INTERIM MANAGEMENT'S REPORT
For the Three-Month and Six-Month Periods Ended September 30, 2007

(Management's Discussion and Analysis of
Operating Results, Cash Flows and Financial Position)

FOREWORD TO MANAGEMENT'S REPORT

Basis of Presentation

On August 8, 2007, the carve-out transaction pursuant to the Arrangement ("the Arrangement") between Groupe Laperrière & Verreault Inc. ("GL&V"), its shareholders and FLSmidth & Co. A/S ("FLS") was completed. Therefore, all the assets and liabilities of GL&V's Water Treatment Group, Pulp and Paper Group and Manufacturing Unit (the "Retained Businesses") were acquired by the new company GLV Inc. ("GLV" or "the Company"), incorporated to that end on May 15, 2007. The Arrangement closed on August 10, 2007 and GLV was listed on the TSX on August 9, 2007. (*A detailed description of the Arrangement and the carve-out transaction is provided in the "Significant Events" section of this Interim Management's Report.)*

The new company GLV having adopted the same fiscal year-end as GL&V, March 31st. This Interim Management's Report covers the three-month and six-month periods ended September 30, 2007 and 2006. It presents the combined carve-out financial results of the Retained Businesses for the period extending from April 1 to August 8, 2007 and, for the 53-day period between August 9 and September 30, 2007, it presents the actual consolidated results of GLV and its operational units. The discussion and analysis of statements of earnings, statements of cash flows and the balance sheet must take the following facts into consideration:

- The combined carve-out statements of earnings and statements of cash flows for the period extending from April 1, 2007 to August 8, 2007 are derived from GL&V's accounting records using the historical cost basis assets and liabilities and the historical results of the Retained Businesses of GLV. In addition to the expenses and direct costs exclusively attributable to the operations of the Water Treatment Group, the Pulp and Paper Group and the Manufacturing Unit, they include a portion of GL&V's corporate office selling and administrative expenses. These expenses are allocated between the Retained Businesses and the operations related to the Process Group as set forth hereinafter, as well as in note 2 to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report. Management would like to point out that, although the assumptions underlying the historical combined carve-out financial statements are in its opinion reasonable, they do not necessarily reflect GLV's operating results, financial position and cash flows for upcoming periods, nor what the operating results, financial position and cash flows would have been if the Retained Businesses had been a stand-alone entity during the reporting periods.

- In the combined carve-out balance sheet as at March 31, 2007, net assets of the Retained Businesses are presented as equity invested by GL&V, and the debt is largely comprised of advances from companies of GL&V. This presentation makes the comparison with the new company's actual consolidated balance sheet as at September 30, 2007 difficult.

This Interim Management's Report should be read in conjunction with the unaudited interim consolidated and combined carve-out financial statements and notes hereto accompanying this Interim Management Report. The reader is also invited to refer to the Information Circular ("the Circular'') distributed to GL&V's shareholders and filed on SEDAR (www.sedar.com) as at June 20, 2007, for the purposes of the Special General Meeting of Shareholders held on July 27, 2007 in order to approve the Arrangement. The Circular is also available on GLV's web site at www.glv.com.

In this Interim Management's Report, "GLV" or the "Company" designate, as the case may be, GLV Inc. and its subsidiaries and divisions or GLV Inc. or one of its subsidiaries or divisions. Similarly, "Groupe Laperrière & Verreault Inc." or "GL&V" designate, as the case may be, Groupe Laperrière & Verreault Inc. and its subsidiaries and divisions or Groupe Laperrière & Verreault Inc. or one of its subsidiaries or divisions.

In this Interim Management's Report, GLV's fiscal year ending March 31, 2008 and GL&V's fiscal year ended March 31, 2007 and previous fiscal years are designated by the terms "fiscal 2008", "fiscal 2007", "fiscal 2006" and "fiscal 2005". The "second quarter of fiscal 2008" and the "second quarter of fiscal 2007" refer to the three-month periods ended September 30, 2007 and 2006 respectively.

Unless otherwise indicated, the financial information presented in this Interim Management's Report, including tabular amounts, is expressed in Canadian dollars. The Canadian dollar is also GL&V's and New GLV's measurement currency. Unless otherwise indicated, the analysis of results for the reporting period in question is made in comparison with financial results for the equivalent period of the previous fiscal year. The initial "M" means "millions of dollars".

The interim consolidated and combined carve-out financial statements contained in this Interim Report have not been reviewed nor audited by the Company's external auditors.

Compliance with Generally Accepted Accounting Principles ("GAAP") in Canada

The financial information presented in this Interim Management's Report, including tabular amounts, is prepared in accordance with Canadian GAAP. The information contained in the Interim Management's Report also includes some figures that are not performance measures consistent with GAAP, specifically:

- **EBITDA**: earnings before amortization, financial expenses and income taxes;
- **normalized EBITDA**: according to the reporting periods, EBITDA before gains or losses on disposal of property, plant, equipment and other assets, and before non-recurring costs directly related to the Arrangement;
- **EBIT**: earnings before financial expenses and income taxes;
- **normalized EBIT**: according to the reporting periods, EBIT before gains or losses on disposal of property, plant, equipment and other assets, and before non-recurring costs directly related to the Arrangement; and
- **normalized net earnings**: according to the reporting periods, earnings before gains or losses on disposal of property, plant, equipment and other assets, and before non-recurring costs directly related to the Arrangement (net of related taxes).

Such measures allow Management to assess the operational and financial performance of the various operating groups. These measures are also commonly used by the investment 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 accounting performance measures or to the statement of cash flows as a measure 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 performance measures prepared in accordance with Canadian GAAP. Management's definition of these measures may not be similarly titled measures reported by other companies. A table presenting the reconciliation between these measures and the most comparable GAAP measures for the quarters ended September 30, 2007 and 2006 is presented elsewhere in this Interim Management's Report.

General Corporate Office Expenses Allocated to the Retained Businesses, Bonus Expenses, Stock Options and Other Stock-Based Compensation Plans for the Periods between April 1 and August 8, 2007, and between April 1 and September 30, 2006.

For the periods prior to the carve-out transaction, specifically those extending from April 1 to August 8, 2007 and, for the previous year, the three-month and six-month periods ended September 30, 2006, GL&V has allocated most of the selling and administrative expenses of the corporate office (included in the *"administrative expenses"* account of the combined carve-out statements of earnings) to the Retained Businesses of GLV on the basis of the percentage of revenues generated. Allocated costs relate to human resources, legal, treasury, insurance, finance, taxation, accounting, marketing, strategic development, investor relations and public affairs. The costs allocated are not necessarily indicative of the costs that would have been incurred if the Retained Businesses had performed the functions as a stand-alone entity during the periods presented, nor are they indicative of the costs that have been or will be incurred by GLV subsequent to the transfer of such businesses, effective August 8, 2007.

For the same periods, bonus expenses related to GL&V's corporate office employees, as well as the stock option expenses and other stock-based compensation expenses formerly in effect at GL&V, have been allocated on the basis of earnings before amortization, financial expenses and income taxes of each combined entity. These expenses are not necessarily indicative of what they would have been had the Retained Businesses been a stand-alone entity during the periods presented.

Forward-Looking Statements

Management's Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with GLV's operations and financial position. The statements set forth in this Interim Management's Report and certain other sections of the interim report that describe management's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Positive or negative verbs such as "plan", "evaluate", "estimate" and "believe" as well as other related expressions are used to identify such forward-looking statements. Management would like to point out that, by their very nature, forward-looking statements involve a number of risks and uncertainties such that actual and future results could differ materially from those indicated. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. Unless required to do so pursuant to applicable securities legislation, management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

Effectiveness of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Management of the former GL&V and the new GLV has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and disclosed in public documents pursuant to the requirements of *Multilateral Instrument 52-109*. As at March 31, 2007, GL&V's Chief Executive Officer and Chief Financial Officer (who today hold the positions of Chief Executive Officer and Executive Vice-President and Chief Financial Officer at GLV), with the participation of the Company's management, concluded that the design and operation of the Company's disclosure controls and procedures are effective. The Chief Executive Officer and Chief Financial Officer also concluded that GL&V has designed appropriate internal control over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

No other changes to internal control over financial reporting has come to Management's attention during the three-month and six-month periods ended September 30, 2007 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Company's internal control over financial reporting.

BUSINESS OVERVIEW

About GLV

Founded on May 15, 2007 to acquire and carry on part of GL&V's business pursuant to the Arrangement, GLV Inc. is a global provider of technologies and processes designed for various environmental, municipal and industrial applications. Its operations are divided into two main groups:

- Created in April 2004, the **Water Treatment Group** specializes in the design and marketing of equipment for the treatment of municipal and industrial wastewater and water used in various industrial processes, as well as water intake screening solutions for certain types of power stations and desalination plants.

- The **Pulp and Paper Group** has specialized for over 30 years in the design and marketing of equipment used in various stages of pulp and paper production, notably pulp preparation and sheet formation, and is a recognized leader in rebuilding, upgrading and optimization services for existing equipment, as well as the sale of replacement parts.

In addition, the **Manufacturing** Unit specializes in the production of large custom-made parts for external customers involved mainly in the pulp and paper and energy sectors, as well as for the Pulp and Paper Group.

GLV is present in some 30 countries and has close to 1,500 employees. Since August 13, 2007, its shares are traded on the TSX under the ticker symbols LVG.A and LVG.B.

SIGNIFICANT EVENTS

Arrangement between GL&V, its Shareholders and FLS (Closed August 10, 2007)

On April 20, 2007, GL&V and the Danish company FLSmidth & Co. A/S ("FLS") announced the signing of an agreement under a Plan of Arrangement, pursuant to which GL&V would transfer its Water Treatment Group, its Pulp and Paper Group and its Manufacturing Unit into the new corporation GLV Inc. to be spun off to GL&V's shareholders and subsequently listed on the TSX. Immediately thereafter, FLS would acquire all the Class A subordinate voting shares and Class B multiple voting shares outstanding of GL&V, thereby becoming the effective owner of 100% of GL&V's Process Group, for a cash consideration equivalent to $33.00 per share of GL&V and the assumption of the net debt, with the exception of a net debt of $50.0 M to be assumed by New GLV. Pursuant to the Arrangement, each GL&V shareholder would receive a per-share consideration of $33.00 in cash and one New GLV share of the same class (Class A subordinate voting or Class B multiple voting) for each share held. The proposed Arrangement was subject to shareholder approval by a resolution approved by no less than 75% of the votes cast in each of GL&V's share classes (Class A subordinate voting and Class B multiple voting) during a Special General Meeting of Shareholders. It was also subject to a number of conditions, including approval by the Quebec Superior Court, acceptance by the TSX and other regulatory approvals.

A detailed description of the Arrangement and the steps taken by GL&V in connection with this transaction is provided in the Circular prepared for GL&V's Special General Meeting and filed on SEDAR on June 20, 2007 (www.sedar.com) under the profile of Groupe Laperrière & Verreault Inc. The Circular is also available on GLV's website at www.glv.com.

