Management's Discussion and Analysis

Year ended March 31, 2013

Table of Contents

1. PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS 2

2. NOTICE REGARDING FORWARD-LOOKING STATEMENTS 2

3. PROFILE OF THE CORPORATION 3

4. HIGHLIGHTS 5

5. ANALYSIS OF CONSOLIDATED OPERATING RESULTS 7

6. SUMMARY OF QUARTERLY PERFORMANCE 20

7. FINANCIAL SITUATION AND CASH FLOWS 21

8. CONTRACTUAL COMMITMENTS, FINANCIAL INSTRUMENTS AND RELATED PARTY TRANSACTIONS 24

9. BACKLOG AND OUTLOOK 26

10. RISKS AND UNCERTAINTIES 28

11. ACCOUNTING POLICIES 32

12. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES 37

13. CONTROLS AND PROCEDURES 39

June 6, 2013

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 6, 2013. The information appearing herein accounts for all significant events that occurred prior to that date. The MD&A presents the Corporation's position and business context as they were, to management's best knowledge, upon its approval by the Board of Directors.

This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2013.

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

In this MD&A, "GLV Group" 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 Ovivo (water treatment), GL&V Pulp and Paper and the Other group. The fiscal year ended 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 "fourth quarter of fiscal 2013" and the "fourth quarter of fiscal 2012" refer to the three-month periods ended March 31, 2013 and 2012, respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three-month and twelve-month periods ended March 31, 2013 is performed in relation to the equivalent periods ended March 31, 2012, whereas the comparative analysis of the financial situation as at March 31, 2013 is performed in relation to data recorded as at March 31, 2012.

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 6, 2013, as well as the MD&A for the year ended March 31, 2013 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 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 Group would like to point out that forward-looking statements involve a number of uncertainties and known and unknown risks such that the actual and future results of GLV Group could differ considerably from those stated.

Factors of uncertainty and risk that might result in such differences include contracts with clients regarding equipment and services, operations and turnkey projects, market risk, competition, concentration and liquidity risk, access to financing, dependence on key personnel, information system risk, credit risk, intellectual property rights, reputation, regulatory and legal risk, foreign exchange rate and foreign exchange contract risk, risks related to acquisitions, supply chain, asset impairment, interest rates, and 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 Group 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 2014 and may not be appropriate for other purposes.

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

3. PROFILE OF THE CORPORATION

Description of business

GLV Group is made up of international companies operating primarily in the water treatment (Ovivo) and pulp and paper (GL&V Pulp and Paper) industries that offer comprehensive technological solutions as well as services and equipment tailored to specific client needs. GLV Group's business units operate in more than 25 countries and have approximately 2,100 employees as at March 31, 2013. GLV Inc. is a public company whose shares trade on the Toronto Stock Exchange under the ticker symbols GLV.A and GLV.B.

- Ovivo designs and markets equipment and integrated solutions for the filtration, clarification, treatment and purification of water that will be used or reused in various industrial and municipal processes, returned into the environment or used for domestic purposes. Ovivo's offering includes rebuilding, upgrading and optimization services for existing equipment, the sale of spare parts as well as maintenance services. To maintain its position in this competitive market, Ovivo places know-how and innovation at the heart of its business strategy. With its advanced technologies, Ovivo stands out from the competition by putting the needs of its clients at the heart of its business strategy.

- GL&V Pulp and Paper designs and globally markets equipment used in various stages, from pulp preparation to paper production. It is also recognized worldwide for its rebuilding, upgrading and optimization services for existing equipment, as well as for the sale of spare parts. By focusing on innovation, it ensures that its portfolio contains products and technologies that bring customers added value, such as lower energy consumption.

- GLV Group also has activities other than those associated with water treatment and pulp and paper. It owns two manufacturing units, namely GL&V Fabrication located in Trois-Rivières in Québec, Canada and Ramivo in Tamàsi, Hungary.

  These units specialize in the manufacturing of parts from specifications provided by Ovivo and GL&V Pulp and Paper. They also manufacture equipment parts for external clients. Since April 1, 2013, Ramivo's operations are fully integrated within Ovivo.

  The Van der Molen division specializes in process solutions for the design and marketing of equipment for dissolving, dosing and mixing in beverage production.

Strategic approach

GLV has always been committed to creating long-term shareholder value and ensuring sustained growth through its business model, which consists in:

- Acquiring technologies, know-how and innovative businesses;
- Generating organic growth through innovation and by focusing on recurring revenues; while
- Respecting the local cultures of countries in which GLV Group subsidiaries are based.

Thus, GLV Group continues to generate sustained growth using the following five strategies:

- ***Focus on developing the Parts and Services market, which includes the sale of spare parts and the provision of maintenance and support services.*** With this strategy, GLV Group aims to generate recurrent revenues, which provide stability and reduce the impact of economic cycles. The Parts and Services market also ensure organic growth in the key businesses of GLV Group subsidiaries. This market also provides the opportunity to leverage GLV Group's exceptional client service and stand out from the competition by offering a comprehensive range of services.
- ***Make innovation a key positioning factor in GLV Group's target markets.*** As GLV Group operates in highly competitive industries, it must continuously introduce innovative products and services for optimizing processes or for reducing clients' energy consumption. This innovation culture, which has been one of the factors driving GLV Group's success in the last three decades, is emphasized in numerous ways in the management of subsidiaries.
- ***Continuously improve profitability.*** GLV Group's management maintains strict control over fixed costs across the organization by using human resources efficiently, effectively integrating and restructuring acquired businesses, continuously improving operational effectiveness of subsidiaries and maintaining an entrepreneurial culture. Also, 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. With all these measures, a flexible and optimal cost structure can be maintained.
- ***Focus primarily on geographic markets in which GLV Group subsidiaries are already operating.*** Certain markets such as China, India, Southeast Asia, the Middle East, Brazil and Russia as well as North Africa and South Africa are expected to grow considerably in the coming years. Meanwhile, more mature markets, namely North America, Europe and the United Kingdom, continue to offer attractive business opportunities for GLV Group businesses.
- ***Last, maintain the business acquisition strategy and keep seeking opportunities to broaden GLV Group's technology portfolio, know-how and business unit trademarks.*** It will continue to apply the same acquisition model of focusing on intellectual property and the Parts and Services market.

4. HIGHLIGHTS

During the fourth quarter of fiscal 2013, the Corporation returned to profitability with net earnings of $0.4 million or $0.01 per share, basic and diluted, compared with a net loss of $52.8 million or $1.20 per share, basic and diluted, for the same quarter of the previous fiscal year which included an asset impairment of $40.9 million.

The improvement in operating results over the previous fiscal year demonstrates the progress achieved following the implementation of Ovivo's business refocusing strategy announced at the beginning of fiscal 2013. As a result, order taking in Ovivo's targeted markets met management's expectations, contributing to the increase in the backlog as at March 31, 2013.

Compared with the fourth quarter of the previous fiscal year during which a significant asset impairment loss was recognized, the decrease in restructuring costs and the lower income tax expense also contributed to the return to profitability for the current quarter.

GL&V Pulp and Paper's operating performance was lower than for the same quarter of the previous year, owing primarily to the reduction of the backlog during the first half of fiscal 2013 caused by the continuing economic slowdown in Europe and Asia that mainly affects the new equipment market. The weaker performance was also attributable to cost overruns on certain new equipment sale projects.

Fiscal 2013

For the year ended March 31, 2013, the Corporation reported a net loss of $12.8 million or $0.29 per share, basic and diluted, compared with a net loss of $54.1 million or $1.23 per share, basic and diluted, for the corresponding period of the previous fiscal year. The loss from continuing operations attributable to shareholders of GLV Group (excluding the portion attributable to other shareholders of non-wholly owned subsidiaries) amounted to $5.7 million or $0.13 per share, basic and diluted, compared with $53.4 million or $1.21 per share, basic and diluted, for the corresponding period of the previous fiscal year. Excluding the impact of discontinued operations, the changes resulted primarily from the asset impairment charge recognized in 2012, the decrease in net financial expenses and lower restructuring costs, partly offset by the increase in the income tax expense.

Discontinued operations

In line with Ovivo's new business strategy, the Corporation decided during fiscal 2013 to discontinue all operations in the Waste to Energy Industrial segment, including the sale of its joint venture operating in this market, which was completed during the fiscal year. With respect to this segment, losses of $0.5 million and $7.1 million, respectively, were reported under discontinued operations for the three-month and twelve-month periods ended March 31, 2013.

Backlog and outlook

As at March 31, 2013, GLV Group's backlog stood at $380.0 million, its highest level in the past five quarters, mainly driven by Ovivo's backlog resulting from three large contracts in Electronics and Metals as announced on April 9, 2013. Although Ovivo's backlog decreased in its other segments, tendering activity remains reasonable and the expected profitability of the backlog improved considerably as at March 31, 2013, compared with March 31, 2012. In the Parts and Services market, the backlog is stable and the measures taken to develop this important niche in Ovivo's strategy should have a gradual impact over fiscal 2014.

