Interim Management's Discussion & Analysis

Second Quarter of Fiscal 2011

Three- and six-month periods ended September 30, 2010

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Thursday, November 11, 2010

Unless otherwise indicated, all amounts are in Canadian dollars.

1. HIGHLIGHTS

As indicated in the October 26, 2010 press release, the operating losses before amortization of two European divisions of the Water Treatment Group (Ovivo) had a significant adverse effect on the consolidated results for the three- and six-month periods ended September 30, 2010. These divisions are currently implementing turnaround plans; for more information, see "Turnaround plans at two European divisions of the Water Treatment Group (Ovivo)" in section 6, "Significant events in the second quarter."

SECOND QUARTER OF FISCAL 2011

Revenues: $168.7 million

- Up 65.2% from $102.1 million for the corresponding quarter of fiscal 2010, owing primarily to the inclusion of Christ Water Technology AG ("CWT")
- Of total revenues, the Water Treatment Group (Ovivo) and the Pulp and Paper Group account for 67.2% and 28.1%, respectively (compared with 57.0% and 41.0%, respectively, for the corresponding quarter last year)

Gross margin: $29.2 million

- 17.3% of consolidated revenues compared with 26.5% ($27.1 million) last year; the decrease resulted mainly from the decline in the gross margin of the Water Treatment Group (Ovivo) owing to low margins on some contracts performed by two European divisions currently implementing turnaround plans

EBITDA: $(4.0) million

- Normalized EBITDA for the quarter was also $(4.0) million, down from $4.2 million for the second quarter of fiscal 2010 owing primarily to operating losses at two European divisions of the Water Treatment Group (Ovivo). This decline was partially offset by improved profitability in the Pulp and Paper Group
- Normalized consolidated EBITDA of (2.4)% compared with 4.1% year over year.

Net loss: $9.6 million or $0.22 per share, basic and diluted

- Down from net earnings of $0.7 million ($0.02 per share, basic and diluted) for the second quarter of fiscal 2010 owing largely to operating losses at two European divisions of the Water Treatment Group (Ovivo), higher amortization expense resulting from the inclusion of CWT's results, interest on long-term debt and an unfavourable change in the net amount of foreign exchange losses and gains

Used cash flow: $5.0 million or $0.11 per share, basic and diluted

- Compared with free cash flow of $0.6 million ($0.02 per share, basic and diluted) for the second quarter of fiscal 2010

SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2011

Revenues: $321.3 million

- Up 48.8% from $216.0 million for the corresponding quarter in fiscal 2010, stemming primarily from the inclusion of CWT
- Of total revenues, the Water Treatment Group (Ovivo) and the Pulp and Paper Group account for 65.4% and 28.5%, respectively (compared with 57.3% and 40.5%, respectively, for the year-over-year period)

Gross margin: $59.8 million

- 18.6% of consolidated revenues compared with 25.2% ($54.3 million) last year; the decrease resulted mainly from the decline in the gross margin of the Water Treatment Group (Ovivo) owing in part, to slim margins on some contracts performed by two European divisions currently implementing turnaround plans

EBITDA: $(0.4) million

- Normalized EBITDA for the first six months of fiscal 2011 was also $(0.4) million, down from $8.1 million for the corresponding period of the previous year, owing principally to operating losses at the two European divisions of the Water Treatment Group (Ovivo) currently implementing turnaround plans. This decline was partially offset by improved profitability in the Pulp and Paper Group
- Normalized consolidated EBITDA of (0.1)% compared with 3.7% year over year

Net loss: $13.8 million or $0.31 per share, basic and diluted

- Down from net earnings of $1.6 million ($0.05 per share, basic and diluted) for the first six months of fiscal 2010 owing largely to operating of intangible assets losses at two European divisions of the Water Treatment Group (Ovivo), higher amortization expense resulting from the inclusion of CWT's results, interest on long-term debt and a decline in fair value of financial instruments

Used cash flow: $3.3 million or $0.07 per share, basic and diluted

- Compared with free cash flow of $2.1 million ($0.07 per share, basic and diluted) for the second quarter of fiscal 2010

DATA AS AT SEPTEMBER 30, 2010

Total net debt to total capitalization ratio: 11.9%

- Up from 6.9% as at March 31, 2010 as a result of investments in working capital in the first quarter of fiscal 2011
- Marked improvement in the second quarter in total net debt, which amounted to $35.6 million as at September 30, 2010, down from $61.2 million as at June 30, 2010

Backlog: $428.2 million

- Up from $212.7 million as at September 30, 2009, as a result of the inclusion of CWT coupled with organic growth (at constant exchange rates) in the value of the Pulp and Paper Group's backlog
- Down slightly from $452.1 million as at June 30, 2010, owing to the slower booking rate in the seawater desalination segment and the implementation of turnaround plans underway at two European divisions, partially offset by business growth in other Water Treatment Group (Ovivo) segments, including microelectronics and the U.S. municipal market

2. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

This interim MD&A was prepared under the responsibility of GLV's management and approved by its Board of Directors as of November 11, 2010. The information appearing herein accounts for all significant events that occurred prior to that date. The MD&A presents the Corporation's position and business context as they were, to management's best knowledge, upon its approval by the Board of Directors.

This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the three- and six-month periods ended September 30, 2010, as well as with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2010. The interim consolidated financial statements for the three- and six-month periods ended September 30, 2010 and September 30, 2009 have not been reviewed or audited by the Corporation's external auditors.

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

In this interim MD&A, "GLV" or "the Corporation" designates, as the case may be, GLV Inc. and its subsidiaries and divisions, or GLV Inc. or one of its subsidiaries or divisions. The fiscal year ending March 31, 2011 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2011", "fiscal 2010" and so forth. The "second quarter of fiscal 2011" and the "second quarter of fiscal 2010" refer to the three-month periods ended September 30, 2010 and 2009, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three- and six-month periods ended September 30, 2010 is performed in relation to the equivalent periods ended September 30, 2009, whereas the comparative analysis of balance sheet items as at September 30, 2010 is performed in relation to data recorded as at March 31, 2010.

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

4. DESCRIPTION OF BUSINESS

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

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

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

5. STRATEGIC APPROACH

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

- ***Business acquisitions***
  The Corporation continually seeks opportunities to enhance its technology portfolio, particularly through the addition of complementary technologies, to expand its commercial presence in high growth potential regions.
- ***Presence in target geographic markets***
  The Corporation operates on all continents. It strives to expand its presence in its traditional markets of North America and Western Europe, while positioning itself in areas of the world where water processing and pulp and paper industries boast high growth potential, such as Southeast Asia, Australia, the Middle East, China, India and Russia.
- ***Development of aftermarket services***
  Aftermarket services, including the sale of spare parts and optimization services for existing equipment, generate recurring revenue streams and added value. The Pulp and Paper Group is already active in this market in North America and Western Europe and targets markets where new infrastructure spending is on the rise. The Water Treatment Group (Ovivo) intends to expand its service offering in equipment optimization services and increase sales of original quality spare parts across all of its markets.

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

6. SIGNIFICANT EVENTS IN THE SECOND QUARTER

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. As a result, most of the initiatives undertaken in the months following the acquisition continued throughout the quarter ended September 30, 2010, particularly with a view to increasing profitability in the Water Treatment Group (Ovivo).

Turnaround plans at two European divisions of the Water Treatment Group (Ovivo)

As indicated in the first quarter of fiscal 2011, a U.K. division that manages energy market contracts saw its profit margins narrow significantly on several projects. This resulted in particular from inadequate cost assessment, as well as lack of rigour in project management, procurement and subcontracting.

