by two European divisions for the first half of the fiscal year and profit margins below the Corporation's criteria generated by contracts that were part of CWT's backlog at the time of the acquisition. In addition, for the first three months of the fiscal year, the cost structure prevented the Corporation from fully capitalizing on the benefits of integration with other Water Treatment Group (Ovivo) entities, given in particular European employment laws and practices.

Excluding the operating losses of the two European divisions undergoing restructuring and the entities earmarked for sale, closure or restructuring, the Group's normalized EBITDA for the first nine months of the fiscal year would amount to $20.0 million with a normalized EBITDA margin of 6.9% as a percentage of revenues.

Pulp and Paper Group

The significant improvement in normalized EBITDA and normalized EBITDA margin in the Pulp and Paper Group for the third quarter and the first nine months of 2011 resulted from its sound performance for both new equipment and aftermarket services, the ongoing expansion of its manufacturing outsourcing network, particularly in China and India, and efficient management of operations.

Other

For the third quarter of fiscal 2011, the "Other" item posted negative EBITDA, a lower result compared with the same quarter of fiscal 2010. The decline results from higher head office administrative expenses, partly offset by the results of the Van der Molen entities and the manufacturing units that belonged to CWT.

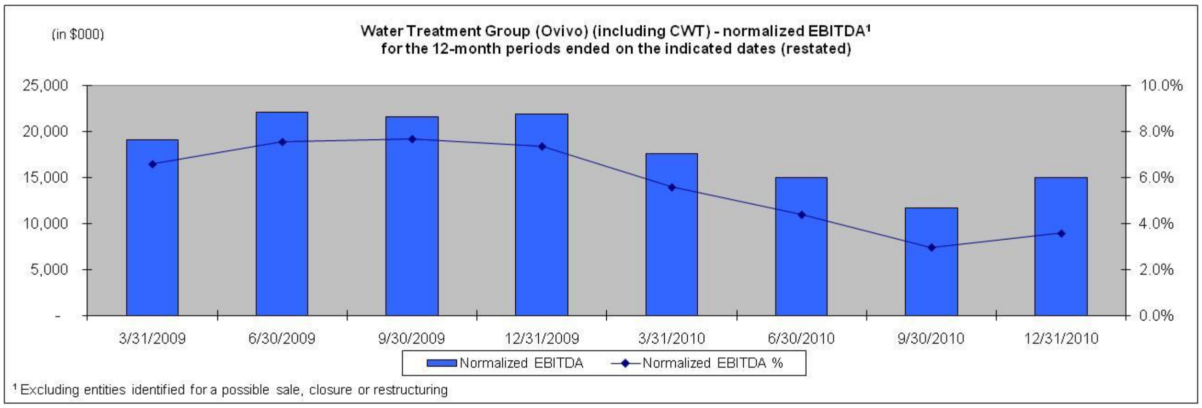
The unfavourable change in EBITDA for the first nine months of the fiscal year stems mainly from the increase in administrative expenses of head offices (including CWT's before its closure), which also includes the costs of implementing the Water Treatment Group (Ovivo)'s positioning strategy in the second quarter of fiscal 2011. These expenses were partly offset by the positive contribution of manufacturing units resulting from the CWT acquisition. Despite variable operating volumes from one quarter to another, the Van der Molen entities posted positive cumulative results, bolstered by a good third quarter that matched management's expectations.

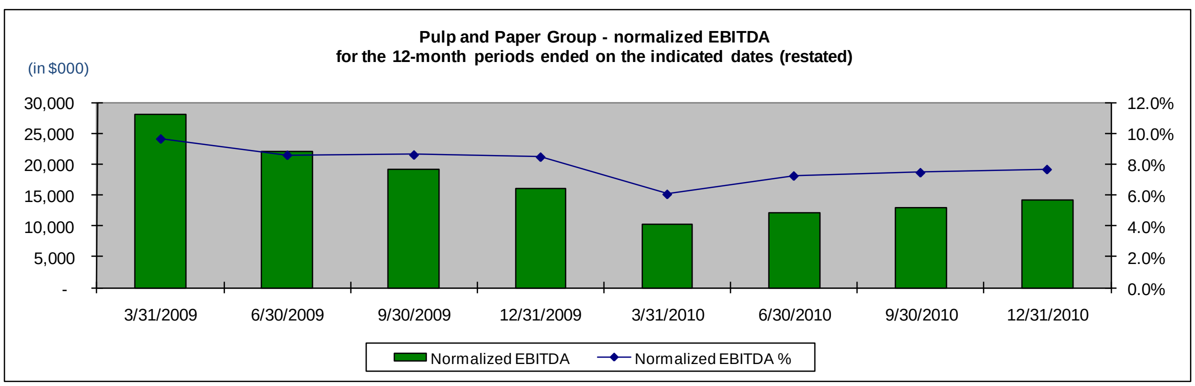
Changes in normalized EBITDA and normalized EBITDA margin

The graphs below show the changes in the normalized EBITDA and normalized EBITDA margin for the Water Treatment Group (Ovivo) and the Pulp and Paper Group for the 12-month periods ended on the indicated dates.