At GL&V Pulp and Paper, the backlog is comparable to the previous quarter's level, owing mainly to order taking in the Parts and Services market. Last, as at March 31, 2013, the backlog of the Van der Molen division, which was part of Christ Water Technology, is at its highest level since the acquisition of this company in 2009.

Fiscal 2014 will be a year of investment for GLV Group, which is expected to translate into a gradual and sustained improvement in profitability. For fiscal 2014 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 total between $600 million and $625 million.

From GLV to GLV Group

During fiscal 2013, management initiated a strategic reflection initiative that led to a review of the Corporation's mission and business strategy as well as to a change in its business name. This change included a corporate signature representing what underlies GLV's past, present and future success, namely: its employees and its know-how. That is how GLV Group; Insightful people was born.

On April 8, 2013, GLV Group launched its new website (**www.glv.com**) – a unique communication tool that provides a single window for financial partners, employees and clients to learn more about the Corporation.

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)	**2013**	2012	2011	**2013**	2012	2011
Revenues	**152,392**	168,519	168,235	**585,241**	643,359	663,822
Ovivo	**91,548**	93,597	104,740	**350,004**	375,849	425,676
GL&V Pulp and Paper	**50,532**	64,149	53,389	**199,898**	226,002	197,801
Other	**10,312**	10,773	10,106	**35,339**	41,508	40,345
Adjusted EBITDA	**5,335**	(1,155)	8,921	**18,831**	15,165	20,987
Ovivo	**4,694**	(2,582)	8,397	**16,395**	9,712	20,507
GL&V Pulp and Paper	**2,466**	5,200	4,840	**11,078**	14,144	15,404
Other	**(1,825)**	(3,773)	(4,316)	**(8,642)**	(8,691)	(14,924)
Normalized adjusted EBITDA	**7,863**	3,785	7,449	**24,249**	21,263	20,426
Ovivo	**7,202**	(395)	6,742	**21,346**	13,057	19,126
GL&V Pulp and Paper	**2,422**	6,691	4,840	**11,158**	15,635	15,404
Other	**(1,761)**	(2,511)	(4,133)	**(8,255)**	(7,429)	(14,104)
Normalized adjusted EBITDA margin (as % of revenues)	**5.2%**	2.2%	4.4%	**4.1%**	3.3%	3.1%
Ovivo	**7.9%**	(0.4)%	6.4%	**6.1%**	3.5%	4.5%
GL&V Pulp and Paper	**4.8%**	10.4%	9.1%	**5.6%**	6.9%	7.8%
Other	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Net earnings (loss) attributable to shareholders of GLV Inc.:						
from continuing operations	**944**	(51,350)	(4,817)	**(5,748)**	(53,366)	(11,796)
from discontinued operations	**(548)**	(1,496)	(3,729)	**(7,088)**	(782)	(10,777)
Net earnings (loss):						
attributable to shareholders of GLV Inc.	**396**	(52,846)	(8,546)	**(12,836)**	(54,148)	(22,573)
attributable to non-controlling interests	**9**	76	316	**(3)**	68	(585)
Total	**405**	(52,770)	(8,230)	**(12,839)**	(54,080)	(23,158)
Cash flows generated from (used in) continuing operations	**2,080**	(1,560)	(15,902)	**(3,621)**	14,268	(31,276)
Net earnings (loss) per share (basic and diluted)						
Net earnings (loss) from continuing operations	**0.02**	(1.16)	(0.11)	**(0.13)**	(1.21)	(0.27)
Net loss from discontinued operations	**(0.01)**	(0.03)	(0.08)	**(0.16)**	(0.02)	(0.24)
Net earnings (loss)	**0.01**	(1.20)	(0.19)	**(0.29)**	(1.23)	(0.51)
Cash flows per share (basic and diluted) generated from (used in) continuing operations	**0.05**	(0.04)	(0.36)	**(0.08)**	0.32	(0.71)

Financial ratios	**March 31, 2013**	March 31, 2012	March 31, 2011
Total net debt to invested capital ratio	**25.1%**	19.6%	18.9%
Working capital ratio (excluding the current portion of long-term debt)	**1.51**	1.57	1.53

Revenues

	Quarters ended March 31		Change	Organic change at constant exchange rates (1)	Years ended March 31		Change	Organic change at constant exchange rates (1)
(in thousands of $)	**2013**	2012	%	%	**2013**	2012	%	%
TOTAL	**152,392**	168,519	(9.6)%	(6.2)%	**585,241**	643,359	(9.0)%	(5.1)%
Ovivo	**91,548**	93,597	(2.2)%	2.4%	**350,004**	375,849	(6.9)%	(3.0)%
New equipment	**74,923**	77,535	(3.4)%		**286,966**	317,186	(9.5)%	
Sale of parts and provision of services	**16,625**	16,062	3.5%		**63,038**	58,663	7.5%	
GL&V Pulp and Paper	**50,532**	64,149	(21.2)%	(22.1)%	**199,898**	226,002	(11.6)%	(11.2)%
New equipment	**15,255**	28,753	(46.9)%		**67,210**	95,446	(29.6)%	
Sale of parts and provision of services	**35,277**	35,396	(0.3)%		**132,688**	130,556	1.6%	
Other	**10,312**	10,773	(4.3)%	23.7%	**35,339**	41,508	(14.9)%	14.7%

(1) Organic change is described in Section 12 “Reconciliation of non-IFRS financial measures” in this MD&A.

Revenue continuity

	Quarter			
(in thousands of $)	**Ovivo**	**GL&V Pulp and Paper**	**Other**	**Total**
Quarter ended March 31, 2012	**93,597**	**64,149**	**10,773**	**168,519**
Foreign exchange impact	(698)	567	76	**(55)**
Disposals	(3,480)	–	(2,500)	**(5,980)**
Organic change	2,129	(14,184)	1,963	**(10,092)**
Total change	**(2,049)**	**(13,617)**	**(461)**	**(16,127)**
Quarter ended March 31, 2013	**91,548**	**50,532**	**10,312**	**152,392**

	Fiscal year			
(in thousands of $)	**Ovivo**	**GL&V Pulp and Paper**	**Other**	**Total**
Fiscal year ended March 31, 2012	**375,849**	**226,002**	**41,508**	**643,359**
Foreign exchange impact	(7,730)	(782)	(1,278)	(9,790)
Disposals	(6,995)	–	(9,593)	(16,588)
Organic change	(11,120)	(25,322)	4,702	(31,740)
Total change	**(25,845)**	**(26,104)**	**(6,169)**	**(58,118)**
Fiscal year ended March 31, 2013	**350,004**	**199,898**	**35,339**	**585,241**

Revenues for the fourth quarter of fiscal 2013 declined $16.1 million from the same period of the last fiscal year, mostly for new equipment sales at GL&V Pulp and Paper and to a lesser extent for Ovivo. Sales of parts and provision of services rose slightly at Ovivo but were stable at GL&V Pulp and Paper. The change in average quarterly exchange rates over the same period of the previous fiscal year had an overall insignificant impact on revenues. The disposals of subsidiaries in the fourth quarter of fiscal 2012 at the Other group and in the beginning of the third quarter of fiscal 2013 at Ovivo resulted in a total decrease of $6.0 million. Compared with the fourth quarter of the previous fiscal year, revenues at GL&V Pulp and Paper experienced a decline organic change of $14.2 million or 22.1% attributable to the significant decrease in sales of new equipment while Ovivo and the Other group reported a positive organic change in revenues of $2.1 million and $2.0 million, respectively.

For the year ended March 31, 2013, revenues declined by $58.1 million over the previous fiscal year: $25.8 million at Ovivo, $26.1 million at GL&V Pulp and Paper and $6.2 million at the Other group. For both core operating groups, Ovivo and GL&V Pulp and Paper, new equipment sales were lower but sales of parts and provision of services were higher. Unfavourable changes in average exchange rates, particularly the weakening of the euro, the Brazilian real, the Swedish krona and the South African rand against the Canadian dollar, had an adverse impact of $9.8 million. The disposals of subsidiaries in the fourth quarter of fiscal 2012 at the Other group and in the beginning of the third quarter of fiscal 2013 at Ovivo resulted in a total decrease of $16.6 million. As a result, revenues are showing an overall adverse organic change of $31.7 million.

Ovivo

Ovivo's revenues for the fourth quarter of fiscal 2013 declined $2.0 million over the same quarter of fiscal 2012 owing to the combined effect of the disposal of a subsidiary at the beginning of the third quarter of fiscal 2013 and fluctuations in average exchange rates against the Canadian dollar as discussed previously, partly offset by organic growth of $2.1 million. Organic growth was driven primarily by the Energy market, partly offset by lower revenues resulting from Ovivo's refocusing strategy and the near-completion in 2012 of certain desalination projects with negative margins. Revenues related to Parts and Services for the quarter ended March 31, 2013 were slightly up from the quarter ended March 31, 2012.

