

2011 FIRST 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, cash flow and other business model targets; future trends in the semiconductor products 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 and fees, sales, product prices, 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.

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; changes in the mix of products sold which, due to associated margins, can impact Gennum's financial results; economic cycles in the semiconductor industry including downturns which can result from adverse general economic conditions; the effects of the recent earthquake and tsunami in Japan and the resultant impact upon Gennum's sales in Japan, which comprise approximately 30% of Gennum's revenues; 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, cash flow and other business model targets; possible impairments of assets which could be required in the future; 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 2010 management's discussion and analysis and "Risk Factors" in our most recent annual information form, each as filed on SEDAR at www.sedar.com.

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; the effects of the recent earthquake and tsunami in Japan will not have a material adverse impact upon Gennum's revenues; 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; Gennum's expectations relating to its future operating expenses, as well as the capital required to conduct its business in the future, are not materially incorrect; significant impairments of assets will not arise; 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, as well as Gennum's expectations relating to the mix of products to be sold by it, 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 first quarter of 2011 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 first quarter of fiscal 2011 and 2010, the Company's

fiscal 2010 and 2009 audited annual consolidated financial statements and accompanying notes, which have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and the management’s discussion and analysis contained in our 2010 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.

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 design, research, development and sales offices in Canada, Germany, India, Japan, Mexico, Taiwan, the United States and the United Kingdom. The common shares of the Corporation are listed on the Toronto Stock Exchange under the trading symbol “GND”.

OVERALL PERFORMANCE

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

	Three months ended	
	February 28, 2011	February 28, 2010
Revenue	31.5	29.5
Gross margin	22.8	21.5
Operating income	6.5	6.1
Net earnings	4.6	4.0
Earnings per share - basic and diluted	0.13	0.12
Cash and cash equivalents ¹	52.4	52.7
Dividends declared per share ²	\$0.035	\$0.033

¹ - 2010 comparative information is as of November 30, 2010

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

Gennum recorded revenue of \$31.5 million in the first quarter of 2011, a 7% increase over the same period in 2010 as all three product portfolios exceeded the comparable period in the prior year. First quarter revenue was down, however, compared to fourth quarter 2010 revenue of \$33.3 million.

Adjusted EBITDA¹ in the quarter was \$9.3 million, compared to \$8.9 million in the first quarter of 2010 and \$11.0 million in the prior quarter. The first quarter results represented an adjusted EBITDA of 30% of revenue, which is consistent with the first quarter of 2010, however sequentially down slightly from adjusted EBITDA of 33% in the fourth quarter of 2010.

¹ 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”.

Operating income in the quarter was \$6.5 million compared to \$6.1 million in the first quarter of 2010. The increase was driven mainly by higher revenue and gross margins, partially offset by higher operating expenses. Net income in the first quarter of 2011 was \$4.6 million or \$0.13 per share compared to \$4.0 million or \$0.12 per share in the first quarter of 2010.

Cash and cash equivalents remained relatively flat at \$52.4 million as of February 28, 2011 compared to \$52.7 million as of November 30, 2010. In local currency terms there was a cash usage of approximately \$3.0 million in the quarter, due primarily to increased non-cash working capital, capital investments and payments related to the Company's variable compensation plans. This decrease in cash and cash equivalents was almost entirely offset by the impact of converting to the Company's U.S. dollar reporting currency as the Canadian dollar strengthened in the quarter against the U.S. dollar.

Revenue

(in millions of U.S. dollars)

	Three Months Ended		
	February 28, 2011	February 28, 2010	% change
Analog and Mixed-Signal (AMS)	22.6	21.8	3
Optical	6.4	5.7	11
Product revenue	29.0	27.5	5
IP	2.5	2.0	28
Total revenue	31.5	29.5	7

Revenue in the first quarter of 2011 increased 7% or \$1.9 million compared to the first quarter of 2010; however, revenue decreased 5% on a sequential basis. Product revenue in the first quarter, which excludes IP revenue, grew 5% over the same period in the prior year.

On a regional basis, revenue increased 21% or \$1.6 million in Japan and 10% or \$1.1 million in the Asia Pacific region in the first quarter of 2011 compared to the first quarter of 2010; however, Europe and North America were down 8% and 7% respectively.

AMS products

AMS product revenue was up 3% or \$0.8 million to \$22.6 million in the first quarter of 2011 compared to the same period in 2010. Sequentially, AMS product revenue was down approximately 11% or \$2.9 million in the quarter compared to the fourth quarter of 2010. The majority of the increase compared to the first quarter of 2010 came from sales of linecard products and clock and data recovery (CDR) products, partially offset by serial digital interface product lines. The sequential decrease in revenues was broad based with the exception of linecard products.

