GENNUM CORPORATION
2010 SECOND QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS
All amounts are in U.S. dollars, unless otherwise stated

Caution regarding forward-looking statements

This document contains statements which constitute forward-looking statements. These forward-looking statements are not descriptive of historical matters and may refer to management's expectations or plans. These statements include but are not limited to statements concerning: Gennum's business objectives and plans including Gennum's corporate strategy and strategic priorities; Gennum's future financial performance and prospects including revenues, gross margins and earnings, and ability to achieve operating earnings targets and expected operating ratios; future trends in the semiconductor and intellectual property licensing industries and, in particular, market trends for analog and mixed-signal products, optical products and intellectual property products and licensing; Gennum's expectations for sales and licensing of its products in these markets including anticipated costs, sales, size, duration, growth or decline of market opportunities and competitive and pricing pressures in these markets; Gennum's product roadmap and the speed at which Gennum is able to introduce new products; the adoption of new standards in the markets in which Gennum competes and the ability of Gennum to anticipate these changes and successfully address new opportunities; sales and capital spending plans and estimates, shipment levels and operating expenses; exchange rate fluctuations in, and the relative values of, the Canadian dollar, the U.S. dollar and the Japanese yen; Gennum's ability to finance its growth plans and make necessary investments; and litigation in which Gennum is involved or might become involved in.

Inherent in forward-looking statements are risks and uncertainties beyond Gennum's ability to predict or control including, but not limited to, risks associated with: competitive and pricing pressures in the increasingly competitive environment in which Gennum operates; economic cycles in the semiconductor industry including downturns which can result from adverse general economic conditions; our ability to anticipate needs for future products and successfully execute our product roadmap, including the possibility of the emergence of disruptive technologies which negatively impact our positioning in the marketplace; fluctuations in foreign exchange rates and their potential adverse impact upon our financial results; our reliance on external foundries and suppliers and the potential adverse effects of disruptions in any of these arrangements; the successful integration of acquisitions; our ability to attract and retain key personnel necessary for our business; our ability to successfully protect our intellectual property rights; and the initiation and outcome of legal proceedings. Readers should also refer to the sections entitled "Risks and Uncertainties" in our 2009 annual report and "Risk Factors" in our most recent annual information form.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such statements are based on a number of assumptions which may prove to be incorrect including, but not limited to, the following assumptions: there is no material deterioration in the business and economic conditions in the marketplace for Gennum's products; Gennum's expectations regarding market trends for analog and mixed-signal products, optical products and intellectual property products and licensing are not materially incorrect; Gennum is able to execute its product roadmap without delays or disruptions having a material impact on Gennum; Gennum's expectations relating to the needs and direction of the marketplace for its products are within reasonable bounds of accuracy and Gennum is able to introduce products and capitalize on new opportunities generally as expected; material disruptions in the manufacture and supply of products and services to Gennum by foundries and suppliers will not materialize; Gennum's expectations relating to competitive pressures, including pricing pressures, are not materially incorrect; significant fluctuations in foreign exchange rates which materially adversely affect Gennum's financial results do not arise; customer demand for Gennum's products remains generally as anticipated; Gennum is able to successfully integrate acquisitions; and Gennum is able to continue to retain and attract technical and other key employees.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause Gennum's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Consequently, readers should not place any undue reliance on these forward-looking statements. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. In addition, these forward-looking statements relate to the date on which they are made. We disclaim any intention or obligation to update or revise any forward-looking statements or the foregoing list of factors, whether as a result of new information, future events or otherwise, except to the extent required by law.

The following discussion and analysis is intended to provide readers with an assessment of our performance for our second quarter of 2010 together with the comparable period in the prior year, as well as our financial position and future prospects. It should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes for the second quarter of fiscal 2010 and 2009, and the Company's fiscal 2009 and 2008 audited annual consolidated financial statements and accompanying notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), as well as the management's discussion and analysis contained in our 2009 annual report. Our public disclosure documents, including our historical financial statements and our most recent annual information form, can be viewed on SEDAR at www.sedar.com.

In this discussion and analysis, “Gennum”, the “Company”, “we”, “our” and similar references include Gennum Corporation and its subsidiaries, except where the context otherwise requires.

Effective December 1, 2007, the Company adopted the U.S. dollar as its reporting currency, but has retained the Canadian dollar as its functional currency. We believe that reporting in U.S. dollars improves the comparability of the Company’s financial position and results of operations to others in its industry. **All amounts expressed herein are in U.S. dollars, unless otherwise stated.**

GENNUM CORPORATION

Gennum designs, develops and markets semiconductor products and intellectual property (IP) cores for advanced consumer connectivity, enterprise, video broadcast and data communications applications. Our products are designed to ensure that signals used to transmit video and data in applications such as networking, home entertainment and broadcasting maintain their original integrity, and to eliminate the potential for errors in sending and receiving information. Headquartered in Burlington, Canada, we have global design, research, development and sales offices in Canada, Germany, India, Japan, Mexico, Taiwan, the United States and the United Kingdom. The common shares of Gennum Corporation are listed on the Toronto Stock Exchange under the trading symbol “GND”.