Ovivo reported lower revenues for the year ended March 31, 2013, down $25.8 million from the previous fiscal year, including a $7.7 million unfavourable impact of fluctuations in average exchange rates against the Canadian dollar as described previously, a $7.0 million reduction resulting from the disposal of an Ovivo subsidiary at the beginning of the third quarter of 2013 and decrease organic growth of $11.1 million. The organic decline stemmed primarily from a decrease in revenues in the Electronics and Metals market, the near-completion in 2012 of desalination projects with negative margins originating from the Christ Water Technology (CWT) acquisition, the Municipal segment in North America, and a subsidiary in Asia and Asia-Pacific. The change in the Electronics and Metals segment was amplified by the greater operating volume in the first half of the previous fiscal year compare to a record low backlog at the beginning of the current fiscal year. Lower revenues for the Municipal North America segment stemmed from the decreased backlog at the end of the previous fiscal year resulting from more difficult economic conditions during the period. The decline in revenues was partly offset by growth in the Municipal market in Europe, the Middle East and Africa, and higher Energy segment growth.

GL&V Pulp and Paper

Revenues at GL&V Pulp and Paper declined by $13.6 million and $26.1 million, respectively, for the fourth quarter of fiscal 2013 and the year ended March 31, 2013 due to lower new equipment sales. This decrease resulted from a reduction of the backlog during the first quarter of fiscal 2013 and a sharper economic slowdown in all markets in the fourth quarter of fiscal 2013, and particularly in Europe and Asia throughout the year. The decline for the three-month period ended March 31, 2013 compared with the same quarter of previous fiscal year was amplified by the very high volume of operations in the fourth quarter of fiscal 2012 at GL&V Pulp and Paper. Sales of parts and provision of services for the fourth quarter of fiscal 2013 are comparable with performance in the fourth quarter of fiscal 2012 and slightly up for the fiscal year as a whole.

Other

The Other group's revenues for the three-month period ended March 31, 2013 were down slightly from the same period of the previous fiscal year. Solid operating volume at the Van der Molen division contributed to the organic growth of $2.0 million for the Other group, offset by lower revenues resulting from the sale of a manufacturing unit in the fourth quarter of fiscal 2012.

For the year ended March 31, 2013, the Other group reported organic growth of $4.7 million, driven by results in the Manufacturing segment and the Van der Molen division. This growth is partly offset by the sale of a manufacturing unit in the fourth quarter of fiscal 2012 and the unfavourable foreign exchange impact on revenues.

Revenues by geographic segment based on destination address

	Total		Ovivo		GL&V Pulp and Paper	
	Years ended March 31					
	2013	2012	**2013**	2012	**2013**	2012
	(as % of consolidated revenues)		*(as % of Group revenues)*			
North America	**43.4%**	40.8%	**30.8%**	31.1%	**67.7%**	59.9%
Europe and Russia	**26.4%**	26.5%	**31.7%**	27.6%	**16.0%**	19.6%
Asia and Asia-Pacific	**15.5%**	18.3%	**19.6%**	23.0%	**9.2%**	13.2%
Middle East and Africa	**11.9%**	10.5%	**16.8%**	15.5%	**0.8%**	0.8%
Latin America	**2.8%**	3.9%	**1.1%**	2.8%	**6.3%**	6.5%

The geographic breakdown of revenues by destination address for the fiscal year compared with the previous fiscal year shows an increase in the proportion of North American revenues for GL&V Pulp and Paper while Ovivo's share remains stable. Both core operating groups reported a downward trend in Asia and Asia-Pacific. In Europe and Russia, revenues were down for GL&V Pulp and Paper but up for Ovivo. Ovivo operates primarily in North America, Europe and Russia, and in the target markets of its refocusing strategy, while GL&V Pulp and Paper's main market is North America.

Gross margin (excluding amortization)

	Quarters ended March 31		Change	Organic change at constant exchange rates	Years ended March 31		Change	Organic change at constant exchange rates
	2013	2012	%	%	**2013**	2012	%	%
In thousands of $	**34,932**	34,409	1.5%	2.6%	**134,233**	139,777	(4.0)%	(1.3)%
As % of revenues	**22.9%**	20.4%			**22.9%**	21.7%		

Gross margin is higher, in dollars and as a percentage, for the three-month period ended March 31, 2013 compared with the same period of 2012, driven by improved operating results at Ovivo resulting from its business refocusing strategy for target markets as well as the near-completion of projects with negative margins. The improvement is partly offset by a lower gross margin in dollars at GL&V Pulp and Paper, stemming mainly from cost overruns on certain new equipment sale projects and the decline in revenues discussed previously.

The improvement of the gross margin as a percentage for the year ended March 31, 2013 was driven by the same reasons as in the fourth quarter of fiscal 2013 for Ovivo, partly offset by additional costs to finalize a number of contracts and the slowdown in operations at a subsidiary in Asia and Asia-Pacific. The decline in gross margin in dollars also reflects the lower gross margin at GL&V Pulp and Paper resulting from the decrease in 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
	2013	2012	%	%	**2013**	2012	%	%
In thousands of $	**27,069**	30,624	(11.6)%	(10.8)%	**109,984**	118,514	(7.2)%	(3.7)%
As % of revenues	**17.8%**	18.2%			**18.8%**	18.4%		

Selling and administrative expenses, in dollars and as a percentage of revenues, declined for the three-month period ended March 31, 2013 compared with the same period of fiscal 2012, following cost cutting measures implemented at the end of the previous fiscal year and the beginning of the fiscal 2013.

For the twelve-month period ended March 31, 2013 compared with the same period of fiscal 2012, selling and administrative expenses declined as a dollar amount but slightly increased as a percentage of revenues, due to lower revenues compared with the same period of the previous fiscal year and the cost cutting program, which started generating synergies, mostly in the third quarter of fiscal 2013.

Adjusted EBITDA and normalized adjusted EBITDA

	Quarters ended March 31		Change	Change at constant exchange rates	Years ended March 31		Change	Change at constant exchange rates
	2013	2012	%	%	**2013**	2012	%	%
(in thousands of $)								
Adjusted EBITDA	**5,335**	(1,155)	–	–	**18,831**	15,165	24.2%	13.4%
Ovivo	**4,694**	(2,582)	–	–	**16,395**	9,712	68.8%	72.0%
GL&V Pulp and Paper	**2,466**	5,200	(52.6)%	(50.5)%	**11,078**	14,144	(21.7)%	(22.5)%
Other	**(1,825)**	(3,773)	51.6%	(17.7)%	**(8,642)**	(8,691)	0.6%	(22.1)%
Normalized items	**2,528**	4,940	n/a	n/a	**5,418**	6,098	n/a	n/a
Ovivo	**2,508**	2,187	n/a	n/a	**4,951**	3,345	n/a	n/a
GL&V Pulp and Paper	**(44)**	1,491	n/a	n/a	**80**	1,491	n/a	n/a
Other	**64**	1,262	n/a	n/a	**387**	1,262	n/a	n/a
Normalized adjusted EBITDA	**7,863**	3,785	107.7%	105.2%	**24,249**	21,263	14.0%	17.9%
Ovivo	**7,202**	(395)	–	–	**21,346**	13,057	63.5%	66.0%
GL&V Pulp and Paper	**2,422**	6,691	(63.8)%	(62.2)%	**11,158**	15,635	(28.6)%	(29.4)%
Other	**(1,761)**	(2,511)	29.9%	27.0%	**(8,255)**	(7,429)	(11.1)%	(4.0)%
(as % of revenues)								
Normalized adjusted EBITDA margin	**5.2%**	2.2%			**4.1%**	3.3%		
Ovivo	**7.9%**	(0.4)%			**6.1%**	3.5%		
GL&V Pulp and Paper	**4.8%**	10.4%			**5.6%**	6.9%		
Other	**n/a**	n/a			**n/a**	n/a		

Ovivo

Ovivo reported significant improvement in normalized adjusted EBITDA for the fourth quarter of 2013 and for the year ended March 31, 2013 compared with the corresponding periods of the previous fiscal year. The increase for the quarter was driven by Ovivo's strategy to refocus on target markets combined with the completion of underperforming projects in the Food and Beverage Processing market that had a negative impact on normalized adjusted EBITDA in the fourth quarter of fiscal 2012. Normalized adjusted EBITDA also improved in the Energy market and gradually recovered in the Electronics and Metals market despite a decline in the first half of the fiscal year stemming from a low backlog at the end of the previous fiscal year.

The improvement in normalized adjusted EBITDA for the twelve-month period ended March 31, 2013 stemmed mainly from the near-completion of Desalination segment projects with negative margins originating from the CWT acquisition that generated a negative normalized adjusted EBITDA in fiscal 2012, better results for the Energy segment, partly offset by lower profitability in the Electronics and Metals segment owing to the very low operating volume at the beginning of fiscal 2013.

