Management's Discussion & Analysis

First Quarter of Fiscal 2011

Three-month period ended June 30, 2010

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August 12, 2010

Unless otherwise indicated, all amounts are in Canadian dollars.

1. FISCAL 2011 FIRST QUARTER HIGHLIGHTS

Revenues: $152.6 million

- Up 34.0% from $113.8 million for the corresponding quarter in fiscal 2010, primarily attributable to the inclusion of Christ Water Technology AG ("CWT")
- The Water Treatment Group and the Pulp and Paper Group account for 63.3% and 28.9%, respectively, of total revenues (compared with 57.7% and 40.0%, respectively, for the corresponding quarter last year)

Gross margin: $30.6 million

- 20.1% of consolidated revenues compared with 24.0% ($27.3 million) last year; the decrease stems mainly from the decline in the gross margin of the Water Treatment Group due to low margins for some contracts performed by CWT and the slowdown in certain markets

EBITDA: $3.6 million

- Since the Corporation has not reported any items outside the normal course of business, normalized EBITDA also equals $3.6 million, down from $3.9 million for the first quarter of fiscal 2010 due to the inclusion of CWT and the lower gross margin of the Water Treatment Group, partly offset by higher profitability of the Pulp and Paper Group.
- Normalized EBITDA margin of 2.3%, down from 3.4% last year due to the Water Treatment Group's results

Net loss: $(4.2) million or $(0.09) per share, basic and diluted

- Down from net earnings of $0.9 million ($0.03 per share, basic and diluted) for the first quarter of fiscal 2010 due largely to the unfavourable mark-to-market remeasurement of derivative financial instruments, the interest on long-term debt, lower EBITDA of the Water Treatment Group and higher amortization expense resulting from the inclusion of CWT

Free cash flow: $1.8 million or $0.04 per share, basic and diluted

- Compared with $1.5 million ($0.05 per share, basic and diluted) for the first quarter of fiscal 2010

Total net debt to total capitalization ratio as at June 30, 2010: 19.0%

- Up from 6.9% as at March 31, 2010 as a result of investments in working capital

Backlog as at June 30, 2010: $452.1 million

- Up from $229.2 million as at June 30, 2009 following the inclusion of CWT, combined with 7.6% organic growth (at constant exchange rates) in the value of the Corporation's backlog
- Up from $442.3 million as at March 31, 2010 arising from organic growth of 8.9% and 19.2% (at constant exchange rates) of the backlogs of the Water Treatment Group (including CWT) and the Pulp and Paper Group, respectively

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 estimates of amounts that cannot yet be determined. These may be observations concerning, in particular, strategies, expectations, planned activities or future actions. Forward-looking statements are recognized by the use of terms such as "forecast," "project," "could," "plan," "aim," "estimate" and other similar terms, possibly used in the future or conditional, particularly with regard to certain assumptions.

The management of GLV 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 considerably 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 August 12, 2010. 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-month period ended June 30, 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-month periods ended June 30, 2010 and June 30, 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 first 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 "first quarter of fiscal 2011" and the "first quarter of fiscal 2010" refer to the three-month periods ended June 30, 2010 and 2009, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three-month period ended June 30, 2010 is performed in relation to the corresponding period ended June 30, 2009, whereas the comparative analysis of balance sheet items as at June 30, 2010 is performed in relation to March 31, 2010.

The information contained in this interim MD&A is mainly structured by group, specifically the Water Treatment Group and the Pulp and Paper Group. The financial information reported in this interim MD&A, including tabular amounts, is 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, are 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. It operates in some 30 countries with approximately 2,300 employees as at June 30, 2010.

- The **Water Treatment Group** 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 that will 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 spare parts. It ensures that its portfolio consists of innovative products and technologies that bring added value to the client, 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 cultural 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, and 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 China, India, Australia, the Middle East and Russia.

- ***Development of aftermarket services***
  Aftermarket services, including the sale of spare 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 intends to expand its service offering in equipment optimization services and increase sales of original quality spare parts across all of its markets.

- ***Manufacturing subcontracting***
  Generally, the Corporation outsources the manufacture of components to a network of subcontractors around the globe in order for its teams to focus on product engineering, and project and sales management, which it sees as a competitive advantage in terms of its cost structure and capacity to accommodate changes in demand.

6. SIGNIFICANT EVENTS IN THE FIRST QUARTER

The integration process of CWT acquired at the end of November 2009 gave rise to a number of events and changes during the quarter ended June 30, 2010, mainly the following:

Consolidation of global operations of the Water Treatment Group

Consolidation of the global operations of CWT and EIMCO Water Technologies ("EWT") is underway.

- With all the industrial divisions of the Water Treatment Group now under single management, the market penetration strategy can be optimized.
- The Group is implementing measures, including the replacement of senior managers, to improve performance at the U.K. division responsible for energy sector contracts.
- The approval process and the controls over order booking and in particular cost estimating have been tightened and are subject to more comprehensive reviews.
- Management has undertaken to strengthen the turnkey contract management and monitoring process, including hiring a professional with expertise in this area.
- Financial management has implemented additional measures to tighten working capital management and in particular, the collection of accounts receivable.

The Corporation's management is satisfied overall with the consolidation process of the global operations of the Water Treatment Group. However, CWT's financial performance in the first quarter fell short of the expected results set out during the process of acquisition and the subsequent annual budgetary planning in February 2010. The gross profit margin on several contracts included in CWT's backlog at the time of the acquisition was lower than forecast. In addition, orders booked by certain operational divisions were lower than expected, particularly in the energy sector. Management has undertaken to implement measures to tighten controls over order bookings, contract performance, especially turnkey contracts, and working capital management.

Management remains confident that performance will improve over the coming quarters. However, the Water Treatment Group might need a few quarters more to achieve the objective of a normalized EBITDA margin of 10% as stated in the Corporation's MD&A for the fiscal year ended March 31, 2010.

Also, CWT's Food and Beverage division, which includes the Van der Molen entities, is now under new management. Turnaround efforts aimed at bolstering economic value have started to show encouraging results.

