dialog
SEMICONDUCTOR

Energy management excellence

2009 Financials and selected notes

Making it happen!

Dialog Semiconductor creates energy-efficient, highly integrated, mixed-signal circuits optimised for personal mobile, lighting & display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its focus and expertise in system power management, Dialog brings decades of experience to the rapid development of integrated circuits for power management, audio, display processing and motor control. Dialog's processor companion chips enhance both the performance of hand-held products and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2009, it had $218 million in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 340 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

Press Release – 11 February 2010

Dialog Semiconductor reports fourth quarter and year ended 31 December 2009 results

Company reports revenue in 2009 of $217.6 million, achieving 34.5% growth over 2008

Kirchheim/Teck, Germany, 11th February 2010 – Dialog Semiconductor plc (FWB: DLG), a leading provider of Power Management Semiconductor solutions today reports results for Q4 and the audited financial year ended 31st December 2009.

Q4 and Financial Year 2009 Financial Highlights
- Revenue for Q4 2009 was $77.6 million, an increase of 31.4% over the prior quarter and 49.5% on Q4 2008. For the financial year, revenue was $217.6 million representing an increase of 34.5% over 2008.
- Cash, cash equivalents and restricted cash increased in Q4 2009 by $76.8 million to stand at $123.1 million, an increase of $86.2 million over the prior year period, including $59.7 million from an equity offering in September 2009.
- Further improvement in net income in Q4 2009 with a net income of $19.9 million or 25.6% of revenue. For the financial year, net income was $32.7 million or 15.0% of revenue, including the positive impact of a $7.5 million deferred tax asset.
- For the financial year 2009, gross margin was 44.9%, representing an increase of 6.2 percentage points year over year, including the benefit of an exceptional cash settlement of $2.3 million in Q2 2009.
- Q4 2009 diluted and basic earnings per share of 31 cents and 34 cents respectively. For the financial year 2009, diluted and basic earnings per share of 60 cents and 67 cents respectively.

Q4 and Financial Year 2009 Operational Highlights
- Continued Power Management design wins within the smartphone market segment, with 2009 seeing the ramp of high volume designs in several industry leaders' products.
- Success within the emerging 3G Android smartphone segment with the first design win announced in Q4 2009 with LG for China Mobile.
- Adoption of our 3G/HSPA Power Management technology in convergent devices including ebooks and netbooks.
- Platform partnership announced with NEC Electronics® based on NEC Emma Mobile™ processor and Dialog's Configurable Power Management standard product.
- Entrance in 2009 to the portable audio market with industry's lowest power solution.
- Strategic partnership with Intel® and first design wins in 2009 for Power Management companion products for Atom™ processors.
- Increased demand from Automotive and Industrial segment during Q4 2009.
- Winners of Global semiconductor association and Elektras's European fabless company awards for 2009.

Commenting on the results Dialog Chief Executive, Dr Jalal Bagherli, said:
2009 was a very successful year for Dialog where we led the industry and continued to grow. We focused our efforts on solidifying our position as the leading Power Management IC provider to the industry's leading smartphone manufacturers, 3G/HSPA cellphones and portable media devices while delivering strong revenue growth and improved profitability through the economic downturn. We also reinforced our customer relationships and strengthened our already robust balance sheet.

As a leader in portable power management integrated technology, we are now a highly credible partner worldwide for delivering and extending the battery efficiency of portable devices. With our current design wins, and a pipeline of innovative new products, leading to further design win opportunities, we are very encouraged by our long-term growth prospects as energy efficiency assumes an ever increasing importance in product design.

FINANCIAL OVERVIEW
Revenue in Q4 2009 was $77.6 million, a sequential increase of 31.4% on the $59.1 million of revenue delivered in the Q3 2009 and an increase of 49.5% over the $51.9 million in the comparative period last year. For the financial year 2009, revenue was $217.6 million: an increase of 34.5% over 2008, where revenue was $161.8 million.

