Management's Discussion and Analysis

Second quarter of Fiscal 2013
Three-month and six-month periods ended September 30, 2012

Table of Contents

1. PRELIMINARY COMMENTS TO THE INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS 2
2. NOTICE REGARDING FORWARD-LOOKING STATEMENTS 2
3. PROFILE OF THE CORPORATION 3
4. HIGHLIGHTS 4
5. ANALYSIS OF CONSOLIDATED OPERATING RESULTS 6
6. SUMMARY OF QUARTERLY PERFORMANCE 17
7. FINANCIAL SITUATION AND CASH FLOWS 18
8. BACKLOG AND OUTLOOK 21
9. RISKS AND UNCERTAINTIES 23
10. ACCOUNTING POLICIES 24
11. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES 25
12. CONTROLS AND PROCEDURES 28

November 8, 2012

Unless otherwise indicated, all amounts are in Canadian dollars.

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

This interim 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 November 8, 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 interim MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the three−month and six−month periods ended September 30, 2012, as well as with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2012. The interim condensed consolidated financial statements for the three-month and six-month periods ended September 30, 2012 and 2011 have not been reviewed or audited by the Corporation's external auditors.

The financial information presented in this interim MD&A, including tabular amounts, is prepared in accordance with the International Financial Reporting Standards ("IFRS") unless otherwise indicated.

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 ending March 31, 2013 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2013", "fiscal 2012" and so forth. The "second quarter of fiscal 2013" and the "second quarter of fiscal 2012" refer to the three−month periods ended September 30, 2012 and 2011, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three−month and six−month periods ended September 30, 2012 is performed in relation to the equivalent periods ended September 30, 2011, whereas the comparative analysis of the financial situation as at September 30, 2012 is performed in relation to data recorded as at March 31, 2012.

This interim MD&A also uses non−IFRS financial measures. Please refer to the section 11, "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 MD&A for the year ended March 31, 2012 and press releases are available on the websites of SEDAR (www.sedar.com) and the Corporation (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 interim 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 interim 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 the MD&A for the fiscal year ended March 31, 2012.

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 2,100 employees as at September 30, 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 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. Ovivo's offering also includes rebuilding, upgrading and optimization services for existing equipment, the sale of spare parts as well as maintenance services.

- The **Pulp and Paper Group** designs and globally markets, under the GL&V brand, 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 promotes an entrepreneurial culture across the organization and implements a business strategy based on four main axes:

- ***Development of growing markets***
  The Corporation operates worldwide. It strives to expand its presence in its traditional markets of North America and Europe, while continuing business development efforts in areas of the world where water processing and pulp and paper industries boast growth potential, such as Southeast Asia, the Middle East, China, India and Russia. GLV leverages its in‑house expertise to develop and offer its clients unmatched technologies and know‑how. Meanwhile, Ovivo focuses on developing energy, and electronics and metals markets in the industrial segment as well as the municipal market in North America, Europe, the Middle East and Africa.

- ***Development of aftermarket services***
  Aftermarket services, including the sale of spare parts, optimization and maintenance of equipment, and the operation of water treatment facilities, generate recurring revenue streams and added value. The Pulp and Paper Group is already active in this market in North America and Europe, and targets as well regions with growing demand for this type of services. Offering aftermarket services is also an integral part of Ovivo's business development strategy across all of its segments.

- ***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 is considered a cost advantage as it gives the Corporation sufficient flexibility 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 technologies complementary to its current technologies, and to expand its commercial presence in regions with growth potential.

4. HIGHLIGHTS

Although the Corporation's operating results for the quarter ended September 30, 2012 declined compared with the second quarter of the previous fiscal year, the markets targeted by the refocusing of Ovivo's business strategy initiated last August showed promising signs. The energy and municipal markets in Europe, the Middle East and Africa reached or exceeded management's profitability targets while continuing to excel in contract performance and monitoring. Second quarter operating results in the U.S. municipal market and the electronics and metals market decreased compared with the same quarter of the previous fiscal year, stemming primarily from the lower backlog during the second half of the previous fiscal year. This situation improved as at September 30, 2012 with a significant growth in the backlog of each of the two segments allowing the electronics and metals market to reach an 18‑month high. Furthermore, Ovivo's normalized adjusted EBITDA margin stands at nearly 5%, improving on performance in the same quarter of the previous fiscal year and the first quarter of the current fiscal year.

Ovivo's refocusing plan announced last August is progressing as expected. Nearly half of the planned 10% workforce reduction for the group has been achieved and remaining half should be completed by the end of the current fiscal year, which should generate annualized savings of approximately $7 million once the plan is fully implemented. These measures are expected to give rise to restructuring costs of about $2 million, half the initially estimated cost of $4 million, mainly for severance benefits. Restructuring costs of $1.6 million, including costs related to Ovivo's refocusing plan, were recognized in the second quarter of 2013.

The Pulp and Paper Group's results matched management expectations although weaker than in the previous fiscal year, primarily due to lower operating volumes in Europe and Asia.

For the second quarter of 2013, the Corporation reported a net loss attributable to shareholders of GLV Inc. of $6.3 million or $0.14 per share, basic and diluted, compared with net earnings of $4.4 million or $0.10 per share for the same quarter of the previous fiscal year. The decline stemmed primarily from lower operating income following restructuring costs of $1.6 million, an impairment charge of $1.1 million, the impact of foreign exchange losses and the higher income tax expense, among other factors.

For the six-month period ended September 30, 2012, the Corporation reported a net loss attributable to shareholders of GLV Inc. of $11.8 million or $0.27 per share, basic and diluted, compared with net earnings of $0.3 million or $0.01 per share for the same period of the previous fiscal year. The weaker results were caused by the same unfavourable factors discussed above.

The backlog as at September 30, 2012 stood at $338.7 million, down slightly from the two previous quarters. At constant exchange rates and excluding the backlog of Ovivo Finland that was sold after the end of the second quarter of 2013, Ovivo's backlog grew compared with the previous quarter. This increase, at constant exchange rates, results primarily from significant order taking in the electronics and metals market and in the municipal segment in North America, partially offset by a decrease in the energy and municipal markets in Europe, the Middle East and Africa. The backlog for Ovivo's aftermarket also increased compared with the past two quarters, following implementation of Ovivo's refocusing strategy aimed at significantly increasing this market with recurring revenues. For the Pulp and Paper Group, as discussed above, slowing economies in Europe and Asia led to a lower backlog compared with the past two quarters.

For fiscal 2013 as a whole, assuming exchange rates remain stable at current levels and in light of the outlook in the segments serviced by each group, and in particular the refocusing of Ovivo's operations, the Corporation expects consolidated revenues to range from $600 million to $650 million.

