

Gennum Reports 2009 Third Quarter Results

Burlington, Ontario (September 23, 2009) – Gennum Corporation (TSX: GND) today reported unaudited financial results for the third quarter of fiscal 2009.

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

	<u>2009</u>	<u>2008</u>
Third quarter		
Revenue	21.4	33.5
Gross margin	14.7	25.6
Gross margin as a percentage of revenue	68.9%	76.3%
Restructuring charge	5.5	---
Operating income (loss), including restructuring charge	(5.2)	7.5
EBITDA*, before restructuring charge	2.9	10.5
Net earnings (loss) - continuing	(4.3)	6.4
Net earnings (loss) per share - continuing	(0.12)	0.18

“In the third quarter we saw customer demand strengthen resulting in Gennum achieving 10% revenue growth compared to last quarter,” said Dr. Franz Fink, President and CEO of Gennum. “Customer lead times are increasing and we are encouraged by the improving market demand for our products. We continue to be focused on controlling our expenses to improve profitability and cash flow. We remain confident in our strategy and are executing to our plan in delivering more new products to our customers.”

Gennum revenue in fiscal 2009 has been significantly impacted by the economic downturn and related actions taken by customers to reduce inventory. In the third quarter of 2009, customers began to restock inventory, resulting in our consolidated revenue growing over 10% sequentially compared to the second quarter of 2009. This increased revenue allowed Gennum to deliver positive operating income of \$0.3 million in the quarter, before restructuring costs. We continue to see improvements in bookings and end-market demand entering the fourth quarter of 2009.

On a year-over-year basis, consolidated revenue in the third quarter of 2009 was \$21.4 million, lower by \$12.1 million or 36% compared to the third quarter of 2008; on a year-to-date basis, consolidated revenue was \$60.1 million, down by \$36.4 million compared to the same period last year.

Gross margin as a percentage of revenue in the third quarter of 2009 was 69%, down from 76% in the same quarter of 2008. This decrease was primarily caused by lower production in Gennum operations as we continue to adjust inventories for lower levels of demand. Gross margin is expected to return to average corporate levels as demand increases and costs in our operations are reduced as a result of the significant restructuring activity which we began to implement in August.

Total operating expenses of \$14.4 million in the third quarter of 2009, before the restructuring charge, decreased 20% from \$18.1 million in the same period last year. The restructuring action resulted in a charge of \$5.5 million in the quarter. This charge includes severance costs associated with a reduction in

the workforce, the impairment of deferred development costs and the impairment of inventory. Operating expenses are expected to continue to decline as a result of the actions taken.

Operating income in the third quarter of 2008 was \$7.5 million. The 2009 third quarter operating loss of \$5.2 million included the restructuring charge and deferred development impairment of \$5.5 million and bad debt expense of \$0.5 million.

As the restructuring action demonstrates, we continue to proactively take steps to ensure the company returns to profitability by aggressively managing discretionary spending, minimizing capital expenditures, and aligning sales, marketing and administrative investment with short-term and mid-term customer revenue generation activities. We have maintained investment in key R&D programs enabling us to deliver a significant number of new products in 2009 and capitalize on new customer opportunities.

Net loss from continuing operations for the third quarter and for the first nine months of 2009 was \$4.3 million or \$0.12 loss per share and \$6.2 million or \$0.18 loss per share respectively, compared to net earnings for the same periods in 2008 of \$6.4 million or earnings per share of \$0.18 and net earnings of \$16.9 million or earnings per share of \$0.48.

New product introductions and business developments

In the third quarter of 2009, Gennum participated in key technology demonstrations and launched new products and IP further expanding its PCI Express offerings.

- **Gennum Debuts PCI Express 3.0 IP, Showcases Bridging Solutions for HD Video** - at the PCI-SIG Developers Conference, Gennum showcased the industry's first public demonstration of a PCIe 3.0 PHY, as well as demonstrations of PCIe 2.0 and SATA IP in a PCIe SATA bridge. Gennum also demonstrated 3 gigabits live video capture using Gennum's PCIe 2.0 solutions, underscoring the potential for PCIe in SDI video applications.
- **Gennum's Snowbush IP Group Delivers the Industry's First PCI Express 3.0 PHY IP on TSMC 40nm Process** – Gennum introduced its Snowbush IP PCIe 3.0 PHY and Controller. The new PCIe[®] 3.0 cores can be licensed immediately by system-on-a-chip (SoC) and system companies, enabling early deployment of PCIe 3.0 (Gen 3) in systems.

Dividend

Gennum's Board of Directors has declared a regular cash dividend of 3.5 cents per share Canadian to be paid on October 21, 2009 to shareholders of record on October 7, 2009.

Management will hold a conference call to discuss third quarter results on Wednesday, September 23, 2009 at 5:30 p.m. (ET). To access the call, participants should dial 1-800-814-4859. 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 October 23, 2009. To access the rebroadcast, dial 1-877-289-8525 and enter the passcode 4152632#.

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, India and the United Kingdom. www.gennum.com

** "EBITDA" is a non-GAAP financial measure which does not have any standardized meaning under Canadian generally accepted accounting principles ("GAAP") and is therefore unlikely to be comparable to similar measures presented by other issuers. We define EBITDA as earnings before interest, taxes, depreciation and amortization (related to intangible assets and stock-based compensation). Further information regarding this term, a description of why management believes it is a useful measure, and a quantitative reconciliation to the*

most directly comparable measure calculated in accordance with GAAP is set forth under the heading "Non-GAAP Reporting" in our MD&A for the quarter ended August 31, 2009.

Caution Regarding Forward-Looking Information

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

Inherent in forward-looking statements are risks and uncertainties beyond Gennum's ability to predict or control including, but not limited to, risks associated with: competitive and pricing pressures in the increasingly competitive environment in which Gennum operates; economic cycles in the semiconductor industry including downturns which can result from adverse general economic conditions; our ability to anticipate needs for future products and successfully execute our product roadmap, including the possibility of the emergence of disruptive technologies which negatively impact our positioning in the marketplace; fluctuations in foreign exchange rates and their potential adverse impact upon our financial results; our reliance on external foundries and suppliers and the potential adverse effects of disruptions in any of these arrangements; the successful integration of acquisitions and the ability to achieve expected synergies and operating efficiencies within expected time-frames (or at all); our ability to attract and retain key personnel necessary for our business; our ability to successfully protect our intellectual property rights; and the initiation and outcome of legal proceedings. Readers should also refer to the sections entitled "Risks and Uncertainties" in our 2008 annual report and "Risk Factors" in our annual information form dated February 23, 2009.

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

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause Gennum's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Consequently, readers should not place any undue reliance on these forward-looking statements. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. In addition, these forward-looking statements relate to the date on which they are made. We disclaim any intention or obligation to update or revise any forward-looking statements or the foregoing list of factors, whether as a result of new information, future events or otherwise, except to the extent required by law. 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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2009 THIRD QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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The following discussion and analysis is intended to provide readers with an assessment of our performance for the third quarter of 2009 together with the comparable period in the prior year, as well as our financial position and future prospects. It should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes for the third quarter of fiscal 2009 and 2008, and the fiscal 2008 and 2007 audited consolidated financial statements and accompanying notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as well as the management's discussion and analysis contained in our 2008 annual report. 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, except where the context otherwise requires.

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

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.

CORPORATE OVERVIEW AND BUSINESS STRATEGY

Gennum designs, develops and markets semiconductor products and intellectual property (“IP”) cores for advanced consumer connectivity, enterprise, video broadcast and data communications applications. Our products are designed to ensure that signals used to transmit video and data in applications such as networking, home entertainment and broadcasting maintain their original integrity, and to eliminate the potential for errors in sending and receiving information.

Our corporate strategy involves leveraging core technological capabilities into selected high-growth markets that provide a competitive advantage for both the Company and our customers. During the remainder of 2009, we plan to continue to make strategic investments in research and development, capitalize on new customer opportunities with our expanded product portfolio, and grow our competitive position in our target markets.

New product introductions and business developments

In the third quarter of 2009, Gennum participated in key technology demonstrations and launched new products and IP further expanding its PCI Express offerings.

- **Gennum Debuts PCI Express 3.0 IP, Showcases Bridging Solutions for HD Video** - at the PCI-SIG Developers Conference, Gennum showcased the industry’s first public demonstration of a PCIe 3.0 PHY, as well as demonstrations of PCIe 2.0 and SATA IP in a PCIe SATA bridge. Gennum also demonstrated 3 gigabits live video capture using Gennum’s PCIe 2.0 solutions, underscoring the potential for PCIe in SDI video applications.
- **Gennum’s Snowbush IP Group Delivers the Industry’s First PCI Express 3.0 PHY IP on TSMC 40nm Process** – Gennum introduced its Snowbush IP PCIe 3.0 PHY and Controller. The new PCIe[®] 3.0 cores can be licensed immediately by system-on-a-chip (SoC) and system companies, enabling early deployment of PCIe 3.0 (Gen 3) in systems.

RESULTS FROM OPERATIONS

Overview

Gennum revenue in fiscal 2009 has been significantly impacted by the economic downturn and related actions taken by customers to reduce inventory. In the third quarter of 2009, customers began to restock inventory, resulting in our consolidated revenue growing over 10% sequentially compared to the second quarter of 2009. This increased revenue allowed Gennum to deliver positive operating income of \$0.3 million in the quarter, before restructuring costs. We continue to see improvements in bookings and end-market demand entering the fourth quarter of 2009.

On a year-over-year basis, consolidated revenue in the third quarter of 2009 was \$21.4 million, lower by \$12.1 million or 36% compared to the third quarter of 2008; on a year-to-date basis, consolidated revenue was \$60.1 million, down by \$36.4 million compared to the same period last year.

Gross margin as a percentage of revenue in the third quarter of 2009 was 69%, down from 76% in the same quarter of 2008. This decrease was primarily caused by lower production in Gennum operations as we

continue to adjust inventories for lower levels of demand. Gross margin is expected to improve as demand increases and costs in our operations are reduced as a result of the significant restructuring activity which we began to implement in August.

