Management's Discussion and Analysis

Fiscal year ended March 31, 2012

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June 7, 2012

Unless otherwise indicated, all amounts are in Canadian dollars.

1. PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") was prepared under the responsibility of GLV Inc.'s management and approved by its Board of Directors as of June 7, 2012. 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 fiscal year ended March 31, 2012.

The financial information presented in this MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS"), which the Corporation has adopted as the basis of presentation since the first quarter of fiscal 2012, April 1, 2010 being the transition date. For more information regarding the conversion to IFRS, please refer to note 32 of the audited consolidated financial statements and section 11, "Accounting policies and IFRS" of this MD&A.

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 and the information contained is mainly structured by group, specifically the Water Treatment Group under Ovivo, the Pulp and Paper Group and Other. The fiscal year ended March 31, 2012 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2012," "fiscal 2011" and so forth. The "fourth quarter of fiscal 2012" and the "fourth quarter of fiscal 2011" refer to the three-month periods ended March 31, 2012 and 2011, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three-month and twelve-month periods ended March 31, 2012 is performed in relation to the equivalent periods ended March 31, 2011, whereas the comparative analysis of the financial situation as at March 31, 2012 is performed in relation to data recorded as at March 31, 2011. According to the first IFRS application described above, the comparative consolidated statements of financial position as at March 31, 2011 and April 1st, 2010 and the comparative statement of loss for the year ended March 31, 2011 have been restated for comparison purposes.

This MD&A also uses non-IFRS financial measures. Please refer to the section 12, "Reconciliation of non-IFRS financial measures" of this report for more information.

Supplementary information about the Corporation, including the Annual Information Form dated June 7, 2012, the interim MD&As for fiscal 2012 and press releases are available on SEDAR (www.sedar.com) and the Corporation's website (www.glv.com). Certain other documents, including presentations to investors, are also available on the Corporation's website.

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

The management of GLV would like to point out that forward-looking statements involve a number of uncertainties and known and unknown risks such that GLV's actual and future results could differ considerably from those stated.

Factors of uncertainty and risk that might result in such differences include contracts with clients regarding equipments and services, operations and turnkey projects, dependence on key personnel, risks related to acquisitions, regulatory and legal risk, foreign exchange rate and foreign exchange contract risk, credit risk, asset impairment, 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, 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 2013 and may not be appropriate for other purposes.

Additional information about the risk factors to which GLV is exposed is provided in Section 10, "Risks and uncertainties" of this MD&A.

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 over 20 countries and had approximately 2,300 employees as at March 31, 2012.

- The **Water Treatment Group** – **Ovivo** designs and markets equipment and integrated solutions in the form of products and services for the treatment and recycling of municipal and industrial wastewater as well as for water used in various industrial processes. Ovivo 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 spare 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:

    - Two manufacturing units that specialize in the manufacture of large custom-made parts from specifications provided by Ovivo, the Pulp and Paper Group or external customers; and
    - The Van Der Molen division that specializes in processes for the design 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 its clients competitive technologies and know-how.

- ***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 Europe and also targets markets with growing capital spending. Ovivo strives to expand its service offering in existing equipment optimization and maintenance, operating of certain water treatments plans, and sales of spare 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.

- ***Acquisition of targeted businesses and technologies***
  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.

4. HIGHLIGHTS

For the quarter ended March 31, 2012, Ovivo's performance fell short of management's expectations but was partly offset by the Pulp and Paper Group's good results. Disappointing results at three Ovivo divisions had a significant impact on performance. The food and beverage processing division and a European desalination unit recognized additional costs to complete major contracts. In addition, the Canadian municipal segment division posted losses due to low operating margins on certain contracts and lower business volume. As explained below, streamlining measures have been implemented in these entities and management is confident that these measures will improve profitability in the coming quarters.

The streamlining measures implemented by GLV during the fourth quarter of 2012 in its two core operating groups – Ovivo and the Pulp and Paper Group – will generate annual cost savings of approximately $5 million. These measures mainly consist in eliminating positions in North America, Europe and Asia-Pacific. Given the global economic conditions that impacted the Corporation's results for the second half of the year and the level of its backlog as at March 31, 2012, management considered these initiatives to be necessary. A restructuring charge of $4.9 million was recognized in the fourth quarter of fiscal 2012, primarily due to these measures, in addition to the $1.2 million expense recorded in the past two quarters mainly for a subsidiary in the desalination segment. Restructuring costs for fiscal 2012 total $6.1 million. During fiscal 2013, we will continue to review the operational performance and future outlook for certain units. Further initiatives to generate greater synergies could be introduced.

The Corporation also recorded a $40.9 million impairment charge against goodwill and intangible assets, of which $23.7 million is attributable to the desalination segment, $15.6 million to the Industrial segment and $1.6 million to the Other group. As this amount is a non-cash charge, it has no impact on the Corporation's cash position.

As mentioned during previous quarters, the desalination segment faced major challenges due to contracts with significantly negative margins arising from the acquisition of Christ Water Technology ("CWT"). Since the end of the first quarter of fiscal 2012, management has implemented new policies for order taking in this segment. Its future development will focus mainly on the supply of technological solutions and equipment, and to a lesser extent on the supply of turnkey contracts for which the execution risks are considered reasonable, allowing the Corporation to reduce overall risk related to contract execution.

With respect to the Industrial segment, goodwill was written down following significantly negative results in certain divisions and persistent economic uncertainty in some of our markets.

For fiscal 2012 as a whole, despite lower revenues, normalized EBITDA is comparable to the previous year level, driven by sustained performance from the Pulp and Paper Group, improved results at the Van der Molen division and head office cost savings. For Ovivo, in addition to the disappointing fourth quarter performance mentioned above, results for previous quarters were also impacted by the finalization of CWT legacy contracts in the desalination segment. Management continues to closely monitor the sole remaining contract which is near completion.

The energy, microelectronics and U.S. municipal segments met or exceeded the profitability targets set by management. These divisions are important for Ovivo and play a significant role in the Corporation's growth and performance strategy.

As at March 30, 2012, the Corporation had sold its investment in a manufacturing subsidiary located in Austria whose activities were not aligned with the corporate strategy. In addition to the impairment charge against the related intangible assets, a $0.3 million loss on disposal was recognized in the fourth quarter.

On December 19, 2011, the Corporation renewed its main financing agreement, which was up for renewal in August 2012, for the next five years. This multi-jurisdictional and multi-currency financing totals $200 million and consists of a $100 million revolving credit facility to meet the Corporation's day-to-day financing requirements, issue letters of credit and finance business acquisitions, and a second $100 million revolving credit facility to issue letters of credit guaranteed by Export and Development Canada ("EDC"). The financing agreement also includes an uncommitted accordion feature providing access to an additional $50 million, providing the Corporation with the flexibility it needs to pursue its growth strategy. Renewal costs of $1.1 million were recognized through earnings in the third quarter as financial expenses. As at March 31, 2012, all of the financial ratios were in compliance with the requirements set out in current credit agreements with different banking institutions.

As at March 31, 2012, the backlog stood at $354.8 million, down from $396.1 million as at December 31, 2011 and $372.2 million as at March 31, 2011. The decline in the backlog from its level as at December 31, 2011 is mainly attributable to Ovivo's Industrial and U.S. municipal segments. Compared with March 31, 2011, the backlog decline was also significant for Ovivo's U.S. municipal segment, the microelectronic market and the petrochemical and pulp and paper divisions. The Pulp and Paper Group's backlog is up from the same date last year and is comparable to the previous quarter level.

For fiscal 2013 as a whole, assuming exchange rates remain stable at current levels and in light of the outlook in the markets serviced by each group, the Corporation expects consolidated revenues to range from $620 million to $670 million.

