

GENNUM CORPORATION
2010 THIRD 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 targeted operating income and cash flow levels; 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.

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; the risk that unforeseen factors may arise that result in us not being able to achieve our operating income targets; 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; our ability to successfully predict our operating expenses; 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 third 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 third 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 our 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			Nine Months Ended		
	August 31			August 31		
	2010	2009	% change	2010	2009	% change
Revenue	34.4	21.4	61	95.6	60.1	59
Gross margin	25.1	14.7	70	69.1	42.6	62
Operating income (loss)	7.6	(5.2)	n/a	19.6	(6.5)	n/a
Net earnings (loss)	5.3	(4.3)	n/a	13.4	(6.2)	n/a
Earnings (loss) per share						
- basic and diluted	\$0.15	\$(0.12)	n/a	\$0.39	\$(0.18)	n/a
Cash and cash equivalents ¹	46.1	37.0	25	46.1	37.0	25
Dividends declared per share ²	\$0.033	\$0.031		\$0.102	\$0.088	

¹ - 2009 comparative information is as of November 30, 2009

² - Dividends were paid in Canadian dollars at a rate of \$0.035 per share per quarter

Gennum recorded its fifth consecutive quarter of sequential revenue growth, with revenue growing 9% over the second quarter of 2010. Third quarter and year-to-date 2010 revenue represented a 61% and 59% increase respectively over the comparable periods in 2009. Our current order book is similar to our order book at this time in the third quarter.

Adjusted EBITDA* in the third quarter of 2010 was \$10.6 million, up \$7.7 million compared to the third quarter of 2009 and up \$1.4 million compared to the prior quarter.

Operating income in the third quarter of 2010 was \$7.6 million compared to an operating loss of \$5.2 million in the third quarter of 2009. The improvement was driven mainly by increased sales volumes. Restructuring charges taken in the third quarter of 2009 were partially offset by higher operating expenses, primarily research and development, in the third quarter of 2010. Net income in the third quarter of 2010 was \$5.4 million or \$0.15 per share compared to a net loss of \$4.3 million or a loss per share of \$0.12 in the third 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 August 31			Nine Months Ended August 31		
	2010	2009	% change	2010	2009	% change
Analog and Mixed Signal (AMS)	25.3	15.9	59	70.3	42.6	65
Optical	5.8	2.9	104	18.0	8.8	104
Product revenue	31.1	18.8	66	88.3	51.4	72
IP	3.3	2.6	26	7.3	8.7	(16)
Total revenue	34.4	21.4	61	95.6	60.1	59

Revenue in the third quarter and first nine months of 2010 was higher by 61% and 59% respectively compared to the same periods in 2009 due to higher sales volumes. Product revenue in the third quarter and first nine months of 2010, which excludes IP revenue, grew 66% and 72%, respectively, over the prior year. Both the AMS and Optical product groups have experienced a significant recovery in revenue levels compared to the same periods in 2009.

Revenue of \$34.4 million in the third quarter of 2010 represented the fifth consecutive quarter of revenue growth for the Company. Sequential revenue growth was 9% in the third quarter of 2010. AMS recorded a 10% quarterly sequential growth, which offset Optical's 11% sequential decrease. On a regional basis, revenue increased 111% or \$4.7 million in Japan, 90% or \$6.1 million in the Pacific Rim, 19% or \$1.5 million in North America and 32% or \$0.8 million in Europe in the third quarter of 2010 compared to the third quarter of 2009. The methodology for attributing revenue to principle markets has been changed to allocate revenue based on the billing location of the customer.

Revenue on a year-to-date basis, compared to the same period in 2009, has increased in Japan 91% or \$11.2 million, in the Pacific Rim by 109% or \$18.9 million, in Europe by 89% or \$4.6 million and slightly in North America by \$0.7 million.