5. ANALYSIS OF CONSOLIDATED OPERATING RESULTS

Selected information

	Quarters ended September 30		Six-month periods ended September 30	
(In thousands of $, except per share amounts and percentages)	**2012**	2011	**2012**	2011
Revenues	**142,759**	173,916	**290,231**	324,337
Ovivo	**87,304**	108,393	**172,754**	197,853
Pulp and Paper	**48,598**	54,609	**102,775**	105,887
Other	**6,857**	10,914	**14,702**	20,597
Adjusted EBITDA	**3,319**	6,536	**8,331**	10,553
Ovivo	**2,957**	3,787	**6,081**	7,282
Pulp and Paper	**2,891**	4,215	**7,121**	6,453
Other	**(2,529)**	(1,466)	**(4,871)**	(3,182)
Normalized adjusted EBITDA	**4,890**	7,318	**9,902**	11,335
Ovivo	**4,205**	4,569	**7,329**	8,064
Pulp and Paper	**2,891**	4,215	**7,121**	6,453
Other	**(2,206)**	(1,466)	**(4,548)**	(3,182)
Normalized adjusted EBITDA margin (as % revenues)	**3.4%**	4.2%	**3.4%**	3.5%
Ovivo	**4.8%**	4.2%	**4.2%**	4.1%
Pulp and Paper	**5.9%**	7.7%	**6.9%**	6.1%
Other	**n/a**	n/a	**n/a**	n/a
Net earnings (loss) attributable to shareholders of GLV Inc.	**(6,254)**	4,359	**(11,794)**	268
Net earnings (loss):				
attributable to shareholders of GLV Inc.	**(6,254)**	4,359	**(11,794)**	268
attributable to non-controlling interests	**(11)**	(36)	**(11)**	(18)
Total	**(6,265)**	4,323	**(11,805)**	250
Generated cash flow (used cash flow):	**(1,649)**	10,601	**(17,807)**	3,114
Net earnings (loss) per share (basic and diluted)	**(0.14)**	0.10	**(0.27)**	0.01
Cash flows generated (used) per share (basic and diluted)	**(0.04)**	0.24	**(0.40)**	0.07

Financial ratios	**September 30, 2012**	March 31, 2012
Total net debt to invested capital ratio	**27.5%**	19.6%
Working capital ratio (excluding the current portion of long-term debt)	**1.63**	1.57

Revenues

	Quarters ended September 30		Change	Organic growth[1]	Six-month periods ended September 30		Change	Organic growth[1]
(in thousands of $)	**2012**	2011	%	%	**2012**	2011	%	%
TOTAL	**142,759**	173,916	(17.9)%	(14.6)%	**290,231**	324,337	(10.5)%	(7.8)%
Ovivo	**87,304**	108,393	(19.5)%	(16.5)%	**172,754**	197,853	(12.7)%	(10.8)%
New equipment	**72,325**	94,216	(23.2)%		**142,359**	169,300	(15.9)%	
Sale of parts and provision of services	**14,979**	14,177	5.7%		**30,395**	28,553	6.5%	
Pulp and Paper	**48,598**	54,609	(11.0)%	(10.3)%	**102,775**	105,887	(2.9)%	(2.9)%
New equipment	**15,747**	23,822	(33.9)%		**36,934**	43,539	(15.2)%	
Sale of parts and provision of services	**32,851**	30,787	6.7%		**65,841**	62,348	5.6%	
Other	**6,857**	10,914	(37.2)%	(17.4)%	**14,702**	20,597	(28.6)%	(3.2)%

(1) *Organic growth is described in section 11 "Reconciliation of non-IFRS financial measures" in this MD&A.*

Revenues for the second quarter of 2013 declined by $31.2 million from the same period of the previous fiscal year, largely due to the net decrease of $21.1 million in new equipment sales recorded by Ovivo. The Pulp and Paper Group also reported a decline in revenues, of $6.0 million, resulting from an $8.1 million decrease in new equipment sales, partially offset by a $2.1 million increase in sales of parts and provision of services. Exchange rate fluctuations, particularly the weakening of the euro and the South African rand against the Canadian dollar, and the sale of a subsidiary of the Other group in the fourth quarter of 2012 had unfavourable impacts of $4.0 million and $2.0 million, respectively.

Revenues for the first half of 2013 fell $34.1 million from the first half of 2012 due to decreases in revenues of $25.1 million, $3.1 million and $5.9 million, respectively, at Ovivo, Pulp and Paper Group and Other. For both core operating groups, Ovivo and the Pulp and Paper Group, new equipment sales were lower but sales of parts and provision of services were higher. Exchange rate fluctuations, particularly the weakening of the euro and the South African rand against the Canadian dollar, and the sale of a subsidiary of the Other group in the fourth quarter of 2012 had unfavourable impacts of $4.7 million and $4.5 million, respectively.

Ovivo

Lower revenues in the second quarter of 2013 compared with the corresponding period of 2012 was mainly caused by a decline in the electronics and metals market and the pulp and paper market specialized in water treatment, and the completion of desalination projects (with negative margins in 2012) arising from the Christ Water Technology (CWT) acquisition. The electronics and metals segment's performance was all the more weaker given the greater operating volume in the second quarter of 2012 compared with a reduced backlog since the second half of fiscal 2012. Lower revenues were partly offset by strong growth in the energy segment. Unfavourable exchange rate fluctuations, particularly the euro and the South African rand against the Canadian dollar, amounted to $3.2 million for the second quarter of 2013 at Ovivo.

The decline in revenues for the six-month period ended September 30, 2012 compared with the same period of 2012 was mainly caused by the same factors as for the second quarter plus the impact of the municipal segment in North America. Lower revenues for the municipal segment in North America stemmed from the decreased backlog during the second half of 2012 and the economic conditions affecting this market. The decline in revenues was mitigated by growth in the municipal market in Europe, the Middle East and Africa, mostly during the first quarter of 2013, and significant energy segment growth.

The unfavourable foreign exchange impact, particularly related to the euro and the South African rand, amounted to $3.8 million for the first half of 2013, largely arising during the second half of 2012 since the euro's weakening in the first quarter of 2013 was partly offset by the stronger U.S. dollar.

Pulp and Paper Group

The Pulp and Paper Group reported lower new equipment sales for the second quarter of 2013 compared with the same period of the previous fiscal year, due to the decrease in its backlog during the first quarter of 2013 following a slowdown in the market, mainly in Europe and Asia. Revenues fell less sharply over the first half of 2013 since a greater operating volume was recognized during the first quarter of 2013 based on work completed. Revenues from the sale of parts and provision of services were up for the three-month and six-month periods ended September 30, 2012, supported by solid demand in North America. Currency fluctuations had little impact on group revenues for the same periods.