Gross margin in Q4 was 48.0%. This represents an increase of 5.9 percentage points over the 42.1% in the comparative period last year, demonstrating operational leverage from much higher volumes. For the financial year 2009, the gross margin was 44.9% representing an increase of 6.2 percentage points over the gross margin of 38.7% registered in 2008. Excluding the effect of the $2.3 million cash settlement from the BenQ insolvency received in Q2 2009, gross margin for 2009 would have been 44.4%.

The growth in revenue led to further improvement in our operating profit during Q4 2009. Operating profit in Q4 2009 was $14.2 million or 18.3% of total revenues compared to $9.6 million or 16.3% of total revenues in the prior quarter. For the full year 2009, our operating profit grew by $22.7 million from $6.0 million in 2008 to $28.7 million in 2009, representing 13.2% of total revenue.

The net tax credit of $3.9 million for the year ended 31 December 2009 includes a one-off benefit of $7.5 million – or 14 cents per diluted share, being the recognition of a proportion of the deferred tax assets principally relating to carried forward losses. The current year taxable profits also benefit from the utilisation of brought forward tax losses leaving a residual minimum level tax charge mainly applying to taxable profits in Germany. Going forward and on a quarterly basis, we will consider whether it is appropriate to continue to recognise further currently unrecognised deferred tax assets.

In Q4 2009, our ninth consecutive quarter of profitability, net income was $19.9 million or 31 cents per diluted share (34 cents per basic share). This compares to a net income level of $8.8 million or 18 cents per diluted share (19 cents per basic share) delivered in the prior quarter and to a net income of $4.6 million or 10 cents per share (basic and diluted) in the fourth quarter of 2008. For the 2009 financial year, net income was $32.7 million or 60 cents per diluted share (67 cents per basic share), compared to $6.8 million and earnings per share of 15 cents recorded in 2008 (basic and diluted).

At 31 December 2009, we had a cash, restricted cash and cash equivalents balance of $123.1 million, with no debt. This represents an increase of $76.8 million over the cash and securities balance of the prior quarter and $86.2 million for the financial year. Of this increase, $33.2 million was generated from operations during the year and $59.7 million originates from the Company's successful international equity offering which closed in September 2009, where 12 million ordinary shares were issued at a price of €3.65.

At the end of Q4 2009, our inventory was $26.2million, almost flat compared to the prior quarter despite total revenues increasing by 34.5%. This demonstrates our capacity to tightly manage our supply chain.

OPERATIONAL OVERVIEW

Wireless Segment:

Our design win success with cellphone customers for Power Management continued in 2009 as we expanded our customer base to now number more than 10: including major design wins in smartphones and 3G/HSPA enabled cellphones. Additionally, our 3G/HSPA modem platform solution and power management technology is also now being successfully adopted in ebook, netbook and other convergent portable devices; markets which we believe represent new growth areas for Dialog in the future.

Transition of our portfolio to a balance of standard and custom devices also continued in 2009 where we launched new standard product families which will provide us with a platform on which to accelerate further diversification. These include programmable power management devices which revolutionize the way analog designers can design and configure their systems. Additionally, we have sampled with customers the first devices from a family of new ultra low power audio products which are currently under development, setting a new benchmark in the industry for lowest power consumption.

Our Smartxtend™ passive matrix OLED developments remain on track for industry adoption within the portable device and cellphone markets. In 2009, we continued to develop the technology and, by the end of Q4 2009, had sampled our first optimised product with our OLED module partners for product development and evaluation. This technology delivers a strong value proposition over traditional TFT LCD displays and competing active matrix OLED technologies. Dialog also maintains its early leadership in e-paper/e-ink display based products, winning designs during the year in innovative portable applications.

We continue to execute on our strategy to strengthen technology leadership and in February 2010 – post year end – we purchased complimentary power management technology from Diodes Zetex GmbH. As part of this transaction, Dialog has also acquired specific Diodes intellectual property rights and an employee team located in Munich, Germany.