On July 27, 2007 GL&V's shareholders present or represented by proxy at the Special General Meeting approved the Arrangement, in a majority of 99.92% of the votes cast by the holders of Class A subordinate voting shares, and unanimously by the holders of Class B multiple voting shares, for a combined majority of 99.97% of the votes cast in the two share classes. On July 31, 2007, the Quebec Superior Court issued a final order approving the Plan of Arrangement. On August 8, 2007, after the other required approvals had been obtained, including those of the Federal Department of Industry and relevant competition authorities in various countries, the principal carve-out transactions were effected to complete the Arrangement. The Arrangement closed on August 10, 2007, after which the transfer agent proceeded to distribute GLV's shares and cash payments to GL&V's shareholders. At the close of markets on August 10, 2007, GL&V was delisted from the TSX and when markets opened on August 13, 2007, GLV's stock began trading under the ticker symbols LVG.A and LVG.B.

Financing of New GLV

On August 8, 2007, GLV obtained a credit facility from a Canadian financial institution for an aggregate value of $175 M, consisting of two non-reducing revolving credits. Of this amount, $125 M is intended to finance business acquisitions, meet day-to-day financing requirements and issue letters of credit. The remaining $50 M may be used to issue letters of credit guaranteed by Export and Development Canada (EDC). GLV used part of the $125 M credit facility to finance the cash consideration of the carve-out transaction effective August 8, 2007. *(See note 1(d) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report.)* No capital repayment on the long-term debt is required before it comes due in August 2012.

Description and Financial Impact of Carve-Out Transactions (August 8, 2007)

On August 8, 2007, the principal carve-out transactions effected to complete the Arrangement consisted in the transfer, from GL&V to GLV, of all the shares of the subsidiaries operating within the Water Treatment Group and the Pulp and Paper Group, of all the assets (including intangible assets) and liabilities of the divisions included in these groups, and of all the assets and liabilities of the Manufacturing Unit and head office. The shares and net assets transferred to GLV, which are described in further detail in note 1(a) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report, were acquired for the following consideration:

- the issue of 22,837,075 Class A subordinate voting shares equal to a legal stated capital amount of $201.4 M and 2,551,805 Class B multiple voting shares, equal to a legal stated capital amount of $22.5 M; and

- a cash payment of $62.9 M, obtained from GLV's new credit facility, representing the assumption of the net debt related to the Retained Businesses, the other compensation owed to employees and the balance of the inter-company debts not yet repaid at the carve-out date.

Because the carve-out transaction was between companies under common control, it was recorded at book value of $172.0 M in GLV's consolidated balance sheet.

Concurrently with the carve-out transaction, almost all of the advances made to the Retained Businesses by companies of GL&V were capitalized. Before the end of the current fiscal year, the balance of the advances will be repaid through the transfer to GL&V of certain net operational assets related to the Process Group.

The Carve-out Agreement provides for an adjustment of GLV's debt, net of cash and cash equivalents and temporary investments, based on GLV's audited opening balance sheet as at August 8, 2007. The estimated adjustments of cash payment was accounted for against shareholders' equity as at September 30, 2007 and will be subject to, if any, a final adjustment upon approval by the parties to the Carve-out Agreement. If a difference should arise compared to the estimated adjustment, it will also be accounted for against the shareholders' equity.

Finally, the costs related to the Arrangement include the costs which would not have been incurred by GLV if there had been no Arrangement. The costs include a charge of $4.3 related to other compensation, a $0.8 charge for professional fees related to the audit of GLV's opening balance sheet and other carve-out expenses totaling $0.7. Pursuant to the Arrangement, the payment related to other compensation was partially supported by GL&V. It is estimated that an additional amount of approximately $0.7 will be incurred in the following quarters in order to complete the transition. This last amount was not provided for as a provision as at September 30, 2007.

2004-2007 Business Development of the Water Treatment Group: Creation and Expansion

At the beginning of fiscal 2005, a new reportable business segment was formed, the Water Treatment Group, the operations and results of which were previously incorporated into the GL&V's Process Group. This group was originally comprised mainly of the North American entity Eimco Water Technologies, LLC, founded in January 2004. Today, this group comprises all activities relating to the treatment of municipal and industrial wastewater, industrial process water and drinking water carried out by GLV's various international subsidiaries. For its first complete fiscal year, being GL&V's fiscal year ended March 31, 2005, the Water Treatment Group recorded revenues of approximately $75 million. Two years later, for GL&V's fiscal year ended March 31, 2007, its revenues reached more than $212 million.

During GL&V's fiscal 2006, this group completed three acquisitions:

- On April 1, 2005, acquisition of certain water treatment related assets and operations of the British company **Jones & Attwood** ("Jones & Attwood"), based in the United Kingdom and also operating a sales and service centre in Chicago, Illinois. The acquired operations and assets cover the design, manufacture, marketing and installation of effluent liquid/solid filtration and separation process equipment targeted mainly to municipalities as well as an industrial customer base.

- On November 7, 2005, acquisition of all the shares of the British company **Brackett Green Limited** (“Brackett Green”), based in the United Kingdom and its Texas (USA) subsidiary, a world leader in advanced water intake screening and filtration technologies used by power stations, desalination plants and various other types of industries. Brackett Green also offers a broad selection of municipal and industrial wastewater treatment equipment. In addition, the Caird & Rayner Clark division offers advanced seawater desalination technologies.

- On January 9, 2006, acquisition of certain assets and operations of the Paper Chemical Systems Unit of **Metso Paper, Inc** (“Metso Paper”), based in Finland, primarily the intellectual property rights associated with a number of products in the wastewater treatment field. This acquisition strengthened the Water Treatment Group’s positioning in the pulp and paper industry and various other sectors where such technologies might be applied, including municipal water treatment.

During GL&V’s fiscal 2007, the Water Treatment Group completed two acquisitions:

- On June 30, 2006, acquisition of all the outstanding shares of **Enviroquip, Inc**. (“Enviroquip”), based in Texas, a producer of drinking water and wastewater treatment equipment, mainly for municipalities. In addition to its own technologies, it holds the exclusive U.S. municipal market licence for the submerged membrane filtration technology developed by the Japanese multinational Kubota. This wastewater treatment technology is increasingly in demand by North American municipalities. Having held the exclusive licence in Canada since 2004, the Water Treatment Group thereby secured exclusive rights to this technology for the whole of North America. The combination of Enviroquip’s products and Kubota’s submerged membrane bioreactor (MBR) provides the Water Treatment Group with an edge in the marketplace, having enabled it to establish its presence in a growing market segment, where there are considerable barriers to entry due to numerous existing patents and to the lengthy period required to acquire market share. The addition of this technology to its existing portfolio strengthens its current and future positioning in the North American municipal market, where new technologies such as the submerged membrane are gradually gaining market share at the expense of more conventional technologies.

- On October 16, 2006, acquisition of all the shares of two companies specializing in wastewater treatment solutions: **COPA Limited**, in the United Kingdom, and **COPA Water Pty Ltd**, in Australia (“Copa”). This acquisition, the fifth to be completed by the Water Treatment Group within eighteen months, enabled it to integrate a portfolio of equipment and processes designed for various wastewater treatment applications, and which have gained market recognition for their innovative engineering and superior reliability. In addition, COPA Limited holds the exclusive licence for the Kubota submerged membrane bioreactors (MBR) for the municipal, commercial and industrial wastewater treatment markets in the United Kingdom and Ireland. Thus, this acquisition provided the Water Treatment Group with advanced technologies meeting new global market needs, strengthened its relationship with Kubota, increased its know-how in submerged membrane technology, and positioned it more solidly in certain high-potential regions.

Toward the end of GL&V's fiscal 2007 and on October 3, 2007, after the end of the second quarter of GLV's fiscal 2008, two non-strategic divisions in Australia that were part of the Copa acquisition were sold. Such divestments were consistent with the objective of restructuring part of the operations of the Water Treatment Group subsequent to its various acquisitions. In addition to improving its cost structure, these asset disposals allowed the group to further focus on its core business: industrial and municipal wastewater treatment and water intake screening solutions in selective growth markets.

The five acquisitions made during GL&V's 2006 and 2007 fiscal years have provided the Water Treatment Group with state-of-the-art technologies and recognized trademarks, access to new markets including energy, a significant installed equipment base worldwide, a growth platform in Europe and an increased international presence.

2004-2007 Business Development of the Pulp and Paper Group: Further Penetration of International Markets and Enhancement of Technological Portfolio

In recent years, pulp and paper production worldwide has been increasingly shifting toward certain regions in the Southern Hemisphere, Asia and Eastern Europe, which benefit from abundant natural resources and advantageous production costs. Concurrently, new technologies have emerged on the market, focused on enhancing mill capacity, productivity and efficiency. Pulp and paper manufacturers' investments in North America, the primary market of the Pulp and Paper Group, are increasingly focused on producing specialty products and upgrading, improving and maintaining existing equipment to maximize its yield, rather than on new capital projects.

In such a context, the Pulp and Paper Group has implemented a market strategy aimed at the following key objectives: (1) the development of its product portfolio, primarily through acquisitions, in order to provide higher value-added technologies and more comprehensive solutions, i.e. covering all stages of its customers' production flowsheets, and to meet the growing need in the global pulp and paper industry for increased mill capacity and productivity and lower costs; (2) the development of its aftermarket business base and the consolidation of its aftermarket leadership in North America and Europe, also by means of acquisitions; and (3) the development of its presence in certain emerging markets toward which a growing proportion of pulp and paper production is shifting, such as China, India, Latin America and Russia. This strategy yielded tangible benefits, as the Pulp and Paper Group was awarded several major contracts abroad in the past two years, while maintaining a strong aftermarket business in North America and Europe.

This group made one acquisition during GL&V's fiscal 2006, specifically the May 27, 2005 purchase of certain assets of **Perplas Limited** ("Perplas"), based in the United Kingdom and specializing in the manufacture of stock preparation equipment and high-turnover replacement parts ("consumables"). In October 2006, during GL&V's last fiscal year, certain non-strategic operations of Perplas were sold.

The Pulp and Paper Group completed four more acquisitions during GL&V's fiscal 2007:

- On April 1, 2006, acquisition of the principal assets of **KanEng Industries Inc.** ("KanEng") and **KanEng-Deltec Inc.** in Quebec City, Canada, specializing in the manufacture of high-turnover replacement parts ("consumables") for paper machines, including a large proportion in the aftermarket.

- On July 10, 2006, acquisition of the principal assets related to the refiner rebuild business of **J&L Fiber Services Inc**. ("J&L Fiber Services"), based in Massachusetts (USA).

- On August 24, 2006, acquisition of the principal assets related to the operations of the **Huyck Dewatering Equipment** division of Xerium Technologies, Inc., in the United Kingdom. These operations are complementary to those of Perplas.