Other

The Other group reported weaker revenues for the three-month and six-month periods ended September 30, 2012 compared with the same periods of the previous fiscal year, partly owing to the sale of a manufacturing unit in the fourth quarter of 2012 that reduced revenues by $2 million and $4.5 million, respectively. In addition, the lower operating volume at the Van Der Molen division was partially offset by growth in the manufacturing segment for a second consecutive quarter following a larger backlog at the end of fiscal 2012 and efficient contract performance.

Revenues by geographic segment based on destination address

	Total		Ovivo		Pulp and Paper	
	Twelve-month periods ended September 30					
	2012	2011	**2012**	2011	**2012**	2011
	(as % of consolidated revenues)		*(as % of Group revenues)*			
North America	**43.1%**	40.4%	**30.6%**	33.5%	**66.0%**	57.6%
Europe and Russia	**27.1%**	27.7%	**31.8%**	27.9%	**16.7%**	22.3%
Asia and Asia-Pacific	**15.4%**	19.8%	**19.3%**	24.9%	**10.4%**	12.8%
Middle East and Africa	**11.0%**	9.0%	**16.3%**	11.9%	**0.7%**	1.4%
Latin America	**3.4%**	3.1%	**2.0%**	1.8%	**6.2%**	5.9%

The geographic breakdown of revenues by destination address for the most recent twelve-month period is comparable to the previous period with a downward trend in Asia and Asia-Pacific for the two core operating groups. North American revenues showed an upward trend, bolstered by the breakdown of Pulp and Paper Group revenues and the related operating volumes. However, the Pulp and Paper Group reported lower revenues in Europe and Russia. Ovivo operates primarily in North America, Europe and Russia, while the Pulp and Paper Group's main market is North America.

Gross margin (excluding amortization)

	Quarters ended September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Change	Change at constant exchange rates
	2012	2011	%	%	**2012**	2011	%	%
In thousands of $	**32,144**	37,810	(15.0)%	(12.6)%	**66,081**	69,798	(5.3)%	(3.5)%
As % of revenues	**22.5%**	21.7%			**22.8%**	21.5%		

For the three-month and six-month periods ended September 30, 2012, gross margin as a percentage improved for the two core operating groups, Ovivo and the Pulp and Paper Group, compared with the corresponding periods of the previous fiscal year.

The lower gross margin in dollars is mainly attributable to Ovivo for the six-month period ended September 30, 2012 and partly to the Pulp and Paper Group for the second quarter of 2013, following the lower revenues discussed previously. An additional factor for Ovivo was the favourable impact of the near-completion of CWT projects in the desalination segment that had generated a significantly negative margin for the first half of 2012, partially offset by additional costs for completing several contracts in the food and beverage processing market that had been recognized since the beginning of fiscal 2013.

Selling and administrative expenses (excluding amortization)

	Quarters ended September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Change	Change at constant exchange rates
	2012	2011	%	%	**2012**	2011	%	%
In thousands of $	**27,254**	30,492	(10.6)%	(8.2)%	**56,179**	58,463	(3.9)%	(1.8)%
As % of revenues	**19.1%**	17.5%			**19.4%**	18.0%		

Selling and administrative expenses, as a dollar amount, for the three-month and six-month periods ended September 30, 2012 were lower than for the same periods of fiscal 2012, following cost cutting measures implemented at the end of the previous fiscal year and effective cost control in general. The higher expense as a percentage of revenues is attributable to the lower level of revenues compared with the corresponding periods of fiscal 2012 as explained previously.

Adjusted EBITDA and normalized adjusted EBITDA

	Quarters ended September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Change	Change at constant exchange rates
	2012	2011	%	%	**2012**	2011	%	%
(in thousands of $)								
Adjusted EBITDA	**3,319**	6,536	(49.2)%	(48.4)%	**8,331**	10,553	(21.1)%	(21.9)%
Ovivo	**2,957**	3,787	(21.9)%	(21.6)%	**6,081**	7,282	(16.5)%	(17.9)%
Pulp and Paper	**2,891**	4,215	(31.4)%	(31.8)%	**7,121**	6,453	10.4%	6.2%
Other	**(2,529)**	(1,466)	(72.5)%	(57.7)%	**(4,871)**	(3,182)	(53.1)%	(37.9)%
Normalized items	**1,571**	782	n/a	n/a	**1,571**	782	n/a	n/a
Ovivo	**1,248**	782	n/a	n/a	**1,248**	782	n/a	n/a
Pulp and Paper	**–**	–	n/a	n/a	**–**	–	n/a	n/a
Other	**323**	–	n/a	n/a	**323**	–	n/a	n/a
Normalized adjusted EBITDA	**4,890**	7,318	(33.2)%	(32.2)%	**9,902**	11,335	(12.6)%	(13.2)%
Ovivo	**4,205**	4,569	(8.0)%	(7.7)%	**7,329**	8,064	(9.1)%	(10.4)%
Pulp and Paper	**2,891**	4,215	(31.4)%	(31.8)%	**7,121**	6,453	10.4%	6.2%
Other	**(2,206)**	(1,466)	(50.5)%	(37.7)%	**(4,548)**	(3,182)	(42.9)%	(28.8)%
(as % of revenues)								
Normalized adjusted EBITDA margin	**3.4%**	4.2%			**3.4%**	3.5%		
Ovivo	**4.8%**	4.2%			**4.2%**	4.1%		
Pulp and Paper	**5.9%**	7.7%			**6.9%**	6.1%		
Other	**n/a**	n/a			**n/a**	n/a		

Ovivo

Ovivo reported a lower adjusted EBITDA for the second quarter of 2013 and the first half of 2013 compared with the corresponding period of the previous fiscal year. These decreases in operating volume in the electronics and metals market stemmed partly from the low backlog since the middle of the previous fiscal year. Also, additional costs were required to complete some contracts in the food and beverage processing segment. This decrease was partly offset by the favourable impact of the near-completion of desalination contracts with negative margins resulting from the acquisition of CWT that had generated a negative adjusted EBITDA in the first quarter and first half of fiscal 2012.

During the three-month period ended September 30, 2012, restructuring costs were incurred to implement the group's refocusing plan announced last August (see section on restructuring costs). Excluding these costs, the normalized adjusted EBITDA margin as a percentage of revenues improved compared with the second quarter of the previous fiscal year while remaining stable in the first half of 2013 compared with the same period of fiscal 2012.

Pulp and Paper Group

Driven by a high backlog as at March 31, 2012 and efficient performance of contracts in progress during the first quarter of 2013, the Pulp and Paper Group reported considerably higher adjusted EBITDA compared with the first quarter of 2012. Following a less important backlog in the second quarter of 2013, operating volume and adjusted EBITDA were lower than in the second quarter of 2012, but higher than for the six-month period ended September 30, 2012. The adjusted EBITDA margin as a percentage of sales was down in the second quarter of 2013 but to a level comparable to the same period in the previous fiscal year and to the first half of 2013.

