Management's Discussion & Analysis

Fiscal year ended March 31, 2011

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June 9, 2011

Unless otherwise indicated, all amounts are in Canadian dollars.

1. PRELIMINARY COMMENTS TO THE MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion & Analysis ("MD&A") was prepared under the responsibility of GLV's management and approved by its Board of Directors as of June 9, 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 audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2011.

In this 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 ended 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 "fourth quarter of fiscal 2011" and the "fourth quarter of fiscal 2010" refer to the three-month periods ended March 31, 2011 and 2010, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three- and twelve-month periods ended March 31, 2011 is performed in relation to the equivalent periods ended March 31, 2010, whereas the comparative analysis of balance sheet items as at March 31, 2011 is performed in relation to data recorded as at March 31, 2010.

The information contained in this 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 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, is provided in section 13, "Reconciliation of non-GAAP measures," of this MD&A.

Supplementary information about the Corporation, including the Annual Information Form dated June 9, 2011, and the interim MD&As for fiscal 2011 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.

2. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain information and statements in this 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 the actual and future results of GLV could differ materially from those stated. Factors of uncertainty and risk that might result in such differences include contracts with clients regarding equipments and services, operations and turnkey projects, dependence on key personnel, risks related to acquisitions, exchange rate and hedging contract risk, credit, asset impairment, market and liquidity risks, competition, supplier-related risks, availability to 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, and risks associated with the Corporation'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 MD&A were made as at the date hereof, and unless required to do so pursuant to applicable securities legislation, management of GLV assumes no obligation to update or revise 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 2012 and may not be appropriate for other purposes.

Additional information about the risk factors to which GLV is exposed is provided in Section 11, "Risks and uncertainties" of this MD&A for the fiscal year ended March 31, 2011.

3. PROFILE OF THE CORPORATION

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 March 31, 2011.

- The **Water Treatment Group (Ovivo)** designs and markets treatment and recycling equipment and integrated solutions product and service offerings for municipal and industrial wastewater as well as for 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 technology portfolio, it is positioned to provide comprehensive solutions for the filtration, clarification, treatment and purification of water for return to the environment, re-use in various industrial processes or domestic use.
- 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 contains innovative products and technologies that bring customers added value, such as lower energy consumption.
- In addition to these two groups, the Corporation has:
  - Three manufacturing units that specialize in the manufacture of large custom-made parts from specifications provided by the Water Treatment Group (Ovivo), the Pulp and Paper Group or external customers; and
  - The Van Der Molen division that specializes in processes for the designs and marketing of equipment for certain stages of beverage production.

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 included in the S&P/TSX Clean Technology Index.

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:

- ***Development of growing geographic markets***
  The Corporation operates worldwide. It strives to expand its presence in its traditional markets of North America and Europe, while positioning itself in areas of the world where water processing and pulp and paper industries boast growth potential, such as Southeast Asia, Australia, the Middle East, China, India and Russia. GLV leverages its in-house expertise to develop and offer to potential clients competitive technologies and know-how.
- ***Acquisition of targeted businesses***
  The Corporation continually seeks opportunities to enhance its technology portfolio, particularly through the addition of complementary technologies, to expand its commercial presence in growth potential regions.
- ***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 Europe and targets markets with growing capital spending. The Water Treatment Group (Ovivo) intends to expand its service offering in equipment optimization services and increase sales of replacement parts across all of its markets.
- ***Manufacturing outsourcing***
  The Corporation generally outsources component manufacturing to an international network of subcontractors. Accordingly, its teams can focus on product engineering, project management and sales operations, which it considers an advantage in regard to costs and the ability to adapt to fluctuations in demand.

4. SIGNIFICANT EVENTS IN FISCAL 2011

Consolidation of global operations of the Water Treatment Group (Ovivo) and global positioning strategy

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 single brand for 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 development 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.

Restructuring a division in the U.K.

During fiscal 2011, the U.K. division that manages energy market contracts saw its profit margins narrow significantly on several projects. This resulted in particular from lack of rigour in project management, procurement and subcontracting. The adverse impact of this division on the Corporation's consolidated EBITDA amounted to $8.2 million for fiscal 2011, including $0.9 million in the fourth quarter.

Since the beginning of the second quarter of fiscal 2011, the Corporation has continued to implement the division's turnaround plan, including:

- setting up a new management team with solid project management skills;
- improving the subcontracting and supplier network model by leveraging best practices implemented by the Water Treatment Group (Ovivo) in other divisions;
- continuing integration with the operations of the other U.K. and U.S. divisions to maximize synergies and harmonize the client offering, particularly by drawing on the technology portfolio as a whole.

Implementing the turnaround plan specifically result in a complete reassessment of projections for projects underway and working capital items related to these projects, and a significant reduction in the division's number of employees in order to align the organization with its business volume. Management expects to complete implementation of this plan as well as problematic contract execution in the third quarter of fiscal 2012.

Discontinued operations

Following an in-depth analysis of the operations of the Water Treatment Group (Ovivo), the Corporation sold two European entities during the fourth quarter of 2011, on February 17, 2011 and March 4, 2011. The markets served by these subsidiaries do not correspond to the core activities of the Water Treatment Group (Ovivo).

Further information on these items is disclosed under note 18 to the audited consolidated financial statements for the year ended March 31, 2011 accompanying this MD&A.

Normalized items and asset impairment

Although satisfied with the ongoing consolidation of the global operations of the Water Treatment Group under the Ovivo brand, the Corporation's management continues to closely monitor certain entities resulting from the CWT acquisition, mainly in the desalination segment, whose financial results are lower than expected, due in part to the low profit margins on certain contracts that were part of the backlog at the time of acquisition. In addition to the restructuring plan announced in the second quarter of fiscal 2011 for the U.K. division, other initiatives are currently underway and will continue into fiscal 2012.

Furthermore, besides the discontinuation of certain operations as described above, on January 10, 2011, the Corporation disposed of certain assets of its subsidiary Christ Water Technologies Americas, LLC while conserving responsibility for the performance of a few contracts already underway and scheduled for completion at the beginning of fiscal 2012.

This decision, coupled with the closure of other entities since the beginning of the fiscal year, and excluding the effect of discontinued operations, will have a $2.0 million favourable impact on future annual EBITDA, given the related operating losses recognized for the year ended March 31, 2011.

As a result of these initiatives, the Corporation recorded normalized items with a total positive amount of $1.5 million in the fourth quarter of fiscal 2011. These items are partly related to the disposal of certain assets of the subsidiary Christ Water Technologies Americas, LLC in January 2011, which generated a $2.8 million gain. Furthermore, an expense of $1.3 million was recognized with respect to provisions for severance payments and restructuring costs related to actions taken in certain entities during the quarter.

For the year ended March 31, 2011, normalized items showed a total positive amount of $0.6 million. In addition to the items mentioned above, amounts earmarked for projects that will not be completed were written off and a provision was made for severance payments for a subsidiary in the Middle East under reorganization.

Also, an asset impairment loss of $0.6 million was recognized in the fourth quarter of fiscal 2011 on a building available for sale in one of our subsidiaries.

Further information on these items is disclosed under notes 11 and 17 to the audited consolidated financial statements for the year ended March 31, 2011 accompanying this MD&A.

Finalization of allocation of CWT purchase price allocation

During the third quarter for the fiscal year ended March 31, 2011, in light of additional information and analyses unavailable as at November 27, 2009, the allocation of the purchase price of CWT was finalized. In the first three quarters of fiscal 2011, adjustments totalling $11.5 million were made to the opening balance sheet, resulting in an increase in goodwill.

Further information on these items is disclosed under note 9 to the audited consolidated financial statements for the year ended March 31, 2011 accompanying this MD&A.

Privatization of CWT

On September 22, 2010, the Corporation announced it had completed the privatization of CWT, after having acquired the majority of its shares in November 2009. Since then, following the squeeze-out procedure targeting the minority shareholders, the Corporation now owns 100% of the shares of CWT. As a result, the shares of CWT are no longer listed on the Vienna Stock Exchange.

During the July 30, 2010 Annual General Meeting of CWT shareholders, the Corporation received approval for 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. The minority shareholders received a consideration of €2.10 per share in accordance with applicable statutory rules. While some of the minority shareholders objected to the amount of the consideration paid, the Corporation's management believes such objections to be baseless.

Change in leadership of GLV

During the September 23, 2010 Annual General Meeting of Shareholders, the Board of Directors announced the appointment of Richard Verreault as President and Chief Executive Officer of the Corporation. At the same time, Laurent Verreault was appointed Executive Chairman of the Board.

This change occurs as the Corporation embarks on a new development phase, deploying its strategy to build one of the world's leading water management groups.

In his new duties, Richard Verreault will draw on expertise acquired over 27 years of service with the Corporation, encompassing all areas of management and services lines.

Laurent Verreault will remain actively involved as Executive Chairman of the Board and intends to work closely with the management team.

5. HIGHLIGHTS

The Corporation's results for the year ended March 31, 2011 show a significant improvement in profitability over the past two quarters, demonstrating:

- successful gradual implementation of Christ Water Technology (CWT) acquired in November 2009;
- additional synergies resulting from the consolidation of water treatment operations under the Ovivo brand;
- continuing strengthening of management and control processes;
- active cost management across the organization.

For the fourth quarter of fiscal 2011, excluding the underperformance on a few large desalination contracts that had an adverse impact on our results that were part of CWT's backlog at the time of acquisition and that are now near completion, most of our operations within both the Water Treatment Group (Ovivo) and the Pulp and Paper Group generated satisfactory profits.

FOR THE FOURTH QUARTER ENDED MARCH 31, 2011

Revenues: $169.8 million

Up $27.9 million or nearly 20% from $141.9 million for the same quarter in fiscal 2010. The increase was essentially driven by organic growth in the two core operating groups, namely, the Water Treatment Group (Ovivo) and the Pulp and Paper Group. Organic growth in the fourth quarter of fiscal 2011 included, for the first time, the contribution of CWT, acquired in the third quarter of fiscal 2010.

Gross margin: $37.9 million

22.3% of consolidated revenues, up significantly from 18.8% ($26.7 million) reported for the fourth quarter of fiscal 2010.

EBITDA: $9.0 million
Normalized EBITDA: $7.5 million

Up from an EBITDA of $0.9 million and a normalized EBITDA of $2.1 million for the fourth quarter of fiscal 2010. The significantly higher normalized EBITDA stems mostly from an improved performance by the Water Treatment Group (Ovivo) in the U.S. and U.K. municipal markets and the microelectronics market as well as by the overall Pulp and Paper Group results.

Normalized consolidated EBITDA was considerably higher at 4.4% compared with 1.5% last year.

Net loss: $9.0 million or $0.21 per share, basic and diluted

Compared with a net loss of $13.7 million or $0.35 per share (basic and diluted) for the fourth quarter of fiscal 2010, stemming from improved performance by the two main operating groups as well as a lower foreign exchange loss partially offset by higher income taxes and the loss from discontinued operations.