- On December 29, 2006, acquisition from **Metso Corporation** ("Metso") of the principal assets, namely the proprietary rights, patents, know-how, trademarks and part of the manufacturing machinery, relating to the pulp washing, oxygen delignification and bleaching business of the Swedish **Kværner Pulping** ("Kværner") including Kværner's Compact Press™ wash press technology, along with Metso's SuperBatch™ cooking technology. Subsequent to the acquisition, the Pulp and Paper Group undertook to set up a chemical pulping technology centre in Karlstad, Sweden, which strengthens its European and global presence.

  This acquisition contributed to position the Pulp and Paper Group among the world's top providers of stock preparation equipment. The cooking, oxygen delignification, bleaching and wash press technologies have been specifically designed to meet the growing need in the global pulp and paper industry for increased mill production capabilities and efficiency. The acquisition therefore meets the Pulp and Paper Group's key strategic objectives by giving it access to world-class value-added technologies backed by excellent trademarks, strengthening its European team and international presence and providing it with a significant global installed equipment base and new aftermarket products. In the following months, the Pulp and Paper Group was awarded several orders through its new Karlstad technology centre, including a contract worth close to $60 million order for the design, manufacture and turnkey installation of a complete pulp washing, oxygen delignification and pulp bleaching system based on the new Compact Press™ wash press technology. The contract includes the supply of the largest wash press in the industry.

On September 13, 2007, the new company GLV made its first acquisition since the official start of its operations, namely the principal assets of a United Kingdom company specializing in the design and manufacture of doctor blade systems for paper machines and high-turnover replacement parts ("consumables"). The acquired know-how and products being complementary to those of KanEng acquired in 2006, this acquisition enables the Pulp and Paper Group to expand its portfolio in this niche of the pulp and paper industry while providing it with an additional revenue stream in the aftermarket.

Financial Benefits of the Acquisitions of the Past Two Years

The several acquisitions made by the Water Treatment Group and the Pulp and Paper Group over the last two years contributed to raise the revenues of the Retained Businesses of New GLV by 48.4% between March 31, 2005 and 2007, representing an average annual growth of 21.8%. For the six-month period ended September 30, 2007, consolidated and combined carve-out revenues posted a 35.1% increase over the corresponding period of the previous year.

In addition, between March 31, 2005 and 2007, combined carve-out normalized EBITDA rose 44.7% (average annual growth of 20.3%), due to the contribution of the acquired businesses, their efficient integration with existing operations, tight cost control and the development of the global network of subcontractors, to whom a large proportion of the manufacturing is outsourced in order to maintain a competitive and flexible cost structure. In the six-month period ended September 30, 2007, consolidated and combined carve-out normalized EBITDA grew by 15.9%.

Normalized EBIT posted slower growth than normalized EBITDA (11.3% annually between March 31, 2005 and 2007) and declined by 27.2% during the six-month period ended September 30, 2007, due primarily to the increase in amortization of intangible assets arising from the acquisitions made within the past two fiscal years. In fact, the expansion strategy is essentially focused on the acquisition of technologies, trademarks and other strategic assets that enable the groups to provide an international customer base with comprehensive value-added solutions, and thereby to secure an advantageous position in growth niches within various markets. Furthermore, their distinctive aftermarket expertise as OEM manufacturers of an extensive range of products with globally recognized brand names allows them to benefit from a source of recurring aftermarket revenues yielding attractive profit margins. At present, the aftermarket business is especially developed in the Pulp and Paper Group.

SELECTED FINANCIAL INFORMATION FOR THE THREE-MONTH AND SIX-MONTH PERIODS

The following tables present selected consolidated and combined carve-out financial information relating to the Retained Businesses of New GLV for the period extending from April 1 to August 8, 2007, and to GLV's actual results for the period between August 9 and September 30, 2007, following the carve-out transaction. The selected data include some segmented information concerning the two major operating units: the Water Treatment Group and the Pulp and Paper Group. The information relating to the Manufacturing Unit and head office is included in the item *"Other and Eliminations"*, since this unit does not meet the quantitative criteria stipulated in the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1701 for reportable segments. The following information should be read in conjunction with (i) this Interim Management's Report; (ii) the unaudited interim consolidated and combined carve-out financial statements and notes thereto as at September 30, 2007 and 2006 accompanying this Interim Management's Report; and (iii) the Circular filed on SEDAR on June 20, 2007.

Operating Results

(in thousands of $, except per-share data)	Periods Ended September 30,			
	Three Months		Six Months	
	2007	2006	**2007**	2006
Revenues:				
Water Treatment	65,834	39,059	120,511	72,438
Pulp and Paper	58,153	49,150	116,070	99,352
Other and eliminations	1,900	3,857	4,574	6,661
Total	**125,887**	92,066	**241,155**	178,451
Gross margin	**27,699**	19,814	**52,385**	39,538
EBITDA	**(96)**	3,999	**3,623**	8,395
Arrangement-related costs:				
Water Treatment	144	-	173	-
Pulp and Paper (1)	(1,146)	-	242	-
Other and eliminations	5,902	-	5,382	-
Total	**4,900**	-	**5,797**	-
Normalized EBITDA:				
Water Treatment	3,469	3,102	6,546	5,146
Pulp and Paper	3,040	2,284	6,018	6,411
Other and eliminations	(1,670)	(1,377)	(3,164)	(3,450)
Total	**4,839**	4,009	**9,400**	8,107
Amortization:				
Water Treatment	1,356	333	2,749	538
Pulp and Paper	792	631	1,544	1,237
Other and eliminations	623	580	1,342	1,157
Total	**2,771**	1,544	**5,635**	2,932
Normalized EBIT:				
Water Treatment	2,113	2,769	3,797	4,608
Pulp and Paper	2,248	1,653	4,474	5,174
Other and eliminations	(2,293)	(1,957)	(4,506)	(4,607)
Total	**2,068**	2,465	**3,765**	5,175
Financial expenses	**1,232**	1,258	**2,501**	1,138
Income taxes	**(1,943)**	452	**(1,780)**	1,152
Net earnings (loss)	**(2,156)**	745	**(2,733)**	3,173
• per share (basic and diluted)	**(0.08)**	0.03	**(0.11)**	0.12
Normalized net earnings	**440**	751	**766**	2,962
• per share (basic and diluted)	**0.02**	0.03	**0.03**	0.12

(1) During the second quarter, the Pulp and Paper Group reversed the excess portion, in relation to actual payments, of the provision it had recorded in anticipation of the payment, as part of the carve-out transaction, of other stock-based compensation related to GL&V's profit-sharing program.

Highlights of Consolidated Balance Sheet as at September 30, 2007 and Combined Carve-Out Balance Sheet as at March 31, 2007

(in thousands of $)	September 30, 2007	March 31, 2007
Total assets	**347,295**	371,423
Shareholders'/invested equity	**155,063**	116,418
Available short-term cash (1)	**4,235**	21,242
Long-term liabilities (2)	**63,554**	116,981
Total net debt (3)	**53,386**	89,108

(1) Includes cash, cash equivalents and temporary investments.
(2) Includes long-term debt, pension plan liabilities and advances from companies of GL&V.
(3) Consists of long-term debt and advances from companies of GL&V, less available cash.

Information Regarding Non Canadian GAAP Measures

	Three months ended September 30, 2007				Three months ended September 30, 2006			
	Water Treatment Group	Pulp and Paper Group	Others and Elimination	Total	Water Treatment Group	Pulp and Paper Group	Others and Elimination	Total
Segmented EBIT:								
Earnings (loss) before financial expenses and income taxes (EBIT)	$ 1 909	$ 3 419	$ (8 195)	$ (2 867)	$ 2 793	$ 1 619	$ (1 957)	$ 2 455
Costs related to the Arrangement	144	(1 146)	5 902	4 900	-	-	-	-
(Gain) loss on disposal of property, plant and equipment and other assets	60	(25)	-	35	(24)	34	-	10
Normalized earnings (loss) before financial expenses and income taxes (nromalized EBIT)	$ 2 113	$ 2 248	$ (2 293)	$ 2 068	$ 2 769	$ 1 653	$ (1 957)	$ 2 465
Segmented EBITDA:								
Earnings (loss) before financial expenses and income taxes (EBIT)	$ 1 909	$ 3 419	$ (8 195)	$ (2 867)	$ 2 793	$ 1 619	$ (1 957)	$ 2 455
Amortization	1 356	792	623	2 771	333	631	580	1 544
Earnings (loss) before amortization, financial expenses and income taxes (EBITDA)	3 265	4 211	(7 572)	(96)	3 126	2 250	(1 377)	3 999
Costs related to the Arrangement	144	(1 146)	5 902	4 900	-	-	-	-
(Gain) loss on disposal of property, plant and equipment and other assets	60	(25)	-	35	(24)	34	-	10
Normalized earnings (loss) before financial expenses and income taxes (nromalized EBIT)	$ 3 469	$ 3 040	$ (1 670)	$ 4 839	$ 3 102	$ 2 284	$ (1 377)	$ 4 009
Net Earnings:								
Net earnings (loss)				$ (2 156)				$ 745
Costs related to the Arrangement (net of related taxes)				2 577				-
(Gain) loss on disposal of property, plant and equipment and other assets (net of related taxes)				18				6
Normalized earnings				$ 439				751

	Six months ended September 30, 2007				Six months ended September 30, 2006			
	Water Treatment Group	Pulp and Paper Group	Others and Elimination	Total	Water Treatment Group	Pulp and Paper Group	Others and Elimination	Total
Segmented EBIT:								
Earnings (loss) before financial expenses and income taxes (EBIT)	$ 3 630	$ 4 248	$ (9 890)	$ (2 012)	$ 4 769	$ 5 301	$ (4 607)	$ 5 463
Costs related to the Arrangement	173	242	5 382	5 797	-	-	-	-
(Gain) loss on disposal of property, plant and equipment and other assets	(6)	(16)	2	(20)	(161)	(127)	-	(288)
Normalized earnings (loss) before financial expenses and income taxes (nromalized EBIT)	$ 3 797	$ 4 474	$ (4 506)	$ 3 765	$ 4 608	$ 5 174	$ (4 607)	$ 5 175
Segmented EBITDA:								
Earnings (loss) before financial expenses and income taxes (EBIT)	$ 3 630	$ 4 248	$ (9 890)	$ (2 012)	$ 4 769	$ 5 301	$ (4 607)	$ 5 463
Amortization	2 749	1 544	1 342	5 635	538	1 237	1 157	2 932
Earnings (loss) before amortization, financial expenses and income taxes (EBITDA)	6 379	5 792	(8 548)	3 623	5 307	6 538	(3 450)	8 395
Costs related to the Arrangement	173	242	5 382	5 797	-	-	-	-
(Gain) loss on disposal of property, plant and equipment and other assets	(6)	(16)	2	(20)	(161)	(127)	-	(288)
Normalized earnings (loss) before financial expenses and income taxes (nromalized EBIT)	$ 6 546	$ 6 018	$ (3 164)	$ 9 400	$ 5 146	$ 6 411	$ (3 450)	$ 8 107
Net Earnings:								
Net earnings (loss)				$ (2 733)				$ 3 173
Costs related to the Arrangement (net of related taxes)				3 511				-
(Gain) loss on disposal of property, plant and equipment and other assets (net of related taxes)				(12)				(211)
Normalized earnings				$ 766				2 962

ANALYSIS OF CONSOLIDATED AND COMBINED CARVE-OUT OPERATING RESULTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2007

Currency Fluctuations

As GLV's operations are conducted in some 30 countries, its results are exposed to currency fluctuations in relation to the Canadian dollar, primarily the U.S. dollar, the pound Sterling and the Euro. The following table summarizes the impact of currency fluctuations on the principal statement of earnings items for the three-month and six-month periods ended September 30, 2007, compared with the exchange rates effective during the same periods the previous year.