Other

The Other group reported a lower adjusted EBITDA for the second quarter of 2013 compared with the same quarter of 2012 due to the overall decline in operating volume. More specifically, the manufacturing division's decline was caused by the unfavourable impact of the sale of a manufacturing subsidiary during the fourth quarter of 2012. The manufacturing unit in Canada generated a higher normalized adjusted EBITDA following increased organic growth in the segment and workforce management according to operating volume. Adjusted EBITDA at the Van Der Molen division decreased owing to a slowdown in operations over the second quarter of 2013.

The Other group reported a lower adjusted EBITDA for the first half of 2013 compared with the same period of 2012, stemming primarily from the recognition in the first quarter of 2012 of a gain on the sale of a building related to the closure of a Van Der Molen division unit. Despite the unfavourable impact resulting from the sale of a manufacturing subsidiary in the fourth quarter of 2012, the manufacturing units maintained their performance. Last, management continues to closely monitor head office costs.

Changes in normalized adjusted EBITDA and normalized adjusted EBITDA margin

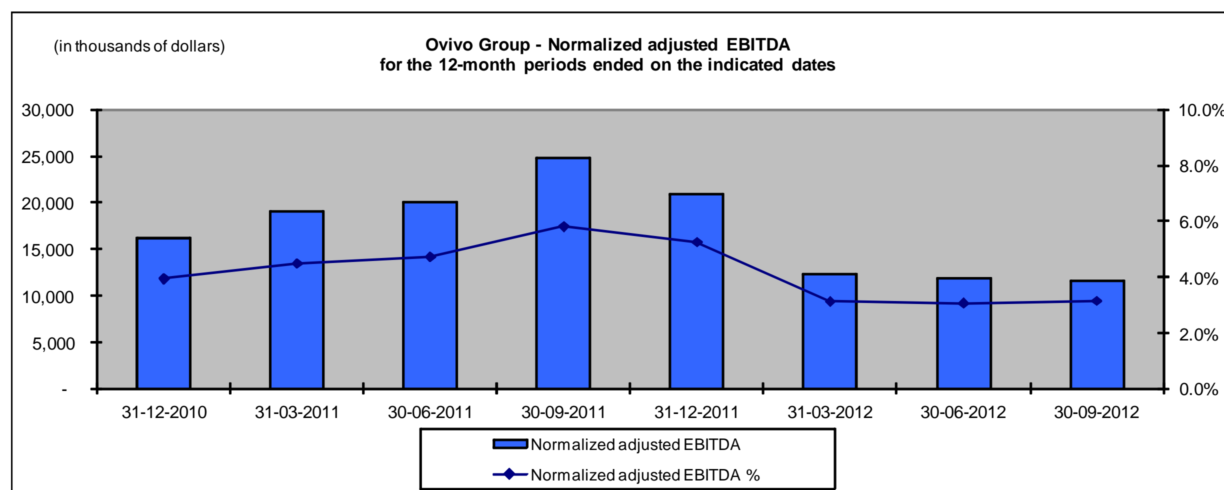
The graphs below show the changes in normalized adjusted EBITDA and normalized adjusted EBITDA margin for Ovivo and the Pulp and Paper Group for the twelve-month periods ended on the indicated dates. The results of periods prior to April 1, 2010 were prepared in accordance with Canadian generally accepted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

Ovivo

For the twelve-month periods ended since December 31, 2010 up to the second quarter of 2012, the graph shows some improvement in profitability, despite the unfavourable impact of the desalination segment in the fourth quarter of 2011 and particularly in the first quarter of 2012.

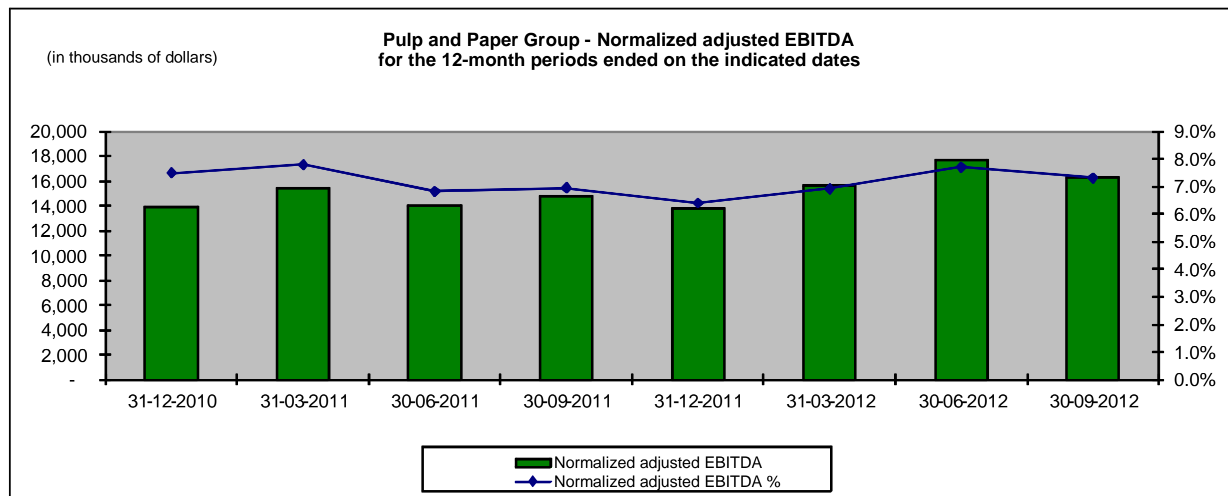
The lower profitability for the twelve-month periods ended December 31, 2011 and March 31, 2012 and to a lesser extent the period ended June 30, 2012 stems mainly from significantly negative results in the food and beverage processing market and the Canadian subsidiary operating in the municipal and industrial segment, which mostly impacted the fourth quarter of 2012. The electronics and metals market also slowed; given the large value of contracts in this segment, operating volume can vary significantly from one period to another.

This slowdown continued to affect normalized adjusted EBITDA at Ovivo for the twelve-month period ended September 30, 2012. For the same period, the near-completion of contracts with negative margins in the desalination segment favourably impacted the group's normalized adjusted EBITDA. Projects resulting from the CWT acquisition generated a negative margin for the first half of fiscal 2012.



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, temporarily lower profitability in the third quarter of 2012, with satisfactory results in the first two quarters and the fourth quarter of 2012, which were extended to the first quarter of 2013. Normalized adjusted EBITDA for the twelve-month period ended September 30, 2012 was reduced by the slower pace of execution of contracts in progress in the second quarter of 2013. The North American market still has solid business potential while the markets in Europe and Asia have slowed down.