The factors underlying recent change in normalized EBITDA of the ***Water Treatment Group (Ovivo)*** includes lower-than-average profit margins on contracts that were part of CWT's backlog when it was acquired at the end of November 2009 and the operating losses at two European divisions undergoing restructuring. For the twelve-month period ended December 31, 2010, the chart shows that profitability increased over the past quarter.

For the ***Pulp and Paper Group***, the graph highlights the impact of the global recession on the pulp and paper industry starting in fall 2008 and some recent recovery in investments made by paper makers.





Amortization

	Quarters ended December 31		Change	Change at constant exchange rates	Nine-month periods ended December 31		Increase (Decrease)	Change at constant exchange rates
	2010	2009	$	%	2010	2009	$	%
(in thousands of $)		[restated]				[restated]		
Total	4,597	3,766	831	20.4%	13,704	9,754	3,950	44.1%
Property, plant and equipment	1,642	1,977	(335)		4,823	4,912	(89)	
Intangible assets	2,955	1,789	1,166		8,881	4,842	4,039	
Other	-	-	-		-	-	-	

For both the three- and nine-month periods ended December 31, 2010, the higher amortization expense resulted from the inclusion of CWT's results, specifically the amortization of intangible assets associated with this acquisition. The amortization expense of the intangible assets, namely CWT's backlog, amounts to approximately $0.9 million per quarter. This asset will be fully amortized by May 2011.

However, despite CWT's inclusion, the amortization expense of property, plant and equipment remained relatively stable due to:

- Streamlining and optimization measures implemented over the last two fiscal years, including the shutdown of some operational units;
- Decision to minimize spending on additions to property, plant and equipment since the start of the global economic recession in fall 2008.

Financial expenses

	Quarters ended December 31		Change	Nine-month periods ended December 31		Change
	2010	2009	$	2010	2009	$
(in thousands of $)		[restated]			[restated]	
Total	2,536	2,226	310	7,240	1,009	6,231
Interest on long-term debt	1,420	1,010	410	4,335	1,835	2,500
Interest income, net	(166)	(60)	(106)	(431)	(207)	(224)
Foreign exchange loss (gain)	(234)	15	(249)	(461)	376	(837)
Derivative financial instruments	973	626	347	1,794	(2,418)	4,212
Other	543	635	(92)	2,003	1,423	580

The Corporation's financial expenses for the third quarter of fiscal 2011 were higher than for the same period in fiscal 2010. This increase is mostly attributable to the higher interest expense on the long-term debt related to the CWT acquisition financing and the decrease in the fair value of derivative financial instruments to a negative amount of $1.0 million from $0.6 million, resulting in a negative difference of $0.4 million, the total of which is partly offset by the favourable change in the net amount of realized (including amounts related to foreign exchange contracts) and unrealized foreign exchange gains and losses.

Financial expenses for the first nine months of the fiscal year rose substantially due to the significant decrease in the fair value of the derivative financial instruments to a $1.8 million loss from a $2.4 million gain for the same period of the previous fiscal year, resulting in a negative difference of $4.2 million, owing primarily to the unfavourable mark-to-market remeasurement of cross currency interest rate swaps and the total return swap. The increase also includes the higher interest expense on the long-term debt related to the CWT acquisition financing as well as increases in other financial expenses arising from CWT's inclusion.

Income taxes

	Quarters ended December 31		Change	Nine-month periods ended December 31		Change
	2010	2009	$	2010	2009	$
(in thousands of $, except percentages)		[restated]			[restated]	
Income tax expense (recovery)	202	75	127	(259)	429	(688)
Effective tax rate (%)	-31.1%	4.4%		1.7%	11.8%	
Canadian statutory rate (%)	29.9%	31.0%		30.7%	31.0%	

The difference between the effective tax rate and the Canadian statutory rate resulted from increased valuation allowances (balance of $41.5 million as at December 31, 2010). Management is continuing the reorganization of its holding structure for subsidiaries with the aim of reducing the number of legal entities and optimizing the holding structure to capitalize on future income tax assets.

Net earnings (loss)

	Quarters ended December 31		Nine-month periods ended December 31	
	2010	2009	2010	2009
(in thousands of $)		[restated]		[restated]
Net earnings (loss)	(852)	1,737	(14,643)	3,327
Normalized net earnings (loss)	2,234	1,457	(11,557)	4,141
(in $ per share, basic and diluted)				
Net earnings (loss)	(0.02)	0.05	(0.33)	0.11
Normalized net earnings (loss)	0.05	0.04	(0.26)	0.13
Weighted average number of participating shares outstanding	44,092	34,953	44,092	31,108

The Corporation reported a net loss for the three-month period ended December 31, 2010, owing among other factors to provisions for the sale, closure or restructuring of non-profitable CWT entities and the higher amortization expense resulting from the CWT acquisition and interest on the long-term debt for acquisition financing.

