



Gennum Reports 2008 Second Quarter Results

40% Quarterly Revenue Growth Drives 35% Increase in Earnings Per Share from Continuing Operations

Burlington, Ontario (June 25, 2008) – Gennum Corporation (TSX: GND) today announced its unaudited financial results for the second fiscal quarter which ended May 31, 2008.

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

	<u>2008</u>	<u>% of Revenue</u>	<u>2007</u>	<u>% of Revenue</u>
Second quarter				
Revenue	33.0		23.6	
Gross margin	24.9	75.5%	18.2	76.9%
Net earnings – continuing	5.9	18.0%	4.4	18.8%
Net earnings per share – continuing	*0.17		0.12	

* *fully diluted*

“Our focused efforts to balance our investment in accelerating new product development and deliver shareholder value have resulted in excellent double-digit revenue growth and profitability,” said Dr. Franz Fink, President and CEO of Gennum. “The investments we have made over the past quarters in new products have resulted in solid growth in SDI and Optical markets. Additionally, IP sales continue to meet expectations and have secured new customer wins by leveraging our global sales infrastructure. We will continue to execute our focused strategy balancing investment in new products and core business activities with overall company profitability to deliver greater shareholder value.”

Revenue of \$33.0 million is up \$9.4 million or 40% from \$23.6 million in the second quarter of 2007 and up 10% from \$30.1 million in the first quarter of 2008. Gross margin as a percentage of revenue remained in the industry’s top tier as lower average selling prices were offset by lower production costs and a higher mix of IP revenue. Earnings per share from continuing operations grew 35% from the second quarter of 2007 and 30% over the first quarter of 2008.

New Product Introductions

In the second quarter of 2008, Gennum introduced a series of new products and participated in new technology demonstrations with industry partners.

- **Industry’s First Single-Chip HD and 3 Gigabit per Second (Gb/s) Transmit and Receive Solutions** - These highly integrated chips provide broadcast and professional video equipment manufacturers a complete SDI solution. The new transmitter and

receiver offer over 30 percent savings in cost, power, and board area compared to existing HD solutions.

- **Low Power, PCI Express® 2.0, Infiniband Repeater** – We introduced the industry’s first re-timed repeater solution that integrates a clock and data recovery (CDR) component. The four-channel GN1406 device supports PCI Express® (PCIe) 2.0 and Infiniband and is able to achieve superior jitter performance at the same power consumption for backplane and cable applications.
- **New ActiveConnect™ Product to Enable Industry’s Thinnest, Longest Reach HDMI Cables** - The new ActiveConnect™ GV8502 product provides cable manufacturers with a cost-effective, high-quality semiconductor solution for development of much thinner HDMI cabling solutions. This reduces bill-of-materials cost for cable manufacturers, and increases flexibility and ease-of-use for consumers and custom home theater installers.
- **ActiveConnect™ Solution Showcased in Demonstration by Canare at NAB 2008** - Canare Corporation, a leading supplier of connector and cabling technology to the professional broadcast industry in Japan, hosted a technology demonstration that utilized our ActiveConnect™ solution to show full-rate high definition multimedia interface (HDMI) performance over 100 meters of coaxial cable.

Customer Updates

- The Gennum 3Gb/s video optical solution is featured in MultiDyne’s HD-3000 Series 3Gb/s Serial Digital Video Fiber Optic Transport Link.
- Gefen introduced its HDMI over RGB Extender in April that uses the Gennum ActiveConnect™ technology.

Dividend

Gennum’s Board of Directors has declared a regular cash dividend of 3.5 cents per share Canadian to be paid on July 23, 2008 to shareholders of record on July 9, 2008. The dividend is considered an “eligible dividend” for tax purposes.

Management will hold a conference call to discuss second quarter results on Wednesday, June 25, 2008 at 6:30 p.m. (ET). To access the call, participants should dial 1-800-732-9303. The conference call will also be Webcast live at www.gennum.com or www.newswire.ca/en/webcast and subsequently archived on the Gennum site. A rebroadcast of the call will be available until midnight on July 25, 2008. To access the rebroadcast, dial 416-640-1917 and enter the passcode 21273552#.

About Gennum Corporation

Gennum Corporation (TSX: GND) designs innovative semiconductor solutions and intellectual property (IP) cores for the world’s most advanced consumer connectivity, enterprise, video broadcast and data communications products. Leveraging the company’s proven optical, analog and mixed-signal products and IP, Gennum enables multimedia and data communications products to send and receive information without compromising the signal integrity. Recognized as an award winner for advances in high definition (HD) broadcasting, Gennum is headquartered in Burlington, Canada, and has global design, research and development and sales offices in Canada, Mexico, Japan, Korea, Germany, United States, Taiwan and the United Kingdom. www.gennum.com

Disclaimer

This document contains forward-looking statements relating to our goals, strategies, prospects, financial condition and results, as well as the environment in which Gennum operates, investments, and litigation in which Gennum is involved, which are based on assumptions about future economic conditions and courses of action and which may involve estimates, forecasts and projections. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “become”, “intends”, “will”, “may” “anticipates”, “should”, “estimates”, “expects”, “believes” and similar expressions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict and/or are beyond our control. Please refer to the sections entitled “Risks and Uncertainties” in our 2007 annual report and “Risk Factors” in our annual information form dated February 13, 2008, for a description of material risks associated with forward-looking statements. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include, but are not limited to, adverse effects of increasing competition and our ability to maintain our innovative product positioning in the rapidly changing marketplace for our products, our exposure to currency rate fluctuations, and those other factors set forth in our public filings. Consequently, readers should not place any undue reliance on such 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, whether as a result of new information, future events or otherwise, except to the extent required by law.

All financial results referenced are unaudited, in United States currency and, unless otherwise indicated, are determined in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

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2008 SECOND QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in U.S. dollars, unless otherwise stated.

Caution regarding forward-looking statements

This document contains forward-looking statements relating to our goals, strategies, prospects, financial condition and results, as well as the environment in which Gennum operates, investments, and litigation in which Gennum is involved, which are based on assumptions about future economic conditions and courses of action and which may involve estimates, forecasts and projections. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "become", "intends", "will", "may", "anticipates", "should", "estimates", "expects", "believes" and similar expressions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict and/or are beyond our control. Please refer to the sections entitled "Risks and Uncertainties" in our 2007 annual report and "Risk Factors" in our annual information form dated February 13, 2008, for a description of material risks associated with forward-looking statements. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include, but are not limited to, adverse effects of increasing competition and our ability to maintain our innovative product positioning in the rapidly changing marketplace for our products, our exposure to currency rate fluctuations, and those other factors set forth in our public filings. Consequently, readers should not place any undue reliance on such 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, 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 the second quarter of 2008 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 for the second quarter of fiscal 2008 and 2007, and the fiscal 2007 and 2006 audited consolidated financial statements and accompanying notes and MD&A contained in our 2007 annual report, which have been prepared in accordance with Canadian generally accepted accounting principles. Our public disclosure documents, including our historical financial statements and our 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. **All amounts are in U.S. dollars, unless otherwise stated.**

CORPORATE OVERVIEW AND BUSINESS STRATEGY

Gennum Corporation (TSX: GND) designs innovative semiconductor solutions and intellectual property (IP) cores for the world's most advanced consumer connectivity, enterprise, video broadcast and data communications products. Leveraging our proven optical, analog and mixed-signal products and IP, we enable multimedia and data communications products to send and receive information without compromising signal integrity.

Our clearly articulated and focused corporate strategy is to leverage core technological capabilities into selected, high-growth markets that provide a competitive advantage for both the Company and our customers. Specifically, our strategic financial priorities for 2008 include generating revenue growth greater than the industry average, maintaining industry leading gross margins and delivering first quartile operating returns. To achieve these priorities, we plan to double the number of new product and IP introductions in 2008 compared to 2007, strengthen our global team, drive increased operational efficiencies and leverage a strong cash position to complement the portfolio of optical, analog and mixed-signal and IP products.

New product introductions

In the second quarter of 2008, we introduced a series of new products and participated in new technology demonstrations with industry partners.

- **Industry's First Single-Chip HD and 3 Gigabit per Second (Gb/s) Transmit and Receive Solutions** - These highly integrated chips provide broadcast and professional video equipment manufacturers a complete Serial Digital Interface (SDI) solution. The new transmitter and receiver offer over 30 percent savings in cost, power, and board area compared to existing HD solutions.
- **Low Power, PCI Express® 2.0, Infiniband Repeater** - We introduced the industry's first re-timed repeater solution that integrates a clock and data recovery (CDR) component. The four-channel GN1406 device supports PCI Express® (PCIe) 2.0 and Infiniband and is able to achieve superior jitter performance at the same power consumption for backplane and cable applications.
- **New Consumer ActiveConnect™ Product to Enable Industry's Thinnest, Longest Reach HDMI Cables** - The new ActiveConnect™ GV8502 product provides consumer cable manufacturers with a cost-effective, high-quality semiconductor solution for development of much thinner HDMI cabling solutions, which reduces bill-of-materials cost for cable manufacturers, and increases flexibility and ease-of-use for consumers and custom home theater installers.
- **ActiveConnect™ Solution Showcased in Demonstration by Canare at NAB 2008** - Canare Corporation, a leading supplier of connector and cabling technology to the professional broadcast industry in Japan, hosted a technology demonstration that utilized our ActiveConnect™ solution to show full-rate high definition multimedia interface (HDMI) performance over 100 metres of coaxial cable.

Customer updates

Our solutions continue to see design-in momentum in our core markets as well as in new adjacent markets we are targeting. In the second quarter of 2008, the following were our customer product announcements that featured our products.

- Our 3Gb/s video optical solution is featured in MultiDyne's HD-3000 Series 3Gb/s Serial Digital Video Fiber Optic Transport Link.
- Gefen introduces its HDMI over RGB Extender in April that uses our innovative ActiveConnect™ technology.

RESULTS FROM OPERATIONS

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

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Revenue	33.0	23.6	39.7	63.1	46.4	35.9
Gross margin	24.9	18.2	37.0	47.8	36.2	32.0
Earnings from continuing operations before income taxes	9.0	7.1	26.9	16.7	16.5	1.3
As a % of revenue	27.3	30.1		26.5	35.6	
Net earnings before discontinued operations	5.9	4.4	34.1	10.5	10.6	(0.7)
Net earnings (loss) from discontinued operations	(1.1)	(10.5)	n/a	7.7	(13.1)	n/a
Net earnings	4.8	(6.1)	n/a	18.2	(2.5)	n/a
Continuing operations EPS	0.17	0.12	35.1	0.30	0.30	---
Discontinued operations EPS	(0.03)	(0.29)	n/a	0.21	(0.36)	n/a
Net earnings per share*	0.14	(0.17)	n/a	0.51	(0.06)	n/a
Cash & cash equivalents	43.1	38.3		38.3	41.0	

* fully diluted

Fully diluted earnings per share from continuing operations grew 35% compared to the second quarter of 2007, driven by strong revenue growth and gross margins.