5. ANALYSIS OF CONSOLIDATED OPERATING RESULTS

Selected information

	Quarters ended March 31		Years ended March 31	
(In thousands of $, except per share amounts and percentages)	**2012**	2011	**2012**	2011
Revenues	**173,614**	168,235	**659,614**	663,822
Ovivo	**98,692**	104,740	**392,104**	425,676
Pulp and Paper	**64,149**	53,389	**226,002**	197,801
Other	**10,773**	10,106	**41,508**	40,345
EBITDA	**(2,666)**	8,921	**14,405**	20,987
Ovivo	**(4,093)**	8,397	**8,952**	20,507
Pulp and Paper	**5,200**	4,840	**14,144**	15,404
Other	**(3,773)**	(4,316)	**(8,691)**	(14,924)
Normalized EBITDA	**2,274**	7,449	**20,503**	20,426
Ovivo	**(1,906)**	6,742	**12,297**	19,126
Pulp and Paper	**6,691**	4,840	**15,635**	15,404
Other	**(2,511)**	(4,133)	**(7,429)**	(14,104)
EBITDA margin (as % of revenues)	**1.3%**	4.4%	**3.1%**	3.1%
Ovivo	**(1.9)%**	6.4%	**3.1%**	4.5%
Pulp and Paper	**10.4%**	9.1%	**6.9%**	7.8%
Other	**n/a**	n/a	**n/a**	n/a
Net loss attributable to shareholders of GLV Inc.:				
from continuing operations	**(52,846)**	(4,866)	**(54,148)**	(12,335)
from discontinued operations	**-**	(3,680)	**-**	(10,238)
Net earnings (loss):				
attributable to shareholders of GLV Inc.	**(52,846)**	(8,546)	**(54,148)**	(22,573)
attributable to non-controlling interests	**76**	316	**68**	(585)
Total	**(52,770)**	(8,230)	**(54,080)**	(23,158)
Cash flows provided by (used in) operating activities	**(2,631)**	(15,902)	**13,948**	(31,276)
Per share (basic and diluted)				
Net loss from continuing operations	**(1.20)**	(0.11)	**(1.23)**	(0.28)
Net loss from discontinued operations	**-**	(0.08)	**-**	(0.23)
Net loss	**(1.20)**	(0.19)	**(1.23)**	(0.51)
Cash flows provided by (used in) continuing operations	**(0.06)**	(0.36)	**0.32**	(0.71)

Financial ratios	**March 31, 2012**	**March 31, 2011**
Total net debt to invested capital ratio	**19.6%**	18.9%
Working capital ratio	**1.53**	1.53

Revenues

(in thousands of $)	Quarters ended March 31 2012	Quarters ended March 31 2011	Change %	Organic growth (1) %	Years ended March 31 2012	Years ended March 31 2011	Change %	Organic growth (1) %
TOTAL	**173,614**	168,235	3.2%	3.4%	**659,614**	663,822	(0.6)%	(0.8)%
Ovivo	**98,692**	104,740	(5.8)%	(5.6)%	**392,104**	425,676	(7.9)%	(8.0)%
New equipment	**82,630**	88,351	(6.5)%		**333,441**	359,818	(7.3)%	
Sale of parts and provision of services	**16,062**	16,389	(2.0)%		**58,663**	65,858	(10.9)%	
Pulp and Paper	**64,149**	53,389	20.2%	19.8%	**226,002**	197,801	14.3%	14.0%
New equipment	**28,753**	19,851	44.8%		**95,446**	76,582	24.6%	
Sale of parts and provision of services	**35,396**	33,538	5.5%		**130,556**	121,219	7.7%	
Other	**10,773**	10,106	6.6%	9.7%	**41,508**	40,345	2.9%	2.1%

(1) Organic growth is described in section 12 "Reconciliation of non-IFRS financial measures" in this MD&A.

The Corporation's consolidated revenues for the fourth quarter of fiscal 2012 were higher than for the same period in fiscal 2011, driven by revenue growth in the Pulp and Paper Group, offset by lower revenues at Ovivo.

The decline in consolidated revenues for the year ended March 31, 2012 stems from lower revenues at Ovivo, offset by higher revenues in the Pulp and Paper Group.

Currency fluctuations had very little impact on consolidated revenues for the fourth quarter and the year ended March 31, 2012.

Ovivo

Revenues fell in the fourth quarter of 2012 compared with the same period in 2011, owing primarily to weakness in the energy and microelectronics markets. The microelectronics segment had generated significant growth in the fourth quarter of 2011. The decline in revenues compared with 2011 is partly offset by strong growth in the renewable energy segment.

The decline in revenues for the year ended March 31, 2012 compared with fiscal 2011 is attributable to a significant decrease in revenues of a subsidiary in the desalination segment and lower operating volume in the U.S. municipal segment. These declines mainly impacted the first nine months of fiscal 2012. The energy market also decreased in the year ended March 31, 2012 compared with 2011. The combined impact of these declines in revenues were partly offset by higher revenues in the renewable energy segment and the petrochemical and pulp and paper divisions.

Pulp and Paper Group

For the fourth quarter of 2012 and the year ended March 31, 2012, the Pulp and Paper Group reported steady organic revenue growth of 19.8% and 14.0%, respectively, compared with the same periods in the previous fiscal year. This performance resulted primarily from new equipment contracts and to a lesser extent from aftermarket services. Strong demand in North America was the main driver for this organic growth.

Other

For the fourth quarter of 2012 and the year ended March 31, 2012, the change from the corresponding periods of the previous year was attributable to higher revenues for the Van Der Molen division, offset by lower volume for the manufacturing units.

Revenues by geographic segment based on destination address

	Total		Ovivo		Pulp and Paper	
	Years ended March 31					
	2012	2011	**2012**	2011	**2012**	2011
	(as % of consolidated revenues)		*(as % of Group revenues)*			
North America	**42.2%**	40.0%	**34.0%**	31.7%	**59.9%**	61.4%
Europe and Russia	**25.9%**	27.2%	**26.4%**	28.9%	**19.6%**	19.7%
Asia and Asia-Pacific	**17.9%**	18.9%	**22.0%**	23.2%	**13.2%**	13.0%
Middle East and Africa	**10.2%**	11.7%	**14.8%**	15.6%	**0.8%**	1.3%
Latin America	**3.8%**	2.2%	**2.8%**	0.6%	**6.5%**	4.6%

The geographic breakdown of revenues by destination address for the most recent twelve-month period compared with the previous period shows an upward trend in North America resulting from Ovivo's development efforts in the energy and renewable energy markets. Ovivo's operates primarily in North America, Europe and Russia, and Asia and Asia-Pacific, while the Pulp and Paper Group's main market is North America.

Gross margin (excluding amortization)

	Quarters ended March 31		Change	Change at constant exchange rates	Years ended March 31		Change	Change at constant exchange rates
	2012	2011	%	%	**2012**	2011	%	%
In thousands of $	**33,357**	37,743	(11.6)%	(11.5)%	**139,630**	139,191	0.3%	0.0%
As % of revenues	**19.2%**	22.4%			**21.2%**	21.0%		

For the fourth quarter of 2012, the Corporation reported a lower consolidated gross margin in dollars compared with the same quarter of 2011, primarily attributable to Ovivo following the recognition of additional costs for certain projects in the food and beverage processing division and slowdown in business volume in the microelectronics and Canadian municipal segments. The Pulp and Paper Group gross margin increased, driven by higher operating volume. For the same periods, gross margin as a percentage of revenues also fell slightly for Ovivo but remained stable for the Pulp and Paper Group.

For the year ended March 31, 2012, the slight improvement in gross margin in dollars and as a percentage of revenues compared with fiscal 2011 was driven by Ovivo's energy segment, offset by the significantly adverse impact of the desalination segment. The Van Der Molen divisions, which are reported under Other, improved their gross margin following sound execution of current contracts. The Pulp and Paper Group gross margin increased in dollar terms but fell slightly as a percentage of revenues.

Selling and administrative expenses (excluding amortization)

	Quarters ended March 31		Change	Change at constant exchange rates	Years ended March 31		Change	Change at constant exchange rates
	2012	2011	%	%	**2012**	2011	%	%
In thousands of $	**31,083**	30,294	2.6%	2.3%	**119,127**	118,765	0.3%	(0.4)%
As % of revenues	**17.9%**	18.0%			**18.1%**	17.9%		

Despite slight increases for the fourth quarter of 2012 and the year ended March 31, 2012, selling and administrative expenses in dollar terms and as a percentage of revenues remained relatively constant compared with the same periods in fiscal 2011, demonstrating stability and the Corporation's effective control over its fixed costs.

EBITDA and normalized EBITDA

	Quarters ended March 31		Change	Change at constant exchange rates	Years ended March 31		Change	Change at constant exchange rates
	2012	2011	%	%	**2012**	2011	%	%
(in thousands of $)								
EBITDA	**(2,666)**	8,921	n/a	n/a	**14,405**	20,987	(31.4)%	(30.4)%
Ovivo	**(4,093)**	8,397	n/a	n/a	**8,952**	20,507	(56.3)%	(55.2)%
Pulp and Paper	**5,200**	4,840	7.4%	6.9%	**14,144**	15,404	(8.2)%	(7.3)%
Other	**(3,773)**	(4,316)	12.6%	12.3%	**(8,691)**	(14,924)	41.8%	40.6%
Normalized items	**4,940**	(1,472)	n/a	n/a	**6,098**	(561)	n/a	n/a
Ovivo	**2,187**	(1,655)	n/a	n/a	**3,345**	(1,381)	n/a	n/a
Pulp and Paper	**1,491**	-	n/a	n/a	**1,491**	-	n/a	n/a
Other	**1,262**	183	n/a	n/a	**1,262**	820	n/a	n/a
Normalized EBITDA	**2,274**	7,449	(69.5)%	(70.1)%	**20,503**	20,426	0.4%	1.0%
Ovivo	**(1,906)**	6,742	n/a	n/a	**12,297**	19,126	(35.7)%	(34.7)%
Pulp and Paper	**6,691**	4,840	38.2%	37.3%	**15,635**	15,404	1.5%	2.3%
Other	**(2,511)**	(4,133)	39.2%	38.1%	**(7,429)**	(14,104)	47.3%	45.9%
(as % of revenues)								
Normalized EBITDA margin	**1.3%**	4.4%			**3.1%**	3.1%		
Ovivo	**(1.9)%**	6.4%			**3.1%**	4.5%		
Pulp and Paper	**10.4%**	9.1%			**6.9%**	7.8%		
Other	**n/a**	n/a			**n/a**	n/a		

Ovivo

Ovivo reported significantly lower normalized EBITDA and normalized EBIDTA margin compared with the corresponding three-month and twelve-month periods of fiscal 2011.