Automotive and Industrial Segment:

2009 was a difficult year for our Automotive and Industrial segment, with the global economic crisis having a marked effect on the automotive industry, affecting sharply our automotive revenue early in the year. However, some pick-up did begin to take place later in the year and our shipments recovered to near historical levels. This is a dynamic we see continuing into 2010.

The transition to increasing use of energy saving lighting, including LEDs, is also providing an opportunity for Dialog to further build on its existing lighting business for the future. To capitalize on this opportunity, during 2009 we announced a joint development centre in Austria with TridonicAtco – a leader in lighting.

Additionally, to support the increasingly popular Intel® Atom™ processors, we provide very high integrated power management and clocking companion devices for Automotive Infotainment and Embedded Industrial processor applications. During 2009, we shipped the first samples and announced a strategic partnership with Harman Becker who will use our products in their automotive infotainment systems.

OUTLOOK

The first quarter of 2010 has started strongly across all of Dialog's business areas and, for the full year, we expect our revenue profile will broadly follow the consumer seasonal trends we have seen in prior years. Industry analysts predict that the semiconductor market will grow in 2010, with the rate of growth dependent upon how quickly consumer confidence and the broader macro-economic environment recover: something which is still unclear. Overall, despite this market uncertainty, we remain confident in our ability to grow our revenue faster than the market in the year ahead and to deliver a successful result for 2010.

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Dialog Semiconductor invites you today at 10:00 CET/ 09:00 UK to listen in a live conference call to managements discussion of Q4 2009 and full year 2009 performance. To access the call, please use the following dial-in numbers: Germany +49 (0) 6103-485-3002, UK +44-207-153-2027, USA +1-480-629-9726, with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at +49-6958-999-0568 with access code 142537#. An audio replay of the conference call will also be posted soon thereafter on the company's website at:

http://www.diasemi.com/investor_relations.php

Additional information to this adhoc release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows and selected notes for the period ending 31 December 2009 is available under the investor relations section of the Company's web site.

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Information about Dialog Semiconductor:
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Forward Looking Statements:
This press release contains "forward-looking statements" that reflect management's current views with respect to future events. The words "anticipate," "believe," "estimate, "expect," "intend," "may," "plan," "project" and "should" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in the semiconductor and telecommunications markets; changes in currency exchange rates and interest rates, the timing of customer orders and manufacturing lead times, insufficient, excess or obsolete inventory, the impact of competing products and their pricing, political risks in the countries in which we operate or sale and supply constraints. If any of these or other risks and uncertainties occur (some of which are described under the heading "Risks and their management" in Dialog Semiconductor's most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement which speaks only as of the date on which it is made, however, any subsequent statement will supersede any previous statement.

Audited consolidated statement of financial position

As at 31 December 2009

	Notes	At 31 December 2009 US$000	At 31 December 2008 US$000
Assets			
Cash and cash equivalents	4	**120,148**	36,915
Restricted Cash		**3,000**	–
Trade accounts receivable and other receivables		**17,486**	7,455
Inventories	5	**26,193**	19,938
Income tax receivables	3	**69**	80
Other financial assets		**–**	1,532
Other current assets		**1,915**	1,383
Total current assets		**168,811**	67,303
Property, plant and equipment		**9,807**	7,734
Intangible assets		**5,005**	4,640
Deposits		**804**	286
Income tax receivables	3	**370**	390
Deferred tax assets	3	**7,514**	–
Total non-current assets		**23,500**	13,050
Total assets		**192,311**	80,353
Liabilities and Shareholders´ equity			
Trade and other payables		**17,304**	12,996
Other financial liabilities		**679**	994
Provisions		**1,784**	1,290
Income taxes payable	3	**3,305**	160
Other current liabilities		**11,308**	4,437
Total current liabilities		**34,380**	19,877
Provisions		**252**	–
Other non-current financial liabilities		**700**	271
Total non-current liabilities		**952**	**271**
Ordinary shares		**11,825**	9,328
Additional paid-in capital		**283,733**	223,005
Accumulated deficit		**(135,667)**	(169,758)
Other reserves		**(2,102)**	(2,231)
Employee stock purchase plan shares		**(810)**	(139)
Net Shareholders´ equity	6	**156,979**	60,205
Total liabilities and Shareholders´ equity		**192,311**	80,353