Revenue

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Analog & Mixed Signal (AMS)	26.1	20.6	26.4	48.6	41.5	17.1
Optical	4.1	3.0	36.4	9.4	4.9	89.6
IP Licensing	2.8	---	100.0	5.1	---	100.0
Total Revenue	33.0	23.6	39.7	63.1	46.4	35.9

Total revenue for the second quarter of 2008 increased by almost 40% compared to the same period in 2007. For the first half of the year, revenue increased by more than 35%, as a result of higher revenue in each of the AMS and Optical product groups and revenue generated from the acquisition of Snowbush Microelectronics which occurred in the fourth quarter of 2007. Compared to the first quarter of 2008, total revenue grew about 10%. This represents the fifth consecutive quarter of sequential revenue growth for the continuing business.

The stronger U.S. dollar relative to the Japanese yen increased consolidated revenue by \$1.0 million in the second quarter of 2008 compared to the same period in 2007. Year to date, the impact was an increase of \$1.5 million.

Analog & Mixed Signal (AMS) products

Revenue generated from our AMS product group rose 26.4% to \$26.1 million in the second quarter of 2008 compared to the same quarter in the prior year. Compared to the first quarter of 2008, AMS revenue grew 15.5%.

Global AMS revenue from high-definition (HD) products increased by 28.5% compared to the same quarter in 2007, partly attributable to the continued ramp of our 3Gb/s products. On a geographical basis, North American revenue for HD products increased 12% compared to the second quarter of 2007. The increase compared to the prior year period was primarily driven by the need for studios to meet the requirements of the US-based Digital Transmission Bill and the continued build-out of global HD infrastructure.

Revenue for our HD products in the Japanese market increased 12% compared to the second quarter of 2007. The increase compared to the prior year period was caused by strengthening HD demand in Japan driven by maintenance and upgrades into a market where the HD transition has already taken place.

On a global basis, sales for standard definition (SD) products declined slightly in the second quarter of 2008 compared to the same quarter in 2007. Sales are expected to decline as studios continue to focus on upgrading their equipment to support HD and multi-standard capabilities. Sales of SD products declined from 21% to 16% of total AMS product revenue in the second quarter of 2008 compared to the same period in 2007.

CDR sales have generated an 80% increase in revenue compared to the second quarter of 2007 as the market for the XFP optical transceiver continues to grow. Revenue from backplane products rose 6% in the second quarter of 2008 compared to the prior year.

AMS products revenue represented 79% of the total consolidated revenue in the second quarter of 2008 (2007 - 87%). Revenue generated from the HD-SDI market represented 63% of the total AMS revenue in the second quarter of 2008 (2007 - 62%).

On a year-to-date basis, AMS revenue has increased 17% over the prior year. HD revenue is up 22%, while SD revenue has declined about 15%. CDR revenue is up 77% over the same period in 2007.

Optical products

Revenue generated from the Optical product group was \$4.1 million in the second quarter of 2008 compared to \$3.0 million in the same quarter in 2007, being an increase of more than 36%. This increase was driven mainly by our new short-wave Receive Optical Sub-Assembly (ROSA) product (GN3150) which is part of a family of ROSA products that were unveiled at the Optical Fiber Conference (OFC) in San Diego in the first quarter of 2008.

The sale of trans-impedance amplifiers (TIAs) decreased \$0.6 million as a result of increasing price pressures and conversion to ROSA sales. This was offset by revenue from new video optical modules and laser drivers.

Optical products revenue represented 12% of the total consolidated revenue in the second quarter of 2008 (2007 - 13%).

On a year-to-date basis, Optical revenue increased 90% over the prior year. Revenues are up in all areas as our new products, including ROSA, laser drivers, video optical modules and limiting amplifiers gain solid traction in the market.

IP licensing

IP licensing is attributable to revenue associated with the acquisition of Snowbush Microelectronics in October 2007. Revenue of \$2.8 million in the second quarter of 2008 represented an increase of 26% from revenue of \$2.3 million in the first quarter of 2008. IP revenue is on track to achieve the 2008 forecast of \$10 million, assuming no significant change in the competitive landscape or the related economic environment.

Gross margin

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Gross margin	24.9	18.2	37.0	47.8	36.2	32.0
Percentage of revenue	75.5	76.9	(1.4)	75.7	77.9	(2.2)

Gross margin as a percentage of revenue in the second quarter of 2008 was 75.5%, compared to the 2007 second quarter gross margin of 76.9%. For the first half of the year, gross margin as a percentage of revenue was 75.7% compared to 77.9% in 2007. We continue to remain in the industry's top tier for gross margin percentage. The cost reduction programs we have in place and an increased mix of IP licensing revenue are expected to help to maintain our gross margins and offset market price pressures.

Sales, marketing and administration expenditures

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Sales, marketing and administration expense	8.7	6.0	44.4	16.9	11.2	50.4
Percentage of revenue	26.3	25.4	0.9	26.7	24.2	2.5

Sales, marketing and administration expenditures for the second quarter of 2008 increased by 44.4% compared to the second quarter of 2007. Of the increase, \$1.1 million related to the translation of Canadian dollars to U.S. dollars, our reporting currency. The acquisition of Snowbush added \$0.3 million, and the remaining increase represents investments in fundamental activities such as broadening our sales presence, accelerating new product introductions, and corporate business development. The figure for the second quarter of 2008 represents a \$0.5 million increase from the first quarter of 2008, as higher accruals for variable compensation and trade shows were partly offset by reductions in other areas.

On a year-to-date basis, sales, marketing and administration expenditures are up \$5.7 million or approximately 50%. Of this increase, currency impacts represent \$2.3 million and the acquisition of Snowbush approximately \$0.6 million. Targeted investments in such things as the development of a broader global sales presence, branding initiative and product collaterals, account for the rest of the increase.

Through the balance of the year, we will continue to focus on actively managing overall sales, marketing and administration expenditures, while ensuring critical business activities, such as sales incentives, new product collaterals and business development are adequately funded to drive continued profitable growth.

Research and development (R&D) expenditures

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
R&D expense (gross)	8.6	5.1	67.5	18.0	10.1	78.0
Percentage of revenue	26.1	21.8	4.3	28.5	21.8	6.7

R&D spending in the second quarter of 2008 was higher compared to the same period in 2007 as we increased our focus around a core portfolio of optical, analog and mixed-signal solutions and increased the R&D spending on new product development. Of the 67.5% increase in R&D expenses, \$1.2 million is related to the translation of Canadian dollars to U.S. dollars. The acquisition of Snowbush Microelectronics, which occurred in October 2007, added \$2.0 million to our gross R&D expenditures compared to the first quarter of 2007. During the period, \$0.8 million of development cost was capitalized to intangible assets.

In the first half of 2008, R&D spending has increased \$7.9 million or 78%. Of the increase, \$2.3 million relates to the impact of a stronger Canadian currency, \$4.3 million relates to the acquisition of Snowbush and the remainder represents the investment required to support a significant increase in new product introductions in 2008 versus 2007.

Amortization of intangible assets

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Amortization expense	0.4	0.1	528.2	0.9	0.1	534.0
Percentage of revenue	1.4	0.3	1.1	1.4	0.3	1.1

Amortization expense in the second quarter and for the first half of 2008 were higher compared to the same periods in 2007 mainly due to the amortization of intangible assets that were acquired through the Snowbush acquisition in the fourth quarter of 2007.

Other income (expense)

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Other income (expense)	0.1	(1.1)	n/a	1.0	(0.8)	n/a
Percentage of revenue	0.2	n/a	n/a	1.6	n/a	n/a

Other income in the second quarter of 2008 was primarily related to a \$0.2 million foreign exchange gain (2007 - \$1.1 million foreign exchange loss). This gain is mainly due to a \$0.2 million gain on foreign exchange contracts (2007 - \$0.1 million loss on foreign exchange contracts and \$1.0 million loss on translation). For the first half of the year, other income was primarily related to a \$1.1 million foreign exchange gain (2007 - \$0.7 million foreign exchange loss). The gain is primarily due to a \$0.8 million gain on foreign exchange contracts and a \$0.3 million gain on translation (2007 - \$0.3 million loss on foreign exchange contracts and a \$0.4 million loss on translation).

Income taxes

(in millions of U.S. dollars)

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Income taxes	3.1	2.7	14.8	6.2	5.9	4.5

Income taxes for the second quarter of 2008 represented 33.9% of earnings from continuing operations before taxes, compared to 37.5% for the same period in 2007 reflecting lower statutory tax rates in Canada and the United Kingdom versus the prior year. For the first half of the year, income taxes were 37.1% of earnings from continuing operations before taxes, compared to 35.9% for the same period in 2007. The effective tax rate in the first quarter of 2008 was above the overall statutory tax rate due primarily to the reduction in the general Canadian federal corporate income tax rate for the calendar year 2008 from 20.5% to 19.5%, which resulted in a reduction in net future income tax assets, and an increase in income tax expense of approximately \$0.7 million.

Net earnings from continuing operations

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

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Net earnings from continuing operations	5.9	4.4	34.1%	10.5	10.6	(0.7)
Net earnings from continuing operations as % of revenue	18.0	18.8	(0.8)	16.7	22.8	(6.1)
Basic earnings from continuing operations per share	0.17	0.12	35.1	0.30	0.30	---

In the second quarter of 2008, net earnings from continuing operations were \$5.9 million, or \$0.17 per share, compared with \$4.4 million, or \$0.12 per share in the second quarter of 2007. The increase in net earnings versus last year was attributable to strong revenue growth.

For the first six months ended May 31, 2008, net earnings from continuing operations was flat to last year at \$10.5 million or \$0.30 per share. Performance in the second quarter improved significantly over the first quarter as required investments in business infrastructure began to produce an increase in profitable growth.