The performance for the fourth quarter of 2012 stems primarily from the significantly negative results of the food and beverage processing division and the Canadian subsidiary in the municipal segment. The microelectronics market also slowed; given the large value of contracts in this segment, operating volume can vary significantly from one period to another.

In addition to the factors impacting fourth quarter performance discussed above, Ovivo's results for the year ended March 31, 2012 were also affected by the operating loss recorded by a subsidiary in the desalination segment, partly offset by the favourable variance in 2012 resulting from the recognition in the second quarter of 2011 of the operating loss of a U.K. subsidiary in the energy segment.

Pulp and Paper Group

For the fourth quarter and for fiscal 2012 as a whole, the Pulp and Paper Group reported higher results compared with the corresponding periods of the previous fiscal year. Sustained demand for aftermarket services in North America significantly bolstered profitability in the first two quarters and the fourth quarter. Reduced performance in the third quarter stemmed from additional costs incurred to complete certain new equipment contracts as well as a persistent slowdown in the European aftermarket services segment.

Other

For the fourth quarter of 2012 and the year ended March 31, 2012, the Other group reported improved year-over-year results, fuelled by sustained performance of the Van Der Molen division and lower head office expenses following the shutdown of the CWT head office at the end of the second quarter of fiscal 2011.

Changes in normalized EBITDA and normalized EBITDA margin

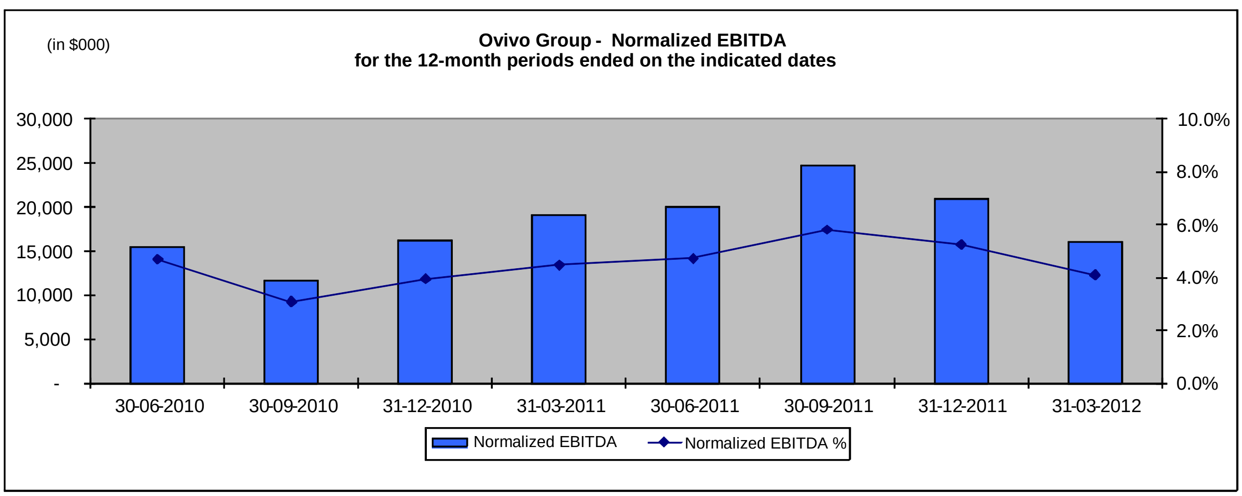
The graphs below show the changes in normalized EBITDA and normalized EBITDA margin for Ovivo and the Pulp and Paper Group for the twelve-month periods ended on the indicated dates. The results of periods prior to April 1, 2010 were prepared in accordance with Canadian generally accepted accounting principles, while the results for periods after March 31, 2010 have been prepared in accordance with IFRS.

Ovivo

The twelve-month periods ended September 30, 2010 were adversely impacted by 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 in the second quarter of fiscal 2011.

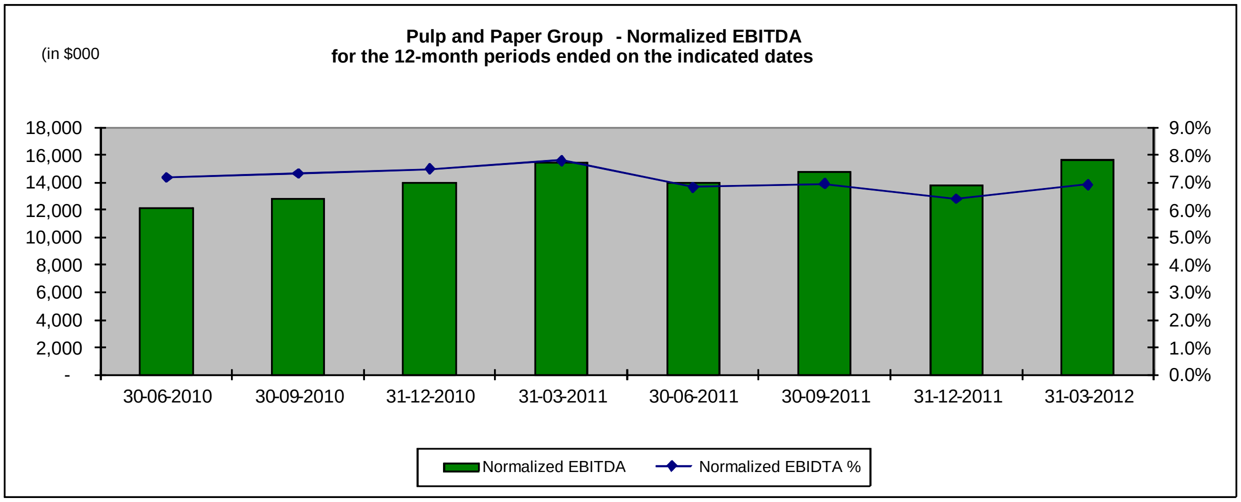
For the twelve-month periods ended since December 31, 2010, the graph shows steady improvement in profitability until the second quarter of 2012, despite the unfavourable impact of the desalination segment since the fourth quarter of 2011.

The twelve-month periods ended December 31, 2011 and March 31, 2012 show the impact of lower profitability in the past two quarters compared with the same period of the previous fiscal year as explained above.



Pulp and Paper Group

For the Pulp and Paper Group, the graph highlights the impacts of the recovery in investments by paper manufacturers in fiscal 2011, with solid results in the first two quarters of 2012 and the fourth quarter, temporarily hampered by lower profitability in the third quarter.



Restructuring costs and other special items

For the fourth quarter of 2012 and the year ended March 31, 2012, the Corporation reported $4.9 million and $6.1 million, respectively, in restructuring costs and other special items. For Ovivo, this expense mainly comprises reorganization costs for underperforming subsidiaries in the municipal segment in Canada and in the indusrial market in Europe and a desalination segment subsidiary whose negative results had a significant impact on the Corporation's results of fiscal 2012. For the Pulp and Paper Group, this charge results from costs related to staff downsizing to adapt to slowdown in demand in Europe.

This amount also includes a provision related to the settlement of an ongoing dispute and the loss on disposal of a manufacturing subsidiary in Austria (refer to note 25 to the audited consolidated financial statements).

Amortization

	Quarters ended March 31		Change	Change at constant exchange rates	Years ended March 31		Change	Change at constant exchange rates
(in thousands of $)	**2012**	2011	%	%	**2012**	2011	%	%
Total	**3,381**	4,695	(28.0)%	(27.5)%	**14,629**	18,219	(19.7)%	(20.8)%
Property, plant and equipment	**1,393**	1,515	(8.1)%		**5,412**	6,192	(12.6)%	
Intangible assets	**1,988**	3,180	(37.5)%	.	**9,217**	12,027	(23.4)%	

For the fourth quarter and the year ended March 31, 2012, the amortization expense was lower, primarily because intangible assets associated with the CWT backlog were fully amortized during the first quarter of fiscal 2012.

Asset impairment

In the fourth quarter of fiscal 2012, the Corporation recognized a $40.9 million impairment charge against a portion of its goodwill and intangible assets, of which $23.7 million is attributable to the desalination segment including an amount of $8.0 million related to trademarks. The impairment charge also includes amounts of $15.6 million related to the Industrial segment and $1.6 million related to the revaluation of trademarks and client relationships of the Other group. As this amount is a non-cash charge, it has no impact on the Corporation's cash position (refer to notes 11 and 12 to the audited consolidated financial statements).