Global positioning strategy

The Corporation is currently building a brand strategy aimed at positioning the Water Treatment Group as a leading global player in its industry. The principal objective is to increase its market shares in each of its regional markets by leveraging the technological and marketing strengths of the entire organization. As part of this positioning, the Water Treatment Group will adopt a new brand name under which the operations of EWT and CWT will be combined. The brand strategy will be officially launched next September and the new brand will be announced at the same time.

Privatization of CWT

On July 30, 2010, during the Annual General Meeting of CWT shareholders, the Corporation received the approval to complete the privatization of CWT through the squeeze-out process to repurchase the 7.40% interest in the share capital of CWT held by minority shareholders at the close of the share tendering period on February 19, 2010. A consideration of €2.10 per share, in accordance with applicable statutory rules, was offered to the minority shareholders. Management expects the privatization of CWT to be completed by the end of October 2010.

Revaluation of CWT's opening balance sheet

In its MD&A for fiscal 2010, management indicated that CWT's opening balance sheet as at November 30, 2009 as well as the allocation of the purchase price could be subsequently adjusted. Accordingly, the Corporation made adjustments totalling $4.1 million in the first quarter in respect of a guarantee provision and the net position of contracts in progress as at that date, resulting in an increase in the goodwill arising from this transaction. Further adjustments, if required, could be made in the coming quarters.

7. CONSOLIDATED OPERATING RESULTS

First quarter fiscal 2011 results reflect, for the entire period, the inclusion of the activities of CWT, acquired at the end of November 2009.

They also reflect the impact of global economic conditions on the operations of the Corporation's two groups, specifically:

- A certain upswing in demand and investments in the global pulp and paper industry after an 18-month slump;
- Unfavourable impact of the persistent fragility in the U.S. economy and the European financial crisis on some of the operations of the Water Treatment Group, particularly those related to municipal infrastructure in the U.S. and the global energy market.

Note that results for the quarter ended June 30, 2009 have been restated to reflect the change in the revenue recognition accounting policy adopted in the fourth quarter of fiscal 2010.

Selected information

(in thousands of $, except per share amounts and percentages)

	Quarters ended June 30	
	2010	2009
		(Restated)
Revenues	**152,582**	**113,839**
Water Treatment	**96,576**	65,619
Pulp and Paper	**44,113**	45,574
Other	**11,893**	2,646
EBITDA	**3,573**	3,447
Water Treatment	**1,998**	5,146
Pulp and Paper	**3,751**	1,443
Other	**(2,176)**	(3,142)
Normalized EBITDA[1]	**3,573**	**3,855**
Water Treatment[1]	**1,998**	5,162
Pulp and Paper[1]	**3,751**	1,835
Other[1]	**(2,176)**	(3,142)
Normalized EBITDA margin[1] (% of revenues)	**2.3%**	3.4%
Water Treatment[1]	**2.1%**	7.9%
Pulp and Paper[1]	**8.5%**	4.0%
Other[1]	**-18.3%**	-118.7%
Net earnings (loss)	**(4,157)**	871
Free cash flow	**1,767**	1,457
Per share (basic and diluted)		
Net earnings (loss)	**(0.09)**	0.03
Free cash flow	**0.04**	0.05
CAPITALIZATION RATIO	**June 30, 2010**	**March 31, 2010**
Net debt to total capitalization ratio	19.0%	6.9%

[1] Excluding restructuring costs

Revenues

Revenues

(in thousands of $)	Quarters ended June 30 2010	2009 (Restated)	Change %	Organic[1] change at constant exchange rates %
TOTAL	**152,582**	**113,839**	**34.0%**	**-4.7%**
Water Treatment	**96,576**	**65,619**	**47.2%**	**-11.6%**
New equipment	83,126	55,396	50.1%	
Aftermarket	13,450	10,223	31.6%	
Pulp and Paper	**44,113**	**45,574**	**-3.2%**	**5.8%**
New equipment	14,329	19,063	-24.8%	
Aftermarket	29,784	26,511	12.3%	
Other[2]	**11,893**	**2,646**	**349.5%**	**-12.7%**

[1] Excluding CWT.
[2] As of the first quarter of fiscal 2011, revenues of certain divisions of CWT not related to the major activities of the Water Treatment Group, including the Food and Beverage division which includes 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.

The increase in consolidated revenues in the first quarter of fiscal 2011 compared with the corresponding period last year results from the inclusion of CWT, which accounts for the entire increase in Water Treatment Group and in Other revenues;

Moreover, following the inclusion of CWT's results, the Water Treatment Group's share of total revenues increased significantly, accounting for nearly two thirds of first quarter revenues.

Revenues by operating segment

(as a % of consolidated revenues)	Quarters ended June 30 2010	2009 (Restated)
Water Treatment	63.3%	57.7%
Pulp and Paper	28.9%	40.0%
Other[1]	7.8%	2.3%

[1] As of the first quarter of fiscal 2011, revenues of certain divisions of CWT not related to the major activities of the Water Treatment Group, including the Food and Beverage division which includes 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.

However, excluding CWT's results, the Water Treatment Group reported negative organic revenue growth at constant exchange rates due to the following factors:

- Gradual depletion of the U.S. federal government's economic stimulus funds in 2008 and 2009 resulted in a slowdown in existing municipal infrastructure upgrading projects, while persisting weakness in the U.S. real estate market continued to rein in investments for new municipal infrastructures;
- Delays in the delivery of certain contracts with revenue recognition postponed to the second quarter;
- Climate of uncertainty arising from less robust-than-expected global economic recovery for certain sectors, including energy.

The Pulp and Paper Group reported organic growth in revenues at constant exchange rates, driven by higher demand, mainly for North American aftermarket services.

The unfavourable impact of currency fluctuations on consolidated and segmented revenues (excluding CWT) for the first quarter of 2011 compared with the corresponding period last year is primarily attributable to the strengthening of the Canadian dollar against the U.S. dollar, the euro, pound sterling and the Swedish krona.