Normalized net loss from continuing operations: $6.2 million or $0.14 per share, basic and diluted

Compared with a normalized net loss from continuing operations of $12.2 million or $0.31 per share (basic and diluted) for the fourth quarter of fiscal 2010, resulting from improved performance by the two main operating groups as well as a lower foreign exchange loss partially offset by higher income taxes.

FOR THE FISCAL YEAR ENDED MARCH 31, 2011

Revenues: $672.4 million

Up from $493.7 million for fiscal 2010, an increase driven mainly by the contribution made by CWT, acquired on November 27, 2009, for the first eight months of the year, and to a lesser extent by organic revenue growth from both the Water Treatment Group (Ovivo) and the Pulp and Paper Group.

Gross margin: $139.4 million

20.7% of consolidated revenues, down from 23.1% ($114.0 million) for fiscal 2010, primarily due to the results of the first six months of fiscal 2011 that included the significant unfavourable impact of the U.K. division responsible for managing energy market contracts, as well as in the desalination segment.

EBITDA: $21.3 million
Normalized EBITDA: $20.7 million

Up from an EBITDA of $15.2 million and a normalized EBITDA of $17.4 million for fiscal 2010. The higher normalized EBITDA stems partly from the sound performance of the overall Pulp and Paper Group, the significant contribution of the U.S. municipal market division and the microelectronics market division, partially offset by higher Head Office costs in the first two quarters of the fiscal year.

Normalized consolidated EBITDA was slightly down at 3.1% from 3.5% the previous year. Note however that the EBITDA margin for the first six months of fiscal 2011 was below 1.0%, taking into account the significant loss at the energy division in the U.K. of the Water Treatment Group (Ovivo).

Net loss: $23.6 million or $0.54 per share, basic and diluted

Down from a net loss of $10.3 million ($0.31 per share, basic and diluted) for fiscal 2010 owing primarily to the loss from discontinued operations, the higher amortization expense of intangible assets resulting from the CWT acquisition, interest on the long-term debt related to this acquisition and income taxes, and partially offset by improved operating performance by all the groups, particularly during the last two quarters of fiscal 2011 and a net positive amount for normalized items.

Normalized net loss from continuing operations: $13.6 million or $0.31 per share, basic and diluted

Down from a net loss of $8.2 million ($0.25 per share, basic and diluted) from continuing operations year over year, mainly due to the higher amortization expense of intangible assets resulting from the CWT acquisition, interest on the long-term debt related to this acquisition and income taxes. This is partially offset by improved operating performance by all groups, particularly during the last two quarters of fiscal 2011.

OTHER INFORMATION AS AT MARCH 31, 2011

Total net debt to invested capital ratio: 18.7%

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 contract management in the energy segment.

Backlog: $374.0 million

Down from $432.1 million as at March 31, 2010 (excluding the backlog of entities whose operations were discontinued during the fourth quarter of fiscal 2011), attributable to the Water Treatment Group (Ovivo), stemming from a significant decline in the desalination segment and to a lesser extent in the energy division, following a more conservative approach to project selection.

Down slightly from $382.9 million as at December 31, 2010 (excluding the backlog of entities whose operations were discontinued during the fourth quarter of fiscal 2011), due to some delays in order-taking in certain operating segments of the Water Treatment Group (Ovivo), partly offset by a sharp rise in the Pulp and Paper Group's backlog.

6. ANALYSIS OF CONSOLIDATED OPERATING RESULTS

The results of the fourth quarter and the year ended March 31, 2011 include the full-period impact of the operations of CWT. Note that in the fourth quarter of fiscal 2011, and for the first time, organic growth included the contribution of CWT, acquired in the third quarter of fiscal 2010.

Also, while the integration of CWT had an impact on the results of the first half of fiscal 2011, efforts to consolidate operations, strengthen management and control processes, and improve profitability paid off during the last two quarters. 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 fourth quarter of fiscal 2011, particularly in the U.S. and U.K. municipal markets and the global microelectronics market.
- Demand and investments in the global pulp and paper industry have been recovering since the beginning of the year and are holding at a healthy level after a significant slowdown.

Note that the results for the full fiscal year include the adverse impact of the performance of the energy division of the Water Treatment Group (Ovivo) located in the U.K., which reported significant operating losses for the second quarter as well as the results of our subsidiary Christ Water Technologies Americas, LLC whose core assets were sold on January 10, 2011. In addition, the desalination segment's performance was disappointing in the fourth quarter of fiscal 2011 and for the year as a whole.

Selected information

	Quarters ended March 31		Twelve-month periods ended March 31	
	2011	2010	2011	2010
(in thousands of $, except per share data and percentages)				
Revenues	**169,806**	141,874	**672,380**	493,655
Water Treatment (Ovivo)	**106,310**	88,058	**434,234**	300,843
Pulp & Paper	**53,389**	41,742	**197,801**	169,916
Other	**10,107**	12,074	**40,345**	22,896
EBITDA	**9,007**	934	**21,263**	15,200
Water Treatment (Ovivo)	**8,595**	2,843	**20,458**	16,359
Pulp & Paper	**4,946**	3,026	**15,838**	10,303
Other	**(4,534)**	(4,935)	**(15,033)**	(11,462)
Normalized EBITDA[1]	**7,536**	2,112	**20,702**	17,396
Water Treatment (Ovivo)	**6,940**	3,815	**19,077**	17,942
Pulp & Paper	**4,946**	3,380	**15,838**	10,288
Other	**(4,350)**	(5,083)	**(14,213)**	(10,834)
Normalized EBITDA margin[1] (as % of revenues)	**4.4%**	1.5%	**3.1%**	3.5%
Water Treatment (Ovivo)	**6.5%**	4.3%	**4.4%**	6.0%
Pulp & Paper	**9.3%**	8.1%	**8.0%**	6.1%
Other	**n/a**	n/a	**n/a**	n/a
Net loss from continuing operations	**(5,289)**	(13,152)	**(13,378)**	(9,993)
Net loss from discontinued operations	**(3,686)**	(520)	**(10,240)**	(352)
Net loss	**(8,975)**	(13,672)	**(23,618)**	(10,345)
(Negative) free cash flow from continuing operations	**(15,868)**	15,776	**(27,623)**	47,279
Per Share (basic and fully diluted)				
Net loss from continuing operations	**(0.12)**	(0.34)	**(0.31)**	(0.30)
Net loss from discontinued operations	**(0.09)**	(0.01)	**(0.23)**	(0.01)
Net loss	**(0.21)**	(0.35)	**(0.54)**	(0.31)
(Negative) free cash flow from continuing operations	**(0.36)**	0.40	**(0.63)**	1.43
	March 31	**March 31**	**March 31**	**March 31**
Capitalization Ratio	**2011**	**2010**	**2011**	**2010**
Total net debt to invested capital ratio	18.7%	6.9%	18.7%	6.9%

[1] Excluding restructuring costs, gain on sale of assets, special doubtful accounts expense and compensation items.

Revenues

	Quarters ended March 31		Change	Organic change at constant exchange rates	Twelve-month periods ended March 31		Change	Organic[1] change at constant exchange rates
	2011	2010	%	%	2011	2010	%	%
(in thousands $)								
TOTAL	**169,806**	**141,874**	**19.7%**	**22.7%**	**672,380**	**493,655**	**36.2%**	**15.0%**
Water Treatment (Ovivo)	**106,310**	**88,058**	**20.7%**	**24.3%**	**434,234**	**300,843**	**44.3%**	**12.8%**
New equipment	89,916	75,097	19.7%		368,332	254,342	44.8%	
Aftermarket	16,394	12,961	26.5%		65,902	46,501	41.7%	
Pulp & Paper	**53,389**	**41,742**	**27.9%**	**29.7%**	**197,801**	**169,916**	**16.4%**	**21.0%**
New equipment	19,851	15,711	26.4%		76,582	65,467	17.0%	
Aftermarket	33,538	26,031	28.8%		121,219	104,449	16.1%	
Other[2]	**10,107**	**12,074**	**-16.3%**	**-12.1%**	**40,345**	**22,896**	**76.2%**	**-5.9%**

[1] Excluding first nine-month results of CWT. CWT was acquired on November 27, 2009.
[2] Revenues of certain divisions of CWT not related to the core activities of the Water Treatment Group (Ovivo), including those of Van der Molen, are presented under Other, which also includes the revenues of the Manufacturing units.

For the fourth quarter of fiscal 2011, the year-over-year increase in consolidated revenues resulted from organic growth at each of the Corporation's two core operational groups. For fiscal 2011, the increase in consolidated revenues was mainly driven by CWT's contribution for the first eight months of the year, which represents the additional period included in the current fiscal year's results compared with the previous year resulting from this acquisition on November 27, 2009. The unfavourable impact of currency fluctuations on consolidated and segmented revenues for the fourth quarter of fiscal 2011 compared with the corresponding period last year is primarily attributable to the strengthening of the Canadian dollar against the US dollar and the euro, in that order, and in fiscal 2011, to the strengthening of the Canadian dollar against the euro, the US dollar and the pound sterling.

For fiscal 2011 as a whole, the Water Treatment Group (Ovivo) accounted for approximately two-thirds of the Corporation's total consolidated revenues.

Revenues by operating segment

	Quarters ended March 31		Twelve-month periods ended March 31	
	2011	**2010**	**2011**	**2010**
(as % of consolidated revenues)				
Water Treatment (Ovivo)	62.6%	62.1%	64.6%	61.0%
Pulp & Paper	31.4%	29.4%	29.4%	34.4%
Other[1]	6.0%	8.5%	6.0%	4.6%

[1] Revenues of certain divisions of CWT not related to the core activities of the Water Treatment Group (Ovivo), including those of Van der Molen, are presented under Other, which also includes the revenues of the Manufacturing units. CWT was acquired on November 27, 2009.

Water Treatment Group (Ovivo)

For the fourth quarter of fiscal 2011, the increase in revenues is entirely attributable to organic growth of the group's operating segments, including the contribution of entities resulting from the CWT acquisition in November 2009. The considerable growth in revenue was also driven by sustained operating volumes in the microelectronics market as well as in the municipal segment in both the U.S. and the U.K.

For fiscal 2011, the Group generated organic growth, owing to considerably higher volumes starting in the second quarter that offset the slump in certain markets at the beginning of the fiscal year resulting from a climate of uncertainty sparked by a slower-than-expected economic recovery and delayed start dates on a number of contracts.

Pulp and Paper Group
For the fourth consecutive quarter, the Pulp and Paper Group reported organic revenue growth. Performance in the fourth quarter of fiscal 2011 was particularly impressive with a growth rate of nearly 30%, attesting to the sustained recovery of investments in this industry since the end of the previous fiscal year. Revenue growth is primarily attributable to a good demand in aftermarket services, including sales of replacement parts.

Although organic growth rates in fiscal 2011 were comparable for the two key markets, namely new equipment sales and aftermarket services, the latter played a greater role in revenue growth.

Other
The significant increase in revenues recorded under "Other" in fiscal 2011 resulted almost entirely from the addition of results of CWT entities that are not directly related to water treatment. Lower revenues in the fourth quarter stemmed from typical fluctuations in the markets served by the Van der Molen entities as well as manufacturing units, some of which belonged to CWT.