Excluding the provisions for the sale, closure or restructuring of non-profitable entities and asset impairment expense, the Corporation generated normalized net earnings of $2.2 million ($0.05 per share, basic and diluted) compared with $1.5 million ($0.04 per share, basic and diluted) one year ago.

The net loss for the first nine months of fiscal 2011 stemmed primarily from the operating losses of two European divisions of the Water Treatment Group (Ovivo) in the first half of the fiscal year and the provisions recognized during the third quarter. In addition, the increase in financial expenses and amortization of intangible assets resulting from the acquisition of CWT widened the difference in results relative to the first nine months of the previous fiscal year.

The increase in the weighted average number of shares outstanding (basic and diluted) resulted from the issuance of a total number of 17.6 million Class A subordinate voting shares in fiscal 2010, of which 5.3 million shares were issued on July 2, 2009, 7.4 million on November 23, 2009 and 4.9 million on March 31, 2010.

8. FINANCIAL INFORMATION FOR THE PAST EIGHT QUARTERS

Selected financial information for the past eight quarters

(in thousands of $, except per share amounts)			Fiscal 2011				Fiscal 2010	Fiscal 2009
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter
					[restated]	[restated]	[restated]	[restated]
Revenues	**190,656**	168,713	152,582	145,514	139,192	102,134	113,839	144,535
EBITDA	**7,403**	(4,014)	3,573	506	7,685	3,268	3,447	12,528
Normalized EBITDA	**9,569**	(4,014)	3,573	1,684	7,335	4,228	3,855	13,115
EBIT (loss)	**1,886**	(8,473)	(1,075)	(5,066)	3,920	397	330	9,553
Normalized EBIT (loss)	**4,052**	(8,473)	(1,075)	(3,888)	3,570	1,357	738	10,140
Net earnings (loss)	**(852)**	(9,634)	(4,157)	(13,672)	1,737	719	871	5,358
per share (basic and diluted)	**(0.02)**	(0.22)	(0.09)	(0.35)	0.05	0.02	0.03	0.20
Normalized net earnings (loss)	**2,234**	(9,634)	(4,157)	(12,729)	1,457	1,487	1,197	5,828
per share (basic and diluted)	**0.05**	(0.22)	(0.09)	(0.32)	0.04	0.05	0.05	0.22

9. CASH FLOWS, CASH POSITION AND BALANCE SHEET

Free cash flow

	Quarters ended December 31		Nine-month periods ended December 31	
	2010	2009	**2010**	2009
(in thousands of $, except per share data)		[restated]		[restated]
Cash flows provided by (used in) operating activities	**(5,932)**	19,825	**(15,465)**	34,890
Less:				
Net change in non-cash balances related to operations	**(11,033)**	14,724	**(15,653)**	25,642
Additions to property, plant and equipment, net of disposals	**953**	754	**(690)**	2,827
Free cash flow	**4,148**	4,347	**878**	6,421
per share (basic and diluted)	**0.09**	0.12	**0.02**	0.21

During the third quarter of fiscal 2011, the Corporation reported free cash flow of $4.1 million ($0.09 per share, basic and diluted) compared with $4.3 million ($0.12 per share, basic and diluted) for the corresponding quarter in fiscal 2010. Also in the third quarter, operating working capital used cash flows totalling $11.0 million (compared with cash flows of $14.7 million generated in the same period of the previous year) owing primarily to the higher value of contracts in progress.

The change in additions to property, plant and equipment net of disposals resulted mainly from the proceeds from the disposal of a building, land and related equipment in the U.K.

For the first nine months of fiscal 2011, the Corporation generated free cash flow of $0.9 million ($0.02 per share, basic and diluted) compared with $6.4 million ($0.21 per share, basic and diluted) for the corresponding period in fiscal 2010. Operating activities related to operations used cash flows of $15.5 million compared with cash flows of $34.9 million generated for the same period in fiscal 2010. These changes resulted mainly from the net loss reported for the first half of fiscal 2011 and the investment in working capital.

During the period, operating working capital used cash flows totalling $15.7 million (compared with cash flows of $25.6 million generated for the same period in fiscal 2010) owing primarily to higher accounts receivable.

The change in additions to property, plant and equipment net of disposals resulted primarily from the proceeds from the disposal of a building, land and related equipment in the U.K.