Optical products

Optical product revenue increased 11% to \$6.4 million in the first quarter of 2011 compared to the first quarter of 2010 and sequentially, exceeded fourth quarter 2010 by 45% or almost \$2.0 million. The majority of the increase compared to the same period in 2010 came from sales of receive optical sub-assembly (ROSA) products (51% increase), partially offset by lower sales from the transimpedance amplifier (TIA) and laser driver product lines. The sequential revenue increase was mainly driven by higher sales from our ROSA product line.

Intellectual property

IP revenue was \$2.5 million in the quarter, an increase of \$0.5 million over the same period in 2010, and down sequentially by \$0.9 million compared to the prior quarter. IP revenue was impacted by the number of available engineering hours which tend to be reduced during the December holiday period.

Gross margin

(in millions of U.S. dollars)

	Three Months Ended			
	February 28, 2011		February 28, 2010	
	\$	% of revenue	\$	% of revenue
Gross margin on:				
Product revenue	20.3	70.1	19.5	71.0
IP revenue	2.5	100.0	2.0	100.0
Total gross margin	22.8	72.5	21.5	72.9

Gross margin as a percentage of revenue was in line with the same period in the prior year at 72.5% in the first quarter of 2011 compared to 72.9% in the first quarter of 2010. Slightly less favourable product gross margin was offset by higher IP revenue. First quarter 2011 gross margin was down from 75.2% in the fourth quarter of 2010 primarily due to product mix partially offset by lower inventory provisions. Gross margin as a percentage of product revenue was slightly down from the comparable period in 2010 at 70.1% in the first quarter of 2011 compared to 71.0% in the first quarter of 2010.

Sales, marketing and administration expenditures

(in millions of U.S. dollars)

	Three Months Ended		
	February 28, 2011	February 28, 2010	% change
Sales, marketing and administration expense	8.3	8.0	3
Percentage of revenue	26.3	27.1	

Sales, marketing and administration expenditures increased 3% to \$8.3 million compared to the first quarter of 2010, while they decreased slightly as a percentage of revenue from 27.1% to 26.3%. The increase in expenditures was mainly due to separation costs in the quarter, partially offset by lower accrued variable compensation in the quarter compared to the same period in the prior year. Sales, marketing and administration expenses were also up 3% sequentially, with the fourth quarter of 2010 at \$8.0 million.

R&D expenditures

(in millions of U.S. dollars)

	Three Months Ended		
	February 28, 2011	February 28, 2010	% change
R&D expense to the statement of earnings	9.0	8.3	8
Amortization of intangible assets	0.4	0.4	(13)
Government assistance	(1.4)	(1.4)	(1)
Total net R&D expense to the statement of earnings	8.0	7.4	8
Percentage of revenue	25.5	25.0	

In the first quarter of 2011, net R&D expense was \$8.0 million compared to \$7.4 million in the same period in 2010. A reduction in variable compensation accruals in the quarter compared to the first quarter of 2010 was more than offset by unfavourable currency impacts related to reporting in U.S. dollars, impairments of deferred development costs and increased salaries and benefits related mainly to increased headcount compared to the same period in the prior year.

*Combined impact of R&D spending in the period
(in millions of U.S. dollars)*

	Three Months Ended		
	February 28, 2011	February 28, 2010	% change
R&D expense to the statement of earnings	9.0	8.3	8
Deferred development costs (capitalized to intangible assets)	1.1	1.9	(41)
Total gross R&D expenditure	10.1	10.2	(1)
Amortization of intangible assets (excluding amortization of deferred development costs charged to cost of goods sold)	0.4	0.4	(13)
Government assistance	(1.5)	(1.4)	9
Total net R&D expenditure	9.0	9.2	(3)
Percentage of revenue	28.5	31.3	

Total investment in R&D activities in the first quarter of 2011, before amortization and government assistance, was \$10.1 million, which included expenditures of \$9.0 million and capitalized deferred development costs of \$1.1 million. This compared with a total investment of \$10.2 million in the first quarter of 2010 and down \$1.6 million sequentially from the fourth quarter of 2010.

Net R&D spending in the first quarter of 2011 was 28.5% of revenue, reflecting the Company's continued commitment and investment in its R&D product portfolio.