Favourable (Unfavourable) Impact of Currency Fluctuations

(in thousands of $)	**Periods Ended September 30, 2007**	
	Three Months	**Six Months**
Revenues:		
Water Treatment	(1,777)	(626)
Pulp and Paper	(1,887)	(1,223)
Other and eliminations	(31)	(35)
Total	**(3,695)**	**(1,884)**
Gross margin	**(847)**	**(498)**
EBITDA:		
Water Treatment	(149)	(4)
Pulp and Paper	(291)	(446)
Other and eliminations	154	190
Total	**(286)**	**(260)**
EBIT:		
Water Treatment	(116)	(10)
Pulp and Paper	(266)	(432)
Other and eliminations	77	128
Total	**(305)**	**(314)**

The fluctuation in various exchange rates had an unfavourable impact on consolidated and combined carve-out operating results for the second quarter and, to a lesser extent, on those for the first six months of fiscal 2008. Currency fluctuations mainly affected the Pulp and Paper Group. Their impact on the Water Treatment Group's operating results was less significant in the second quarter, and immaterial for the full six-month period.

Revenues

(in thousands of $)	Periods Ended September 30			
	Three Months		Six Months	
	2007	2006	**2007**	2006
Revenues:				
Water Treatment	65,834	39,059	120,511	72,438
Pulp and Paper	58,153	49,150	116,070	99,352
Other and eliminations	1,900	3,857	4,574	6,661
Total	**125,887**	92,066	**241,155**	178,451
Revenue mix:				
New equipment	91,246	54,754	164,988	102,132
Aftermarket	34,641	37,312	76,167	76,319
Total	**125,887**	92,066	**241,155**	178,451

THREE-MONTH PERIOD

Consolidated and combined carve-out ***revenues*** for the second quarter of fiscal 2008 grew by $33.8 M or 36.7% over the combined carve-out revenues for the second quarter of fiscal 2007. Excluding the impact of exchange rate fluctuations, the revenue growth would have been 40.7%. The revenue increase is primarily attributable to the five acquisitions of the previous 12 months, combined with organic growth of approximately 10.0% (at constant exchange rates) for the Company as a whole.

- The **Water Treatment Group**'s second-quarter revenues grew by $26.8 M or 68.6% ($28.6 M or 73.1% increase at constant exchange rates), as a result of the October 2006 acquisition of Copa, coupled with a 25.9% organic growth (at constant exchange rates) largely attributable to the Enviroquip division. Enviroquip benefits from growing demand in North American municipal markets for its principal products, including for submerged membrane bioreactors (MBR). In addition, the Water Treatment Group increased its sales and international presence in the water intake screening market niche with its Brackett Green technologies, especially in the Middle East and Europe.

- The **Pulp and Paper Group** achieved a $9.0 M or 18.3% increase in its second-quarter revenues ($10.9 M or 22.2% growth at constant exchange rates), driven by the development of its international presence and the enhancement of its technological portfolio following the acquisitions of the previous quarters. Excluding the acquisitions, this group's revenues posted a 2.1% organic growth at constant exchange rates. It should be pointed out that the Pulp and Paper Group's revenues had suffered a set-back in the second quarter of fiscal 2007, due to the end-of-period status of the execution schedule and billing of certain contracts. Since the beginning of fiscal 2008, nonetheless, the Pulp and Paper Group has been awarded several major contracts, including two worth a total of over $80 M. Its second-quarter revenue growth was particularly strong in the United States, Europe, China and India. In terms of applications, the strongest revenue growth was in the pulp preparation equipment segment. Through its new technology centre in Karlstad (Sweden), the group succeeded in leveraging its excellent product portfolio in this particular niche, including the technologies acquired from Metso Paper and Kvaerner in December 2006 such as the Compact Press™ pressure washing technology, which it is marketing to a growing international customer base. The Pulp and Paper Group also posted growth in the paper finishing segment, having notably delivered several BTF™ automatic dilution systems for headboxes worldwide. In the aftermarket, the Pulp and Paper Group maintains solid activity in North America and is gradually expanding its presence in Europe.

Overall consolidated and combined carve-out revenues from the **sale of new equipment** increased by $36.5 M or 66.6% to account for 72.5% of total revenues, compared with 59.5% in the same quarter the previous year. This growth can be explained by the expansion of the Water Treatment Group which generates the greater proportion of its revenues the new equipment segment (91.7% in the second quarter of fiscal 2008), and by the Pulp and Paper Group's booking of several new equipment contracts following the acquisition of new state-of-the-art technologies in December 2006 and the subsequent setting up of its technology centre in Sweden. **Aftermarket** consolidated and combined carve-out revenues decreased by $2.7 M or 7.2%, due largely to the unfavourable impact of currency fluctuations.

SIX-MONTH PERIOD

Consolidated and combined carve-out ***revenues*** for the first half of fiscal 2008 grew by $62.7 M or 35.1% over the same period a year earlier ($64.6 M or 36.2% growth at constant exchange rates). This increase is largely attributable to the previous year's five acquisitions. Excluding the acquisitions and the impact of currency fluctuations, revenues posted a 1.9% organic growth at constant exchange rates.

- The **Water Treatment Group** achieved a $48.1 M or 66.4% increase in its first-half revenues due to the contribution of Enviroquip and Copa, respectively acquired at the very end of the first quarter and during the third quarter of the previous year. Excluding the impact of the 2006 acquisitions and asset divestiture, as well as the effect of currency fluctuations, which was not significant for the six month-period, this group's revenues posted a 7.8% organic growth at constant exchange rates. The Water Treatment Group recorded approximately 73% of its revenues in the municipal segment (compared with 60% in the same period last year) and 27% in the industrial segment (40% last year). The greater proportion of the municipal segment in the revenue mix for the current fiscal year is attributable to the June 2006 and October 2006 acquisitions of Enviroquip and Copa.

- The **Pulp and Paper Group**'s year-to-date revenues grew by $16.7 M or 16.8% ($17.9 M or 18.1% growth at constant exchange rates), attributable mainly to the acquisition of state-of-the-art fibre processing and pulp preparation technologies in December 2006. Subsequent to this acquisition, the group was awarded several major contracts, including a $60 M order for which it started recognizing revenues in the first quarter. The past year's acquisition of certain assets of J&L Fiber Services and Huyck Dewatering Equipment, combined with the acquisition of a U.K. company in September 2007, also contributed to grow the Pulp and Paper Group's aftermarket revenues. Excluding the impact of the acquisitions and the 2006 business divestiture, as well as the impact of currency fluctuations, the Pulp and Paper Group's revenues were stable (at constant exchange rates) compared with the same period the previous year.

Overall, consolidated and combined carve-out revenues from the **sale of new equipment** increased by $62.9 M or 61.5% during the six-month period, to account for 68.4% of total revenues, up from 57.2% in the same period the previous year. **Aftermarket** consolidated and combined carve-out revenues remained stable compared with last year, given the unfavourable impact of currency fluctuations.

The geographic breakdown of consolidated and combined carve-out revenues between customers operating in various regions of the world mentioned below was as follows for the first half of fiscal 2008:

- 41% in the United States (45% in 2007);
- 32% in Europe and Russia (28% in 2007);
- 15% in India, China and the Asia-Pacific region (12% in 2007);
- 6% in Canada (10% in 2007);
- 3% in Latin America (3% in 2007); and
- 3% in the Middle East and Africa (2% in 2007).

Gross Margin and Normalized EBITDA

(in thousands of $, except percentages)	**Periods Ended September 30,**			
	Three Months		**Six Months**	
	2007	2006	**2007**	2006
Gross margin	**27,699**	19,814	**52,385**	39,538
As a % of revenues	*22.0%*	*21.5%*	*21.7%*	*22.2%*
Operating expenses (1)	22,895	15,815	42,965	31,143
As a % of revenues	*18.2%*	*17.2%*	*17.8%*	*17.5%*
Normalized EBITDA:				
Water Treatment	3,469	3,102	6,546	5,146
Pulp and Paper	3,040	2,284	6,018	6,411
Other and eliminations	(1,670)	(1,377)	(3,164)	(3,450)
Total	**4,839**	4,009	**9,400**	8,107
As a % of revenues	*3.8%*	*4.4%*	*3.9%*	*4.5%*

(1) Excluding costs directly related to the Arrangement

THREE-MONTH PERIOD

The consolidated and combined carve-out ***gross margin*** grew by $7.9 M or 39.8%. Excluding the impact of currency fluctuations, it would have increased by $8.7 M or 44.1%. Expressed as a percentage of revenues, the gross margin amounted to 22.0% in the second quarter of fiscal 2008 compared with 21.5% the previous year. This improvement is due mostly to the fact that the Pulp and Paper Group's gross margin for the second quarter of 2007 had sustained a downward pressure due to a decrease in revenues. However, a number of recent factors are exerting a pressure on GLV's gross margin since the beginning of the current fiscal year, including the weaker profitability achieved on some of the Water Treatment Group's contracts based on conventional technologies for which profit margins are lower than those yielded by new technologies, and the Pulp and Paper Group's booking of large-scale contracts for which the profit margins are lower than its usual margins.

Excluding the costs directly related to the Arrangement, consolidated and combined carve-out ***operating expenses*** increased by $7.1 M or 44.8% due primarily to the acquisitions of the previous 12 months, especially that of Copa. Expressed as a percentage of revenues, operating expenses rose from 17.2% to 18.2%.

During the second quarter, GLV incurred non-recurring costs of $4.9 M directly related to the Arrangement closed on August 10, 2007. These costs include a charge of $4.3 M related to other compensation, a charge of $0.8 M in professional fees related to the audit of GLV's opening balance sheet and other carve-out expenses totalling $0.7 M.

Excluding the costs directly related to the Arrangement as well as non-recurring gains and losses on disposal of various assets (in an immaterial amount for the two comparative periods), the consolidated and combined carve-out ***normalized EBITDA*** increased by $0.8 M or 20.7% ($1.1 M or 27.8% growth at constant exchange rates), whereas the normalized EBITDA margin as a percentage of revenues decreased from 4.4% to 3.8%. This decline is attributable to the aforementioned factors, namely, lower profitability on some of the Water Treatment Group's contracts and the Pulp and Paper Group's large-scale orders, coupled with certain additional costs carried by both groups.