GL&V Pulp and Paper

Driven by a solid backlog as at March 31, 2012 and efficient performance of contracts in progress during the first quarter of 2013, GL&V Pulp and Paper's normalized adjusted EBITDA improved considerably at the beginning of the current fiscal year compared with the previous fiscal year. As of the second quarter of fiscal 2013, the decrease in the backlog for sales of new equipment, the slowdown in the European and North American market during the year and additional costs for a number of contracts led to lower operating volume and performance, causing a decline in normalized adjusted EBITDA for the twelve-month period ended March 31, 2013 compared with the same period of the previous fiscal year.

Other

Normalized adjusted EBITDA was up for the fourth quarter of 2013, driven primarily by solid operating volume at the Van der Molen division. The Other group's normalized adjusted EBITDA for the twelve-month period ended March 31, 2013 was lower than for the same period of 2012 stemming primarily from the recognition of a gain on the sale of a building in connection with the closure of a Van der Molen unit during the first quarter of fiscal 2012. Excluding the unfavourable impact resulting from the sale of a manufacturing subsidiary in the fourth quarter of 2012, the manufacturing units, namely GL&V Fabrication and Ramivo, maintained a slightly higher gross margin. Last, head office costs are comparable to those in the previous fiscal year periods.

Changes in normalized adjusted EBITDA and normalized adjusted EBITDA margin

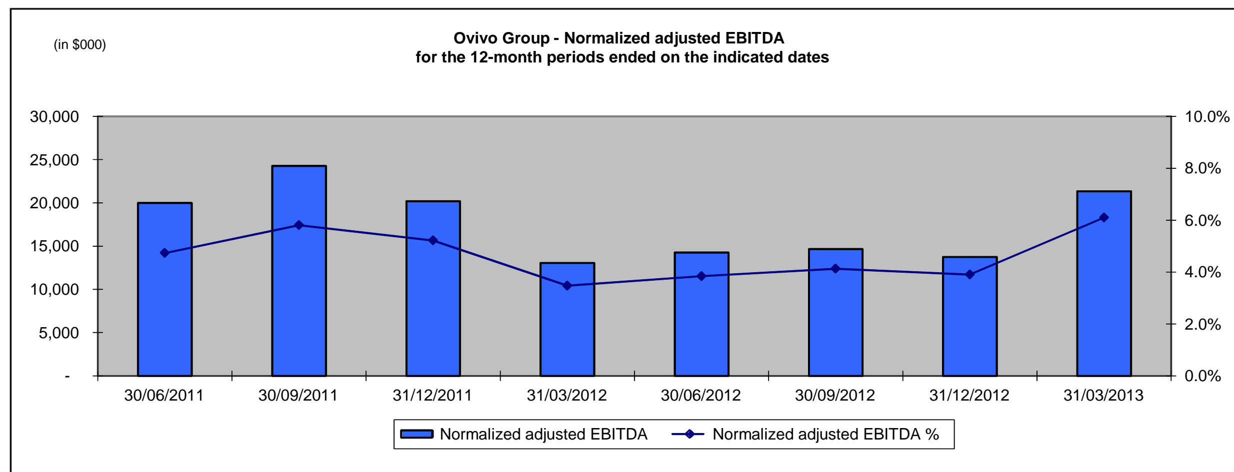
The graphs below show the changes in normalized adjusted EBITDA and normalized adjusted EBITDA margin for Ovivo and GL&V Pulp and Paper for the twelve-month periods ended on the indicated dates.

Ovivo

For the twelve-month periods up to the second quarter of fiscal 2012, the graph shows some improvement in profitability, despite the unfavourable impact of the Desalination segment particularly in the first quarter of fiscal 2012.

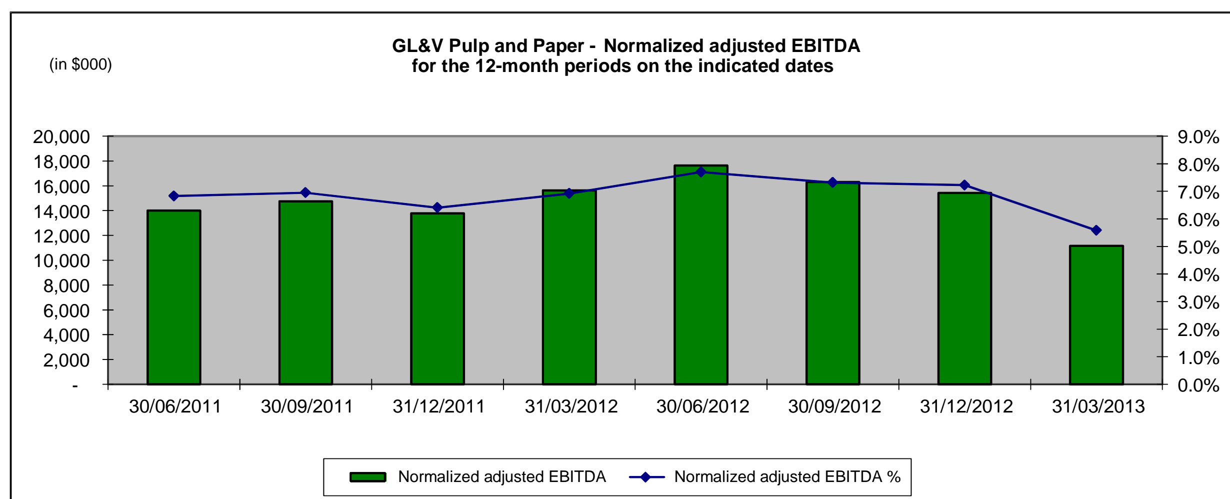
The lower profitability for the twelve-month periods ended December 31, 2011 and March 31, 2012 and to a lesser extent the period ended June 30, 2012 stems mainly from significantly negative results at a subsidiary in Asia and Asia-Pacific and the Canadian subsidiary operating in the Municipal and Industrial segment, which mostly impacted the fourth quarter of fiscal 2012. The Electronics and Metals market also slowed with backlog at a record low in the first half of fiscal 2013, staging a sharp increase since then. This slowdown continued to affect normalized adjusted EBITDA at Ovivo for the twelve-month periods ended September 30, 2012 and December 31, 2012.

The significant recovery for the twelve-month period ended March 31, 2013 reflects the effect of Ovivo's operational refocusing on the gradual improvement in profitability. The period saw the favourable impact of the near-completion of desalination contracts with negative margins, resulting from the acquisition of CWT, coupled with the reduction in under-performing projects in the Food and Beverage Processing market that had a greater adverse impact on normalized adjusted EBITDA in the fourth quarter of fiscal 2012.



GL&V Pulp and Paper

For GL&V Pulp and Paper, the graph highlights the favourable performance in the first, second and fourth quarters of fiscal 2012, with continued growth in the first quarter of fiscal 2013. In the second and third quarters of fiscal 2013, performance of contracts in progress slowed, curbing normalized adjusted EBITDA for the twelve-month periods ended September 30, 2012 and December 31, 2012. The sharper decline for the year ended March 31, 2013 resulted from the fourth-quarter slowdown in the North American market, while the effect has been felt in the European and Asian markets for the past nine months.



Restructuring costs and loss on disposal

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 along with long-term growth. This repositioning resulted in workforce reductions at a number of Ovivo subsidiaries and certain other initiatives were launched at GL&V Pulp and Paper and the Other group. The related restructuring costs for the fourth quarter of fiscal 2013 and fiscal year ended March 31, 2013, consisting primarily of severance benefits, totalled $2.5 million and $4.3 million, respectively.

On October 11, 2012, the Corporation disposed of its shares in a subsidiary of Ovivo in Finland, specialized in the Pulp and Paper segment within the water treatment sector, which is not a market targeted by Ovivo's refocusing strategy. Excluding impairment of non-current assets held (see section on asset impairment below), the loss on disposal of this subsidiary, recognized in the third quarter of fiscal 2013, amounted to $1.1 million, comprising net assets (assets less liabilities) of $0.8 million and transaction and other costs of $0.3 million.

For the fourth quarter of fiscal 2012 and twelve-month period ended March 31, 2012, the Corporation reported restructuring costs and other special items totalling $4.9 million and $6.1 million, respectively. For Ovivo, this expense consisted mainly of restructuring costs for underperforming subsidiaries in the Municipal segment in Canada and Industrial segment in Europe and a subsidiary in Desalination segment, whose poor performance had a significant impact on the Corporation's results. For GL&V Pulp and Paper, this expense resulted from staff downsizing costs arising from restructuring in step with slowdown demand in Europe.

Amortization

	Quarters ended March 31		Change	Change at constant exchange rates	Years ended March 31		Change	Change at constant exchange rates
(in thousands of $)	**2013**	2012	%	%	**2013**	2012	%	%
Total	**2,973**	3,381	(12.1)%	(9.6)%	**12,389**	14,629	(15.3)%	(18.3)%
Property, plant and equipment	**1,264**	1,393	(9.3)%		**5,327**	5,412	(1.6)%	
Intangible assets	**1,709**	1,988	(14.0)%		**7,062**	9,217	(23.4)%	

Amortization expense for the three-month and twelve-month periods ended March 31, 2013 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 fiscal year. In addition, CWT's backlog became fully amortized in the first quarter of the previous fiscal year, creating a favourable difference in fiscal 2013 for the twelve-month period ended March 31, 2013.