AMS products

AMS product revenue was up 10% sequentially, or \$2.2 million in the third quarter of 2010. Compared to the same quarter of 2009, AMS third quarter revenue was up 59% to \$25.3 million. Year-to-date revenue was also up 65% to \$70.3 million. The majority of the increase in 2010 compared to the same periods in 2009 and the increase on a sequential basis came from sales of clock and data recovery and serial digital interface product lines.

Optical products

Optical product revenue increased 104% to \$5.8 million in the third quarter of 2010 and 104% to \$18.0 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. On a sequential basis, revenue in the third quarter of 2010 was down by \$0.7 million from \$6.5 million in the second quarter of 2010 due to slower sales into Asia Pacific in the current quarter.

IP

IP revenue was \$3.3 million in the third quarter of 2010, an increase of \$0.7 million compared to the same period in 2009. On a year-to-date basis, IP revenue was down \$1.4 million to \$7.3 million. Sequentially, IP revenue was higher by \$1.3 million in the third quarter of 2010 compared to the second quarter of 2010.

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

	Three Months Ended August 31				Nine Months Ended August 31			
	2010		2009		2010		2009	
	\$	% of revenue	\$	% of revenue	\$	% of revenue	\$	% of revenue
Gross margin on:								
Product revenue	21.8	70.1	12.1	64.6	61.8	70.0	33.9	65.8
IP revenue	3.3	100.0	2.6	100.0	7.3	100.0	8.7	100.0
Total gross margin	25.1	72.9	14.7	68.9	69.1	72.3	42.6	70.8

Gross margin as a percentage of revenue was higher at 73% in the third quarter of 2010 compared to 69% in the third quarter of 2009, helping to maintain slightly higher gross margins at approximately 72% on a year-to-date basis in 2010 compared to 71% in 2009. The increased gross margins as a percentage of revenue in the third quarter and year-to-date 2010 compared to the same periods in 2009, was primarily due to higher volumes and efficiencies gained in our operations related to product revenue partially offset by declines in average selling prices. Lower gross margin contributions from the IP product group, due to lower revenue, also impacted the year-to-date gross margin.

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

	Three Months Ended August 31			Nine Months Ended August 31		
	2010	2009	% change	2010	2009	% change
Sales, marketing and administration expense	8.2	7.6	7	24.6	22.7	8
Percentage of revenue	23.7	35.5		25.8	37.8	

Sales, marketing and administration expenditures in the third quarter of 2010 increased 7% compared to the third quarter of 2009, while they decreased as a percentage of revenue from 36% to 24%. The increase in the third quarter of 2010 was partially due to the appreciation of the Canadian dollar compared to the third quarter of 2009, which increased our U.S. dollar reported expense for the period by approximately \$0.5 million. Higher accrued variable compensation in the third quarter of 2010 was offset by lower salary costs related to the restructuring activity in August 2009 and provisions for bad debts of \$0.5 million taken in the third quarter of 2009 that did not recur in the current quarter.

In the first nine months of 2010, sales, marketing and administration expenses were higher by \$1.9 million compared to the same period in 2009, but as a percentage of revenue, decreased by 12 percentage points to 26%. The increase in the year-to-date expenses 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 \$3.1 million. Higher accrued variable compensation and commissions were more than offset by lower salary costs related to restructuring activity and higher provisions for bad debt in the prior year.

R&D expenditures

R&D expenditures expensed to the statement of earnings (loss):

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2010	2009	% change	2010	2009	% change
R&D expense to the statement of earnings (loss)	10.1	7.3	37	27.2	22.8	19
Amortization of intangible assets	0.5	0.5	---	1.3	1.3	---
Government assistance	(1.2)	(1.0)	13	(3.6)	(3.3)	6
Total net R&D expense to the statement of earnings (loss)	9.4	6.8	37	24.9	20.8	20
Percentage of revenue	27.2	32.0		26.1	34.6	

The R&D expense impact to the statement of earnings (loss) in the third quarter of 2010, net of government assistance, intangible asset amortization and impairment on deferred development costs, was \$9.4 million compared to \$6.8 million in the third quarter of 2009. The increase in the third quarter of 2010 was partially attributable to the currency impact of \$0.5 million related to reporting in U.S. dollars and a non-cash impairment charge of \$0.5 million. Other factors that caused an increase in expenditures were higher variable compensation accruals and salaries due to increased headcount.