As noted during previous quarters, the desalination segment faced major challenges due to contracts with significantly negative margins arising from the acquisition of CWT.

Industrial segment goodwill was written down following relatively lower results in certain divisions and persistent economic uncertainty in some of our markets.

Net financial expenses (including credit facility renewal fees)

	Quarters ended March 31		**Change**	**Years ended March 31**		**Change**
(in thousands of $)	**2012**	2011	%	**2012**	2011	%
Total	**1,597**	1,901	(16.0)%	**9,422**	7,500	25.6%
Interest on long-term debt	**1,229**	1,501	(18.1)%	**6,524**	5,948	9.7%
Credit facility renewal fees	**-**	-	n/a	**1,100**	-	n/a
Interest income	**(125)**	(74)	68.9%	**(364)**	(601)	(39.4)%
Other	**493**	474	4.0%	**2,162**	2,153	0.4%

For the three-month period ended March 31, 2012, the Corporation recognized lower net financial expenses following the renewal of the credit facility under better borrowing conditions at the end of the third quarter of 2012.

Net financial expenses for the twelve-month period ended March 31, 2012 increased over the same periods of the previous fiscal year mainly as a result of higher interest expense on long-term debt net of interest income, due to the level of net debt required to support investments in working capital. Moreover, the Corporation incurred additional costs for the renewal of its credit facilities in the third quarter of 2012.

Foreign exchange loss (gain) and loss (gain) related to derivative financial instruments

	Quarters ended March 31		**Change**	**Years ended March 31**		**Change**
(in thousands of $)	**2012**	2011	$	**2012**	2011	$
Foreign exchange loss (gain)	**2,038**	3,040	(1,002)	**(1,433)**	3,624	(5,057)
Loss (gain) related to derivative financial instruments	**(391)**	(1,179)	788	**4,300**	(476)	(4,776)

The foreign exchange loss or gain results mainly from the translation effect of monetary items recognized in currencies other than the functional currencies of subsidiaries.

The foreign exchange loss for the fourth quarter of 2012 stems from adverse fluctuations in all the main currencies in which the Corporation's subsidiaries operate against their respective functional currencies. In the corresponding quarter of the previous fiscal year, the strengthening of the euro, particularly against the Corporation's main currencies, resulted in a larger foreign exchange loss.

For the twelve-month period ended March 31, 2012, the foreign exchange gain was mainly due to the weakening of the euro against the other main currencies of the Corporation. During the same period of the previous fiscal year, the weakening of the U.S. dollar against the Canadian dollar and of the Swedish krona against the euro had the inverse impact.

The gain related to derivative financial instruments recorded during the fourth quarter of fiscal 2012 is attributable to unrealized gains on ongoing foreign currency hedging contracts during the period. This gain is offset by the unfavourable mark-to-market remeasurement of the total return swap.

The loss related to derivative financial instruments for the twelve-month period ended March 31, 2012 results from the unfavourable mark-to-market remeasurement of the total return swap, realized losses on foreign currency hedging contracts and losses on cross currency interest rate swaps.

Income taxes

	Quarters ended March 31		**Change**	**Years ended March 31**		**Change**
(In thousands of $, except percentages)	**2012**	2011	$	**2012**	2011	$
Pre-tax loss	**(50,213)**	(147)	(50,066)	**(53,435)**	(8,491)	(44,944)
Income tax expense	**2,163**	4,354	(2,191)	**214**	3,890	(3,676)
Effective tax rate (%)	**(4.3)%**	n.d.		**(0.4)%**	(45.8)%	
Canadian statutory rate (%)	**28.0%**	29.4%		**28.0%**	29.4%	

The difference between the effective tax rate and the Canadian statutory rate resulted primarily from the asset impairment charge recognized in the fourth quarter, which represents a permanent difference, as well as the increase in valuation allowances with a balance of $61.8 million as at March 31, 2012. According to management, the reorganization of the holding structure of subsidiaries was near completion as at March 31, 2012 and if profitability improves in the coming quarters, the Corporation would be able to utilize a portion of deferred tax assets that are currently subject to valuation allowances.

Net loss attributable to shareholders of GLV Inc.

	Quarters ended March 31		Years ended March 31	
	2012	2011	**2012**	2011
(In thousands of $)				
Net loss attributable to shareholders of GLV Inc.	**(52,846)**	(8,546)	**(54,148)**	(22,573)
Net loss from continuing operations attributable to shareholders of GLV Inc.	**(52,846)**	(4,866)	**(54,148)**	(12,335)
Normalized net loss from continuing operations attributable to shareholders of GLV Inc.	**(6,984)**	(5,799)	**(7,128)**	(12,534)
(In $ per share, basic and diluted)				
Net loss attributable to shareholders of GLV Inc.	**(1.20)**	(0.19)	**(1.23)**	(0.51)
Net loss from continuing operations attributable to shareholders of GLV Inc.	**(1.20)**	(0.11)	**(1.23)**	(0.28)
Normalized net loss from continuing operations attributable to shareholders of GLV Inc.	**(0.16)**	(0.13)	**(0.16)**	(0.28)
Weighted average number of participating shares outstanding *(in thousands)*	**44,092**	44,092	**44,092**	44,092

For the fourth quarter of fiscal 2012, the unfavourable variances in the net loss from continuing operations attributable to shareholders of GLV Inc. compared with the previous fiscal year arise principally from the impairment charge against intangible assets and goodwill, restructuring costs, and lower normalized EBITDA for the Corporation as a whole, partly offset by decreases in amortization expense, net financial expenses and the foreign exchange loss.

The twelve-month period ended March 31, 2012 also shows an unfavourable variance over the previous fiscal year, resulting primarily from the impairment charge against intangible assets and goodwill, restructuring costs and the loss related to derivative financial instruments, partly offset by the lower amortization expense and a favourable foreign exchange impact.

6. SUMMARY OF QUARTERLY PERFORMANCE

	Quarters ended							
	2012				2011			
(In thousands of $, except per share amounts)	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Revenues	**173,614**	161,663	173,916	150,421	168,235	185,966	161,293	148,328
EBITDA	**(2,666)**	6,518	6,536	4,017	8,921	10,669	(2,539)	3,936
Normalized EBITDA	**2,274**	6,894	7,318	4,017	7,449	11,580	(2,539)	3,936
Operating income (loss)	**(46,969)**	3,078	3,447	(702)	3,615	6,121	(6,931)	(648)
Normalized operating income (loss)	**(1,107)**	3,454	4,229	(702)	2,754	7,032	(6,931)	(648)
Net earnings (loss) attributable to shareholders of GLV Inc.:								
From continuing operations	**(52,846)**	(1,570)	4,359	(4,091)	(4,866)	3,453	(7,148)	(3,774)
per share (basic and diluted)	**(1.20)**	(0.04)	0.10	(0.09)	(0.11)	0.07	(0.16)	(0.08)
From normalized continuing operations	**(6,984)**	(1,194)	5,141	(4,091)	(5,799)	4,187	(7,148)	(3,774)
per share (basic and diluted)	**(0.16)**	(0.03)	0.11	(0.09)	(0.13)	0.09	(0.16)	(0.08)
From discontinued operations	**-**	-	-	-	(3,680)	(4,108)	(2,041)	(409)
per share (basic and diluted)	**-**	-	-	-	(0.08)	(0.09)	(0.05)	(0.01)
Total	**(52,846)**	(1,570)	4,359	(4,091)	(8,546)	(655)	(9,189)	(4,183)
per share (basic and diluted)	**(1.20)**	(0.04)	0.10	(0.09)	(0.19)	(0.02)	(0.21)	(0.09)
Net earnings (loss) attributable to non-controlling interests	**76**	10	(36)	18	316	(93)	(503)	(305)
Net earnings (loss)	**(52,770)**	(1,560)	4,323	(4,073)	(8,230)	(748)	(9,692)	(4,488)

Fiscal 2011 quarterly results have been restated according to the IFRS. The impact of IFRS and the reconciliation to the results presented in prior periods are disclosed in note 32 to the audited consolidated financial statements accompanying this MD&A.

The Corporation's quarterly results are exposed to economic conditions and are not necessarily comparable from quarter to quarter. The following events had an important impact on the results:

- Significant operational issues of an Ovivo energy subsidiary in the U.K. which generated significant operating losses mainly in the second and fourth quarters of fiscal 2011;

- Additional costs required to complete some CWT- legacy desalination contracts that were recognized in the fourth quarter of fiscal 2011, the first two quarters and the forth quarter of fiscal 2012;

- Challenging global economic conditions for some business segments of the Corporation in the third quarter of fiscal 2012; and

- Good performance of the Pulp and Paper Group, offset by Ovivo's disappointing results in the fourth quarter of 2012.