Revenues by geographic segment based on point of sale

	Total		Water Treatment (Ovivo)		Pulp & Paper	
	as % of consolidated revenues		as % of Group revenues		as % of Group revenues	
	Twelve-month periods ended March 31		Twelve-month periods ended March 31		Twelve-month periods ended March 31	
	2011	2010	2011	2010	2011	2010
North America	39.8%	50.1%	31.6%	45.3%	61.4%	61.7%
Europe and Russia	27.9%	24.6%	29.7%	25.4%	19.7%	21.1%
Asia and Asian Pacific	18.7%	13.2%	22.8%	15.2%	13.0%	10.6%
Middle-East and Africa	11.5%	9.3%	15.3%	13.4%	1.3%	0.8%
Latin America	2.1%	2.8%	0.6%	0.7%	4.6%	5.8%

The geographic breakdown of revenues by destination address in the Water Treatment Group (Ovivo) for the most recent twelve-month period shows a significant change compared with the previous period due to:

- CWT's contribution with a significant portion of sales generated in Europe;
- Operating volumes in the microelectronics market division and the food and beverage processing division in Asia and Asia-Pacific.
- 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 March 31		Change	Change at constant exchange rates	Twelve-month periods ended March 31		Change	Change at constant exchange rates
	2011	2010	%	%	2011	2010	%	%
(in thousands $)								
TOTAL	37,900	26,704	41.9%	44.3%	139,419	114,036	22.3%	26.3%
(as % of revenues)								
TOTAL	22.3%	18.8%			20.7%	23.1%		

The Corporation reported a year-over-year increase in consolidated gross margin in dollars and as a percentage of revenues for the fourth quarter of fiscal 2011, driven by GLV's two main groups.

Apart from the desalination segment's disappointing performance, most of the other subsidiaries of the Water Treatment Group (Ovivo) reported satisfactory gross margins. Also, the improvement in the Pulp and Paper Group's gross margin resulted from higher aftermarket sales as well as the cost-cutting measures implemented in the previous two fiscal years.

For fiscal 2011, the Corporation's consolidated gross margin increased in dollar terms compared with fiscal 2010 but declined as a percentage of revenues. The inclusion of CWT's results contributed to the increase in dollar terms while the lower gross margin expressed as a percentage of revenues arose primarily from lower profit margins on contracts performed by the U.K. energy division and the desalination segment of the Water Treatment Group (Ovivo).

Selling and administrative expenses

	Quarters ended March 31		Change		Change at constant exchange rates	Twelve-month periods ended March 31		Change		Change at constant exchange rates
	2011	2010	$	%	%	2011	2010	$	%	%
(in thousands $)										
TOTAL	30,364	24,592	5,772	23.5%	26.2%	118,717	96,640	22,077	22.8%	27.7%
(as % of revenues)										
TOTAL	17.9%	17.3%				17.7%	19.6%			

Selling and administrative expenses rose in the fourth quarter of fiscal 2011, both in dollars and as a percentage of revenues, compared with the corresponding period last year. The increase in the dollar amount was mainly driven by a generally higher volume for all the Corporation's operations while the higher percentage is principally due to professional fees incurred in connection with certain corporate projects including the reorganization of GLV's corporate structure, and a special provision for bonuses related to CWT's integration process.

In addition to the above-mentioned items, the increase in consolidated selling and administrative expenses (in dollars) in fiscal 2011 stemmed mainly from the inclusion of CWT. Note that expenses totalling $0.7 million related to the Water Treatment Group (Ovivo) positioning strategy and the launch of the Ovivo brand were recognized in the second quarter of fiscal 2011.

Ongoing efforts to cut costs resulted in a decrease in selling and administration expenses as a percentage of revenues for the fiscal year.

EBITDA and normalized EBITDA

	Quarters ended March 31		Change	Change at constant exchange rates	Twelve-month periods ended March 31		Change	Change at constant exchange rates
	2011	2010	%	%	2011	2010	%	%
(in thousands $)								
EBITDA								
TOTAL	9,007	934	864.0%	788.6%	21,263	15,200	39.9%	34.8%
Water Treatment (Ovivo)	8,595	2,843	202.3%	203.2%	20,458	16,359	25.1%	22.7%
Pulp & Paper	4,946	3,026	63.5%	65.8%	15,838	10,303	53.7%	59.5%
Other	(4,534)	(4,935)	8.1%	-8.1%	(15,033)	(11,462)	-31.2%	-39.8%
Normalized items								
TOTAL	(1,471)	1,178	n/a	n/a	(561)	2,196	n/a	n/a
Water Treatment (Ovivo)	(1,655)	972	n/a	n/a	(1,381)	1,583	n/a	n/a
Pulp & Paper	-	354	n/a	n/a	-	(15)	n/a	n/a
Other	184	(148)	n/a	n/a	820	628	30.6%	31.9%
Normalized EBITDA[1]								
TOTAL	7,536	2,112	256.8%	218.0%	20,702	17,396	19.0%	13.9%
Water Treatment (Ovivo)	6,940	3,815	81.9%	79.4%	19,077	17,942	6.3%	3.5%
Pulp & Paper	4,946	3,380	46.3%	48.5%	15,838	10,288	53.9%	59.7%
Other	(4,350)	(5,083)	14.4%	-1.2%	(14,213)	(10,834)	-31.2%	-40.3%
(as % of revenues)								
Normalized EBITDA Margin[1]								
TOTAL	4.4%	1.5%			3.1%	3.5%		
Water Treatment (Ovivo)	6.5%	4.3%			4.4%	6.0%		
Pulp & Paper	9.3%	8.1%			8.0%	6.1%		
Other	n/a	n/a			n/a	n/a		

[1] Excluding restructuring costs, gain on sale of assets, special doubtful accounts expense and compensation items.

Water Treatment Group (Ovivo)

The Water Treatment Group (Ovivo) reported a sharp increase in normalized EBITDA compared with the fourth quarter of fiscal 2010, resulting in a normalized EBITDA margin well above the level recorded one year ago.

The Group's improved profitability in the fourth quarter of fiscal 2011 was driven by a combination of factors, including the sound performance of the microelectronic division resulting from its operating volume and solid operational execution of contracts in the U.S. municipal segment and a sustained recovery in the municipal segment in the U.K.

Although profitability improvements were noteworthy across the Group, the desalination segment was penalized by certain cost overruns for nearly completed contracts resulting from the acquisition of CWT.

Compared with fiscal 2010, the Group's normalized EBITDA was up in fiscal 2011 while the normalized EBITDA margin declined. These variations are explained by the good performance of most of the subsidiaries for the fourth quarter, combined with the adverse impact of the operating loss reported by the energy division in the U.K. for the first half of the year as well as the lower-than-expected performance, compared with the Corporation's criteria, of certain contracts that were part of CWT's backlog at the time of acquisition.

Excluding the operating losses of the European energy division in the U.K. that is undergoing turnaround measures, those of entities closed, under a restructuring process, or whose operating assets were disposed of, the Group's normalized EBITDA and normalized EBITDA margin for the fiscal year stood at levels much closer to management's expectations, that is, a $9.5 million positive impact on EBITDA to achieve an EBITDA margin of 7.4%.

Pulp and Paper Group

The Pulp and Paper Group performed well in the fourth quarter and for fiscal 2011. The considerable improvement in the Pulp and Paper Group's normalized EBITDA and normalized EBITDA margin arises mostly from strong demand for aftermarket services, including the sale of replacement parts, combined with the impact of the ongoing expansion of its manufacturing outsourcing network, particularly in China and India, and solid overall management of operations.

Other

Although the "Other" item generated negative EBITDA for the fourth quarter of fiscal 2011, its performance improved slightly from the same quarter of fiscal 2010, bolstered by improved results of the Van der Molen entities and the manufacturing units that belonged to CWT.

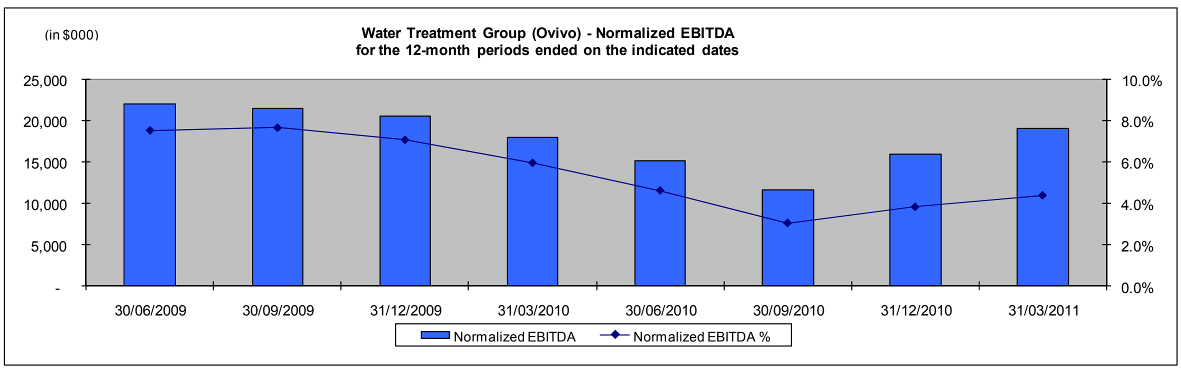
The unfavourable change in EBITDA for fiscal 2011 stems mainly from the increase in administrative expenses of Head Offices (including CWT's before the finalization of its privatization process), which also comprises the costs of implementing the Water Treatment Group (Ovivo)'s positioning strategy in the second quarter of fiscal 2011. These expenses were partly offset by the positive contribution of manufacturing units resulting from the CWT acquisition.

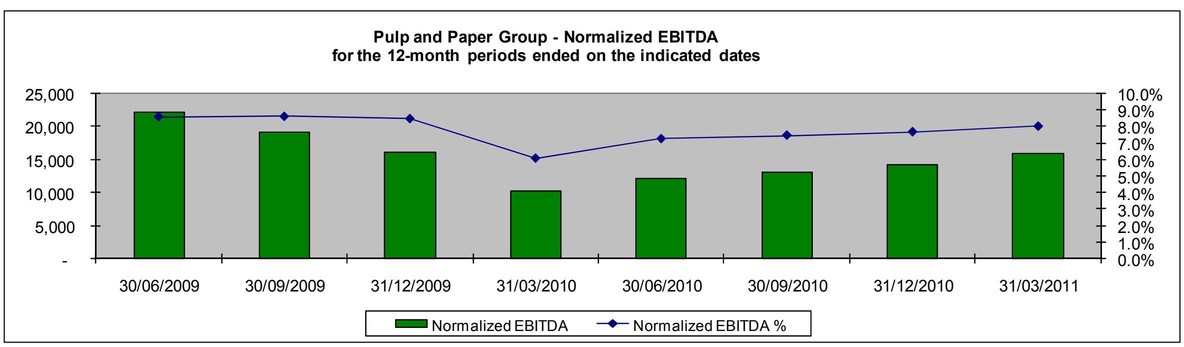
Changes in normalized EBITDA and normalized EBITDA margin

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 twelve-month periods ended on the indicated dates.