Asset impairment

Following a decision to dispose of shares held in an Ovivo subsidiary in Finland, an impairment charge of $0.7 million was recognized in the second and third quarters of fiscal 2013 to adjust the subsidiary's net carrying amount to the lower of its carrying and recoverable amounts. See section on restructuring costs and loss on disposal for the loss resulting from the disposal of this subsidiary.

Net financial expenses

	Quarters ended March 31		Change	Years ended March 31		Change
(in thousands of $)	**2013**	2012	%	**2013**	2012	%
Total	**1,990**	2,006	(0.8)%	**7,995**	9,831	(18.7)%
Interest on long-term debt	**1,387**	1,229	12.9%	**5,749**	6,524	(11.9)%
Credit facility renewal fees	**–**	–	n/a	**–**	1,100	(100.0)%
Interest expense related to retirement benefits	**1,459**	1,636	(10.8)%	**1,459**	1,636	(10.8)%
Interest income	**(54)**	(125)	(56.8)%	**(376)**	(364)	3.3%
Expected return on pension plan assets	**(1,093)**	(1,227)	(10.9)%	**(1,093)**	(1,227)	(10.9)%
Other	**291**	493	(41.0)%	**2,256**	2,162	4.3%

Financial expenses for the fourth quarter of fiscal 2013 were down slightly, as the decline in financial expenses related to retirement benefits and other financial expenses was offset by the decrease in the expected return on pension plan assets, the decline in interest income and the increase in interest on long-term debt.

For the twelve-month period ended March 31, 2013, the drop in financial expenses from the previous fiscal year resulted primarily from expenses related to renewing the main financing agreement recorded in the third quarter of fiscal 2012. Interest on long-term debt fell due to better borrowing conditions on renewal of the credit facility at the end of the third quarter of fiscal 2012 and to a lesser extent to the repayment and/or cancellation of credit facilities at higher interest rates.

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

	Quarters ended March 31		Change	Years ended March 31		Change
(in thousands of $)	**2013**	2012	$	**2013**	2012	$
Foreign exchange loss (gain)	**576**	2,038	(1,462)	**1,482**	(1,433)	2,915
Loss (gain) related to derivative financial instruments	**1,008**	(391)	1,399	**1,337**	4,300	(2,963)

Foreign exchange losses or gains are triggered on translation of monetary items recognized in currencies other than the functional currencies of subsidiaries.

During the fourth quarter of fiscal 2013, the depreciation of the Canadian dollar versus its U.S. counterpart and of the Canadian dollar and euro versus the Swedish krona generated a less significant foreign exchange loss than in the same period the year before.

The foreign exchange loss for the twelve-month period ended March 31, 2013 resulted mainly from the U.S. dollar's strengthening against the Corporation's main currencies and the euro's depreciation against the Swedish krona. The foreign exchange gain in the same period a year ago stemmed primarily from the weakening of the euro against the Corporation's other main currencies.

The loss related to derivative financial instruments for the fourth quarter of fiscal 2013 was prompted by unrealized losses on foreign exchange contracts outstanding as at March 31, 2013. These losses were pared by the favourable remeasurement of the total return swap which is based on the price of Class A subordinate voting shares and by certain gains realized on foreign exchange contracts.

The decrease in the loss related to financial instruments for the twelve-month period ended March 31, 2013 was driven by a considerable decrease in the loss on the total return swap compared with the loss recognized for the previous fiscal year and realized gains on foreign exchange contracts outstanding. The gains realized on foreign exchange contracts offset the unrealized losses on foreign exchange contracts outstanding as at March 31, 2013.

Income taxes

	Quarters ended March 31		Change	Twelve-month periods ended March 31		Change
(In thousands of $, except percentages)	**2013**	2012	$	**2013**	2012	$
Loss before income taxes – continuing operations	**(1,212)**	(49,111)		**(5,022)**	(53,084)	
Loss before income taxes – discontinued operations	**(548)**	(1,496)		**(7,255)**	(782)	
Loss before income taxes	**(1,760)**	(50,607)	48,847	**(12,277)**	(53,866)	41,589
Income tax expense (recovery) – continuing operations	**(2,165)**	2,163		**729**	214	
Income tax expense (recovery) – discontinued operations	**–**	–		**(167)**	–	
Income tax expense (recovery)	**(2,165)**	2,163	(4,328)	**562**	214	348
Effective tax rate (%)	**n/a**	(4.3)%		**(4.6)%**	(0.4)%	
Canadian statutory rate (%)	**26.9%**	28.0%		**26.9%**	28.0%	

The difference between the effective tax rate and Canadian statutory rate resulted primarily from current income tax expense in the U.S. and valuation allowances for deferred tax assets of other subsidiaries. Improved profitability in the coming quarters will allow the Corporation to make partial use of these deferred tax assets related to unrecognized tax losses. In the fourth quarter, a tax recovery was accounted for resulting mainly from the recognition of a deferred tax asset in the U.K., confirming the entity's position of known and anticipated profitability and from the valuation of the deferred losses in the U.S.

Discontinued operations

On August 9, 2012, GLV announced a reorganization that will significantly affect the future strategy, including how Ovivo is managed, more specifically its Industrial cash-generating unit ("CGU"). In October 2012, the Industrial CGU was divided into four different CGUs: "Energy," "Electronics and Metals," "Food and Beverage Processing" and "Waste to Energy." The new Industrial CGU structure stems from the new business strategy resulting from Ovivo's operational refocusing.

In December 2012, operations of the Waste to Energy CGU were discontinued since they no longer reflected Ovivo's and the Corporation's business model. On December 31, 2012, the Corporation entered into an agreement to sell its interest in its joint venture Ovivo GW&E for a consideration of $1. The disposal was carried out as part of the reorganization of Ovivo's operations, specifically the discontinuation of the Waste to Energy industrial operations, which also included some of the operations of an Ovivo subsidiary. Accordingly, figures for the fiscal year and comparative figures have been adjusted to take into account the presentation of various items under discontinued operations.

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

	Quarters ended March 31		Years ended March 31	
	2013	2012	**2013**	2012
(in thousands of $)				
Net earnings (loss) attributable to shareholders of GLV Inc.	**396**	(52,846)	**(12,836)**	(54,148)
Net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.	**944**	(51,350)	**(5,748)**	(53,366)
Normalized net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.	**3,472**	(5,488)	**320**	(6,346)
(In $ per share, basic and diluted)				
Net earnings (loss) attributable to shareholders of GLV Inc.	**0.01**	(1.20)	**(0.29)**	(1.23)
Net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.	**0.02**	(1.16)	**(0.13)**	(1.21)
Normalized net earnings (loss) from continuing operations attributable to shareholders of GLV Inc.	**0.08**	(0.12)	**0.01**	(0.14)
Weighted average number of participating shares outstanding (in thousands):				
Basic	**44,092**	44,092	**44,092**	44,092
Diluted	**44,097**	44,092	**44,092**	44,092

The Corporation reported net earnings for the fourth quarter of fiscal 2013 of $0.4 million or $0.01 per share, basic and diluted, compared with a net loss of $52.8 million or $1.20 per share, basic and diluted, for the same quarter of the previous fiscal year. During the fourth quarter of fiscal 2013, no impairment charge was required, whereas for the same period of fiscal 2012, an impairment charge of $40.9 million was recorded. The increase in operational profitability owing to the positive results of Ovivo's refocusing plan, the decline in selling and administrative expenses, the reduction in restructuring costs, and the recovery of income taxes contributed to improved profitability.

For the twelve-month period ended March 31, 2013, the Corporation reported a net loss of $12.8 million or $0.29 per share, basic and diluted, compared with a net loss of $54.1 million or $1.23 per share, basic and diluted, for the twelve-month period ended March 31, 2012. The loss from continuing operations attributable to shareholders of GLV Inc. amounted to $5.7 million or $0.13 per share, basic and diluted, compared with $53.4 million or $1.21 per share, basic and diluted, for the twelve-month period ended March 31, 2012. Excluding the impact of discontinued operations, the changes resulted primarily from the asset impairment charge recognized in fiscal 2012, the decrease in selling and administrative and net financial expenses, and lower restructuring costs, partly offset by the increase in income tax expense.