Change in cash and cash equivalents

	Quarters ended December 31		Nine-month periods ended December 31	
	2010	2009	**2010**	2009
(in thousands of $)		[restated]		[restated]
Balance as at beginning of period	**22,727**	4,827	**32,703**	7,590
Free cash flow	**4,148**	4,347	**878**	6,421
Net changes in non-cash balances related to operations	**(11,033)**	14,724	**(15,653)**	25,642
Net utilization of revolving credit facilities	**3,507**	30,334	**8,527**	(18,762)
Long-term debt	**-**	25,000	**-**	25,000
Repayments of long-term debt	**(62)**	(33,993)	**(205)**	(33,993)
Share capital issuance	**-**	53,346	**-**	91,699
Share capital issuance cost	**-**	(5,056)	**(47)**	(7,244)
Business acquisitions	**(104)**	(55,942)	**(4,568)**	(56,457)
Additions to intangible assets	**(229)**	(439)	**(1,278)**	(1,383)
Change in restricted cash	**(900)**	10	**(953)**	(8)
Effect of exchange rate changes on cash and cash equivalents	**(1,120)**	(3,116)	**(1,816)**	(4,290)
Other	**524**	(347)	**(130)**	(520)
Balance as at end of period	**17,458**	33,695	**17,458**	33,695

Other than the changes to free cash flow and non-cash items related to operations discussed previously, the main changes in the **third quarter of fiscal 2011** are:

- Drawdowns of $3.5 million under revolving credit facilities;
- $1.1 million unfavourable impact of exchange rate fluctuations on cash and cash equivalents.

Other than the changes to free cash flow and non-cash items related to operations discussed previously, the main changes in the **first nine months of fiscal 2011** are:

- Drawdowns totalling $8.5 million under revolving credit facilities for current financing requirements;
- The completion, announced on September 22, 2010, of the privatization of CWT via the squeeze-out of minority shareholders, thereby increasing the Corporation's equity interest in CWT to 100%, for a net cash consideration of $4.6 million;
- $1.8 million unfavourable impact of exchange rate fluctuations on cash and cash equivalents.

Balance sheet

Consolidated balance sheet highlights

	December 31 2010	March 31 2010	**Explanation of significant differences**
(in thousands of $, except ratios)		(audited)	
Assets			
Cash and cash equivalents	**17,458**	32,703	See "Cash flows, cash position and balance sheet" section
Accounts receivable	**141,188**	130,217	Change due to higher billings
Income taxes receivable	**1,817**	1,535	n/a
Derivative financial instruments	**2,668**	2,651	n/a
Inventories	**36,195**	39,613	Decrease due to the use of various inventories for different projects
Contracts in progress	**148,840**	137,390	Change in contract billing deadlines
Prepaid expenses	**3,494**	6,390	n/a
Future income taxes	**9,043**	8,779	n/a
Property, plant and equipment	**36,418**	42,235	Decrease due to the amortization of property, plant and equipment as well as the reclassification of an available-for-sale asset under "Other assets"
Future income taxes	**4,496**	2,247	n/a
Goodwill	**90,507**	80,253	Adjustment to the preliminary allocation of the purchase price for CWT and the repurchase of non-controlling interests
Intangible assets	**86,885**	92,537	Decrease due to the amortization of intangible assets
Restricted cash	**5,154**	4,009	See "Cash flows, cash position and balance sheet" section
Other assets	**4,766**	6,676	n/a
Total assets	**588,929**	587,235	
Liabilities			
Accounts payable and accrued liabilities	**209,827**	195,086	Increase due to billing schedule and the settlement of certain accounts payable
Deferred revenue	**38,371**	35,915	See comment on contracts in progress
Derivative financial instruments	**2,865**	1,430	n/a
Income taxes payable	**2,628**	5,141	n/a
Long-term debt	**60,653**	52,970	See "Indebtedness" section
Other liabilities	**8,919**	10,411	n/a
Future income taxes	**13,683**	14,517	n/a
Shareholders' equity			
Share capital	**313,841**	313,841	
Current assets	**360,703**	359,278	
Current liabilities	**(255,648)**	(238,785)	
Working capital	**105,055**	120,493	
Working capital ratio	***1.41:1***	*1.50:1*	

Additional comments on financial position

Indebtedness

	December 31 2010	March 31 2010
(in thousands of $, except ratios)		[audited]
Total net debt:		
Long-term debt	**60,653**	52,970
Less:		
Cash and cash equivalents	**(17,458)**	(32,703)
Total net debt	**43,195**	20,267
Total capitalization:		
Shareholders' equity	**251,983**	271,765
Total net debt	**43,195**	20,267
Total	**295,178**	292,032
Total net debt to invested capital ratio	***14.6%***	*6.9%*

As at December 31, 2010, the Corporation's total debt amounted to $60.7 million compared with $53.0 million as at March 31, 2010. Net of cash and cash equivalents, GLV's total net debt amounted to $43.2 million for a total net debt to invested capital ratio of 14.6%, compared with total net debt of $20.3 million and a 6.9% ratio as at March 31, 2010. The increase in total net debt ratio resulted mainly from investments in working capital to support operations, in addition to investments aimed in particular at minimizing difficulties in the European division responsible for energy contract management. Note that when CWT was acquired by the Corporation, working capital at CWT was shy of what is usually required to cover operations and support growth.