Total operating expenses of \$14.4 million in the third quarter of 2009, before the restructuring charge, decreased 20% from \$18.1 million in the same period last year. The 2009 figure included an increase in our bad debt provision of \$0.5 million related to a dispute over payment for an IP project. The restructuring action resulted in a charge of \$5.5 million in the quarter. This charge includes severance costs associated with a reduction in the workforce, the impairment of deferred development costs and the impairment of inventory. Operating expenses are expected to continue to decline as a result of the actions taken.

Operating income in the third quarter of 2008 was \$7.5 million. The 2009 third quarter operating loss of \$5.2 million included the restructuring charge and deferred development impairment of \$5.5 million and the bad debt expense of \$0.5 million.

As the restructuring action demonstrates, we continue to proactively take steps to ensure the company returns to profitability by aggressively managing discretionary spending, minimizing capital expenditures, and aligning sales, marketing and administrative investment with short-term and mid-term customer revenue generation activities and new product development.

Despite the continuation of severe economic conditions, we were able to produce positive EBITDA* again this quarter before the restructuring charge.

Net loss from continuing operations for the third quarter and for the first nine months of 2009 was \$4.3 million or \$0.12 loss per share and \$6.2 million or \$0.18 loss per share respectively, compared to net earnings for the same periods in 2008 of \$6.4 million or earnings per share of \$0.18 and net earnings of \$16.9 million or earnings per share of \$0.48.

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

Overall performance of continuing operations

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

	Three Months Ended August 31			Nine Months Ended August 31		
	2009	2008	% change	2009	2008	% change
Revenue	21.4	33.5	(36.1)	60.1	96.6	(37.7)
Gross margin	14.7	25.6	(42.3)	42.6	73.3	(41.9)
Restructuring charge and deferred development impairment	5.5	---	n/a	5.5	---	n/a
Earnings (loss) from continuing operations before income taxes	(5.5)	9.4	n/a	(9.4)	26.1	n/a
As a percentage of revenue	n/a	28.1	n/a	n/a	27.1	n/a
Net earnings (loss) from continuing operations	(4.3)	6.4	n/a	(6.2)	16.9	n/a
Net earnings (loss) from discontinued operations	---	---	---	---	7.6	n/a
Net earnings (loss)	(4.3)	6.4	n/a	(6.2)	24.5	n/a
Earnings (loss) per share: continuing operations	(0.12)	0.18	n/a	(0.18)	0.48	n/a
discontinued operations	---	0.00	---	---	0.21	n/a
Net earnings (loss) per share basic and diluted	(0.12)	0.18	n/a	(0.18)	0.69	n/a
Cash and cash equivalents*	34.9	48.7	(28.5)	34.9	48.7	(28.5)
Total debt*	2.3	2.0	12.8	2.3	2.0	12.8
Cash dividends per share ¹	\$0.031	\$0.035		\$0.088	\$0.105	

* 2008 figures as of November 30, 2008

¹ Dividends were paid in Canadian dollars at a rate of \$0.035 per share per quarter**Revenue**

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2009	2008	% change	2009	2008	% change
Analog and Mixed Signal (AMS)	15.9	26.7	(40.4)	42.6	75.4	(43.5)
Optical	2.9	3.5	(18.8)	8.8	12.8	(31.0)
IP Licensing	2.6	3.3	(20.1)	8.7	8.4	3.6
Total revenue	21.4	33.5	(36.1)	60.1	96.6	(37.7)

Overall revenue in the third quarter and first nine months of 2009 declined 36.1% and 37.7% respectively, compared to the same periods in 2008 mainly due to the global economic downturn in the current fiscal year and its resultant effects upon the markets for these products.

AMS products

Revenue in the third quarter and first nine months of 2009 from our AMS product group declined by 40.4% and 43.5% respectively, compared to the same periods last year. Management's analysis of capital spending in the global media and television markets would suggest that capital spending began to show a significant slowdown in 2008. Capital spending in the broadcast market is generally thought to be a function

of advertising revenue. Compared to the second quarter of 2009, revenue in the third quarter was up almost 24% as the end markets are beginning to show signs of a gradual recovery.

Optical products

Revenue was lower in our Optical product group at \$2.9 million for the third quarter of 2009 compared to \$3.5 million for the third quarter of 2008, and \$8.8 million for the first nine months of 2009 compared to \$12.8 million for the same period in 2008 due to the economic recession in 2009. The percentage drop in Optical products on a year-over-year basis has not been as severe as we experienced in AMS as the reduction in capital spending in network equipment was not as significant as the broadcast market.

IP licensing

IP revenue for the third quarter of 2009 was \$2.6 million, down \$0.7 million compared to the third quarter of 2008. On a year-to-date basis, IP revenue was ahead by \$0.3 million compared to the same period last year. Revenues in this product area will fluctuate from quarter to quarter depending on the allocation of hours supporting customer projects versus internal development projects.

Gross margin

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2009	2008	% change	2009	2008	% change
Gross margin	14.7	25.6	(42.3)	42.6	73.3	(41.9)
Percentage of revenue	68.9	76.3		70.8	75.9	

Gross margin as a percentage of revenue in the third quarter of 2009 was 69%, which was lower compared to the same period in 2008. The lower percentage was primarily the result of lower production levels in our test operations. In the first nine months of 2009, gross margin as a percentage of revenue at 71% was also lower compared to the same period in 2008 primarily due to the impact of lower production volume in our test operations. Despite this, we believe that our gross margins continue to reside at the high end of industry benchmarks.

Sales, marketing and administration expenditures

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2009	2008	% change	2009	2008	% change
Sales, marketing and administration expense	7.6	9.5	(19.7)	22.7	26.3	(13.6)
Percentage of revenue	35.5	28.2		37.8	27.3	

Sales, marketing and administration expenditures in the third quarter of 2009 were lower by \$1.9 million compared to the same period in 2008. Favourable currency adjustments, lower variable compensation expenses and reduced trade show and travel costs were partially offset by an increase in the provision for doubtful accounts of \$0.5 million and operating costs resulting from the ASIC Architect acquisition in July 2008.

In the first nine months of 2009, sales, marketing and administration expenditures were lower by \$3.6 million compared to the same period in 2008. Favourable currency adjustments, lower variable compensation expenses and reduced trade show and travel costs and lower corporate branding costs were partially offset by an increase in the provision for doubtful accounts of \$0.8 million and the increase in operating costs as a result of the ASIC Architect acquisition.

Research and development (R&D) expenditures

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2009	2008	% change	2009	2008	% change
R&D expense (gross)	7.4	9.4	(21.5)	22.8	27.4	(16.8)
Percentage of revenue	34.5	28.1		38.0	28.4	

In the third quarter of 2009, R&D spending was lower by \$2.0 million compared to the same period in 2008. Favourable currency adjustments, lower variable compensation expenses and the favourable impact of divesting the BST technology group were partially offset by approximately \$0.4 million of expenditures related to the ASIC Architect acquisition in July 2008.

For the first nine months of 2009, R&D expenditures were lower by \$4.6 million compared to the same period last year. Favourable currency adjustments, higher capitalized R&D expenditures, lower variable compensation expenses and the sale of the BST technology group were partially offset by the inclusion of operating expenses related to the ASIC Architect acquisition in July 2008.

Eligible R&D expenditures capitalized in the third quarter and first nine months of 2009 were \$1.6 million and \$4.0 million respectively. In the third quarter of 2008, \$1.3 million was capitalized and \$2.1 million was capitalized in the first nine months of 2008. As previously noted, impairment charges of \$1.2 million were taken on certain capitalized R&D expenditures as part of the restructuring activities and have been included under "Restructuring and deferred development charges". There were no impairment charges in the third quarter or first nine months of 2008.

Restructuring charge and deferred development impairment

(in millions of U.S. dollars)

	Three Months Ended August 31			Nine Months Ended August 31		
	2009	2008	% change	2009	2008	% change
Severance costs	3.5	---	---	3.5	---	---
Deferred development cost impairment	1.2	---	---	1.2	---	---
Inventory and other asset impairments	0.8	---	---	0.8	---	---
Total restructuring charge and deferred development impairment	5.5	---	---	5.5	---	---

During the third quarter of 2009, the Company announced the implementation of a restructuring plan to improve profitability and cash flow and help achieve its business model targets. The Company's plans include realigning its investment to maintain its R&D programs while reducing corporate infrastructure and business operations costs and capital expenditures. Additionally, Gennum is focusing its marketing, sales and administrative investment on short and mid-term customer revenue generation activities and new product development.

This plan resulted in a restructuring charge and deferred development impairment of \$5.5 million related to the termination of approximately 10% of total headcount in August and additional restructuring actions to be completed in the fourth quarter of 2009.

Other income (expense)

(in millions of U.S. dollars)

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Realized gain (loss) on foreign exchange hedges	0.8	(0.1)	(2.4)	0.7
Foreign exchange gain (loss) on translation	(0.5)	1.8	(3.0)	2.2
Gain (loss) on foreign exchange, net	0.3	1.7	(5.4)	2.9
Gain on sale of building	1.0	---	1.0	---
Corporate development charges	(1.2)	---	(1.2)	---
Tundra termination fee, net	---	---	2.2	---
Gain on sale of BST technology group	---	---	1.6	---
Gain on sale of Toumaz investment	---	---	0.3	---
Provision on long-term investment	(0.1)	---	(0.8)	---
Fair value loss on instruments held for trading	---	---	(0.3)	---
Other	(0.3)	(0.1)	(0.6)	(0.2)
	(0.6)	(0.1)	2.2	(0.2)
Total other income (expense)	(0.4)	1.6	(3.2)	2.7

Other expense in the third quarter of 2009 was \$0.4 million compared to other income of \$1.7 million in the third quarter of 2008 and \$3.2 million of expense compared to \$2.7 million in income on a year-to-date basis for 2009 and 2008 respectively. Foreign exchange contracts matured in the quarter resulting in realized gains of \$0.8 million. Currency translation losses were \$0.5 million. On a year-to-date basis, the Company realized losses of \$2.4 million on foreign exchange contracts and recorded a foreign exchange translation loss of \$3.0 million due to the strengthening of the Canadian dollar versus the U.S. dollar during the past nine months.