Restructuring costs

Following changes to the Corporation's leadership team, particularly at Ovivo, announced in June 2012, Ovivo management has reviewed its business strategy to ensure a gradual improvement in profitability and long-term growth. This repositioning resulted in workforce reductions at several subsidiaries of Ovivo and the Other group. The related restructuring costs for the second quarter of 2013 and the six-month period ended September 30, 2012, mainly comprising severance benefits, totalled $1.6 million.

For the second quarter of 2012 and the six-month period ended September 30, 2011, restructuring costs amounted to $0.8 million. These costs consist primarily of reorganization costs of a subsidiary in the desalination segment whose negative performance had a significant impact on the Corporation's past results.

Amortization

	Quarters ended September 30		Change	Change at constant exchange rates	Six-month periods ended September 30		Change	Change at constant exchange rates
(in thousands of $)	**2012**	2011	%	%	**2012**	2011	%	%
Total	**3,229**	3,089	4.5%	(0.5)%	**6,360**	7,808	(18.5)%	(18.9)%
Property, plant and equipment	**1,427**	1,353	5.5%		**2,722**	2,730	(0.3)%	
Intangible assets	**1,802**	1,736	3.8%	.	**3,638**	5,078	(28.4)%	

The amortization expense for the three-month and six-month periods ended September 30, 2012 decreased, at constant exchange rates, owing mainly to the recognition of an impairment charge on intangible assets in the fourth quarter of the previous fiscal year, which reduced the expense for the current year. Also, CWT's backlog was fully amortized in the first quarter of the previous fiscal year, creating a favourable variance in 2013 for the six-month period ended September 30.

Impairment of assets and subsequent event

On October 11, 2012, the Corporation sold its shares in a subsidiary of Ovivo in Finland, specialized in the pulp and paper segment of water treatment, which is not a market targeted by Ovivo's refocusing strategy, for a consideration of one euro. An impairment charge of $1.1 million was recognized to report the subsidiary's net carrying amount at the lower of carrying amount and recoverable amount.

Net financial expenses

	Quarters ended September 30		Change	Six-month periods ended September 30		Change
(in thousands of $)	**2012**	2011	%	**2012**	2011	%
Total	**2,204**	2,136	3.2%	**4,034**	4,254	(5.2)%
Interest on long-term debt	**1,547**	1,726	(10.4)%	**2,925**	3,409	(14.2)%
Interest income	**(67)**	(92)	(27.2)%	**(261)**	(148)	76.4%
Other	**724**	502	44.2%	**1,370**	993	38.0%

Net financial expenses for the second quarter of 2013 were slightly up from the same period of the previous fiscal year due to higher other financial expenses and lower interest income. For the six-month period ended September 30, 2012, higher other financial expenses were offset by an increase in interest income and lower interest on long-term debt. For the second quarter of 2013 and the six-month period ended September 30, 2012, the Corporation recognized lower interest on long-term debt following the renewal of the credit facility under better borrowing conditions at the end of the third quarter of 2012. To a lesser extent, the repayment or cancellation of credit facilities at higher interest rates and the impact of the weakening of the euro and the U.S. dollar against the Canadian dollar (particularly in the second quarter, for the U.S. dollar) also contributed to lower interest on long-term debt.

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

	Quarters ended September 30		Change	Six-month periods ended September 30		Change
(in thousands of $)	**2012**	2011	$	**2012**	2011	$
Foreign exchange loss (gain)	**1,679**	(192)	1,871	**2,688**	(2,731)	5,419
Loss related to derivative financial instruments	**131**	981	(850)	**2,032**	3,007	(975)

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 second quarter of 2013 and the six-month period ended September 30, 2012 was mainly attributable to a weakening of the euro and the U.S. dollar (particularly the U.S. dollar in the second quarter) against the operating currencies of the Corporation's subsidiaries. For the second quarter of fiscal 2012, the foreign exchange gain arose primarily from the strengthening of the U.S. dollar against its Canadian counterpart. For the first six-month period ended September 30, 2011, the foreign exchange gain was triggered by an appreciation in the Swiss Franc against the euro.

The decline in loss related to derivative financial instruments for the second quarter of 2013 resulted from unrealized gains on foreign currency contracts outstanding as at September 30, 2012. For the six-month period then ended, the decline in loss related to financial instruments stemmed primarily from the decrease in realized losses on foreign currency contracts.

For the three-month and six-month periods ended September 30, 2012, unrealized losses arising from the unfavourable remeasurement of the total return swap, based on the price of the Class A subordinate voting share, were lower than in the same periods of the previous year.

Income taxes

	Quarters ended September 30		Change	Six-month periods ended September 30		Change
(In thousands of $, except percentages)	**2012**	2011	$	**2012**	2011	$
Earnings (loss) before income taxes	**(5,029)**	522	(5,551)	**(7,888)**	(1,785)	(6,103)
Income tax expense (recovery)	**1,280**	(3,665)	4,945	**3,728**	(1,945)	5,673
Effective tax rate (%)	**(25.5)%**	n/a		**(47.3)%**	109.0%	
Canadian statutory rate (%)	**26.9%**	26.9%		**26.9%**	26.9%	

The difference between the effective tax rate and the Canadian statutory rate resulted primarily from the current income tax expense in the U.S. and the valuation allowances for deferred tax assets of other subsidiaries. If these other subsidiaries report improved profitability in coming quarters, the Corporation will be able to make partial use of these deferred tax assets.

Net earnings (loss) attributable to shareholders of GLV Inc.

	Quarters ended September 30		Six-month periods ended September 30	
	2012	2011	**2012**	2011
(in thousands of $)				
Net earnings (loss) attributable to shareholders of GLV Inc.	**(6,254)**	4,359	**(11,794)**	268
Normalized net earnings (loss) attributable to shareholders of GLV Inc.	**(3,578)**	5,141	**(9,118)**	1,050
(In $ per share, basic and diluted)				
Net earnings (loss) attributable to shareholders of GLV Inc.	**(0.14)**	0.10	**(0.27)**	0.01
Normalized net earnings (loss) attributable to shareholders of GLV Inc.	**(0.08)**	0.11	**(0.21)**	0.02
Weighted average number of participating shares outstanding *(in thousands)*	**44,092**	44,092	**44,092**	44,092

For the second quarter of 2013, the unfavourable changes in net loss of the Corporation compared with the same period of the previous year resulted primarily from the downturn in certain markets, an impairment loss on the assets of an Ovivo subsidiary in Finland disposed of subsequent to September 30, 2012, an adverse foreign exchange effect and an increase in income tax expense, as previously discussed.

The unfavourable changes for the six-month period ended September 30, 2012 were similar, but more significant owing to higher foreign exchange losses in the first quarter of 2013.