For the Water Treatment Group (Ovivo), the decline in performance for the periods following the acquisition of CWT stems from the impact of lower 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 the U.K. energy division undergoing turnaround measures. For the twelve-month periods ended December 31, 2010 and March 31, 2011, respectively, the graph shows that profitability improved over the past two quarters.

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 March 31		Change	Change at constant exchange rates	Twelve-month periods ended March 31		Increase (Decrease)	Change at constant exchange rates
	2011	2010	$	%	2011	2010	$	%
(in thousands $)								
Total	4,710	5,501	(791)	-10.0%	18,266	15,205	3,061	24.1%
Property, plant and equipment	1,515	1,856	(341)		6,195	6,717	(522)	
Intangible assets	3,195	3,645	(450)		12,071	8,488	3,583	

The lower amortization expense for the three-month period ended March 31, 2011 is mainly attributable to the Water Treatment Group (Ovivo), following the cumulative adjustment made in the fourth quarter of fiscal 2010 to recognize the amortization of intangible assets related to CWT since its acquisition in November 2009 as well as the impact of the decision to sell certain assets during the fiscal year.

For fiscal 2011, the increase in amortization expense results from the inclusion of CWT, specifically the amortization of intangible assets associated with this acquisition. The amortization expense of the intangible asset, namely CWT's backlog, amounts to approximately $0.9 million per quarter since the fourth quarter of fiscal 2010. This asset will be fully amortized by May 2011.

However, notwithstanding CWT's inclusion, the amortization expense of property, plant and equipment remained relatively stable, following the streamlining and optimization measures implemented over the last two fiscal years, including the shutdown of some operational units.

Financial expenses

	Quarters ended March 31		Change	Twelve-month periods ended March 31		Change
	2011	2010	$	2011	2010	$
(in thousands $)						
Total	2,026	1,809	217	7,862	4,835	3,027
Interest on long-term debt	1,612	1,596	16	5,947	3,431	2,516
Interest income, net	(51)	(465)	414	(502)	(672)	170
Other	465	678	(213)	2,417	2,076	341

The Corporation's financial expenses for the fourth quarter of fiscal 2011 remained mostly unchanged compared with the same period in fiscal 2010.

The higher financial expenses for fiscal 2011 stems primarily from the increase in the interest expense on the long-term debt financing of the CWT acquisition.

Foreign exchange loss and derivative financial instruments

	Quarters ended March 31		Change	Twelve-month periods ended March 31		Change
	2011	2010	$	2011	2010	$
(in thousands $)						
Foreign exchange loss	3,481	5,858	(2,377)	2,969	6,290	(3,321)
Derivative financial instruments	(915)	(794)	(121)	879	(3,212)	4,091

For the fourth quarter and fiscal 2011, the favourable variance in the foreign exchange loss arose mainly from the weakening of the euro and the US dollar against the entities' functional currencies, although significantly less than the depreciation in the same quarter last year. The impact was partly offset by the realization of an unrealized foreign exchange loss resulting from a decrease in the net investment in a subsidiary in Europe following its legal winding up.

For fiscal 2011, the decrease in fair value of derivative financial instruments reflected a $0.9 million loss compared with a $3.2 million gain for fiscal 2010, representing a difference of $4.1 million, owing to the unfavourable mark-to-market remeasurement of cross currency interest rate swaps and the total return swap.

Income taxes

	Quarters ended March 31		Change	Twelve-month periods ended March 31		Change
	2011	2010	$	2011	2010	$
(in thousands of $, except percentages)						
Income tax expense	4,383	1,697	2,686	4,054	2,179	1,875
Effective tax rate (%)	n/a	-14.8%		-43.5%	-27.5%	
Canadian statutory rate (%)	29.2%	31.0%		29.4%	30.8%	

The difference between the effective tax rate and the Canadian statutory rate resulted primarily from higher valuation allowances (balance of $47.4 million as at March 31, 2011). Management is continuing the reorganization of its holding structure for subsidiaries with the aim of reducing the number of legal entities and optimizing the structure for tax purposes to capitalize on future income tax assets over the next few fiscal years.

Discontinued operations

A net loss arising from discontinued operations after deducting related taxes was recognized for the fourth quarter and fiscal 2011 in the amounts of $3.7 million and $10.2 million, respectively, following the sale of shares in two European subsidiaries on February 17 and March 4, 2011.

The net loss for fiscal 2011 included an amount of $5.0 million arising from the sale of shares after deducting related taxes and a net loss of $5.2 million stemming from discontinued operations after deducting related taxes.

Net loss

	Quarters ended March 31		Twelve-month periods ended March 31	
	2011	2010	2011	2010
(in thousands of $)				
Net loss	(8,975)	(13,672)	(23,618)	(10,345)
Net loss from continuing operations	(5,289)	(13,152)	(13,378)	(9,993)
Normalized net loss from continuing operations	(6,221)	(12,209)	(13,577)	(8,236)
(in $ per share, basic and diluted)				
Net loss	(0.21)	(0.35)	(0.54)	(0.31)
Net loss from continuing operations	(0.12)	(0.34)	(0.31)	(0.30)
Normalized net loss from continuing operations	(0.14)	(0.31)	(0.31)	(0.25)
Weighted average number of participating shares outstanding	44,092	39,246	44,092	33,114

The Corporation reported a net loss of $9.0 million or $0.21 per share (basic and diluted) for the fourth quarter of fiscal 2011, an improvement stemming from the performance of the two main operating groups as well as a lower foreign exchange loss partially offset by higher income taxes and the loss from discontinued operations.

The net loss for fiscal 2011 of $23.6 million or $0.54 per share (basic and diluted) is primarily attributable to the loss from discontinued operations, the higher amortization expense of intangible assets resulting from the CWT acquisition, interest on the long-term debt related to this acquisition and income taxes. These items are partially offset by improved operational performance in most of the groups, particularly during the last two quarters of 2011 and a net positive amount for normalized items.

The increase in the weighted average number of shares outstanding 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.

7. SUMMARY OF QUARTERLY PERFORMANCE

Selected financial information for the past eight quarters

(in thousands of $, except per share amounts)				Fiscal 2011				Fiscal 2010
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	**169,806**	187,252	165,914	149,408	141,874	135,808	102,134	113,839
EBITDA	**9,007**	10,470	(2,234)	4,020	934	7,551	3,268	3,447
Normalized EBITDA	**7,536**	11,380	(2,234)	4,020	2,112	7,201	4,228	3,855
EBIT (loss)	**3,686**	5,913	(6,639)	(574)	(4,567)	3,835	397	330
Normalized EBIT (loss)	**2,826**	6,823	(6,639)	(574)	(3,389)	3,485	1,357	738
Net earnings (loss) from continuing operations	**(5,289)**	3,256	(7,586)	(3,759)	(13,152)	1,569	719	871
per share (basic and diluted)	**(0.12)**	0.07	(0.17)	(0.09)	(0.34)	0.04	0.02	0.03
Normalized net earnings (loss) from continuing operations	**(6,221)**	3,989	(7,586)	(3,759)	(12,209)	1,289	1,487	1,197
per share (basic and diluted)	**(0.14)**	0.09	(0.17)	(0.09)	(0.31)	0.04	0.05	0.05
Net earnings (loss) from discontinued operations	**(3,686)**	(4,108)	(2,048)	(398)	(520)	168	-	-
per share (basic and diluted)	**(0.09)**	(0.09)	(0.04)	(0.01)	(0.01)	-	-	-
Net earnings (loss)	**(8,975)**	(852)	(9,634)	(4,157)	(13,672)	1,737	719	871
per share (basic and diluted)	**(0.21)**	(0.02)	(0.21)	(0.09)	(0.35)	0.04	0.02	0.03

The Corporation's results are influenced by current conditions and are not necessarily comparable from one quarter to another. In addition, the acquisition of CWT on November 27, 2009 has had a significant impact on our results since the fourth quarter of fiscal 2010. Last, as mentioned under section 6 of this MD&A, "Analysis of consolidated operating results," the restructuring of the U.K. energy division and the discontinued operations also significantly affected the Corporation's performance, mainly in the second and fourth quarters of fiscal 2011.

8. CASH FLOWS, CASH POSITION AND BALANCE SHEET

	Quarters ended March 31		Twelve-month periods ended March 31	
	2011	2010	**2011**	2010
(in thousands of $, except per share data)				
Cash and cash equivalents, beginning of period	**20,449**	35,612	**35,005**	8,847
Cash flows provided by operating activities before net change in non-cash balances related to operations	**(910)**	(8,950)	**5,684**	131
Net change in non-cash balances related to operations (net of effect of business acquisitions)	**(16,681)**	25,396	**(35,752)**	50,645
Cash flows provided by (used in) operating activities from continuing operations*	**(17,591)**	16,446	**(30,068)**	50,776
Net change in revolving credits facilities	**9,927**	(24,149)	**19,157**	(42,122)
Long-term debt	**-**	794	**-**	25,794
Repayments of long-term debt	**(1,900)**	(23,285)	**(2,105)**	(57,278)
Financing costs	**-**	(29)	**(118)**	(553)
Issuance of share capital	**-**	43,610	**-**	135,309
Cost of issuance of share capital	**-**	(2,333)	**(47)**	(9,577)
Cash flows provided by (used in) financing activities from continuing operations	**8,027**	(5,392)	**16,887**	51,573
Business acquisitions	**-**	(7,951)	**(8,119)**	(64,408)
Property, plant and equipment*	**1,723**	(670)	**2,445**	(3,497)
Acquisition of intangible assets	**(724)**	(1,384)	**(2,002)**	(2,767)
Other	**496**	32	**(469)**	28
Cash flows provided by (used in) investing activities from continuing operations	**1,495**	(9,973)	**(8,145)**	(70,644)
Effect of exchange rate changes on cash and cash equivalent	**2,614**	(254)	**788**	(4,673)
Cash flows provided by (used in) discontinued operations [1]	**(466)**	(1,434)	**61**	(874)
Net increase (decrease) in cash and cash equivalents	**(5,921)**	(607)	**(20,477)**	26,158
Cash and cash equivalents, end of period	**14,528**	35,005	**14,528**	35,005

[1] Refer to consolidated statement of cash flows in the consolidated financial statements.

(Negative) free cash flow from continuing operations*	**(15,868)**	15,776	**(27,623)**	47,279
per share (basic and diluted)	**(0.36)**	0.40	**(0.63)**	1.43

For the fourth quarter of fiscal 2011, operating working capital used cash flows totalling $16.7 million (compared with cash flows of $25.4 million generated for the same period in fiscal 2010) owing particularly to higher accounts receivable invoicing. This should have a favourable impact on cash flows related to operating activities in the coming quarters.

The other main variations recorded in the fourth quarter of fiscal 2011 are:

- Drawdowns of $9.9 million under revolving credit facilities;
- The repayment of $1.9 million on the long-term debt;
- The change in additions to property, plant and equipment resulting mainly from the proceeds from the disposal of a building, land and related equipment;
- A $2.6 million favourable impact of exchange rate differences on cash and cash equivalents.