OVERALL PERFORMANCE

(in millions of U.S. dollars except earnings (loss) per share or as otherwise stated)

	Three Months Ended May 31			**Six Months Ended May 31**		
	2010	2009	**% change**	**2010**	2009	**% change**
Revenue	**31.7**	19.4	**63**	**61.2**	38.8	**58**
Gross margin	**22.5**	13.6	**66**	**44.0**	27.8	**58**
Operating income (loss)	**5.8**	(1.0)	**n/a**	**12.0**	(1.3)	**n/a**
Net earnings (loss)	**4.1**	(1.1)	**n/a**	**8.0**	(2.0)	**n/a**
Earnings (loss) per share - basic and diluted	**$0.12**	$(0.03)	**n/a**	**$0.23**	$(0.06)	**n/a**
Cash and cash equivalents[1]	**39.8**	37.0	**8**	**39.8**	37.0	**8**
Total long-term debt[1, 2]	**1.2**	1.2	**---**	**1.2**	1.2	**---**
Dividends declared per share[3]	**$0.034**	$0.028	**---**	**$0.067**	$0.057	**---**

1 - 2009 comparative information is as of November 30, 2009
2 - Payable in the fourth quarter of 2010
3 - Dividends were paid in Canadian dollars at a rate of $0.035 per share per quarter

Gennum recorded its fourth consecutive quarter of sequential revenue growth, with revenue growing 7% over the first quarter of 2010. The second quarter and year-to-date revenue of 2010 represented a 63% and 58% increase respectively over the comparable periods in 2009. We continue to see solid bookings during the third quarter of 2010 to date.

Adjusted EBITDA* in the second quarter of 2010 was $9.2 million, up $7.8 million compared to the second quarter of 2009 and up slightly compared to the prior quarter.

Operating income in the second quarter of 2010 was $5.8 million compared to an operating loss of $1.0 million in the second quarter of 2009. The improvement was driven mainly by the increased sales volume. Net income in the second quarter of 2010 was $4.1 million or $0.12 per share compared to a net loss of $1.1 million or a loss per share of $0.03 in the second quarter of 2009.

* *Adjusted “EBITDA” is a non-GAAP financial measure that does not have any standardized meaning under GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. A definition of this term, a description of why we believe it is a useful measure, and a quantitative reconciliation to the most directly comparable measure calculated in accordance with GAAP is set forth below under the heading “Non-GAAP Reporting - EBITDA”.*

Revenue
(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2010	2009	**% change**	**2010**	2009	**% change**
Analog and Mixed Signal (AMS)	**23.2**	12.9	**79**	**44.9**	26.7	**69**
Optical	**6.5**	3.3	**98**	**12.3**	6.0	**104**
Product revenue	**29.7**	16.2	**83**	**57.2**	32.7	**75**
IP	**2.0**	3.2	**(37)**	**4.0**	6.1	**(35)**
Total revenue	**31.7**	19.4	**63**	**61.2**	38.8	**57**

Revenue in the second quarter and first half of 2010 was higher by 63% and 58% respectively compared to the same periods in 2009 due to higher sales volumes. Product revenue in the second quarter and first half of 2010, which excludes IP revenue, grew 83% and 75%, respectively, over the prior year. Both the AMS and Optical product groups have experienced significant recoveries in revenue levels compared to the same periods in 2009.

Revenue of $31.7 million in the second quarter of 2010 represented the fourth consecutive quarter of revenue growth for the Company, compared to $29.5 million in the first quarter of 2010 and $25.1 million, $21.4 million and $19.4 million in the fourth, third and second quarters of 2009 respectively. Sequential revenue growth was 7% in the second quarter of 2010, which was slightly below the Company's anticipation. Even though Optical products achieved record revenue for the second quarter in a row, some expected sales were scheduled into the third quarter and IP revenue was lower than anticipated due to late contract signings. Revenue for the AMS and Optical product groups was sequentially higher and IP revenue was comparable to the first quarter of 2010.

On a regional basis, revenue increased 63% or $8.3 million in North America, 131% or $1.9 million in Europe and 44% or $2.0 million in the Asia Pacific region in the second quarter of 2010 compared to the second quarter of 2009. On a year-to-date basis, all regions showed substantial growth compared to the same period in 2009.

AMS products
AMS product revenue was up 6% sequentially, or $1.3 million in the second quarter of 2010. Compared to the same quarter of 2009, AMS second quarter revenue was up 79% to $23.2 million. Year-to-date revenue was also up 69% to $44.9 million. The majority of the increase in 2010 compared to the same periods in 2009 came from sales of clock and data recovery and serial digital interface product lines.

Optical products
The second quarter of 2010 represented another record quarter in Optical product revenue for the Company with 13% sequential growth. Optical product revenue increased 98% to $6.5 million in the second quarter of 2010 and 104% to $12.3 million on a year-to-date basis compared to the same periods in 2009 as this product group continues to expand by entering markets in China and delivering new products to Japan. The majority of the increase in 2010 compared to the same periods in 2009 came from sales of receiver optical sub-assembly, transimpedance amplifier and laser driver product lines.