6. SUMMARY OF QUARTERLY PERFORMANCE

	Quarters ended							
	Fiscal 2013		**Fiscal 2012**				**Fiscal 2011**	
(In thousands of $, except per share amounts)	**September 30, 2012**	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**
Revenues	**142,759**	147,472	173,614	161,663	173,916	150,421	168,235	185,966
Adjusted EBITDA	**3,319**	5,012	(2,666)	6,518	6,536	4,017	8,921	10,669
Normalized adjusted EBITDA	**4,890**	5,012	2,274	6,894	7,318	4,017	7,449	11,580
Operating income (loss)	**(1,015)**	1,881	(46,969)	3,078	3,447	(702)	3,615	6,121
Normalized operating income (loss)	**1,661**	1,881	(1,107)	3,454	4,229	(702)	2,754	7,032
Net earnings (loss) attributable to shareholders of GLV Inc.								
From continuing operations	**(6,254)**	(5,540)	(52,846)	(1,570)	4,359	(4,091)	(4,866)	3,453
per share (basic and diluted)	**(0.14)**	(0.13)	(1.20)	(0.04)	0.10	(0.09)	(0.11)	0.07
From normalized continuing operations	**(3,578)**	(5,540)	(6,984)	(1,194)	5,141	(4,091)	(5,799)	4,187
per share (basic and diluted)	**(0.08)**	(0.13)	(0.16)	(0.03)	0.11	(0.09)	(0.13)	0.09
From discontinued operations	**–**	–	–	–	–	–	(3,680)	(4,108)
per share (basic and diluted)	**–**	–	–	–	–	–	(0.08)	(0.09)
Total	**(6,254)**	(5,540)	(52,846)	(1,570)	4,359	(4,091)	(8,546)	(655)
per share (basic and diluted)	**(0.14)**	(0.13)	(1.20)	(0.04)	0.10	(0.09)	(0.19)	(0.02)
Net earnings (loss) attributable to non-controlling interests	**(11)**	–	76	10	(36)	18	316	(93)
Net earnings (loss)	**(6,265)**	(5,540)	(52,770)	(1,560)	4,323	(4,073)	(8,230)	(748)

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 fourth quarter of fiscal 2011;
- The recognition in the fourth quarter of 2011, the first two quarters and the fourth quarter of 2012 of additional costs required to complete some desalination contracts resulting from the acquisition of CWT;
- The impact of more challenging global economic conditions for certain business segments of the Corporation since the third quarter of 2012, although the Pulp and Paper Group reported sound results, offset by a disappointing performance by Ovivo in the fourth quarter of 2012;
- A return to positive normalized adjusted EBITDA and normalized operating income for Ovivo in the first quarter of 2013, despite lower revenues, resulting from efficient execution of contracts in progress and tight cost control.

7. FINANCIAL SITUATION AND CASH FLOWS

Excluding net acquisitions of property, plant and equipment, cash flow used in the second quarter of 2013 amounted to $1.6 million ($0.04 per share, basic and diluted) compared with generated cash flow totalling $10.6 million ($0.24 per share, basic and diluted) for the same quarter of 2012. For the six-month period ended September 30, 2012, cash flows used totalled $17.8 million ($0.40 per share basic and diluted) compared with generated cash flows amounting to $3.1 million ($0.07 per share, basic and diluted) for the corresponding period of last year.

	Quarters ended September 30		**Six-month periods ended September 30**	
(In thousands of $, except per share amounts)	**2012**	2011	**2012**	2011
Cash flows provided by (used in) operating activities before net changes in non-cash items	**(2,089)**	3,644	**(245)**	5,247
Net change in non-cash items related to operations	**1,550**	7,487	**(17,785)**	(1,531)
Additions to property, plant and equipment, net of disposals	**(1,110)**	(530)	**223**	(602)
Generated cash flow (used cash flow):	**(1,649)**	10,601	**(17,807)**	3,114
per share (basic and diluted)	**(0.04)**	0.24	**(0.40)**	0.07

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

	Quarter ended September 30	**Six-month period ended September 30**
(in thousands of $)	**2012**	**2012**
Trade and other receivables	**(5,827)**	**(453)**
Inventories	**2,040**	**996**
Contracts in progress	**1,332**	**3,204**
Prepaid expenses	**722**	**435**
Accounts payable and accrued liabilities, provisions and other liabilities	**1,089**	**(23,313)**
Deferred revenues	**2,091**	**(1,847)**
Income taxes receivable/payable	**103**	**3,193**
	1,550	**(17,785)**

For the second quarter of 2013, the $1.6 million positive effect on cash flows resulting from the change in non-cash items related to operations stemmed primarily from an increase in deferred revenues and a decline in inventories and contracts in progress that fluctuate in step with the percentage of completion. These impacts were partly offset by an increase in trade and other receivables owing primarily to higher billings over the quarter. The $17.8 million adverse effect on cash flows for the six-month period ended September 30, 2012 was mainly attributable to a decline in accounts payable and accrued liabilities, provisions and other liabilities, due to supplier payment schedules and the slowdown in operations for certain entities.

Excluding the current portion of long-term debt, the Corporation had a net working capital position of $125.7 million as at September 30, 2012, representing a ratio of 1.63 as at that date, compared with $138.2 million and a ratio of 1.69 as at June 30, 2012 and $129.8 million and a ratio of 1.57 as at March 31, 2012. The Corporation reported total assets of $482.9 million as at September 30, 2012, compare to $523.2 million as at March 31, 2012 owing primarily to cash and cash equivalents, and as well as to contracts in progress and intangible assets. Generally, management seeks to maintain its working capital ratio at approximately 1.50, which represents an adequate level for 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 trade receivables to maximize the resulting cash flows and thereby reduce financial expenses.

Note that changes in exchange rates for the second quarter of 2013 and the six-month period ended September 30, 2012 resulted from unfavourable changes on remeasurement of cash items and cash equivalents totalling $0.6 million and $0.9 million, respectively.

The net effect of changes in cash flows used for the second quarter and the six-month period ended September 30, 2012 was a decline in cash and cash equivalents of $6.9 million and $16.1 million, respectively.

Investing activities

Investing activities for the second quarter of 2013 and the six-month period ended September 30, 2012 used net cash flows of $1.6 million and $1.1 million, respectively, compared with net cash flows used of $0.6 million and $1.1 million for the respective periods of the previous fiscal year. During the first quarter of 2013, the Corporation sold a building held for sale for a consideration of $2.2 million.