7. FINANCIAL SITUATION AND CASH FLOWS

After deducting net additions to property, plant and equipment, cash flows used in the fourth quarter of 2012 totalled $2.6 million ($0.06 per share, basic and diluted) compared with $15.9 million ($0.36 per share, basic and diluted) for the same quarter of fiscal 2011. The year ended March 31, 2012 generated cash flows of $13.9 million ($0.32 per share, basic and diluted) while cash flows of $31.3 million ($0.71 per share, basic and diluted) were used in fiscal 2011.

	Quarters ended March 31		**Years ended March 31**	
(In thousands of $, except per share amounts)	**2012**	2011	**2012**	2011
Cash flow provided by operating activities before changes in non-cash items related to operations	**302**	637	**7,999**	6,382
Net change in non-cash items related to operations	**(1,225)**	(18,269)	**7,290**	(40,078)
Additions to property, plant and equipment, net of disposals	**(1,708)**	1,730	**(1,341)**	2,420
Cash flows provided by (used in) continuing operations	**(2,631)**	(15,902)	**13,948**	(31,276)
per share (basic and diluted)	**(0.06)**	(0.36)	**0.32**	(0.71)

Impact of net change in non-cash items related to operations

	Quarter ended March 31	**Year ended March 31**
(in thousands of $)	**2012**	**2012**
Trade and other receivables	**(3,418)**	**14,812**
Inventories	**(356)**	**(2,358)**
Contracts in progress	**(10,279)**	**(16,986)**
Prepaid expenses	**725**	**115**
Accounts payable and accrued liabilities, provisions and other liabilities	**12,813**	**9,983**
Deferred revenues	**5,099**	**7,826**
Income taxes receivable/payable	**(5,809)**	**(6,102)**
	(1,225)	**7,290**

The negative impact on cash flows of $1.2 million for the quarter ended March 31, 2012 resulting from the change in non-cash items related to operations is mainly attributable to an increase in contracts in progress, net of deferred revenues, which vary according to project status, partly offset by higher accounts payable, accrued liabilities, provisions and other liabilities stemming from different payment maturities and an increase in trade and other receivables due to less effective receivables collection during the quarter. The negative impact on cash flows also stems from income tax payments made in the quarter ended March 31, 2012 and an increase in income taxes receivable during the same period.

For the year ended March 31, 2012, the $7.3 million positive impact on cash flows is attributable to the same factors as for the quarter ended March 31, 2012 with a greater increase in contracts in progress, net of deferred revenues, and a decrease in trade and other receivables due to an effective receivables collection during the year.

If the decrease in the Corporation's operating volume in the second half of the year persists over coming quarters, and notwithstanding the impact on working capital from other items such as additional losses on contracts or restructuring costs, cash flows should be positively impacted and net debt levels should decrease since long-term debt is essentially used to fund working capital.

The net working capital position as at March 31, 2012 amounted to $129.8 million, representing a ratio of 1.53 at that date, compared with $120.8 million and 1.53 as at March 31, 2011. The Corporation's total assets amounted to $538.2 million as at March 31, 2012, compared with $572.3 million as at March 31, 2011, a decrease owing mainly to accounts receivable, intangible assets and goodwill, partly offset by higher cash and cash equivalents and contracts in progress. Generally, management seeks to maintain its working capital ratio at approximately 1.50, which represents an adequate level given the Corporation's business model, by ensuring that a reasonable amount of cash is available to support operations. The Corporation continues to focus on optimizing management of current trade receivables to maximize the resulting cash flows and thereby reduce financial expenses.

Changes in exchange rates resulted in a $1.5 million positive variation in the remeasurement of cash and cash equivalent items for the fourth quarter of fiscal 2012 and a negative variance of $2.7 million for the year ended March 31, 2012.

The net change in cash flows represented a decrease in cash and cash equivalents of $2.3 million for the fourth quarter of 2012 and an increase in cash and cash equivalents of $21.1 million for the twelve-month period ended March 31, 2012.

Additional comments on financial position

	As at March 31, 2012	**As at March 31, 2011**
(in thousands of $, except ratio)		
Long-term debt	**80,932**	72,148
Cash and cash equivalents	**(35,583)**	(14,460)
Total net debt	**45,349**	57,688
Equity	**186,461**	247,746
Invested capital	**231,810**	305,434
Total net debt to invested capital ratio	**19.6%**	18.9%

As at March 31, 2012, the Corporation's total debt amounted to $80.9 million compared with $72.1 million as at March 31, 2011. Net of cash and cash equivalents, GLV's total net debt stood at $45.3 million for a total net debt to invested capital ratio of 19.6%, compared with total net debt of $57.7 million and an 18.9% ratio as at March 31, 2011.

As at March 31, 2012, the cash position and bank credit facilities were sufficient to fund operations. Moreover, all financial ratios met the requirements under current credit agreements with GLV's banking institutions. Where there were special or non-recurring items, the terms of these credit agreements require an adjustment to normalized EBITDA to determine financial ratios. Accordingly, as at March 31, 2012, financial ratios were calculated using normalized EBITDA as defined in the agreements, adjusted to exclude, for example, the operating results recorded during the year ended March 31, 2012 of entities of which the shares or certain assets were sold or whose operations were discontinued, as well as restructuring costs and other special items (see note 25 to consolidated financial statements).

On December 19, 2011, the Corporation renewed its main financing agreement covering the next five years for a total amount of $200 million. This financing consists of a $100 million revolving credit facility to meet the Corporation's day-to-day financing requirements, issue letters of credit and finance business acquisitions, and a second $100 million revolving credit facility to issue letters of credit guaranteed by EDC. The financing agreement also includes an uncommitted accordion feature providing access to an additional $50 million.

The Corporation also has two revolving credit facilities to support its operations in Austria and other countries. The first facility in the amount of €40 million ($53 million) is used to issue letters of credit and the second, in the amount of €5 million ($7 million), is used to meet day-to-day financing requirements. As at March 31, 2012, €30 million ($40 million) had been drawn down under the credit facility to issue letters of credit. 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 in May. Certain provisions relating to these two facilities are currently under negotiation.

Share capital information and stock-based compensation

	Authorized	**Number of shares issued and outstanding**
Class A subordinate voting shares	Unlimited	41,907,494
Class B multiple voting shares	Unlimited	2,184,405
Preferred shares	Unlimited	-
		44,091,899

As at March 31, 2012, following the grant of 620,000 new stock options in the third quarter of fiscal 2012 and 644,876 for the twelve-month period ended March 31, 2012, outstanding stock options for Class A subordinate voting shares under the Corporation's stock option plan totalled 2,167,589 (1,606,176 as at March 31, 2011) of which 1,124,789 (847,176 as at March 31, 2011) were exercisable subject to time restrictions, notwithstanding attainment of target prices where such restrictions apply.

In November 2011, two new stock appreciation rights plans were approved by the Board of Directors ("2011M SARs" and "2011 Key Employee SARs") for a total of 845,000 new SARs. Under the two existing stock appreciation rights plans linked to Class A subordinate voting shares ("2007 SARs" and "2009 SARs") and the new awards, 1,730,000 SARs were outstanding as at March 31, 2012 (940,000 as at March 31, 2011).

For further information, refer to note 21 to the consolidated financial statements accompanying this MD&A.

8. CONTRACTUAL COMMITMENTS, FINANCIAL INSTRUMENTS AND RELATED PARTY TRANSACTIONS

Contractual commitments

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

In addition to the debts appearing in the consolidated statement of financial position as at March 31, 2012, the Corporation has operating leases for premises and equipment expiring at various dates through July 2021, representing total minimum lease payments of $16.1 million.

The following table presents a summary of minimum annual payments and principal contractual commitments as at March 31, 2012.

	Total	**Next 12 months**	**From 2 to 5 years**	**More than 5 years**
(in thousands of $)				
Accounts payable and accrued liabilities	**180,638**	180,638	-	-
Derivative financial instruments	**3,215**	125	660	2,430
Long-term debt	**98,429**	6,347	92,082	-
Pension liabilities	**8,096**	768	3,429	3,899
Leases	**16,120**	7,552	7,935	633
Total	**306,498**	195,430	104,106	6,962

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, 2012, the Corporation had commitments totalling $207.8 million ($212.2 million as at March 31, 2011).

Financial instruments

The fair value of financial assets and liabilities reflects 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, trade and other receivables, and trade payables and accrued liabilities: fair values approximate their carrying amounts largely due to their short-term maturities and high liquidity.
- Long-term debt and revolving credit facilities: 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 debt is determined using the discounted cash flow method. The discount rates used reflect the prevailing market rates available to the Corporation for loans with similar terms and conditions.

Derivative financial instruments

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

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, as 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 a derivative financial instrument's fair value is positive 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, 2012 amounted to $0.8 million ($3.2 million as at March 31, 2011).