IP
IP revenue was $2.0 million in the second quarter of 2010, which was a decline of $1.2 million compared to the same period in 2009. Our IP revenue was lower than anticipated due to late contract signings.

Gross margin
(in millions of U.S. dollars)

	Three Months Ended May 31				Six Months Ended May 31			
	2010		2009		**2010**		2009	
	$	**% of revenue**	$	% of revenue	**$**	**% of revenue**	$	% of revenue
Gross margin on:								
Product revenue	**20.5**	**69.1**	10.4	64.1	**40.0**	**70.0**	21.7	66.6
IP revenue	**2.0**	**100.0**	3.2	100.0	**4.0**	**100.0**	6.1	100.0
Total gross margin	**22.5**	**71.0**	13.6	70.0	**44.0**	**71.9**	27.8	71.8

Gross margin as a percentage of revenue was slightly higher at 71% in the second quarter of 2010 compared to 70% in the second quarter of 2009, while maintaining our gross margins at 72% on a year-to-date basis in both 2010 and 2009. Reduced relative contributions to gross margin from our IP product group in the second quarter and first half of 2010 and average selling price pressures were offset by higher volumes and related efficiencies gained in our operations.

Sales, marketing and administration expenditures
(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2010	2009	**% change**	**2010**	2009	**% change**
Sales, marketing and administration expense	**8.5**	7.4	**15**	**16.5**	15.1	**9**
Percentage of revenue	**26.8**	38.2		**27.0**	39.1	

Sales, marketing and administration expenditures increased 15% compared to the second quarter of 2009, while they decreased as a percentage of revenue from 38% to 27%. The increase in the second quarter of 2010 was mainly due to the appreciation of the Canadian dollar compared to the second quarter of 2009, which increased our U.S. dollar reported expense for the period by approximately $1.4 million. This was partially offset by lower salary costs related to the restructuring activity in August 2009.

In the first half of 2010, sales, marketing and administration expenses were higher by $1.4 million compared to the same period in 2009, but as a percentage of revenue, decreased by 12% to 27%. The increase in the year to date is primarily related to the change in the U.S. dollar exchange rate, which increased our U.S. dollar reported expense for the period by approximately $2.8 million, partially offset by lower salary costs related to restructuring activity.

R&D expenditures
(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2010	2009	**% change**	**2010**	2009	**% change**
R&D expense (expensed to statement of earnings (loss))	**8.8**	8.0	**10**	**17.1**	15.5	**11**
Deferred development costs (capitalized to intangible assets)	**2.1**	1.1	**89**	**3.9**	2.9	**37**
Total gross R&D expenditure	**10.9**	9.1	**20**	**21.0**	18.4	**15**
Amortization of intangible assets	**0.4**	0.4	**3**	**0.9**	0.8	**3**
Less government assistance	**(2.4)**	(1.2)	**96**	**(3.8)**	(2.4)	**61**
Total net R&D expenditure	**8.9**	8.3	**8**	**18.1**	16.8	**8**
Percentage of revenue	**28.0**	42.6		**29.6**	43.4	

Our total investment in R&D activities, before amortization and government assistance, in the second quarter of 2010 was $10.9 million, which included expenditures of $8.8 million and capitalized deferred development costs of $2.1 million. This compares to $9.1 million in the second quarter of 2009. The increase in the second quarter of 2010 was mainly attributable to the currency impact related to reporting in U.S. dollars, partially offset by lower expenditures caused by the timing of phases of our R&D projects and the associated spending requirements for such phases. The Company continues to maintain its commitment to investments in R&D. The R&D expense impact to the statement of earnings (loss) in the second quarter of 2010, net of government assistance and intangible asset amortization, was $8.2 million compared to $7.2 million in the second quarter of 2009.

For the first half of 2010, our total investment in R&D activities, before amortization and government assistance, was $21.0 million, compared to $18.4 million for the same period in 2009. The increase in expenditures was the result of the currency impact related to reporting in U.S. dollars, partially offset by the sale of the BST product group in the second quarter of 2009, which contributed $0.5 million of expenses in the first quarter of 2009. The R&D expense impact to the statement of earnings (loss) in the first half of 2010, net of government assistance and intangible asset amortization, was $15.6 million, compared to $13.9 million for the same period in 2009.

Government assistance relates to Canadian income tax credits earned on the Company's eligible R&D spending. The increase in government assistance in the second quarter and first half of 2010 is a result of the Company's recent determination that it is eligible for R&D income tax credits on deferred development costs capitalized in 2008, 2009 and 2010 to date. These income tax credits are recorded as an offset to deferred development costs and an increase in future income tax assets, and therefore does not impact the current statement of earnings (loss).

During the second quarter of 2010, Gennum introduced seven new products. These products included five new video optical modules optimized for broadcast and networking applications and two cable equalizers targeted for 3Gb/s and standard definition broadcast applications. In addition, Gennum's expanded portfolio of serial digital interface (SDI) solutions, launched in the spring of 2009, were showcased in video broadcast 3D demonstrations at the National Association of Broadcasters (NAB) in April 2010. Gennum's SDI solutions are broadly enabling 3D solutions in the broadcast industry, including equipment produced and manufactured by leading broadcast equipment manufacturers.