Additional comments on financial position

	As at September 30, 2012	As at March 31, 2012
(in thousands of $, except ratio)		
Long-term debt, including current portion of long-term debt	**83,916**	80,932
Cash and cash equivalents	**(19,500)**	(35,583)
Total net debt	**64,416**	45,349
Equity	**170,131**	186,461
Invested capital	**234,547**	231,810
Total net debt to invested capital ratio	**27.5%**	19.6%

As at September 30, 2012, the Corporation's total debt amounted to $83.9 million compared with $88.3 million as at June 30, 2012 and $80.9 million as at March 31, 2012. Net of cash and cash equivalents, total net debt as at September 30, 2012 stood at $64.4 million for a total net debt to invested capital ratio of 27.5% compared with total net debt of $45.3 million and a 19.6% ratio as at March 31, 2012. Due to their maturities, non-convertible European debentures are presented as short-term liabilities in the unaudited interim condensed consolidated financial statements as at September 30, 2012.

As at September 30, 2012, the cash position and bank credit facilities were sufficient to fund operations and repayment of non-convertible debentures maturing in April 2013. Moreover, all financial ratios met the requirements under current credit agreements with GLV's banking institutions. Where there are special or non-recurring items, the terms of these credit agreements require the use of normalized adjusted EBITDA to determine financial ratios. Accordingly, as at September 30, 2012, financial ratios were calculated using normalized adjusted EBITDA as defined in the agreements, which includes, in particular, the operating results of the past twelve months ended September 30, 2012 of the entities whose shares were acquired and excludes the operating results of the past twelve months ended September 30, 2012 of business that were shutdown or whose shares or certain assets were sold, as well as restructuring costs and other special items.

Note that in December 2011, the Corporation renewed its main financing agreement covering the next five years for total 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 Export Development Canada. The financing agreement also includes an uncommitted accordion feature providing access to an additional $50 million.

The Corporation also amended certain terms of its two revolving credit facilities in Austria during the second quarter of 2013. The first facility amounting to €35 million ($44.2 million) is used to issue letters of credit and the second, totalling €2.5 million ($3.2 million), is used to meet day-to-day financing requirements. 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, and the terms are renegotiable in March of each year. As at September 30, 2012, €29.2 million ($36.9 million) was outstanding under the facility. The credit facility for day-to-day financing matures on December 31, 2015 and may be cancelled on three months' notice.

Share capital information and stock-based compensation

	Authorized	Number of shares issued and outstanding	
		November 8, 2012	September 30, 2012
Class A subordinate voting shares	Unlimited	41,912,594	41,911,194
Class B multiple voting shares	Unlimited	2,179,305	2,180,705
Preferred shares	Unlimited	-	-
		44,091,899	**44,091,899**

During the three-month and six-month periods ended September 30, 2012, the Corporation issued 37,233 stock options. The stock options granted to directors vested on the grant date. During the six-month period ended September 30, 2012, subsequent to the cancellation of 61,000 stock options, outstanding options to acquire Class A subordinate voting shares under the Corporation's stock option plan numbered 2,143,822 (2,167,589 as at March 31, 2012) of which 1,398,822 (1,124,789 as at March 31, 2012) were exercisable based on the time requirement, notwithstanding achievement of target prices when the requirement applies.

During the first quarter of 2013, 3,700 Class B multiple voting shares were converted into Class A subordinate voting shares.

For further information, refer to note 7 to the unaudited interim condensed consolidated financial statements accompanying this MD&A.

On November 2, 2012, 1 400 Class B multiple voting shares were converted into Class A subordinate voting shares.

8. BACKLOG AND OUTLOOK

	As at September 30	As at June 30	**Change**	**Change at constant exchange rates**	As at March 31	Change	Change at constant exchange rates
(in thousands of $)	**2012**	2012	**%**	**%**	2012	%	%
Total	**338,725**	343,348	**(1.3)%**	**1.2%**	354,796	(4.5)%	(2.3)%
Ovivo	**276,425**	277,418	**(0.4)%**	**2.4%**	272,418	1.5%	4.0%
Pulp and Paper	**50,336**	56,787	**(11.4)%**	**(9.8)%**	70,345	(28.4)%	(27.5)%
Other	**11,964**	9,143	**30.9%**	**32.2%**	12,033	(0.6)%	2.1%

Ovivo

Ovivo reported a backlog of $276.4 million as at September 30, 2012, down slightly from $277.4 million for the previous quarter. Excluding the foreign exchange effect, the change in backlog recorded by Ovivo would have reflected a $7 million favourable difference. It is important to note that business activity and order-taking levels in the markets targeted under the Ovivo operational refocusing strategy were significant in the municipal segment in North America and the electronics and metals segment in the second quarter of 2013.

The U.S. municipal segment, which was affected by the prevailing economic conditions over the past few quarters, seems to be gradually recovering, posting backlog growth compared with the past three quarters. This upturn was noted for both new equipment sales and order-taking for aftermarket services, another niche targeted by Ovivo's business strategy.

For the electronics and metals market, although order-taking has slowed over the past few quarters, a major contract win in the U.S., paving the way for other large-scale contracts in the future, resulted in a sharp rise in backlog, reaching an 18-month high.

The energy segment, another key strategic market for Ovivo, saw a slight decline in backlog compared with the past two quarters. However, sustained tendering activity for large-scale projects points to a favourable outlook under which the good performance in this market is expected to continue.

In the municipal segment in Europe, the Middle East and Africa, business remains sufficient, despite a downward trend, to meet the targets set by management.

Ovivo has logged growth in aftermarket services for the past two quarters. Aftermarket services comprise sales of spare parts and chemicals, as well as the provision of maintenance and equipment optimization services. This recurring revenue generator is one of Ovivo's top development priorities.

Ovivo's refocusing plan announced last August is progressing as expected. Nearly half of the planned 10% workforce reduction for the entire group has been achieved, and the remaining half should be completed by the end of the current fiscal year, which should generate annualized savings of approximately $7 million. These measures are expected to give rise to restructuring costs of about $2 million, half the initially estimated cost of $4 million, mainly for severance benefits. Restructuring costs of $1.6 million, including costs related to Ovivo's refocusing plan, were recognized in the second quarter of 2013.

The Corporation's management team expects Ovivo to return to profitability in fiscal 2013, gradually reflecting the benefits of the measures put in place over the past few quarters. However, a number of investments will be required to deploy the group's overall strategy, and we expect to see the full effect of those measures in the next 18-24 months.

Pulp and Paper Group

The Pulp and Paper Group's backlog was down from its June 30, 2012 level and markedly lower than as at March 31, 2012, owing to the slowdown observed primarily in Europe and China even though tendering remains active. A significant contract win for pulp processing equipment was recorded in Canada early in the third quarter which was not included in the backlog as at September 30, 2012. However, operational performance combined with the prevailing economic situation, prompted the Corporation's management to downsize one of its European division.

Aftermarket services remain significant for the group and greater efforts will be made in this segment in Europe over the next few quarters.