The R&D expense impact to the statement of earnings (loss) in the first nine months of 2010, net of government assistance, intangible asset amortization and impairment on deferred development costs, was \$24.9 million, compared to \$20.8 million for the same period in 2009. The increase in expenditures compared to the first nine months of 2009 resulted from an unfavourable currency impact of \$3.5 million related to reporting in U.S. dollars, higher salaries due to increased headcount, higher accruals for variable compensation and the third quarter non-cash impairment charge. These increases were partially offset by the sale of the BST product group in the second quarter of 2009, which contributed \$0.6 million of expenses in the first half of 2009.

Combined impact of R&D spending in the period:

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2010	2009	% change	2010	2009	% change
R&D expense (expensed to statement of earnings (loss))	10.1	7.3	37	27.2	22.8	19
Deferred development costs (capitalized to intangible assets)	2.2	1.6	36	6.1	4.0	53
Total gross R&D expenditure	12.3	8.9	37	33.3	26.8	24
Amortization of intangible assets (excluding amortization of deferred development costs charged to cost of goods sold)	0.5	0.5	---	1.3	1.3	---
Government assistance	(1.2)	(1.0)	13	(4.9)	(3.3)	45
Total net R&D expenditure	11.6	8.4	37	29.7	24.8	20
Percentage of revenue	33.5	39.5		31.1	41.2	

Our total investment in R&D activities, before amortization and government assistance, in the third quarter of 2010 was \$12.3 million, which included expenditures of \$10.1 million and capitalized deferred development costs of \$2.2 million. This compares to \$8.9 million in the third quarter of 2009.

For the first nine months of 2010, our total investment in R&D activities, before amortization and government assistance, was \$33.3 million, compared to \$26.8 million for the same period in 2009.

R&D spending as a percentage of revenue is in line with historical spending at 31%. 2009 saw increased R&D as a percentage of revenue as the Company maintained its commitment to investments in R&D despite lower revenue resulting from the global economic downturn.

During the third quarter, Gennum introduced six new 3Gb/s crosspoint products. The crosspoint family enables equipment manufacturers and broadcasters to more effectively handle next-generation video formats and the increasing data rate requirements in the studio.

The Company capitalizes certain R&D expenditures, referred to as deferred development costs, which represent expenditures directly related to placing a new product into commercialization. These deferred development costs are capitalized to intangible assets on the balance sheet, net of government assistance, and are amortized to cost of goods sold as the related products are sold.

Deferred development costs – capitalized to intangible assets:

(in millions of U.S. dollars)

	Three Months Ended August 31		Nine Months Ended August 31	
	2010	2009	2010	2009
Deferred development costs, opening	10.3	6.3	7.9	3.2
Additional expenditures	2.2	1.6	6.1	4.0
Government assistance	---	---	(1.3)	---
Impairments	(0.5)	(1.2)	(0.6)	(1.3)
Amortization to cost of goods sold	(0.2)	---	(0.3)	---
Foreign exchange impact	(0.1)	---	(0.1)	0.8
Deferred development costs, ending	11.7	6.7	11.7	6.7

In the third quarter 2010, \$2.2 million in deferred development costs was capitalized to intangible assets, which was partially offset by a non-cash impairment charge of \$0.5 million against certain capitalized R&D projects that we estimate were not likely to recover the deferred development costs. Year to date, the Company recorded deferred development costs of \$6.1 million, an increase of \$2.1 million over the same period in 2009.

The increases over 2009 are due mainly to the timing of expenditures to fabricate new designs, which represents a significant portion of the capitalized expenditures.