In the second quarter of 2011, the Corporation continued implementing the division's turnaround plan, including:

1. Set up a new management team with solid project management skills;
2. Improve the subcontracting and supplier network model leveraging best practices implemented by the Water Treatment Group (Ovivo) in other divisions;
3. Continue integration with the operations of the other U.K. divisions, including CWT entities, to maximize synergies and harmonize the client offering, particularly by drawing on the technology portfolio as a whole.

Turnaround plan implementation specifically resulted in a complete reassessment of completion costs for projects underway as well as the working capital items related to these projects.

As a result, the U.K. division recorded an operating loss before amortization of approximately $7.4 million for the first six months of the fiscal year ($0.3 million and $7.1 million for the quarters ended June 30, 2010 and September 30, 2010, respectively).

Moreover, a second European division is encountering difficulties completing certain contracts in the municipal segment won prior to the Corporation's acquisition of CWT. This generated additional costs resulting in an operating loss of $1.9 million for the first six months of fiscal 2011 ($0.5 million and $1.4 million for the quarters ended June 30, 2010 and September 30, 2010, respectively). The approval process and the controls over order booking and, in particular, cost estimating are being tightened, as elsewhere in the Corporation.

Global positioning strategy – launch of Ovivo

On September 13, 2010, the Corporation officially launched its strategy to create a global force in water, combining all of its Water Treatment Group operations under a single brand name, **Ovivo**. It brings together businesses with sterling reputations in the water industry and histories spanning over two centuries.

Ovivo specializes in water only, focusing on specific industrial and municipal applications. It operates in some 21 countries over five continents. The new group's top priority is creating value in water for clients through a thorough understanding and knowledge of key industries in which water is a significant factor. Ovivo's key role is to manage the cost of using water and help clients achieve the maximum value out of the water they depend on for their core processes.

Marketing our Water Treatment Group businesses under a single brand was decided after nine months of review and preparations following the November 2009 acquisition of CWT. Clients around the globe can now access one of the world's largest teams of water industry experts.

Our consolidation strategy was designed in response to three key market drivers. First, the Corporation seeks to position itself to fully capitalize on the widely recognized growth prospects of the water industry. Second, the industry trend toward globalization demands that the full range of Oivivo expertise and technologies be accessible in all countries we serve. Third, with this approach, the Corporation challenges the status quo set by the dominant market players.

Since the strategy launch, Ovivo has rolled out global sales and marketing campaigns, flanked by a brand-new website (www.ovivowater.com) providing a single window for information on all its solutions, applications and equipment. At the same time, Ovivo has been an exhibitor at several international trade shows, including IFAT ENTSORGA, the global water management industry's marquee event, held in Munich, Germany in mid-September. Ovivo was also in New Orleans in early October to attend WEFTEC, North America's premiere water industry trade fair.

The Corporation has invested approximately $1.1 million to implement its global positioning strategy. Of that amount, $0.7 million was recorded in the Corporation's results for the quarter ended September 30, 2010. The remainder will be capitalized in intangible assets.

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

The Corporation's management is satisfied with the consolidation of the Water Treatment Group's global operations under the Ovivo brand. In particular, having all Ovivo industrial divisions under a single management team will lead to an optimized market penetration strategy.

However, CWT's financial performance in the first half of fiscal 2011 fell short of the forecasts set during the acquisition process and the subsequent annual budget planning in February 2010. The gross profit margin on several contracts included in CWT's backlog at the time of the acquisition was lower than forecast. As well, orders booked by certain operational divisions tracked lower than anticipated, particularly in the energy sector.

As a result, the Corporation continues taking steps to enhance profitability, which include tightening approval processes and controls for order taking and preparing cost estimates, strengthening turnkey contract management expertise and providing for more stringent management of working capital and collection of accounts receivables.

Management remains confident that performance will improve over the coming quarters. However, as mentioned at the end of the first quarter of fiscal 2011, the objective of a normalized EBITDA margin of 10% for the Water Treatment Group (Ovivo) could be achieved a few quarters later than what was initially anticipated in the months following the acquisition.

Privatization of CWT

On September 22, 2010, the Corporation announced it had completed the privatization of CWT, acquiring the majority of its shares in November 2009. Subsequent to 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.

Revaluation of CWT's opening balance sheet

In its MD&A for fiscal 2010, management indicated that CWT's opening balance sheet as at November 30, 2009 as well as the allocation of the purchase price could be subsequently adjusted. In light of additional information and analyses, adjustments for the three- and six-month periods ended September 30, 2009 totalling $1.9 million and $6.1 million, respectively, were made to provisions for warranty and certain net positions of contracts in progress at the opening balance sheet date of November 30, 2009, resulting in an increase in the goodwill arising from this transaction. Further adjustments, if needed, could be recorded in the third quarter.

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 businesses—perfect timing for the next generation to take on the mantle.

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.

7. CONSOLIDATED OPERATING RESULTS

The results of the three- and six-month periods ended September 30, 2010 results both reflect the full-period impact of including the results of CWT, acquired at the end of November 2009.

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

- The unfavourable effects of the results of two European divisions of the Water Treatment Group (Ovivo), which both reported significant operating losses for the second quarter and are implementing turnaround plans, as discussed in section 6, "Significant events in the second quarter";
- Partial offsetting effect of sustained business volumes in other water treatment markets, including semiconductors, and food and beverage processing;
- The offsetting effect of recovering demand and investments in the global pulp and paper industry since the beginning of the year after an 18-month slump.

Note that results for the three- and six-month periods ended September 30, 2009 have been restated to reflect the change in the revenue recognition accounting policy adopted in the fourth quarter of fiscal 2010.

Selected Information

	Quarters ended September 30		Six-month periods ended September 30	
	2010	2009	**2010**	2009
(in thousands of $, except per share data and percentages)		(restated)		(restated)
Revenues	**168,713**	102,134	**321,295**	215,973
Water Treatment (Ovivo)	**113,427**	58,175	**210,003**	123,794
Pulp & Paper	**47,423**	41,900	**91,536**	87,474
Other	**7,863**	2,059	**19,756**	4,705
EBITDA	**(4,014)**	3,268	**(441)**	6,715
Water Treatment (Ovivo)	**(1,762)**	3,000	**236**	8,146
Pulp & Paper	**3,578**	2,566	**7,331**	4,009
Other	**(5,830)**	(2,298)	**(8,008)**	(5,440)
Normalized EBITDA[1]	**(4,014)**	4,228	**(441)**	8,083
Water Treatment (Ovivo)[1]	**(1,762)**	3,595	**236**	8,757
Pulp & Paper[1]	**3,578**	2,805	**7,331**	4,640
Other[1]	**(5,830)**	(2,172)	**(8,008)**	(5,314)
Normalized EBITDA margin[1] (% of revenues)	**-2.4%**	4.1%	**-0.1%**	3.7%
Water Treatment (Ovivo)	**-1.6%**	6.2%	**0.1%**	7.1%
Pulp & Paper	**7.5%**	6.7%	**8.0%**	5.3%
Other	**n/a**	n/a	**n/a**	n/a
Net earnings (loss)	**(9,634)**	719	**(13,791)**	1,590
Free (used) cash flow	**(5,037)**	617	**(3,270)**	2,074
Per Share (basic and fully diluted)				
Net earnings (loss)	**(0.22)**	0.02	**(0.31)**	0.05
Free (used) cash flow	**(0.11)**	0.02	**(0.07)**	0.07