Revenues by region

	Total		**Water Treatment**		**Pulp and Paper**	
	% of consolidated revenues		% of Group revenues		% of Group revenues	
	12-month periods ended June 30		**12-month periods ended June 30**		**12-month periods ended June 30**	
	2010	2009	2010	2009	2010	2009
		(Restated)		(Restated)		(Restated)
North America	43.7%	53.2%	35.9%	55.0%	61.3%	51.1%
Europe and Russia	26.5%	27.7%	29.8%	24.7%	19.0%	30.4%
Asia and Asia Pacific	14.2%	12.7%	14.9%	14.4%	13.4%	11.7%
Latin America	2.8%	3.5%	1.2%	0.5%	5.4%	6.5%
Middle East and Africa	12.8%	2.9%	18.2%	5.4%	0.9%	0.3%

The breakdown of the Corporation's total revenues shows that North America's share has declined compared with the first quarter of fiscal 2010 mainly as a result of the inclusion of CWT, which has a greater presence in Europe, Asia, Africa and the Middle East.

More specifically, for the first quarter of fiscal 2011, the Water Treatment Group shows a different geographic breakdown of revenues than last year due to:

- Slowdown in investment projects for upgrading municipal infrastructures in the U.S. coupled with low investments in new municipal infrastructures;
- Contribution made by CWT, which generates a significant portion of its revenues 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;

Changes in the geographic breakdown of revenues of the Pulp and Paper Group reflect the following main trends:

- Upturn in the North American market for replacement parts and upgrading services, where the group's expertise and extensive equipment base gives it a solid position;
- Stronger presence in China and India and increased market share in these regions;
- Continuing weak demand in Western Europe although the paper industry in Eastern Europe is showing more encouraging signs.

Gross margin

Gross margin

	Quarters ended June 30		Change	Change at constant exchange rates
	2010	2009	%	%
(in thousands of $)		(Restated)		
TOTAL	30,622	27,291	12.2%	20.8%
(as a % of revenues)				
TOTAL	20.1%	24.0%		

The Corporation's consolidated gross margin (in dollars) for the first quarter of fiscal 2011 rose compared with the corresponding period last year as a result of the following main factors:

- Inclusion of CWT's results;
- Growth in the Pulp and Paper Group's gross margin, both in dollars and as a percentage of revenues, resulting from higher aftermarket sales and measures to tighten cost control implemented in the last two years.

As a percentage of revenues, the consolidated gross margin for the first quarter of fiscal 2011 is lower than for the corresponding quarter last year, mainly attributable to the Water Treatment Group and more specifically to:

- Inclusion of CWT, whose gross margin as a percentage of revenues is, at present, lower than the Corporation's average margin (see "Consolidation of global operations of the Water Treatment Group" in section 6, "Significant events in the first quarter" of this MD&A);
- Lower sales of the group in the U.S. municipal sector, which had a negative impact on the fixed overhead absorption rate, although contract performance remained efficient;
- Lower-than-expected profitability for certain contracts in the energy sector, resulting from both current market conditions and operational factors. Lower investments by energy producers amid economic uncertainty are leading to intensified competition and exerting downward pressure on profit margins while management shortcomings for certain contracts granted to a U.K. division reduced profitability. GLV's management was quick to implement robust measures to rectify the situation, including the replacement of some senior division managers and the appointment of the manager responsible for turning around the Salt Lake City, Utah division in 2008 as the energy division's head of operations.

Selling and administrative expenses

Selling and administrative expenses

	Quarters ended June 30		Change		Change at constant exchange rates
	2010	2009	$	%	%
(in thousands of $)		(Restated)			
TOTAL	27,049	23,436	3,613	15.4%	24.4%
(as a % of revenues)					
TOTAL	17.7%	20.6%			

The increase in consolidated selling and administrative expenses (in dollars) in the first quarter of fiscal 2011 stemmed mainly from the inclusion of CWT. Excluding CWT and the favourable impact of various currency fluctuations on operating expenses of most of the Corporation's foreign subsidiaries, selling and administrative expenses for the Water Treatment Group, the Pulp and Paper Group and head office remained mostly stable compared with last year. This improvement as a percentage of revenues clearly shows the decentralization of the Corporation's operations and the effect of control over head office selling and administrative expenses.

EBITDA and normalized EBITDA

EBITDA and normalized EBITDA

	Quarters ended June 30		Change	Change at constant exchange rates
	2010	2009	%	%
(in thousands of $)		(Restated)		
EBITDA				
TOTAL	3,573	3,447	3.7%	10.2%
Water Treatment	1,998	5,146	-61.2%	-61.2%
Pulp and Paper	3,751	1,443	159.9%	182.1%
Other	(2,176)	(3,142)	-30.7%	-27.8%
Normalized items				
TOTAL	-	408	-	n/a
Water Treatment	-	16	-	n/a
Pulp and Paper	-	392	-	n/a
Other	-	-	-	
Normalized EBITDA[1]				
TOTAL	3,573	3,855	-7.3%	-1.5%
Water Treatment	1,998	5,162	-61.3%	-61.3%
Pulp and Paper	3,751	1,835	104.4%	121.8%
Other	(2,176)	(3,142)	-30.7%	-27.8%
(as a % of revenues)				
Normalized EBITDA margin[1]				
TOTAL	2.3%	3.4%		
Water Treatment	2.1%	7.9%		
Pulp and Paper	8.5%	4.0%		
Other	n/a	n/a		

[1] Excluding restructing costs.

For the first quarter of fiscal 2011, the Corporation reported a slightly higher EBITDA than for the corresponding period last year, with no items outside the normal course of business, while restructuring costs of $0.4 million, mainly related to the Pulp and Paper Group, were reported for the first quarter of fiscal 2010.

Accordingly, the slight decline in normalized consolidated EBITDA (at constant exchange rates) as well as the decrease in the normalized EBITDA margin as a percentage of revenues between the quarters ended June 30, 2009 and 2010 result from the factors discussed below.