Operating income (loss)

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

	Three Months Ended August 31		Nine Months Ended August 31	
	2010	2009	2010	2009
Operating income (loss)	7.6	(5.2)	19.6	(6.5)
Percentage of revenue	22.1	n/a	20.4	n/a

Operating income in the third quarter and the first nine months of 2010 was 22% and 20% of revenue, respectively, and in line with the Company's expectations. The higher operating income in the comparable periods in 2010 versus 2009 was mainly due to higher revenue as a result of the recovery from the global economic downturn in 2009.

Net earnings (loss)

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

	Three Months Ended August 31		Nine Months Ended August 31	
	2010	2009	2010	2009
Net earnings (loss)	5.3	(4.3)	13.4	(6.2)
Percentage of revenue	15.5	n/a	14.0	n/a
Basic earnings (loss) per share	\$0.15	\$(0.12)	\$0.39	\$(0.18)

The economic recovery in late 2009 coupled with growth in new products and new markets have contributed to net earnings of \$5.3 million, or \$0.15 per share, in the third quarter of 2010 compared to a net loss of \$4.3 million or a \$0.12 loss per share in the third quarter of 2009. The third quarter of 2009 included a restructuring charge and deferred development impairment of \$5.5 million and a number of one time charges in other expense.

Net earnings in the first nine months of 2010 was \$13.4 million or \$0.39 per share, compared to a loss of \$6.2 million or a \$0.18 loss per share in the same period in 2009. In addition to higher revenue in 2010 and the impairment charge in 2009, the impact of foreign exchange losses, which are recorded through other expense, have been reduced in the current year due to changes in the Company's hedging program which were introduced during 2009.

Quarterly Results

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

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 * 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Revenue	34.4	31.7	29.5	25.1	21.4	19.4	19.4	30.3	33.5
Gross margin	25.1	22.5	21.5	18.3	14.7	13.6	14.3	23.1	25.6
- percentage of revenue	72.9	71.0	72.9	73.0	68.9	70.0	73.6	76.3	76.3
Operating income	7.6	5.8	6.1	3.0	(5.2)	(1.0)	(0.3)	5.1	7.5
- percentage of revenue	22.1	18.4	20.7	12.0	n/a	n/a	n/a	16.9	22.3
Net earnings (loss) on continuing operations	5.3	4.1	4.0	3.6	(4.3)	(1.1)	(0.8)	2.4	6.4
Net earnings (loss) on discontinued operations	---	---	---	---	---	---	---	(0.3)	---
Earnings (loss) per share:									
Continuing operations basic and diluted	0.15	0.12	0.12	0.10	(0.12)	(0.03)	(0.02)	0.07	0.18
Discontinued operations basic and diluted	---	---	---	---	---	---	---	(0.1)	---
Cash and cash equivalents	46.1	39.8	37.1	37.0	34.9	36.6	40.7	48.7	55.1

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

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)

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Revenue	34.4	31.7	29.5	25.1	21.4	19.4	19.4	30.3	33.5
Operating income (loss) from continuing operations	7.6	5.8	6.1	3.0	(5.2)	(1.0)	(0.3)	5.1	7.5
Adjustments to reconcile to EBITDA:									
Depreciation expense	1.3	1.4	1.2	1.3	1.3	1.3	1.3	1.4	1.4
Amortization of:									
Intangibles	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.5
Stock based compensation	1.1	1.5	1.1	0.8	0.8	0.7	0.6	1.0	1.0
EBITDA	10.6	9.2	8.9	5.6	(2.6)	1.4	2.0	8.0	10.4
Restructuring charge and deferred development impairment	---	---	---	0.4	5.5	---	---	---	---
Adjusted EBITDA	10.6	9.2	8.9	6.0	2.9	1.4	2.0	8.0	10.4
Adjusted EBITDA as a percentage of revenue	31%	29%	30%	24%	14%	7%	10%	26%	31%

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents

As of August 31, 2010, the Company has achieved four 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.