For fiscal 2013 as a whole, the current and anticipated backlog for the group will generate a fair volume, which should keep profit margins at levels comparable to its fiscal 2012 figures.

Other

The fiscal 2013 objective for the Van Der Molen division is to maintain a satisfactory level of business volume to support profitability amid a more challenging business environment resulting from economic uncertainty. During the past two fiscal years, this division was able to regain its credibility in the market by focusing on client relationships and excellent contract execution. In the current fiscal year, the objective is to further develop aftermarket services given the vast installed base of equipment. The Van Der Molen division posted a backlog comparable to the levels recorded in the past few quarters.

For fiscal 2013, the two manufacturing units aim to achieve an acceptable level of profitability. Given a slightly lower backlog compare to March 31, 2012, economic conditions and order-taking remain key challenges for the current fiscal year.

Lastly, head office costs are projected to remain comparable to their fiscal 2012 level.

Overall outlook

The operational outlook for the Corporation's two core groups is good in light of the volume of contract wins in the Ovivo's target markets and the level of bids tendered. Management remains prudent in its forecasts of business volume for the next few quarters and will continue monitoring global economic conditions closely to ensure the Corporation maintains sufficient flexibility to adapt to any changes in demand and business outlook.

The downsizing measures implemented in the fourth quarter of the previous fiscal year and those arising from the Ovivo refocusing plan announced in the previous quarter will gradually have their effect on operating results at both core operating groups of the Corporation. The plan is expected to generate annual savings of approximately $7 million, plus an additional contribution by the Ovivo operational refocusing strategy. Management expects the measures implemented to have a gradual effect for fiscal 2013 with more substantial results anticipated for fiscal 2014. The Corporation's primary goal remains improving the financial performance and competitive positioning of its two core operating groups to expand their share in GLV's key market niches.

For fiscal 2013 as a whole, assuming exchange rates remain stable at current levels and in light of the outlook in the segments serviced by all groups, the Corporation expects consolidated revenues to range from $600 million to $650 million.

GLV remains focused on its objective of long-term value creation for shareholders. To do so, it will rely primarily on Ovivo's strategy to refocus on four key markets in an industry with strong organic growth potential driven by expanding global demand for water and as well as growth 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 benefits a satisfactory financial position and an adequate capital structure to support current operations and pursue development projects.

9. RISKS AND UNCERTAINTIES

Risks and uncertainties as well as risk management practices are discussed in section 10, "Risks and Uncertainties," of the MD&A for the fiscal year ended March 31, 2012.

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

10. ACCOUNTING POLICIES

(a) Critical accounting policies and estimates

The unaudited interim condensed consolidated financial statements of the Corporation for the three-month and six-month periods ended September 30, 2012 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, which forms part of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The accounting policies used in the unaudited interim condensed consolidated financial statements are the same as and are applied consistently with those presented in note 2 to the annual consolidated financial statements as at March 31, 2012.

The preparation of the Corporation's unaudited interim condensed 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 significant adjustments to the reported amounts of assets, liabilities and earnings (loss) in subsequent periods. The Corporation's most significant estimates and assumptions for the three-month and six-month periods ended September 30, 2012 are the same as those presented in note 2(c) to the annual consolidated financial statements as at March 31, 2012.

(b) 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 defer 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 is currently assessing the effects of adopting these new standards (except for IAS 28), which are effective for fiscal years beginning on or after January 1, 2013, save IAS 32 and IFRS 9, which are effective for fiscal years beginning on or after January 1, 2014 and 2015, respectively.

11. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

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

- **Adjusted EBITDA:** Earnings before amortization, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments, income taxes and share of loss (gain) in joint ventures;
- **Normalized adjusted EBITDA:** Adjusted EBITDA before items recorded outside the normal course of business, including restructuring costs;
- **Normalized net earnings (loss):** Net earnings (loss) before items recorded outside the normal course of business, including restructuring costs;
- **Cash flows provided by (used in):** Cash flows related to operating activities, less additions to property, plant and equipment (net of disposals);
- **Cash flows provided by (used in) per share:** Cash flows provided by (used in) 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).

(in thousands of $)	**Ovivo**	**Pulp and Paper**	**Other**	**Consolidated earnings (loss)**
As presented on the financial statements:				
Quarter ended September 30, 2012				
Operating income (loss)	298	2,209	(3,522)	(1,015)
Asset impairment	1,105	–	–	1,105
Amortization	1,554	682	993	3,229
Earnings (loss) before amortization, net financial expenses, foreign exchange loss (gain), loss related to derivative financial instruments, income taxes and share of loss (gain) in joint ventures	2,957	2,891	(2,529)	3,319
Normalized items	1,248	–	323	1,571
Normalized adjusted EBITDA	4,205	2,891	(2,206)	4,890
Six-month period ended September 30, 2012				
Operating income (loss)	1,829	5,883	(6,846)	866
Asset impairment	1,105	–	–	1,105
Amortization	3,147	1,238	1,975	6,360
Earnings (loss) before amortization, net financial expenses, foreign exchange loss (gain), loss related to derivative financial instruments, income taxes and share of loss (gain) in joint ventures	6,081	7,121	(4,871)	8,331
Normalized items	1,248	–	323	1,571
Normalized adjusted EBITDA	7,329	7,121	(4,548)	9,902
Quarter ended September 30, 2011				
Operating income (loss)	1,900	3,678	(2,131)	3,447
Amortization	1,887	537	665	3,089
Earnings (loss) before amortization, net financial expenses, foreign exchange loss (gain), loss related to derivative financial instruments, income taxes and share of loss (gain) in joint ventures	3,787	4,215	(1,466)	6,536
Normalized items	782	–	–	782
Normalized adjusted EBITDA	4,569	4,215	(1,466)	7,318
Six-month period ended September 30, 2011				
Operating income (loss)	2,897	5,328	(5,480)	2,745
Amortization	4,385	1,125	2,298	7,808
Earnings (loss) before amortization, net financial expenses, foreign exchange loss (gain), loss related to derivative financial instruments, income taxes and share of loss (gain) in joint ventures	7,282	6,453	(3,182)	10,553
Normalized items	782	–	–	782
Normalized adjusted EBITDA	8,064	6,453	(3,182)	11,335

12. 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 President and Chief Executive Officer and the Chief Financial Officer that, among others, attest to the design of the disclosure controls and procedures and the design of internal control over financial reporting.

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

During the three-month period ended September 30, 2012, there have been no changes in internal control over financial reporting that have materially affected, or would reasonably be expected to materially affect GLV's internal control over financial reporting.

(SIGNED)
Richard Verreault
President and Chief Executive Officer

(SIGNED)
France De Blois, CPA, CA
Chief Financial Officer

November 8, 2012