Audited consolidated income statement

For the year ended 31 December 2009

	Notes	2009 US$000	2008 US$000
Revenue	7	**217,613**	161,830
Cost of sales		**(119,886)**	(99,217)
Gross profit		**97,727**	62,613
Selling and marketing expenses		**(14,183)**	(11,007)
General and administrative expenses		**(12,584)**	(9,853)
Research and development expenses	7	**(42,621)**	(36,721)
Other operating income		**333**	775
Gains and losses from restructuring		**–**	145
Operating profit	7	**28,672**	5,952
Interest income and other financial income		**203**	874
Interest expense and other financial expense		**(212)**	(919)
Foreign currency exchange gains and losses, net		**162**	126
Result before income taxes		**28,825**	6,033
Income tax benefit	3	**3,902**	728
Net profit		**32,727**	6,761

		2009	2008
Earnings per share (in US$)			
Basic		**0.67**	0.15
Diluted		**0.60**	0.15
Weighted average number of shares (in thousands)	**2**		
Basic		**48,868**	45,125
Diluted		**54,464**	45,408

Audited statement of comprehensive income

For the year ended 31 December 2009

	2009 US$000	2008 US$000
Net profit	**32,727**	6,761
Exchange differences on translating foreign operations	**(113)**	(249)
Available-for-sale financial assets	**–**	(312)
Cash flow hedges	**(179)**	(282)
Income tax relating to components of other comprehensive income	**421**	(887)
Other comprehensive income for the year, net of tax	**129**	**(1,730)**
Total comprehensive income for the year	**32,856**	**5,031**

Audited consolidated statement of changes in equity

For the year ended 31 December 2009

				Other reserves				
	Ordinary Shares US$000	Additional paid-in capital US$000	Accumulated deficit US$000	Currency translation adjustment US$000	Cash Flow Hedges 000US$	Available-for-sale securities US$000	Employee stock purchase plan shares US$000	Total US$000
Balance at 1 January 2008	9,328	222,914	(177,844)	(902)	89	312	(205)	53,692
Total comprehensive income (loss)	–	–	6,761	(1,136)	(282)	(312)	–	5,031
Sale of employee stock purchase plan shares	–	91	–	–	–	–	66	157
Equity settled transactions, net of tax	–	–	1,325	–	–	–	–	1,325
Changes in Equity total	–	91	8,086	(1,136)	(282)	(312)	66	6,513
Balance at 31 December 2008 / 1 January 2009	9,328	223,005	(169,758)	(2,038)	(193)	–	(139)	60,205
Total comprehensive income (loss)	–	–	32,727	308	(179)	–	–	32,856
Capital increase public offering (gross proceeds)	1,922	62,421	–	–	–	–	–	64,343
Transaction costs of capital increase - public offering	–	(4,685)	–	–	–	–	–	(4,685)
Capital increase for employee share option plan (gross proceeds)	575	473	–	–	–	–	(1,048)	-
Transaction costs of capital increase - employee share option plan	–	(41)	–	–	–	–	–	(41)
Sale of employee stock purchase plan shares	–	2,560	–	–	–	–	377	2,937
Equity settled transactions, net of tax	–	–	1,364	–	–	–	–	1,364
Changes in Equity total	2,497	60,728	34,091	308	(179)	–	(671)	96,774
Balance at 31 December 2009	**11,825**	**283,733**	**(135,667)**	**(1,730)**	**(372)**	**–**	**(810)**	**156,979**