As at December 31, 2010, in the aggregate, financial ratios were in compliance with the parameters set out in the current credit agreements with banks. Where there were special or non-recurring items, conditions on these credit agreements require an adjustment to EBITDA for the purpose of establishing financial ratios. Accordingly, as at December 31, 2010, financial ratios were calculated using an adjusted EBITDA, taking into account some of the items recorded in the second quarter in connection with the turnaround plan at two European Water Treatment Group (Ovivo) divisions, implementation costs related to the Group's global positioning strategy, normalized items recorded in the third quarter of fiscal 2011, as well as certain amounts related to the favourable effect on annual EBITDA which should result from the expected sales or closures (in light of the operating losses recorded by the concerned entities during the twelve-month period ended December 31, 2010).

The main financing agreement in place consists of two non-reducing revolving credit facilities totalling $225 million. Of that amount, $125 million is in the form of a revolving credit facility available to finance business acquisitions, meet day-to-day financing requirements and issue letters of credit, and $100 million is available to issue letters of credit guaranteed by Export and Development Canada ("EDC"). Accessing these facilities is subject to compliance with financial ratios set out in the credit agreements. According to the terms and conditions of the financing agreement, no principal repayment on the long-term debt is required before it matures in August 2012.

In May 2010, the Corporation entered into an agreement with certain CWT lenders to set up two new credit facilities in the form of revolving credit arrangements to support the operations of a subsidiary in Austria. The first facility of €40 million ($53.3 million) is used to issue letters of credit and the second, amounting to €5 million ($6.7 million), is used to meet day-to-day financing requirements. As at December 31, 2010, most of the drawdowns under the new credit facility to issue letters of credit were to cover a transfer of letters of credit in place when CWT was acquired on November 30, 2009. The Corporation guarantees repayment of these credit facilities in the event of payment default. The credit facility for issuing letters of credit matures on May 25, 2015 while the facility for day-to-day financing requirements is renewable annually.

Certain GLV subsidiaries that were part of CWT benefit from credit facilities for issuing letters of credit and for day-to-day financing requirements that were in place on CWT's acquisition by the Corporation. As at December 31, 2010, drawdowns under said credit facilities for issuing letters of credit and covering day-to-day financing requirements totalled $35.5 million and $3.0 million, respectively. These credit facilities will gradually mature with the expiry of the letters of credit already issued or at maturity of the facilities as set out in the agreements. Accordingly, at maturity, the amounts included in these other credit facilities will be covered by the aforementioned financing sources. The Corporation guarantees repayment of some of these letters of credit in the event of payment default.

10. BACKLOG AND OUTLOOK

Backlog

Compared with corresponding date in prior fiscal year

	As at December 31		Change		Change at constant exchange rates
	2010	2009	$	%	%
(in thousands of $)		[restated]			
TOTAL	385,925	430,602	(44,677)	-10.4%	-5.4%
Water Treatment (Ovivo)	324,454	383,974	(59,520)	-15.5%	-10.5%
Pulp & paper	48,809	42,543	6,266	14.7%	17.2%
Other[1]	12,662	4,085	8,577	210.0%	237.6%

Compared to the immediately preceding quarter-end

	As at December 31	As at September 30	Change		Change at constant exchange rates
	2010	2010	$	%	%
(in thousands of $)					
TOTAL	385,925	428,239	(42,314)	-9.9%	-7.0%
Water Treatment (Ovivo)	324,454	357,397	(32,943)	-9.2%	-6.4%
Pulp & paper	48,809	57,188	(8,379)	-14.7%	-11.9%
Other[1]	12,662	13,654	(992)	-7.3%	-3.9%

[1] Backlog related to CWT's Van der Molen entities and manufacturing operations have been reclassified to "Other" as at March 31, 2010.

The appreciation of the Canadian dollar against its U.S. counterpart, the euro and the pound sterling adversely affected the value of the backlog of the Corporation and its groups relative to the values recorded as at December 31, 2009 and September 30, 2010.

Water Treatment Group (Ovivo)

As at December 31, 2010, the Corporation reported a year-over-year and quarter-over-quarter decline in the backlog of its Water Treatment Group (Ovivo).

This resulted in particular from the lower pace of order taking in some of the Group's segments, including energy, seawater desalination and U.S. municipal market. However, this decrease was partially offset by the Group's sound results in other areas, with contract wins in microelectronics and pulp and paper, as well as U.K. municipal market. In particular, in the third quarter of fiscal 2011, the backlog for water treatment systems in pulp and paper touched a record high through three contract wins totalling over $23 million with major producers, considerably bolstering the market share of the Water Treatment Group (Ovivo) in this industry.