During the quarter, the Company completed the sale of land and a vacant building in Burlington, Ontario, which resulted in a gain of \$1.0 million recorded to other income. Corporate development charges of \$1.2 million were recognized as other expense. The Company also impaired the remaining value of its investment in CellPoint.

Income taxes

(in millions of U.S. dollars)

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Income tax (recovery) expense	(1.2)	3.0	(3.2)	9.3

In the third quarter and first nine months of 2009, there was an income tax recovery compared to an income tax expense for the same periods in 2008. The effective tax rate in the third quarter and first nine months of 2009 was 22.6% and 33.7% respectively, compared to the Canadian statutory rate of 33.0%. The reduction in the rate for the quarter was driven mainly by a permanent difference from stock option amortization.

Net (loss) earnings from continuing operations

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

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Net (loss) earnings from continuing operations	(4.3)	6.4	(6.2)	16.9
Percentage of revenue	n/a	19.0	n/a	17.5
Basic (loss) earnings per share from continuing operations	(0.12)	0.18	(0.18)	0.48

In the third quarter of 2009, the Company incurred a net loss of \$4.3 million or a \$0.12 loss per share compared to net earnings of \$6.4 million or \$0.18 earnings per share in the third quarter of 2008. This loss was primarily driven by the restructuring charges of \$5.5 million taken in the current quarter and the significant decline in revenue caused by the global economic slowdown. On a year-to-date basis, the net loss was \$6.2 million or \$0.18 loss per share which was primarily caused by the economic slowdown and the restructuring charge.

Discontinued operations, net of tax

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

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Hearing/Manufacturing	---	---	---	(1.1)
VXP®, including gain on sale	---	---	---	8.7
Total earnings (loss) on discontinued operations, net of taxes	---	---	---	7.6
Earnings (loss) per share - basic and diluted	---	---	---	0.21

In the first quarter of 2008, the Company completed the sale of its VXP® business to Sigma Designs for \$18.2 million, which resulted in a pre-tax gain on the sale of approximately \$13.5 million.

Net (loss) earnings

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

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Net (loss) earnings	(4.3)	6.4	(6.2)	24.5
Percentage of revenue	n/a	19.0	n/a	25.4
Basic (loss) earnings per share	(0.12)	0.18	(0.18)	0.69

In the third quarter of 2009, the Company incurred a net loss of \$4.3 million, or a \$0.12 loss per share, compared to net earnings of \$6.4 million, or \$0.18 earnings per share in the third quarter of 2008.

On a year-to-date basis, the net loss was \$6.2 million or \$0.18 loss per share, compared to net earnings of \$24.5 million or \$0.69 earnings per share in 2008. Net earnings for the first nine months of 2008 included a positive contribution of \$7.6 million or \$0.21 earnings per share from discontinued operations.

Quarterly results

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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2009	2008	2009	2008	2009	2008	2008	2007
Revenue	21.4	33.5	19.4	33.0	19.4	30.1	30.3	29.9
Net earnings (loss) from continuing operations	(4.3)	6.4	(1.1)	5.9	(0.8)	4.6	2.7	4.4
Net earnings (loss) from discontinued operations	---	---	---	(1.1)	---	8.7	(0.2)	(4.8)
Earnings (loss) per share:								
Continuing operations basic and diluted	(0.12)	0.18	(0.03)	0.17	(0.02)	0.13	0.07	0.12
Discontinued operations basic and diluted	---	(0.00)	---	(0.03)	---	0.24	---	(0.14)

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

NON-GAAP REPORTING

The Company presents non-GAAP financial measures to assist the financial community in its analysis and comparison of historical results and assessment of the Company's future operating results.

EBITDA

We believe that financial analysts and investors use EBITDA to understand our financial results and to compare us with our industry peers. The term EBITDA refers to a non-GAAP financial measure that we define as earnings before interest, taxes, depreciation and amortization (related to intangible assets and stock-based compensation). In the current quarter, we have also excluded the restructuring charges from the EBITDA calculation as management believes that this would better represent the normal operations of the Company. 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 five 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 GAAP financial measure is operating income from continuing operations. The table below reconciles EBITDA to operating income from continuing operations.

EBITDA Last Five Quarters	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Revenue	21.4	19.4	19.4	30.3	33.5
Operating income (loss) from continuing operations	(5.2)	(1.0)	(0.3)	5.6	7.5
Restructuring and deferred development charges	5.5	---	---	---	---
Operating income (loss) from continuing operations before restructuring and deferred development charges	0.3	(1.0)	(0.3)	5.6	7.5
Adjustments to reconcile to EBITDA:					
Depreciation expense	1.3	1.3	1.3	1.4	1.4
Amortization of:					
Intangibles	0.5	0.4	0.4	0.5	0.5
Stock-based compensation	0.8	0.7	0.6	1.4	1.1
EBITDA	2.9	1.4	2.0	8.9	10.5
EBITDA as a percentage of revenue	14%	7%	10%	29%	31%

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents

The cash and cash equivalents balance at August 31, 2009 was \$34.9 million, a decrease of \$13.9 million from the end of the 2008 fiscal year. Uses of cash in the first nine months of 2009 were mainly a result of lower earnings and an inventory buildup caused by a planned investment in finished goods related to legacy products approaching the end-of-life stage and the sudden and severe economic downturn. Management has taken action to reduce work in process in the supply chain and limit future capital expenditures to critical projects. As a result, inventories began to decrease in the third quarter and are expected to decline further by year end.

The Company is in a strong liquidity position and is able to meet its cash flow obligations as they come due. The Company's cash and accounts receivable represent a combined balance of \$52.0 million, which is

sufficient to cover the combination of accounts payable and the current portion of the long-term payable of \$14.2 million. The current ratio at the end of the third quarter was 5.6 times.

Cash flow used in operating activities was \$0.3 million in the third quarter of 2009 compared to cash generated of \$10.2 million in the same period last year. The use of cash in operations was mainly due to funding of operating losses, offset by cash generated from non-cash working capital. Cash of \$0.8 million was used in investing activities in the third quarter of 2009 compared to cash generation of \$6.4 million for the same period last year. This change was mainly due to proceeds received on the sale of the land and vacant building, offset by investments in capital assets and project development costs. During the third quarter of 2008 the generation of cash was mainly due to proceeds received on the sale-leaseback transaction of our corporate office, partially offset by investments in the implementation of a new enterprise resource planning ("ERP") system and leasehold improvements related to the new test operation facility.

Accounts receivable

At August 31, 2009, the accounts receivable balance was \$17.2 million compared to \$22.7 million at November 30, 2008. The reduction in accounts receivable is mainly due to lower revenues in the third quarter compared to the fourth quarter of last year.

As of August 31, 2009, the allowance for doubtful accounts was \$1.0 million compared to \$0.2 million at the end of the 2008 fiscal year. The increase relates to provisions made in the first nine months of 2009 against accounts that were deemed to be uncollectible.

The aging of trade receivable balances as of August 31, 2009 compared to November 30, 2008 was as follows:

	August 31, 2009	% of total before allowance	November 30, 2008	% of total before allowance
Not past due	13.8	75.8	18.4	80.2
Past due 0-30 days	2.8	15.4	2.9	12.7
Past due 31-60 days	0.3	1.6	1.1	4.7
Past due over 61 days	1.3	7.2	0.5	2.4
Trade receivables	18.2		22.9	
Less allowance for doubtful accounts	(1.0)		(0.2)	
	17.2		22.7	

The Company is exposed to commercial credit risk from its customers in the normal course of business. However, this risk is mitigated by the Company's credit management policies. Advance payments from customers are required in certain circumstances.

No material write-offs occurred in the third quarter and first nine months of 2009 or 2008.

Inventories

At August 31, 2009, inventories were \$23.2 million, compared to \$14.2 million at the end of November 30, 2008. This increase was mainly caused by a planned investment in finished goods related to legacy products approaching the end-of-life stage. Management has taken action to aggressively reduce work in process, refine safety stock levels and postpone other deliveries of incoming materials. As a result, inventory levels were reduced in the third quarter and further reductions are expected by year end.

Instruments held for trading and long-term investments

Trading of the CellPoint shares were halted on the Aktie Torget stock exchange in Sweden during the quarter. Those shares classified as held for trading were written down to a fair value of nil as of August 31, 2009 (November 30, 2008 - \$0.3 million). The fair value adjustment loss for the quarter recorded through net earnings was less than \$0.1 million (third quarter of 2008 - nil). On a year-to-date basis, the unrealized pre-tax loss recorded through net earnings was \$0.3 million (year-to-date 2008 - nil).

The CellPoint shares classified as available for sale were impaired for the remaining value of \$0.1 million through net earnings in the quarter (November 30, 2008 - \$0.5 million). On a year-to-date basis, an impairment charge of \$0.8 million has been recorded.

In the second quarter of 2009, the Company sold its investment in Toumaz for \$1.0 million, net of commissions, resulting in a realized gain of \$0.3 million.

Future income tax assets

Net future income tax assets increased by \$6.2 million compared to the end of 2008. The increase is primarily related to the additional R&D expense carry forwards.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at August 31, 2009 decreased by \$5.8 million to \$13.0 million compared to \$18.8 million at the end of the 2008 fiscal year. The decrease is primarily the result of the payout of accruals for the Company's fiscal 2008 variable compensation program and new ERP system, and lower levels of economic activity in 2009.

Total assets

Total assets at the end of the third quarter of 2009 were \$164.3 million, an increase of \$4.8 million from the end of 2008. The increase is primarily due to higher inventory and future income taxes, partially offset by lower cash and cash equivalents and receivables.

Capital expenditures

Purchases of capital assets in the first nine months of 2009 were \$3.2 million compared to \$11.1 million in the first nine months of 2008. The first nine months of 2008 included expenditures associated with the implementation of the Company's new ERP system (\$4.4 million) and the new Burlington test operations facility (\$3.2 million). Capital commitments at August 31, 2009 totalled \$1.0 million.

Dividends

Total dividends of \$1.1 million, or Canadian \$0.035 per share, were paid in the third quarter of 2009 (\$1.2 million or Canadian \$0.035 per share in the third quarter of 2008).