Operating income (loss)

(in millions of U.S. dollars except earnings per share)

	Three Months Ended May 31		**Six Months Ended May 31**	
	2010	2009	**2010**	2009
Operating income (loss)	**5.8**	(1.0)	12.0	(1.3)
Percentage of revenue	**18.4**	n/a	19.5	n/a

Operating income in the second quarter of 2010 was 18% of revenue, which was below the 20% anticipated by the Company. The lower than anticipated operating income as a percentage of revenue was mainly attributable to the appreciation of the Canadian dollar versus the U.S. dollar, which increases the Company's mainly Canadian dollar denominated expenses, and slightly lower than anticipated revenue.

Had the Canadian dollar to U.S. dollar exchange rate remained consistent with the first quarter average rate, operating income as a percentage of revenue in the second quarter would have been approximately 19.6%.

Net earnings (loss)
(in millions of U.S. dollars except earnings per share)

	Three Months Ended May 31		Six Months Ended May 31	
	2010	2009	**2010**	2009
Net earnings (loss)	**4.1**	(1.1)	8.0	(2.0)
Percentage of revenue	**12.8**	n/a	13.1	n/a
Basic earnings (loss) per share	**0.12**	(0.03)	0.23	(0.06)

The economic recovery in late 2009 coupled with growth in new products and new markets have helped the Company record net earnings of $4.1 million, or $0.12 per share, in the second quarter of 2010 compared to a net loss of $1.1 million, or a $0.03 loss per share in the second quarter of 2009. Operating income in the second quarter of 2010 was $5.8 million compared to a loss of $1.0 million in the comparable period in 2009. In addition, the impact of foreign exchange gains and losses, which are recorded through other income, have been reduced due to changes in the Company’s hedging program which was introduced during 2009.

Quarterly Results
(in millions of U.S. dollars except earnings per share)

	Q2 2010	**Q1 2010**	**Q4 2009**	**Q3 * 2009**	**Q2 2009**	**Q1 2009**	**Q4 2008**	**Q3 2008**	**Q2 2008**	**Q1 2008**
Revenue	31.7	29.5	25.1	21.4	19.4	19.4	30.3	33.5	33.0	30.1
Gross margin	22.5	21.5	18.3	14.7	13.6	14.3	23.1	25.6	24.9	22.9
- percentage of revenue	71.0	72.9	73.0	68.9	70.0	73.6	76.3	76.3	75.5	75.9
Operating income	5.8	6.1	3.0	(5.2)	(1.0)	(0.3)	5.1	7.5	8.6	6.5
- percentage of revenue	18.4	20.7	12.0	n/a	n/a	n/a	16.9	22.3	26.2	21.6
Net earnings (loss) on continuing operations	4.1	4.0	3.6	(4.3)	(1.1)	(0.8)	2.4	6.4	5.9	4.6
Net earnings (loss) on discontinued operations	---	---	---	---	---	---	(0.3)	---	(1.1)	8.7
Earnings (loss) per share:										
Continuing operations basic and diluted	0.12	0.12	0.10	(0.12)	(0.03)	(0.02)	0.07	0.18	0.17	0.13
Discontinued operations basic and diluted	---	---	---	---	---	---	(0.1)	---	(0.03)	0.24
Cash and cash equivalents	39.8	37.1	37.0	34.9	36.6	40.7	48.7	55.1	43.1	46.5

** The third quarter of 2009 was impacted by a $5.5 million before tax restructuring charge and deferred development impairment.*

Our revenue and net earnings performance can fluctuate on a quarterly basis due to a wide variety of factors including economic conditions and exchange rates.

Non-GAAP Reporting – EBITDA

We believe that financial analysts and investors use EBITDA to understand our financial results and to compare us with our industry peers. The term EBITDA refers to a non-GAAP financial measure that we define as earnings before interest, taxes, depreciation and amortization (related to intangible assets and stock-based compensation). Since EBITDA is not a measure defined under Canadian GAAP, it may not be comparable to definitions of EBITDA reported by other companies. EBITDA is presented here over the last eight quarters to provide readers with a historical perspective regarding our operational performance. We believe this allows us to compare our operating performance on a more consistent basis. The most comparable Canadian GAAP financial measure is operating income (loss) from continuing operations. The table below reconciles EBITDA to operating income (loss) from continuing operations. We also consider adjusted EBITDA to be a useful measure for comparison purposes against our prior results. Adjusted EBITDA is defined as EBITDA before restructuring charges and deferred development impairments.