Discontinued operations, net of tax

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

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Falcon™	---	(0.6)	100.0	---	(1.1)	100.0
Headset	---	(1.9)	100.0	---	(2.5)	100.0
Hearing/Mfg.	(0.5)	(6.5)	n/a	(1.1)	(6.3)	n/a
VXP®, including gain on sale	(0.6)	(1.6)	n/a	8.7	(3.1)	n/a
Total earnings (loss) on discontinued operations, net of taxes	(1.1)	(10.6)	n/a	7.6	(13.0)	n/a
Basic earnings from discontinued operations per share	(0.03)	(0.29)	n/a	0.21	(0.36)	n/a

On February 8, 2008, the Company completed the sale of its VXP® Image Processing business to Sigma Designs for \$18.2 million that resulted in a pre-tax gain on the sale of \$13.8 million. The sale of the VXP® Image Processing business also resulted in the termination of approximately 30 employees in January 2008. The cost of severing these employees was approximately \$1.3 million and was reflected in discontinued operations in the first quarter of 2008.

For comparative purposes, the second quarter and year-to-date 2008 and 2007 results from operations, net of tax, for Falcon™, Headset, Hearing Instrument and Manufacturing Operations and VXP® Image Processing have been reclassified to discontinued operations.

Net earnings

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

	Three Months Ended May 31			Six Months Ended May 31		
	2008	2007	% change	2008	2007	% change
Net earnings	4.8	(6.1)	n/a	18.2	(2.5)	n/a
Net earnings as % of revenue	14.7	n/a	n/a	28.8	n/a	n/a
Net earnings per share*	0.14	(0.17)	n/a	0.51	(0.06)	n/a

* fully diluted

In the second quarter of 2008, net earnings were \$4.8 million, or \$0.14 per share, compared with a net loss of \$6.1 million, or \$0.17 per share in the second quarter of 2007. The loss in 2007 was mainly due to the asset impairment charge. Net earnings in the first half of the year were significantly higher compared to the same period in 2007 mainly due to the gain on the sale of the VXP® Image Processing business in the first quarter of 2008 and the asset impairment charge taken in 2007.

Quarterly results

The following analysis uses the average historical Canadian to U.S. exchange rate for each quarter to produce revenue, earnings and earnings per share for our continuing and discontinued operations by quarter:

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

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2008	2007	2008	2007	2007	2006	2007	2006
Revenue	33.0	23.6	30.1	22.8	29.9	23.5	25.5	23.8
Net earnings, continuing	5.9	4.4	4.6	6.2	4.4	4.6	5.3	6.5
Continuing operations basic and diluted	0.17	0.12	0.13	0.17	0.12	0.13	0.15	0.18
Net earnings (loss) on discontinued operations	(1.1)	(10.6)	8.7	(2.5)	(4.8)	(2.1)	(6.8)	(0.8)
Discontinued operations basic and diluted	(0.03)	(0.29)	0.24	(0.07)	(0.13)	(0.06)	(0.19)	(0.02)

Our revenue and net earnings performance fluctuate on a quarterly basis due to a wide variety of factors.

In addition, legal expenditures on particular transactions and the continuing patent litigation and foreign exchange gains or losses can also vary significantly each quarter.

Changes in reporting – supplemental information

This is the first fiscal year that we have reported as a single segment and using a U.S. dollar reporting currency. The functional currencies of the Company have not changed. The following information is being provided to assist in the understanding of these changes.

i) U.S. Dollar Revenue by Product Line (in thousands)

		AMS	Optical	IP	Total
2006	Q1	19,843	928	---	20,771
	Q2	22,412	1,384	---	23,796
	Q3	22,023	1,774	---	23,797
	Q4	21,867	1,669	---	23,536
2007	Q1	20,896	1,935	---	22,831
	Q2	20,621	2,984	---	23,605
	Q3	22,818	2,672	---	25,490
	Q4	24,941	4,315	654	29,910

ii) Year-Over-Year Operating Expenses by Currency

The average rate of exchange for Canadian to U.S. dollar has shown significant strengthening over the past year. The average rate has moved from 0.8690 in the first half of 2007 to 0.9990 in the first half of 2008, a change of 15%. While our revenue is primarily in U.S. dollars and Japanese yen, operating expenses are primarily in the Canadian dollar local currency. As a result, the change to U.S. dollar reporting can have a significant impact when we report our operating expenses in U.S. dollars:

(in millions of U.S. dollars)

	Six Months ended May 31,2008		Six Months ended May 31, 2007	
	Cdn. \$	U.S. \$	Cdn. \$	U.S. \$
R&D, net	15.8	15.7	9.7	8.4
Sales, Marketing & Admin	<u>16.9</u>	<u>16.9</u>	<u>12.9</u>	<u>11.2</u>
	32.7	32.6	22.6	19.6

Net R&D expenses have grown in U.S. dollars over the first half of the prior year partially as a result of aligning our product investment for video transport, data communications and consumer connectivity markets to be more in line with our Company's focus. As a result, we expect a significant increase in new product introductions in 2008. In addition, \$2.3 million of the increase in net R&D is due to the change in the exchange rate. Our acquisition of Snowbush Microelectronics, which occurred in October 2007, added approximately \$3.5 million to our net R&D expense compared to the first half of 2007.

Sales, marketing and administration expense has increased by \$5.7 million in 2008 over the first half of 2007 of which \$2.3 million is a result of the change in the exchange rate and has increased by \$0.6 million is a result of the acquisition of Snowbush Microelectronics. The rest of the increase represents investments in fundamental activities such as broadening our sales presence, accelerating new product introductions, developing our new corporate branding and investing in corporate business development.

EBITDA

We believe that financial analysts, current investors and potential 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 GAAP, it may not be comparable to definitions of EBITDA reported by other companies. EBITDA is presented here over the last six 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 from continuing operations. The table below reconciles EBITDA to operating income (from continuing operations) reported for the last six fiscal quarters.

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenue	33.0	30.1	29.9	25.5	23.6	22.8
Operating Income from Continuing Operations	8.6	6.5	6.8	8.2	7.8	8.7
Adjustments to reconcile to EBITDA:						
Depreciation expense	1.3	1.4	1.5	1.1	1.7	1.2
Amortization of:						
Intangibles	0.4	0.5	0.3	0.2	0.1	0.1
Stock based compensation	1.0	0.7	0.6	0.5	0.4	0.4
EBITDA	11.3	9.1	9.2	10.0	10.0	10.4
EBITDA as a % of revenue	34%	30%	31%	39%	43%	46%

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents

The cash and cash equivalents balance at May 31, 2008 was \$43.1 million, an increase of \$9.0 million from the end of the 2007 fiscal year. This was primarily due to cash generated from continuing operations and the cash proceeds received from the sale of the VXP® Image Processing business to Sigma Designs (\$16.9 million), net of transaction costs, and from the sale of the manufacturing land and building (\$4.3 million). These inflows were partially offset by the payment of the deferred equity related to the Snowbush Microelectronics acquisition (\$4.1 million), investment in our new test operations and related equipment (\$4.0 million), investment in an ERP system (\$3.0 million), and a one-time vacation pay out to employees in December (aggregating \$1.0 million).

Management believes that the current balance of cash and cash equivalents, plus future cash flow from operations, will be sufficient to finance organic growth and related investment and financing activities in the foreseeable future.

Accounts receivable

At May 31, 2008, the accounts receivable balance was \$21.6 million, which is an increase of \$0.6 million compared to the balance at the end of the 2007 fiscal year, despite significant growth in revenue during the second quarter. The November 30, 2007 balances exclude receivables related to the assets held for sale. There were no material write-offs during the quarter or for the first half of the year.

Inventories

Inventories of \$14.8 million at May 31, 2008 were higher by \$2.7 million compared to the end of the 2007 fiscal year. The November 30, 2007 balances exclude inventory related to the assets held for sale. The increase was caused by a planned investment in finished goods related to legacy products approaching the end-of-life stage.

Instruments held for trading and long-term investments

On August 24, 2007, the Company received a 9% interest, or \$1,877, in shares of CellPoint Connect (2.3 million shares), as partial consideration for the sale of the Company's Consumer Headset product line. The agreement with CellPoint required it to repurchase \$938 of the shares based on the price at which the shares were issued in two installments of \$469 each, translated at historical rates to U.S. dollars. The first such repurchase occurred in February 2008, and the second repurchase is expected to occur in the third quarter of 2008. The shares related to the second repurchase are due to be purchased in the third quarter and have been classified as held for trading. They are recorded on the balance sheet at \$531, their market price at the time of issuance translated to U.S. dollars at current rates.

The portion of shares which are not designated for repurchase by CellPoint are recorded on the balance sheet at their market value of \$956 and are classified as available for sale under long-term investments. In the second quarter of 2008, an unrealized increase in market value of \$426 was recorded in Other Comprehensive Income; on a year to date basis, an unrealized increase of \$431 was recorded in Other Comprehensive Income.

In November 2005, we received a 6% interest, or \$2,734, in shares of Nanoscience Inc. (11.1 million shares) as consideration for the sale of our investment in Toumaz Technology Limited to Nanoscience. The shares of Nanoscience are traded on the AIM exchange in London, England and have a market value of \$1,781 as at May 31, 2008 (November 30, 2007 - \$2,563). This investment has been classified as available for sale and is therefore recorded on the balance sheet at its fair value with the increase in the fair value in the second quarter of 2008 of \$100 recorded in Other Comprehensive Income; the year-to-date decrease in fair value of \$796 is recorded in Other Comprehensive Income. Fair value is based on the trading price of the shares and the impact on converting to U.S. dollars.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at May 31, 2008 were \$10.6 million, which represents a decrease of 40% or \$7.1 million compared to the end of fiscal 2007. The November 30, 2007 balance excludes payables related to the liabilities held for sale. The reduction resulted primarily from the payment of \$4.1 million of the deferred equity component of the Snowbush Microelectronics acquisition, the purchase of a second LTX high speed tester for our prototyping operations and a one-time vacation pay out to employees in December aggregating \$1.0 million.

Total assets

Total assets at May 31, 2008 were \$169.9 million, an increase of \$6.1 million from the 2007 year end, resulting primarily from the proceeds received on the sale of the VXP® Image Processing business and the sale of the manufacturing land and building, partially offset by the disposal of assets held for sale and payment of the deferred equity component related to the Snowbush Microelectronics acquisition.

Capital expenditures

Capital additions were \$8.0 million in the first half of 2008 compared to \$1.7 million in the same period in 2007. The majority of the capital additions consist of \$3.0 million for the new ERP system to date and \$1.7 million for the new Burlington test operations facility. Capital additions for the first half of 2008 consisted primarily of the ERP system (39%), R&D tools (31%) and the new test operations facility and equipment (27%).