Capitalization Ratio	**September 30 2010**	**March 31 2010**	**September 30 2010**	**March 31 2010**
Net debt to total Capitalization ratio	11.9%	6.9%	11.9%	6.9%

Revenues

	Quarters ended September 30		Change	Organic[1] change at constant exchange rates	Six-month periods ended September 30		Change	Organic[1] change at constant exchange rates
	2010	2009	%	%	2010	2009	%	%
(in thousands $)		(restated)				(restated)		
TOTAL	**168,713**	**102,134**	**65.2%**	**13.7%**	**321,295**	**215,973**	**48.8%**	**4.0%**
Water Treatment (Ovivo)	**113,427**	**58,175**	**95.0%**	**10.6%**	**210,003**	**123,794**	**69.6%**	**-1.2%**
New equipment	97,279	47,612	104.3%		180,405	103,008	75.1%	
Aftermarket	16,148	10,563	52.9%		29,598	20,786	42.4%	
Pulp & Paper	**47,423**	**41,900**	**13.2%**	**17.9%**	**91,536**	**87,474**	**4.6%**	**11.6%**
New equipment	19,163	16,849	13.7%		33,492	35,912	-6.7%	
Aftermarket	28,260	25,051	12.8%		58,044	51,562	12.6%	
Other[2]	**7,863**	**2,059**	**281.9%**	**14.9%**	**19,756**	**4,705**	**319.9%**	**-0.7%**

[1] Excluding CWT

[2] Revenues of certain divisions of CWT not related to the main operations of the Water Treatment Group (Ovivo), including the Food and Beverage division which includes the Van der Molen entities, are recognized under "Other," which also includes the revenues of the Manufacturing units. CWT was acquired on November 30, 2010.

For each of the three- and six-month periods ended September 30, 2010, the year-over-year increase in consolidated revenues resulted in large part from the inclusion of CWT's results. This inclusion also accounted for substantially all revenue growth in the ***Water Treatment Group (Ovivo)*** and "Other" line item.

As a result, the percentage of total revenues reported by the ***Water Treatment Group (Ovivo)*** continues to increase. This group accounts for approximately two thirds of revenues for the second quarter and first six months of fiscal 2011.

Revenues by operating segment

	Quarters ended September 30		Six-month periods ended September 30	
	2010	2009	2010	2009
(as a % of consolidated revenues)		(restated)		(restated)
Water Treatment (Ovivo)	67.2%	57.0%	65.4%	57.3%
Pulp & Paper	28.1%	41.0%	28.5%	40.5%
Other[1]	4.7%	2.0%	6.1%	2.2%

[1] As of the first quarter of fiscal 2011, revenues of certain divisions of CWT not related to the major activities of the Water Treatment (Ovivo) Group, including the Food and Beverage division which includes the Van der Molen entities, are presented under "Other", which also includes the revenues of the Manufacturing units.
CWT was acquired on November 30, 2009.

For the second quarter of fiscal 2011, excluding the results of CWT, the ***Water Treatment Group (Ovivo)*** recorded organic revenue growth (at constant exchange rates) driven by higher business volumes in key markets, such as the U.S. For the six-month period ended September 30, 2010, the Group's organic revenue growth eased lower (at constant exchange rates), owing primarily to a slowdown in the first quarter of the fiscal year in certain markets due to a climate of uncertainty sparked by a slower-than-expected economic recovery and postponed start dates on a number of contracts.

The ***Pulp and Paper Group*** reported organic growth in revenues at constant exchange rates for both the three- and six-month periods ended September 30, 2010, driven by higher demand for new equipment and aftermarket services.

The unfavourable impact of year-over-year currency fluctuations on consolidated and segmented revenues (excluding CWT) for the three- and six-month periods ended September 30, 2010 resulted mainly from the strengthening of Canada's currency against the euro, the U.S. dollar and pound sterling.

Revenues by region

	Total		Water Treatment (Ovivo)		Pulp & Paper	
	% of consolidated revenues		% of Group revenues		% of Group revenues	
	12-month periods ended September 30		12-month periods ended September 30		12-month periods ended September 30	
	2010	2009	2010	2009	2010	2009
		(restated)		(restated)		(restated)
North America	39.1%	56.4%	30.8%	55.4%	59.8%	57.5%
Europe and Russia	27.2%	23.5%	30.2%	22.3%	18.9%	23.8%
Asia and Asia-Pacific	16.3%	12.7%	17.4%	14.5%	15.8%	11.2%
Middle-East and Africa	14.9%	4.1%	20.6%	7.1%	0.7%	0.4%
Latin America	2.4%	3.3%	1.0%	0.7%	4.8%	7.1%

The breakdown of the Corporation's total revenues shows that North America's share has declined for the trailing 12-month period compared with the previous period, owing in particular to the inclusion of CWT, which operates primarily in Europe, Asia, Africa and the Middle East.

More specifically, the geographic breakdown of revenues for the ***Water Treatment Group (Ovivo)*** differs from period to period as a result of:

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

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

- Upturn in the North American market for replacement parts and upgrading services, where the group's expertise and extensive equipment base gives it a solid position;
- Stronger presence in China and India and increased market share in these regions;
- Softer demand in Western Europe.

Gross margin

	Quarters ended September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Change	Change at constant exchange rates
	2010	**2009**	**%**	**%**	**2010**	**2009**	**%**	**%**
(in thousands $)		(restated)				(restated)		
TOTAL	29,163	27,056	7.8%	10.0%	59,820	54,347	10.1%	15.5%
(as a % of revenues)								
TOTAL	17.3%	26.5%			18.6%	25.2%		

For the second quarter and first six months of fiscal 2011, the Corporation reported year-over-year increases in its consolidated gross margin in dollars as a result of the following two key factors:

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

However, when expressed as a percentage of revenues, consolidated gross margin for the three- and six-month periods ended September 30, 2010 was lower than in the corresponding periods a year earlier. These declines stemmed primarily from the ***Water Treatment Group (Ovivo)***, due in particular to:

- The prevailing situation at two European divisions (see "Turnaround plans at two European divisions of the Water Treatment Group (Ovivo)" under section 6, "Significant events in the second quarter");

- Inclusion of the results of CWT, whose gross margin as a percentage of revenues is, at present, lower than the Corporation's average margin, as explained under "Consolidation of global operations of the Water Treatment Group" in section 6, "Significant events in the first quarter."

Selling and administrative expenses

	Quarters ended September 30		Change		Change at constant exchange rates	Six-month periods ended September 30		Change		Change at constant exchange rates
	2010	2009	$	%	%	2010	2009	$	%	%
(in thousands of $)		(restated)					(restated)			
TOTAL	33,177	22,828	10,349	45.3%	50.5%	60,261	46,264	13,997	30.3%	37.4%
(as a % of revenues)										
TOTAL	19.7%	22.4%				18.8%	21.4%			

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

Excluding CWT and the favourable impact of various currency fluctuations on the operating expenses of most of the Corporation's foreign subsidiaries, selling and administrative expenses for the ***Water Treatment Group (Ovivo)***, the ***Pulp and Paper Group*** and head office remained, relatively speaking, largely unchanged from their year-over-year levels. This improvement as a percentage of revenues clearly shows the decentralization of the Corporation's operations and stringent control over head office selling and administrative expenses.