During the first quarter of 2011, Gennum introduced its new 25Gb/s CDR integrated circuits designed to support the implementation of 100Gb/s Ethernet optical transceivers. The GN2425 and GN2426 are designed to handle 25Gb/s data streams within next-generation 100Gb/s pluggable fiber-optic modules, line cards and direct-attach copper cables.

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	
	February 28, 2011	February 28, 2010
Deferred development costs, opening	13.3	7.9
Additional expenditures	1.1	1.9
Government assistance	(0.1)	---
Impairments	(0.3)	(0.1)
Amortization to cost of goods sold	(0.2)	(0.1)
Foreign exchange impact	0.7	0.1
Deferred development costs, ending	14.5	9.7

In the first quarter of 2011, \$1.1 million in deferred development costs were capitalized to intangible assets. In addition, foreign exchange impact on deferred development costs on conversion to the Company's U.S. dollar reporting currency was partially offset by government assistance, amortization and non-cash impairment charges in the quarter.

The increase in the balance of deferred development cost as of February 28, 2011 compared to February 28, 2010 was due to our continued new product development efforts.

Operating income

(in millions of U.S. dollars)

	Three Months Ended		
	February 28, 2011	February 28, 2010	% change
Operating income	6.5	6.1	6
Percentage of revenue	20.7	20.7	

Operating income in the first quarter of 2011 was \$0.4 million higher than the first quarter of 2010 at \$6.5 million, as increased gross margins in the quarter outweighed increased operating expenses. Operating income as a percentage of revenue in the first quarter of 2011 was in line with the Company's business model.

Income taxes

(in millions of U.S. dollars)

	Three Months Ended	
	February 28, 2011	February 28, 2010
Provision for income taxes	1.7	1.9
Percentage of earnings before tax	27.2	32.2

The lower effective tax rate of 27.2% in the first quarter of 2011 compared to 32.2% in the first quarter of 2010 was primarily due to the lower enacted 2011 statutory tax rate of 28% compared to 31% in 2010.

The income tax provision in the first quarter of 2011 represented 27% of earnings before taxes, lower than the 2011 statutory rate of 28% as permanent differences such as stock option amortization were more than offset by the impact of previously enacted lower statutory tax rates on the Company's future income tax balances.

The income tax provision in the first quarter of 2010 was 32.2% of earnings before taxes, higher than the 2010 statutory rate of 31% mainly due to permanent differences such as stock option amortization.

Net earnings

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

	Three Months Ended		
	February 28, 2011	February 28, 2010	% change
Net earnings	4.6	4.0	15
Percentage of revenue	14.6	13.4	
Earnings per share (basic and diluted)	0.13	0.12	8

In the first quarter of 2011, the Company recorded net earnings of \$4.6 million or \$0.13 per share, compared to \$4.0 million or \$0.12 per share in the first quarter of 2010. The increase was due primarily to higher operating income and favourable tax rates.

Quarterly Results

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

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 * 2009	Q2 2009
Revenue	31.5	33.3	34.4	31.7	29.5	25.1	21.4	19.4
Gross margin	22.8	25.0	25.1	22.5	21.5	18.3	14.7	13.6
- percentage of revenue	72.5	75.2	72.9	71.0	72.9	73.0	68.9	70.0
Operating income (loss)	6.5	7.8	7.6	5.8	6.1	3.0	(5.2)	(1.0)
- percentage of revenue	20.7	23.5	22.1	18.4	20.7	12.0	n/a	n/a
Net earnings (loss)	4.6	5.2	5.3	4.1	4.0	3.6	(4.3)	(1.1)
Earnings (loss) per share:								
basic and diluted	0.13	0.15	0.15	0.12	0.12	0.10	(0.12)	(0.03)
Cash and cash equivalents	52.4	52.7	46.1	39.8	37.1	37.0	34.9	36.6

* 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). The table below reconciles EBITDA to operating income (loss). 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.

(in millions of U.S. dollars)

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Revenue	31.5	33.3	34.4	31.7	29.5	25.1	21.4	19.4
Operating income (loss)	6.5	7.8	7.6	5.8	6.1	3.0	(5.2)	(1.0)
Adjustments to reconcile to EBITDA:								
Depreciation expense	1.2	1.4	1.3	1.4	1.2	1.3	1.3	1.3
Amortization of:								
Intangibles	0.6	0.7	0.5	0.5	0.5	0.5	0.5	0.4
Stock based compensation	1.0	1.1	1.0	1.5	1.1	0.8	0.8	0.7
EBITDA	9.3	11.0	10.5	9.2	8.9	5.6	(2.6)	1.4
Restructuring charge and deferred development impairment	---	---	---	---	---	0.4	5.5	---
Adjusted EBITDA	9.3	11.0	10.5	9.2	8.9	6.0	2.9	1.4
Adjusted EBITDA as a % of revenue	30%	33%	30%	29%	30%	24%	14%	7%

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's functional currency is the Canadian dollar and, as a result, all balances are converted to the Canadian dollar on consolidation. However, as the Company reports in U.S. dollars, these balances are then converted at the balance sheet rate to U.S. dollars, with the net change going through Other Comprehensive income.