Decreases in the Water Treatment Group's normalized EBITDA and the normalized EBITDA margin are attributable to:

- CWT's operating loss, which resulted, among other factors, from the fact that the profit margins of certain contracts fell below the Corporation's criteria, as discussed previously; in addition, the cost structure does not as yet make it possible to fully capitalize on the benefits of integration with other Water Treatment Group entities, given in particular European employment laws and practices. These two factors should be gradually resolved over the coming quarters;
- Lower sales for the Water Treatment Group in the U.S. municipal market;
- Lower-than-expected profitability for certain contracts in the energy sector.

The significant improvement in the Pulp and Paper Group's normalized EBITDA and normalized EBITDA margin arises from its strong aftermarket performance, which accounted for a higher share of revenues, the ongoing expansion of its manufacturing outsourcing network, particularly in China and India, and solid overall management of operations.

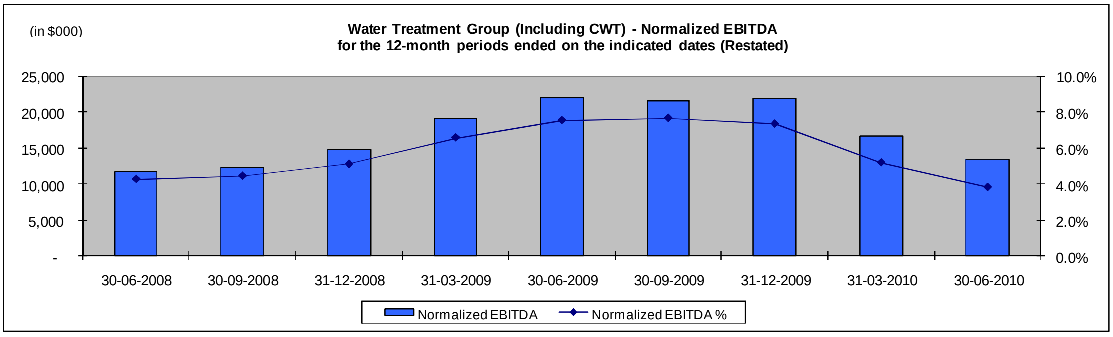
Last, the favourable change in Other results from:

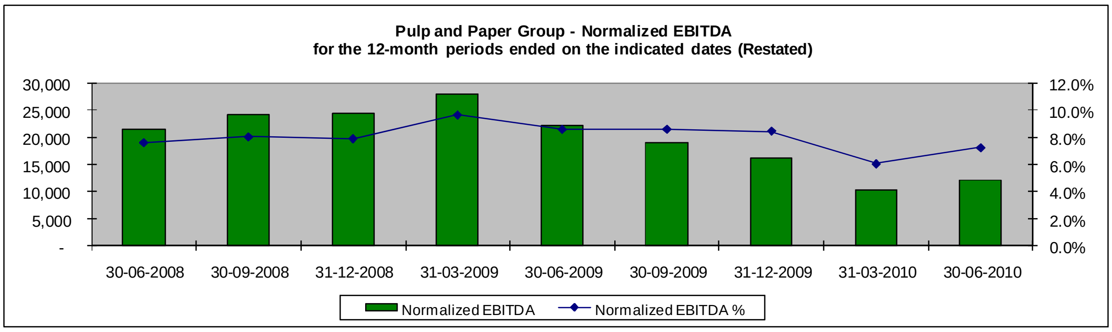
- Positive contribution made by CWT's Food and Beverage division (comprising Van der Molen entities), arising from ongoing turnaround efforts;
- Improved performance of the Manufacturing unit compared with the first quarter of 2010, mainly related to lower selling and administration expenses;
- Positive contribution made by CWT's Manufacturing units;
- The last two factors were however partly offset by higher administrative expenses at CWT's head office.

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

The recent change in the Water Treatment Group's normalized EBITDA stems mainly from the unfavourable effect of the inclusion of CWT, acquired shortly before the end of the third quarter on December 31, 2009.

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

Amortization

(in thousands of $)	Quarters ended June 30 2010	2009 (Restated)	Change $	Change at constant exchange rates %
Total	4,648	3,117	1,531	56.5%
Property, plant and equipment	1,558	1,471	87	
Intangible assets	3,090	1,646	1,444	
Other	-	-	-	

The higher amortization expense results mostly from the inclusion of CWT, specifically the amortization of intangible assets associated with this acquisition.

However, despite the inclusion of CWT, the amortization expense of property, plant and equipment increased only marginally due to the following:

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

Financial expenses

Financial expenses

(in thousands of $)	Quarters ended June 30 2010	2009 (Restated)	Change $
Total	3,237	(793)	4,030
Interest on long-term debt	1,402	533	869
Interest income, net	(243)	(133)	(110)
Foreign exchange loss (gain)	(1,455)	224	(1,679)
Derivative financial instruments	2,608	(1,816)	4,424
Other	925	399	526

The increase in financial expenses in the first quarter of fiscal 2011 from the corresponding period last year is attributable to:

- A net unfavourable amount of $2.6 million due to the change in fair value of derivative financial instruments compared with a net favourable amount of $1.8 million in the corresponding quarter last year, for a negative change of $4.4 million, mainly stemming from the unfavourable mark-to-market remeasurement of cross currency interest rate swaps and the total return swap, given the price decline in the Corporation's subordinate shares during the quarter;
- Increase in interest expense on long-term debt attributable to the financing of the CWT acquisition;
- Rise in other financial expenses explained primarily by the inclusion of CWT.

These unfavourable elements were partially offset by:

- Realized and unrealized net foreign exchange gains (including amounts related to foreign exchange contracts) of approximately $1.5 million compared with net losses of $0.2 million during the corresponding period in the previous fiscal year, for a favourable variance of about $1.7 million mostly arising from the significant strengthening of the Canadian dollar mainly against the U.S. dollar, the pound sterling and the euro.