On a segmented basis, the trend in normalized EBITDA was as follows:

- The **Water Treatment Group**'s normalized EBITDA grew by $0.4 M or 11.8% (16.6% growth at constant exchange rates) due to the revenue increase. Its normalized profit margin as a percentage of revenues decreased from 7.9% to 5.3% this year due to the weaker profitability on certain contracts and to the fact that business in North America is being somewhat disrupted by the carve-out operation. In fact, Eimco Water Technologies, LLC's profitability is being affected by the operational transition aimed at separating the resources, assets and operations of the Water Treatment Group and the Process Group, which is now part of FLS. In the second quarter, the group started to prepare for the relocation of the Salt Lake City (Utah) and Orillia (Canada) operations and the moving of replacement parts inventories to Austin (Texas). It is expected that the new sites will operational toward the beginning of the fourth quarter. GLV will shortly undertake the particularly complex task of dividing all the technical data specific to the Water Treatment Group and the Process Group, in order to finalize most of the exercise of separating the two groups toward the end of the current fiscal year. The Water Treatment Group continues to develop its international outsourcing operations so as to improve the profit margins achieved on conventional technology products. Finally, the integration of the European operations is progressing on schedule and is starting to yield the expected benefits.

- The **Pulp and Paper Group**'s normalized EBITDA grew by $0.8 M or 33.1% ($1.0 M or 45.8% growth at constant exchange rates), whereas its normalized profit margin as a percentage of revenues rose from 4.6% the previous year to 5.2% this year. This improvement can primarily be explained by the fact that the profit margin for the second quarter of fiscal 2007 was weaker than normal, due to the execution schedule and billing of certain contracts. As aforementioned, this group's profit is sustaining some pressure due to the booking of large-scale orders that yield lower profit margins than those this group has traditionally achieved.

- Corporate expenses entering into the calculation of normalized EBITDA posted an unfavourable variance of $0.3 M or 21.3%, which can be explained by the reversal of a $0.5 M insurance provision in the second quarter of the previous year. Notwithstanding this item, total corporate EBITDA and the Manufacturing Unit's EBITDA would have recorded an improvement of $0.2 M.

SIX-MONTH PERIOD

The consolidated and combined carve-out ***gross margin*** for the first half of fiscal 2008 grew by $12.8 M or 32.5%. At constant exchange rates, it posted a $13.3 M or 33.8% increase. Expressed as a percentage of revenues, it declined from 22.2% in the first half of the previous year, to 21.7% in the first six months of fiscal 2008. This decrease can be explained by the lower profitability achieved on certain of the Water Treatment Group's and the Pulp and Paper Group's contracts.

Excluding the costs related to the Arrangement, ***operating expenses*** increased by $11.8 M or 38.0% due primarily to the acquisitions of the previous 12 months.

Excluding the costs related to the Arrangement as well as non-recurring gains on disposal of various assets for the comparative periods (in an immaterial amount for fiscal 2008 and $0.3 M last year), ***normalized EBITDA*** increased by $1.3 M or 15.9% ($1.6 M or 19.2% growth at constant exchange rates), whereas the normalized EBITDA margin as a percentage of revenues decreased from 4.5% to 3.9%. On a segmented basis, the trend in normalized EBITDA was as follows:

- The **Water Treatment Group**'s normalized EBITDA grew by $1.4 M or 27.2% as a result of its revenue increase. Currency fluctuations did not have a material impact on its profitability. Its profit margin as a percentage of revenues decreased from 7.1% the previous year to 5.4% this year for the aforementioned reasons. To improve its margins, the Water Treatment Group is currently striving to expand its outsourcing networks in order to transfer the manufacturing of conventional-type contracts to regions where costs are lower. Management is also carrying on its efforts to acquire new technologies offering higher profit margins, as it has done over the past two years with the acquisition of Jones & Attwood, Brackett Green, certain Metso technologies and, more recently, Enviroquip and Copa.

- The **Pulp and Paper Group**'s year-to-date normalized EBITDA declined by $0.4 M or 6.1%. However, at constant exchange rates, its normalized EBITDA would have been slightly higher than the previous year. Its profit margin as a percentage of revenues decreased from 6.5% to 5.2%. Besides the unfavourable impact of exchange rate fluctuations and the weaker profit margins on certain recently awarded large-scale contracts, this decline is partly attributable to the costs associated with setting up the new technology centre in Karlstad (Sweden) following the acquisition of chemical pulp processing technologies in December 2006.

- Total corporate expenses entering into the calculation of normalized EBITDA and the Manufacturing Unit's normalized EBITDA posted a favourable variance of $0.3 M or 8.3%.

Normalized EBIT

(in thousands of $)	Periods Ended September 30			
	Three Months		Six Months	
	2007	2006	**2007**	2006
Normalized EBIT	**4,839**	4,009	**9,400**	8,107
Less amortization:				
Water Treatment	1,356	333	2,749	538
Pulp and Paper	792	631	1,544	1,237
Other and eliminations	623	580	1 342	1,157
Total	**2,771**	1,544	**5,635**	2,932
Normalized EBIT	**2,068**	2,465	**3,765**	5,175
As a % of revenues	*1.6%*	*2.7%*	*1.6%*	*2.9%*
Segmented normalized EBIT:				
Water Treatment	2,113	2,769	3,797	4,608
Pulp and Paper	2,248	1,653	4,474	5,174
Other and eliminations	(2,293)	(1,957)	(4,506)	(4,607)
Total	**2,068**	2,465	**3,765**	5,175

THREE-MONTH PERIOD

Amortization expenses were up $1.2 M or 79.5%, due primarily to the growth in intangible assets, namely the order backlog, technologies, trademarks and customer relations resulting from the acquisitions of the previous 12 months, especially those of Enviroquip and Copa. The increase in amortization affected the Water Treatment Group for an amount of $1.0 M and the Pulp and Paper Group for an amount of $0.2 M.

Consequently, consolidated and combined carve-out ***normalized EBIT*** decreased by $0.4 M or 16.1%, although the decline would have been $0.1 M or 3.7% at constant exchange rates.

- The **Water Treatment Group**'s normalized EBIT decreased by $0.7 M or 23.7% ($0.5 M or 19.5% decline at constant exchange rates) due primarily to the increase in amortization of its intangible assets.

- Conversely, the **Pulp and Paper Group**'s normalized EBIT, which was less affected by the increase in amortization of intangible assets, posted a $0.6 M or 36.0% growth ($0.9 M or 52.1% growth at constant exchange rates), due primarily to the abnormally weak profitability in the second quarter the previous year.

- Total corporate expenses entering into the calculation of normalized EBIT and the Manufacturing Unit's normalized EBIT posted an unfavourable variance of $0.3 M or 17.2% for the aforementioned reason.

SIX-MONTH PERIOD

Year-to-date ***amortization*** expenses rose by $2.7 M or 92.2% due to the increase in intangible assets resulting from the previous year's acquisitions, especially those of Enviroquip and Copa. The increase in amortization affected the Water Treatment Group for an amount of $2.2 M, the Pulp and Paper Group for an amount of $0.3 M, and the corporate office and Manufacturing Unit for an amount of $0.2 M.

Consequently, consolidated and combined carve-out ***normalized EBIT*** decreased by $1.4 M or 27.2% ($1.1 M or 21.2% decline at constant exchange rates).

- The **Water Treatment Group**'s normalized EBIT decreased by $0.8 M or 17.6% due primarily to the $2.2 M increase in amortization of its intangible assets. Currency fluctuations had an immaterial impact on its normalized EBIT.

- The **Pulp and Paper Group**'s normalized EBIT decreased by $0.7 M or 13.5% ($0.3 M or 5.2% decline at constant exchange rates), for the aforementioned reasons.

- Total corporate expenses entering into the calculation of normalized EBIT and the Manufacturing Unit's normalized EBIT posted a $0.1 M or 2.2% improvement.

Net Earnings (Loss)

(in thousands of $)	**Periods Ended September 30**			
	Three Months		**Six Months**	
	2007	2006	**2007**	2006
EBIT	(2,867)	2,455	(2,012)	5,463
Financial expenses	1,232	1,258	2,501	1,138
EBT	**(4,099)**	1,197	**(4,513)**	4,325
Income taxes	**(1,943)**	(452)	**(1,780)**	1,152
Net earnings (loss)	**(2,156)**	745	**(2,733)**	3,173
• per share (basic and diluted)	**(0.08)**	0.03	**(0.11)**	0.12
Normalized net earnings	**440**	751	**766**	2,962
• per share (basic and diluted)	**0.02**	0.03	**0.03**	0.12

THREE-MONTH PERIOD

Financial expenses for the second quarter of fiscal 2008 were comparable to those of the previous year. *(For further information, the reader is referred to note 4 to the interim consolidated and carve-out financial statements accompanying this Interim Management's Report.)* The Company recorded a tax recovery of $1.9 M, compared with a tax expense of $0.5 M in the same quarter of fiscal 2007.

The second quarter produced a consolidated and combined carve-out ***net loss*** of $2.1 M or $0.08 per share, as opposed to combined carve-out net earnings of $0.7 M or $0.03 per share in the same quarter of fiscal 2007. Excluding non-recurring costs directly related to the Arrangement and other non-recurring items (net of related taxes), GLV posted ***normalized net earnings*** of $0.4 M or $0.02 per share during the second quarter of fiscal 2008, compared with normalized net earnings of $0.8 M or $0.03 per share a year earlier.

It should be pointed out that the increase in amortization of intangible assets resulting from the past year's acquisitions had an unfavourable impact of $1.1 M (net of related taxes) on second-quarter net earnings compared with the same period the previous year.

SIX-MONTH PERIOD

Year-to-date ***financial expenses*** for the first six months more than doubled over the previous year due mainly to the financing of the past year's acquisitions, especially those of Enviroquip and Copa. *(For further information, the reader is referred to note 4 to the interim consolidated and carve-out financial statements accompanying this Interim Management's Report.)* The Company recorded a tax recovery of $1.8 M, compared with a tax expense of $1.2 M in the same period of fiscal 2007.

The first half of fiscal 2008 closed with a consolidated and combined carve-out ***net loss*** of $2.7 M or $0.11 per share, as opposed to combined carve-out net earnings of $3.2 M or $0.12 per share in the first six months of fiscal 2007. Excluding non-recurring costs directly related to the Arrangement and other non-recurring costs (net of related taxes), GLV posted ***normalized net earnings*** of $0.8 M or $0.03 per share for the six-month period ended September 30, 2007, compared with normalized net earnings of $3.0 M or $0.12 per share a year earlier.

In addition to lower profit margins on certain contracts, various additional operating costs incurred by both groups and currency fluctuations, the main reason for the decline in GLV's normalized net earnings is the increase in amortization of intangible assets which had an impact of $1.1 M (net of related taxes) on the period's net earnings, as well as the increase in first-quarter financial expenses resulting from the Enviroquip and Copa acquisitions. The amortization of intangible assets represents a new factor in the results that creates some distortion in comparing the financial performance of New GLV's operating units with the previous year, since unlike property, plant and equipment, some of the intangible assets do not have to be regularly renewed by way of new investments.