(in millions of U.S. dollars)

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revenue	31.7	29.5	25.1	21.4	19.4	19.4	30.3	33.5	33.0	30.1
Operating income (loss) from continuing operations	5.8	6.1	3.0	(5.2)	(1.0)	(0.3)	5.1	7.5	8.6	6.5
Adjustments to reconcile to EBITDA:										
Depreciation expense	1.4	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.3	1.4
Amortization of:										
Intangibles	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.4	0.5
Stock based compensation	1.5	1.1	0.8	0.8	0.7	0.6	1.0	1.0	1.0	0.7
EBITDA	9.2	8.9	5.6	(2.6)	1.4	2.0	8.0	10.4	11.3	9.1
Restructuring charge and deferred development impairment	---	---	0.4	5.5	---	---	---	---	---	---
Adjusted EBITDA	9.2	8.9	6.0	2.9	1.4	2.0	8.0	10.4	11.3	9.1
Adjusted EBITDA as a percentage of revenue	29%	30%	24%	14%	7%	10%	26%	31%	34%	30%

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents

As of May 31, 2010, the Company has achieved three consecutive quarters of growth in cash and cash equivalents as the growth in cash from operating activities has exceeded cash uses in investing and financing activities. Dividends paid to date in 2010 were paid on March 10, 2010 and May 5, 2010 and, accordingly, two regular quarterly dividend payments were made during the Company’s second quarter.

The Company believes that it has a strong liquidity position and is able to meet its cash flow obligations as they come due. The Company's cash and accounts receivable balances represented a combined balance of $58.3 million, which is sufficient to cover the combination of accounts payable and current portion of the long-term payable of $13.9 million. The current ratio, calculated as current assets divided by current liabilities, at May 31, 2010 was 6.1 times.

Summary of Quarterly Cash Flow
(in millions of U.S. dollars)

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Cash provided (used) by:										
operating activities	8.8	5.5	4.7	(0.3)	(6.2)	(2.9)	7.4	10.2	6.2	(6.2)
investing activities	(4.2)	(2.5)	(3.2)	(0.8)	0.1	(2.6)	(6.3)	6.4	(5.6)	19.3
financing activities	(2.2)	(2.7)	(1.1)	(0.9)	(2.9)	(1.0)	(2.0)	(1.2)	(3.0)	(1.5)
Effect of exchange rates	0.3	(0.2)	1.7	0.3	4.9	(1.5)	(5.5)	(3.4)	(0.9)	0.7
Net increase (decrease) in cash and equivalents	2.7	0.1	2.1	(1.7)	(4.1)	(8.0)	(6.4)	12.0	(3.3)	12.3
Cash and equivalents, beginning of period	37.1	37.0	34.9	36.6	40.7	48.7	55.1	43.1	46.4	34.1
Cash and equivalents, end of period	39.8	37.1	37.0	34.9	36.6	40.7	48.7	55.1	43.1	46.4

- *Cash provided (used) in operating activities*
  Cash provided by operating activities was $8.8 million in the second quarter of 2010, compared to a cash usage of $6.2 million in the second quarter of 2009. The generation of cash from operating activities was primarily due to higher earnings in the second quarter of 2010. The decrease in net working capital in the second quarter of 2010 was mainly due to the decrease in accounts receivable and inventory in the quarter compared to the first quarter of 2010, partially offset by lower payables. The increase in net working capital in the second quarter of 2009 was substantially due to a large planned investment in legacy inventory, and lower payables and taxes payable.

  For the first half of 2010, cash provided by operating activities was $14.3 million compared to cash used in operating activities of $9.1 million in 2009.

- *Cash used in investing activities*
  Cash used in investing activities was $4.2 million in the second quarter of 2010, compared to a net cash generation of $0.1 million in the same quarter in 2009. Investments in the second quarter of 2010 related to continued investment in capital asset requirements and deferred development costs. However, in the second quarter of 2009, investments in capital and deferred development expenditures were more than offset by the sale of our Toumaz investment and the sale of the BST technology group.

  For the first half of 2010, cash used in investing activities was $6.7 million compared to a net cash use of $2.4 million in 2009 for the same reasons referred to above.

- *Cash used in financing activities*
  Cash used in financing activities was $2.2 million in the second quarter of 2010 compared to $2.9 million in the same period in 2009. A first quarter deferred compensation payout in 2010 compared to a second quarter payout in 2009 resulted in lower financing activities in the current quarter. This was partially offset by the payment of two regular quarterly dividends during the second quarter of 2010. Dividends declared per share were Canadian $0.035 in the second quarter of 2009 and 2010.

  For the first half of 2010, cash used in financing activities was $4.9 million, compared to $3.9 million for the same period in 2009.

Accounts receivable
Accounts receivable increased by $1.2 million, or 7%, from $17.4 million as of November 30, 2009 to $18.5 million as of May 31, 2010. Collections remain strong, consistent with the periods ending February 28, 2010 and November 30, 2009.

The aging of trade receivable balances as of May 31, 2010 compared to November 30, 2009 was as follows:

(in millions of U.S. dollars)

	May 31, 2010	**% of total**	**November 30, 2009**	**% of total**
Current	14.9	80	13.5	78
Past due 0-30 days	3.2	17	2.8	16
Past due 31-60 days	0.3	2	0.2	1
Past due over 61 days	0.1	1	0.9	5
Accounts receivable, net	**18.5**		**17.4**	

These balances are net of provisions of $0.5 (current) and $0.8 (past due over 61 days). The Company did not incur any significant bad debt expense in the first half of 2010, compared to $0.3 million in the first half of 2009.