6. SUMMARY OF QUARTERLY PERFORMANCE

	Quarters ended							
	Fiscal 2013				Fiscal 2012			
(In thousands of $, except per share amounts)	**March 31, 2013**	**Dec. 31, 2012**	**Sept. 30, 2012**	**June 30, 2012**	**March 31, 2012**	**Dec. 31, 2011**	**Sept. 30, 2011**	**June 30, 2011**
Revenues	**152,392**	145,529	140,575	146,745	168,519	157,781	166,638	150,421
Adjusted EBITDA	**5,335**	3,295	3,627	6,574	(1,155)	6,227	6,076	4,017
Normalized adjusted EBITDA	**7,863**	4,614	5,198	6,574	3,785	6,603	6,858	4,017
Operating income (loss)	**2,362**	694	(707)	3,443	(45,458)	2,787	2,987	(702)
Normalized operating income (loss)	**4,890**	1,558	1,969	3,443	404	3,163	3,769	(702)
Net earnings (loss) attributable to shareholders of GLV Inc.:								
From continuing operations	**944**	3,043	(5,990)	(3,745)	(51,350)	(1,734)	3,763	(4,045)
per share (basic and diluted)	**0.02**	0.07	(0.13)	(0.10)	(1.16)	(0.04)	0.09	(0.09)
From normalized continuing operations	**3,472**	3,907	(3,314)	(3,745)	(5,488)	(1,358)	4,545	(4,045)
per share (basic and diluted)	**0.08**	0.09	(0.07)	(0.10)	(0.13)	(0.03)	0.10	(0.09)
From discontinued operations	**(548)**	(4,481)	(264)	(1,795)	(1,496)	164	596	(46)
per share (basic and diluted)	**(0.01)**	(0.10)	(0.01)	(0.04)	(0.03)	0.01	0.01	0.00
Total	**396**	(1,438)	(6,254)	(5,540)	(52,846)	(1,570)	4,359	(4,091)
per share (basic and diluted)	**0.01**	(0.03)	(0.14)	(0.13)	(1.20)	(0.04)	0.10	(0.09)
Net earnings (loss) attributable to non-controlling interests	**9**	(1)	(11)	–	76	10	(36)	18
Net earnings (loss)	**405**	(1,439)	(6,265)	(5,540)	(52,770)	(1,560)	4,323	(4,073)

The Corporation's quarterly results are exposed to economic conditions and are not necessarily comparable from quarter to quarter. The following events had a significant effect on results:

- Additional costs required to complete some CWT-originated desalination contracts that were recognized in the first, second and fourth quarters of fiscal 2012;
- A return to positive normalized adjusted EBITDA and normalized operating income for Ovivo in the first quarter of fiscal 2013, despite lower revenues, resulting from efficient performance of contracts in progress and tight cost control;
- Discontinuation of Waste to Energy's industrial operations at Ovivo in the third quarter of fiscal 2013 representing a loss of $4.5 million; comparative figures for the previous quarters reported in this MD&A have been restated to take into account the effects of these operations on earnings (loss);
- The refocusing of Ovivo's operations on target markets translated into a gradual improvement in profitability in the fourth quarter of fiscal 2013; however, market slowdowns, particularly in Europe and Asia and Asia-Pacific, had a downward effect for GL&V Pulp and Paper.

7. FINANCIAL SITUATION AND CASH FLOWS

Excluding net acquisitions of property, plant and equipment, cash flows generated in the fourth quarter of fiscal 2013 amounted to $2.1 million ($0.05 per share, basic and diluted) compared with $1.6 million ($0.04 per share, basic and diluted) in cash flows used for the same quarter of fiscal 2012. For the year ended March 31, 2013, cash flows used amounted to $3.6 million ($0.08 per share, basic and diluted) compared with cash flows generated totalling $14.3 million ($0.32 per share, basic and diluted) for the previous fiscal year.

	Quarters ended March 31		Years ended March 31	
(In thousands of $, except per share amounts)	**2013**	2012	**2013**	2012
Cash flows provided by operating activities of continuing operations before net change in non-cash items	**1,371**	1,404	**4,968**	8,350
Net change in non-cash items related to continuing operating activities	**1,747**	(1,256)	**(6,915)**	7,259
Additions to property, plant and equipment, net of disposals	**(1,038)**	(1,708)	**(1,674)**	(1,341)
Cash flows generated from (used in) continuing operations	**2,080**	(1,560)	**(3,621)**	14,268
Per share (basic and diluted)	**0.05**	(0.04)	**(0.08)**	0.32

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

	Quarter ended March 31	Year ended March 31
(in thousands of $)	**2013**	**2013**
Trade and other receivables	**5,202**	**14,343**
Inventories	**869**	**156**
Contracts in progress	**4,730**	**(7,182)**
Prepaid expenses	**367**	**770**
Accounts payable and accrued liabilities, provisions and other liabilities	**(3,289)**	**(16,263)**
Deferred revenues	**(8,029)**	**(5,907)**
Income taxes receivable/payable	**1,897**	**7,168**
	1,747	**(6,915)**

The $1.7 million positive impact on cash flows for the fourth quarter of fiscal 2013 resulting from changes in non-cash items related to operations was mainly attributable to lower trade and other receivables arising mostly from tighter management of trade receivable collection during the quarter and the decline in income taxes receivable/payable. These impacts were partly offset by the increase in contracts in progress, net of deferred revenues which vary according to percentage of completion, and by the decrease in accounts payable and accrued liabilities, provisions and other liabilities owing to the timing of payments to suppliers.

The $6.9 million adverse effect on cash flows for the year ended March 31, 2013 was mainly due to a decline in accounts payable and accrued liabilities, provisions and other liabilities resulting from the timing of payments to suppliers and slower business for certain entities, as well as an increase in contracts in progress, net of deferred revenues. These negative impacts were offset by a decline in trade and other receivables stemming primarily from favourable accounts receivable collection performance.

In addition to the aforementioned items, the reduction in operating revenues and expenses compared with the previous fiscal year put downward pressure on trade and other receivables as well as accounts payable and accrued liabilities, provisions and other liabilities.

Excluding the current portion of long-term debt, the Corporation had a net working capital position as at March 31, 2013 of $107.1 million, representing a ratio of 1.51 as at that date, compared with $129.8 million and a ratio of 1.57 as at March 31, 2012. The Corporation's total assets as at March 31, 2013 amounted to $474.9 million, compared with $523.2 million as at March 31, 2012, a decrease owing mainly to a reduction in cash and cash equivalents, and trade and other receivables, partly offset by the increase in contracts in progress. Management generally seeks to maintain its working capital ratio at about 1.25 given the Corporation's operating business model. The Corporation continues to focus on optimizing management of trade receivables to maximize the resulting cash flows and thereby reduce financial expenses.

Note that exchange rate fluctuations for the quarter and year ended March 31, 2013 had no significant impact on the remeasurement of cash and cash equivalents.

The net effect of exchange rate movements on cash flows used in the fourth quarter of fiscal 2013 and twelve-month period ended March 31, 2013 was a decrease in cash and cash equivalents of $9.6 million and $22.3 million, respectively.

Investing activities

Investing activities for the fourth quarter of fiscal 2013 and twelve-month period ended March 31, 2013 used cash flows totalling $1.3 million and $3.3 million, respectively, compared with $0.5 million and $2.1 million of cash flows used, respectively, for the corresponding periods a year earlier. During the first quarter of fiscal 2013, the Corporation sold a building held for sale for a consideration of $2.2 million.

Additional comments on financial position

	As at March 31, 2013	As at March 31, 2012
(in thousands of $, except ratio)		
Long-term debt, including current portion	**70,023**	80,932
Cash and cash equivalents	**(13,294)**	(35,583)
Total net debt	**56,729**	45,349
Equity	**169,531**	186,461
Invested capital	**226,260**	231,810
Total net debt to invested capital ratio	**25.1%**	19.6%

As at March 31, 2013, the Corporation's total debt stood at $70 million compared with $80.9 million as at March 31, 2012. Net of cash and cash equivalents, total net debt as at March 31, 2013 amounted to $56.7 million for a total net debt to invested capital ratio of 25.1% 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 consolidated financial statements as at March 31, 2013. They were repaid in April 2013.

As at March 31, 2013, the cash position and bank credit facilities were sufficient to fund operations and redeem non-convertible debentures maturing in April 2013. Moreover, all financial ratios met the requirements under current credit agreements with GLV Group's banking institutions. Where there are extraordinary or non-recurring items, the terms of these credit agreements require the use of normalized adjusted EBITDA to determine financial ratios. Accordingly, as at March 31, 2013, 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 March 31, 2013 of the entities whose shares were acquired and excludes the operating results of the past twelve months ended March 31, 2013 of private entities or entities with discontinued operations or whose shares or certain assets were sold, as well as restructuring costs and other special items.

In December 2011, the Corporation renewed its main financing agreement for a five-year term 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 operations, 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.

In the second quarter of fiscal 2013, the Corporation amended certain covenants related to its credit facility in Austria for issuing letters of credit. This facility, with a maximum amount of €35 million ($45.6 million), matures in May 2015, while its terms are renegotiable in March of each year. As at March 31, 2013, drawdowns under the facility totalled €12.7 million ($16.6 million). During the first quarter of fiscal 2014, the Corporation once again amended the covenants of this facility at annual renewal to reduce the maximum amount to €30,000 ($39,126). During the second quarter of fiscal 2013, the Corporation renewed its credit facility in Austria used to finance day-to-day needs. This €2.5 million ($3.3 million) facility expires on December 31, 2015 and may be cancelled with three months' notice.