For fiscal 2011, operating working capital used cash flows totalling $35.8 million (compared with cash flows of $50.6 million generated in fiscal 2010) owing particularly to an increase in contracts in progress and higher accounts receivable invoicing at fiscal year-end.

The other main variations recorded in fiscal 2011 are:

- Drawdowns totalling $19.2 million under revolving credit facilities for day-to-day financing requirements;
- Payments totalling $3.5 million related to the acquisition costs payable as at March 31, 2010;
- The completion, announced on September 22, 2010, of the privatization of CWT via the squeeze-out of non-controlling shareholders, increasing the Corporation's equity interest in CWT to 100%, for a net cash consideration of $4.6 million.

Additional comments on financial position

(in thousands of $, except ratios)	**March 31 2011**	March 31 2010
Total net debt:		
Long-term debt	**72,148**	55,272
Less:		
Cash and cash equivalents	**(14,528)**	(35,066)
Total net debt	**57,620**	20,206
Total capitalization:		
Shareholders' equity	**250,238**	271,765
Total net debt	**57,620**	20,206
Total	**307,858**	291,971
Total net debt to invested capital ratio	***18.7%***	*6.9%*

As at March 31, 2011, the Corporation's total debt amounted to $72.1 million compared with $55.3 million as at March 31, 2010. Net of cash and cash equivalents, GLV's total net debt amounted to $57.6 million for a total net debt to invested capital ratio of 18.7%, compared with total net debt of $20.2 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 U.K. division responsible for energy contract management.

As at March 31, 2011, our cash position and our bank credit facilities were sufficient to fund our operations. Moreover, all the financial ratios met 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 March 31, 2011, financial ratios were calculated using an EBITDA adjusted for some of the items recorded in the second quarter in connection with the turnaround plan at the European energy division of Water Treatment Group (Ovivo) located in the U.K., entities whose shares or assets were sold or that were closed during the fiscal year due to their operating losses for the twelve-month period ended March 31, 2011 and implementation costs related to the Group's global positioning strategy.

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 meet day-to-day financing requirements, issue letters of credit and finance business acquisitions, and the balance amount of $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 set up two new revolving credit facilities to support the operations in Austria. The first facility of €40 million ($55.1 million) is used to issue letters of credit and the second, amounting to €5 million ($6.9 million), is used to meet day-to-day financing requirements. As at March 31, 2011, €32.5 million ($44.7 million) had been drawn down under the 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 27, 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 26, 2015 while the credit 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 that were in place on CWT's acquisition by the Corporation. As at March 31, 2011, drawdowns under said credit facilities for issuing letters of credits totalled $32.5 million. These credit facilities will gradually mature with the expiry of the letters of credit already issued. The Corporation guarantees repayment of some of these letters of credit in the event of payment default.

Balance Sheet

Balance Sheet Highlights

	March 31 2011	March 31 2010	**Explanation of significant differences**
(in thousands of $, except ratios)			
Assets			
Cash and cash equivalents	**14,528**	35,066	See "Cash flows, liquidities" section
Accounts receivable	**151,506**	124,850	Change due to higher billings and revenues
Income taxes receivable	**2,497**	1,526	n/a
Derivative financial instruments	**3,153**	2,651	n/a
Inventories	**34,321**	40,073	Decrease due to the use of various inventories for various projects and improved inventory management in certain subsidiaries
Contracts in progress	**133,190**	130,873	Change in contract billing deadlines
Prepaid expenses	**4,024**	6,364	n/a
Future income taxes	**6,666**	7,514	n/a
Assets from discontinued operations	**-**	11,398	The comparative balances were restated to isolate the assets of the 2 subsidiaries sold
Current assets	**349,885**	360,315	
Property, plant and equipment	**32,671**	40,861	Decrease due to the amortization of property, plant and equipment
Future income taxes	**2,165**	4,390	n/a
Goodwill	**92,316**	80,253	Adjustment to the preliminary allocation of the purchase price for CWT and the repurchase of non-controlling interests
Intangible assets	**88,034**	92,537	Decrease due to the amortization of intangible assets
Restricted cash	**4,622**	4,009	n/a
Other assets	**6,802**	6,676	n/a
Assets from discontinued operations	**-**	1,475	The comparative balances were restated to isolate the assets of the 2 subsidiaries sold
Total Assets	**576,495**	590,516	
Liabilities			
Accounts payable and accrued liabilities	**191,713**	186,864	n/a
Income taxes payable	**1,522**	5,140	n/a
Derivative financial instruments	**2,357**	1,430	n/a
Future income taxes	**3,345**	2,192	n/a
Deferred revenue	**34,834**	35,915	n/a
Liabilities from discontinued operations	**-**	8,223	The comparative balances were restated to isolate the assets of the 2 subsidiaries sold
Current liabilities	**233,771**	239,764	
Long-term debt	**72,148**	55,272	See "Indebtedness" section
Other liabilities	**10,562**	10,411	n/a
Future income taxes	**9,776**	13,266	n/a
Liabilities from discontinued operations	**-**	38	The comparative balances were restated to isolate the assets of the 2 subsidiaries sold
Total Liabilities	**326,257**	318,751	
Shareholders' equity			
Share capital	**313,841**	313,841	
Contributed surplus	**4,493**	3,177	
Deficit	**(28,960)**	(5,295)	The change represents the net loss for the year
Accumulated other comprehensive loss	**(39,136)**	(39,958)	n/a
Total Liabilities and shareholders' equity	**576,495**	590,516	
Current assets	**349,885**	360,315	
Current liabilities	**(233,771)**	(239,764)	
Working capital	**116,114**	120,551	
Current ratio	***1.50 :1***	*1.50 :1*	

Share capital information

Authorized, issued and outstanding shares as at March 31, 2011 and June 9, 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

9. CONTRACTUAL COMMITMENTS AND FINANCIAL INSTRUMENTS

Contractual commitments

Management believes that the Corporation's cash and cash equivalents, capital resources and net cash flows from operations will suffice to finance its working capital requirements, interest payments, principal repayments on long-term debt in a foreseeable future and capital expenditures.

In addition to the debts appearing in the consolidated balance sheet as at March 31, 2011, the Corporation has operating leases for premises and equipment expiring at various dates through July 2016, representing total minimum lease payments of $19.3 million.

The following table presents a summary of the minimum annual payments and principal contractual commitments as at March 31, 2011.

(in thousands of $)	Total	Next 12 months	From 2 to 5 years	More than 5 years
Accounts payable and accrued liabilities	**191,713**	191,713	-	-
Derivative financial instruments	**2,006**	1,657	349	-
Long-term debt	**88,703**	8,762	52,892	27,049
Pension liabilities	**6,326**	891	4,193	1,242
Leases	**19,313**	8,884	10,422	7
	308,061	211,907	67,856	28,298

The Corporation is also committed under letters of credit, corporate guarantees and insurance surety bonds for the performance of its contracts. As at March 31, 2011, the Corporation had commitments totalling $212.2 million ($216.1 million as at March 31, 2010).

Financial instruments

The fair value of financial assets and liabilities reflect the amount at which the instruments could be exchanged in a current transaction between knowledgeable, willing parties, other than in the context of a forced or liquidation sale. The following methods and assumptions were used to estimate the instruments' fair values:

- Cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities: fair values approximate their carrying amounts largely due to short-term maturities and high liquidity.

- Long-term debt: the fair value of variable-rate debt approximates its carrying amount because these debt instruments bear interest at rates that fluctuate with market rates. The fair value of fixed-rate debts is determined using the discounted cash flow method. The discount rates used correspond to prevailing market rates offered to the Corporation for loans with similar terms and conditions.

Derivative financial instruments are mainly used to manage the Corporation's exposure to interest rates, foreign exchange rates and equity price risks in connection with stock-based compensation. The Corporation does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments

The following methods and assumptions were used to estimate the fair values:

- Foreign exchange contracts: estimated using period-end market rates, and reflect the amount the Corporation would receive or pay if the instruments were closed out at those dates.
- Total return swap: estimated using the underlying shares' period-end market price.
- Interest rate swap: estimated by discounting expected future cash flows using period-end interest-rate yield curves.
- Cross currency interest rate swap: estimated by discounting expected future cash flows using period-end interest rate yield curves and exchange rates.

The fair values of the Corporation's derivative financial instruments are determined based on quoted market prices received from counterparties and adjusted for credit risk, if applicable. The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but does not expect any counterparties to fail to meet their obligations. The Corporation is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum exposure in the event of counterparty default on derivative financial instruments with positive fair values as at March 31, 2011 amounted to $3.2 million ($2.7 million as at March 31, 2010).

Derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In the Corporation's view, none of the parties to the existing financial instruments are expected to default on their obligations since they are large multinational financial institutions.

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

Refer to notes 23 and 24 to the audited consolidated financial statements for fiscal 2011 for further information.

10. BACKLOG AND OUTLOOK

Compared with corresponding date in prior fiscal year

	As at March 31		Change		Change at constant exchange rates
	2011	2010 [2]	$	%	%
(in thousands of $)					
TOTAL	373,996	432,094	(58,098)	-13.4%	-13.6%
Water Treatment (Ovivo)	306,510	368,533	(62,023)	-16.8%	-16.6%
Pulp & paper	55,994	48,339	7,655	15.8%	13.3%
Other[1]	11,492	15,222	(3,730)	-24.5%	-24.7%

Compared to the immediately preceding quarter-end

	As at March 31	As at December 31[2]	Change		Change at constant exchange rates
	2011	2010	$	%	%
(in thousands of $)					
TOTAL	373,996	382,924	(8,928)	-2.3%	-2.1%
Water Treatment (Ovivo)	306,510	321,453	(14,943)	-4.6%	-4.2%
Pulp & paper	55,994	48,809	7,185	14.7%	13.9%
Other[1]	11,492	12,662	(1,170)	-9.2%	-11.8%

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

[2] Amounts excluding backlog from discontinued operations as at March 31, 2010 and December 31, 2010.

Water Treatment Group (Ovivo)

As at March 31, 2011, the backlog of the Water Treatment Group (Ovivo) had declined year over year and compared with the previous quarter.

The seawater desalination segment reported a significant year-over-year decline while the food and beverages segment recorded a more limited decrease.

Compared with the previous quarter, the factors underlying this situation include the lower pace of order taking in some of the Group's segments, including seawater desalination where stricter controls were implemented for submitting proposals, and in the microelectronics market, due to the performance schedule of large contracts and new orders, given that the size of contracts is volatile from one quarter to another. But, the decrease was considerably offset as the Group did well to win contracts in the U.S. municipal and U.K. energy segments.

In light of current tendering activity, the Group is expected to report sustained business volumes in most of its industrial segments in the coming quarters. Prospects for the microelectronics, the U.K. municipal, energy, and pulp and paper markets are particularly favourable. In the seawater desalination segment, which is subject to irregular fluctuations in demand from one quarter to another, the outlook remains positive for our South African operations. To reduce risks related with turnkey projects, the Group's management continues to exercise vigilance when selecting projects for tendering.