Dividends

Total dividends of \$1.2 million, or Cdn. \$0.035 per share, were paid in the second quarter of 2008 (Q2 2007 - \$1.1 million, or Cdn. \$0.035 per share).

Derivative financial instruments

Effective December 1, 2007, we adopted new accounting policies that required additional disclosures on financial instruments. See below under "Changes in Significant Accounting Policies" and note 1 to the unaudited consolidated financial statements for the second quarter of 2008 for a discussion regarding these changes.

At May 31, 2008, we had entered into foreign exchange forward contracts to sell an aggregate amount of U.S. \$18,300 and yen 1,086,000. These contracts mature at the latest on May 27, 2009 at exchange rates varying between Canadian \$0.9833 and Canadian \$1.047 against the U.S. dollar, and between Canadian \$0.0089 and Canadian \$0.00969 against the Japanese yen. Management estimates that a loss of \$88 would be realized if the contracts were terminated on May 31, 2008. The fair values of the foreign exchange forward contracts are based on market information from major financial institutions. These forward contracts are considered cash flow hedges and therefore the loss of \$59, net of future income tax assets, has been included in Other Comprehensive Income. This loss is expected to be reclassified to net income over the next twelve months as the forward contracts mature. During the second quarter and for the first half of the year, there were no firm commitments that no longer qualified as hedges and no forecasted transactions that failed to occur.

Realized gains on foreign exchange forward and spot contracts were \$0.2 million during the 2008 second quarter (Q2 2007 - \$0.8 million).

CONTRACTUAL OBLIGATIONS

(in thousands of U.S. dollars)

	Total	Payments Due by Period		
		Less than 1 year	1-3 years	4+ years
Operating leases	11,156	3,423	5,415	2,318
Purchase obligations ⁽¹⁾	11,771	11,531	240	---
License fee obligations and other	91	91	---	---
Total contractual obligations	23,018	15,045	5,655	2,318

⁽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 and general operating costs. Authorized capital projects in addition to the purchase obligations totalled \$4.6 million.

OTHER DEVELOPMENTS

Litigation

As previously disclosed, Gennum was the subject of a patent infringement claim in the United States District Court relating to a limited number of non-core Gennum products. In June 2007, the Court rendered its judgment which ruled that the Gennum devices which were the subject matter of the claim did not infringe most of the asserted claims and that the rest of the other asserted claims were not valid. The judgment was appealed by the plaintiff, and we cross-appealed. The Federal Circuit Court heard the appeal and cross appeal in May 2008, but has not yet rendered its decision.

In the ordinary course of business activities, we 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, 2007 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 2007 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, 2007 audited consolidated financial statements, except as described below.

Effective December 1, 2007, we adopted new standards under the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook: Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. The adoption of the new standards resulted in additional note disclosure requirements. For a description of the principal changes due to the adoption of the accounting standards and for further details on changes in significant accounting policies, see note 1 to the unaudited consolidated financial statements for the quarter ended May 31, 2008.

The CICA released the following new accounting standards that are effective for our fiscal year commencing December 1, 2008: Section 3064, Goodwill and Intangible Assets; and Section 3031, Inventories.

Section 3031 will replace the existing Section 3030, Inventories. This standard provides more guidance on the measurement and disclosure requirements for inventories. We are currently evaluating the effects of these new standards.

Section 3064 will replace the existing Section 3062, Goodwill and Other Intangible Assets, and results in the withdrawal of Section 3450, Research and Development costs, and amendments to Accounting Guidelines 11, Enterprises in the Development Stage, and Section 1000, Financial Statement Concepts. This new standard reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarifies the application of the concept of matching revenue and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The standard will also provide guidance for the recognition of internally developed intangible assets, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed.

CONTROLS AND PROCEDURES

There have been no changes in our internal control over financial reporting during the second quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

COMMON SHARES OUTSTANDING

At May 31, 2008, there were 35,607,186 common shares of Gennum outstanding, compared with 35,775,086 shares at November 30, 2007. On June 28, 2007, we announced a normal course issuer bid to acquire for cancellation up to 3,458,782 of our common shares (approximately 10% of the public float). The bid commenced on July 3, 2007 and will expire on July 2, 2008. Under this bid, we repurchased 36,100 common shares for approximately \$0.4 million in the first half of the year (an additional 131,800 common shares were repurchased in the fourth quarter of 2007 but not cancelled until the first quarter of 2008). The June 28, 2007 bid replaces our previous normal course issuer bid, which expired on June 29, 2007. Under that bid, we purchased a total of 212,300 of our common shares.

At the end of the second quarter of 2008, there were 2,213,577 options, each entitling the holder to purchase one common share of Gennum outstanding of which 555,487 are exercisable as at May 31, 2008.

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 increase. For a discussion of these risks, please refer to our annual information form dated February 13, 2008, our 2007 annual report and our other public filings.

OUTLOOK

Our second quarter results demonstrate a strengthening in our core business and a solid market environment for high-speed mixed signal and optical semiconductor products. Our continued optimism is based on the belief that our portfolio of optical, analog & mixed signal and IP products positions us to participate in a unique high-growth segment of the semiconductor industry. Through the balance of the year, we expect these robust market trends to continue, resulting in healthy demand for our products. We are further optimizing our operational productivity and efficiencies for the continuing business to drive operating earnings expansion. We remain optimistic for our continued strength in revenue and earnings growth.

On a product line basis, AMS revenue in the second quarter was up about 26% year over year. The majority of AMS sales go into the video broadcast market. The International Association of Broadcast Manufacturers expects industry growth of about 13% in 2008 fuelled in part by the continuing build-out of global HD infrastructure. As a semiconductor supplier to this market we expect to benefit from new products introduced by our video broadcast customers and as a result expect to grow faster than the overall video broadcast industry in 2008.

Optical revenue in the second quarter was up about 35% year over year despite being down on a sequential basis. Ovum RHK has stated that it expects industry sales growth for optical components to be almost 14% in 2008. The semiconductor supplier environment for optical components continues to experience increased competitive pressures. However, through the remainder of 2008, we expect to continue our design-win momentum specifically in the Asia Pacific and North America regions which we believe will position us to continue to grow faster than the optical component industry.

IP revenue remains on track and, assuming no significant changes in the competitive landscape or the related economic environment, we expect to meet our previously stated 2008 expectations of \$10 million in revenues. Revenue in the second quarter grew a record 28% sequentially. Gartner Dataquest expects the market for semiconductor IP and design services to grow about 18% in 2008. Due to the timing of the Snowbush IP acquisition a normalized year-over-year comparison is not available for our IP revenue. That said, on the basis of the foregoing assumptions we expect our IP revenue to grow on a par with industry expectations.

Our near-term gross margins are expected to remain strong. Continued focus on driving operational efficiencies, growing IP revenue and increasing productivity is expected to help offset market price pressures.

As we progress through 2008, we will continue to invest in new products to drive increased design wins, defend our position in our core markets and capitalize on new opportunities in adjacent markets. We intend to continue to focus on actively managing our overall sales, marketing and administration expenditures, at the same time assuring that adequate funding is allocated to programs such as sales incentives, new product collaterals and business development activities that are essential for our future growth and profitability.

We delivered the fifth consecutive quarter of significant growth in our core business and we remain optimistic for our continued growth opportunities in all of our product groups. It is our primary objective to continue to capitalize on the healthy market environments in which our products are sold and focus on balancing our R&D and sales, marketing and administration investments to deliver strong financial performance and enhanced shareholder value.

June 25, 2008

GENNUM CORPORATION

Unaudited Consolidated Financial Statements

For the Six Months ended May 31, 2008

(Amounts in U.S. Dollars)

The attached consolidated financial statements have been prepared by management of Gennum Corporation and have not been reviewed by an auditor.

Gennum Corporation

CONSOLIDATED BALANCE SHEETS

(U.S. dollars, amounts in thousands)

As at	May 31, 2008 (unaudited)	November 30, 2007 (audited)
ASSETS		
Current		
Cash and cash equivalents	43,146	34,141
Instruments held for trading (note 10)	531	1,000
Accounts receivable, net	21,575	20,951
Inventories	14,838	12,131
Prepaid expenses and other assets	4,801	4,371
Promissory notes receivable (note 12)	1,317	1,051
Loan receivable (note 12)	1,341	---
Income taxes receivable	738	3,054
Future income taxes	18,466	20,372
Assets held for sale (note 4)	---	6,576
Total current assets	106,753	103,647
Capital assets, net (note 3)	29,875	26,037
Long-term investments (note 11)	2,735	3,079
Intangible assets, net (note 13)	7,426	7,467
Loan receivable (note 12)	---	658
Promissory note receivable (note 12)	1,257	1,749
Goodwill (note 13)	20,445	19,393
Future income taxes	1,432	893
Assets held for sale (note 4)	---	922
	169,923	163,845
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	10,573	17,678
Deferred revenue	653	733
Income taxes payable	600	214
Future income taxes	998	2,129
Liabilities related to assets held for sale (note 4)	414	1,740
Total current liabilities	13,238	22,494
Long-term payable (note 9)	2,522	2,504
Future income taxes	2,098	2,491
Shareholders' equity		
Capital stock (note 14)	8,626	8,680
Deferred compensation	(3,894)	(3,404)
Retained earnings	108,555	93,200
Contributed surplus	1,729	1,078
Accumulated other comprehensive income	37,049	36,802
Total shareholders' equity	152,065	136,356
	169,923	163,845

Commitments and contingencies (note 20)

Gennum Corporation

CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

(U.S. dollars, amounts in thousands except per share data)

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Revenue (note 16)	32,986	23,605	63,087	46,436
Cost of goods sold	8,098	5,445	15,338	10,251
Gross margin	24,888	18,160	47,749	36,185
Sales, marketing and administration expense	8,674	6,007	16,879	11,216
Research and development expense	8,617	5,146	18,027	10,116
Amortization of intangible assets	446	71	894	141
Less government assistance	(1,478)	(901)	(3,181)	(1,847)
	16,259	10,323	32,619	19,626
Operating income	8,629	7,837	15,130	16,559
Investment income	317	376	622	786
Other income (expense) (note 17)	58	(1,117)	980	(807)
Earnings from continuing operations before income taxes	9,004	7,096	16,732	16,538
Provision for income taxes (note 18)	3,055	2,661	6,213	5,944
Net earnings for the period from continuing operations	5,949	4,435	10,519	10,594
Net earnings (loss) on discontinued operations, net of tax (note 4)	(1,109)	(10,552)	7,644	(13,044)
Net earnings (loss) for the period	4,840	(6,117)	18,163	(2,450)
Earnings (loss) per share				
Continuing operations – basic and diluted	0.17	0.12	0.30	0.30
Discontinued operations – basic and diluted	(0.03)	(0.29)	0.21	(0.36)
Net earnings (loss) – basic and diluted	0.14	(0.17)	0.51	(0.06)
Dividends declared per share	\$0.035	\$0.035	\$0.07	\$0.07

(Dividends declared per share – Cdn. \$0.035 in both the second quarter of 2008 and 2007).