Share capital information and stock-based compensation

	Authorized	Number of shares issued and outstanding as at March 31, 2013 and June 6, 2013
Class A subordinate voting shares	Unlimited	**41,912,594**
Class B multiple voting shares	Unlimited	**2,179,305**
Preferred shares	Unlimited	**–**
		44,091,899

During the year ended March 31, 2013, 5,100 Class B multiple voting shares were converted into Class A subordinate voting shares (none during the fourth quarter of fiscal 2013).

During the twelve-month period ended March 31, 2013, the Corporation issued 37,233 stock options (none during the fourth quarter of fiscal 2013). The stock options granted to directors vested on the grant date. During the same period, subsequent to the cancellation of 91,000 stock options, including 10,000 during the quarter ended March 31, 2013, outstanding stock options on Class A subordinate voting shares issued under the Corporation's stock option plan numbered 2,113,822 (2,167,589 as at March 31, 2012) of which 1,497,822 (1,124,789 as at March 31, 2012) were exercisable based on the time requirement, notwithstanding achievement of target prices when the requirement applies.

For further information, see notes 20 and 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 suffice to finance its working capital requirements, interest payments, and principal repayments on long-term debt in the foreseeable future and capital expenditures.

As at March 31, 2013, in addition to the debts appearing in the consolidated statement of financial position as at that date, the Corporation has operating leases for premises and equipment expiring at various dates through April 2025, representing total minimum current lease payments of $25.1 million.

The following table presents a summary of minimum annual payments and principal contractual commitments as at March 31, 2013.

	Total	**Next 12 months**	**2 to 5 years**	**Over 5 years**
(in thousands of $)				
Accounts payable and accrued liabilities	**151,940**	151,940	–	–
Derivative financial instruments	**6,539**	2,860	552	3,127
Long-term debt	**84,089**	21,031	63,058	–
Pension plan liabilities	**11,242**	833	3,455	6,954
Leases	**25,094**	7,024	10,129	7,941
Total	**278,904**	183,688	77,194	18,022

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, 2013, the Corporation had commitments totalling $186.7 million ($207.8 million as at March 31, 2012).

Financial instruments

The fair value of financial assets and liabilities reflects the amount at which the instrument 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 instrument's fair values:

- Cash and cash equivalents, restricted cash, trade and other receivables, and accounts 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 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, 2013 amounted to $1.9 million ($0.8 million as at March 31, 2012).

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 interest rate swap; instead, it recognizes these arrangements at their fair value. This practice occasionally gives rise to unrealized gains and losses that can cause some volatility in the Corporation's financial results from quarter to quarter.

See notes 6 and 30 to the consolidated financial statements for fiscal 2013 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, 2013, their compensation amounted to $3.9 million ($3.9 million in 2012).

9. BACKLOG AND OUTLOOK

	Quarter ended March 31	Quarter ended December 31	**Change**	**Change at constant exchange rates**	Quarter ended March 31	Change	Change at constant exchange rates
(in thousands of $)	**2013**	2012	**%**	**%**	2012	%	%
Total	**380,019**	334,216	**13.7%**	**11.9%**	346,790	**9.6%**	**9.4%**
Ovivo	**302,373**	259,992	**16.3%**	**14.3%**	264,412	**14.4%**	**14.2%**
GL&V Pulp and Paper	**62,664**	62,908	**(0.4)%**	**(2.3)%**	70,345	**(10.9)%**	**(12.1)%**
Other	**14,982**	11,316	**32.4%**	**34.1%**	12,033	**24.5%**	**27.6%**

Ovivo

Ovivo's backlog as at March 31, 2013 amounted to $302.4 million, reaching a five-quarter high, compared with $260.0 million at the end of the previous quarter and $264.4 million as at March 31, 2012. Growth in Ovivo's backlog was driven primarily by three Electronics and Metals large contracts as announced on April 9, 2013. Recognition of our team expertise in this market by our existing and potential clients, points to favourable prospect.

This increase was partly offset by a slowdown in the Energy and Municipal markets in Europe, the Middle East and Africa, owing primarily to order-taking delays. Given the level of projects in progress combined with improvements in certain products and processes, developed in fiscal 2013, management remains confident of generating a reasonable operating volume in the coming quarters, which will nonetheless be influenced by persistently volatile global economic conditions.

In the Municipal North America market, despite a backlog that was also lower, compared with December 31, 2012, tendering activity has remained fairly good, which is expected to positively affect the upcoming quarters.

The Parts and Services market backlog is stable, and the measures taken to develop this important niche in Ovivo's strategy are expected to take effect gradually over fiscal 2014. Several initiatives are underway to speed up growth in this target market.

The Parts and Services market comprises sales of spare parts and chemicals, as well as maintenance and equipment optimization services. This market, which generates recurring revenue, is one of Ovivo's development priorities.

Ovivo's refocusing plan announced in August 2012 has stabilized its operations. Certain investments will be required in the next fiscal year to continue driving Ovivo's growth in the markets targeted under its strategy, which is expected to translate into improved profitability over the coming quarters.

GL&V Pulp and Paper

As at March 31, 2013, the GL&V Pulp and Paper's backlog was relatively unchanged from December 31, 2012, but down from March 31, 2012. The economic slowdown during fiscal 2013, mainly in Europe and China, translated into a decline in backlog for new equipment, which was offset however by the Parts and Services market, which remains significant for GL&V Pulp and Paper.

Management continues its development efforts in Europe to boost this segment's operating volume over the coming quarters. For fiscal 2014 as a whole, current and anticipated backlog is expected to translate into an operating volume comparable to fiscal 2013.

Other

For the Van der Molen division, results for fiscal 2013 met the profitability targets set by management due to a strong operating volume despite a more challenging business environment sparked by economic uncertainty. During the past two fiscal years, this division was able to regain market share by focusing on strong client relationships. As a result, the Van der Molen division's backlog as at March 31, 2013 reached a record high since the acquisition of CWT in November 2009, in which it was included.

For the two manufacturing units, namely GL&V Fabrication and Ramivo, despite lower backlogs than as at December 31, 2012 and March 31, 2012, the objective for fiscal 2014 is to achieve an acceptable level of profitability despite the prevailing economic conditions.

Note that as of April 1, 2013, Hungary based Ramivo, one of the two manufacturing units, was integrated into Ovivo, given its operational proximity thereto. One of the set objectives is to promote Ramivo's services within GLV Group, thereby enhancing profitability for all operations.

Lastly, head office costs are projected to remain comparable to fiscal 2013 levels.

Overall outlook

Fiscal 2014 will be a year of investments to support the growth of GLV Group as a whole. Several initiatives are already underway and will continue over the next fiscal year to develop the Parts and Services market, and build on our positioning in our other core operational segments. Despite increased order-taking at Ovivo in the fourth quarter of fiscal 2013 and a rise in backlog, management remains conservative in its forecasts of operating volume for the next 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 second quarter will gradually have an impact on operating results at both core operating groups of the Corporation over the next fiscal year. The Corporation's primary goal remains the improvement of the financial performance and competitive positioning for its two core operating groups to expand market share in their respective key niches.

For fiscal 2014 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 total between $600 million and $625 million.

GLV Group remains focused on its objective of long-term value creation for shareholders. To do so, it will rely primarily on Ovivo's refocusing on four core markets, namely Electronics and Metals, Energy, Municipal and Parts and Services. The water treatment industry has strong organic growth potential driven by expanding global demand for water and as well as growth from acquisition opportunities due to the highly fragmented nature of the industry. Given its overall financial performance and flexibility to adjust to economic conditions, GL&V Pulp and Paper continues to be a major component of our corporate strategy. Last, GLV Group enjoys a favourable 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. The nature of these risks and the controls to manage them across the organization and its subsidiaries are continuously reviewed. In particular, the Corporation's Management Committee, comprising senior executives from its two core operating groups, Ovivo and GL&V Pulp and Paper, as well as representatives from finance, legal affairs, human resources and information technology, is responsible for identifying, implementing and monitoring measures to manage risks that can have a significant impact on the Corporation's operations and financial position, given the implemented business strategies, in accordance with the governance structure set forth. The Corporation's Management Committee is also responsible for implementing the necessary risk management oversight mechanisms. This includes drawing up and applying 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 operations. These risks and uncertainties are described below in order of importance.

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. The Ovivo refocusing strategy of no longer accepting projects with a civil construction component, except for a few entities with a proven track record in managing such projects, has limited the number of turnkey projects. In such cases, the Corporation either shares joint and several liability with the strategic partners in charge of construction or assumes full liability for the project and subcontracts the construction portion to third parties. A strategic partner or a subcontractor could be unable to discharge its 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 initial and ongoing technical and commercial risk assessments of business opportunities, reviews of contractual legal clauses, working capital situation, cost management and project scheduling, revisiting forecasts with regard to project completion and other provisions also designed to manage and mitigate risk exposures. In addition, the Corporation typically elects to assume certain types of potential risks through self-insurance practices.