Derivative financial instruments

The objective of the Company's foreign exchange risk management activities is to minimize translation exposures and the resulting volatility of the Company's earnings. The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange rates by entering into foreign exchange forward contracts.

Cash, receivables and payables on the Canadian entity's books are primarily denominated in U.S. dollars while the functional currency of this entity is Canadian dollars. Therefore, translation gains or losses can occur when these net monetary assets are translated to Canadian dollars at the exchange rate in effect on the balance sheet date. A volatile exchange rate can create significant swings in periodic income. To help mitigate this risk, starting in the third quarter of 2009, the Company entered into foreign exchange forward contracts equal to the forecasted U.S. dollar denominated net monetary assets and excess U.S. dollar cash balances. These contracts mature in one month and help to offset the impact of translation gains or losses due to currency movements.

In the year to date for 2009, the Canadian dollar strengthened compared to the U.S. dollar (\$0.8083 on November 30, 2008 Canadian to U.S. dollar exchange rate compared to \$0.9118 on August 31, 2009) and remained consistent with the prior quarter (\$0.9123 on May 31, 2009 Canadian to U.S. dollar exchange rate compared to \$0.9118 on August 31, 2009).

During the third quarter, the Company cancelled foreign exchange contracts entered into under its previous hedging policy which resulted in a gain of \$0.3 million. Realized gains on foreign exchange forward and spot contracts, including the cancelled contracts, were \$0.8 million in the third quarter of 2009 (2008 - losses of \$0.1 million). The Company reported a foreign currency translation loss on net monetary assets in other expense in the third quarter of \$0.5 million (2008 - gains of \$1.8 million).

The Company has entered into a foreign exchange forward contract to sell an aggregate amount of U.S. \$16.0 million as at August 31, 2009. This contract matures on September 30, 2009 at an exchange rate of Canadian \$1.0991 against the U.S. dollar. Management estimates that a before tax gain of \$0.1 million would be realized if the contract was terminated on August 31, 2009. The fair value of the foreign exchange forward contract is based on market information from major financial institutions. This forward contract is not considered a hedge therefore the gain is included in Other Income on the Statement of Earnings.

The Company's reporting currency is the U.S. dollar. Therefore, financial results are first consolidated into the Canadian dollar functional currency and then translated into U.S. dollars using the current rate method. The translation to the reporting currency does not generate any cash impact and is not hedged by the Company. Any gains or losses created by translating from the functional currency to the reporting currency are captured as a change in unrealized gains (losses) on translating financial statements and are captured in the consolidated statement of Other Comprehensive Income. A year-to-date foreign currency translation gain of \$14.9 million is included in Other Comprehensive Income as a result of converting the Canadian dollar consolidation for the purpose of U.S. dollar reporting.

CONTRACTUAL OBLIGATIONS

(in millions of U. S. dollars)

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Operating leases	29.4	3.9	6.9	4.4	14.2
Purchase obligations ⁽¹⁾	7.1	6.7	0.4	---	---
Other obligations	0.1	0.1	---	---	---
Total contractual obligations	36.6	10.7	7.3	4.4	14.2

⁽¹⁾ Agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed or variable price provisions and the approximate timing of the transactions. The purchase obligations relate primarily to inventory, product development, license agreements, general operating costs and \$1.0 million in authorized capital projects.

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

RELATED PARTY TRANSACTIONS

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

LITIGATION

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

NEW ACCOUNTING POLICIES AND CRITICAL ESTIMATES

A summary of significant accounting policies is presented in note 1 to our audited November 30, 2008 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 2008 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, 2008 audited Consolidated Financial Statements, except as described below.

Changes in Significant Accounting Policies

Effective December 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

General Standards of Financial Statement Presentation – The CICA amended Section 1400 “General Standards of Financial Statement Presentation”, to include requirements to assess and disclose an entity’s ability to continue as a going concern. The Company adopted the amendments to this standard beginning December 1, 2008. There was no impact on the classification of the Company’s consolidated financial statements.

Inventories – The CICA issued a new standard, Section 3031 “Inventories”, which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. The Company adopted this standard beginning December 1, 2008 and adjusted opening inventory on this date by \$0.2 million with the adjustment recorded net of tax as an increase to retained earnings for additional transportation costs now required to be included in inventory. The prior period was not restated. Inventories are recorded at the lower of cost and net realizable value. Inventory cost is based on weighted average cost and includes material, labour, transportation and handling costs and manufacturing overhead where applicable.

Goodwill and Intangible Assets – The CICA issued a new accounting standard, Section 3064 “Goodwill and Intangible Assets”, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. The Company adopted the new standard beginning December 1, 2008. As a result of the new Section, the Company reversed the deferred cost balance of \$0.4 million related to deferred pre-opening costs as they are no longer eligible for capitalization. The adjustment of \$0.3 million net of tax was made as a reduction to retained earnings.

Financial Statement Concepts – Section 1000 “Financial Statement Concepts”, was amended to provide consistency with the new standard, Section 3064. The amended standard was effective for the Company beginning December 1, 2008 and had no impact on the classification and valuation of the Company’s consolidated financial statements.

Recently issued accounting pronouncements

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

International Financial Reporting Standards – In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards (“IFRS”) for publicly accountable enterprises. The Company will be required to adopt IFRS no later than December 1, 2011, and

will be required to provide IFRS comparative information for the previous fiscal year. The Company expects the transition to IFRS to impact accounting, financial reporting, internal controls over financial reporting, taxes, IT systems and processes and compensation plans. The Company has established an IFRS implementation team and completed a diagnostic analysis in the second quarter of 2009. The second phase of the conversion process is expected to begin in the fourth quarter of 2009.

CONTROLS AND PROCEDURES

There have been no changes in the Company's internal controls over financial reporting during the second quarter of 2009 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

COMMON SHARES OUTSTANDING

At August 31, 2009, there were 35,429,086 common shares of Gennum outstanding, being the same number of common shares outstanding as at November 30, 2008. On September 30, 2008, a normal course issuer bid was announced to acquire up to 3,408,224 of the Company's common shares (approximately 10% of the public float), commencing on October 2, 2008 and ending on October 1, 2009. No repurchases have been made to date in 2009.

At the end of the third quarter of 2009, there were 2,587,894 outstanding options, each entitling the holder to purchase one common share of Gennum. Of these outstanding options, 845,467 were exercisable as at August 31, 2009.

RISKS AND UNCERTAINTIES

We are subject to a number of risks and uncertainties that could significantly affect our financial condition and performance. As we grow, continue our commitment to R&D, and enter into new markets, these risks can increase. For a discussion of these risks, please refer to our annual information form dated February 23, 2009, our 2008 Annual Report and our other public filings.

OUTLOOK

Our third fiscal quarter was a period in which we saw customer demand strengthen, resulting in a 10% revenue growth compared to the second quarter of 2009 and improved backlog for the fourth quarter.

For the fourth quarter, we have better visibility as customer lead times continue to increase. We are encouraged by continued increasing market demand for our products, enabling our ability to deliver improved revenue performance in the final quarter of our fiscal year.

We continue to be focused on improving profitability and cash flow. With the increased manufacturing activity in our test operations and actions to reduce costs, we expect gross margin percentage to return to average corporate levels. We also expect our cost structure to continue to benefit from the cost initiatives that were announced in August 2009.

Turning to the economic environment, and specifically our industry outlook, we do see some improvement in the overall economic environment and end markets. We are particularly seeing improvement in broadcast and data communications markets due to the continued build out of the global 3Gb/s video broadcast infrastructure and the migration to data rates above 10Gb/s in data center, enterprise and storage applications. We expect this market demand improvement to continue into fiscal 2010.

Looking ahead to 2010, we believe that the cost initiatives, improvement in our market segments and early volume ramps of new products should result in us achieving operating ratios in line with our 2008 performance.

We remain confident in our strategy and will continue to deliver more new products, capitalize on new customer opportunities and grow our leadership in our target markets.

September 23, 2009

GENNUM CORPORATION

Unaudited Consolidated Financial Statements

For the Nine Months ended August 31, 2009

(Amounts in thousands of U.S. Dollars)

Gennum Corporation

CONSOLIDATED BALANCE SHEETS – (unaudited)

(U.S. dollars, amounts in thousands)

August 31, 2009 November 30, 2008

ASSETS

Current

Cash and cash equivalents	34,862	48,748
Instruments held for trading (note 9)	---	268
Accounts receivable, net	17,167	22,726
Inventories (note 3)	23,184	14,219
Prepaid expenses and other assets	4,781	4,863
Promissory note receivable (note 10)	1,161	816
Consideration receivable (note 6)	500	---
Income taxes receivable	3,867	547
Future income taxes	9,824	13,428
Assets held for sale (note 6)	---	142

Total current assets	95,346	105,757
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Capital assets, net (note 4)	21,839	20,579
Long-term investment (note 9)	---	1,300
Intangible assets, net (note 11)	11,503	8,652
Promissory note receivable (note 10)	---	606
Consideration receivable (note 6)	845	---
Goodwill (note 11)	20,843	18,029
Future income taxes	13,909	2,915
Assets held for sale (note 6)	---	1,616

	164,285	159,454
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities (note 17)	13,025	18,849
Deferred revenue (note 12)	719	308
Current portion of long-term payable (note 13)	1,142	1,013
Income taxes payable	814	1,138
Future income taxes	1,273	1,515

Total current liabilities	16,973	22,823
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Long-term payable (note 13)	1,143	1,013
Deferred revenue (note 12)	3,628	3,430
Future income taxes	3,882	2,478

Shareholders' equity

Capital stock (note 14)	8,576	8,576
Deferred compensation	(2,766)	(2,092)
Retained earnings	104,522	113,658
Contributed surplus	3,466	2,493
Accumulated other comprehensive income	24,861	7,075

Total shareholders' equity	138,659	129,710
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	164,285	159,454
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Commitments and contingencies (note 21)

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) – (unaudited)