Inventories
As of May 31, 2010, inventories were $21.2 million, compared to $21.7 million as of November 30, 2009. The decrease is mainly due to higher shipments in the year to date, partially offset by $2.3 million in planned investments in wafers related to supplier end-of-life process decisions in the first quarter of 2010. In the third quarter of 2010 there is expected be another planned purchase of approximately $0.7 million of wafers related to supplier end-of-life process decisions. This is the last batch of these planned end-of-life inventory purchases to be received.

Future income taxes (net)
Net future income tax assets increased to $26.4 million at the end of May 31, 2010, compared to $25.6 million at November 30, 2009. The Company recently determined that it is eligible for R&D income tax credits on deferred development costs and recorded these income tax credits as an offset to deferred development costs, capitalized in 2008, 2009 and 2010 to date, and an increase in future income tax assets. This increase in net future income tax assets was partially offset by the use of government incentive carryforwards in the first half of 2010 to offset Canadian taxes payable by Gennum Corporation.

The Company has analyzed its future income tax position and has concluded that these future income tax assets will be utilized over time and that there are no impairments.

Capital assets
Capital asset balances at the end May 31, 2010 were up approximately $0.3 million compared to November 30, 2009. This increase was primarily due to additional capital expenditures in excess of depreciation.

Intangible assets
Intangible assets increased by $1.5 million as of May 31, 2010 compared to November 30, 2009 due to deferred development expenditure additions of $3.9 million, which were partially offset by government assistance of $1.4 million and the amortization of other intangible assets. Government assistance recorded in the quarter related to deferred development costs incurred in 2008, 2009 and 2010 to date.

Accounts payable and accrued liabilities
Accounts payable and accrued liabilities were $12.7 million as of May 31, 2010, compared to $12.2 million as of November 30, 2009.

Dividends
Dividends of $1.2 million, or Canadian $0.035 per share, were declared in the second quarter of 2010 ($1.0 million or Canadian $0.035 per share in the second quarter of 2009). Dividends paid to date in 2010 were paid on March 10, 2010 and May 5, 2010 and, accordingly, two regular quarterly dividend payments were made during the Company's second quarter.

Derivative financial instruments
During 2009, the Company changed its hedging strategy, which does not meet the criteria for hedge accounting. We use derivative financial instruments in the management of certain of our foreign currency exposures in accordance with Company policy.

As of May 31, 2010, we entered into foreign exchange forward contracts to sell U.S. $23.0 million and Japanese yen 196.5 million. The U.S. contract matures on June 30, 2010 at an exchange rate of Canadian $1.0484 against the U.S. dollar and the Japanese yen contracts mature between June 23 and June 30, 2010 at an exchange rate of Canadian $0.01144 against the Japanese yen. Management estimates that a before tax gain of $0.1 million would have been realized had the contracts been terminated on May 31, 2010. The fair value of the foreign exchange forward contracts is based on market information from major financial institutions.

CONTRACTUAL OBLIGATIONS

(in millions of U.S. dollars)

		Payments Due by Period			
	Total	**< 1 year**	**1-3 years**	**4-5 years**	**> 5 years**
Operating leases	28.7	5.0	7.4	3.7	12.6
Purchase obligations [(1)]	11.0	10.8	0.2	---	---
License fee obligations and other	0.1	0.1	---	---	---
Total contractual obligations	39.8	15.9	7.6	3.7	12.6

(1) *Agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed or variable price provisions and the approximate timing of the transactions. The purchase obligations relate primarily to inventory, product development, license agreements, general operating costs and $0.8 million in authorized capital projects.*

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or the financial condition of the Company.

RELATED PARTY TRANSACTIONS

There are no related party transactions during the quarter.

LITIGATION

In the ordinary course of its business activities, the Company may become involved in litigation or claims with customers, suppliers, former employees and third parties.

NEW ACCOUNTING POLICIES AND CRITICAL ESTIMATES

A summary of significant accounting policies is presented in note 1 to our audited consolidated financial statements for the year ended November 30, 2009. Certain of our accounting policies are critical to understanding the results of operations and financial condition of the Company. These critical accounting policies require us to make certain judgements and estimates, some of which may relate to matters that are uncertain. For a description of the judgements and estimates involved in the application of critical accounting policies and assumptions made, refer to our 2009 annual report. The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the Company's November 30, 2009 audited consolidated financial statements.

Recently issued accounting pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises. The Company will be required to adopt IFRS no later than December 1, 2011, and will be required to provide IFRS comparative information for the previous fiscal year. While IFRS uses a conceptual framework similar to Canadian "GAAP" there are significant differences in accounting policies that must be evaluated.

The Company's IFRS conversion project began in 2009. A formal project plan, governance structure and a project team, including external advisors, have been established. Regular reporting is provided to senior management and to the Company's Audit Committee.

The IFRS conversion project consists of three phases: a scoping and planning phase, a design and build phase and an implementation and review phase.