Market risk

For Ovivo, global economic conditions and the political environment may significantly affect backlog, particularly during economic slowdowns. While any reduction in backlog will impact the Corporation's future revenues, this risk is mitigated by Ovivo's move to streamline and refocus operations on recognized, profitable markets and its accelerated development plan for the Parts and Services market. Underperforming significantly in one of these markets could adversely impact its operations, forward-looking financial position and operating results.

GL&V Pulp and Paper 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 GL&V Pulp and Paper 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.

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.

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, 2013, no single client of either Ovivo or GL&V Pulp and Paper accounted for more than 10% of revenues of their respective group.

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.

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 business plan.

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. The water treatment sector represents a special challenge, given that expanding operating volume spark greater competition to recruit qualified personnel. 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.

Information systems risk

The Corporation regularly uses and develops information tools and systems to better serve clients or improve the effectiveness of its resources. Operational interruptions or delays could result if those tools were to cease to function or the Corporation to be incapable of upgrading or developing them. To mitigate that risk, the Corporation has set up a committee tasked with monitoring information systems performance and prioritizing projects for optimal use of the Corporation's resources.

Credit risk

The Corporation's business consists primarily of contracts awarded by clients. Those contracts set out the clients' obligations, particularly the terms of payment based on the nature, scope and calendar of the work to be carried out. Most of the time, payments are 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 the credit limits granted 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.

Intellectual property

Developing new procedures and technologies and access to cutting-edge technologies, to which the Corporation owns the rights, are key to its market share strategy. With this in mind, the Corporation encourages in-house innovation and makes every effort to protect the intellectual property rights to its technologies and products, and the rights to use third-party technologies. The risk of insufficient innovation could reduce the Corporation's competitive positioning in its various markets. Despite the steps taken by Corporation to cover its entire portfolio of technologies, a dispute could potentially arise with a third party regarding the rights to a technology or product, resulting in costs for the Corporation and potentially curbing its ability to capitalize on the technology.

Reputation, 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 regulatory 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.

The Corporation develops and maintains client relationships in the normal course of business in accordance with high ethical standards as set out in its policies. The risk of non-performance of a contract under the terms agreed including the possibility of a default or a significant incident could adversely impact its reputation and influence its future capacity to win projects.

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 also 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.

Acquisition risk

The Corporation's growth strategy relies in particular on business acquisitions to broaden its portfolio of technologies and trademarks and strengthen its expertise in targeted markets, such as Parts and Services. While the Corporation's management has solid experience in integrating businesses, with 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.

Supply chain 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.

In addition, 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.

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.

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.

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 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

(a) Critical accounting policies and estimates

The preparation of the Corporation's 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 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 assessment 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 assessed 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 suitability of its estimates, particularly those used in the assessment 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 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 clients' 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 valued 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 costs to sell. The Corporation determined the recoverable amount using value in use for some CGUs and fair value less costs to sell for other CGUs. The method used to determine the 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 2%. Fair value less costs 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.

As at March 31, 2013, the Corporation's core CGUs consist of Energy, Electronics and Metals, Food and Beverage Processing, Desalination and Municipal Europe/Middle East/Africa ("EMEA"), Municipal North America, GL&V 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).

The Corporation completed its annual goodwill impairment testing as at March 31, 2013. The recoverable amounts of the Energy, Electronics and Metals, Desalination and Municipal EMEA, Municipal North America and GL&V Pulp and Paper CGUs were determined using fair value less costs to sell. For the Food and Beverage Processing CGU, the recoverable amount was determined at the higher of fair value less costs to sell and value in use. The fair value was measured by the Corporation using valuation multiples for expected operating income (loss) before amortization, interest and income taxes. In this regard, management established cash flow projections for the year ending March 31, 2014, 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 Energy, Electronics and Metals and Food and Beverage Processing CGUs had a valuation multiple of 7.4 and an observed range of 7.0 to 8.5. The Municipal North America CGU had a multiple of 8.0 and an observed range of 7.0 to 8.5. The Desalination and Municipal EMEA CGU had a multiple of 6.1 and an observed range of 6.0 to 7.0. The GL&V Pulp and Paper CGU had a multiple of 5.4 and an observed range of 5.0 to 6.0. Valuation multiples are determined based on comparable market data, each CGU's specific risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

The impairment test determined that the recoverable amounts of the Energy, Electronics and Metals, Desalination and Municipal EMEA, Municipal North America and GL&V Pulp and Paper CGUs were higher than their carrying amounts.

For the CGUs indicated above, 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.

Income taxes and measurement of deferred tax assets

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 future 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 (including warranties and assessment of dispute settlements), assumptions regarding defined benefit pension plans and stock-based compensation.

(b) Future changes in accounting policies

The following changes will be effective for the Corporation as of April 1, 2013. In light of the current situation and unless otherwise indicated below, the Corporation does not anticipate any significant effects on its net loss or financial position except for disclosure items related to IFRS 12.

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 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, *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.

IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, were amended subsequent to the release of IFRS 10 and IFRS 11.

IFRS 12, Disclosure of Interests in Other Entities
On May 12, 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*, which contains all of the disclosure requirements for interests in other entities, including subsidiaries, associates, joint ventures and structured entities. Although some of these disclosure requirements were already set out in current standards, some are new, potentially giving rise to additional disclosure requirements for the Corporation.

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 obligation related to actuarial gains and losses. 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. The adoption of these changes as at April 1, 2013 will have no significant impact on the net loss reported for the year ended March 31, 2014.

The following changes will be effective for the Corporation as of the fiscal year beginning on April 1, 2015 for IFRS 9 and as of the fiscal year beginning on April 1, 2014 for amended IAS 32.

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.*

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 impacts of adopting these two standards.

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 regarding earnings (loss) and cash flows that are non-IFRS financial measures, specifically:

- **Adjusted EBITDA:** Earnings before amortization, asset impairment, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments and income taxes;
- **Normalized adjusted EBITDA:** Adjusted EBITDA before items recorded outside the normal course of business, including restructuring costs and loss on disposal;
- **Normalized net earnings (loss)**: Earnings (loss) before items recorded outside the normal course of business, including restructuring costs and loss on disposal;
- **Cash flows generated from (used in):** Cash flows provided by (used in) operating activities, less additions to property, plant and equipment (net of disposals);
- **Cash flows generated from (used in) per share:** cash flows generated from (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 change measure. Organic change 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**	**GL&V Pulp and Paper**	**Other**	**Consolidated earnings (loss)**
As presented on the financial statements:				
Quarter ended March 31, 2013				
Operating income (loss) from continuing operations	**3,083**	**1,908**	**(2,629)**	**2,362**
Asset impairment	**–**	**–**	**–**	**–**
Amortization	**1,611**	**558**	**804**	**2,973**
Earnings (loss) before amortization, asset impairment, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments and income taxes related to continuing operations	**4,694**	**2,466**	**(1,825)**	**5,335**
Normalized items	**2,508**	**(44)**	**64**	**2,528**
Normalized adjusted EBITDA	**7,202**	**2,422**	**(1,761)**	**7,863**
Year ended March 31, 2013				
Operating income (loss) from continuing operations	**9,493**	**8,744**	**(12,445)**	**5,792**
Asset impairment	**650**	**–**	**–**	**650**
Amortization	**6,252**	**2,334**	**3,803**	**12,389**
Earnings (loss) before amortization, asset impairment, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments and income taxes related to continuing operations	**16,395**	**11,078**	**(8,642)**	**18,831**
Normalized items	**4,951**	**80**	**387**	**5,418**
Normalized adjusted EBITDA	**21,346**	**11,158**	**(8,255)**	**24,249**
Quarter ended March 31, 2012				
Operating income (loss) from continuing operations	(43,597)	4,629	(6,490)	(45,458)
Asset impairment	39,281	–	1,641	40,922
Amortization	1,734	571	1,076	3,381
Earnings (loss) before amortization, asset impairment, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments and income taxes related to continuing operations	(2,582)	5,200	(3,773)	(1,155)
Normalized items	2,187	1,491	1,262	4,940
Normalized adjusted EBITDA	(395)	6,691	(2,511)	3,785
Year ended March 31, 2012				
Operating income (loss) from continuing operations	(37,491)	11,922	(14,817)	(40,386)
Asset impairment	39,281	–	1,641	40,922
Amortization	7,922	2,222	4,485	14,629
Earnings (loss) before amortization, asset impairment, net financial expenses, foreign exchange loss (gain), loss (gain) related to derivative financial instruments and income taxes related to continuing operations	9,712	14,144	(8,691)	15,165
Normalized items	3,345	1,491	1,262	6,098
Normalized adjusted EBITDA	13,057	15,635	(7,429)	21,263

13. CONTROLS AND PROCEDURES

As required by Regulations 52-109 of the Canadian Securities Administrators ("Regulation 52-109"), GLV Inc. 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, 2013. 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 as at March 31, 2013. 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, 2013 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

President and Chief Executive Officer

(SIGNED)
Richard Verreault

Chief Financial Officer

(SIGNED)
France De Blois, CPA, CA

June 6, 2013