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

	Three Months Ended		Nine Months Ended	
	August 31		August 31	
	2009	2008	2009	2008
Revenue (note 16)	21,389	33,496	60,140	96,583
Cost of goods sold	6,646	7,931	17,571	23,269
Gross margin	14,743	25,565	42,569	73,314
Sales, marketing and administration expense	7,596	9,454	22,741	26,333
Research and development expense	7,377	9,401	22,834	27,428
Amortization of intangible assets	491	454	1,326	1,348
Less government assistance	(1,026)	(1,206)	(3,379)	(4,387)
Operating expenses before restructuring and deferred development charge	14,438	18,103	43,522	50,722
Restructuring charge and deferred development impairment (note 17)	5,509	---	5,509	---
Operating income (loss)	(5,204)	7,462	(6,462)	22,592
Investment income	58	259	272	881
Other income (expense) (note 18)	(364)	1,687	(3,201)	2,667
Earnings (loss) from continuing operations before income taxes	(5,510)	9,408	(9,391)	26,140
Provision (recovery) of income taxes (note 19)	(1,244)	3,037	(3,168)	9,250
Net earnings (loss) for the period, from continuing operations	(4,266)	6,371	(6,223)	16,890
Net earnings (loss) on discontinued operations, net of tax (note 5)	---	(18)	---	7,626
Net earnings (loss) for the period	(4,266)	6,353	(6,223)	24,516
Earnings (loss) per share (note 14)				
Continuing operations – basic and diluted	(0.12)	0.18	(0.18)	0.48
Discontinued operations – basic and diluted	---	0.00	---	0.21
Net earnings (loss) – basic and diluted	(0.12)	0.18	(0.18)	0.69

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – (unaudited)

(U.S. dollars, amounts in thousands)

	Three Months Ended		Nine Months Ended	
	August 31		August 31	
	2009	2008	2009	2008
Capital stock				
Balance at beginning of the period	8,576	8,627	8,576	8,680
Shares repurchased under normal course issuer bid	---	---	---	(53)
Balance at end of the period	8,576	8,627	8,576	8,627
Deferred compensation				
Balance at beginning of the period	(3,384)	(3,902)	(2,092)	(3,404)
New awards	(49)	---	(1,986)	(1,680)
Forfeitures	234	59	250	413
Amortization	433	485	1,062	1,313
Balance at end of the period	(2,766)	(3,358)	(2,766)	(3,358)
Retained earnings				
Balance at beginning of the period (as restated – note 1)	109,905	108,555	113,658	93,200
Transitional adjustment on adoption of new accounting policies (note 1)	---	---	212	---
Net earnings (loss)	(4,266)	6,353	(6,223)	24,516
Dividends	(1,117)	(1,231)	(3,125)	(3,723)
Repurchase of common shares	---	---	---	(316)
Balance at end of the period	104,522	113,677	104,522	113,677
Contributed surplus				
Balance at beginning of the period	3,094	1,729	2,493	1,078
Stock option amortization	372	412	973	1,063
Balance at end of the period	3,466	2,141	3,466	2,141
Accumulated other comprehensive income, net of income taxes				
Balance at beginning of the period	24,675	37,055	7,075	36,802
Other comprehensive income (loss) for the period	186	(10,807)	17,786	(10,554)
Balance at end of the period	24,861	26,248	24,861	26,248
Total shareholders' equity at end of the period	138,659	147,335	138,659	147,335

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) – (unaudited)

(U.S. dollars, amounts in thousands)

	Three Months Ended		Nine Months Ended	
	August 31		August 31	
	2009	2008	2009	2008
Net earnings (loss) for the period	(4,266)	6,353	(6,223)	24,516
Other comprehensive income (loss), net of income taxes				
Change in unrealized gains (losses) on translating financial statements	(175)	(9,820)	14,848	(9,142)
Change in gains (losses) on derivative instruments designated as cash flow hedges ¹	2,171	(806)	2,319	(1,242)
Reclassification to earnings of gains (losses) on settled cash flow hedges ²	(1,810)	25	405	402
Change in unrealized gains (losses) on available for sale financial assets ³	(62)	(206)	1,365	(572)
Reclassification to earnings of gains (losses) on available for sale financial assets ⁴	62	---	(1,151)	---
Total other comprehensive income (loss), net of income taxes	186	(10,807)	17,786	(10,554)
Comprehensive income (loss) for the period	(4,080)	(4,454)	11,563	13,962

¹ – Net of income tax recovery of nil for the quarter and nil year to date (2008 - tax recovery of \$399 for the quarter and \$618 year to date)

² – Net of income tax recovery of nil for the quarter and nil year to date (2008 - tax of \$12 for the quarter and \$203 year to date)

³ – Net of income tax recovery of \$10 for the quarter and \$148 year to date (2008 - nil for the quarter and year to date)

⁴ – Net of income tax recovery of \$10 for the quarter and \$148 year to date (2008 - nil for the quarter and year to date)

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS – (unaudited)

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

	Three Months Ended		Nine Months Ended	
	August 31		August 31	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net (loss) earnings from continuing operations for the period	(4,266)	6,371	(6,223)	16,890
Items not affecting cash				
Depreciation and amortization	1,776	1,798	5,199	5,428
Impairment of deferred development costs	1,164	---	1,308	---
Deferred compensation and stock option amortization	794	864	2,039	2,320
Gain on sale of land and building	(1,002)	---	(1,002)	---
Gain on sale of BST technology group	---	---	(1,601)	---
Gain on sale of Toumaz investment	---	---	(268)	---
Loss on CellPoint investments	96	---	1,110	---
Future income taxes	(3,193)	2,054	(5,904)	2,045
Foreign exchange (gain) loss on translation	556	(1,810)	3,015	(2,154)
Other	72	(57)	(83)	(177)
	(4,003)	9,220	(2,410)	24,352
Net change in non-cash working capital balances related to continuing operations	3,687	989	(7,026)	(6,949)
Cash (used in) provided by operating activities of continuing operations	(316)	10,209	(9,436)	17,403
Cash used in operating activities of discontinued operations	---	25	---	(7,786)
Cash (used in) provided by operating activities	(316)	10,234	(9,436)	9,617
INVESTING ACTIVITIES				
Purchase of capital assets	(1,069)	(3,890)	(3,155)	(11,070)
Payment of license fees and deferred development charges	(1,606)	(1,407)	(4,161)	(2,184)
Acquisition, cash acquired	---	123	---	123
Acquisition, other than cash acquired	162	(1,716)	(432)	(2,639)
Proceeds on sale of BST technology group – cash	250	---	2,026	---
Proceeds on sale of Toumaz investment	---	---	1,019	---
Proceeds from sale of VXP® (note 7)	---	---	---	18,302
Proceeds from sale of land and building	1,437	13,285	1,437	17,575
Sale of CellPoint investment	---	---	---	502
Cash provided by (used in) investing activities of continued operations	(826)	6,395	(3,266)	20,609
Cash provided by investing activities of discontinued operations	---	---	---	105
Cash provided by (used in) investing activities	(826)	6,395	(3,266)	20,714
FINANCING ACTIVITIES				
Deferred compensation paid, net of forfeitures	185	66	(1,748)	(1,509)
Shares repurchased under normal course issuer bid	---	---	---	(370)
Dividends paid	(1,117)	(1,231)	(3,125)	(3,723)
Cash used in financing activities	(932)	(1,165)	(4,873)	(5,602)
Effect of exchange rate changes on cash and cash equivalents	351	(3,471)	3,689	(3,731)
Net (decrease) increase in cash and cash equivalents during the period	(1,723)	(11,993)	(13,886)	20,998
Cash and cash equivalents, beginning of the period	36,585	43,146	48,748	34,141

Cash and cash equivalents, end of the period	34,862	55,139	34,862	55,139
Dividends declared per share ¹	\$0.031	\$0.035	\$0.088	\$0.105

No interest expense was paid in the third quarter or the nine months ended August 31, 2009 or 2008. Income taxes paid in the third quarter was \$513 (2008 - \$540) and in the year to date was \$2,936 (2008 - \$810). Cash and cash equivalents at August 31, 2009 is comprised of \$16,935 in cash and \$17,927 in cash equivalents (August 31, 2008 - Cash - \$8,461 and cash equivalents - \$46,678).

¹ – Dividends were paid in Canadian dollars at a rate of \$0.035 per share per quarter.

See accompanying notes

GENNUM CORPORATION

Notes to the Consolidated Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of Gennum Corporation (the "Company") have been prepared by 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, 2008.

Changes in accounting policies

Effective December 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

General Standards of Financial Statement Presentation – The CICA amended Section 1400 "General Standards of Financial Statement Presentation", to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company adopted the amendments to this standard beginning December 1, 2008. There was no impact on the classification of the Company's consolidated financial statements.

Inventories – The CICA issued a new accounting standard, Section 3031 "Inventories", which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. The Company adopted this standard beginning December 1, 2008 and adjusted opening inventory on this date by \$234 with an adjustment of \$212 net of tax made as an increase to retained earnings for additional transportation costs now required to be included in inventory. The prior period was not restated. Inventories are recorded at the lower of cost and net realizable value. Inventory cost is based on weighted average cost and includes material, labour, transportation and handling costs and manufacturing overhead where applicable.

Goodwill and Intangible Assets – The CICA issued a new accounting standard, Section 3064 "Goodwill and Intangible Assets", which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. The Company adopted the new standard retrospectively. As a result of the new Section, the Company reversed the deferred cost balance of \$403 related to deferred pre-opening costs as they are no longer eligible for capitalization. The adjustment of \$323 net of tax was made as a reduction to ending retained earnings as at November 30, 2008.

Financial Statement Concepts – Section 1000 "Financial Statement Concepts", was amended to provide consistency with the new standard, Section 3064. The amended standard was effective for the Company beginning December 1, 2008 and had no impact on the classification and valuation of the Company's consolidated financial statements.

Recently issued accounting pronouncements

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests – In December 2008, the CICA approved three new accounting standards; Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", replacing Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 provides the Canadian equivalent to IFRS 3 – "Business Combinations (January 2008)" and Sections 1601 and 1602 to IAS 27 – "Consolidated and Separate Financial Statements (January 2008)". Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. The section applies prospectively to business combinations for

which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Entities adopting Section 1582 will also be required to adopt Sections 1601 and 1602. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will require a change in the measurement of non-controlling interest and will require the non-controlling interest to be presented as part of shareholders' equity on the balance sheet. In addition, the net earnings will include 100% of the subsidiary's results and will be allocated between the controlling interest and non-controlling interest. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. All three standards are effective at the same time Canadian public companies will have adopted IFRS, for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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 improves 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 period in accumulated Other Comprehensive Income.