Gennum Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

(U.S. dollars, amounts in thousands)

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Capital stock				
Balance at beginning of the period	8,629	8,607	8,680	8,431
Proceeds from shares issued on exercise of options	---	83	---	259
Shares repurchased under normal course issuer bid	(3)	---	(54)	---
Balance at end of the period	8,626	8,690	8,626	8,690
Deferred compensation				
Balance at beginning of the period	(2,894)	(1,443)	(3,404)	(1,782)
New awards	(1,652)	(29)	(1,672)	(29)
Forfeitures	206	54	354	168
Amortization	446	177	828	402
Balance at end of the period	(3,894)	(1,241)	(3,894)	(1,241)
Retained earnings				
Balance at beginning of the period	105,054	106,522	93,200	103,936
Net earnings (loss)	4,840	(6,117)	18,163	(2,450)
Dividends	(1,240)	(1,097)	(2,492)	(2,178)
Repurchase of common shares	(99)	---	(316)	---
Balance at end of the period	108,555	99,308	108,555	99,308
Contributed surplus				
Balance at beginning of the period	1,347	219	1,078	83
Stock option amortization	382	286	651	422
Balance at end of the period	1,729	505	1,729	505
Accumulated other comprehensive income (loss), net of income taxes				
Balance at beginning of the period	38,811	16,071	36,802	20,089
Transition adjustment on adoption of financial instruments standards	---	---	---	(675)
Other comprehensive income (loss) for the period	(1,762)	11,526	247	8,183
Balance at end of the period	37,049	27,597	37,049	27,597
Total shareholders' equity at end of the period	152,065	134,859	152,065	134,859

Gennum Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(U.S. dollars, amounts in thousands)

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Net earnings (loss) for the period	4,840	(6,117)	18,163	(2,450)
Other comprehensive income, net of income taxes				
Change in unrealized gains (losses) on translating financial statements to U.S. dollar reporting	(2,198)	10,411	672	7,323
Change in gains on derivative instruments designated as cash flow hedges ¹	(162)	968	320	647
Reclassification to earnings of gains (loss) on cash flow hedges ²	72	138	(379)	159
Change in unrealized (losses) gains on available for sale financial assets	526	9	(366)	54
Comprehensive income for the period	3,078	5,409	18,410	5,733

¹ – Net of income taxes of \$83

² – Net of income taxes of \$36

Gennum Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(U.S. dollars, amounts in thousands)

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net earnings from continuing operations for the period	5,949	4,435	10,519	10,594
Items not affecting cash				
Depreciation and amortization	1,735	1,818	3,630	3,060
Inventory provisions	---	18	---	18
Deferred compensation & option amortization	991	394	1,695	756
Accrued interest on loan receivable	(49)	---	(95)	---
Gain on financial instrument valuation	(20)	21	(25)	---
Future income taxes	140	(4,730)	(9)	(5,201)
	8,746	1,956	15,715	9,227
Net change in non-cash working capital balances related to continuing operations	(2,526)	(4,662)	(8,282)	(12,629)
Cash provided by (used in) operating activities of continuing operations	6,220	(2,706)	7,433	(3,402)
Cash (used in) provided by operating activities of discontinued operations	(45)	2,182	(8,062)	1,940
Cash used by operating activities	6,175	(524)	(629)	(1,462)
INVESTING ACTIVITIES				
Purchase of capital assets	(5,776)	(1,169)	(7,957)	(1,654)
Acquisition, other than cash acquired	170	---	(923)	---
Proceeds from sale of VXP	---	---	18,302	---
Proceeds from sale of land and building	---	---	4,290	---
Sale of CellPoint investment	---	---	502	---
Cash provided by (used in) investing activities of continued operations	(5,606)	(1,169)	14,214	(1,654)
Cash provided by (used in) investing activities of discontinued operations	---	(106)	105	(231)
Cash provided by (used in) investing activities	(5,606)	(1,275)	14,319	(1,885)
FINANCING ACTIVITIES				
Stock options exercised	---	91	---	267
Deferred compensation awarded, net of forfeitures	(1,618)	31	(1,563)	144
Shares repurchased under normal course issuer bid	(102)	---	(370)	---
Dividends paid	(1,240)	(1,097)	(2,492)	(2,178)
Cash used in financing activities	(2,960)	(975)	(4,425)	(1,767)
Effect of exchange rate changes on cash and cash equivalents	(928)	2,861	(260)	1,894
Net increase (decrease) in cash and cash equivalents during the period	(3,319)	87	9,005	(3,220)
Cash and cash equivalents, beginning of the period	46,465	38,233	34,141	41,540
Cash and cash equivalents, end of the period	43,146	38,320	43,146	38,320

During the second quarter of 2008, interest expense paid was nil (2007 – nil) and income taxes paid was \$nil (2007 - \$542). For the first half of the year, interest expense paid was nil (2007 - nil) and income taxes paid were \$308 (2007 - \$1,813). Cash and cash equivalents is comprised of \$7,077 in cash and \$36,069 in cash equivalents (November 30, 2007 - Cash - \$9,612 and cash equivalents - \$24,529).

GENNUM CORPORATION

Notes to Consolidated Financial Statements

(U.S. dollars, amounts in thousands except share and per share data)

1. ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by Gennum Corporation ("Gennum" or the "Company") in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a basis consistent with those followed in the most recent audited financial statements, except as noted below. These unaudited consolidated financial statements do not include all the information and footnotes required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended November 30, 2007.

(a) Asset impairment

The Company follows the guidance in the CICA Handbook Section 3063, "Impairment of Long-Lived Assets". When events or circumstances warrant a review, the Company evaluates the carrying value of long-lived and intangible assets for potential impairment. The carrying value of such assets are considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, the carrying value of the asset is adjusted to fair value and an impairment loss is recorded.

(b) Held for sale and discontinued operations

The Company follows the guidance in the CICA Handbook Section 3475, "Disposal of long-lived assets and discontinued operations" in classifying certain of its operations as held for sale and discontinued operations. Assets classified as held for sale other than long-lived assets were reviewed for impairment in accordance with their specific CICA Handbook Sections. Long-lived assets were then recorded at the lower of carrying amount or fair value less cost to sell.

(c) Research and development costs

The Company follows the guidance in the CICA Handbook Section 3450, "Research and development costs". Up until February 29, 2008, expenditures such as research and development costs were expensed as incurred since the criteria for deferment of such costs were not met. However, effective March 1, 2008, the criteria for deferment of such costs were met. These criteria include whether the product and cost are clearly defined, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined and adequate resources are expected to be available to complete the product. Upon commercial launch of the product, these costs are amortized over the number of expected product life unit sales. Expenditures such as research costs continue to be expensed as incurred.

Changes in accounting policies

Effective December 1, 2007, the Company adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

CICA Handbook Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", which together modify the disclosure and presentation requirements for CICA Handbook Section 3861. These sections have been applied in accordance with the related transitional provisions, which do not require restatement of prior periods. CICA Handbook Section 3861 required disclosure that enables a user of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. The new disclosures are included in note 15.

CICA Handbook Section 1535, "Capital Disclosures" requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and procedures for managing capital. These new disclosures are shown in note 19.

2. CHANGE OF REPORTING CURRENCY

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. Management believes that reporting in U.S. dollars will improve the comparability of the Company's financial position and results of operations to others in its industry.

As a result of adopting the U.S. dollar as its reporting currency for both the current and prior periods, the cumulative translation adjustment effects of prior periods have been reflected in the opening balance for the fiscal year in accumulated other comprehensive income.

In accordance with Canadian GAAP, the Company uses the current rate method to translate all amounts presented to U.S. dollars. Under the current rate method, all assets and liabilities of the Company's operations are translated from their Canadian dollar functional currency into U.S. dollars using exchange rates in effect at the end of the reporting period; revenue, expenses and cash flows are translated at the average rates during the reporting period; and any associated translation gains or losses are recorded as a separate component of shareholders' equity in accumulated other comprehensive income. All comparative figures presented have been translated using the same method.

For the second quarter ended May 31, 2008 and for the first half of the year, revenue and expenses have been translated from Canadian dollars to U.S. dollars at the monthly average rates, and cash flows at the quarterly average rates. Assets and liabilities have been translated at the period end rate of \$1.0058 (November 30, 2007 - \$0.9992) Canadian dollars per one U.S. dollar. References to fiscal year 2007 figures in the notes to the consolidated financial statements have been translated using the respective quarterly average historical rates, except for balance sheet figures, which have been translated using the respective ending balance sheet rates.

3. CAPITAL ASSETS

	May 31, 2008	November 30, 2007
Land	2,076	2,062
Buildings	7,611	7,995
Equipment and furniture	19,622	13,511
Computer software and hardware	566	2,469
	29,875	26,037

The depreciation expense for buildings, equipment and furniture and computer software and hardware in the second quarter of 2008 was \$91, \$953 and \$248, respectively (2007 - \$94, \$953 and \$275). For the first half of 2008, depreciation expense was \$244, \$1,993 and \$501, respectively (2007 - \$223, \$1,717 and \$556).

The 2007 carrying values of capital assets associated with the Company's divestiture activities have been reclassified to assets held for sale (see note 4).

4. RECONCILIATION OF ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

As part of the Company's 2007 and future strategic initiatives to focus and deliver on innovative optical, analog and mixed signal solutions to the world, management conducted a detailed assessment and prioritization of the entire portfolio of businesses and technologies. As a result of the assessment, key strategic activities included the divestiture activities of our non-core businesses that included Consumer Headsets (see note 5), Hearing and Manufacturing operations (see note 6), VXP® Image Processing (see note 7) and Falcon™ wireless technology (see note 8).