EBITDA and normalized EBITDA

	Quarters ended September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Change	Change at constant exchange rates
	2010	2009	%	%	2010	2009	%	%
(in thousands of $)		(restated)				(restated)		
EBITDA								
TOTAL	(4,014)	3,268	-	-	(441)	6,715	-	-
Water Treatment (Ovivo)	(1,762)	3,000	-	-	236	8,146	-97.1%	-105.4%
Pulp & Paper	3,578	2,566	39.4%	44.6%	7,331	4,009	82.9%	94.1%
Other	(5,830)	(2,298)	-153.7%	-155.3%	(8,008)	(5,440)	-47.2%	-49.5%
Normalized items								
TOTAL	-	960	-	-	-	1,368	-	-
Water Treatment (Ovivo)	-	595	-	-	-	611	-	-
Pulp & Paper	-	239	-	-	-	631	-	-
Other	-	126	-	-	-	126	-	-
Normalized EBITDA[1]								
TOTAL	(4,014)	4,228	-	-	(441)	8,083	-	-
Water Treatment (Ovivo)	(1,762)	3,595	-	-	236	8,757	-97.3%	-105.0%
Pulp & Paper	3,578	2,805	27.6%	32.3%	7,331	4,640	58.0%	67.7%
Other	(5,830)	(2,172)	-168.4%	-170.1%	(8,008)	(5,314)	-50.7%	-53.1%
(as a % of revenues)								
Normalized EBITDA margin[1]								
TOTAL	-2.4%	4.1%			-0.1%	3.7%		
Water Treatment (Ovivo)	-1.6%	6.2%			0.1%	7.1%		
Pulp & Paper	7.5%	6.7%			8.0%	5.3%		
Other	n/a	n/a			n/a	n/a		

[1] Excluding restructing costs

For both the three- and six-month periods ended September 30, 2010, the Corporation reported negative EBITDA, which represents a sharp downturn from its year-over-year results. In the second quarter of fiscal 2010, the Corporation reported $1.0 million in restructuring costs, for a total of $1.4 million for the first six months of fiscal 2010.

Accordingly, the decline in normalized consolidated EBITDA (at constant exchange rates) as well as the decrease in the normalized EBITDA margin as a percentage of revenues between the quarters ended September 30, 2009 and 2010 stemmed from the results of the Water Treatment Group (Ovivo) and an adverse change in the "Other" line item. This was partially offset by the performance of the Pulp and Paper Group.

The ***Water Treatment Group (Ovivo)*** reported decreases in normalized EBITDA and the normalized EBITDA margin owing to the following:

- The operating loss recorded by the two European divisions currently implementing turnaround plans (see section 6, "Significant events in the second quarter");
- The operating loss resulting in part from slimmer profit margins on certain contracts included in CWT's backlog on acquisition than under the Corporation's criteria; in addition, for the first three months of the fiscal year, the cost structure was not yet letting CWT fully capitalize on the benefits of integration with other Water Treatment Group (Ovivo) entities, owing in particular to European labour legislation and practices.

Excluding the two European divisions' operating loss, the Group's EBITDA for the three- and six-month periods ended September 30, 2010 amounted to $6.7 million and $9.5 million, respectively, for EBITDA margins as percentage of revenues of 6.8% and 5.2%, respectively.

The unfavourable change in "Other" resulted from:

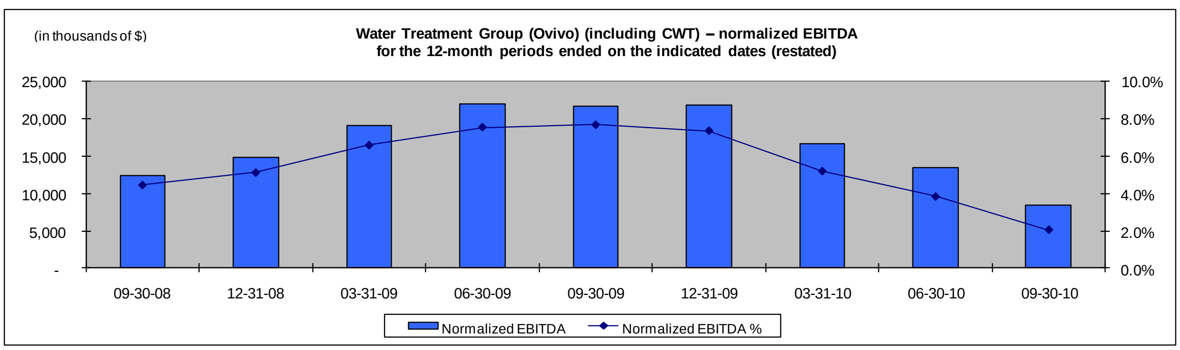
- The operating loss from the Van der Molen entities (part of CWT's "Food and Beverage" division) in the second quarter arising in part from a summer slowdown, which partially offset the gains recorded in the first quarter of the fiscal year due to the implementation of the division's turnaround plan;
- The increase in head office administrative expenses, particularly in relation to the Water Treatment Group (Ovivo) positioning strategy;
- All of the above was partly offset by the positive contribution of manufacturing stemming from the acquisition of CWT.

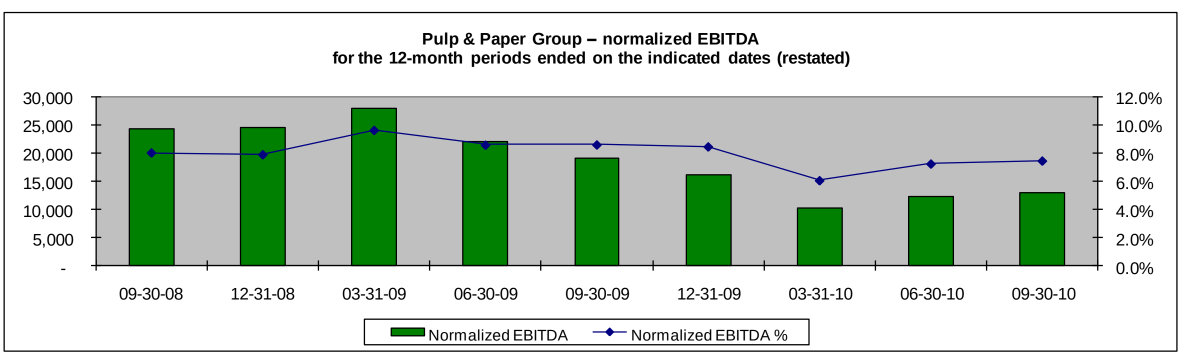
The significant improvement in normalized EBITDA and normalized EBITDA margin in the **Pulp and Paper Group** resulted from its strong sales performance for both new equipment and aftermarket services, the ongoing expansion of its manufacturing outsourcing network, particularly in China and India, and solid overall management of operations.

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

The recent change in normalized EBITDA of the ***Water Treatment Group (Ovivo)*** stems mainly from the unfavourable effect of the inclusion of the results of CWT, acquired shortly before the end of the third quarter on December 31, 2009 and for the past two quarters, operating losses at two European divisions currently implementing turnaround plans.

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 September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Increase (decrease)	Change at constant exchange rates
	2010	2009	$	%	2010	2009	$	%
(in thousands of $)		(restated)				(restated)		
Total	4,459	2,871	1,588	61.8%	9,107	5,988	3,119	59.1%
Property, plant and equipment	1,623	1,463	160		3,181	2,934	247	
Intangible assets	2,836	1,408	1,428		5,926	3,054	2,872	
Other	-	-	-		-	-	-	

For both the three- and six-month periods ended September 30, 2010, the higher amortization expense resulted mainly from the inclusion of CWT's results, specifically the amortization of intangible assets associated with this acquisition.