During the period, 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 \$0.9118 Canadian dollars to U.S. dollars (November 30, 2008 - \$0.8083).

3. INVENTORIES

	August 31, 2009	November 30, 2008
Raw materials and supplies	338	301
Work in process	13,294	9,183
Finished goods	9,552	4,735
	23,184	14,219

Inventory is reviewed at least quarterly for obsolescence. The Company recorded a write-down of \$286 during the third quarter of 2009 and \$428 year to date. The inventory write-down in the quarter was part of the restructuring activity (see note 17).

4. CAPITAL ASSETS

	August 31, 2009	November 30, 2008
Land	897	1,133
Buildings	---	3,641
Equipment and furniture	27,904	25,151
Computer software and hardware	10,550	13,938
Operating systems	9,008	7,099
Leasehold improvements	2,307	1,371
	50,666	52,333
Less accumulated depreciation		
Buildings	---	3,588
Equipment and furniture	18,612	17,025
Computer software and hardware	9,163	11,063
Operating systems	682	59
Leasehold improvements	370	19
	28,827	31,754
	21,839	20,579

The cost of capital asset additions year to date for 2009 was reduced by government assistance of \$290. Included in capital assets were assets valued at \$1,842 that were not in use as of August 31, 2009 and therefore depreciation was not started (as at November 30, 2008 - \$2,455).

Depreciation expense from continuing operations for the period was as follows:

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Buildings	4	73	16	321
Equipment and furniture	863	961	2,604	3,002
Computer software and hardware	171	246	482	759
Operating systems	238	---	669	---
Leasehold improvements	65	---	159	---
	1,341	1,280	3,930	4,082

5. RECONCILIATION OF DISCONTINUED OPERATIONS

As part of the Company's 2007 strategic decision-making process, it was determined that the Company would focus on its core business of designing, developing and marketing innovative optical and analog and mixed-signal products. As a result of this decision, divestitures of non-core businesses, including Hearing and Manufacturing Operations and VXP® Image Processing, were completed.

As a result, certain figures for 2008 and 2009 for operating results have been re-classified to discontinued operations in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". The following table summarizes the reclassifications for the third quarter of 2008 (there were no discontinued operations in the year to date for 2009):

Discontinued Operations

	Nine Months ended		
	August 31, 2008		
	Hearing/Mfg ¹	VXP® ¹	TOTAL
Revenue	---	1,290	1,290
Operating loss, before tax	(423)	(3,906)	(4,329)
Gain (loss) on sale	(1,173)	13,473	12,300
	(1,596)	9,567	7,971
Income tax (expense) recovery	525	(870)	(345)
Net earnings (loss) from discontinued operations, net of tax	(1,071)	8,697	7,626

¹ The gain and loss on sale are considered capital transactions and therefore are only 50% taxable/deductible.

6. SALE OF THE BST TECHNOLOGY GROUP AND ASSOCIATED ASSETS

On March 4, 2009, the Company completed the sale of its BST technology group and associated assets to Paratek Microwave, Inc. ("Paratek") for cash on closing of \$1,526 and future cash payments totaling \$2,150. The consideration receivable is non interest bearing with \$250 payable quarterly for the next year and a long-term portion of \$1,150 payable by March 4, 2012. The long-term portion was originally discounted to \$796 using a rate of 12%. The balance at August 31, 2009 is \$845.

The Company is also entitled to royalty payments based on Paratek's sales of BST related products over the next 5 years, but royalty payments could terminate earlier if Paratek were to undergo a change of control in that time frame. In the event that a change of control occurred on or before September 4, 2010, the royalty payments may only be terminated upon the payment of \$3,000 to the Company; in the event that any such transaction occurs on or before March 4, 2012, the royalty payments may only be terminated upon the payment of \$2,000 to the Company. No accrual was made for royalty payments at this time because an estimate cannot yet be made.

The Company does not have any continuing involvement in or retain any ownership interest in these operations.

The sale of the BST technology group and associated assets resulted in a gain of \$1,601, calculated as follows:

Capital assets	1,436
Inventory	164
Transaction costs	121
	<hr/> 1,721
Less proceeds:	
Cash	1,526
Consideration receivable	1,796
	<hr/> 1,601

Inventory of \$142 and capital assets (net) of \$1,616 related to the BST technology group have been reclassified to assets held for sale as at November 30, 2008.

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 \$18,200. The sale of the VXP® Image Processing business resulted in the termination of approximately 30 employees in January 2008.

Following the close of the sale transaction, the Company received a final payment of fees from Sigma Designs in June 2008 for providing certain administrative functions and for the lease of office space. The Company does 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 \$13,473 and was calculated as follows:

Accounts receivable	886
Inventories	1,305
Prepaid and other assets	273
Capital assets, net	738
Intangible assets	382
Transaction costs	1,364
Accounts payable and accrued liabilities	(221)
	<hr/>
	4,727
Less proceeds:	
Cash	18,200
Gain on sale recognized in fiscal year 2008	<hr/>
	13,473

The assets and liabilities and 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 5).

8. ACQUISITION – ASIC ARCHITECT, INC.

On July 25, 2008, the Company acquired all of the shares of ASIC Architect, Inc. ("ASIC Architect"), a developer of high-speed controller intellectual property, for a total initial cash consideration of \$1,582 including transaction related costs of \$82 and the following future cash consideration:

- a) Working capital surplus – a cash payment was required if the working capital of ASIC Architect on completion of the transaction was in a surplus position; a final payment of \$36 has been made to account for a working capital surplus and has been accounted for as an increase in the purchase price and goodwill.
- b) Earn-out – earn-out payments are required to be made based on attaining certain annual IP sales thresholds in the first three years past closing. This contingent consideration had not been accounted for in the initial purchase price because a reasonably accurate estimate could not be made at that time; however, payments made since closing are treated as purchase price adjustments. To date, \$118 related to the earn-out has been reflected as a purchase price adjustment to goodwill.

The acquisition was accounted for under the purchase method from the acquisition date. The purchase price allocation was assigned to the net identifiable assets acquired based on their fair values as follows and is adjusted quarterly for earn-out accruals:

Cash	122
Accounts receivable	164
Prepays and other assets	14
Capital assets	33
Identifiable intangible assets subject to amortization:	
Technology	339
Customer relationships	25
In process development	142
Customer value	290
Contracts in process	299
	<hr/> 1,428
Accounts payable and accrued liabilities	(263)
Future income taxes	(438)
	<hr/> (701)
Excess of adjusted purchase price over fair value of identifiable net assets acquired (goodwill) (note 11)	<hr/> 1,009
Total adjusted purchase price, including transaction costs	<hr/> <hr/> 1,736

9. INSTRUMENTS HELD FOR TRADING AND LONG-TERM INVESTMENTS

The Company owns 1.7 million shares of CellPoint Connect ("CellPoint"), received as partial consideration for the sale of its Consumer Headset product line on August 24, 2007. The original book value of these shares was Canadian \$1,500.

One third of the shares have been classified as held for trading. Trading of the shares was halted on the Aktie Torget stock exchange in Sweden during the quarter and the Company wrote the shares down to a fair value of nil as of August 31, 2009 (November 30, 2008 - \$268). The fair value adjustment for the quarter was a \$32 loss recorded through earnings (third quarter of 2008 - nil). On a year-to-date basis, the unrealized loss recorded through earnings was \$266 (year-to-date 2008 - nil).

The remaining 1.1 million shares have been classified as available for sale and are recorded on the balance sheet at their fair market value of nil (November 30, 2008 - \$536) with fair value adjustments normally deferred to Other Comprehensive Income. However, since the decrease in the fair value of the shares was significant and prolonged, an impairment of \$64 was charged to earnings in the third quarter and \$844 in the year to date.

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 Inc. The shares of Nanoscience Inc., which later changed its name to Toumaz Technology Limited ("Toumaz"), are traded on the AIM exchange in London, England. Since November 2005, the Company had recorded impairments totaling \$1,983 against the value of this investment. On May 26, 2009, the Company sold its investment in Toumaz for \$1,019, net of commissions, creating a gain of \$268 in the second quarter.

10. PROMISSORY NOTE RECEIVABLE

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 its Hearing and Manufacturing Operations to Sound Design Technologies Ltd. ("Sound Design"). The promissory note bears interest at a fixed interest rate of 5% per annum with scheduled quarterly principal payments of Canadian \$250 which began in April 2008, and the remaining balance plus accrued interest due in April 2010. In connection with the sale of the BST technology group and associated assets (note 6), the Company agreed to postpone the July 2009 payment to October 2009. All other payments remain on the original schedule. The balance of \$1,161 has been classified as a current asset as at August 31, 2009 (November 30, 2008 - \$816 current and \$606 long-term).

11. GOODWILL AND INTANGIBLE ASSETS

(i) Goodwill

Goodwill of \$1,889 was acquired through the purchase of SiGe Semiconductor Inc.'s LightCharger™ optical networking business in May 2004. In October 2007, goodwill of \$16,895 was recognized through the purchase of the shares of Snowbush Microelectronics Inc. and subsequent to closing, further adjustments to goodwill occurred of \$1,778 in 2008 and \$379 to date in 2009. On July 25, 2008, goodwill of \$855 was recognized through the purchase of the shares of ASIC Architect and, as discussed in note 8, goodwill was adjusted by \$62 in 2008 and \$92 to date in 2009. Goodwill is reviewed annually for impairment.