In light of current tendering activity, the Corporation is expected to report sustained business volumes in most of its industry segments in the coming quarters. This is particularly the case for microelectronics, pulp and paper, metal refineries and food and beverage. Despite a bright outlook in seawater desalination, a segment exposed to market conditions resulting in irregular fluctuations in demand from quarter to quarter, the Group is being selective in the projects it is bidding on to curtail the risks associated with turnkey projects.

After the major slowdown of the past two years, the U.K. municipal market has bounced back, which boosted the backlog to its budgeted value for the current fiscal year. The Group reported a sustained recovery in business, owing in particular to the implementation of the AMP5 infrastructure investment program. Given the number of requests for proposals in the United States, the short-term outlook remains positive. However, trends over the medium and long terms are more difficult to extrapolate, given the implementation of new infrastructure projects is subject to the budgetary constraints placed on local authorities. As a result, in light of challenges in the U.S. municipal market, the entity that covers this market continues to exercise a great deal of vigilance to maintain operational performance and achieve a high profit margin, as reflected in third-quarter and year-to-date results.

Moreover, the Group as a whole remains tightly focused on increasing profitability. Key initiatives include:

- Turnaround plan continues at the energy division located the U.K.;
- Sale, closure or restructuring of non-profitable CWT entities reporting low business activity;
- Creation of a high-calibre project management team with a view, in particular, to strengthen the approval process and the controls over order booking and cost estimating;
- Application across the Group of procurement and outsourcing best practices, as well as a master strategy aimed at optimal use of the existing supplier network in Asia and Eastern Europe, as well as Group manufacturing facilities in Eastern Europe;
- Deployment of best practices for working capital and cash management, including measures to optimize accounts receivable;
- Fast-tracked installation of a Group-wide management information system.

GLV's management expects these concrete measures to improve profitability at the Water Treatment Group (Ovivo), eventually lifting normalized EBITDA margin to 10%. However, reaching and maintaining this objective depends on a number of factors including fluctuations in economic conditions, changes in exchange rates, the types of contracts executed along with their execution schedule, as well as the general risks and uncertainties to which the Corporation is exposed and which are described in section V, "Risk management and risk factors" of the MD&A for the fiscal year ended March 31, 2010.

Pulp and Paper Group

As at December 31, 2010, the Pulp and Paper Group reported 17.2% in organic growth (at constant exchange rates) in its backlog compared with last year, but tracked lower (at constant exchange rates) than the backlog value as at September 30, 2010. This resulted in particular from clients' postponing certain capital expenditure projects and from lower spare part orders.

While conditions in the pulp and paper market continually require a conservative stance, short-term prospects do look favourable. Pulp prices remain at favourable levels, further prompting paper companies to invest in facility maintenance and new equipment. The number of requests for bids on replacement parts and upgrading services, and new equipment points to sustained market activity, particularly in the Asia-Pacific region.

However, the Pulp and Paper Group exercises stringent spending control. In addition, the Group's main goal for fiscal 2011 is to rapidly expand its presence in China and India and develop its outsourcing network, including the replacement parts market.

Accordingly, for fiscal 2011 as a whole, the increase in the group's backlog and the resulting revenue growth should gradually help restore Group profit margins, given its flexible and competitive cost structure.

Global outlook

In closing, for the next few quarters, market conditions are expected to be favourable in most of the segments served by the Water Treatment Group (Ovivo) and the Pulp and Paper Group.

However, GLV's management continues to take a cautious approach. The main goal remains unchanged: improve profitability in both operational groups and strengthen their competitive positioning to maximize market share.

For fiscal 2011 as a whole, assuming exchange rates remain stable at current levels and in light of the outlook in the segments service by both groups, the Corporation expects consolidated revenues to range from $675 million to $700 million.

GLV remains focused on its objective of long-term value creation for its shareholders and reaching $1 billion in revenues within three to five years. To do so, it will rely primarily on the positioning of its Water Treatment Group (Ovivo) in an industry with solid organic growth potential resulting from growing world demand for water, as well as growth potential from acquisitions due to the industry's highly fragmented nature. In addition, GLV enjoys a sound financial position to support current operations and pursue development projects.

11. SHARE CAPITAL INFORMATION

Authorized, issued and outstanding shares as at December 31, 2010 and February 8, 2011

	Authorized	Number of shares issued and outstanding
Class A subordinate voting shares	Unlimited	41,906,694
Class B multiple voting shares	Unlimited	2,185,205
Preferred shares	Unlimited	-
		44,091,899

The above table reflects three issuances of Class A subordinate voting shares in fiscal 2010: 5.3 million shares on July 2, 2009, 7.4 million shares on November 23, 2009 and 4.9 million shares on March 31, 2010.

12. STOCK OPTION PLAN AND OTHER STOCK-BASED COMPENSATION

Stock option plan

	December 31, 2010	
	Options available for issuance	Options issued and outstanding
Class A subordinate voting shares	2,538,888	1,613,176

The Corporation cancelled 10,000 stock options during the third quarter of fiscal 2011 and issued a total of 30,166 stock options during the first nine months of fiscal year (see note 9 to the interim consolidated financial statements accompanying this MD&A).