The Company believes that it has a strong liquidity position and is able to meet its cash flow obligations as they come due. As of August 31, 2010, the Company's cash and accounts receivable balances represented a combined balance of \$67.1 million, which was sufficient to cover the combination of accounts payable and current portion of the long-term payable of \$15.6 million. The current ratio, calculated as current assets divided by current liabilities, at August 31, 2010 was 6.0 times.

Summary of Quarterly Cash Flow

(in millions of U.S. dollars)

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Cash provided (used) by:									
operating activities	11.6	8.8	5.5	4.7	(0.3)	(6.2)	(2.9)	7.4	10.2
investing activities	(3.3)	(4.2)	(2.5)	(3.2)	(0.8)	0.1	(2.6)	(6.3)	6.4
financing activities	(1.2)	(2.2)	(2.7)	(1.1)	(0.9)	(2.9)	(1.0)	(2.0)	(1.2)
Effect of exchange rates	(0.8)	0.3	(0.2)	1.7	0.3	4.9	(1.5)	(5.5)	(3.4)
Net increase (decrease) in cash and equivalents	6.3	2.7	0.1	2.1	(1.7)	(4.1)	(8.0)	(6.4)	12.0
Cash and equivalents, beginning of period	39.8	37.1	37.0	34.9	36.6	40.7	48.7	55.1	43.1
Cash and equivalents, end of period	46.1	39.8	37.1	37.0	34.9	36.6	40.7	48.7	55.1

- *Cash provided (used) in operating activities*

Cash provided by operating activities was \$11.6 million in the third quarter of 2010, compared to a cash usage of \$0.3 million in the third quarter of 2009. The generation of cash from operating activities was primarily due to higher earnings in the third quarter of 2010. The decrease in net working capital in the third quarter of 2010 was mainly due to the increase in accounts payable and the decrease in inventory, partially offset by an increase in accounts receivable in the quarter compared to the second quarter of 2010. The promissory note receivable was also repaid in the quarter. The increase in net working capital in the third quarter of 2009 was substantially due to an increase in accounts payable and taxes payable.

For the first nine months of 2010, cash provided by operating activities was \$25.8 million compared to cash used in operating activities of \$9.4 million in the same period in 2009.

- *Cash used in investing activities*

Cash used in investing activities was \$3.3 million in the third quarter of 2010, compared to \$0.8 million in the same quarter in 2009. Investments in the third quarter of 2010 related to continued investment in capital asset requirements and deferred development costs. However, in the third quarter of 2009, investments in capital and deferred development expenditures were partially offset by the sale of one of the Company's buildings.

For the first nine months of 2010, cash used in investing activities was \$9.9 million compared to a net cash use of \$3.3 million in 2009. The first nine months of 2009 also included proceeds of \$1.0 million on the sale of our Toumaz investment and \$2.0 million on the sale of the BST technology group.

- *Cash used in financing activities*

Cash used in financing activities was \$1.2 million in the third quarter of 2010 compared to \$0.9 million in the same period in 2009. The cash used in both periods relates mainly to the payment of regular quarterly dividends. Dividends declared and paid per share were Canadian \$0.035 in the third quarter of 2009 and 2010.

For the first nine months of 2010, cash used in financing activities was \$6.1 million, compared to \$4.9 million for the same period in 2009, as payments related to the Company's deferred compensation payouts were greater in 2010.

Accounts receivable

Accounts receivable increased by \$3.6 million, or 21%, from \$17.4 million as of November 30, 2009 to \$21.0 million as of August 31, 2010. The increase in accounts receivables relates to the higher level of sales and stronger sales in the last month of the quarter.

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

(in millions of U.S. dollars)

	August 31, 2010	% of total	November 30, 2009	% of total
Current	16.2	77	13.5	78
Past due 0-30 days	4.7	22	2.8	16
Past due 31-60 days	---	---	0.2	1
Past due over 61 days	0.1	1	0.9	5
Accounts receivable, net	21.0		17.4	

These balances are net of provisions of \$0.5 (current) and \$0.7 (past due over 61 days). The Company did not incur any significant bad debt expense in the first nine months of 2010, compared to \$0.8 million in the first nine months of 2009.