For reconciliation purposes only, the following table summarizes goodwill balances translated to U.S. dollars at the historical exchange rates in effect at the dates of acquisition and the adjustment required to translate from historical rates to the respective balance sheet rates:

	August 31, 2009	November 30, 2008
SiGe Semiconductor Inc.	1,889	1,889
Snowbush Microelectronics Inc.	19,052	18,673
ASIC Architect (note 8)	1,009	917
Exchange translation	(1,107)	(3,450)
	20,843	18,029

(ii) Intangible Assets

	August 31, 2009	November 30, 2008
License fees	216	192
Less accumulated amortization	(105)	(58)
	111	134
<i>SiGe acquired in 2004</i>		
Technology	2,025	1,795
Less accumulated amortization	(1,543)	(1,175)
	482	620
<i>Snowbush acquired in 2007</i>		
Technology	3,739	3,314
Supplier relationships	1,185	1,051
In process development	638	566
Customer value	100	89
Contracts in process	128	113
	5,790	5,133
Less accumulated amortization	(2,384)	(1,250)
	3,406	3,883
<i>ASIC Architect acquired in 2008</i>		
Technology	315	279
Customer relationship	23	20
In process development	72	117
Customer value	269	238
Contracts in process	278	247
	957	901
Less accumulated amortization	(182)	(49)
	775	852
Deferred development cost	6,759	3,165
Less accumulated amortization	(30)	(2)
	6,729	3,163
	11,503	8,652

License fees are amortized using the straight-line method over the estimated useful lives ranging from three to five years. No new license fees were incurred in the first nine months of 2009 or 2008.

The intangible asset resulting from the SiGe Semiconductor Inc. acquisition in May 2004 is amortized using the straight-line method over the estimated useful life of seven years.

Intangible assets resulting from the Snowbush Microelectronics Inc. acquisition in October 2007 are amortized using the straight-line method over the estimated useful lives ranging from one to five years.

Intangible assets resulting from the ASIC Architect acquisition in July 2008 are amortized using the straight-line method over the estimated useful lives ranging from five to seven 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 sales of the associated product. Upon commercial launch of the product, these costs are amortized to cost of goods sold over the number of expected product life unit sales to a maximum of five years. Additional deferred development costs of \$1,606 and \$4,008 were capitalized in the third quarter and the year to date for 2009 respectively (third quarter of 2008 - \$1,412; year to date for 2008 - \$2,034).

Impairments related to deferred development costs were \$1,164 in the third quarter and \$1,330 for the year to date (no impairments were recognized in 2008). The deferred development cost impairment in the third quarter was part of the Company's restructuring activity and was therefore recorded under restructuring and deferred development charge (see note 17).

Amortization expense related to total intangible assets for the third quarter and the year to date for 2009 was \$501 and \$1,352, respectively (third quarter of 2008 - \$454; year to date for 2008 - \$1,348).

12. DEFERRED REVENUE

Deferred revenue is comprised of two components. The largest is the unamortized gain created by the sale leaseback of the corporate headquarters, which was completed in August 2008.

The second component is created in our IP product group when differences occur between the timing of customer payments and the recognition of revenue using the percentage of completion or the completed contract methods. These methods of revenue recognition are prevalent when IP cores sold to customers require customization to meet their specific requirements.

As at August 31, 2009, deferred revenue related to the unamortized gain was \$3,908, of which \$280 was classified as current and the balance of \$3,628 as long term (November 30, 2008 - \$234 current and \$3,430 long term), and deferred revenue related to collections in excess of earned IP revenue was \$439, all classified as current (November 30, 2008 - \$74).

13. LONG-TERM PAYABLE

As part of the consideration for the acquisition of Snowbush Microelectronics Inc. on October 30, 2007, the Company negotiated deferred purchase price payments to be paid in Canadian dollars. As at August 31, 2009, \$2,285 remains outstanding (Canadian \$2,509), with \$1,143 due in the fourth quarter of 2010 and therefore classified as a long-term payable and \$1,142 due in the fourth quarter of 2009 and classified as the current portion of the long-term payable (November 30, 2008 - long term \$1,013 and current portion of the long-term payable \$1,013). The deferred cash payments have been discounted at 6% using the effective interest rate method. The amortization of the discount is being accounted for as a charge to net earnings over the term of the payable.

14. CAPITAL STOCK

The Company has authorized an unlimited number of common shares with no par value, of which 35,429,086 common shares (November 30, 2008 - 35,429,086) were issued and outstanding as at August 31, 2009 with a stated value of \$8,576 (November 30, 2008 - \$8,576). An unlimited number of preferred shares have also been authorized, none of which have been issued.

The Company announced a normal course issuer bid to acquire up to 3.4 million common shares between October 2, 2008 and October 1, 2009. No repurchases have been made to date in 2009.

Options to purchase common shares

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 common shares that may be issued under this plan is 2,700,000, of which 681,644 remain available for new grants. An additional 930,000 options were issued outside the plan to new officers upon hiring at exercise prices ranging from Canadian \$9.75 - \$13.27. No stock options were issued outside the plan to new officers upon hiring in 2008 or to date in 2009.

All options are granted for a term of seven years from the grant date with vesting of 25% at the end of each of the first, second, third and fourth years from the date of grant. All options allow the holder to purchase common shares at the exercise price of the options, which is set at the closing price of a trade of at least a board lot of the common shares on the Toronto Stock Exchange on the trading day preceding the date of grant, unless otherwise determined by the Corporation, but in no event may the option exercise price be less than the fair market value of a common share on the date of grant of the option. The following table presents a comparative summary of options outstanding as of August 31. All exercise prices are presented in Canadian dollars:

	YTD 2009		YTD 2008	
	Number of shares	Weighted average exercise price (Cdn.\$)	Number of shares	Weighted average exercise price (Cdn.\$)
Outstanding, beginning of year	2,117,077	10.99	2,065,885	11.65
Granted	660,150	4.55	536,867	10.07
Forfeited	(186,833)	10.36	(373,175)	12.77
Expired	(2,500)	13.25	---	---
Exercised	---	---	---	---
Outstanding, end of third quarter	2,587,894	9.39	2,229,577	11.68
Options exercisable at August 31	845,467	11.28	563,987	11.33

The following table summarizes information about all options outstanding to purchase common shares at August 31, 2009. Note, all exercise prices are presented in Canadian dollars:

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.\$)
\$4.55 - \$7.53	677,550	6.8 years	4.71	---	---
\$7.54 - \$10.51	1,086,743	5.0 years	9.84	414,167	9.82
\$10.52 - \$13.49	823,601	4.5 years	12.66	431,300	12.68

The estimated weighted average fair value of stock options granted during the year to date for 2009 was Canadian \$1.67 (year to date for 2008 - Canadian \$2.82) per share using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Nine Months Ended August 31, 2009	Nine Months Ended August 31, 2008
Risk-free interest rate	1.93%	3.13%
Expected dividend yield	3.1%	1.4%
Expected volatility	50.9%	29.1%
Expected time until exercise	5.5 years	5.5 years

Restricted share plan

The number and weighted average fair value of restricted shares of the Company granted under employee incentive plans in the third quarter of 2009 were 12,964 and Canadian \$4.24 respectively (no restricted shares were issued in the third quarter of 2008). For the year to date for 2009, the number and weighted average fair values were 483,431 and Canadian \$5.08 respectively (2008 - 187,088, Canadian \$9.03).

The Company recorded compensation expense and credited to Contributed Surplus \$372 related to stock options during the third quarter of 2009 (third quarter of 2008 - \$412) and \$973 year to date (year to date 2008 - \$1,063). Compensation expense in the third quarter of 2009 related to the restricted share plan was \$425 (third quarter of 2008 - \$431) and in the year to date for 2009 was \$1,069 (year to date 2008 - \$1,139).

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 August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Net earnings (loss) from continuing operations	(4,266)	6,371	(6,223)	16,890
Net earnings from discontinued operations	---	(18)	---	7,626
Net earnings (loss) for the period	(4,266)	6,353	(6,223)	24,516
Weighted average shares outstanding (numbers in thousands)	35,429	35,607	35,429	35,618
Shares held in restricted share plan trust fund	(757)	---	(757)	---
Basic weighted average shares outstanding	34,672	35,607	34,672	35,618
Effect of dilutive stock options	---	5	---	80
Diluted weighted average shares outstanding	34,672	35,612	34,672	35,698
Earnings (loss) per share				
Earnings (loss) per share from continuing operations				
- basic and diluted	(0.12)	0.18	(0.18)	0.48
Earnings (loss) per share from discontinued operations				
- basic and diluted	---	0.00	---	0.21
Earnings (loss) per share - basic and diluted	(0.12)	0.18	(0.18)	0.69

In net loss per common share situations, the diluted loss per common share amount is the same as that for basic, as all factors are anti-dilutive.

15. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held for trading; held to maturity investments; loans and receivables; available for sale financial assets; and other financial liabilities. The Company has also designated certain of its derivatives as effective hedges. The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:

	August 31, 2009	November 30, 2008
Held for trading ¹	34,923	49,016
Available for sale ²	---	1,300
Loans and receivables ³	23,720	25,466
Other financial liabilities ⁴	16,124	18,072
Derivatives designated as effective hedges – gain (loss) ⁵	---	(3,941)

1 Includes cash and cash equivalents, foreign exchange forward contracts that are not effective hedges and the CellPoint investment designated as held for trading

2 Includes the CellPoint investment designated as available for sale

3 Includes accounts receivable, promissory note receivable, income taxes receivable, consideration receivable and certain financial instruments included in prepaid expenses and other assets

4 Includes accounts payable and accrued liabilities, long-term payable and income taxes payable

5 Includes the Company's foreign exchange forward contracts that are effective hedges

The Company, through its financial assets and liabilities, is exposed to various risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes.

Risk management is the responsibility of the corporate finance function. The Company's domestic and foreign operations along with the corporate finance function identify, evaluate and, where appropriate, hedge financial risks. Material risks are monitored and are discussed with the audit committee of the board of directors. The following analysis provides information regarding certain financial risks as at August 31, 2009:

(a) Fair Value

The carrying amounts for cash and cash equivalents, accounts receivable, other assets, promissory notes receivable and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The short-term and long-term payable resulting from the Snowbush Microelectronics Inc. acquisition was recorded at its fair value with the resulting discount being charged to earnings.

Instruments held for trading and long-term investments (classified as available for sale) are recorded at fair value based on the quoted share prices, where they exist and foreign exchange rates as at August 31, 2009.