13. RISKS AND UNCERTAINTIES

Risks and uncertainties as well as risk management practices are discussed in section V, "Risk management and risk factors" of the MD&A for the fiscal year ended March 31, 2010.

Management has observed no material changes regarding risks and uncertainties and has made no changes to its risk management practices since the beginning of the fiscal year.

14. ACCOUNTING POLICIES AND MISCELLANEOUS ITEMS

Compliance with Canadian generally accepted accounting principles

The financial information presented in this MD&A, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in the MD&A also includes some figures that are non-GAAP financial measures, specifically:

- **EBITDA**: earnings (loss) before amortization, financial expenses, income taxes and non-controlling interest;
- **Normalized EBITDA**: according to the reporting periods, EBITDA before items recorded outside the normal course of business, including restructuring costs;
- **Normalized net earnings (loss):** according to the reporting periods, net earnings (loss) before items recorded outside the normal course of business, including restructuring costs;
- **Free cash flow (negative free cash flow):** cash flows from operating activities excluding net changes in non-cash items related to operations, less additions to property, plant and equipment (net of disposals);
- **Free cash flow per share (negative free cash flow per share):** free cash flow (negative free cash flow) 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 performance measures or to the statement of cash flows as indicators of liquidity. They are not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for Canadian GAAP performance measures. Management's definition of these measures may differ from 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 Corporation uses the organic growth measure. The organic growth of each operating group is computed by eliminating revenue streams from acquisitions from the current fiscal year where such streams did not exist in the comparative period of the previous fiscal year. The revenues eliminated are those earned by the acquired businesses based on the latest financial data available prior to 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 businesses subsequent to their acquisition date.

The Corporation's backlog consists of firm orders supported, as the case may be, by a signed contract, a purchase order or an advance receipt on a contract. Under certain circumstances, management may decide to defer recognition of a contract in the backlog if, for instance, there are risks that the order could be cancelled or delayed, or that the collection of the selling price is exposed to risks. In that case, the order in question will normally be added to the backlog only upon collection of part of the selling price in the form of advance receipts on a contract, or when management has a reasonable degree of comfort thereof. Management may also decide to record a general reserve accounting for its assessment of the various risks related to the orders recognized in the backlog.

The following table reconciles certain non-GAAP measures with items from the Corporation's consolidated statement of earnings.

Non-GAAP items reconciliation

	Quarter ended December 31, 2010				Nine-month period ended December 31, 2010			
(in thousands of $)	Water Treatment Group (Ovivo)	Pulp and Paper Group	Other	Consolidated results	Water Treatment Group (Ovivo)	Pulp and Paper Group	Other	Consolidated results
As reported in the financial statements:								
Earnings (loss) before financial expenses, income taxes and non-controlling interest (GAAP)				1,886				(7,662)
Asset impairment				920				920
Amortization				4,597				13,704
Earnings (loss) before amortization, financial expenses, income taxes and non-controlling interest	**6,333**	**3,561**	**(2,491)**	**7,403**	**6,569**	**10,892**	**(10,499)**	**6,962**
Normalized items	**1,530**	**-**	**636**	**2,166**	**1,530**	**-**	**636**	**2,166**
Normalized EBITDA	**7,863**	**3,561**	**(1,855)**	**9,569**	**8,099**	**10,892**	**(9,863)**	**9,128**

	Quarter ended December 31, 2009				Nine-month period ended December 31, 2009			
(in thousands of $)	Water Treatment Group (Ovivo)	Pulp and Paper Group	Other	Consolidated results	Water Treatment Group (Ovivo)	Pulp and Paper Group	Other	Consolidated results
As reported in the financial statements:								
Earnings (loss) before financial expenses, income taxes and non-controlling interest (GAAP)				3,919				4,646
Asset impairment				-				-
Amortization				3,766				9,754
Earnings (loss) before amortization, financial expenses, income taxes and non-controlling interest	6,651	3,268	(2,234)	7,685	14,797	7,277	(7,674)	14,400
Normalized items	-	(1,000)	650	(350)	611	(369)	776	1,018
Normalized EBITDA	6,651	2,268	(1,584)	7,335	15,408	6,908	(6,898)	15,418

Critical accounting estimates, contractual commitments and financial instruments

The Corporation has not noted any material changes in critical accounting estimates, contractual commitments and financial instruments since the end of the last fiscal year. For further information, please see the Corporation's MD&A for the period ended March 31, 2010 available on SEDAR (www.sedar.com) and the Corporation's website (www.glv.com).