The Canadian dollar strengthened over the quarter, with the balance sheet rate changing from Canadian \$1.0264 against the U.S. dollar as of November 30, 2010 to Canadian \$0.9739 against the U.S. dollar as of February 28, 2011. The impact of the stronger Canadian dollar increased U.S. dollar reported net assets by approximately \$8.5 million over the quarter.

Cash and cash equivalents

Cash and cash equivalents remained relatively flat at \$52.4 million as of February 28, 2011 compared to \$52.7 million as of November 30, 2010. In local currency terms there was a cash usage of approximately \$3.0 million in the quarter, due primarily to increased non-cash working capital, capital investments and payments related to the Company's variable compensation plans. This decrease in cash and cash equivalents was almost entirely offset by the impact of converting to the Company's U.S. dollar reporting currency as the Canadian dollar strengthened in the quarter against the U.S. dollar.

Investing and financing activities in the quarter were fairly consistent with the first quarter of 2010, with cash used in investing activities at \$2.9 million and used in financing activities at \$2.6 million. Dividends declared in the first quarter of 2011 and 2010 were paid in March of those years, and therefore are second quarter cash flow items. Financing activities in both periods were mainly related to purchases of Company shares in the secondary market to fulfill the annual long-term incentive awards.

The Company believes that it is in a strong liquidity position and is able to meet its cash flow obligations as they come due. The Company's cash and accounts receivable represent a combined balance of \$75.6 million, which is sufficient to cover accounts payable and accrued liabilities. The current ratio, calculated as current assets divided by current liabilities as of February 28, 2011, was 5.8 times.

Summary of Quarterly Cash Flow

(in millions of U.S. dollars)

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Cash provided (used) by operating activities	2.9	11.0	11.6	8.8	5.5	4.7	(0.3)	(6.2)
Cash provided (used) by investing activities	(2.9)	(4.8)	(3.3)	(4.2)	(2.5)	(3.2)	(0.8)	0.1
Cash used by financing activities	(2.6)	(1.1)	(1.2)	(2.2)	(2.7)	(1.1)	(0.9)	(2.9)
Effect of exchange rates	2.3	1.5	(0.8)	0.3	(0.2)	1.7	0.3	4.9
Net increase (decrease) in cash and equivalents	(0.3)	6.6	6.3	2.7	0.1	2.1	(1.7)	(4.1)
Cash and equivalents, beginning of period	52.7	46.1	39.8	37.1	37.0	34.9	36.6	40.7
Cash and equivalents, end of period	52.4	52.7	46.1	39.8	37.1	37.0	34.9	36.6

- Cash provided (used) by operating activities*
Cash provided by operating activities was \$2.9 million in the first quarter of 2011 compared to \$5.5 million in the first quarter of 2010. An increase in contributions from earnings was offset by an increase in net non-cash working capital in the first quarter of 2011. This was due mainly to the increase in prepaid expenses and other assets, income taxes receivable and inventory.
- Cash provided (used) by investing activities*
Cash used in investing activities was \$2.9 million in the first quarter of 2011, compared to the \$2.5 million in the first quarter of 2010. The use was mainly due to continued investment in capital assets and deferred development projects.
- Cash used in financing activities*
Cash used in financing activities was \$2.6 million in the first quarter of 2011 compared to \$2.7 million in the same period in 2010. The use of funds in financing activities in both periods related mainly to cash payments as part of the Company's variable compensation plan. Dividends declared per share were Canadian \$0.035 in the first quarter of 2011 and 2010; however, payments related to the first quarter dividends fell into the second quarters in both years.

Accounts receivable

Accounts receivable increased by \$1.3 million, or 6% from \$21.9 million as of November 30, 2010 to \$23.2 million as of February 28, 2011. The majority of the increase was due to the strengthening of the Canadian dollar in the quarter. Without the impact of foreign exchange, accounts receivable increased approximately \$0.1 million as lower revenue in the latter part of the first quarter of 2011 compared to the latter part of the last quarter of 2010 were offset by the timing of billings related to IP revenue.