In 2009, the IFRS conversion project team completed the scoping phase, which involved a high-level review of the major differences between Canadian GAAP and IFRS as they pertain to the Company. This assessment has provided insight on the high risk and complex areas relating to the conversion. The Company expects the transition to IFRS to impact accounting, financial reporting, internal controls over financial reporting, taxes, IT systems and processes and compensation plans. In late 2009 the IFRS conversion project team began phase 2, which involves a more comprehensive review of the accounting differences identified in phase 1. The team is well into phase 2 and expects to complete this phase in 2010

As of May 31, 2010, the following progress has been made relating to the Company's IFRS conversion plan:

Key Activity	**Milestones**	**Progress at May 31, 2010**
Project team and project management ▪ Audit committee engagement. ▪ Steering committee creation. ▪ Engagement of external consultants.	Project team in place by end of Q1 2009 and meeting plan in place for steering committee and audit committee communication.	▪ Project team assembled during Q1 2009, including engagement of professional services firm. ▪ Steering committee meetings scheduled based on project outputs. ▪ Audit committee meeting updates scheduled as required throughout the process.
Accounting policies and procedures ▪ Identification of differences between GAAP and IFRS applicable to Gennum. ▪ Selection of the Company's IFRS accounting policies. ▪ Determination of IFRS 1 choices.	Complete diagnostic identifying major areas of difference by the end of Q2 2009. Evaluate accounting policy options and develop IFRS accounting policy documents during later half of 2009 and 2010. Quantify differences and prepare opening balance sheet during 2011.	▪ IFRS diagnostic completed in Q2 2009. ▪ Evaluation and analysis of IFRS policy choices ongoing.
Financial statement preparation ▪ Development of financial statement template under IFRS. ▪ Ensure data required for enhanced note disclosures will be available.	Develop draft IFRS financial statements in conjunction with accounting policy choice selection in 2010. Ensure all required data is available and auditable during 2011.	▪ Financial statement templates being developed. ▪ System enhancements being implemented to assist in the additional note disclosures.
Information technology impacts ▪ Ensure systems are in place to create and disseminate required information accurately and in a timely manner.	Upgrade Gennum's general ledger system to enable ability to run dual reporting during 2011.	▪ System requirements currently being investigated.
Business impacts ▪ Employee incentive plans based on GAAP measures	Incentive plans to be reviewed for relevance following finalization of IFRS accounting	▪ These activities are expected to commence in late 2010.

which may differ under IFRS. ▪ Budgeting functions for the 2011 transition year will be impacted. ▪ Process changes may impact internal controls over financial reporting.	policy choices. Budgeting for 2011 to consider IFRS impact once final accounting policies selected. Process changes due to IFRS implementation to consider impact on internal controls.	
Training and communication ▪ Ensure members of the project team receive adequate training and guidance. ▪ Develop awareness of impact of IFRS throughout the organization. ▪ Provide communication of project status to external stakeholders in a timely manner.	Project team to participate in training courses as required. Internal training to be provided to personnel directly impacted by IFRS in their daily activities throughout implementation.	▪ Professional services firm engaged since Q2 2009. ▪ Key members of the project team have completed IFRS specific training courses. ▪ Communication to external stakeholders ongoing through MD&A disclosure as required.

Based on the scoping and analysis phase of the project, it is expected that the implementation of the following International Accounting Standards ("IAS") and IFRS's will most likely have the greatest potential impact on Gennum's financial statements:

Standard	Difference from existing GAAP	Potential impact
IAS 1: Presentation of Financial Statements	IFRS requires significantly more disclosure than existing GAAP. In addition, classification and presentation may be different for some balance sheet and income statement items.	Gennum has planned for required additional disclosure through system reviews. Gennum is analyzing the impact of the classification and presentation changes on its financial statements.
IFRS 1: First-Time Adoption of IFRS	A number of mandatory and optional exemptions and elections are available upon first-time adoption of IFRS. For Gennum, the material exemptions relate primarily to the restatement of prior business combinations, the resetting of cumulative translation adjustments (CTA) to nil and accounting for share-based employee benefits.	Gennum has not fully analyzed and concluded on IFRS 1, but is currently working through the mandatory and optional exemptions and elections.
IFRS 2: Share-Based Payments	IFRS 2 requires that if options vest in instalments, each tranche is to be considered a separate award with the compensation cost amortized accordingly. Under GAAP, separate tranches of an option award may be considered together.	Gennum will be required to recalculate the fair values, including estimates of forfeitures and amortization of all unvested tranches of options as at the date of transition. Gennum will be required to consider the impacts on its deferred share units plan, which is currently fair valued using the intrinsic value method, and recalculate