Inventories

As of August 31, 2010, inventories were \$20.3 million, compared to \$21.7 million as of November 30, 2009. The decrease is mainly due to higher year-to-date shipments, partially offset by \$2.9 million in planned purchase of wafers related to supplier end-of-life process decisions during 2010. The purchase in the third quarter of 2010 is the last batch of the planned end-of-life inventory purchases to be received.

Future income taxes (net)

Net future income tax assets decreased to \$25.2 million at the end of August 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 offset by the use of government incentive carryforwards in the first nine months 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 August 31, 2010 were down approximately \$0.3 million compared to November 30, 2009. This decrease was primarily due to depreciation in excess of additional capital expenditures.

Intangible assets

Intangible assets increased by \$2.5 million as of August 31, 2010 compared to November 30, 2009 due to deferred development expenditure additions of \$6.1 million, which were partially offset by government assistance of \$1.3 million and the amortization of other intangible assets. Government assistance recorded in the first nine months of 2010 related to deferred development costs incurred in 2008, 2009 and 2010 to date. In addition, the Company recorded impairment charges of \$0.6 million in 2010 to date (\$0.5 million of which was in the third quarter) against deferred development costs that are no longer expected to provide future benefit.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were \$14.4 million as of August 31, 2010, compared to \$12.2 million as of November 30, 2009. The increase relates mainly to accruals for the Company's variable compensation plans.

Dividends

Dividends of \$1.2 million, or Canadian \$0.035 per share, were declared and paid in the third quarter of 2010 (\$1.1 million or Canadian \$0.035 per share in the third quarter of 2009).

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 August 31, 2010, we entered into foreign exchange forward contracts to sell U.S. \$20.5 million and Japanese yen 268.0 million. The U.S. contract matures on September 30, 2010 at an exchange rate of Canadian \$1.0627 against the U.S. dollar and the Japanese yen contracts mature between September 27 and October 29, 2010 at exchange rates between Canadian \$0.01186 and Canadian \$0.01263 against the Japanese yen. Management estimates that a before tax loss of \$0.2 million would have been realized had the contracts been terminated on August 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	27.1	4.5	7.0	3.7	11.9
Purchase obligations ⁽¹⁾	12.9	9.9	3.0	---	---
License fee obligations and other	0.2	0.2	---	---	---
Total contractual obligations	40.2	14.6	10.0	3.7	11.9

⁽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 \$1.1 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 ("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. The IFRS conversion project consists of three phases:

- Phase 1: scoping and planning;
- Phase 2: design and build; and
- Phase 3: implementation and review.

In 2009, the IFRS conversion project team completed Phase 1, which involved a high-level review of the major differences between 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. 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 completed the majority of Phase 2 during the quarter and expects to complete the remainder of this Phase in the last quarter of 2010. Phase 3 also began this quarter as the Company started working through the calculations and implementation requirements resulting from Phase 2. Phase 3 is expected to continue throughout the fourth quarter of 2010 and 2011 as the Company prepares to release its first set of financial statements under IFRS in the first quarter of 2012.