Changes in accounting policies

Revenue recognition

On March 31, 2010, the Corporation changed its accounting policy for the recognition of revenue related to its contracts. For fiscal years prior to 2010, the Corporation accounted for revenues generated from its short-term contracts using the completed contract method if they met certain criteria. With the acquisition of CWT, the Corporation decided to align its accounting policies and recognize revenue for all its contracts based on the percentage of completion method. The percentage of completion is generally determined using the cost-to-cost method, which consists in comparing the costs incurred to date over total expected costs based on the Corporation's estimates. Management believes the new accounting policy is preferable because it is consistent with International Financial Reporting Standards ("IFRS"), it results in a more transparent image of contract completion, it better allows revenue comparison from period to period and it is more consistent with industry practice. In addition, management decided to present the balance sheet position of contracts in progress in both the assets (contracts in progress) and liabilities (deferred revenues) for fairer presentation of the net position of contracts. The comparative figures have been restated as at December 31, 2009.

The net impact of the change in accounting policy for the three- and nine-month periods ended December 31, 2009 is detailed in the following tables.

Selected statement of earnings data

	Reported as at December 31, 2009	Restatement	Restated as at December 31, 2009
Three months			
Revenues	$ 139,714	$ (522)	$ 139,192
Cost of contracts and goods sold	106,538	(321)	106,217
Income taxes	155	(80)	75
Net earnings	1,858	(121)	1,737

	Reported as at December 31, 2009	Restatement	Restated as at December 31, 2009
Nine months			
Revenues	$ 357,065	$ (1,900)	$ 355,165
Cost of contracts and goods sold	269,207	(1,364)	267,843
Income taxes	642	(213)	429
Net earnings	3,650	(323)	3,327

Future changes in accounting policies

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 Interests*.

Section 1582 replaces former Section 1581 and establishes standards for the accounting of a business combination, and is mostly aligned with 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 recorded as expenses.

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

For the Corporation, these three sections 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 beginning April 1, 2011. The Corporation has elected against early adoption of these three standards.

Transition to IFRS

In October 2009, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to apply and report under IFRS, as issued in full and without modification, for fiscal years beginning on or after January 1, 2011, which, in the case of the Corporation, represents the interim and annual periods beginning as of April 1, 2011, which is the changeover date. In its consolidated financial statements issued after the changeover date, GLV will be required to present comparative data for the corresponding periods of the previous fiscal year, making April 1, 2010, the "transition date" for the Corporation.

The Corporation has developed a plan to convert its consolidated financial statements to IFRS. The Corporation has also set up a team responsible for the execution of the changeover plan. The Corporation is completing the assessment of the impact of the transition on its business practices, systems and internal control over financial reporting. A detailed analysis of the differences between IFRS and the Corporation's accounting policies and an assessment and quantification of the impact of various alternatives will be completed during the fourth quarter of fiscal 2011. In particular, in order to align its accounting policies with IFRS, the Corporation changed its accounting policy on revenue recognition following the acquisition of CWT. The new accounting policy will reduce the impact of adopting IFRS on the consolidated financial statements. Changes in accounting policies are likely and may materially impact the Corporation's consolidated financial statements.

The detailed transition plan provides additional information on the process underway and can be found in the MD&A for the fiscal year ended March 31, 2010 available on SEDAR (www.sedar.com) and the Corporation's website (www.glv.com).

15. CONTROLS AND PROCEDURES

Effectiveness of disclosure controls and procedures and internal control over financial reporting

As required by National Instrument 52-109 of the Canadian Securities Administrators ("NI 52-109"), GLV has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among others, attest to the design and effectiveness of the disclosure controls and procedures and the design and effectiveness of internal control over financial reporting.

GLV's management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities.

During the three-month period ended December 31, 2010, there have been no changes in internal control over financial reporting that have materially affected, or would reasonably be expected to materially affect GLV's internal control over financial reporting.

It should be noted that the operations derived from CWT, acquired at the end of November 2009, have been excluded from the scope of the design of disclosure controls and procedures as well as the design of internal control over financial reporting.

Pursuant to NI 52-109, the following table sets forth summary financial information relating to CWT for the three- and nine-month periods ended December 31, 2010, as included in the Corporation's statement of earnings (loss) and balance sheet for the periods then ended.

CWT Results

	Quarter ended December 31, 2010	Nine-month period ended December 31, 2010	One-month period ended Dec 31, 2009
(in thousands of $)			
Revenues	60,102	172,229	33,806
Net earnings (loss)	(2,560)	(10,619)	52
		As at December 31, 2010	
Current assets		132,858	
Long-term assets		46,148	
Current liabilities		106,593	
Long-term liabilities		93,314	

16. SUPPLEMENTARY INFORMATION

Supplementary information about the Corporation, including the Annual Information Form dated June 10, 2010, the MD&A for the fiscal year ended March 31, 2010 and the interim MD&As for fiscal 2010 and press releases, is available on SEDAR (www.sedar.com) and the Corporation's website (www.glv.com). Certain other documents, including presentations to investors, are also available on the Corporation's website.

(SIGNED)
Richard Verreault
President and Chief Executive Officer

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

February 10, 2011