	Estimates of forfeitures must also be factored into the determination of compensation costs, whereas GAAP allows forfeitures to be accounted for as they occur. IFRS requires that the liability related to share-based payments to be settled in cash to be measured at fair value under IFRS 2. Under GAAP, such liabilities are measured using the intrinsic value method, which is not permitted under IFRS.	opening balances upon transition to IFRS.
IAS 11: Construction contracts **IAS 18:** Revenue	IFRS differs from existing GAAP on the timing and classification of certain types of revenue. Completed contract is not permitted under current IFRS, however it is acceptable under GAAP.	Gennum uses both the percentage of completion and the completed contract methods of accounting for revenue recognition. The implications of these standards differences are being investigated.
IAS 12: Income Taxes	While IAS 12 is similar to the existing Canadian standard, any material adjustments to balances resulting from the adoption of IFRS would have a corresponding effect on future income tax balances.	Any impact will depend primarily on other adjustments made upon transition to IFRS.
IAS 16: Property, Plant and Equipment	IFRS allows the periodic revaluation of property, plant and equipment. IFRS has more specific guidance on capitalization and componentization of assets.	Gennum is not likely to elect to periodically revalue its property, equipment and leaseholds, however the team is investigating all alternatives. Gennum does not believe there will be any material changes due to the componentization of assets.
IAS 36: Impairment of Assets	The IFRS standard requires the analysis of property, plant and equipment for impairment using discounted cash flows. The existing Canadian standard has a two step approach, the first using cash flows without discounting. IFRS requires the reversal of certain impairment losses in specific circumstances.	Impairment losses may be recognized earlier, or recorded when they may not have been recorded at all under existing GAAP.

Any changes to recognized financial figures may affect non-GAAP and performance measures including, but not limited to, EBITDA.

Several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB"), which draft and implement the IAS and IFRS standards. Amendments to existing standards are expected to continue beyond Gennum's transition date. Certain standards, if approved and implemented in their current state, could result in material differences between Gennum's current GAAP reporting and proposed IFRS reporting. These areas include revenue recognition, lease accounting and financial statement presentation.

Gennum has disclosed key elements and timing of its IFRS conversion plan previously, and will continue to provide updates throughout the conversion period as required in order to allow stakeholders to assess the impact of the conversion on Gennum's financial performance, and to assess the status of Gennum's conversion to IFRS.

At May 31, 2010, Gennum cannot reasonably determine the full impact that adopting IFRS would have on its financial statements, as the current status of the project reflects Gennum's most recent assumptions and expectations. Circumstances may arise, such as changes in existing IFRS, or changes in the regulatory or economic environment, which could alter these assumptions and/or expectations. These disclosures reflect Gennum's expectations based on information available at May 31, 2010. Changes in IFRS standards or circumstances relating to Gennum may cause the Company to revise its expectations, its project plan and its potential IFRS accounting policy choices prior to the conversion date.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In December 2008, the Canadian Institute of Charted Accountants approved three new accounting standards: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", such new standards replacing Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements". Section 1582 provides the Canadian equivalent to IFRS 3 – "Business Combinations (January 2008)" and Sections 1601 and 1602 provide the equivalent to International Accounting Standard 27 – "Consolidated and Separate Financial Statements (January 2008)". Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Entities adopting Section 1582 will also be required to adopt Sections 1601 and 1602. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will require a change in the measurement of non-controlling interest and will require the non-controlling interest to be presented as part of shareholders' equity on the balance sheet. In addition, the net earnings will include 100% of the subsidiary's results and will be allocated between the controlling interest and non-controlling interest. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. All three standards are effective at the same time Canadian public companies adopt IFRS, for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

RISKS AND UNCERTAINTIES

We are subject to a number of risks and uncertainties that could significantly affect our financial condition and performance. As we grow, continue our commitment to R&D, and enter into new markets, these risks can increase. For a discussion of these risks, please refer to our most recent annual information form, our 2009 annual report and our other public fillings. In addition, as noted above, we are required to make certain judgements and estimates under critical accounting policies, some of which may relate to matters that are uncertain. See "New Accounting Policies and Critical Estimates".

CONTROLS AND PROCEDURES

There have been no changes in the Company's internal control over financial reporting during the second quarter of 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

COMMON SHARES OUTSTANDING

As of May 31, 2010 and June 23, 2010 there were 35,445,185 common shares of Gennum outstanding, compared to 35,429,086 outstanding at November 30, 2009.

As of May 31, 2010, there were 3,230,367 outstanding options, each entitling the holder to purchase one common share of Gennum. Of these outstanding options, 1,185,202 were exercisable as of May 31, 2010.

OUTLOOK

Our second fiscal quarter was a period in which we saw continued momentum achieving 7% sequential quarterly revenue growth and revenue from new products accounted for 35% of product revenue. New customers and geographies also contributed to the momentum in our business, particularly in fast growing regions like China.

We are encouraged by continued strong market demand across all product segments and regions. Our order book for the third quarter to date continues to be solid and as a result we expect flat to moderate sequential third quarter revenue growth.

With this revenue momentum, we expect to achieve another solid quarter of operating income. For the full year, we continue to believe that we will deliver better than industry revenue growth, achieve positive cash flow and operating results that are in line with our business model.

We remain confident in our strategy. We will continue to make strategic investments in R&D enabling us to deliver more new products, capitalize on new customer opportunities and grow our leadership in our target markets. Combined with the strategic use of our strong capital position, we believe Gennum is well positioned to deliver shareholder value.

June 23, 2010