After the major slowdown of the past two years, the U.K. municipal market has bounced back, which boosted the backlog to a level in line with management's expectations. 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 that the implementation of new infrastructure projects is subject to the budgetary constraints placed on local authorities.

The Group as a whole remains tightly focused on increasing profitability. Key initiatives include:

- Turnaround plan at the energy division located in the U.K.;
- Restructuring CWT entities whose profitability do not meet management's expectations;
- Creation of a high-calibre project management team with a view, in particular, to strengthen the approval process and the controls over order booking, cost estimating and project management best practices;
- Application across the Group of procurement and outsourcing best practices and a master strategy aimed at optimal use of the existing supplier network in Asia and Europe, as well as Group manufacturing facilities;
- 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.

As per the Corporation's management, initiatives undertaken during fiscal 2011 will benefit to the Water Treatment Group (Ovivo) in the fiscal 2012. However, in addition to the contracts to be completed for the U.K. energy division, the finalization of those acquired with CWT acquisition, mostly from the desalination segment, will continue to negatively impact profitability which will delay the achievement of the normalized EBITDA 10% margin objective.

Pulp and Paper Group

As at March 31, 2011, the Pulp and Paper Group's backlog sharply rose year over year and compared with the previous quarter, recording organic growth rates of 13.9% and 13.3%, respectively. The growth was driven mainly by a sharp recovery in both capital expenditure projects and the replacement parts market in recent months.

While conditions in the pulp and paper market continually require a conservative stance, prospects do look favourable. Pulp prices remain at healthy 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 Americas. However, competition remains stronger in the European and Asian markets.

To maintain solid profitability, the Pulp and Paper Group will continue to invest in developing new products and improving current products selected based on its market strengths, as well as in seeking opportunities to boost its aftermarket volume, while maintaining tight control over its costs. Developing the Group's presence in China and in India as well as its outsourcing network remains a priority.

Accordingly, for fiscal 2012, sustained backlog growth will generate good operating volumes, which, combined with a competitive and tightly managed cost structure, should enable the Group to maintain its profit margins.

Other

The outlook for the Van Der Molen group is still positive and the goals for fiscal 2012 are to achieve a minimum level of profitability, continue improving contract performance and contractual risk management, and develop a manufacturing outsourcing network.

For the manufacturing units, the goal is to generate positive results for all the subsidiaries with a particular focus on continuing to develop the facility in Eastern European where operating costs are more competitive.

Last, Head Office costs are expected to decrease significantly due to the synergies resulting from the consolidation of its operations with those of CWT during fiscal 2011.

Global outlook

To sum up, for fiscal 2012, 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.

The Corporation's main goal remains unchanged: improve the financial performance of the Water Treatment Group (Ovivo) and strengthen the competitive positioning of its two core groups in order expand their share of markets in which they are already operating. In addition, the integrated product offering strategy will remain a priority, particularly for the industrial water treatment market.

For fiscal 2012 as a whole, assuming exchange rates remain stable at current levels and in light of the outlook in the segments serviced by all groups, the Corporation expects consolidated revenues to range from $650 million to $675 million.

GLV remains focused on its objective of long-term value creation for its shareholders and reaching $1 billion in revenues within 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 solid growth potential from acquisitions due to the industry structure that is still highly fragmented. With its operating performance and profitability, the Pulp and Paper Group maintains its ideal positioning and remains a key element in the Corporation's strategy. Moreover, GLV enjoys a solid financial position and an adequate capital structure to support current operations and pursue development projects that correspond to the Corporation's current stage of growth.

11. RISKS AND UNCERTAINTIES

Management has adopted a series of measures aimed at managing risks throughout the Corporation and its subsidiaries. In particular, the Water Treatment Group (Ovivo) and the Pulp and Paper Group have executives with responsibility for finance, operations, human resources and information technologies to cover all the Corporation's business activities. Their respective management teams are responsible for identifying and assessing the risks likely to have a material impact on the Corporation's operations and financial position, as well as the strategies implemented to manage such risks. The teams are also responsible for implementing the necessary risk management oversight mechanisms. This includes drawing up various policies and procedures to support the Corporation's subsidiaries in developing and implementing strategies aimed at monitoring business, operational and financial risk factors.

During fiscal 2011, management observed no material changes regarding risks and uncertainties to which the Corporation's existing operations were exposed. These risks and uncertainties have been prioritized and described below.

It should be noted that additional risks and uncertainties of which management currently has no knowledge or which it deems immaterial could have a notable adverse impact on its financial position, operating results, cash flows or operations.

Specific risks related to the acquisition and integration of CWT

The acquisition of CWT and its integration with the Water Treatment Group (Ovivo) gave rise to additional specific risks.

First, the integration process in itself is a complex and demanding operation in terms of the Corporation's time and resources, particularly since CWT has operations in numerous countries.

Second, CWT's operations comprise certain additional operational risks relative to the Corporation's previous operational structure. Key risks include:

- Higher earnings exposure to currency fluctuations against the euro;
- Greater presence in certain business segments exposed to economic fluctuations, such as the microelectronics market;
- Expanded presence in certain international markets exposed to specific political and economic risks, such as in Africa, the Middle East and Asia, including the possibility of radical changes in government policies and regulations, restrictions on currency translation and currency repatriation rights, and risks related to the legal systems in place in some countries, which could hinder the exercise of the Corporation's contractual rights;
- Execution of large turnkey projects, including the responsibility for building certain infrastructure projects;
- Greater pressure on the Corporation's cash resources due to the more significant initial working capital investments required to execute large-scale contracts.

Contracts covering equipment, services, operations and turnkey projects

For the most part, contracts for the provision of services or equipment are awarded at set prices. As a result, the Corporation is exposed to the risk of increases in labour and material costs and inherent project management risks. Furthermore, for certain contracts, the Corporation assumes the liabilities related to turnkey projects. In such cases, the Corporation either shares joint and several liability with the strategic partners in charge of construction or assumes full liability for the project and subcontracts the construction portion to third parties. A strategic partner or a subcontractor could be unable to discharge their obligations, which would trigger additional financial obligations for the Corporation, thereby creating upward pressure on costs. The Corporation adopts risk management practices that notably include technical risk assessments, legal reviews of contracts, the application of cost management and project schedule controls, revisiting forecasts with regard to the project and other provisions designed to manage and mitigate risk exposures. In addition, the Corporation typically elects to retain a portion of losses that may occur by applying self-insurance practices.

Dependence on key personnel

The Corporation relies on the expertise and know-how of its personnel to conduct its operations. Its success is primarily dependent on its ability to recruit and retain qualified employees with the requisite skills and knowledge to execute the contracts awarded by its clients in the water treatment and pulp and paper segments. In particular, the water treatment niche represents a special challenge, as the competition to recruit qualified personnel increases with growth in business volume. To be able to recruit the talent it needs, the Corporation strives to offer competitive employment conditions, a wide variety of career opportunities and a stimulating working environment. However, other factors may come into play, and there can be no assurance that the conditions offered by the Corporation will be sufficient to retain key professionals.

Acquisition risk

The Corporation's growth strategy relies in particular on business acquisitions aimed at expanding the scope of portfolio of technologies and expertise and strengthening its presence in targeted geographic and segmented markets. While the Corporation's management has solid experience in integrating businesses, with a great many successful acquisitions over the past 15 years, any new acquisition can entail new challenges that may hamper the integration process or reduce its economic or operational advantages.

Foreign exchange risk and hedging contracts

Given that it carries on a large proportion of its business in foreign countries, the Corporation is exposed to risks arising from currency fluctuations, which can impact the Corporation's competitiveness. Moreover, any strengthening in the value of the Canadian dollar relative to one of these currencies would have a negative impact on the Corporation's financial position and operating results, which could be significant on consolidation of the subsidiaries' accounts.

The Corporation can make use of foreign exchange hedging contracts to manage the foreign exchange risk related to certain large-scale contracts won by its subsidiaries. However, foreign exchange hedging contracts also include the risk of a potential default by a counterparty on its obligations. To reduce this risk, the Corporation arranges foreign exchange forward contracts with sound financial institutions that have good credit ratings from recognized credit agencies.

Credit risk

The Corporation's business is primarily to fulfil contracts awarded by clients. These contracts establish the clients' obligations, particularly the terms of payment based on the nature and scope of the work to be carried out. Payments may be made in more than one instalment based on an established schedule and the percentage of completion. For the Corporation, credit risk is primarily the risk of loss due to certain clients' inability to meet their contractual obligations. Any default or delay in payment by clients may impact contract profitability as well as the Corporation's cash flows and financial position.

To mitigate its credit risk, the Corporation closely monitors its accounts receivable and collection times. Furthermore, it evaluates its clients' creditworthiness on entering into contracts and establishing the credit limits it grants to them. In certain cases, the Corporation may use credit insurance to cover its exposure to doubtful accounts, as well as letters of credit to cover a portion of payments. Despite the measures in place, a rapid deterioration in market conditions combined with other factors could materially affect a client, potentially rendering it unable to fulfill its obligations.

Asset impairment risk

A significant portion of the Corporation's assets is attributable to goodwill, intangible assets and other assets. In particular, intangible assets primarily refer to the value assigned to technologies, trademarks and customer relations, whereas other assets relate to development costs, mostly for the Water Treatment Group (Ovivo). Although the Corporation has devoted specific resources and initiatives to continuous improvement of customer relations, upgrading and expanding its portfolio of technologies and expertise and protecting its trademarks, other factors related to market and economic conditions could influence the value of its assets. With a view to tracking changes in their value, the Corporation conducts an annual impairment test of its goodwill and intangible assets and reports its findings in its management's discussion and analysis.

Market risk

The Corporation's Pulp and Paper Group operates in a cyclical market that is dependent on global economic conditions. In addition, this market has undergone major structural changes in recent years, including the shifting of production toward regions in the southern hemisphere, Asia and Eastern Europe, which benefit from abundant natural resources and competitive production costs. Concurrently, the market situation is such that pulp and paper companies will tend to opt for new technologies to boost plant capacity, productivity and efficiency. To date, the Pulp and Paper Group has benefited from the necessary resources to adapt its product portfolio to market trends, notably through the acquisition or development of technologies, and has also been able to expand into regions with higher growth potential. A significant decrease in revenues resulting from a sharp business slowdown in the global pulp and paper industry could, in particular, reduce its ability to adapt to new market realities.

Liquidity risk

Given the large size of the contracts it is awarded and their execution based on progress billing, the Corporation may be required to incur a significant percentage of the costs before billing the client. If several large-scale contracts were to be executed simultaneously, such a situation could put pressure on the Corporation's liquidity. Historically, the Corporation has been able to limit this risk due to the geographic and sector diversification of its contract wins and staggered contract completion timelines. Depending on the situation, it can also obtain letters of credit or bank guarantees from recognized banking institutions.

Competition

The Corporation competes in industries with companies of various sizes offering substantially similar technologies. In addition, some large-scale competitors have significantly greater resources than the Corporation. Historically, the Corporation has distinguished itself and developed its target markets by building on the expertise and know-how of its employees to offer clients tailored solutions that provide economic and operational advantages.