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

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

Financial expenses (income)

	Quarters ended September 30		Change	Six-month periods ended September 30		Change
	2010	2009	$	2010	2009	$
(in thousands of $)		(restated)			(restated)	
Total	1,467	(424)	1,891	4,704	(1,217)	5,921
Interest on long-term debt	1,513	292	1,221	2,915	825	2,090
Interest income, net	(22)	(14)	(8)	(265)	(147)	(118)
Foreign exchange loss (gain)	1,228	137	1,091	(227)	361	(588)
Derivative financial instruments	(1,787)	(1,228)	(559)	821	(3,044)	3,865
Other	535	389	146	1,460	788	672

For the second quarter of fiscal 2011, the year-over-year increase in financial expenses resulted primarily from the following:

- A decline of approximately $1.1 million in the net amount of realized foreign exchange gains and losses (including amounts related to foreign exchange contracts) and unrealized foreign exchange gains and losses to $1.2 million, compared with a $0.1 million decline for the same period in the previous fiscal year; this change resulted primarily from the weakening of Canada's currency against the U.S. dollar and the euro for the three-month period ended September 30, 2010, after strengthening over the first three months of the fiscal year;
- An increase in interest expense on long-term debt arising from acquisition financing for CWT.

These unfavourable elements were slightly offset by:

- A $0.6 million increase in the fair value of the derivative financial instruments to $1.8 million from $1.2 million for the same quarter of the previous fiscal year, owing primarily to unrealized gains on foreign exchange contracts, partially offset by the unfavourable mark-to-market remeasurement of the total return swap.

For the first six months of the fiscal year, financial expenses also tracked higher than in the corresponding period last year, mainly as a result of:

- A $3.8 million decrease in fair value of the derivative financial instruments, representing a $0.8 million loss compared with a $3.0 million gain for the same period of the previous fiscal year, owing primarily to the unfavourable mark-to-market remeasurement of cross currency interest rate swaps and the total return swap;
- An increase in interest expense on long-term debt attributable to the financing of the CWT acquisition;
- A rise in other financial expenses, owing primarily to the inclusion of CWT's results.

Income taxes

	Quarters ended September 30		Change	Six-month periods ended September 30		Change
	2010	2009	$	2010	2009	$
(in thousands of $, except percentages)		(restated)			(restated)	
Income tax expense (recovery)	(306)	102	(408)	(461)	354	(815)
Effective tax rate (%)	3.1%	12.4%		3.2%	18.2%	
Canadian statutory rate (%)	30.7%	31.0%		30.7%	31.0%	

The difference between the effective tax rate and the Canadian statutory rate resulted from increased valuation allowances (balance of $41.4 million as at September 30, 2010). Management continues its structural analysis of the various subsidiaries to determine the optimal structure for capitalizing on future income tax assets in respect of which valuation allowances have been recognized.

Net earnings (loss)

	Quarters ended September 30		Six-month periods ended September 30	
	2010	2009	2010	2009
(in thousands of $)		(restated)		(restated)
Net earnings (loss)	(9 634)	719	(13 791)	1 590
Normalized net earnings (loss)	(9 634)	1 488	(13 791)	2 685
(in $ per share, basic and diluted)				
Net earnings (loss)	(0,22)	0,02	(0,31)	0,05
Normalized net earnings (loss)	(0,22)	0,05	(0,31)	0,09
Weighted average number of participating shares outstanding	44 092	31 776	44 092	29 174

For both the three- and six-month periods ended September 30, 2010, the Corporation reported a net loss arising from, in particular, the adverse effect of operating losses at two European divisions of the Water Treatment Group (Ovivo), an increase in amortization of intangible assets resulting from the inclusion of the results of CWT and the increase in long-term debt related to the financing of the CWT acquisition, as well as an unfavourable change in net exchange gains and losses. For the first six months of the fiscal year, note the adverse effect of the mark-to-market remeasurement of the derivative financial instruments.

The increase in the weighted average number of shares outstanding (basic and diluted) stemmed from the issuance of a total of 12.3 million Class A subordinate voting shares in the second half of fiscal 2010, of which $7.4 million shares were issued on November 23, 2009 and $4.9 million on March 31, 2010.

8. FINANCIAL INFORMATION FOR THE PAST EIGHT QUARTERS

Selected financial information for the past eight quarters

(in thousands of $, except per share amounts)		Fiscal Year 2011				Fiscal Year 2010		Fiscal Year 2009
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
				restated	restated	restated	restated	restated
Revenues	**168,713**	152,582	145,514	139,192	102,134	113,839	144,535	158,333
EBITDA	**(4,014)**	3,573	506	7,685	3,268	3,447	12,528	2,887
Normalized EBITDA	**(4,014)**	3,573	1,684	7,335	4,228	3,855	13,115	8,591
EBIT (loss)	**(8,473)**	(1,075)	(5,066)	3,920	397	330	9,553	(5)
Normalized EBIT (loss)	**(8,473)**	(1,075)	(3,888)	3,570	1,357	738	10,140	5,699
Net earnings (loss)[1]	**(9,634)**	(4,157)	(13,672)	1,737	719	871	5,358	1,376
per share (basic and diluted)[1]	**(0.22)**	(0.09)	(0.35)	0.05	0.02	0.03	0.20	0.05
Normalized net earnings (loss)[1]	**(9,634)**	(4,157)	(12,729)	1,457	1,487	1,197	5,828	5,939
per share (basic and diluted)[1]	**(0.22)**	(0.09)	(0.32)	0.04	0.05	0.05	0.22	0.22

[1] The split by quarters of the change in revenue recognition account policy impact on income taxes has been done. Net earnings, Normalized net earnings and corresponding per share data have been modified consequently for fiscal year 2010 and fiscal year 2009.

9. CASH FLOWS, CASH POSITION AND BALANCE SHEET

Free (used) cash flow

	Quarters ended September 30		Six-month periods ended September 30	
	2010	2009	**2010**	2009
(in thousands of $, except per share data)		(restated)		(restated)
Cash flows from (used in) operating activities	**23,949**	15,150	**(9,533)**	15,065
Less:				
Net change in non-cash balances related to operations	**31,531**	13,192	**(4,620)**	10,918
Acquisition of property, plant and equipment, net of disposals	**(2,545)**	1,341	**(1,643)**	2,073
Free (used) cash flow	**(5,037)**	617	**(3,270)**	2,074
per share (basic and diluted)	**(0.11)**	0.02	**(0.07)**	0.07

For the second quarter of fiscal 2011, the Corporation recorded cash outflows of $5.0 million ($0.11 per share, basic and diluted) compared with cash inflows of $0.6 million ($0.02 per share, basic and diluted) for the same quarter of fiscal 2010. Cash flows generated by operating activities before the net change in non-cash items related to operations were down $7.6 million compared with an increase of $2.0 million for the same period a year earlier. These differences resulted from the net loss reported in the second quarter of fiscal 2011.

Also in the second quarter, operating working capital used cash flows totalling $31.5 million (compared with $13.2 million for the same period of the previous year) owing primarily to higher accounts payable.

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

For the first six months of fiscal 2011, the Corporation recorded cash outflows of $3.3 million ($0.07 per share, basic and diluted) compared with cash inflows of $2.1 million ($0.07 per share, basic and diluted) for the same period of fiscal 2010. Cash flows generated by operating activities before the net change in non-cash items related to operations were down $4.9 million compared with an increase of $4.1 million for the same period a year earlier. These differences resulted from the net loss reported in the first half of fiscal 2011.