Income taxes

Income taxes

(in thousands of $, except percentages)

	Quarters ended June 30		Change
	2010	**2009**	**$**
		(Restated)	
Income tax expense (recovery)	(155)	252	(407)
Effective tax rate (%)	3.6%	22.5%	
Canadian statutory rate (%)	30.8%	31.0%	

The difference between the effective tax rate and the Canadian statutory rate is explained by increased valuation allowances (balance of $36.7 million as at June 30, 2010). Management has undertaken a comprehensive analysis of the structure of different subsidiaries to determine the optimal structure for capitalizing on future income tax assets in respect of which valuation allowances have been recognized.

Net earnings (loss)

Net earnings (loss)

	Quarters ended June 30	
	2010	2009
(in thousands of $)		(Restated)
Net earnings (loss)	(4,157)	871
Normalized net earnings (loss)	(4,157)	1,197
(in $ per share - basic and diluted)		
Net earnings (loss)	(0.09)	0.03
Normalized net earnings (loss)	(0.09)	0.05
Weighted average number of participating shares outstanding (in thousands)	44,092	26,544

The net loss for the first quarter of fiscal 2011 is attributable, in order of importance, to the unfavourable mark-to-market remeasurement of derivative financial instruments, lower EBITDA for the Water Treatment Group and the increase in amortization of intangible assets resulting from the inclusion of CWT.

The increase in the weighted average number of shares outstanding (basic and diluted) is explained by 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 LAST EIGHT QUARTERS

Selected financial information for the last eight quarters

(in thousands of $, except per share amounts)	**Fiscal Year 2011**				Fiscal Year 2010			Fiscal Year 2009
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
			Restated	Restated	Restated	Restated	Restated	Restated
Revenues	**152,582**	145,514	139,192	102,134	113,839	144,535	158,333	149,599
EBITDA	**3,573**	506	7,685	3,268	3,447	12,528	2,887	7,552
Normalized EBITDA	**3,573**	1,684	7,335	4,228	3,855	13,115	8,591	7,552
EBIT (loss)	**(1,075)**	(5,066)	3,920	397	330	9,553	(5)	4,628
Normalized EBIT (loss)	**(1,075)**	(3,888)	3,570	1,357	738	10,140	5,699	4,628
Net earnings (loss)[1]	**(4,157)**	(13,672)	1,737	719	871	5,358	1,376	3,017
per share (basic and diluted)[1]	**(0.09)**	(0.35)	0.05	0.02	0.03	0.20	0.05	0.11
Normalized net earnings (loss)[1]	**(4,157)**	(12,729)	1,457	1,487	1,197	5,828	5,939	3,017
per share (basic and diluted)[1]	**(0.09)**	(0.32)	0.04	0.05	0.05	0.22	0.22	0.11

[1] The impact of the change in accounting policy for revenue recognition on income taxes has been determined for each quarter. Net earnings, normalized net earnings and the corresponding per share data have been modified accordingly for fiscal 2010 and 2009.

9. CASH FLOWS, CASH POSITION AND BALANCE SHEET

Free cash flow

(in thousands of $, except per share amounts)		**Quarters ended June 30**
	2010	2009
		Restated
Cash flows used in operating activities	**(33,482)**	(85)
Less:		
Net change in non-cash balances related to operations	**(36,151)**	(2,274)
Additions to property, plant and equipment, net of disposals	**902**	732
Free cash flow	**1,767**	1,457
per share (basic and diluted)	**0.04**	0.05

During the first quarter of 2011, the Corporation reported free cash flow of $1.8 million ($0.04 per share, basic and diluted) compared with free cash flow of $1.5 million ($0.05 per share, basic and diluted) for the corresponding quarter in fiscal 2010. Operating activities (before net change in non-cash balances related to operations) generated total cash flow of $2.7 million, compared with $2.2 million the previous year.

Operating working capital used cash flow of $36.1 million in the first quarter (compared with $2.3 million the previous year) due primarily to higher accounts receivable and lower accounts payable. These changes stem mainly from the fact that the working capital of CWT, at the time of its acquisition by the Corporation, fell short of the level usually required to maintain operating activities and support growth.

Changes in cash and cash equivalents

(in thousands of $)	Quarters ended June 30	
	2010	2009 Restated
Balance, beginning of period	**32,703**	7,590
Free cash flow	**1,767**	1,457
Net change in non-cash balances related to operations	**(36,151)**	(2,274)
Net change in revolving credit facilites	**27,512**	2,000
Long-term debt	**-**	-
Repayment of long-term debt	**(37)**	-
Issuance of share capital	**-**	-
Share capital issuance costs	**(43)**	-
Business acquisitions	**-**	(515)
Change in restricted cash	**(4,031)**	(9)
Effect of changes in foreign exchange rates on cash and cash equivalents	**(2,050)**	428
Other	**(1,166)**	(613)
Balance, end of period	**18,504**	8,064

Other than the changes to free cash flow and non-cash items related to operations discussed previously, the main changes in the first quarter of 2011 compared with the same quarter of the previous year are:

- Allocation of a cash amount of $4 million by the Corporation in June 2010 to bank accounts in trust as part of the process to squeeze out minority shareholders of CWT, bringing total restricted cash to $8 million.
- $2 million unfavourable impact of exchange rate fluctuations on cash and cash equivalents;
- Use of revolving credit facilities in the amount of $27.5 million for current financing requirements;
- $0.5 million unfavourable impact on other asset items.