As a result of the aforementioned divestitures, certain figures for 2007 and 2008 for assets and liabilities and operating results have been re-classified to assets and liabilities held for sale, and operating results to discontinued operations in accordance with CICA Handbook Section 3475 - Disposal of Long-Lived Assets and Discontinued Operations. The following table summarizes these reclassifications:

Discontinued Operations

Three months ended May 31, 2008					
	Falcon™	Headset	Hearing/Mfg	VXP®	TOTAL
Revenue	---	---	---	---	---
Operating loss, before tax	---	---	---	---	---
Loss on sale	---	---	(717)	(963)	(1,680)
	---	---	(717)	(963)	(1,680)
Income tax recovery	---	---	244	327	571
Loss from discontinued operations, net of tax	---	---	(473)	(636)	(1,109)

Six months ended May 31, 2008					
	Falcon™	Headset	Hearing/Mfg ²	VXP® ^{1,2}	TOTAL
Revenue	---	---	---	1,290	1,290
Operating loss, before tax	---	---	(444)	(3,239)	(3,683)
Gain (loss) on sale	---	---	(1,172)	12,832	11,660
	---	---	(1,616)	9,593	7,977
Income tax (expense) recovery	---	---	545	(878)	(333)
Earnings (loss) from discontinued operations, net of tax	---	---	(1,071)	8,715	7,644

1 The gain on sale is considered a capital gain and is therefore only 50% taxable. In addition, the use of loss carryforwards also reduced the income tax expense.

2 The liabilities of \$414 associated with assets held for sale as at May 31, 2008 is related to VXP® and Hearing severance costs that will be paid out over the remaining months in 2008 as part of certain employee's severance agreements.

Assets and Liabilities Held for Sale

As at November 30, 2007				
	Headset	Hearing/Mfg	VXP®	TOTAL
ASSETS				
Current				
Accounts receivable, net	---	---	673	673
Inventories	---	---	804	804
Prepaid expenses	---	---	153	153
Capital assets, net	---	4,946	---	4,946
Intangible assets, net	---	---	---	---
Total current assets held for sale	---	4,946	1,630	6,576
Long-Term				
Capital assets, net	---	---	540	540
Intangible assets, net	---	---	382	382
Total long-term assets held for sale	---	---	922	922
LIABILITIES				
Current				
Accounts payable and accrued liabilities	---	675	1,065	1,740
Total current liabilities held for sale	---	675	1,065	1,740

Discontinued Operations

Three months ended May 31, 2007					
	Falcon™	Headset	Hearing/Mfg	VXP®	TOTAL
Revenue	---	424	5,568	1,621	7,613
Operating loss, before tax	(955)	(2,852)	(9,776)	(2,435)	(16,018)
Income tax recovery	326	973	3,336	831	5,466
Loss on discontinued operations, net of tax	(629)	(1,879)	(6,440)	(1,604)	(10,552)

Six Months Ended May 31, 2007					
	Falcon™	Headset	Hearing/Mfg	VXP®	TOTAL
Revenue	---	610	11,200	3,064	14,874
Operating loss, before tax	(1,779)	(3,785)	(9,539)	(4,697)	(19,800)
Income tax recovery	607	1,291	3,255	1,603	6,756
Loss on discontinued operations, net of tax	(1,172)	(2,494)	(6,284)	(3,094)	(13,044)

5. SALE OF CONSUMER HEADSET BUSINESS

On August 24, 2007, the Company sold its Consumer Headset product line to CellPoint Connect (Canada) Inc. ("CellPoint") in exchange for \$1,877 in shares of CellPoint's parent company, CellPoint Connect AB ("CellPoint Connect"), a publicly traded company on the Aktie Torget stock exchange in Sweden, (see note 10) and a \$281 promissory note, due September 30, 2008. The promissory note was discounted to \$270 using the effective interest method, resulting in interest income of \$11 that will be recognized as income from continuing operations over the term of the note (see note 12). The Company is also entitled to performance-based payments of up to \$938 payable on or before March 15, 2009. No accrual has been made for this amount as management does not believe it is likely this will materialize. The Company has extended a loan to CellPoint in two separate advances of \$610. The advances are non-revolving and interest bearing at a fixed interest rate of 5%, compounded quarterly. The initial repurchase of CellPoint Connect shares occurred in February 2008, and the second repurchase is expected to occur in the third quarter of 2008. The advances, including accrued interest, were originally due February 26, 2009, but have been amended such that the due date is now October 31, 2008.

The sale of the Consumer Headset product line resulted in a loss of \$367, net of transaction costs, and was part of the Company's Audio & Wireless business unit. The loss was calculated as follows:

Accounts receivable	451
Inventories	1,775
Capital assets, net	141
Transaction costs	235
Accounts payable and accrued liabilities	(88)
	<hr/>
	2,514
Proceeds:	
Promissory note	270
CellPoint shares	1,877
Loss on sale	<hr/>
	367

The second quarter and year to date May 31, 2007 operating results related to the Company's Consumer Headset product line have been re-classified as discontinued operations in accordance with the CICA Handbook Section 3475 - Disposal of Long-Lived Assets and Discontinued Operations (see note 4).

6. SALE OF HEARING INSTRUMENT AND MANUFACTURING OPERATIONS

On October 19, 2007, the Company completed the sale of its Hearing Instrument and Manufacturing Operations, excluding the manufacturing land and building, to Sound Design Technologies Ltd ("Sound Design"), a Gores Equity, LLC portfolio company for \$5,055 in cash and a \$2,503 interest bearing promissory note. The promissory note bears a fixed interest rate of 5% per annum with scheduled quarterly principal payments of \$250 beginning in April 2008, and the remaining balance plus accrued interest due in April 2010. An advance of \$676 was also made by Sound Design on the manufacturing land and building that were sold subsequent to year-end to a third party for an additional \$4,331, who in turn leased the manufacturing land and building to Sound Design.

In addition, following the close of the disposal transaction, we are receiving fees from Sound Design to provide certain administrative functions for a limited period of time and for the lease of office space. We do not have any significant continuing involvement in or retain any ownership interest in these operations and, therefore, the continuing cash flows are not considered direct cash flows of the disposal group.

During 2007, an initial non-cash impairment charge totaling \$8,398 was taken on the manufacturing group of assets with an additional impairment charge of \$664 taken in the fourth quarter of 2007 as it was determined that the fair value was less than carrying value. The impairment charge has been included as part of the loss on discontinued operations.

The sale of the Hearing Instrument and Manufacturing Operations, excluding the manufacturing land and building, resulted in a loss of \$7,756, and was part of the Company's Audio & Wireless business unit. The loss on the sale was calculated as follows:

Accounts receivable	3,631
Inventories	10,389
Prepaid and other assets	288
Capital assets, net	342
Intangible assets	115
Transaction costs	1,823
Accounts payable and accrued liabilities	(1,274)
	<hr/> 15,314
Cash	5,055
Promissory note	2,503
Loss on sale recognized in fiscal year 2007	<hr/> 7,756

The November 30, 2007 assets and liabilities and the second quarter and year to date May 31, 2008 and 2007 operating results related to the Company's Hearing Instrument and Manufacturing operations have been reclassified as assets held for sale and discontinued operations in accordance with the CICA Handbook Section 3475 – Disposal of Long-Lived Assets and Discontinued Operations (see note 4).

7. SALE OF VXP® IMAGE PROCESSING BUSINESS

On February 8, 2008, the Company completed the sale of its VXP® Image Processing business to Sigma Designs for \$18.2 million. The sale of the VXP® Image Processing business has also resulted in the termination of approximately 30 employees in January 2008.

In addition, following the close of the disposal transaction, we are receiving fees from Sigma Designs to provide certain administrative functions for a limited period of time and for the lease of office space. We do not have any significant continuing involvement in or retain any ownership interest in these operations and, therefore, the continuing cash flows are not considered direct cash flows of the disposal group.

The sale of the VXP® Image Processing business resulted in a gain of \$13,472 and was calculated as follows:

Accounts receivable	877
Inventories	1,284
Prepaid and other assets	135
Capital assets, net	1,100
Intangible assets	382
Transaction costs	1,171
Accounts payable and accrued liabilities	(221)
	<hr/> 4,728
Cash	18,200
Gain on sale	<hr/> 13,472

The November 30, 2007 assets and liabilities and the second quarter and year to date May 31, 2008 and 2007 operating results related to the Company's VXP® Image Processing business have been reclassified as assets held for sale and discontinued operations in accordance with the CICA Handbook Section 3475 – Disposal of Long-Lived Assets and Discontinued Operations (see note 4).

8. FALCON™ BUSINESS ABANDONMENT

Subsequent to the strategic alternative review for the Audio & Wireless division and with the Company's ongoing strategy to focus on its core products, management was unable to find a bona-fide buyer for the Falcon™ product line and it was abandoned in the fourth quarter of 2007. The abandonment resulted in writing off all assets related to the Falcon™ product line in the fourth quarter of 2007, including the balance of \$1,273 against the long-term prepaid royalty and \$441 on the remaining balances related to accounts receivable, prepaids, inventory and capital assets; severance costs associated with the abandonment were approximately \$130. The second quarter and year to date May 31, 2007 operating results associated with the Falcon™ product line have been reclassified to discontinued operations (see note 4).

9. ACQUISITION

On October 30, 2007, the Company acquired 100% of the shares of Zeptonics Corp., the holding company of Snowbush Microelectronics Inc., for a total initial consideration of \$25,349 including transaction costs of \$631. The initial consideration was comprised of cash of \$17,325, the assumption of accounts payable of \$263 and the following future cash outlays:

(a) Deferred cash payments totaling \$3,764 with one third of the total due each subsequent year following the anniversary date of the acquisition; \$2,509 has been classified as a long-term payable. The deferred cash payments have been discounted at 6% using the effective interest rate method. The amortization of the discount will be accounted for as a purchase price adjustment to goodwill over the three-year period.

(b) Estimated deferred equity payment of \$3,779. The deferred equity relates to the deliverance of 386,085 of the Company's common shares and occurred in February 2008. To hedge against the price risk associated with the purchase of the deferred equity, the Company entered into a cash-settled share forward transaction with a major financial institution, whereby the financial institution purchased the 386,085 common shares in the open market for \$4,199, plus \$75 of deal-related costs. The difference between the estimated deferred equity payment and actual cost of the common share purchase and deal-related costs was accounted for as a purchase price adjustment to goodwill in the first quarter of 2008.