During the period, operating working capital used cash flows totalling $4.6 million (compared with $10.9 million for the same period of the previous year) owing primarily to higher accounts payable.

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

Variance in cash and cash equivalents

	Quarters ended September 30		Six-month periods ended September 30	
	2010	2009	**2010**	2009
(in thousands of $)		(restated)		(restated)
Balance as at beginning of period	**18,504**	8,064	**32,703**	7,590
Free (used) cash flow	**(5,037)**	617	**(3,270)**	2,074
Net changes in non-cash balances related to operations	**31,531**	13,192	**(4,620)**	10,918
Net utilization of the revolving credits	**(22,492)**	(51,096)	**5,020**	(49,096)
Repayments of long-term debt	**(106)**	-	**(143)**	-
Issuance of share capital	**-**	38,353	**-**	38,353
Cost issuance of share capital	**(4)**	(2,188)	**(47)**	(2,188)
Acquisition of commercial activities	**(4,464)**	-	**(4,464)**	(515)
Addition of intangible assets	**(717)**	(317)	**(1,049)**	(944)
Change in restricted cash	**3,978**	(9)	**(53)**	(18)
Effect of exchange rate changes on cash and cash equivalents	**1,354**	(1,602)	**(696)**	(1,174)
Other	**180**	(187)	**(654)**	(173)
Balance as at end of period	**22,727**	4,827	**22,727**	4,827

Other than the changes to free cash flow and non-cash items related to operations discussed previously, the main changes in the second quarter of fiscal 2011 relative to the same quarter of the previous fiscal year are as follows:

- Repayment of $22.5 million on revolving credit facilities;
- Use of $4 million in restricted funds from bank accounts in trust in the second quarter of fiscal 2010 as part of the process to squeeze out the minority shareholders of CWT, recognized in business acquisitions;
- A $1.4 million favourable impact of exchange rate differences on cash and cash equivalents;
- Additions to intangible assets, pertaining mainly to the global positioning strategy and the launch of Ovivo.

Apart from the aforementioned changes affecting free cash flow and non-cash items related to operations, the main year-over-year changes for the first six months of fiscal 2011 were:

- Drawdowns totalling $5.0 million under revolving credit facilities for current financing requirements;
- The completion, announced on September 22, 2010, of the privatization of CWT via the squeeze-out of minority shareholders, thereby increasing the Corporation's equity interest in CWT to 100%, for a net cash consideration of $4.5 million;
- Additions to intangible assets, pertaining mainly to the global positioning strategy and the launch of Ovivo.

Balance sheet

Balance sheet highlights

	September 30 2010	March 31 2010	Explanation of significant differences
(in thousands of $, except ratios)		(audited)	
Assets			
Cash and cash equivalents	**22,727**	32,703	See "Cash flows, liquidities" section
Accounts receivable	**139,361**	130,217	Increase due to exchange rate changes ($3.7 million) and timing of invoicing for certain clients
Income taxes receivable	**1,569**	1,535	n/a
Derivative financial instruments	**2,543**	2,651	n/a
Inventories	**39,784**	39,613	n/a
Contracts in progress	**147,003**	137,390	Change in timing of contract invoicing
Prepaid expenses	**6,592**	7,890	Reduction in prepaid sales commissions
Future income taxes	**8,064**	8,779	n/a
Property, plant and equipment	**39,256**	42,235	n/a
Future income taxes	**3,877**	2,247	Increase in losses that the Corporation plans to carry forward over a period of more than one year
Goodwill	**89,184**	80,253	Adjustments to the costs of acquisition and repurchase of non-controlling interests in CWT
Intangible assets	**93,629**	92,537	n/a
Restricted cash	**4,304**	4,009	See "Cash flows, liquidities" section
Other assets	**5,395**	6,676	Sale of an asset that was available for sale in March 2010 offset by a new asset available for sale
Total assets	**603,288**	588,735	
Liabilities			
Accounts payable and accrued liabilities	**209,467**	196,586	Increase in provisions related to subcontractors
Deferred revenues	**42,048**	35,915	See comment on contracts in progress
Derivative financial instruments	**1,976**	1,430	Unfavourable mark-to-market remeasurement for all financial instruments
Income taxes payable	**1,851**	5,141	Arising mainly from the payment of U.S. income taxes
Long-term debt	**58,295**	52,970	See "Indebtedness" section
Other liabilities	**10,641**	10,411	n/a
Future income taxes	**14,844**	14,517	n/a
Shareholders' equity			
Share capital	**313,841**	313,841	n/a
Current assets	**367,643**	360,778	
Current liabilities	**(257,040)**	(240,285)	
Working capital	**110,603**	120,493	
Current ratio	***1.43 :1***	*1.50 :1*	

Additional comments on financial position

Given GLV's manufacturing outsourcing strategy, property, plant and equipment account for less than 10% of total assets. In addition to tight controls on capital expenditures, especially in the current economic environment, the Corporation's business acquisitions target the integration of technologies, intellectual property rights, know-how and client relationships. Accordingly, intangible assets, goodwill and other assets in the aggregate represented 31% of GLV's total assets as at September 30, 2010.

Indebtedness

	September 30 2010	March 31 2010
(in thousands of $, except ratios)		(audited)
Total net debt:		
Long-term debt	**58,295**	52,970
Less:		
Cash and cash equivalents	**(22,727)**	(32,703)
Total net debt	**35,568**	20,267
Total capitalization:		
Shareholders' equity	**264,166**	271,765
Total net debt	**35,568**	20,267
Total	**299,734**	292,032
Total net debt to total capitalization ratio	***11.9%***	*6.9%*

As at September 30, 2010, the Corporation's total debt amounted to $58.3 million compared with $53.0 million as at March 31, 2010. Subtracting cash and cash equivalents, GLV's total net debt amounted to $35.6 million for a total net debt to total capitalization ratio of 11.9%, compared with total net debt of $20.3 million and a 6.9% ratio as at March 31, 2010. This higher ratio resulted mainly from working capital injections to support operations. Note that when CWT was acquired by the Corporation, working capital at CWT was shy of what is usually required to cover operations and support growth.

There was a marked improvement in the second quarter in total net debt, which amounted to $35.6 million as at September 30, 2010, cut nearly in half from $61.2 million as at June 30, 2010.

As at September 30, 2010, in the aggregate, financial ratios were in compliance with parameters indicated in 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. As at September 30, 2010, financial ratios were calculated using an adjusted EBITDA, taking into account some of the items recorded in the second quarter related to the turnaround plan of two Water Treatment Group (Ovivo) divisions as well as the implementation of 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 finance business acquisitions, meet day-to-day financing requirements and issue letters of credit, and $100 million is available to issue letters of credit guaranteed by Export and Development Canada ("EDC"). The use of these facilities is subject to compliance with financial ratios indicated in credit arrangements. According to the terms and conditions of the financing agreement, no principal repayment on the long-term debt is required before it matures in August 2012.

In May 2010, the Corporation entered into an agreement with certain CWT lenders to set up two new credit facilities in the form of revolving credit arrangements to support the operations of a subsidiary in Austria. The first facility of €40 million ($56 million) is used to issue letters of credit and the second, amounting to €5 million ($7.0 million), is used to meet day-to-day financing requirements. As of September 30, 2010, most of the drawdowns under the new credit facility to issue letters of credit were to cover a transfer of letters of credit in place when CWT was acquired on November 30, 2009. The Corporation guarantees the repayment of these credit facilities in the event of payment default. The credit facility for issuing letters of credit matures on May 25, 2015 while the facility for day-to-day financing requirements is renewable annually.