Balance sheet

Balance sheet highlights

(in thousands of $, except ratios)	**June 30, 2010**	March 31, 2010 Audited	**Explanation of main changes**
Assets			
Cash and cash equivalents	**18,504**	32,703	See statement of cash flows
Accounts receivable	**137,845**	130,217	Increase due to $0.6 million change in FX rate and timing of billing for certain clients
Income taxes receivable	**1,006**	1,535	
Derivative financial Instruments	**1,444**	2,651	Unfavourable mark-to-market remeasurement of total return swap and cross currency interest rate swaps
Inventories	**41,615**	39,613	
Contracts in progress	**137,954**	137,390	
Prepaid expenses	**6,509**	7,890	Reduction in prepaid sales commissions
Future income taxes	**7,834**	8,779	
Property, plant and equipment held for sale	**3,806**	-	As at March 31, 2010, property, plant and equipment held for sale were reported with other assets
Property, plant and equipment	**40,587**	42,235	
Future income taxes	**2,892**	2,247	
Goodwill	**81,745**	80,253	
Intangible assets	**85,458**	92,537	Decrease owing to FX rate change (-$5 million) and amortization charges during the period
Restricted cash	**8,030**	4,009	Increase in restricted cash in connection with the squeeze-out of minority shareholders of CWT
Other assets	**3,706**	6,676	As at March 30, 2010, property, plant and equipment held for sale were reported with other assets
Total assets	**575,129**	588,735	
Liabilities			
Accounts payable and accrued liabilities	**172,816**	196,586	Decrease due to payment schedule of amounts due
Deferred revenue	**38,772**	35,915	
Derivative financial instruments	**2,675**	1,430	Unfavourable mark-to-market remeasurement of all financial instruments
Income taxes payable	**970**	5,141	Payment of U.S. income taxes
Long-term debt	**79,685**	52,970	Increase in revolving credit facilities in Canadian and U.S. dollars
Other liabilities	**10,335**	10,411	
Future income taxes	**13,120**	14,517	
Shareholders' equity			
Share capital	**313,841**	313,841	
Current assets	**356,517**	360,778	
Current liabilities	**(216,581)**	(240,285)	
Working capital	**139,936**	120,493	
Current ratio	***1.65 :1***	*1.50 :1*	

Additional comments on financial position

Given GLV's manufacturing outsourcing strategy, fixed assets account for less than 10% of its total assets. In addition to the rigorous monitoring of its capital expenditures, especially in the current economic context, the Corporation is focusing on the integration of technologies, intellectual property rights, know-how and client relations in its business acquisitions. As a result, intangible assets, goodwill and other assets accounted for 30% of GLV's total assets as at June 30, 2010.

Indebtedness

(in thousands of $, except ratios)	June 30, 2010	March 31, 2010 Audited
Total net debt:		
Long-term debt	**79,685**	52,970
Less:		
Cash and cash equivalents	**(18,504)**	(32,703)
Total net debt	**61,181**	20,267
Total capitalization		
Shareholders' equity	**260,562**	271,765
Total net debt	**61,181**	20,267
Total	**321,743**	292,032
Total net debt to total capitalization ratio	***19.0%***	*6.9%*

As at June 30, 2010, the Corporation's total debt amounted to $79.7 million compared with $53.0 million as at March 31, 2010. Subtracting cash and cash equivalents, GLV's total net debt amounted to $61.2 million for a total net debt to total capitalization ratio of 19.0%, compared with total net debt of $20.3 million and a 6.9% ratio as at March 31, 2010. This higher ratio is mainly attributable to investments in working capital to support operations. Note that at the time of its acquisition, CWT's working capital fell short of the level usually required to maintain operational activities and support growth.

Unused financing sources

(in thousands of $)	June 30, 2010	March 31, 2010
Credit facilities:		
Authorized	**283,658**	225,000
Borrowed	**(31,324)**	(4,000)
Letters of credit issued	**(92,916)**	(39,373)
Unused credit	**159,418**	181,627
Cash and cash equivalents	**18,504**	32,703
Total unused financing sources	**177,922**	214,330

The main financing agreement in place consists of two non-reducing revolving credit facilities totalling $225 million, of which $125 million 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 available to issue letters of credit guaranteed by Export and Development Canada ("EDC"). According to the terms and conditions of the financing agreement, no principal repayment on the long-term debt is required before its expiry in August 2012.

In May 2010, the Corporation came to 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 ($52 million) is used to issue letters of credit and the second, amounting to €5 million ($6.5 million), is used to meet day-to-day financing requirements. As at June 30, 2010, $42.5 million was used under the new credit facility to issue letters of credit, the majority of which was to cover a transfer of letters of credit in place when CWT was acquired as at November 30, 2009. The second facility for day-to-day financing requirements was undrawn as at June 30, 2010. The Corporation guarantees the repayment of these credit facilities in the event of a default on payment. The credit facility for issuing letters of credit expires on May 25, 2015 while the facility for financing requirements is renewable annually.

As at June 30, 2010, undrawn financing resources totalled $177.9 million.

Other credit facilities - CWT

(in thousands of $)	**June 30, 2010**	March 31, 2010
Credit facilities:		
Borrowed	**6,038**	2,583
Letters of credit issued	**54,500**	105,189

Certain GLV subsidiaries included in CWT benefit from credit facilities for issuing letters of credits and for day-to-day financing requirements that were in place when CWT was acquired by the Corporation. As at June 30, 2010, amounts of $54.5 million and $6.0 million, respectively, was used under the credit facilities for issuing letters of credits and for day-to-day financing requirements. These credit facilities will gradually expire with the expiry of letters of credit already issued or on the expiry dates set out in the agreements. Accordingly, at maturity, the amounts included in these other credit facilities will be covered by the financing sources described previously. The Corporation guarantees the repayment of some of these letters of credit in the event of a default on payment.

10. BACKLOG AND OUTLOOK

Backlog

Compared with corresponding date in prior fiscal year

(in thousands of $)	**as at June 30** 2010	2009 (Restated)	**Change** $	%	**Organic[1] change at constant exchange rates** %
TOTAL	452,116	229,190	222,926	97.3%	7.6%
Water Treatment	383,087	169,466	213,621	126.1%	5.9%
Pulp and Paper	57,885	53,081	4,804	9.1%	18.5%
Other[2]	11,144	6,643	4,501	67.8%	-34.5%

Compared with immediately preceding quarter-end

(in thousands of $)	**as at June 30** 2010	**as at March 31** 2010 (Restated)	**Change** $	%	**Change at constant exchange rates** %
TOTAL	452,116	442,345	9,771	2.2%	9.1%
Water Treatment[1]	383,087	378,824	4,263	1.1%	8.9%
Pulp and Paper	57,885	48,339	9,546	19.7%	19.2%
Other[2]	11,144	15,182	(4,038)	-26.6%	-19.9%

[1] Excluding CWT.