Consolidated and Combined Carve-Out Comprehensive Income

(in thousands of $)	**Periods Ended September 30**			
	Three Months		**Six Months**	
	2007	2006	**2007**	2006
Net earnings (loss)	**(2,155)**	745	**(2,733)**	3,173
Other comprehensive income items (net of income taxes): Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations (net of related taxes)	**(11,628)**	886	**(11,125)**	586
Comprehensive income (loss)	**(13,783)**	1,631	**(13,858)**	3,759

CICA Handbook Section 1530 introduces the concept of comprehensive income, which is calculated by adding other comprehensive income to net earnings (net loss). For the Retained Businesses of New GLV, other comprehensive income for the three and six-month periods ended September 30, 2007 and 2006 pertains exclusively to translation adjustments related to self-sustaining foreign operations. *(For further information, see note 3(a) to the interim consolidated and carve-out financial statements accompanying this Interim Management's Report.)*

FINANCIAL POSITION

Summary Cash Flows

(in thousands of $)	Periods Ended September 30			
	Three Months		**Six Months**	
	2007	2006	**2007**	2006
Operating activities:				
Net earnings (loss)	(2,155)	745	(2,733)	3,173
Non-cash items in earnings (loss)	2,428	1,701	4,786	1,716
Net change in operating assets and liabilities	669	(8,083)	(14,197)	(20,383)
Total	**942**	(5,637)	**(12,144)**	(15,494)
Financing activities	**685**	(4,987)	354	27,162
Investing activities	**(2,568)**	(1,461)	**(3,754)**	(26,076)
Impact of exchange rate fluctuations on cash and cash equivalents	*(27)*	*4,344*	*(1,479)*	*3,625*
Net decrease in cash and cash equivalents	**(968)**	(7,741)	**(17,023)**	(10,783)
Cash and cash equivalents, end of period	**3,376**	12,211	**3,376**	12,211

THREE-MONTH PERIOD

Before net change in operating assets and liabilities, **operating activities** provided cash flows of $0.3 M. Excluding the impact of a business acquisition, net change in operating assets and liabilities provided cash flows of $0.7 M in the second quarter of fiscal 2008, whereas they used cash flows of $8.1 M in the same period the previous year. It should be pointed out that considering the magnitude of certain contracts executed by the Water Treatment and Pulp and Paper Groups, normal course funding requirements can vary significantly from year to year, and even from one quarter to another. Consequently, operating activities provided net cash flows of $0.9 M in the second quarter of fiscal 2008, whereas they had used cash flows of $5.6 M in the same quarter last year.

Second-quarter **financing activities** mainly reflect the August 8, 2007 carve-out transaction, specifically the use of $62.9 M of GLV's credit facility to finance the cash payment required as part of the carve-out as well as the net amount of transactions with another GL&V group, representing a net cash outflow of $54.7 M. In addition, before the end of the quarter, GLV allocated an amount of $6.4 M to the repayment of the long-term debt.

In regard to **investing activities**, $3.2 M was invested to purchase property, plant and equipment in the normal course of business, while GLV realized proceeds of $1.1 M on the disposal of a property located in the United Kingdom. On September 13, 2007, it also acquired certain assets of a United Kingdom company specializing in the design and manufacture of doctor blade systems for paper machines and high-turnover replacement parts ("consumables") for a cash consideration of $0.6 M.

SIX-MONTH PERIOD

Operating activities (before net change in operating assets and liabilities) produced cash flows of $2.1 M in 2007, compared with $4.9 M the previous year, due to the period's net loss resulting primarily from the costs related to the Arrangement. Excluding the impact of business acquisitions, net change in operating assets and liabilities used cash flows of $14.2 M in the first six months of fiscal 2008, compared with $20.4 M in the same period last year. The change in operating assets and liabilities reflects the increase in operational requirements arising from the business growth. Consequently, operating activities used net cash flows of $12.2 M in the first half of fiscal 2008, compared with $15.5 M in the first six months of last year.

Financing activities for the six-month period ended September 30, 2007 primarily reflect the previously described carve-out transaction and the repayment of long-term debt. **Investing activities** used cash flows of $3.8 M, including $3.3 M for the purchase of new property, plant and equipment, net of the proceeds from the sale of a building, $0.6 M for a business acquisition. These investments were financed by GLV's available cash. Investments in the corresponding period of fiscal 2007 mainly related to the June 30, 2006 acquisition of Enviroquip.

After accounting for the period's cash inflows and outflows and the $1.5 M unfavourable impact of exchange rate fluctuations, cash and cash equivalents decreased from $20.4 M as at March 31, 2007 to $3.4 M as at September 30, 2007.

Summary Consolidated Balance Sheet as at September 30, 2007 and Combined Carve-Out Balance Sheet as at March 31, 2007

(in thousands of $)	**September 30, 2007**	March 31, 2007
Current assets	240,591	250,246
Long-term assets	106,704	121,177
Total	**347,295**	371,423
Current liabilities	120,191	123,035
Long-term liabilities	72,041	131,970
Shareholders'/invested equity	155,063	116,418
Total	**347,295**	371,423

The principal changes between the combined carve-out balance sheet as at March 31, 2007 and the consolidated balance sheet as at September 30, 2007 relate to changes in long-term liabilities and shareholders'/invested equity and reflect the carve-out transaction as at August 8, 2007. At that date, almost all of the advances from companies of GL&V were either converted into share capital of GLV, either repaid by way of the cash payment as part of the carve-out transaction. This transaction was financed by the issuance to GL&V's shareholders of 22,837,075 Class A subordinate voting shares and 2,551,805 Class B multiple voting shares for an aggregate book value of $172.0 M, and by a cash payment of $62.9 M obtained from GLV's new credit facilities.

The increase in current assets and current liabilities mainly reflects the growth in the Water Treatment Group's and Pulp and Paper Group's business as a result of the significant growth of their order backlog in recent quarters. The decrease in long-term assets is due primarily to the impact of the amortization of property, plant and equipment and intangible assets, the disposal of a building in the United Kingdom and translation adjustments.

Changes in Current Balance Sheet Items

(in thousands of $, except ratio)	**September 30, 2007**	March 31, 2007
Current assets:		
Cash, cash equivalents and temporary investments	4,235	21,242
Accounts receivable	137,435	130,944
Inventories	32,323	27,942
Contracts in progress (less progress billings)	54,455	59,088
Prepaid expenses, income taxes receivable and future income tax assets	12,143	11,030
Total	**240,591**	250,246
Current liabilities:		
Accounts payable and accrued liabilities	120,191	121,916
Income taxes payable and future income tax liabilities	-	1,119
Total	**120,191**	123,035
Working capital	**120 400**	127,211
Current ratio	*2.00:1*	*2.03:1*

The slight decline in working capital is due primarily to the use of some of the available cash to finance the operational working capital requirements arising from the two groups' business growth and to reimburse the long-term debt.

Indebtedness

(in thousands of $, except ratio)	**September 30, 2007**	March 31, 2007
Total net debt:		
Long-term debt and advances from companies of GL&V	57,621	110,350
Less cash, cash equivalents and temporary investments	*(4,235)*	*(21,242)*
Total debt net of cash	**53,386**	89,108
Total net debt to invested capital ratio:		
Invested capital:		
Shareholders'/invested equity	155,063	116,418
Total net debt	53,386	89,108
Total	**208,449**	205,526
Total net debt/invested capital ratio	***25.6%***	*43.4%*

On August 8, 2007, all the advances from companies of GL&V, except for a $1.0 M balance, were converted into share capital of GLV or reimbursed through a cash payment as part of the carve-out transaction**.** Consequently, and also considering the use of some of the available cash to finance operations in the normal course of business and to repay part of the long-term debt at the end of the quarter, total net debt between March 31 and September 30, 2007 decreased by $35.7 M or 40.1%, whereas **shareholders'/invested equity** increased by $38.6 M or 33.2% as a result of the previously described carve-out transactions. (*The carve-out transaction is described in note 1 to the interim consolidated and carve-out financial statements accompanying this Interim Management's Report.)* As at September 30, 2007, GLV thus had a total net debt/invested capital ratio of 25.6%, compared with 43.4% as at March 31, 2007.

New GLV therefore benefits from a sound financial position to carry on its business and development projects. In addition, the Company has a credit facility of $175 M, consisting of two non-reducing revolving credits. Of that amount, $125 M may be used to finance business acquisitions, meet day-to-day funding requirements and issue letters of credit, and the remaining $50 M may be used to issue letters of credit guaranteed by Export and Development Canada (*EDC*). As at September 30, 2007, credit facilities for the issue of letters of credit were used for an amount of $5.4 M, and those for the issue of EDC-guaranteed letters of credit were used for an amount of $34.8 M. Taking into account the financing used and issued letters of credit, the balance of the unused credit facility amounted to $78.1 M at the end of the period. No capital repayment on the long-term debt is required before it comes due in August 2012.

OUTLOOK

Order Backlogs (1)
(in thousands of $)

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Water Treatment Group	174,408	178,205	162,574	171,560	130,565
Pulp and Paper Group	151,081	143,276	79,494	80,753	68,348
Manufacturing Unit	5,750	3,768	4,969	4,246	4,260
Total	**331,239**	325,249	247,037	256,559	203,173

(1) As at September 30, 2007, the Company changed the presentation of the order backlog. Thus, instead of presenting segmented eliminations on a combined basis as was done formerly, these eliminations are now deducted directly from the order backlogs of the respective groups. The presentation of order backlogs for previous quarters has been adjusted accordingly. Although this presentation does not change the total order backlog, management believes that it offers a more accurate picture of the different groups' end-of-period order backlogs.

As at September 30, 2007, GLV's order backlog totalled $331.2 M, up by $128.1 M or 63.0% over the previous year. Currency fluctuations had a negative impact of $17.6 M on the order backlog, without which its actual growth would have been 71.7% since September 30, 2006. Compared with June 30, the order backlog as at September 30, 2007 was up by $6.0 M or 1.8%. However, at constant exchange rates, its actual growth was more than $20.0 M or 6.2% for the three-month period.

- The **Water Treatment Group**'s order backlog grew by $43.8 M or 33.6% within the past year (actual growth of $59.2 M or 45.3% at constant exchange rates), as a result of the Enviroquip and Copa acquisitions coupled with organic growth. Notwithstanding the impact of currency fluctuations, this group posted effective growth of $6.7 M or 3.8% in its order backlog between June 30 and September 30, 2007, due primarily to the organic growth of the Enviroquip division and the good performance of Brackett Green water intake screening technologies.