Certain GLV subsidiaries that were part of CWT benefit from credit facilities for issuing letters of credits and for day-to-day financing requirements that were in place when CWT was acquired by the Corporation. As at September 30, 2010, drawdowns under said credit facilities for issuing letters of credits and covering day-to-day financing requirements totalled $50.3 million and $3.2 million, respectively. These credit facilities will gradually mature with the expiry of the letters of credit already issued or at maturity of the facilities as set out in the agreements. Accordingly, at maturity, the amounts included in these other credit facilities will be covered by the aforementioned financing sources. The Corporation guarantees repayment of some of these letters of credit in the event of payment default.

10. BACKLOG AND OUTLOOK

Backlog

Compared with corresponding date in prior fiscal year

	As at September 30		Change		Organic[1] change at constant exchange rates
	2010	2009	$	%	%
(in thousands of $)		(restated)			
TOTAL	428,239	212,716	215,523	101.3%	4.1%
Water Treatment (Ovivo)	357,397	158,913	198,484	124.9%	-0.3%
Pulp & Paper	57,188	48,148	9,040	18.8%	21.4%
Other[2]	13,654	5,655	7,999	141.5%	-18.1%

Compared to the immediately preceding quarter-end

	As at September 30	As at June 30	Change		Change at constant exchange rates
	2010	2010	$	%	%
(in thousands of $)					
TOTAL	428,239	452,116	(23,877)	-5.3%	-7.8%
Water Treatment (Ovivo)	357,397	383,087	(25,690)	-6.7%	-8.9%
Pulp & Paper	57,188	57,885	(697)	-1.2%	-5.1%
Other[2]	13,654	11,144	2,510	22.5%	16.9%

[1] Excluding CWT
[2] The backlogs of CWT's Food and Beverage (i.e.,Van der Molen entities) and Manufacturing operations were reclassified in "Other" as at March 31, 2010.

The significant increase in the Corporation's backlog as at September 30, 2010 compared with the corresponding date in 2009 rose mainly from the acquisition of CWT, coupled with organic growth (at constant exchange rates) in Pulp and Paper Group backlog.

However, compared with the end of the first quarter of fiscal 2011, the total backlog as at September 30, 2010 was down, mainly due to the results of the Water Treatment Group (Ovivo).

Relative to September 2009, the adverse effect of exchange rate fluctuations on the value of the backlogs of the Corporation and its groups stemmed primarily from the strengthening of Canada's currency against the US dollar. However, relative to June 2010, the Canadian dollar's depreciation against the euro had a favourable effect on the value of the backlog.

Water Treatment Group (Ovivo)

The group's backlog doubled between September 30, 2009 and September 30, 2010, owing to the acquisition of CWT.

However, the backlog was valued slightly lower at the end of the second quarter of fiscal 2011 than at the end of the previous quarter. This resulted in part from the slower pace of order booking in the seawater desalination segment. This decline also resulted from fewer orders booked by the U.K. division responsible for energy sector contract management that is currently implementing a turnaround plan.

The decrease in value of the backlog was partially offset by increased business stemming mainly from the semiconductor industry in North America and the Asia-Pacific area and from the food and beverage processing industry, also in Asia-Pacific.

These two markets, along with the seawater desalination segment, are likely to do well in the coming quarters. Recent contract wins point to rebounding business, particularly in semiconductors, hard hit by the 2008-2009 recession. In light of its expertise and technological portfolio, the Water Treatment Group (Ovivo) is well positioned to capitalize on this recovery.

The Group also noted higher demand for water treatment systems for other industrial clients, including those used in metal refineries and pulp and paper plants.

In addition, the strength of these markets offset the slowdown in the global energy market. The Corporation's management continues to monitor trends in this industry.

After losing pace somewhat in the first quarter of fiscal 2011, the municipal industry staged a certain recovery, which boosted the backlog to its budgeted value for the current fiscal year. We are confident this trend will continue throughout the third quarter.

However, the pace of market growth is still slower than historical averages, particularly due to a sluggish residential real estate market, which continues to impede new municipal infrastructure projects. The October 4, 2010 release of the *Clean Water and Drinking Water Infrastructure Sustainability Policy* by the U.S. Environmental Protection Agency (EPA) is expected to have a positive impact, since it encourages municipalities to invest in modernizing water treatment infrastructure to extend useful lives and improve effectiveness from a cost and resource perspective.

Despite the challenges in the U.S. municipal market, the entity serving this market continues to report excellent operational performance and remains able to deliver profit margins that meet or exceed expectations.

For 2011, the key goal of the Water Treatment Group (Ovivo) is to improve and optimize profitability by:

- Ongoing implementation of turnaround plans at two European divisions;
- Further integration of the operations of EWT and CWT under the Ovivo brand, alongside deployment of the global business growth strategy;
- Steps to implement a more selective approach to contract pursuits targeting appropriate potential for profitability and a streamlined cost structure;
- Strengthening management expertise for turnkey projects, which account for an increasing percentage of the group's business since the acquisition of CWT;
- Deployment of technological and commercial entities set up a year earlier, with contributions to revenues and profitability slated to begin in the coming quarters.

As previously indicated, the objective of a normalized EBITDA margin of 10% for the Water Treatment Group (Ovivo) by the end of fiscal 2011 or in early fiscal 2012 is likely to be achieved a few quarters later given less favourable market conditions and CWT's lower-than-expected results since the beginning of the fiscal year and ongoing implementation of turnaround plans at two European divisions.

Pulp and Paper Group

As at September 30, 2010, the Pulp and Paper Group's backlog sharply rose compared with last year, recording a 21.4% organic growth (at constant exchange rates), still slightly down from the backlog value as at June 30, 2010. However despite a higher volume compared with last year, the second quarter generally sees lower tender activity.

Low inventory levels continue to favour an appreciation of pulp's prices. This situation encourages paper companies to invest in their installations maintenance and, more recently, in purchasing new equipment.

For the Pulp and Paper Group, this trend initially resulted in renewed demand for replacement parts and upgrading services, particularly in North America, followed by increased demand for new equipment.

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

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

Global outlook

The Corporation's management will continue to take a cautious approach over the next few quarters, in light of uncertain economic conditions in the U.S. and Europe. The main objective is to increase profitability in each of its two operational groups and maximize their market share by strengthening their respective positions.

For fiscal 2011 as a whole, assuming exchange rates remain stable at current levels and owing primarily to downwardly revised revenue forecasts for the Water Treatment Group (Ovivo) in the municipal segment and for its U.K. division responsible for energy contract management, the Corporation anticipates consolidated revenues ranging from $675 million to $700 million.

The objective set by GLV's management for all its operational groups is to reach and maintain a normalized EBITDA margin of at least 10% over the long term. Management wishes to point out that reaching and maintaining this objective depends on a number of factors including fluctuations in economic conditions, changes in exchange rates, the types of contracts executed along with their execution schedule, as well as the general risks and uncertainties to which the Corporation is exposed and which are described in section V, "Risk management and risk factors" of the MD&A for the fiscal year ended March 31, 2010.

Given the current environment, we expect GLV to reach its target profitability for the Water Treatment Group (Ovivo) in fiscal 2012. That objective for the Pulp and Paper Group is over a medium-term horizon.

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

11. SHARE CAPITAL INFORMATION

Authorized, issued and outstanding shares as at September 30, 2010 and November 9, 2010

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

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

12. STOCK OPTION PLAN AND OTHER STOCK-BASED COMPENSATION

Stock option plan

	September 30, 2010	
	Options available for issuance	Options issued and outstanding
Class A subordinate voting shares	2,538,888	1,623,176

During the second quarter of fiscal 2011, the Corporation issued 30,166 stock options. For further information, see note 9 to the interim consolidated financial statements accompanying this MD&A.