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

The Corporation does not apply hedge accounting to its foreign exchange contracts, its total return swap, its interest rate swap or its cross currency 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 6 and 30 to the consolidated financial statements for fiscal 2012 for further information.

Related party transactions

Key senior executives have the authority and responsibility to plan, lead and control the Corporation's operations. They include Board members and key senior executive officers, consisting of the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer and the leaders of the divisions of the Corporation's two core operating groups. For the year ended March 31, 2012, their compensation amounted to $3.9 million ($4.3 million in 2011).

9. BACKLOG AND OUTLOOK

	March 31, 2012	**December 31, 2011**	**Change**	**Change at constant exchange rates**	March 31, 2011	Change	Change at constant exchange rates
(in thousands of $)			%	%		%	%
Total	**354,796**	396,115	**(10.4)%**	**(10.4)%**	372,201	**(4.7)%**	**(4.4)%**
Ovivo	**272,418**	307,366	**(11.4)%**	**(11.5)%**	304,715	**(10.6)%**	**(10.2)%**
Pulp and Paper	**70,345**	74,546	**(5.6)%**	**(4.8)%**	55,994	**25.6%**	**24.9%**
Other	**12,033**	14,203	**(15.3)%**	**(15.5)%**	11,492	**4.7%**	**6.9%**

Ovivo

As at March 31, 2012, Ovivo's backlog stood at $272.4 million, down from $307.4 million as at December 31, 2011 and $304.7 million as at March 31, 2011, respectively. The decline in the backlog from its December 31, 2011 level is mainly attributable to Ovivo's Industrial segment, primarily energy and the petrochemical and pulp and paper divisions, and the U.S. municipal segment. Compared with March 31, 2011, the backlog decline was also significant for Ovivo's U.S. municipal segment, the microelectronic market and the petrochemical and pulp and paper divisions.

Although the energy segment backlog is lower than in the previous quarter, the contracts won comply with the selection criteria that were tightened in the past eighteen months. Furthermore, the outlook remains favourable in the European municipal segment, particularly in the U.K. For the industrial segment in general, tendering activity and contract wins have slowed somewhat. However, with its worldwide presence, the Group can deploy its resources to markets and regions with the best growth and profitability prospects.

Throughout fiscal 2012, the U.S. municipal segment has experienced more challenging economic conditions, which limit the financial resources available to local authorities for investment in new infrastructure projects. Although certain indicators point to a limited recovery in fiscal 2013, decreases in the backlog since March 31, 2011 and revenues generated since the second half of the fiscal year reflect a slowdown in business activities. Given the segment's operational excellence, profitability has remained satisfactory.

At the same time, the expertise of U.S. municipal segment resources is being redeployed to serve the industrial market. As such, developing the U.S. industrial market is a key element of Ovivo's growth strategy, as it has recorded sustained business growth since acquiring CWT, more specifically in the energy market. Also, the U.S. food and beverage processing market is developing.

Although new projects awarded in the microelectronics market were fewer than expected in the past two quarters, tendering activity was maintained and management remains positive about winning new contracts in coming quarters. As well, providing services to microelectronics clients is currently a market development initiative in the U.S. following the opening of service centres in Texas and New York State.

For Ovivo as a whole, work continues on initiatives to strengthen operating performance: sharing best practices, improving working capital management, negotiating better contract payment terms and implementing best practices for procurement and outsourcing.

Management's profitability target for Ovivo remains a normalized EBITDA margin of 10%. Although several important Group divisions have achieved or exceeded their targets for fiscal 2012, current economic conditions coupled with the completion of CWT contracts with negative margins in a desalination segment subsidiary, and negative results in the food and beverage processing division and the Canadian municipal segment in the fourth quarter are delaying target attainment. During fiscal 2013, management will continue to closely monitor operating performance and future outlook for certain entities with lower volumes and may introduce additional initiatives to generate greater synergies.

Pulp and Paper Group

The Pulp and Paper Group's backlog is up from the same date last year and remains at a level comparable to the previous quarter, due to slightly higher order taking in aftermarket services.

In light of current backlog levels and tendering activity, the Pulp and Paper Group outlook remains favourable for upcoming quarters although economic conditions in Europe will continue to have an adverse impact. Contract execution is satisfactory and demand is solid in North America while Europe is affected by unstable economic conditions. Our international procurement and outsourcing strategy continues to be a priority to enhance profit margins.

On December 22, 2011, the Group acquired Finland's TamPulping Oy. Management expects to broaden its product offering in new equipment sales by leveraging the pulp recycling technology expertise of this business.

Other

For the Van Der Molen division, the objectives for 2013 are to keep growing profits, and to improve contract execution and contractual risk management.

The disposal of one of the manufacturing units as at March 30, 2012 will have an dampening impact on group revenues and EBITDA. Regarding the Canadian manufacturing unit, the objective for fiscal 2013 is to become profitable.

For the manufacturing unit located in Eastern Europe where operating costs are more competitive, the objective is to continue improving profitability and developing more business with external clients.

Last, head office costs are projected to remain comparable to the level in fiscal 2012.

Overall outlook

Current economic uncertainty is delaying the awarding of new infrastructure contracts in several regions of the world where the Corporation operates, directly impacting the backlog. Streamlining measures implemented in our two core operating groups are also aimed at focusing our sales efforts on aftermarket services where demand remains generally solid as new equipment investments have slowed.

Given the slowdown in tendering activity and global economic conditions, management maintains conservative business forecasts for upcoming quarters. Management is tracking market trends and closely monitoring global economic conditions and will continue to adapt to any changes in business outlook.

The Corporation's primary goal remains improving the financial performance and competitive positioning of its two core operating groups to expand their share of their existing geographic markets. In addition, strategy implementation for the integrated product and service offering, particularly for Ovivo's industrial market, is making headway, as evidenced by the wins and initiatives in the U.S. energy and microelectronics segments.

For fiscal 2013 as a whole, assuming exchange rates remain stable at current levels and in light of the outlook in the markets serviced by all groups, the Corporation expects consolidated revenues to range from $620 million to $670 million.

GLV remains focused on its objective of long-term value creation for its shareholders and reaching $1 billion in revenues. To do so, it will rely primarily on the positioning of Ovivo in an industry with solid organic growth potential resulting from increasing world demand for water, as well as growth potential from acquisitions due to the highly fragmented nature of the industry. Given its overall financial performance and flexibility to adjust to economic conditions, the Pulp and Paper Group continues to be a major component of our corporate strategy. Moreover, GLV enjoys a solid financial position and an adequate capital structure to support current operations and pursue development projects.

10. RISKS AND UNCERTAINTIES

In the course of business, the Corporation is subject to a certain number of risks that management assesses on an ongoing basis. Management has developed measures and indicators to manage these risks across the Corporation and its subsidiaries. In particular, senior executives of the two core operating groups, namely Ovivo and the Pulp and Paper Group comprising representatives from finance, legal affairs, operations, human resources and information technology are responsible for identifying, implementing and monitoring risk management measures in accordance with the governance structure defined by the Corporation's senior management. 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.

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 activities. These risks and uncertainties have been prioritized and described below.

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 outsources 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 and commercial risk assessments, legal reviews of contracts, the application of cash, cost management and project schedule controls, revisiting forecasts with regard to project completion and other provisions designed to manage and mitigate risk exposures. In addition, the Corporation typically elects to retain a portion of potential losses 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 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 its 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.

Regulatory and legal risk

Given the nature of its international operations, the Corporation is required to comply with a large range of local, national and international laws enforced by governments or other authorities. Non-compliance with these laws and regulations on the part of employees, agents, subcontractors, suppliers and partners could have an adverse impact on the Corporation's results and reputation.

Foreign exchange risk and foreign exchange 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 its 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 contracts to manage the foreign exchange risk related to certain large-scale contracts won by its subsidiaries. However, foreign exchange 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. 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. Annually or when there is evidence of impairment, the Corporation conducts an impairment test of its goodwill and intangible assets to track changes in their value and reports its findings in its MD&A and consolidated financial statements.

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.

Global economic conditions and political environment may also have an important impact on Ovivo's backlog, particularly during economic slowdowns. Any reduction in backlog will have repercussions on the Corporation's future revenues. Although Ovivo operates in diversified markets, a significantly negative performance in any one market could have an adverse impact on its operations, future financial position and operating results.

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 temporary 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.

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 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 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, 2012, no single client of either Ovivo or the Pulp and Paper Group accounted for more than 10% of the revenues of their respective group.

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 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.

11. ACCOUNTING POLICIES AND IFRS

(a) Critical accounting policies and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to exercise judgment in developing estimates and making forward-looking assumptions that affect the amounts reported in the consolidated financial statements. Actual results could give rise to adjustments to the reported amounts of assets, liabilities and earnings (loss) in subsequent periods, and those adjustments could be material.