The aging of trade receivable balances as of February 28, 2011 compared to November 30, 2010 was as follows:

(in millions of U.S. dollars)

	February 28, 2011	% of total	November 30, 2010	% of total
Current	18.3	78.9	17.5	79.7
Past due 0-30 days	3.8	16.2	3.4	15.4
Past due 31-60 days	0.1	0.5	0.4	2.0
Past due over 61 days	1.0	4.4	0.6	2.9
Accounts receivable, net	23.2		21.9	

These balances, both as of February 28, 2011 and November 30, 2010, are net of provisions of \$1.2 million against past due over 61 days. The Company did not incur any significant bad debt expense in the first quarter of 2011 or 2010.

Inventories

As of February 28, 2011, inventories were \$23.5 million, compared to \$21.4 million as of November 30, 2010. This increase was primarily the result of the stronger Canadian dollar and lower sales in the quarter.

Included in the inventory balance at the end of the first quarter of 2011 was \$8.3 million in end-of-life inventory, of which a significant portion is expected to be sold subsequent to November 30, 2011.

Future income taxes (net)

Net future income tax assets increased by \$1.0 million in the quarter to \$26.1 million as of February 28, 2011. The increase came mainly from the strengthening of the Canadian dollar in the quarter.

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 impairment issues.

Capital assets

Capital asset balances at the end of the first quarter increased approximately \$1.7 million compared to November 30, 2010. This increase was primarily due to the strengthening of the Canadian dollar and additional capital expenditures in excess of depreciation in the quarter.

Intangible assets

Intangible assets increased by \$1.0 million in the first quarter of 2011. This increase was mainly due to deferred development additions of \$1.1 million and the strengthening of the Canadian dollar, partially offset by impairments and amortization of intangible assets in the quarter.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$1.4 million from \$17.7 million on November 30, 2010 to \$19.1 million on February 28, 2011. In addition to the stronger Canadian dollar, there were higher payroll accruals due to the timing of salary payments, severance accruals and the February dividend accrual, which was paid in March. These were partially offset by the payment of 2010 variable compensation accruals in the quarter.

Accumulated other comprehensive income

Changes in accumulated other comprehensive income are caused mainly from translating the Canadian dollar functional currency consolidated financial statements to U.S. dollars for reporting purposes. Net assets of Canadian \$170.8 million as of November 30, 2010 were translated to U.S. dollars for reporting purposes at a rate of Canadian \$1.0264 against the U.S. dollar. The Canadian dollar strengthened to Canadian \$0.9739 against the U.S. dollar as of February 28, 2011 resulting in a foreign currency translation gain of \$8.5 million recorded through other comprehensive income.

Dividends

Dividends of \$1.2 million, or Canadian \$0.035 per share, were declared in the first quarter of 2011 and 2010. The first quarter 2011 dividend was paid on March 8, 2011 and is therefore a second quarter payment.

Derivative financial instruments

The Company has a hedging strategy upon which it elects not to apply hedge accounting. We use derivative financial instruments in the management of certain of our foreign currency exposures in accordance with Company policy.

As of February 28, 2011, we had entered into foreign exchange forward contracts to sell U.S. \$12.8 million and Japanese yen 159 million in exchange for Canadian dollars. These contracts mature between March 31, 2011 and May 31, 2011 at an exchange rate of Canadian \$0.9747 against the U.S. dollar and between Canadian \$0.01189 and \$0.01221 against the Japanese yen. In addition, we entered into a foreign exchange forward contract to sell U.S. \$2.3 million in exchange for British pounds, maturing on March 31, 2011 at a rate of GBP 0.61576 against the U.S. dollar. Management estimates that an immaterial gain would have been realized had the contracts been terminated on February 28, 2011. The fair value of the foreign exchange forward contracts was based on market information from major financial institutions.

CONTRACTUAL OBLIGATIONS

(in millions of U.S. dollars)

	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>< 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>> 5 years</u>
Operating leases	31.9	4.7	7.8	5.0	14.4
Purchase obligations ⁽¹⁾	9.8	9.7	0.1	---	---
Total contractual obligations	41.7	14.4	7.9	5.0	14.4

⁽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 \$0.4 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

The Company did not have any related party transactions during the quarter.