Supplier risk

Under its business model, the Corporation makes significant use of an international network of manufacturing subcontractors, reducing fixed costs and giving it the flexibility it needs to accommodate the ebb and flow of demand. Although subcontractor obligations are clearly set out in the contracts entered into with the Corporation or its subsidiaries, a subcontractor could fail to meet the delivery schedule or the specifications of deliverables due to factors beyond the Corporation's control, which could adversely impact on the Corporation's results.

Availability of financing

To pursue its growth strategy and day-to-day operations, the Corporation could from time to time require funding sources other than the credit facilities already in place. For instance, additional financing could be needed to complete a business acquisition or to meet a one-time working capital requirement. This could consist of loans from financial institutions or the issuance of securities (bonds, term notes, debentures, shares, etc.) in capital markets. The terms of such financing may vary according to market conditions. As a result, there can be no assurance that the Corporation will secure financing under favourable conditions, which could limit its ability to pursue its action plan.

Concentration risk

Concentration risk arises when a significant portion of revenues is generated from a single client, product, industry or region of the world. If the client were to fail to meet its financial obligations, the product to be overshadowed by a competitor's or the region or industry to experience a major slowdown, the Corporation's financial strength could be affected. As at March 31, 2011, no single client of either the Water Treatment Group (Ovivo) or the Pulp and Paper Group accounted for more than 10% of the revenues of the group in question.

Availability of raw materials

The Corporation's key raw material is steel. The inability to procure this raw material in sufficient quantities and in a timely fashion, along with cost increases, could adversely affect the Corporation's operations and financial position.

Interest rate risk

The Corporation's profitability and financial position may be directly affected by changes in interest rates. Based on the potential effects of interest rate movements, the Corporation may use interest rate swaps when it deems appropriate.

Intellectual property

The rights to the Corporation's cutting-edge technologies are key to the success of its market share strategy. With this in mind, the Corporation makes every effort to protect the intellectual property rights to its technologies and products, and the rights to use third-party technologies. Although the steps taken by Corporation to cover its entire portfolio of technologies, a dispute could potentially arise with a third party regarding the rights to a technology or product, resulting in costs for the Corporation and potentially curbing its ability to capitalize on the technology.

Holding company structure

As a holding company, the Corporation operates through its subsidiaries. As a result, the Corporation's ability to meet its financial obligations is primarily contingent on receipt from its subsidiaries of interest and principal payments on intercompany advances, management fees, cash dividends and other cash payments. However, for a number of reasons, the subsidiaries may be unable to pay to the Corporation the amounts it needs to discharge its obligations.

As distinct legal entities, the subsidiaries of the Corporation have no obligation, contingent or otherwise, to make funds available to the Corporation, whether by way of dividends, interest payments, loans, advances or other payments. In addition, the payment of dividends and the granting of loans, advances and other payments to the Corporation by its subsidiaries are subject to statutory or contractual restrictions and are contingent on the earnings of such entities and are subject to various business and other considerations. These subsidiaries are parties to other agreements, including loan agreements that restrict their capacity to pay cash dividends or to make advances or other payments.

12. ACCOUNTING POLICIES AND TRANSITION TO IFRS

Critical accounting estimates

The Corporation prepares its consolidated financial statements in Canadian dollars according to Canadian GAAP. The significant accounting policies used by the Corporation are described in note 2 of the audited consolidated financial statements as at March 31, 2011.

Certain accounting policies of the Corporation require management to exercise judgment in developing estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates, even significantly. These estimates are reviewed periodically and any required adjustments are recorded in the financial statements of the period in which they are identified.

Besides those briefly described below, the most significant estimates concern provisions, including those relating to warranties, doubtful accounts, restructuring costs and obsolete inventory, as well as the amortization periods for each of the main classes of amortizable assets.

Revenue recognition

The Corporation's revenues are derived primarily from long-term new equipment sales contracts, the sale of goods and the provision of services. These various types of revenues are accounted for using different methods:

New equipment contracts: As soon as the amount of a new equipment contract can be estimated reliably, contract revenues and expenses are recognized in the statement of earnings based on the percentage of completion of the contract. The percentage of completion is usually assessed by comparing costs incurred to date with total expected costs according to the Corporation's estimates. The entire amount of an expected loss on a contract is recognized immediately in the consolidated statement of earnings. The expected costs for completing a contract are calculated using estimates that can be affected by a variety of factors such as potential changes in scheduling and material costs, the availability and cost of qualified labour and subcontractors, as well as productivity.

Sale of goods: Revenues from the sale of goods (sale of parts and replacement parts) are recognized when the risks and rewards of ownership of the goods have passed on to the buyer, usually on delivery of the goods.

Delivery of services: Revenues from after-sales services, aftermarket services and upgrades are recognized when the service is performed.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized and is tested for impairment annually, for each reporting unit, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss, amounting to the difference between the carrying amount of goodwill and its implicit fair value, is recognized when the carrying amount of goodwill of a reporting unit exceeds its estimated fair value. Fair values of the reporting units are estimated using valuation models based on normalized and estimated future cash flows or valuation multiples. All factors used in the valuation models are based on management's estimates and are subject to uncertainties and judgments. Any changes to these estimations could affect the fair value of the reporting units and, consequently, the value of the reported goodwill.

The Corporation usually tests goodwill for impairment on December 31 of each year. Beginning in the year ended March 31, 2011, the Corporation decided to change the date at which it performs this test to March 31 of each year. Accordingly, for fiscal 2011, the Corporation performed this test twice, on December 31, 2010 and March 31, 2011. The Corporation has concluded that goodwill was not impaired as at December 31, 2009, December 31, 2010 and March 31, 2011.

Long-lived assets

Long-lived assets include property, plant and equipment and finite-life intangible assets. The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. To determine whether impairment exists, management compares the estimated undiscounted future cash flows projected to be generated by assets with their respective carrying amount. If the undiscounted future cash flows and fair value are lower than the carrying amount, an impairment loss is recognized. The Corporation concluded that no impairment charge was required for its long-lived assets as at March 31, 2010 and 2011.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Future income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. Such method requires the exercise of significant judgment in determining whether or not the Corporation's future income tax assets are "more likely than not" to be recovered from future taxable income and therefore, can be recognized in the Corporation's consolidated financial statements. Also, estimates are required to determine the realization and settlement dates for income tax assets and income tax liabilities, respectively, as well as the enacted or substantially enacted tax rates effective at such time.

In accordance with current Canadian GAAP, the Corporation has not recognized an income tax asset relating to accumulated tax losses for the year and prior years for its subsidiaries that, at present, do not expect any income tax recovery in the foreseeable future.

Similarly, the Corporation has not recognized a future income tax liability for the undistributed retained earnings of its subsidiaries that could be distributed in a taxable manner, such as through the receipt of dividends or sale of investments, as it does not expect the undistributed retained earnings to become taxable in the foreseeable future. A future income tax liability will be recognized when the Corporation expects that it will repatriate such retained earnings.

Changes in accounting policies

Business combinations

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*.

For the Corporation, these sections are 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 fiscal years beginning April 1, 2011. Although early adoption of these three standards is permitted, the Corporation elected against doing so before they become effective.

Transition to International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises in 2011. The Corporation's first IFRS statements will be prepared for fiscal 2012 with comparatives for fiscal 2011 and an opening balance sheet as at the transition date, i.e. April 1, 2010.

Beginning in the first quarter of fiscal 2012, the Corporation will publish unaudited interim consolidated financial statements under IFRS, including an opening balance sheet at the date of transition and comparative information. The changeover to IFRS will have an impact on the presentation of the consolidated financial results. The first IFRS consolidated financial statements will include a note on the impacts of the change in accounting standard as well as disclosure of all the accounting policies applied by the Corporation under IFRS.

The IFRS changeover project is on schedule and the conversion process is substantially completed. The Corporation's personnel has acquired an understanding of IFRS through training provided by external consultants and the preparation of analyses identifying differences between Canadian GAAP and IFRS. The impacts in terms of changes to internal controls and information systems are minor. No compliance issues relating to loan and other contractual agreements have been identified. Executive officers have been informed of the changes required for IFRS adoption.

The Corporation has prepared a template of annual and quarterly financial statements. The adjustments for IFRS conversion purposes to be made at the transition date, i.e., April 1, 2010, to prepare an opening balance sheet in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, are described below. This review was based on the IFRS standards that are expected to be effective at the reporting date of the first fiscal year under IFRS, i.e., March 31, 2012.

First-time adoption of IFRS

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, provides guidelines to companies applying IFRS for the first time. This standard generally requires retrospective application of all IFRS effective at the reporting date of the first fiscal year under IFRS except for certain mandatory exceptions and voluntary exemptions provided in IFRS 1. Significant exceptions and exemptions for the Corporation are discussed below.

Mandatory exceptions from retrospective application

***Estimates*:** Estimates made under Canadian GAAP that are consistent with IFRS requirements due to methodological differences in terms of measurement have not been changed.

***Non-controlling interests*:** IFRS 1 requires the prospective application of IAS 27 regarding the consolidation of minority interests. The main impacts for the Corporation are as follows:
- Prior losses at the transition date attributable to non-controlling interests under IFRS are maintained in shareholders' equity within the deficit of the Corporation.
- Purchases of non-controlling interests in CWT subsequent to the takeover date but prior to the transition date have not been restated.

Voluntary exemptions

Designation of financial instruments: The Corporation has in particular applied the exemption that allows changes to the designation of certain financial instruments and accordingly designated:
- The interest held in a private company as an available-for-sale investment. As the fair value of this equity instruments cannot be estimated, the investment is carried at cost. As the investment was already recognized at cost under GAAP, this designation had no impact on the financial statements.
- Revolving credit facilities at fair value. These revolving credit facilities are repayable at the Corporation's option at any time. As the fair value approximates the carrying amount at the transition date, this designation had no significant impact on the consolidated financial statements.

Other: Other voluntary exemptions used by the Corporation are discussed below. Impacts of the transition are also provided:
- (A) IAS 19 - *Employee Benefits*
- (B*)* IAS 21 - *The Effects of Changes in Foreign Exchange Rates*
- (C) IFRS 2 - *Share-based Payment*
- (E) IFRS 3 - *Business Combinations*

Opening balance sheet

The main differences between the consolidated financial statements according to Canadian GAAP published on March 31, 2010 and the opening IFRS balance sheet as at April 1, 2010 are summarized in the table below.