Other stock-based compensation

In April 2009, the Corporation set up a new long-term incentive program providing for the granting of stock-appreciation rights ("SARs"). This program is offered exclusively to employees with key operational responsibilities within the two groups. A total of 30,000 SARs have been cancelled since the beginning of fiscal 2011. Management considers this plan to be an effective tool for employee retention and safeguarding the necessary expertise and know-how to succeed in its target markets. For further information, see note 9 to the interim consolidated financial statements accompanying this MD&A.

13. RISKS AND UNCERTAINTIES

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

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

14. ACCOUNTING POLICIES AND MISCELLANEOUS ITEMS

Compliance with Canadian generally accepted accounting principles

The financial information presented in this MD&A, including tabular amounts, is prepared in accordance with Canadian GAAP. The information contained in the M&DA also includes some figures that are non-GAAP financial measures, specifically:

- **EBITDA:** earnings (loss) before depreciation and amortization, financial expenses, income taxes and non-controlling interest;
- **Normalized EBITDA:** according to the reporting periods, EBITDA before items recorded outside the normal course of business, including restructuring costs;
- **Normalized net earnings (loss):** according to the reporting periods, net earnings (loss) before items recorded outside the normal course of business, including restructuring costs;
- **Free (used) cash flow:** cash flows from operating activities excluding net changes in non-cash items related to operations, less additions to property, plant and equipment acquisitions (net of disposals); and
- **Free (used) cash flow per share:** free (used) cash flow divided by the weighted average number of participating shares outstanding during the reporting period.

Such measures enable management to assess the operational and financial performance of its operating groups. These measures also commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries. However, they are not intended to be regarded as alternatives to other financial performance measures or to the statement of cash flows as indicators of liquidity. They are not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for Canadian GAAP performance measures. Management's definition of these measures may differ from similarly titled measures used by other issuers.

In order to assess what the growth in its revenues would have been from one year to the next without the impact of business acquisitions, the Corporation uses the organic growth measure. The organic growth of each operating group is computed by eliminating revenue streams from acquisitions from the current fiscal year where such streams did not exist in the comparative period of the previous fiscal year. The revenues eliminated are those earned by the acquired businesses based on the latest financial data available prior to their acquisition by GLV, prorated to correspond to the analyzed periods. This computation method highlights the impact that GLV itself had on the revenue growth of the acquired businesses subsequent to their acquisition date.

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

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

Non GAAP Items Reconciliation

	Quarter ended September 30, 2010			Six-month period ended September 30, 2010		
	Water Treatment Group (Ovivo)	**Pulp and Paper Group**	**Consolidated Results**	**Water Treatment Group (Ovivo)**	**Pulp and Paper Group**	**Consolidated Results**
(in thousands of $)						
As presented on the financial statement:						
Earnings (loss) before financial expenses, income taxes and non-controlling interest (GAAP)			(8,473)			(9,548)
Depreciation and amortization			4,459			9,107
Earnings (loss) before depreciation and amortization, financial expenses, income taxes and non-controlling interest	**(1,762)**	**3,578**	**(4,014)**	**236**	**7,331**	**(441)**
Normalized Items	**-**	**-**	**-**	**-**	**-**	**-**
Normalized EBITDA	**(1,762)**	**3,578**	**(4,014)**	**236**	**7,331**	**(441)**

	Quarter ended September 30, 2009			Six-month period ended September 30, 2009		
	Water Treatment Group (Ovivo)	Pulp and Paper Group	Consolidated Results	Water Treatment Group (Ovivo)	Pulp and Paper Group	Consolidated Results
(in thousands of $)						
As presented on the financial statement:						
Earnings (loss) before financial expenses, income taxes and non-controlling interest (GAAP)			397			727
Depreciation and amortization			2,871			5,988
Earnings (loss) before depreciation and amortization, financial expenses, income taxes and non-controlling interest	3,000	2,566	3,268	8,146	4,009	6,715
Normalized Items	595	239	960	611	631	1,368
Normalized EBITDA	3,595	2,805	4,228	8,757	4,640	8,083

Critical accounting estimates, contractual commitments and financial instruments

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

Changes in accounting policies

Revenue recognition

On March 31, 2010, the Corporation changed its accounting policy for the recognition of revenue related to its contracts. For periods prior to 2010, the Corporation accounted for revenues generated from its short-term contracts using the completed contract method if they met certain criteria. With the acquisition of CWT, the Corporation decided to harmonize its accounting policies and recognize revenues for all its contracts based on the percentage of completion method. The percentage of completion is generally determined using the cost-to-cost method, which consists in comparing costs incurred to date with total expected costs to completion based on the Corporation's estimates. Management believes the new accounting policy is preferable because it is aligned with the International Financial Reporting Standards ("IFRS"), it results in a more transparent image of contract completion, it better allows revenue comparison from period to period and it is more consistent with industry practice. In addition, management has decided to present the balance sheet position of contracts in progress under assets (contracts in progress) and liabilities (deferred revenues) to better disclose the position of contracts. The comparative figures have been restated as at September 30, 2009.

The net impact of the change in accounting policy for the three- and six-month periods ended September 30, 2009 is detailed in the following tables.

Selected statement of earnings data:

	As at September 30, 2009	As restated	Restated as at September 30, 2009
Three-month period			
Revenues	$ 104,016	$ (1,882)	$ 102,134
Costs of contracts and goods sold	76,504	(1,426)	75,078
Income taxes	283	(181)	102
Net earnings	994	(275)	719

	As at September 30, 2009	As restated	Restated as at September 30, 2009
Six-month period			
Revenues	$ 217,351	$ (1,378)	$ 215,973
Costs of contracts and goods sold	162,669	(1,043)	161,626
Income taxes	487	(133)	354
Net earnings	1,792	(202)	1,590

Future changes in accounting standards

Business combinations and consolidated financial statements

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

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

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

For the Corporation, these three sections will become effective for business combinations for which the acquisition date is on or after April 1, 2011, and for interim and annual consolidated financial statements relating to the fiscal year starting April 1, 2011. The Corporation has elected against early adoption of these three standards.

Transition to IFRS

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

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

The detailed transition plan provides additional information on the process underway and can be found in the MD&A for the fiscal year ended March 31, 2010 available on SEDAR (www.sedar.com) and the Corporation's website (www.glv.com). GLV will provide updates as further progress is achieved and conclusions are drawn by the Corporation.

15. CONTROLS AND PROCEDURES

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

As required by 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.

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

During the three-month period ended September 30, 2010, there have been no changes in internal control over financial reporting that have materially affected, or would reasonably be expected to materially affect GLV's internal control over financial reporting.

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

Pursuant to NI 52-109, the following table sets forth summary financial information relating to CWT for the three- and six-month periods ended September 30, 2010, as included in the Corporation's statements of earnings (loss) and balance sheet, respectively.

CWT results

	Quarter ended September 30, 2010	Six-month period ended September 30, 2010
(in thousands of $)		
Revenues	57,798	112,126
Net loss	(5,566)	(8,059)
		As at September 30, 2010
Current assets		170,324
Long-term assets		41,094
Current liabilities		138,122
Long-term liabilities		93,082

16. SUPPLEMENTARY INFORMATION

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

(SIGNED)
Richard Verreault
President and Chief Executive Officer

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

November 11, 2010