[2] Backlog related to CWT's Food and Beverage operations (i.e.the Van der Molen entities) and to CWT's Manufacturing operations have been reclassified to "Other" as at March 31, 2010.

The significant increase in the Corporation's backlog as at June 30, 2010 compared with the corresponding date in 2009 arises mainly from the CWT acquisition, combined with organic growth (at constant exchange rates) of the backlogs of both groups.

The total backlog as at June 30, 2010 is also higher than the amount reported as at March 31, 2010. This increase is fully attributable to organic growth in backlogs of each of the two groups, particularly that of the Pulp and Paper Group.

The unfavourable impact of exchange rate fluctuations on the value of the backlogs of the Corporation and its groups stems principally from the strengthening of the Canadian dollar against the U.S. currency and the euro.

Water Treatment Group

The group's backlog doubled between June 30, 2009 and June 30, 2010. This increase results from the CWT acquisition and to a lesser extent, from organic growth (at constant exchange rates) in the value of orders from the rest of the group, particularly in the Asia and Asia Pacific regions.

The backlog at the end of the first quarter of 2011 was also significantly higher compared with the end of the immediately preceding quarter. This increase resulted exclusively from organic growth related to the following main developments:

- Contracts totalling over $30 million won in June 2010 for the delivery of equipment for the treatment of water used by semiconductor companies in North America and Asia. These wins indicate some recovery in the semiconductor industry, which was severely affected by the recession in 2008-2009;

- Solid business activity in the food and beverage processing industry, especially in the Asia Pacific region where the Water Treatment Group strengthened its presence with a strategic acquisition in March 2008. Moreover, technologies and expertise resulting from this acquisition were exported by the group to Europe and Asia through its global organization.

Also, the backlog as at June 30, 2010 includes contracts totalling $72 million won towards the end of fiscal 2010 in the areas of seawater desalination and drinking water treatment in North Africa and the Middle East; although the group's revenues from the performance of these contracts are minimal as at June 30, 2010, steady revenue recognition should start as of the second quarter of 2011. Furthermore, the number of calls for tenders and information has increased in the pulp and paper industry.

However, the Corporation's management continues to track trends in some of the main markets served by the Water Treatment Group, particularly the municipal market in the United States. Weakness in the U.S. residential real estate market seems to have an impact on new municipal infrastructure projects. Furthermore, projects for upgrading and optimizing existing municipal infrastructures have slowed somewhat due to the decreased availability of government funds allocated to stimulate the economy; this factor adds to the uncertainty hanging over the U.S. economy. However, as pointed out in its fiscal 2010 MD&A, GLV management expects the municipal market in the U.K. to stabilize or even improve after two years of decline. The Water Treatment Group also stays on top of trends in the world energy industry, where investments are still sluggish.

The Water Treatment Group's main goal for fiscal 2011 is to improve and optimize profitability by:

- Continuing the integration of CWT. In the coming quarters, CWT's profit margins should in particular benefit further from the measures implemented since its acquisition to streamline its costs structure and to promote a more selective approach to targeting contracts based on potential profitability;

- Restructuring and turning around the U.K. division responsible for managing contracts in the energy market whose low profitability had an impact on first quarter results;

- Strengthening expertise in the management of turnkey projects, which account for an increasing percentage of the group's operations since the acquisition of CWT;

- Intensifying market development efforts to make up for the shortfall resulting from currently weak conditions in some markets. The Group will primarily target the most dynamic industries in the Asia and Asia Pacific regions as well as certain non-traditional market niches. Above all, the aim is to implement a global positioning strategy to strengthen its presence in each of the regional markets by leveraging all of the organization's technological and commercial strengths. This strategy will focus particularly on sharing technologies and expertise as part of a multi-market approach, based on the strategy implemented and tested with success in recent years in certain regions.

- Optimizing technology and marketing entities started up in fiscal 2010. For instance, Global Water & Energy, LLC ("GW&E"), a U.S. joint venture set up to market a state-of-the-art anaerobic wastewater treatment process and a biogas-based energy generation technology, recently won its first large-scale contract worth nearly $2.0 million. The Québec division which owns a sludge dewatering technology is breaking into the Canadian market and eventually the U.S. market. Last, the Australian entity operating in the area of chemical product supplies and specialized after-sales services is already making a positive contribution to Water Treatment Group EBITDA and this contribution should accelerate over the coming quarters.

As mentioned previously, the objective of a normalized EBITDA margin of 10% for the Water Treatment Group by the end of fiscal 2011 or in early fiscal 2012, as stated in the Corporation's MD&A for the fiscal year ended March 31, 2010, is likely to be achieved with a delay of a few quarters given less favourable market conditions and CWT's lower-than-expected performance since the beginning of the fiscal year.

Pulp and Paper Group

As at June 30, 2010, the group's backlog showed an organic growth rate (at constant exchange rates) of nearly 20% compared with June 30, 2009 and March 31, 2010. This shows that the signs of recovery in the world pulp and paper industry observed in the third and fourth quarters of the previous fiscal year have strengthened since the beginning of the current fiscal year. In addition, the improving world economy and the very low level of pulp and paper inventories have driven up pulp prices. Against this backdrop, and after 18 months of freezing investments in new fixed assets and equipment maintenance, a number of paper companies have started investing in their facilities once again.

For the Pulp and Paper Group, this trend initially resulted in renewed demand for replacement parts and upgrading services, particularly in North America. Greater demand for new equipment has also been observed in recent weeks.

In addition to tighter cost control, the Pulp and Paper Group's main goal for fiscal 2011 is to expand its presence in China and India and develop its outsourcing network, including the spare parts market.

For fiscal 2011, the Corporation believes that the increase in the group's backlog and the resulting revenue growth should contribute to the gradual restoration of its profit margins, given its flexible and competitive cost structure.