LITIGATION

In the ordinary course of 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 November 30, 2010 consolidated financial statements. Certain of our accounting policies are critical to understanding the results of operations and financial condition of Gennum. 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 2010 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, 2010 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 adopt IFRS on 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
- 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 2010 the IFRS conversion project team completed Phase 2, which involves a more comprehensive review of the accounting differences identified in Phase 1. Phase 3 also began late in 2010 as the Company has started working through the calculations and implementation requirements resulting from the Phase 2 findings. Phase 3 is expected to continue throughout 2011 as the Company prepares to release its first set of financial statements under IFRS in the first quarter of 2012.

As of February 28, 2011, the following progress has been made relating to the Company's IFRS conversion plan:

Key Activity	Milestones	Progress as of February 28, 2011
<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 latter 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 substantially completed in 2010 (Phase 2). ▪ Final accounting policy choices to be made in 2011.
<p>Financial statement preparation</p> <ul style="list-style-type: none"> ▪ Development of financial statement template under IFRS. ▪ Ensure data required for enhanced note disclosures will be available. 	<p>Develop draft IFRS financial statements in conjunction with accounting policy choice selection. Quantify differences and prepare opening balance sheet during 2011. Ensure all required data is available and auditable during 2011.</p>	<ul style="list-style-type: none"> ▪ The implementation phase (Phase 3), which includes quantification of differences identified in Phase 2, began in late 2010 and is continuing in 2011. ▪ 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 	<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.

are identified, ICFR and DC&P will need to be updated to reflect those changes.		
Information technology impacts <ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> System requirements currently being investigated.
Compensation plans <ul style="list-style-type: none"> Employee incentive plans based on GAAP measures which may differ under IFRS. 	Incentive plans to be reviewed for relevance following finalization of IFRS accounting policy choices.	<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.
Financial reporting expertise <ul style="list-style-type: none"> Ensure members of the project team receive adequate training and guidance. Develop awareness of the 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 the implementation phase.	<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
IAS 1: Presentation of Financial Statements	<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>Gennum has planned for required additional disclosure through system reviews.</p> <p>Gennum is analyzing the impact of the classification and presentation changes on its financial statements.</p>
IFRS 1: First-Time Adoption of IFRS	A number of mandatory and optional exemptions and elections are available upon first-time adoption of IFRS.	<p>Gennum has analyzed but has not yet concluded on IFRS 1 elections.</p> <p>For Gennum, 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 settled in cash are 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.</p>	<p>The implications of these standards differences are being investigated, as are changes to these standards currently being discussed.</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 carrying value of assets to be compared against their recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use which is calculated using discounted cash flows. Impairment under</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>the existing Canadian standard is recognized when the carrying value exceeds the total undiscounted cash flows expected from its use and disposition. The amount of loss is determined by deducting the fair value based on discounted cash flows expected from its use and disposition from the carrying value. IFRS requires the reversal of certain impairment losses in specific circumstances.</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 is the body responsible for drafting and implementing the IFRS standards. Amendments to existing standards are expected to continue beyond Genum's transition date. Certain standards, if approved and implemented in their current state, could result in material differences between Genum's current GAAP reporting and proposed IFRS reporting. These areas include, but are not limited to, revenue recognition, lease accounting, financial instruments and financial statement presentation.

Genum has disclosed key elements and timing of its IFRS conversion plan previously, and will continue to provide updates through the conversion period as required in order to enable 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 February 28, 2011, 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 February 28, 2011.

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 2010 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" above.

CONTROLS AND PROCEDURES

There have been no changes in the Company's internal control over financial reporting during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

COMMON SHARES OUTSTANDING

At February 28, 2011 there were 35,541,659 common shares of Gennum outstanding (November 30, 2010 - 35,476,909).

As of February 28, 2011, there were 3,468,661 outstanding options, each entitling the holder to purchase one common share of Gennum. Of these outstanding options, 1,436,112 were exercisable as of February 28, 2011.

OUTLOOK

Looking ahead, our current order book for the second quarter is similar to the order book at the same time in the first quarter of 2011. We are working closely with our customers, employees and partners in Japan to ensure they have the support needed to begin the rebuilding process. At this point, we have limited visibility on the long-term impact to our business and we are taking a cautious stance over the next few quarters. As such, we might experience some near-term impact to our business as customers bring production back online over the coming months.

Despite these uncertainties, we continue to execute against our business strategy and invest to strengthen our core market position and expand our capability to address the emerging high-speed consumer connectivity market. Our new product traction constitutes 34% of revenue in the first quarter and we are encouraged by continued design-in activities.

April 6, 2011