The Corporation's most significant policies, estimates and assumptions consist of the following:

Revenue recognition

The calculation of expected costs in respect of new equipment sales contracts requires the use of estimates, such as total revenues expected from a given contract, as well as the measurement of total costs to be incurred to complete the contract. As a result, the percentage of completion of contract work is determined by dividing total costs incurred to date by total expected costs. These costs, which are measured periodically, could be affected by various factors such as changes in maturities, material costs or labour costs. In such a case, project margins could be directly affected.

Management performs quarterly follow-ups on its largest contracts to review the accuracy of its estimates, particularly those used in the measurement of total expected costs and the amount of revenues that were recognized based on the percentage of work completed.

Revenues are recognized to the extent it is probable that the economic benefits will accrue to the Corporation and the revenues can be reliably measured. Revenues are measured at the fair value of the consideration receivable, excluding discounts, rebates and sales taxes.

The Corporation's revenues are derived primarily from new equipment sales contracts, the sale of parts and the provision of services. These various types of revenue are accounted for using different methods. The following specific recognition criteria must also be met before revenues are recognized:

New equipment contracts
As soon as the amount of a new equipment contract can be reliably estimated, contract revenues and expenses are recognized in the consolidated statement of earnings (loss) 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 (loss).

Contracts in progress
Contracts in progress include direct labour, materials and overhead costs plus any estimated margin on such costs. General and administrative expenses are recognized as incurred. Contracts in progress relate to revenues recognized by the Corporation as the work progresses, according to the revenue recognition method applied, in excess of client billings, and are recorded at their estimated net realizable value.

Deferred revenues
Deferred revenues refer to client billings, according to the revenue recognition method applied, in excess of revenues recognized by the Corporation.

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

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

Contractual arrangements with multiple revenue categories
The Corporation may enter into contractual arrangements with a client whereby, for a single project, deliverables from several revenue categories – construction and manufacture of new equipment, technical services, maintenance and parts – may be included. When entering into such arrangements, the Corporation assesses each activity based on its fair value or the best estimate of the selling price. Accordingly, when entering into such arrangements for a single project, the value of each revenue category is based on the fair value of the related deliverable and recognized according to the respective revenue recognition methods described above.

Provision for doubtful accounts

The measurement of the provision for doubtful accounts is based on certain assumptions and assessments as to clients' ability to pay their outstanding balances. These estimates are based primarily on overall client payment history or a specific analysis of client's ability to meet their obligations to the Corporation in special cases.

Goodwill and long-lived assets

To determine the recoverable amount, goodwill and other long-lived assets that cannot be measured on their own are grouped into cash-generating units ("CGUs"), defined as the smallest group of assets generating cash inflows that are largely independent.

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized; the goodwill of each CGU is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment losses cannot be reversed in subsequent periods.

An impairment loss, representing the difference between the CGU's carrying amount and its recoverable amount, is recognized where the CGU's carrying amount exceeds its recoverable amount. A CGU's recoverable amount is the greater of value in use and fair value less cost to sell. The Corporation determined the recoverable amount using value in use for some CGUs and fair value less cost to sell for other CGUs. The method used to determine recoverable amount varies based on available data and each CGU's different business environments. A CGU's value in use was determined using valuation models based on normalized estimated discounted future cash flows. Future cash flows are based on the Corporation's projections over a three-year period. Beyond this period, projections are extrapolated using an assumed growth rate of 1% to 2%. Fair value less cost to sell was determined using valuation multiples on expected income (loss) before amortization, interest and income taxes.

The Corporation has set March 31 as its annual impairment test date.

The carrying amounts of long-lived assets–property, plant and equipment and intangible assets–are reviewed at the end of each reporting period to assess whether there is any indication that an asset is impaired. Where such indication exists, the recoverable amount (the greater of fair value less costs to sell and value in use) of the asset is estimated.

Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data: discount rates, terminal values and growth rates. Fair value less costs to sell is calculated by reference to comparable transactions in the industry. When an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized in earnings (loss) for the year. Impairment losses recognized in respect of property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets once again exceeds their net carrying amount. The value of the asset following the reversal of an impairment loss may not exceed the carrying amount that would have been determined if the impairment had not been recognized in prior periods, net of amortization.

The Corporation's core CGUs consist of Industrial, Desalination and Municipal Europe/Middle East/Africa ("EMEA"), Municipal North America, Pulp and Paper, and Other (comprising various CGUs with goodwill and intangible assets whose carrying amounts are not material to the aggregate carrying amounts of the Corporation's goodwill and intangible assets). For annual impairment testing purposes, goodwill was allocated to the CGUs as follows:

	March 31, 2012		
	Before asset impairment	Asset impairment	After asset impairment
	$	$	$
Industrial	56,174	(15,584)	40,590
Desalination and Municipal EMEA	20,674	(15,683)	4,991
Municipal North America	9,690	–	9,690
Pulp and Paper	4,313	–	4,313
	90,851	(31,267)	59,584

The Corporation completed annual goodwill impairment testing as at March 31, 2012. The recoverable amount of the four core CGUs presented above was determined using fair value less costs to sell. Fair value was measured by the Corporation using valuation multiples for expected operating income (loss) before amortization, interest and income taxes. To complete this measurement, management established projections for the year ending March 31, 2013, which were approved by the Corporation's Board of Directors. The projections were prepared based on both historical data and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount of each CGU. The Industrial CGU had a multiple of 7.4 and an observed range of 7.1 to 8.5. The Municipal North America CGU had a multiple of 8.0 and an observed range of 7.1 to 8.5. The Desalination and Municipal EMEA CGU had a multiple of 6.1 and an observed range of 5.4 to 6.8. The Pulp and Paper CGU had a multiple of 5.5 and an observed range of 5.0 to 6.1. Valuation multiples are determined based on comparable market data, each CGU's risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

Impairment testing determined that the carrying amounts of Industrial and Desalination and Municipal EMEA CGUs exceeded their fair value, resulting in a goodwill impairment charge of $31,267 for the year ended March 31, 2012. For the Desalination and Municipal EMEA market, the goodwill impairment arose primarily from the very poor performance of a division within this CGU, which led to significant changes in the Corporation's strategy, thereby reducing the growth outlook for the desalination market. In addition to the goodwill impairment charge for this CGU, the Corporation recognized an impairment loss on intangible assets related to its trademark (note 11). For the Industrial market, the goodwill impairment charge arises from economic uncertainty and past profitability challenges in certain divisions within this CGU.

For the Municipal North America and Pulp and Paper CGUs, using the assumption of the lower end of the value multiple range or a 5% reduction in expected operating income before amortization, interest and income taxes would have had no effect on the impairment charge.

For the Industrial CGU, using the assumption of the lower end of the value multiple range or a 5% reduction in expected operating income before amortization, interest and income taxes would have increased the impairment charge by approximately 25% and 35%, respectively, according to the scenario in question.

For the Municipal EMEA CGU, using the assumption of the lower end of the value multiple range or a 5% reduction in expected operating income before amortization, interest and income taxes would have increased the impairment charge by approximately 20% and 10%, respectively, according to the scenario in question.

Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to reverse or be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings (loss) in the period in which the rates are enacted or substantively enacted. Deferred tax assets are recognized only when their realization is deemed probable.

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.

Other

Apart from those discussed above, the Corporation's estimates pertain to provisions on inventories, useful lives of assets for calculating amortization, provisions (relating in particular to warranties and assessment of dispute settlements), assumptions regarding defined benefit pension plans and stock-based compensation.

(b) International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The consolidated financial statements for the years ended March 31, 2012 and 2011 are the Corporation's first annual financial statements under IFRS. The Corporation started applying IFRS on April 1, 2010, its transition date.

Note 32 to the consolidated financial statements accompanying this MD&A provides substantive explanations on the impact of IFRS. This note also discloses elections under IFRS 1, *First-time Adoption of IFRS,* and the reconciliation tables of financial information published in previous periods according to Canadian GAAP specifically for the financial position and the equity as at March 31, 2011 and April 1, 2010, as well as earnings (loss) and comprehensive income (loss) for the year ended March 31, 2011. The discussion below outlines the impacts of transition to IFRS and should be read in conjunction with the reconciliation tables included with the audited consolidated financial statements:

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 actuarial differences unrecognized as at the transition date were recognized in the statement of financial position in the amount of $2,025 with a corresponding amount under accumulated deficit. In addition, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are carried to other comprehensive income (loss) for the year in which they arise. This change also has an impact on the pension plan expense under IFRS.

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 foreign operations whose functional currency differs from the Corporation's presentation currency. Accordingly, the accumulated translation adjustments recognized as at the transition date totalling $39,958 have been reclassified to the accumulated deficit.

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 base 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-Scholes 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.

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 $1,203 in equity in respect of stock options with corresponding charges to the deficit.

For the year ended March 31, 2011, the Corporation recognized an additional liability and expense of $420 relating to SARs, as well as a decrease in the contributed surplus and in the corresponding charge to net loss of $386 in respect of stock options.