  The acquisitions made by the Water Treatment Group over the past two years have provided it with new technologies for which the demand is growing. Operations derived from more conventional technologies are posting lesser growth, which attests to the relevance of this group's strategy of acquiring companies with newer technologies. In addition to benefiting from strong demand in the U.S. and Canadian municipal markets, the group has recently been awarded major contracts in the U.K. municipal market and energy segment, as well as orders for industrial applications in Latin America and Asia. The industrial segment accounts for a growing proportion of the Water Treatment Group's order backlog, consistent with its objective of better balancing revenues between the municipal and industrial markets. The group mainly targets the energy, chemicals, petrochemicals, food processing and pulp and paper industries, whereas Australia, the United States, the Middle East and Southern Europe are all territories that hold significant potential for its technologies in the industrial segment. The Water Treatment Group's aftermarket orders are also growing, which corresponds to another of this group's main objectives. In its current product portfolio, the technologies offering the greatest aftermarket revenue potential are Brackett Green's water intake screening systems and the submerged membrane bioreactors (MBR), given the wearing-out of certain parts. Considering the size of its order backlog and the activity level in the Water Treatment Group's various markets, GLV's management is confident that it will continue to build its business base and market share in upcoming quarters.

  After two years of strong expansion through acquisitions, fiscal 2008 marks a transition phase during which the Water Treatment Group is focusing on the final integration of cultures and operations resulting from its latest acquisitions, and on reinforcing its operational and financial management to improve its profitability. To that end, the group has undertaken to restructure its business in Europe; this initiative is progressing on schedule and has started to the yield the expected benefits. It is also striving to expand its outsourcing networks in order to transfer its product manufacturing to regions with lower costs, in order to raise the profit margins achieve on conventional technology products.

Subsequent to the carve-out transaction related to the Arrangement with FLS and GL&V, GLV has initiated the operational transition that consists in separating the resources, assets and operations of the Water Treatment Group and the Process Group, which is now part of FLS. In addition, GLV has decided to take advantage of this transition, which relates primarily to operations located in United States and Canada, to restructure the Water Treatment Group in North America in order to improve its positioning and profitability. During the second quarter, the Water Treatment Group started to prepare for the relocation of the Salt Lake City (Utah, USA) and Orillia (Ontario, Canada) operations and the moving of replacement parts inventories to Austin (Texas, USA), so as to ensure that the new sites are operational toward the beginning of the fourth quarter. GLV will shortly undertake the particularly complex task of dividing all of the technical data specific to the Water Treatment Group and the Process Group, in order to finalize most of the exercise of separating the two groups toward the end of the current fiscal year.

The Water Treatment Group’s efforts in upcoming quarters will target the following main goals: further penetrate the industrial segment in its key territories, increase its business base in the aftermarket, expand its outsourcing operations, reorganize its North American operations, finalize its restructuring in Europe and optimize its overall business processes.

Over the longer term, GLV remains focused on the objective of positioning the Water Treatment Group as a key player in its industry, and will therefore seek to integrate other state-of-the-art technologies into its product selection. The global water treatment industry holds considerable potential. In recent years, major efforts have been rolled out, first to set up Water Treatment Group, and then to provide it with new technologies so as to position it more solidly and competitively in promising niches of this still fragmented industry which is expected to undergo a consolidation in the coming years. Management is therefore confident with respect to this group’s outlook over the long term, as it will continue to expand through growth and acquisitions that will allow it to complete its technological portfolio.

- The **Pulp and Paper Group**’s order backlog has more than doubled over the past year, increasing by $82.7 M or 121.0% (124.3% growth at constant exchange rates). This growth was driven by the booking of several major contracts for new equipment and complete systems since the beginning of the current fiscal year (including a $60 M order in Portugal and another worth $20 M in Asia), coupled with solid aftermarket activity in North America and Europe. However, it should be pointed out that profit margins on such large-scale contracts are weaker than the traditional margins posted by the Pulp and Paper Group. Between June 30 and September 30, 2007, excluding currency fluctuations, this group’s order backlog grew by $11.3 M or 7.9%.

Recent growth in the Pulp and Paper Group's order backlog was particularly strong in the United States, Europe, China and India. In terms of applications, the strongest growth was recorded in the pulp preparation equipment segment. Through its new technology centre in Karlstad (Sweden), the group succeeded in leveraging its excellent product portfolio in this particular niche, including the technologies acquired from Metso Paper and Kvaerner in December 2006 such as the Compact Press™ pressure washing technology, which it is marketing to a growing international customer base. The Pulp and Paper Group also posted growth in the paper finishing segment, notably with regards to its BTF™ automatic dilution systems for headboxes worldwide. In the aftermarket, the Pulp and Paper Group maintains solid activity in North America and is gradually expanding its presence in Europe.

The past two years have been very constructive for the Pulp and Paper Group, as it has taken initiatives that have enhanced its already well established international positioning. For instance, coupled with its internal development efforts, the acquisitions of Perplas, KanEng, the principal assets of J&L Fiber Services, the Huyck Dewatering Equipment Division and, more recently, a U.K. company, broadened its portfolio of aftermarket products and services, whereas the December 2006 purchase of certain Kværner and Metso technologies provided it with the know-how to offer comprehensive value-added pulp processing solutions adapted to new market trends worldwide. This group has also achieved significant progress in recent quarters in developing and optimizing its international outsourcing organization, which should contribute to raise its future profitability.

The Pulp and Paper Group's main objectives and challenges in upcoming quarters will be to integrate and optimize its new technology centre in Karlstad (Sweden), and to continue improving its operating profitability by lowering its operating costs, standardizing and further strengthening its project management practices, and optimizing its outsourcing networks.

Based on the order backlog, market conditions and the acquisitions of the past year, management expects GLV to achieve revenues of $500 M to $545 M for its first 12 months of operations. However, management wishes to remind investors that GLV's short-term profit growth will likely be slower and less consistent than that shown by GL&V in previous quarters. First, the Company is building the Water Treatment Group to make it a world leader, and such as expansion and consolidation effort could put pressure on its profit margins and create some volatility in its earnings in upcoming quarters. As for the Pulp and Paper Group, it lately adopted a more aggressive strategy to position itself in certain key markets with new-generation technologies. This recently allowed it to garner large-scale contracts that provide it with an excellent international showcase for its future growth, but for which profit margins are lower than for its other operations.

As management has disclosed in its previous communications, it intends to build GLV based on a long-term vision. Therefore, all business decisions will be motivated by its commitment to maximize its groups' long-term value in the best interests of its shareholders, which could lead to slower growth in their short-term profitability. Management is determined to make New GLV an influential player on the international scene as a provider of targeted industrial and municipal solutions, with special expertise in water treatment technologies. To do so, it will replicate the same strategies that have proven successful for the former GL&V, namely: (1) achieve sustained growth through the acquisition and efficient integration of businesses, international development and the focus on value-added operations and products; and (2) optimize its profitability by controlling its expenses and maintaining a profitable and flexible cost structure, in part through manufacturing outsourcing.

SHARE CAPITAL INFORMATION

Share Capital

On August 8, 2007, as part of the carve-out transaction provided for by the Arrangement, the Company issued 22,837,075 Class A subordinate voting shares for a legal stated capital amount of $201.4 M and 2,551,805 Class B multiple voting shares for a legal stated capital amount of $22.5 M. Since the carve-out transaction was carried out between companies under common control, it is accounted for at the book value of $172.0 M in the consolidated balance sheet. Between the carve-out transaction date as at August 8, 2007 and the end of the period as at September 30, 2007, 4,000 Class B multiple voting shares were converted into an equivalent number of Class A subordinate voting shares. Thus, as at September 30, 2007, New GLV's share capital consisted of 2,547,805 Class B multiple voting shares and 22,841,075 Class A subordinate voting shares, for a total of 25,388,880 voting and participating shares issued and outstanding.

Stock Option Plan

Under stock option plan put in place by GLV for senior executives, management and directors, a maximum of 2,538,888 Class A subordinate voting shares of the share capital of the Company may be issued. Under the plan, the exercise price of each option cannot be less than the weighted average price of the shares negotiated at the Toronto Stock Exchange for the five days immediately preceding the grant date of the stock options. The number of stock options that may be issued to non-managing directors is limited to 1% of the number of shares of the Company in circulation. Stock options vest over five years at the rate of 20% per year and upon the achievement of a fixed quoted market price of the Class A subordinate voting shares determined by the Board of Directors of the Company. In addition, these options have a maximum term that may not exceed 10 years from the grant date. On September 6, 2007, the Company issued 1,370,000 stock options at an exercise price of $10.82.

The stock option plans that existed before the Arrangement were cancelled by GL&V before the closing of the Arrangement and the holders of these options received a cash amount equal to the difference between $33.00 and the grant price of an option and one Class A subordinate voting share of GLV for every option held.

(For further information, see note 13(a) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report.)

Other Stock-Based Compensation

GLV also offers stock appreciation rights to certain senior executives. On September 6, 2007, the Company issued 500,000 units of stock appreciation rights at the exercise price of $10.82 of the Company's Class A subordinate voting shares. The stock appreciation rights vest over five years at the rate of 20% per year and upon the achievement of a fixed quoted market price of the Class A subordinate voting shares determined by the Company's Board of Directors. *(For further information, see note 13(b) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report.)*

PRINCIPAL RISK FACTORS

The following section describes the major risk factors to which the Company is exposed. GLV is exposed to other lesser risks, which could become more important in the future.

Holding Company Structure

As a holding company, GLV in order to meet its financial obligations, is primarily dependent upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries. All of GLV's business activities are operated by its subsidiaries. All of GLV's subsidiaries will are distinct legal entities and have no obligation, contingent or otherwise, to make funds available to GLV whether by dividends, interest payments, loans, advances or other payments. In addition, the payment of dividends and the making of loans, advances and other payments to GLV by these subsidiaries is subject to statutory or contractual restrictions, is contingent upon the earnings of such entities and is subject to various business and other considerations. These subsidiaries are parties to various agreements, including loan agreements, that restrict the ability of the respective subsidiaries to pay cash dividends or make advances or other payments.

Liquidity

Given the nature of its business, more specifically large-scale mandates and progress billing, GLV is exposed to certain liquidity risks during the execution of major contracts for which it has to incur costs before billing the customer. Management considers that this risk is attenuated by the large number of contracts, as well as their segmented and geographical diversity. In addition, GLV manages this risk by obtaining letters of credit or bank guarantees from recognized banking institutions.

Customers and Markets

GLV's operations are not dependent on a limited number of customers. However, it conducts its business in markets exposed to various risk factors and uncertainties. Among those, the pulp and paper industry is exposed to cyclical fluctuations and largely depends on the health of the world economy. In recent years, pulp and paper production worldwide has also been gradually shifting toward certain regions in the Southern Hemisphere, Asia and Eastern Europe, which benefit from abundant natural resources and advantageous production costs. Concurrently, new technologies have emerged on the market, focused on enhancing mill capacity, productivity and efficiency. Pulp and paper manufacturers' new equipment investments in North America, the primary market of the Pulp and Paper Group, have decreased considerably and are increasingly focused on producing specialty products and upgrading, improving and maintaining existing equipment to maximize its yield, rather than on new capital projects.