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

Key Activity	Milestones	Progress as of August 31, 2010
<p>Project team and project management</p> <ul style="list-style-type: none"> ▪ Audit committee engagement. ▪ Steering committee creation. ▪ Engagement of external consultants. 	<p>Project team in place by end of Q1 2009 and meeting plan in place for steering committee and audit committee communication.</p>	<ul style="list-style-type: none"> ▪ The Project team was assembled during Q1 2009, including engagement of professional services firm. ▪ The steering committee meetings have occurred as scheduled based on project outputs. ▪ Audit committee meeting updates have occurred as scheduled throughout the process. These meetings include a discussion of timelines, deliverables and slippage to ensure the Project remains on track.
<p>Accounting policies and procedures</p> <ul style="list-style-type: none"> ▪ Identification of differences between GAAP and IFRS applicable to Gennum. ▪ Selection of the Company's IFRS accounting policies. ▪ Determination of IFRS 1 choices. 	<p>Complete diagnostic identifying major areas of differences by the end of Q2 2009. Evaluate accounting policy options and develop IFRS accounting policy documents, including IFRS 1 elections, during later half of 2009 and 2010.</p>	<ul style="list-style-type: none"> ▪ IFRS diagnostic (Phase 1) completed in Q2 2009. ▪ Evaluation and analysis of IFRS policy choices ongoing (Phase 2).
<p>Financial statement preparation</p> <ul style="list-style-type: none"> ▪ Development of financial statement template under IFRS. 	<p>Develop draft IFRS financial statements in conjunction with accounting policy choice selection in 2010. Quantify differences and prepare opening</p>	<ul style="list-style-type: none"> ▪ The implementation Phase (Phase 3), which includes quantification of differences identified in Phase 2, began in the third quarter of 2010 and is

<ul style="list-style-type: none"> Ensure data required for enhanced note disclosures will be available. 	<p>balance sheet during 2011. Ensure all required data is available and auditable during 2011.</p>	<p>expected to continue into 2011.</p> <ul style="list-style-type: none"> Financial statement templates are being developed. System enhancements will be implemented to assist in the additional note disclosures.
<p>Disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR)</p> <ul style="list-style-type: none"> Once accounting policy reviews are completed and system change requirements are identified, ICFR and DC&P will need to be updated to reflect those changes. 	<p>Review process changes and update DC&P and ICFR accordingly.</p>	<ul style="list-style-type: none"> DC&P and ICFR updates will commence after accounting policy choices and system requirement decisions have been made.
<p>Information technology impacts</p> <ul style="list-style-type: none"> Ensure systems are in place to create and disseminate required information accurately and in a timely manner. 	<p>Upgrade Gennum's general ledger system to enable ability to run dual reporting during 2011.</p>	<ul style="list-style-type: none"> System requirements currently being investigated.
<p>Business activities</p> <ul style="list-style-type: none"> Employee incentive plans based on GAAP measures which may differ under IFRS. Budgeting functions for the 2011 transition year will be impacted. 	<p>Incentive plans to be reviewed for relevance following finalization of IFRS accounting policy choices. Budgeting for 2011 to consider IFRS impact once final accounting policies selected.</p>	<ul style="list-style-type: none"> Incentive plans related to the 2012 fiscal period will be revised towards the end of 2011 in order to incorporate changes in accounting measures. Consideration of IFRS impacts on the budget for 2011 will be used to help educate senior management on expected impacts on results in 2012.
<p>Financial reporting expertise</p> <ul style="list-style-type: none"> 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. 	<p>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 the implementation Phase.</p>	<ul style="list-style-type: none"> Professional services firm engaged since Q2 2009. Key members of the project team have completed IFRS specific training courses. Senior finance personnel are directly involved in the Phase 2 research to ensure the relevant knowledge is kept in-house following transition to IFRS. Communication to external stakeholders ongoing through MD&A disclosure as required.

Based on the results of Phases 1 and 2 of the project, it is expected that the implementation of the following International Accounting Standards ("IAS") and IFRS will most likely have the greatest potential impact on Gennum's financial statements:

Standard	Difference from existing GAAP	Potential impact
<p>IAS 1: Presentation of Financial Statements</p>	<p>IFRS requires significantly more disclosure than existing GAAP.</p> <p>In addition, classification and presentation may be different for some balance sheet and income statement items.</p>	<p>Genum has planned for required additional disclosure through system reviews.</p> <p>Genum is analyzing the impact of the classification and presentation changes on its financial statements.</p>
<p>IFRS 1: First-Time Adoption of IFRS</p>	<p>A number of mandatory and optional exemptions and elections are available upon first-time adoption of IFRS.</p>	<p>Genum has not fully analyzed and concluded on IFRS 1, but is currently working through the mandatory and optional exemptions and elections.</p> <p>For Genum, the material exemptions are expected to 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.</p>
<p>IFRS 2: Share-Based Payments</p>	<p>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.</p> <p>Estimates of forfeitures must also be factored into the determination of compensation costs, whereas GAAP allows forfeitures to be accounted for as they occur.</p> <p>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.</p>	<p>Genum will be required to recalculate the fair values, including estimates of forfeitures and amortization, of all unvested tranches of options at the date of transition.</p> <p>Genum will be required to consider the impacts on its deferred share unit plan, which is currently fair valued using the intrinsic value method, and recalculate opening balances upon transition to IFRS.</p>
<p>IAS 11: Construction contracts IAS 18: Revenue</p>	<p>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.</p>	<p>Genum 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.</p>

<p>IAS 12: Income Taxes</p>	<p>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.</p>	<p>Any impact will depend primarily on other adjustments made upon transition to IFRS.</p>
<p>IAS 16: Property, Plant and Equipment</p>	<p>IFRS allows the periodic revaluation of property, plant and equipment.</p> <p>IFRS has more specific guidance on capitalization and componentization of assets.</p>	<p>Genum is not likely to elect to periodically revalue its property, equipment and leaseholds, however the team is investigating all alternatives.</p> <p>Genum does not believe there will be any material changes due to the componentization of assets.</p>
<p>IAS 36: Impairment of Assets</p>	<p>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.</p>	<p>Impairment losses may be recognized earlier, or recorded when they may not have been recorded at all under existing GAAP. This may lead to increased volatility in net earnings.</p>
<p>IAS 21: Foreign Exchange</p>	<p>Differences in the prioritization of factors to be considered when determining an entity's functional currency under IFRS could result in a different functional currency.</p> <p>In addition, IFRS does not recognize the distinction under GAAP between integrated and self sustaining entities, and therefore resulting foreign exchange translation differences may occur.</p>	<p>Phase 3 includes the determination of appropriate functional currencies under IFRS for each entity and from an overall Company perspective.</p> <p>In addition, systems and process will be updated to reflect the appropriate conversion methodology under IFRS.</p>
<p>IAS 17: Leases</p>	<p>Genum currently has a deferred gain of approximately \$4 million related to a sale and leaseback transaction on one of its office buildings. The sale was at fair value and the resulting lease is considered an operating lease, therefore IFRS requires the gains to be recognized at the time of the transaction. GAAP requires the gain in this situation to be recognized rateably over the term of the lease.</p>	<p>On transition, the balance of the deferred gain and the related future income tax asset will be adjusted through retained earnings.</p>

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 body is responsible for drafting and implementing 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, but are not limited to, 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.

As of August 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 standards, 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 as of August 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 Chartered 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 filings. 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 controls over financial reporting during the third quarter of 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

COMMON SHARES OUTSTANDING

As of August 31, 2010 and September 22, 2010 there were 35,445,435 common shares of Genum outstanding, compared to 35,429,086 common shares outstanding at November 30, 2009.

As of August 31, 2010, there were 3,220,117 outstanding options, each entitling the holder to purchase one common share of Genum. Of these outstanding options, 1,179,968 were exercisable as of August 31, 2010.

OUTLOOK

Genum's third fiscal quarter of 2010 was its fifth consecutive quarter of revenue growth. Genum achieved 9% growth over its fiscal second quarter of 2010 and 61% over the comparable quarter in 2009. Sales of new products continue to grow and now account for 37% of total product sales.

We are encouraged by the continuing solid demand that we are experiencing. Our current order book is similar to our order book at this time in the third quarter. With our current revenue outlook, we expect to deliver another solid quarter of operating income, in line with our business model, and to achieve another quarter of positive cash flow.

Independent of the short term market environment, we remain confident in our strategy. Our commitment to introducing innovative new products continues to be validated with the increasing percentage of our sales from these new products, expanding customer engagements and increasing penetration into our global markets.

September 22, 2010