(c) The initial consideration excluded deferred work in process (WIP) payments. The deferred WIP contract relates to payments on post acquisition proceeds received, less costs incurred to complete, for certain contracts that existed on the acquisition date with payments to be made over a period of six quarters, with the first quarter ending January 31, 2008. There was no WIP contract payment accrual in the second quarter of 2008. On a year-to-date basis, the WIP contract payment accrual was \$573 and has been reflected as a purchase price adjustment to goodwill. The estimated remaining WIP contract payments will be accounted for as a purchase price adjustment in subsequent periods.

In the second quarter of 2008, the purchase price was adjusted down by \$167 for deal-related costs associated with the purchase of the deferred equity, the amortization of the discount on the deferred cash payments and WIP contract payment adjustments.

On a year-to-date basis, the purchase price was adjusted for the amortization of the discount on the deferred cash payment, the actual cost associated with the purchase of the deferred equity, accrual for the first quarter WIP contract payment and deal-related costs, totaling \$1,010, resulting in an adjusted total consideration of \$26,359.

The acquisition was accounted for under the purchase method and the operating results have been included in the Company's operating results from the acquisition date. The purchase price allocation is assigned to the net identifiable assets acquired based on their fair values as follows and is adjusted quarterly for deferred WIP contract payments:

Cash	3,056
Accounts receivable	2,563
Prepays and other assets	223
Income taxes recoverable	746
Capital assets	613
Future income taxes	424
Identifiable intangible assets subject to amortization	
Technology	4,104
Supplier relationships	1,301
In process development	701
Customer value	110
Contracts in process	140
	<hr/> 13,981 <hr/>
Accounts payable and accrued liabilities	(644)
Deferred revenue	(615)
Income taxes payable	(155)
Dividends payable	(1,602)
Future income taxes	(2,511)
	<hr/> (5,527) <hr/>
Excess of adjusted purchase price over fair value of identifiable net assets acquired (goodwill) (note 13)	<hr/> 17,905 <hr/>
Total adjusted purchase price, including transaction costs	<hr/> 26,359 <hr/>

10. INSTRUMENTS HELD FOR TRADING

On August 24, 2007, the Company received a 9% interest, or \$1,877, in shares of CellPoint Connect (2.3 million shares), as partial consideration for the sale of its Consumer Headset product line (see note 5). The agreement with CellPoint required them to repurchase \$939 of the shares based on the price at which the shares were issued in two installments of \$469 each, translated at historical rates to U.S. dollars. The first repurchase occurred in February 2008. The shares related to the second repurchase are due to be purchased in the third quarter and have been classified as held for trading. They are recorded on the balance sheet at \$531, their market price at the time of issuance translated to U.S. dollars at current rates.

The portion of the shares which are not designated for repurchase by CellPoint are recorded on the balance sheet at their market value of \$956 and are classified as available for sale under long-term investments. In the second quarter of 2008, an unrealized increase in market value of \$426 was recorded to Other Comprehensive Income. On a year-to-date basis, an unrealized increase of \$431 was recorded to Other Comprehensive Income.

11. LONG-TERM INVESTMENTS

In November 2005, the Company received a 6% interest, or \$2,734, in shares of Nanoscience Inc. (11.1 million shares) as consideration for the sale of its investment in Toumaz Technology Limited to Nanoscience. The shares of Nanoscience are traded on the AIM exchange in London, England and have a market value of \$1,781 as at May 31, 2008 (November 30, 2007 - \$2,563). This investment has been classified as available for sale and is therefore recorded on the balance sheet at its fair value with the increase in the fair value of \$100 in the second quarter of 2008 recorded in Other Comprehensive Income. The year-to-date decrease in fair value of \$796 is recorded in Other Comprehensive Income. Fair value is based on the trading price of the shares and the impact of currency fluctuations.

As described in note 10, half of the investment in CellPoint Connect shares with a fair market value of \$956 has been classified as available for sale under long-term investments.

12. PROMISSORY NOTES AND LOAN RECEIVABLE

On August 24, 2007, the Company sold its Consumer Headset product line to CellPoint (see note 5). The proceeds included a \$281 non-interest bearing promissory note, due September 30, 2008. The promissory note has been discounted to \$270 using the effective interest method, resulting in interest income of \$11 that will be recognized over the term of the note. The promissory note, including accrued interest of \$298, has been classified as a current asset. In addition, the Company extended a \$1,220 loan to CellPoint, bearing interest at a fixed interest rate of 5%, compounded quarterly. The loan, including accrued interest, of \$1,341 is due October 31, 2008.

On October 19, 2007, the Company received \$2,503 in an interest bearing promissory note as part of the consideration received from the sale of the Hearing and Manufacturing Operations to Sound Design Technologies Ltd. The promissory note bears interest at a fixed interest rate of 5% per annum with scheduled quarterly principal payments of \$250 which began in April 2008, and the remaining balance plus accrued interest due in April 2010 (see note 6). The balance of \$1,018 including accrued interest has been classified as a current asset, and \$1,257 as long-term.

13. GOODWILL AND INTANGIBLE ASSETS

(i) Goodwill

Goodwill of \$1,889 was acquired in the purchase of SiGe Semiconductor Inc.'s LightCharger™ optical networking business in May 2004. In October 2007, additional goodwill of \$16,895 was acquired through the purchase of 100% of the shares of Zeptonics (see note 9). As discussed in note 9, there was an adjustment to goodwill of \$(167) in the second quarter of 2008, and year to date an adjustment of \$1,010. There will be continuing adjustments for the remainder of 2008. Goodwill is reviewed annually for impairment. There were no impairment issues relating to goodwill in the second quarter or year to date in 2008 or 2007.

(ii) Intangible Assets

	May 31, 2008	November 30, 2007
License fees	206	179
Technology - SiGe	2,234	2,219
Technology - Snowbush	4,124	4,097
Supplier relationships	1,308	1,299
In process development	704	699
Customer value	111	110
Contracts in process	141	140
Deferred development charges	785	---
	9,611	8,743
Less accumulated amortization	(2,185)	(1,276)
	7,426	7,467

License fees are amortized using the straight-line method over the estimated useful lives ranging from three to five years.

Technology – SiGe represents those intangible assets resulting from the SiGe Semiconductor acquisition in May 2004. Technology intangibles are amortized using the straight-line method over the estimated useful life of seven years.

Intangible assets resulting from the Snowbush acquisition in October 2007 are noted above as Technology – Snowbush, supplier relationships, in process development, customer value and contracts in progress (see note 9). These identifiable intangible assets are amortized using the straight-line method over the estimated useful lives ranging from one to five years.

Deferred development charges represent expenditures that are directly related to placing a new product into commercialization when the expenditure is incremental in nature and it is probable that the

expenditure is recoverable from future operations of the associated product. Upon commercial launch of the product, these costs are amortized over the number of expected product life unit sales to a maximum of five years. To date, there have been no amortization expenses or write-offs on deferred development charges.

No intangible assets were written off in the second quarter or in the first half of 2008 and 2007. Amortization expense for the second quarter and the first half of 2008 was \$443 and \$892, respectively (second quarter of 2007 - \$71; first half of 2008 - \$141).

The 2007 carrying value of intangible assets associated with the Company's divestiture activities have been reclassified to assets held for sale (see note 4).

14. CAPITAL STOCK

The Company has authorized an unlimited number of common shares with no par value, of which 35,607,186 common shares of the Company (November 30, 2007 - 35,775,086) were issued and outstanding as at May 31, 2008 with a stated value of \$8,626 (November 30, 2007 - \$8,680). An unlimited number of preferred shares have also been authorized, none of which have been issued.

Reconciliation of shares outstanding	# of Shares	Stated Value
Number of shares outstanding, November 30, 2007	35,775,086	\$8,680
Stock options exercised	---	---
Shares repurchased under normal course issuer bid *	(156,600)	(51)
Number of shares outstanding, February 29, 2008	35,618,486	8,629
Shares repurchased under normal course issuer bid	(11,300)	(3)
Number of shares outstanding, May 31, 2008	35,607,186	8,626

* 131,800 shares repurchased in the fourth quarter of 2007 for approximately \$1,407 are included as the shares were not cancelled until the first quarter of 2008.

During 2007, the Company announced a normal course issuer bid to acquire up to 3.5 million of its common shares. The normal course issuer bid commenced on July 3, 2007 and will terminate on July 2, 2008. During the first half of 2008, the Company repurchased 36,100 common shares (2007 - nil) under the bid for approximately \$103 (2007 - nil). The net excess of the repurchase price over the issue price is allocated to shareholders' equity.

Stock option plan

The Company has an incentive stock option plan, which provides for the granting of options for the benefit of employees and officers. The total number of Company shares that may be issued under this plan is 2,700,000 of which 1,058,461 remain available for new grants. No stock options were issued outside the plan to new officers upon hiring in the second quarter of 2008. Options issued outside the plan are governed by the same conditions as applicable to the employee stock option plan.

Subsequent to May 31, 2008, 20,000 stock options were granted.

All options are granted for a term of seven years from the grant date with vesting of 25% at the end of the first, second, third and fourth years from the date of grant, respectively. All options allow the holder to purchase common shares at a price equal to the market price of such shares at the date of grant. A summary of the plan and changes during 2008 and 2007 are as follows:

	YTD 2008		YTD 2007	
	Number of shares	Weighted average exercise price (Cdn.\$)	Number of shares	Weighted average exercise price (Cdn.\$)
Outstanding, beginning of year	2,065,885	11.65	1,428,965	11.53
Granted	516,867	10.10	720,000	12.89
Forfeited	(369,175)	12.75	(154,175)	12.44
Exercised	---	---	(25,650)	11.62
Outstanding, end of second quarter	2,213,577	11.67	1,969,140	11.94
Options exercisable at May 31, 2008	555,487	11.28	539,938	12.48

The following table summarizes information about options outstanding at May 31, 2008:

Range of exercise prices (Cdn.\$)	Options outstanding		Options Exercisable		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price (Cdn.\$)	Number exercisable	Weighted average exercise price (Cdn.\$)
\$8.60 - \$12.00	1,502,425	5.4 years	10.23	332,688	10.87
\$12.01 - \$14.25	708,152	5.6 years	12.95	219,799	12.97
\$14.26 - \$16.50	3,000	0.1 years	15.00	3,000	15.00

The estimated weighted average fair value of stock options granted during the first half of 2008 was Cdn. \$2.83 (first half of 2007 - Cdn. \$4.14) per share using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	3.12%
Expected dividend yield	1.4%
Expected volatility	29.0%
Expected time until exercise	5.5 years

The number and weighted average grant-date fair value of restricted shares of the Company granted under the employee incentive plans in the second quarter of 2008 were 185,393 and Cdn. \$9.00 (2007 - 2,538, Cdn. \$13.00), respectively. For the first half of the year, the number and weighted average grant-date fair values were 187,088 and Cdn. \$9.03 (2007 - 2,538, Cdn. \$13.00), respectively.