Global outlook

In general, the Corporation's management is adopting a cautious approach to the coming quarters, in light of uncertain economic conditions in the U.S. and Europe. The main objective is to increase profitability at each of the two operational groups and maximize their market share by strengthening their respective positions.

For fiscal 2011 as a whole, assuming exchange rates remain stable at current levels, the Corporation forecasts consolidated revenues at between $700 million and $750 million.

The objective set by GLV's management for all its operational groups is to reach and maintain a normalized EBITDA margin of at least 10% over the long term. Management wishes to point out that reaching and maintaining this objective are subject to 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.

GLV remains focused on its objective of long-term value creation for its shareholders and the achievement of $1 billion in revenues within three to five years. It will rely primarily on the positioning of its Water Treatment Group 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, given its solid financial position, GLV can pursue its current activities and development projects.

11. SHARE CAPITAL INFORMATION

Authorized, issued and outstanding share data as at June 30, 2010 and August 10, 2010

	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 table above 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

		June 30, 2010
	Number of options issuable	Options issued and outstanding
Class A subordinate voting shares	2,538,888	1,593,010

During the first quarter of fiscal 2011, no stock options were granted to employees. (For further information, see note 10 to the interim consolidated financial statements accompanying this MD&A.)

Other stock-based compensation

In April 2009, the Corporation set up a new long-term incentive program providing for the granting of stock-appreciation rights ("SARs"). This program is offered exclusively to employees with key operational responsibilities within the two groups. A total of 30,000 SARs were cancelled during the first quarter of fiscal 2011. Management considers this plan to be an effective tool for employee retention and safeguarding the necessary expertise and know-how to succeed in its target markets. (For further information, see note 10 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 information on operating results and cash flow that are non-GAAP performance measures:

- **EBITDA**: earnings 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**: cash flow from operating activities excluding net change in non-cash balances related to operations, less additions to property, plant and equipment (net of disposals);
- **Free cash flow per share**: 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 are also commonly used by the financial community to analyze and compare the performance of companies operating 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 measures 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 differ from those of measures reported by other companies.

To assess the annual growth in revenues excluding the impact of business acquisitions, the Corporation uses the organic growth measure. The organic growth of each operating group is computed by eliminating from the current fiscal year the revenues from acquisitions not yet made during the comparative period of the previous fiscal year. The revenues thus eliminated correspond to the revenues recorded by the acquired companies 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 had on the revenue growth of the acquired companies 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 the inclusion 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 involves risk. In such cases, the order in question will normally be added to the backlog only on 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 establish a general reserve to account for its assessment of the various risks related to the orders included in the backlog.

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

Reconciliation of non-GAAP measures

	Three-month period ended June 30, 2010		
(in thousands of $)	**Water Treatment Group**	**Pulp and Paper Group**	**Consolidated results**
As reported in the financial statements:			
Earnings (loss) before financial expenses, income taxes and non-controlling interest (GAAP)			(1,075)
Amortization			4,648
Earnings (loss) before amortization, financial expenses, income taxes and non-controlling interest	**1,998**	**3,751**	**3,573**
Normalized Items	**-**	**-**	**-**
Normalized EBITDA	**1,998**	**3,751**	**3,573**

	Three-month period ended June 30, 2009		
	Water Treatment Group	Pulp and Paper Group	Consolidated Results
As reported in the financial statements:			
Earnings (loss) before financial expenses, income taxes and non-controlling interest (GAAP)			330
Amortization			3,117
Earnings (loss) before amortization, financial expenses, income taxes and non-controlling interest	5,146	1,443	3,447
Normalized Items	16	392	408
Normalized EBITDA	5,162	1,835	3,855

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 contract revenue recognition. In previous periods, the Corporation accounted for revenue from short-term contracts using the completed contract method provided they met certain criteria. With the acquisition of Christ Water Technology AG ("CWT"), the Corporation decided to align its accounting policies and recognize revenue for all its contracts using the percentage of completion method. The percentage of completion is determined using the cost-to-cost method, which consists in comparing costs incurred to date with total expected costs to completion based on the Corporation's estimates. Management believes the new accounting policy is preferable because it is consistent with IFRS, it results in more transparent reporting of progress toward contract completion, it provides for better revenue comparisons 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 under assets (contracts in progress) and liabilities (deferred revenues) to better reflect the position of contracts. The comparative figures have been restated as at June 30, 2009.

The net impact of the change in accounting policy for the three-month period ended June 30, 2009 is detailed in the following table.

Selected statement of earnings data:

in thousands of $	Reported as at June 30, 2009	Restatement	Restated as at June 30, 2009
Statement of earnings			
Revenues	$ 113,335	$ 504	$ 113,839
Cost of contracts and goods sold	86,165	383	86,548
Income taxes	204	48	252
Net earnings	798	73	871

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 Interests*.

Section 1582 replaces former Section 1581 and establishes standards for the accounting of a business combination and is substantially consistent 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 charged to income.

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 standards will be 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 on 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 an IFRS changeover plan for its consolidated financial statements. The Corporation has also set up a dedicated team to execute the changeover plan. The Corporation is monitoring 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, as well as an assessment of the impact of various alternatives are in progress. 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 mitigate 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). GLV will provide updates as further progress is achieved and conclusions are drawn by the Corporation.

15. CONTROLS AND PROCEDURES

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

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators ("MI 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 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 June 30, 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 of 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 MI 52-109, the following table sets forth summary financial information relating to CWT for the three-month period ended June 30, 2010, as included in the Corporation's statements of earnings (loss) and balance sheet, respectively:

CWT results

(in thousands of $)

	Three-month period ended June 30, 2010
Revenues	54,328
Net earnings (loss)	(2,493)
	As at June 30, 2010
Current assets	139,606
Long-term assets	29,256
Current liabilities	95,750
Long-term liabilities	84,960

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 reports for fiscal 2010 and press releases, are 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.

Chairman of the Board of Directors and Chief Executive Officer

(SIGNED)
Laurent Verreault

Executive Vice-President and Chief Financial Officer

(SIGNED)
Marc Barbeau, CA

August 12, 2010