In such a context, the Pulp and Paper Group has in recent years implemented a market strategy aimed at the following key objectives: (1) the development of its product portfolio, primarily through acquisitions, in order to provide higher value-added technologies and more comprehensive solutions, i.e. covering all stages of its customers' production flowsheets, and to meet the growing need in the global pulp and paper industry for increased mill capacity and productivity and lower costs; (2) the development of its aftermarket business base and the consolidation of its aftermarket leadership in North America and Europe, also by means of acquisitions; and (3) the development of its presence in certain emerging markets toward which a growing proportion of pulp and paper production is shifting, such as China, India, Latin America and Russia.

For its part, the Water Treatment Group operates in a segment that is relatively less cyclical by nature.

Suppliers

Its outsourcing strategy enables GLV to minimize the risks associated with fixed costs by using a wide outsourcing network, and thereby to rapidly react to fluctuations in demand. Strict quality control procedures are in place in order to monitor suppliers' performances.

Finally, alternate supplier arrangements exist although the replacement of key suppliers could affect GLV's ability to meet its commitments.

Vulnerability to Exchange Rate Fluctuations

As GLV's business is conducted in several countries, it is exposed to the risk of fluctuations of such currencies compared to the Canadian dollar, mainly the U.S. dollar, the Euro and the pound Sterling. Consequently, fluctuations in the value of the Canadian dollar against other major currencies could have a material impact on GLV's financial position and operating results. Major contracts awarded to GLV's subsidiaries are hedged using forward exchange contracts.

Interest Rates

Changes in interest rates could have a direct impact on GLV's profitability. Management evaluates the risks of interest rate fluctuations and may use exchange contracts when deemed appropriate.

Hedging Investments

Hedging investments are arranged with recognized financial institutions. Considering the solvency of these institutions, Management estimates it is unlikely that GLV could sustain losses resulting from the non-compliance of these financial institutions with their obligations.

Credit

Management considers that GLV's credit concentration risk is minimal on account of its diversified operations, products, customers and the geographical distribution of its customer base.

Acquisitions

GLV's growth strategy is based primarily on expansion through acquisitions, which could involve a degree of risk. Management has developed a solid expertise in this field. The groups have successfully acquired and integrated more than 25 businesses in the last 15 years. To limit this risk, Management will continuer to follow a targeted acquisition strategy meeting strict return on investment criteria, apply due diligence practices, and develop detailed integration plans focused notably on the disposal of non strategic assets to lower its fixed costs and repay a portion of its debt using the proceeds from asset disposals.

Additional Sources of Financing

To finance the acquisition of complementary companies, the growth of its current operations or other requirements of its working capital, GLV could need additional sources of financing, over and above its current credit facilities. There can be no assurance that additional financing by borrowing or by issuing shares on conditions acceptable to GLV will be available, or that such financing will be available at all. Failure to obtain such financing could restrict GLV's capacity to proceed with acquisitions or satisfy its needs for working capital.

Competition and Technological Change

GLV's business is highly competitive. GLV faces competition in each of its primary businesses from entities which provide substantially similar services, some of which entities have significantly greater resources than GLV.

Dependence on Key Personnel

GLV's success depends upon its personnel. The unexpected loss or simultaneous departure of a number of GLV's key officers or employees could be detrimental to its future business. Hence, GLV's future success will depend, in part, upon its ability to attract and retain qualified personnel in accordance with its needs. The current boom in the water treatment industry represents a challenge in this regard as it creates increased competition in the search for qualified personnel. There can be no assurance that GLV will be able to engage the services of such personnel or to retain its current personnel. However, as Management has always successfully done in the past, GLV believes it will be in a position to achieve a high personnel retention rate through a stimulating business culture and competitive compensation conditions.

OTHER

Contractual Commitments

In addition to the debts appearing in the combined carve-out balance sheet as at September 30, 2007, operating leases for premises and equipment allocated to GLV's operating units, expiring at various dates until 2015, have total minimum lease payments of approximately $22.6 M as at September 30, 2007 ($22.6 M as at March 31, 2007). Management believes that the Company's cash and cash equivalents, capital resources and net cash flows from operations will suffice to finance its capital expenditures, working capital requirements, pension plan contributions, and interest and principal payments on long-term debt in a foreseeable future.

Minimum annual lease payments on the operating leases for the next years and thereafter are as follows:

(in thousands of $)	
2008 (six months)	2,696
2009	4,738
2010	3,763
2011	3,383
2012	2,996
2013 and thereafter	5,053
Total	**22,629**

GLV is also committed under letters of credit and corporate guarantees for the achievement of contracts, for an amount that totalled $113.9 M as at September 30, 2007 ($91.0 M as at March 31, 2007).

Under the terms of the Carve-out Agreement between GL&V and FLS, the Company will have to indemnify GL&V and each of its subsidiaries for any taxes arising out of or connected with the carve-out transactions in excess of $13.0 M. As at September 30, 2007, management did not expect that GLV will be required to indemnify GL&V or its subsidiaries as it estimated that the taxes arising out of or connected with the carve-out transactions will be below $13.0 M.

Transitional Services Agreement

<u>Transitional Services</u>

Pursuant to the Transitional Services Agreement: (i) GLV Inc. shall and shall cause its subsidiaries to provide GL&V and its subsidiaries during the Transitional Period (as defined below) with certain specific services and administrative, corporate, operational and support services required to carry on the GL&V Process Group business substantially as it was carried on prior to the Arrangement closing date; and (ii) GL&V shall cause its subsidiaries to provide GLV Inc. and its subsidiaries during the Transitional Period with certain services and administrative, corporate, operational and support services required to carry on the Retained Businesses substantially as they were carried on prior to the Arrangement closing date.

<u>Fees</u>

Pursuant to the Transitional Services Agreement, the person receiving the Transitional Services will pay to the provider of such services the actual cost of the services provided plus a mark-up, subject to any particular fees specifically agreed to in the Transitional Services Agreement.

<u>Transitional Period</u>

The Transitional Services Agreement will have a term varying between six to nine months effective August 10, 2007, depending upon the services (the “Transitional Period”), subject to the right of the party receiving the Transitional Services to terminate the Transitional Services Agreement in whole, or only in respect of selected services provided, upon a 30-day prior notice.

Financial Instruments

<u>Derivative Financial Instruments</u>

To reduce the risks related to currency fluctuations, GLV uses derivative financial instruments such as forward exchange contracts. GLV does not hold or issue any derivative financial instruments for speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and risk monitoring procedures. In management’s opinion, none of the parties to the existing derivative financial instruments are expected to default on their obligations since they are large financial institutions. Forward exchange contracts will be recorded at their fair value. *(For further information, see note 3(b) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management’s Report.)*

<u>Fair Value</u>

As described in the combined consolidated and carve-out financial statements, the carrying amounts of cash and cash equivalents, temporary investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value, as these items will be realized or paid within one year.

Forward exchange contracts are recognized at their positive fair value of $1.8 M as at September 30, 2007 (positive fair value of $1.2 M as at March 31, 2007).

The fair values of financial liabilities are mainly estimated based on discounted cash flows using year-end market yields or market values of similar instruments having the same maturity. The fair values of derivative financial instruments are estimated using year-end market rates, and reflect the amount New GLV would receive or pay if the instruments were closed out at those dates.

As at March 31, 2007, the fair value of the advances from or to companies of GL&V, which were capitalized and refinanced upon the closing of the transaction with FLS, could not be determined since it is practically impossible to find financial instruments on the market having substantially the same economic characteristics.

The fair value of long-term debt is equivalent to the carrying amount since it bears interest at a rate that varies with the market rate.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Company to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. The Ontario Securities Commission defines critical accounting estimates as those requiring assumptions made about matters that are highly uncertain at the time the estimate is made, and when the use of different reasonable estimates or changes to the accounting estimates would have a material impact on a Company's financial condition or operating results. The critical accounting estimates identified by management according to this definition are described in detail in the Circular available on SEDAR and GLV's website.

Changes in Accounting Policies

Effective April 1, 2007, GL&V adopted four new accounting standards released in April 2005 and July 2006 by the Canadian Institute of Chartered Accountants ("CICA"), specifically Handbook Section 1506, *"Accounting Changes"*, Section 1530, *"Comprehensive Income"*, Section 3855, *"Financial Instruments – Recognition and Measurement"* and Section 3865, *"Hedges".* These changes are described in note 3 to the interim consolidated and combined carve-out financial statements accompanying the Interim Management's Report. Briefly:

- Section 1506, which describes how to apply changes in accounting policies, did not have an impact on the operating results or financial position for the first half of fiscal 2008.

- A comprehensive income statement is henceforth presented, which is the subject of a section in this Interim Management's Report titled *"Comprehensive Income"*. This new policy is also described in detail in note 3(a) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report.

- According to Section 3855, all financial assets and liabilities are carried at fair value in the interim consolidated and combined carve-out balance sheet, except for loans, receivables and financial liabilities held for purposes other than the transaction, which are recognized at amortized cost using the effective interest method *(see note 3(b) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report).* The adoption of this standard did not have an impact on the interim combined carve-out balance sheet and interim combined carve-out statement of owner's net equity for the periods between April 1 and August 8, 2007, nor on the consolidated balance sheet and consolidated statement of shareholders'/invested equity as at September 30, 2007.

- Finally, as described in note 3(c) to the interim consolidated and combined carve-out financial statements accompanying this Interim Management's Report, Section 3865 indicates that when the Company uses derivative financial instruments to manage its exposures, it must determine for each of them whether hedge accounting is appropriate. The adoption of this standard did not have an impact on the operating results or the interim consolidated balance sheet as at September 30, 2007.

Recent Accounting Developments in Canada

In June 2007, the Canadian Institute of Chartered Accountants (“CICA”) issued a new accounting standard for Handbook Section 3031, *Inventories*, which replaces the existing standard for Inventories, Section 3030. The main features of the new standard are as follows:

- measurement of inventories at the lower of cost and net realizable value;
- consistent use of either the first-in, first-out or the weighted average cost formula to measure costs; and
- reversal of previous write-downs of net realizable value when there is a subsequent increase in the value of inventories.

The new standard is effective for GLV beginning April 1, 2008. The Company is currently assessing the impact on the interim consolidated and combined carve-out financial statements.

In December 2006, the CICA issued three new accounting standards: Handbook Section 1535, Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*.

Section 1535 requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objective, policies and processes for managing capital.

Section 3862 and Section 3863 will replace Section 3861, *Financial Instruments – Disclosure and Presentation* once adopted. These new Sections revise and enhance the disclosure requirements in Section 3861 and carry forward unchanged its presentation requirements.

These new standards are effective for GLV beginning April 1, 2008. The Company is currently assessing the impact on the interim consolidated and combined carve-out financial statements.

Supplementary Information

Supplementary information about the new company GLV and the former GL&V, including that related to the Arrangement between GL&V, its shareholders and FLS and the consolidated and combined carve-out financial statements of the last three fiscal years, is available on SEDAR‘s website (www.sedar.com) and GLV’s website (www.glv.com).

(SIGNED)
Laurent Verreault
Chairman of the Board and Chief Executive Officer

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

November 9, 2007