Opening balance sheet reconciliation	**IFRS**	**IAS 19**	**IAS 21**	**IFRS 2**	**IAS 31**	**IFRS 3**	**IAS 12**	**Others**	**Canadian GAAP**
(In thousands of dollars)	**April 1st 2010**	(A)	(B)	(C)	(D)	(E)	(F)	(G)	**March 31, 2010**
Cash and cash equivalents	35,045				(21)				35,066
Derivative financial instruments	2,649				(2)				2,651
Account receivables	123,212				(779)	(859)			124,850
Inventories	40,073								40,073
Contracts in progress	127,626				38	(3,285)			130,873
Prepaid expenses	6,164				(200)				6,364
Income taxes receivable	1,526								1,526
Future Income taxes	-							(7 514)	7,514
Assets related to discontinued operations	11,398								11,398
Current assets	347,693	-	-	-	(964)	(4,144)	-	(7,514)	360,315
Goodwill	87,026					6,773			80,253
Intangible assets	96,398				(259)	4,120			92,537
Property, plant and equipment	40,852				(9)				40,861
Investment in joint venture	176				170		6		-
Restricted cash	4,009								4,009
Other assets	1,964							(4,712)	6,676
Future income taxes	13,144					1,640	(400)	7 514	4,390
Assets held for sale	3,703							3703	-
Assets related to discontinued operations	1,475								1,475
Long-term assets	248,747	-	-	-	(98)	12,533	(394)	6,505	230,201
Assets	596,440	-	-	-	(1,062)	8,389	(394)	(1,009)	590,516
Derivative financial instruments	1,430								1,430
Accounts payable and accrued liabilities	174,815				(1,062)	7,465		(18,452)	186,864
Provisions	17,511							17,511	-
Deferred revenues	35,915								35,915
Income taxes payable	5,343					216	(13)		5,140
Future Income taxes	-							(2 192)	2,192
Liabilities related to discontinued operations	8,223								8,223
Current liabilities	243,237	-	-	-	(1,062)	7,681	(13)	(3 133)	239,764
Provisions	10,287	2,025						8,262	-
Long-term debt	55,272								55,272
Other liabilities	2,554			1,060				(8,917)	10,411
Future Income taxes	16,266					799	9	2 192	13,266
Liabilities related to discontinued operations	38								38
Long-term liabilities	84,417	2,025	-	1,060	-	799	9	1 537	78,987
Share capital	313,841								313,841
Contributed surplus	4,281			1,104					3,177
Deficit	(49,336)	(2,025)	(39,958)	(2,164)		(91)	(390)	587	(5,295)
Accumulated other comprehensive loss	-		39,958						(39,958)
Shareholders' equity	268,786	(2,025)	-	(1,060)	-	(91)	(390)	587	271,765
Liabilities and shareholders' equity	596,440	-	-	-	(1,062)	8,389	(394)	(1,009)	590,516

The adjustments and reclassifications made in each column are explained in the notes below.

(A) IAS 19 - *Employee Benefits*
The Corporation elected to apply the exemption under IFRS 1 regarding the recognition of actuarial differences resulting from the measurement of obligations related to defined benefit plans.
Accordingly, total unrecognized actuarial losses as at the transition date were recognized in the balance sheet in the amount of $2,025 with a corresponding amount in the deficit.
In terms of presentation, the total net obligation related to defined benefit plans has been reclassified under Allowances. See column G and the related explanation.

(B) IAS 21 - *The Effects of Changes in Foreign Exchange Rates*
The Corporation elected to apply the exemption under IFRS 1 to reset at zero the accumulated translation adjustment resulting from the translation of financial statements of subsidiaries whose functional currency differs from the Corporation's presentation currency.
Accordingly, the total accumulated translation adjustment of $39,958 recognized at the transition date has been reclassified to the deficit.

(C) IFRS 2 *- Share-based Payment*

The Corporation has one stock option plan and two stock appreciation rights plans ("2007 SARs" and "2009 SARs") for the benefit of certain executive officers and personnel. The accounting treatment of these share-based compensation instruments was amended during the changeover due to the following differences in standards:

Measurement of cash-settled rights

Under Canadian GAAP, the SARs were measured using the intrinsic value method. As the market price of shares underlying the rights was lower than the exercise price as at March 31, 2010, the amount recorded in the Corporation's books was insignificant.

Under IFRS, the SARs must be measured at their fair value as at each closing date using an established model, such as Black & Scholes, which takes into account, in particular, assumptions regarding share price volatility.

Measurement of equity-settled rights

The fair value measurement of stock options using the Black & Sholes model was adjusted to include certain specific IFRS parameters, particularly the assumptions regarding expected exercise or non-exercise of options.

Graded vesting

Under Canadian GAAP, graded vesting may be recognized on a straight-line basis over the longest vesting period.

Under IFRS, the Corporation must treat each portion as a separate award, measured at fair value and recognized on a straight-line basis over its own specific vesting period.

IFRS 1 exemption

The Corporation did not use the exemption allowed by IFRS 1 regarding equity-settled share-based payments whose rights are fully vested at the transition date. Accordingly, the measurement and recognition of all stock options granted before the transition date were in accordance with IFRS.

At the transition date, the Corporation recognized an additional liability of $1,060 in respect of SARs as well as an additional reserve of $1,104 in equity in respect of stock options with corresponding charges to the deficit.

(D) IAS 31 *- Joint Ventures*

Under Canadian GAAP, business combinations were consolidated in proportion to the interests held. Although this treatment is also authorized under IFRS, the standard allows entities to consolidate interests in joint ventures using the equity method.

Following recent IFRS developments on this issue and the unavailability of the choice of method for fiscal years starting January 1, 2013, the Corporation decided to use the equity method as the recognition method for its joint ventures. Accordingly, all joint venture assets and liabilities were reclassified as a single line item on the balance sheet. The restatement resulted in a $1,062 decrease in assets and liabilities but had no impact on equity.

(E)* IFRS 3 *- Business Combinations

The Corporation elected to apply the exemption allowed by IFRS 1 under which entities are not required to restate business combinations that occurred prior to the transition date.

As CWT was acquired on November 27, 2009, this business combination was not restated. However, at the transition date, the acquisition entry was not finalized as yet in the Canadian GAAP financial statements. In such cases, IFRS 1 and IFRS 3 require that the opening balance sheet reflect the final allocation of the purchase price.

This final allocation is the same as that shown in the Canadian GAAP financial statements as at March 31, 2011, adjusted for the purchase price of the remaining 7.4% non-controlling interest realized in September 2010. As this transaction took place after the transition date, this transaction must be restated under IAS 27, which considers the acquisition of interests subsequent to a takeover as a transaction between shareholders without impact on the assets and liabilities of the acquired business. Accordingly, this column shows the impact on the opening balance sheet all of the adjustments to the acquisition price that were recognized in the quarterly and annual 2011 Canadian GAAP financial statements, increasing assets by $8,389 and liabilities by $8,480. The impact on equity was negligible.

(F)* IAS 12 - *Income Taxes
This column summarizes the impact of deferred taxes on other restatements.
Deferred taxes classified as current under GAAP were classified as non-current under IFRS to comply with IAS 1 presentation requirements.

(G) Other adjustments and reclassifications
This column shows the other adjustments and reclassifications considered less significant. They are described below.

Deferred financing costs
As the Corporation designated its revolving credit facilities at fair value at the transition date, the related deferred financing costs cannot be capitalized under IFRS. The balance was thus reversed with a corresponding charge to the deficit, which resulted in a $1,009 decrease in other assets.

Deferred gain on sale
The Corporation has been leasing a building it had sold in 2004. Under Canadian GAAP, the realized gain on sale compared with the net carrying amount was deferred over the lease term. Under IFRS, as the Corporation had determined that the selling price reflected the market value at the time and the lease met the criteria for an operating lease, the gain had to be recognized at the time of sale. Accordingly, the deferred gain balance was reversed with a corresponding charge to the deficit, which resulted in a $1,596 decrease in other liabilities.

Allowances
The balances of allowances defined in IAS 37 were reclassified within Allowances (current and non-current) under liabilities. The details of the reclassification are as follows:

- Accounts payable and accrued liabilities $(18,452)
- Other liabilities $(7,321)
- Allowances/current $17,511
- Allowances/non-current $8,262

The amounts reclassified as allowances are mainly related to warranties, pension plans and restructuring programs.

Other reclassifications
Other amounts represent reclassification in order to comply with the IFRS presentation requirements which differ from Canadian GAAP.

13. RECONCILIATION OF NON-GAAP MEASURES

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, foreign exchange loss, change in fair value of derivative financial instruments, 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, less additions to property, plant and equipment (net of disposals);
- **Free cash flow (negative 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 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.

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 revenue streams from acquisitions from the current fiscal year where such streams did not exist in the comparative period of the previous fiscal year, at constant exchange rates. 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 loss.

	Quarter ended March 31, 2011				**Twelve-month period ended March 31, 2011**			
	Water Treatment Group (Ovivo)	**Pulp and Paper Group**	**Other**	**Consolidated Results**	**Water Treatment Group (Ovivo)**	**Pulp and Paper Group**	**Other**	**Consolidated Results**
(in thousands of $)								
As presented on the financial statements:								
Earnings (loss) before financial expenses, foreign exchange loss, change in derivative financial instruments, income taxes and non-controlling interest (GAAP)				3,686				2,386
Impairment of assets				611				611
Depreciation and amortization				4,710				18,266
Earnings (loss) before depreciation and amortization, financial expenses, foreign exchange loss, change in derivative financial instruments, income taxes and non-controlling interest	**8,595**	**4,946**	**(4,534)**	**9,007**	**20,458**	**15,838**	**(15,033)**	**21,263**
Normalized Items	**(1,655)**	**-**	**184**	**(1,471)**	**(1,381)**	**-**	**820**	**(561)**
Normalized EBITDA	**6,940**	**4,946**	**(4,350)**	**7,536**	**19,077**	**15,838**	**(14,213)**	**20,702**

	Quarter ended March 31, 2010				Twelve-month period ended March 31, 2010			
	Water Treatment Group (Ovivo)	lp and Paper Group	Other	Consolidated Results	Vater Treatment Group (Ovivo)	Pulp and Paper Group	Other	Consolidated Results
(in thousands of $)								
As presented on the financial statements:								
Earnings (loss) before financial expenses, foreign exchange loss, change in derivative financial instruments, income taxes and non-controlling interest (GAAP)				(4,567)				(5)
Impairment of assets				-				-
Depreciation and amortization				5,501				15,205
Earnings (loss) before depreciation and amortization, financial expenses, foreign exchange loss, change in derivative financial instruments, income taxes and non-controlling interest	2,843	3,026	(4,935)	934	16,359	10,303	(11,462)	15,200
Normalized Items	972	354	(148)	1,178	1,583	(15)	628	2,196
Normalized EBITDA	3,815	3,380	(5,083)	2,112	17,942	10,288	(10,834)	17,396

14. CONTROLS AND PROCEDURES

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 Chief Financial Officer that specifically attest to the design and effectiveness of the disclosure controls and procedures and the design and effectiveness of internal control over financial reporting.

Disclosure controls and procedures

The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Under the supervision of the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures was carried out on March 31, 2011. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, an evaluation of the design and effectiveness of the Corporation's internal controls over financial reporting was carried out. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in internal control over financial reporting

There were no changes to the Corporation's internal control over financial reporting during the fourth quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

(SIGNED)
Richard Verreault

President and Chief Executive Officer

(SIGNED)
Marc Barbeau, CA

Executive Vice-President and Chief Financial Officer

June 9, 2011