

Notes to the consolidated financial statements

For the year ended 31 December 2012

4. Business combination continued

Impairment Testing Parameters

	Mobile Systems in %	Connectivity in %
Actual		
Return on sales	22.0	5.0
Pre-tax discount rate	17.4	17.4
Growth rates	72.2	(12.0)
3 year planning period		
Return on sales	24.0 - 28.0	9.0 - 14.0
Pre-tax discount rate	17.4	17.4
Growth rates	10.0 - 36.0	12.0 - 20.0
Perpetual annuity		
Return on sales	27.0	13.0
Pre-tax discount rate	17.4	17.4
Growth rates	10.0	20.0

Based on the performance of the Connectivity and Mobile System Segment Management did not identify any indications for a goodwill impairment in 2011.

Sensitivity to changes in assumptions

The sensitivity analysis for the cash-generating units Connectivity and Mobile System, to which goodwill is allocated, was based on a 10% decline in future revenue growth and cost of sales as well as a less than proportional decrease of other operating expenses. Furthermore, an increase of 1 to 2% in the weighted average cost of capital was applied. The Company believes that such potential changes are reasonably possible, especially in the long term.

When applying the sensitivity parameters described above to the impairment model, it resulted in recoverable amounts of US\$777,063,000 and US\$49,203,000 for the Mobile Systems and the Connectivity CGU respectively. With a net book value of assets of US\$423,657,000 and allocated goodwill of US\$5,150,000, the strategic business unit Mobile Systems does not exceed its recoverable amount. As for the strategic business unit Connectivity, the recoverable amount does not exceed the net assets in the amount of US\$23,899,000 and the allocated goodwill of US\$27,133,000 and could result in an impairment loss of US\$1,829,000. Thus, in order to align the recoverable amount to the aggregate carrying amount of net assets and allocated goodwill, the decrease in future revenue growth and cost of sales must not be greater than 5%.

Management concluded that no impairment charge against goodwill should be recognised in either of the two strategic business units. However, although the assumptions concerning the macroeconomic environment and developments in the industries in which Dialog operates and estimates of the discounted future cash flows are believed to be appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to impairment losses in the future.

5. Income taxes

Income (loss) before income taxes consists of the following:

	2012 US\$000	2011 US\$000
Germany	96,999	60,673
Foreign	(10,874)	749
	86,125	61,422