Earnings per share – The Company uses the treasury stock method of calculating the dilutive effect of options on earnings per share. The following is a reconciliation of the numerator and denominator of earnings per share computations:

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Net earnings from continuing operations	5,949	4,435	10,519	10,594
Net earnings (loss) from discontinued operations	(1,109)	(10,552)	7,644	(13,044)
Net earnings for the period	4,840	(6,117)	18,163	(2,450)
Weighted average shares outstanding (numbers in thousands)	35,611	35,808	35,623	35,799
Effect of dilutive stock options	---	57	149	57
Diluted weighted average shares outstanding	35,611	35,865	35,772	35,865
Earnings per share				
Earnings per share from continuing operations				
- basic and diluted	0.17	0.12	0.30	0.30
Earnings (loss) per share from discontinued operations				
- basic and diluted	(0.03)	(0.29)	0.21	(0.36)
Earnings per share - basic and diluted	0.14	(0.17)	0.51	(0.06)

Options to purchase 1,266,210 common shares were not included in the computation of diluted earnings per share for the quarter ended May 31, 2008 because the option exercise prices and unamortized compensation costs were greater than the average market price of the common shares.

15. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measure of risks as at May 31, 2008:

(a) Fair Value

The carrying amounts for cash and cash equivalents, accounts receivable, other assets, loan receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. Promissory notes receivable are accounted for at amortized cost using the effective interest rate method.

The long-term payable resulting from the Snowbush acquisition (note 9) was recorded at its fair value with the resulting discount being amortized to goodwill as a purchase price adjustment.

(b) Foreign Exchange Rate Risk

Adoption of U.S. Dollar Reporting

As described in note 2, the Company adopted the U.S. dollar as its reporting currency, but has retained its functional currencies. Management believes that reporting in U.S. dollars will improve the comparability of the Company's financial position and results of operations to others in its industry.

In accordance with Canadian GAAP, the Company uses the current rate method to translate all amounts presented from Canadian to U.S. dollars. Under the current rate method, all assets and liabilities of the Company's operations are translated from their Canadian dollar functional currency into U.S. dollars using exchange rates in effect at the end of the reporting period; revenue, expenses and cash flows are translated at the average rates during the reporting period; and any associated translation gains or losses

are recorded as a separate component of shareholders' equity. All comparative figures presented have been translated using the same method.

For the second quarter ended May 31, 2008 and for the first half of the year, revenue and expenses have been translated from Canadian dollars to U.S. dollars at the monthly average rates, and cash flows at the quarterly average rates. Assets and liabilities have been translated at the period end rate of \$1.0058 (November 30, 2007 - \$0.9992) Canadian dollars per one U.S. dollar. References to fiscal year 2007 figures in the notes to the consolidated financial statements have been translated using the respective quarterly average historical rates, except for balance sheet figures, which have been translated using the respective ending balance sheet rates.

Canadian Dollar Functional Currency Reporting

Transactions and balances denominated in currencies other than Canadian dollars are translated on the following basis. Current assets and liabilities are translated at the quarter-end rate of exchange. Exchange gains and losses on these balances are recognized in earnings in the quarter. Revenue and expenses are translated at the average of the monthly rates of exchange during the quarter. Fixed assets and depreciation are translated at rates prevailing when the related assets are acquired.

The Company's operations outside of Canada are considered self-sustaining and, accordingly, the assets and liabilities are translated to Canadian dollars using the quarter-end exchange rates and revenue and expenses are translated at the average of the monthly rates during the quarter. Exchange gains or losses on assets and liabilities are deferred and included in Other Comprehensive Income.

In order to manage the risk associated with fluctuations in foreign exchange rates, the Company has entered into foreign exchange forward contracts to sell an aggregate amount of U.S. \$18,300 and yen 1,086,000 as at May 31, 2008. These contracts mature at the latest on May 27, 2009 at exchange rates varying between Canadian \$0.9833 and Canadian \$1.047 against the U.S. dollar, and between Canadian \$0.0089 and Canadian \$0.00969 against the Japanese yen. Management estimates that a loss of \$88 would be realized if the contracts were terminated on May 31, 2008. The fair values of the foreign exchange forward contracts are based on market information from major financial institutions. These forward contracts are considered cash flow hedges and therefore a loss of \$59, net of future income tax asset, has been included in Other Comprehensive Income. This loss is expected to be reclassified to net income over the next twelve months as the forward contracts mature. During the second quarter and for the first half of the year, there were no firm commitments that no longer qualified as hedges and no forecasted transactions that failed to occur. Realized gains on foreign exchange forward and spot contracts were \$187 for the second quarter of 2008 (2007 - realized losses of \$100). For the first half of the year, the realized losses were \$805 (2007 - realized losses of \$250).

In the second quarter of 2008, management estimates that revenue net of purchases, royalty payments and operating expenses resulted in currency exposures of about U.S. \$18.0 million and 0.8 billion yen. Before hedging, our sensitivity to a change of \pm one cent in the U.S. to Canadian dollar exchange rate and \pm one yen to the Canadian dollar exchange was approximately \$0.2 million and \$0.1 million respectively, on a pre-tax basis, in Canadian Dollars.

(c) Credit Risk

The Company is exposed to commercial credit risk from its customers in the normal course of business, which is mitigated by the Company's credit management policies. The Company is exposed to credit risk from potential default by any of its counterparties on its foreign exchange contracts and manages this credit risk by dealing only with major financial institutions with high credit ratings. Credit risks associated with holders of promissory notes are managed through regular communication with those holders. The management of each of the holders of these notes has indicated their ability to produce positive cash flow required to meet all repayment obligations under the notes; however, this assumes stable competitive and economic conditions.

As at May 31, 2008, no one customer accounted for more than 10% of revenue; two customers accounted for more than 10% of receivables.

The aging of trade receivable balances as of May 31, 2008 was as follows:

	May 31, 2008
Not past due	16,324
Past due 0-30 days	4,448
Past due 31-60 days	226
Past due over 61 days	761
Trade receivables	21,759
Less allowance for doubtful accounts	184
	21,575

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The following are the undiscounted contractual maturities of financial liabilities as at May 31, 2008:

	Less than 1 year	1 to 2 years	After 2 years
Accounts payable and accrued liabilities	10,573	---	---
Long-term payable*	---	1,261	1,261
	10,573	1,261	1,261

* The short-term portion has been included in accounts payable and accrued liabilities.

(e) Interest Rate Risk

Interest rate risk is the risk that interest-bearing financial instruments will vary in value due to the variability of the interest rates. Since both the promissory notes and loan receivable have fixed interest rates, the Company is not exposed to any interest rate risk on these financial instruments.

(f) Price Risk

Price risk is the risk that the value of an investment will decline in the future. The Company currently holds investments in Nanoscience and CellPoint (note 11) both considered start-up technology companies with higher than average financial volatility due to the nature of the businesses. The price risks associated with these investments are managed through regular communications with senior management of those investments.

16. SEGMENTED INFORMATION

As a result of the Company's leadership and product portfolio realignment at the end of 2007, the Company began operating and tracking its results in one reportable segment, consisting of numerous product areas, effective December 1, 2007. The Company's chief operating decision maker is considered to be the Chief Executive Officer. The chief operating decision maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The revenue by product portfolio within the single reportable segment, and revenue by geographic area are as follows:

Revenue by product portfolio is as follows:

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Analog Mixed Signal	26,060	20,622	48,621	41,510
Optical	4,068	2,983	9,337	4,926
IP Licensing	2,858	---	5,129	---
	32,986	23,605	63,087	46,436

Revenue by principal markets is as follows:

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
United States	13,855	9,732	27,902	18,596
Europe	3,950	3,077	7,468	6,644
Pacific Rim	9,381	6,902	17,999	13,228
Canada	5,800	3,894	9,718	7,968
	32,986	23,605	63,087	46,436

Revenue is attributable to countries based upon the location of customers.

Capital assets and goodwill per country are as follows:

	May 31, 2008	November 30, 2007
Canada *	49,083	44,329
UK	1,159	1,028
Other	78	73
	50,320	45,430

* Goodwill of \$20,445 (November 30, 2007 - \$ 19,393) is located in Canada.

17. OTHER INCOME (EXPENSE)

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Realized gains (losses) on foreign exchange hedge contracts	187	(100)	805	(250)
Unrealized foreign exchange (losses) on other contracts	---	---	---	(77)
Foreign exchange gains (losses) on translation	(20)	(992)	315	(400)
Gain (loss) on foreign exchange, net	167	(1,092)	1,120	(727)
Other expense	(109)	(25)	(140)	(80)
	58	(1,117)	980	(807)

18. INCOME TAXES

	Three Months Ended May 31		Six Months Ended May 31	
	2008	2007	2008	2007
Expected income tax expense using statutory tax rates	3,018	2,422	5,607	5,648
Permanent differences	135	112	260	141
Different income tax rates on earnings of foreign subsidiaries	8	39	(46)	61
Changes in tax rates and other	(106)	88	392	94
Provision for income taxes	3,055	2,661	6,213	5,944
Effective tax rate	33.88%	37.50%	37.12%	35.90%

On December 13, 2007, the Government of Canada enacted a 1% decrease in the general federal corporate income tax rate for the calendar year 2008 from 20.5% to 19.5%, which resulted in a reduction in net future income tax assets and an increase in income tax expense of approximately \$663 in the first quarter of 2008.

19. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a conservative capital structure. The Company's capital is composed of shareholders' equity, and is not subject to any capital requirements imposed by a regulator.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, and adjust the amount of cash and cash equivalents balances.

20. COMMITMENTS AND CONTINGENCIES

The Company is committed to future minimum payments under operating leases for software design tools and buildings and equipment as at May 31, 2008 as follows:

	Design Tools	Buildings and Equipment	Total
2008	887	793	1,680
2009	2,807	1,184	3,991
2010	2,225	747	2,972
2011	---	370	370
2012 and beyond	---	2,143	2,143
	5,919	5,237	11,156

The Company has committed to approximately \$16.5 million in purchase obligations as at May 31, 2008, of which \$4.6 million is related to authorized capital projects including the implementation of the Company's new ERP system. The remaining purchase obligations relate primarily to inventory, product development and general operating costs.

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers, former employees and third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it may not be

possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

21. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current year.