(b) Foreign Exchange Rate Risk

The objective of the Company's foreign exchange risk management activities is to minimize translation exposures and the resulting volatility of the Company's earnings. The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange rates by entering into foreign exchange forward contracts.

As a result of the U.S. dollar profile, cash, receivables and payables on the Canadian entity's books are primarily denominated in U.S. dollars while the functional currency of this entity is Canadian dollars.

Therefore, translation gains or losses can occur when these net monetary assets are translated to the Canadian dollar functional currency at the exchange rate in effect on the balance sheet date. A volatile exchange rate can create significant swings in periodic income. To help mitigate this risk, starting in the third quarter of 2009, the Company entered into foreign exchange forward contracts equal to the forecasted level of U.S. dollar denominated net monetary assets and excess U.S. dollar cash and cash equivalent balances. These contracts mature in one month and help to offset the impact of translation gains or losses due to currency movements from one balance sheet date to the next.

During the third quarter, the Company cancelled foreign exchange contracts entered into under its old hedging policy which resulted in a gain of \$280. Realized gains on foreign exchange forward and spot contracts, including the cancelled contracts, were \$832 in the third quarter of 2009 (2008 - losses of \$61). For the first nine months of the year, the realized losses were \$2,355 (2008 - gains of \$710).

In the year to date for 2009, the Canadian dollar strengthened compared to the U.S. dollar (\$0.8083 on November 30, 2008 Canadian to U.S. dollar exchange rate compared to \$0.9118 on August 31, 2009) and remained consistent with the prior quarter (\$0.9123 on May 31, 2009 Canadian to U.S. dollar exchange rate compared to \$0.9118 on August 31, 2009). The net impact of this on our U.S.-based net monetary assets was a foreign exchange translation loss of \$556 in the third quarter of 2009 and \$3,015 in the year to date for 2009 recorded to other income (expense) (see note 18).

The Company has entered into a foreign exchange forward contract to sell an aggregate amount of U.S. \$16,000 as at August 31, 2009. This contract matures on September 30, 2009 at an exchange rate of Canadian \$1.0991 against the U.S. dollar. Management estimates that a before tax gain of \$61 would be realized if the contract was terminated on August 31, 2009. The fair value of the foreign exchange forward contract is based on market information from major financial institutions. This forward contract is not considered a hedge for accounting purposes and therefore the gain is included in Other Income on the Statement of Earnings.

The Company's reporting currency is the U.S. dollar. Therefore, financial results are first consolidated into the Canadian dollar functional currency and then translated into U.S. dollars using the current rate method. The translation to the reporting currency does not generate any cash impact and is not hedged by the Company. Any gains or losses created by translating from the functional currency to the reporting currency are captured as a change in unrealized gains (losses) on translating financial statements and are captured in the consolidated statement of Other Comprehensive Income.

The Company reported a foreign currency translation loss in the third quarter of \$175 from converting the Canadian dollar consolidation for U.S. dollar reporting. This translation loss is recorded in Other Comprehensive Income and is due to a slight weakening of the Canadian dollar compared to the U.S. dollar in the third quarter. A year-to-date foreign currency translation gain of \$14,848 in Other Comprehensive Income is the result of a significant strengthening of the Canadian dollar over the past nine months.

(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 acceptable credit ratings. Credit risks associated with holders of promissory notes and loans are managed through regular communication with those holders.

As at August 31, 2009, two customers accounted for more than 10% of revenue; one customer accounted for more than 10% of receivables.

The aging of trade receivable balances as of August 31, 2009 was as follows:

	2009
Not past due	13,839
Past due 0-30 days	2,827
Past due 31-60 days	270
Past due over 61 days	1,272
Trade receivables	18,208
Less allowance for doubtful accounts	(1,041)
	17,167

(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. As of August 31, 2009, the Company was holding cash and cash equivalents of \$34,862 and accounts receivable of \$17,167. The following are the undiscounted contractual maturities of financial liabilities as at August 31, 2009:

	Less than 1 year	1 to 2 years
Accounts payable and accrued liabilities	13,025	---
Current portion of long-term payable	1,142	---
Long-term payable	---	1,143
	14,167	1,143

The current ratio for the Company as at August 31, 2009 was 5.6 times.

(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 the Sound Design promissory note has fixed interest rates, the Company is not exposed to any interest rate risk on this financial instrument.

(f) Price Risk

Price risk is the risk that the value of an investment will decline in the future. The Company currently holds an investment in CellPoint (note 9) which is considered a start-up technology company with higher than average financial volatility due to the nature of the business. The price risk associated with this investment is high and the Company has written the investment down to nil. An impairment of the CellPoint investment was recognized through net earnings in the quarter, as management believes the decline in share price is other-than-temporary (see note 9).

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 its 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 is as follows:

Revenue by product portfolio is as follows:

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
Analog and Mixed Signal	15,935	26,726	42,587	75,348
Optical	2,846	3,504	8,855	12,840
IP Licensing	2,608	3,266	8,698	8,395
	21,389	33,496	60,140	96,583

Revenue by principal markets is as follows:

	Three Months Ended August 31		Nine Months Ended August 31	
	2009	2008	2009	2008
North America	14,658	19,580	41,685	57,201
Europe	2,103	4,122	4,921	11,590
Pacific Rim	4,628	9,794	13,534	27,792
	21,389	33,496	60,140	96,583

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

Capital assets and goodwill by country are as follows:

	August 31, 2009	November 30, 2008
Canada *	40,576	36,696
UK	915	994
Other *	1,191	918
	42,682	38,608

* Goodwill of \$19,859 (November 30, 2008 - \$17,266) is located in Canada and \$984 (November 30, 2008 - \$763) is located in Other.

17. RESTRUCTURING CHARGE AND DEFERRED DEVELOPMENT IMPAIRMENT

During the third quarter of 2009, the Company announced the implementation of a restructuring plan to improve profitability and cash flow. The Company's plans include realigning its investment to maintain its R&D programs while reducing corporate infrastructure and business operations costs and capital expenditures. Additionally, Gennum is focusing its marketing, sales and administrative investment on short-term and mid-term customer revenue generation activities and new product development.

This plan resulted in a restructuring charge and deferred development impairment of \$5,509 related to the termination of approximately 10% of total headcount in August and additional restructuring actions to be completed over the next few quarters.

Severance costs	3,528
Deferred development cost impairment	1,164
Inventory and other asset impairments	817
Total restructuring charge and deferred development impairment	5,509

Severance costs incurred in the third quarter	3,528
Severance costs paid in the third quarter	556
Severance costs included in accounts payable and accrued liabilities at quarter end	2,972

18. OTHER INCOME (EXPENSE)

	Three Months Ended		Nine Months Ended	
	August 31		August 31	
	2009	2008	2009	2008
Realized gain (loss) on foreign exchange hedge contracts	832	(61)	(2,355)	710
Foreign exchange gain (loss) on translation	(556)	1,810	(3,015)	2,154
Gain (loss) on foreign exchange, net	276	1,749	(5,370)	2,864
Gain on sale of building ¹	1,002	---	1,002	---
Corporate development charges	(1,191)	---	(1,191)	---
Tundra termination fee, net ²	(7)	---	2,205	---
Gain on sale of BST technology group (note 6)	---	---	1,601	---
Gain on sale of Toumaz investment (note 9)	---	---	268	---
Provision on long-term investment (note 9)	(64)	---	(844)	---
Fair value loss on instruments held for trading (note 9)	(32)	---	(266)	---
Other	(348)	(62)	(606)	(197)
	(640)	(62)	2,169	(197)
	(364)	1,687	(3,201)	2,667

¹ On August 14, 2009, the Company sold its land and vacant building located at 980 Fraser Drive in Burlington, Ontario, which resulted in a gain of \$1,002.

² On March 19, 2009, Gennum Corporation announced it had entered into a definitive agreement providing for the acquisition by Gennum of all of the issued and outstanding shares of Tundra Semiconductor Corporation ("Tundra"). Tundra subsequently received an acquisition proposal which it determined to be a superior proposal and, therefore, the agreement was terminated. Pursuant to the terms of the agreement, Tundra paid Gennum a termination fee of \$4,188 (Cdn \$5,000) upon the termination of the agreement. Transaction costs such as legal, financial advisory and consulting fees have been netted against this fee, which resulted in income of \$2,205.

19. INCOME TAXES RELATED TO CONTINUING OPERATIONS

The following is a reconciliation of the expected income tax expense obtained by applying the combined corporate tax rates to earnings before income taxes:

	Three Months Ended		Nine Months Ended	
	August 31		August 31	
	2009	2008	2009	2008
Expected income tax expense (recovery) using statutory tax rates	(1,818)	3,152	(3,099)	8,757
Permanent differences	246	140	(45)	400
Different income tax rates on earnings of foreign subsidiaries	274	(49)	91	(95)
Changes in tax rates and other	54	(206)	(115)	188
Provision for income taxes	(1,244)	3,037	(3,168)	9,250
Effective tax rate	22.6%	32.3%	33.7%	35.4%

Permanent accounting to tax differences in the quarter relate mainly to stock option amortization. Year to date, the difference relates mainly to the inclusion of capital gains and losses and stock option amortization.

20. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to ensure that there is adequate capital to achieve its business objectives 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 for changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may determine to issue or re-acquire shares, acquire or dispose of assets, and adjust the amount of cash and cash equivalents balances.

21. COMMITMENTS AND CONTINGENCIES

The Company is committed to future minimum payments under operating leases for software design tools and buildings and equipment as at August 31, 2009 as follows:

	Design Tools	Buildings and Equipment	Total
2009	274	798	1,072
2010	1,095	2,765	3,860
2011	1,095	2,324	3,419
2012	1,095	2,222	3,317
2013 and beyond	547	17,196	17,743
	4,106	25,305	29,411

The Company has committed to approximately \$7.1 million in purchase obligations as at August 31, 2009, of which \$1.0 million is related to authorized capital projects. 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.

22. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current year. Certain amounts previously classified as investing activities on the consolidated statement of cash flows related to the Tundra termination fee and the sale of the BST technology group have been reclassified to operating activities.