IAS 31, *Interest in Joint Ventures*

Under Canadian GAAP, joint ventures were consolidated in proportion to the interests held. Although this treatment is also authorized under IFRS, it is also possible to consolidate interests in joint ventures using the equity method.

Following recent developments on this issue and the unavailability of the choice of method for fiscal years starting on or after January 1, 2013, the Corporation decided to use the equity method to account its joint ventures. Accordingly, all joint venture assets and liabilities were reclassified as a single line item on the statement of financial position.

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 purchase price allocation was not finalized as yet in the Canadian GAAP financial statements. In such cases, IFRS 1 and IFRS 3 require that the opening statement of financial position reflect the final allocation of the purchase price. As this transaction took place after the transition date, it must be restated in accordance with IAS 27, *Consolidated and Separate Financial Statements*, which considers the acquisition of interests subsequent to acquiring control as a transaction between shareholders without impact on the assets and liabilities of the acquired business. Accordingly, the impact on the opening statement of financial position of all the adjustments to the acquisition price that were recognized in the quarterly and annual 2011 Canadian GAAP financial statements is as follows: increases in assets, liabilities and accumulated deficit by $8,389, $8,480 and $91, respectively.

This final allocation is the same as that shown in the Canadian GAAP financial statements as at March 31, 2011, adjusted for the acquisition costs of the remaining 7.4% non-controlling interest acquired in September 2010, thereby reducing the amount attributed to goodwill.

IAS 11, *Construction Contracts*

In accordance with this standard, contract revenues were adjusted to reflect penalties levied due to performance delays in respect of certain contracts. These penalties, in the amount of $3,895, were originally presented in contract costs rather than as a reduction of revenues.

IAS 12, *Income Taxes*

Deferred taxes, together with the tax impacts of restatements under other financial statement items, were reclassified from current under Canadian GAAP to non-current under IFRS to comply with IAS 1 presentation requirements.

Other adjustments and reclassifications

Deferred financing costs
Given that 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 accumulated deficit, which resulted in a $1,009 decrease in other assets. For the year ended March 31, 2011, the Corporation restated the portion of these financing costs that were charged to net loss with a credit in the amount of $362 with an offset to other assets.

Deferred gain on sale
The Corporation leases a building it sold in 2004. Under Canadian GAAP, the realized gain on sale over 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 entry to accumulated deficit, which resulted in a $1,596 decrease in other liabilities. For the year ended March 31, 2011, the Corporation recorded a $434 restatement adjustment to the amortization of this gain through earnings, with a corresponding decrease in other liabilities.

Provisions
The balances of provisions defined in IAS 37 were reclassified to provisions (current and non-current) under liabilities. The amounts reclassified as provisions are mainly related to contracts and other.

(c) Future changes in accounting policies

IFRS 7, *Financial Instruments: Disclosures*

In December 2011, the IASB amended this standard to set out additional disclosure requirements regarding the offsetting of financial assets and financial liabilities. The standard was also amended to reflect the effects of adopting IFRS 9, *Financial Instruments*.

IFRS 9, *Financial Instruments*

In November 2009, the IASB released IFRS 9, *Financial Instruments*, which provides a model for the recognition, classification and measurement of financial instruments, replacing the guidance set out in IAS 39, *Financial Instruments: Recognition and Measurement.* In December 2011, it was determined that the standard will be effective for fiscal years beginning on or after January 1, 2015.

IFRS 10, *Consolidated Financial Statements*

On May 12, 2011, the IASB released IFRS 10, *Consolidated Financial Statements*, which provides for a single consolidation model based on a qualitative definition of control, replacing the guidance set out in IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*.

IFRS 11, *Joint Arrangements*

On May 12, 2011, the IASB released IFRS 11, *Joint Arrangements*, which supersedes IAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities: Non-Monetary Contributions by Venturers*. This standard prohibits consolidating joint ventures using the proportionate consolidation method and eliminates the distinction between jointly controlled assets and jointly controlled operations.

IFRS 13, *Fair Value Measurement*

On May 12, 2011, the IASB released IFRS 13, *Fair Value Measurement*, which provides a single definition of fair value, eliminating inconsistencies between other definitions set out in various existing standards (financial instruments, property, plant and equipment, investment properties, etc.). In addition, the standard carries forward fair value disclosure requirements for financial instruments and extends their scope to all items measured at fair value.

IAS 19, *Employee Benefits*

The amendments to IAS 19 affect, among other things, the recognition of defined benefit expense and the presentation of the revaluation component in other comprehensive income (loss), which eliminates the previously available option under IAS 19 to recognize or carry forward changes in the accrued benefit obligation and the fair value of plan assets directly through the statement of earnings (loss). IAS 19 also introduces a net interest cost approach which replaces expected return on plan assets and interest expense related to the defined benefit obligation by a single net interest cost component computed by multiplying the net defined benefit asset or liability recognized by the discount rate used to determine the defined benefit obligation. In addition, total past service costs will now be recognized through earnings (loss) when the plan is amended with deferral to future service periods no longer permitted.

IAS 28, *Investments in Associates and Joint Ventures*

The amendments to IAS 28 prohibit proportionate consolidation of interests in associates and joint ventures. Use of the equity method will be mandatory. Under this method, the investment in an associate or a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of net earnings (loss) of the investee after the date of acquisition. These amendments will not have any impact on the Corporation's financial statements given that the interests in joint ventures are already recognized using the equity method.

IAS 32, *Financial Instruments: Presentation*

In December 2011, the IASB amended this standard for consistency in the application of certain financial asset and financial liability offsetting criteria.

The Corporation has not yet assessed the impact of adopting these new standards (except for IAS 28), which are effective for fiscal years beginning on or after January 1, 2013, except IAS 32 and IFRS 9, which are effective for fiscal years beginning on or after January 1, 2014 and 2015, respectively.

12. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

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

- **EBITDA**: net earnings (loss) before amortization, net financial expenses (including credit facility renewal fees), foreign exchange loss (gain), loss (gain) related to derivative financial instruments, income taxes and share of loss (gain) in joint ventures;
- **Normalized EBITDA**: EBITDA before items recorded outside the normal course of business, including restructuring costs;
- **Normalized net earnings (loss)**: earnings (loss) before items recorded outside the normal course of business, including restructuring costs;
- **Cash flows provided by (used in):** cash flows from operating activities, less additions to property, plant and equipment (net of disposals);
- **Cash flows provided by (used in) per share:** free cash flow (negative free cash flow) divided by the weighted average number of participating shares outstanding during the reporting period.

Such measures enable management to assess the operational and financial performance of its operating divisions. 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 other performance measures calculated under IFRS. 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 or disposals, the Corporation uses the organic growth measure. The organic growth is computed by eliminating the impact of revenue from acquisitions or disposals with the comparative period of the previous fiscal year, at constant exchange rates.

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 include a contract in the backlog even though the contract has not been signed if the stages to be completed are administrative in nature or deemed not to be significant. Management may also 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 non-IFRS financial measures from the Corporation's consolidated statement of earnings (loss).

	Quarter ended March 31, 2012				Year ended March 31, 2012			
(in thousands of $)	Ovivo	Pulp and Paper	Other	**Consolidated earnings (loss)**	Ovivo	Pulp and Paper	Other	**Consolidated earnings (loss)**
As presented on the financial statements:								
Operating income (loss)				(46,969)				(41,146)
Asset impairment				40,922				40,922
Amortization				3,381				14,629
Net earnings (loss) before amortization, net financial expenses (including credit facility renewal fees), foreign exchange loss (gain), loss related to derivative financial instruments, income taxes and share of loss in joint ventures	(4,093)	5,200	(3,773)	(2,666)	8,952	14,144	(8,691)	14,405
Normalized items	2,187	1,491	1,262	4,940	3,345	1,491	1,262	6,098
Normalized EBITDA	(1,906)	6,691	(2,511)	2,274	12,297	15,635	(7,429)	20,503

	Quarter ended March 31, 2011				Year ended March 31, 2011			
(in thousands of $)	Ovivo	Pulp and Paper	Other	**Consolidated earnings (loss)**	Ovivo	Pulp and Paper	Other	**Consolidated earnings (loss)**
As presented on the financial statements:								
Operating income				3,615				2,157
Asset impairment				611				611
Amortization				4,695				18,219
Net earnings (loss) before amortization, net financial expenses (including credit facility renewal fees), foreign exchange loss (gain), loss related to derivative financial instruments, income taxes and share of loss in joint ventures	8,397	4,840	(4,316)	8,921	20,507	15,404	(14,924)	20,987
Normalized items	(1,655)	-	183	(1,472)	(1,381)	-	820	(561)
Normalized EBITDA	6,742	4,840	(4,133)	7,449	19,126	15,404	(14,104)	20,426

13. 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 as of March 31, 2012. 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 IFRS.

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, 2012 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, CPA, CA
Executive Vice-President and Chief Financial Officer

June 7, 2012