Audited consolidated statements of cash flows

For the year ended 31 December 2009

	Notes	2009 US$000	2008 US$000
Cash flows from operating activities:			
Net profit		**32,727**	6,761
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Interest income, net		**9**	(103)
Income tax benefit	3	**(3,902)**	(728)
Impairment of inventories		**973**	1,220
Depreciation of property, plant and equipment		**4,473**	5,614
Amortization of intangible assets		**2,146**	2,124
Losses on disposals of fixed assets and impairment of fixed and financial assets		**723**	1,016
Expense related to share-based payments		**1,364**	1,325
Changes in working capital:			
Trade accounts receivable and other receivables		**(12,498)**	(5,584)
Factoring		**2,485**	632
Inventories		**(7,228)**	(4,105)
Prepaid expenses		**(337)**	(73)
Trade accounts payable		**4,196**	(1,451)
Provisions		**416**	470
Other assets and liabilities		**7,573**	1,837
Cash generated from operations		**33,120**	**8,955**
Interest paid		**(109)**	(654)
Interest received		**219**	1,077
Income taxes paid		**(46)**	(45)
Cash flow from operating activities		**33,184**	**9,333**
Cash flows from investing activities:			
Cash transferred to Restricted cash		**(3,000)**	–
Sale of property, plant and equipment		**–**	64
Purchases of property, plant and equipment		**(5,925)**	(3,474)
Purchases of intangible assets		**(1,828)**	(2,758)
Payments for capitalized development costs		**(972)**	(1,431)
Investments and deposits made		**(530)**	(13)
Purchase of securities		**–**	(3,050)
Sale of Securities		**–**	22,758
Cash flow from (used for) investing activities		**(12,255)**	**12,096**
Cash flows from financing activities:			
Cash flow from capital increase		**59,617**	–
Sale of employee stock purchase plan shares		**2,937**	157
Cash flow from financing activities		**62,554**	157
Cash flow from operating, investing and financing activities		**83,483**	21,586
Net foreign exchange difference		**(250)**	(594)
Net increase in cash and cash equivalents		**83,233**	20,992
Cash and cash equivalents at beginning of period		**36,915**	15,923
Cash and cash equivalents at end of period		**120,148**	36,915

Audited selected explanatory notes to the consolidated financial statements

For the year ended 31 December 2009

1. Basis of preparation

The Preliminary announcement was approved by the Board of Directors on 11 February 2010.

The financial information set out in the Preliminary announcement for the year ended 31 December 2009 does not constitute the group's statutory accounts as defined by s434 of the Companies Act (CA) 2006.

The audited financial statements for the year ended 31 December 2008 have been delivered to the Registrar of Companies and those for 31 December 2009 will be delivered in due course. Both sets of accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The accounting policies have been consistently applied to all periods presented.

The auditors have issued an unqualified audit opinion on those financial statements which, did not contain an emphasis of matter paragraph nor a statement under section 498(2) or (3) of CA 2006 (2008: section 237 (2) or (3) of CA 1985).

2. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit (loss) for the year attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if all the securities or other contracts to issue ordinary shares were exercised.

The weighted average number of shares outstanding is as follows:

	2009 000	2008 000
Basic number of shares	**48,868**	45,125
Effect of dilutive options outstanding	**5,596**	283
Dilutive number of shares	**54,464**	45,408

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The amount of anti-dilutive share options outstanding was 650,800 (2008: 2,892,211).

3. Income taxes

Income tax income (expense) is comprised of the following components:

	2009 US$000	2008 US$000
Current taxes:		
Germany	(3,069)	(139)
Foreign	(122)	(20)
Deferred taxes:		
Germany	7,514	–
Foreign	(421)	887
Income tax benefit	3,902	728

	2009 US$000	2008 US$000
Current taxes:		
Current income tax charge	(3,191)	(159)
Adjustments in respect of current income tax of previous year	–	–
Deferred taxes:		
Relating to origination and reversal of temporary differences	(421)	887
Relating to recognition of previously unrecognized deferred tax assets	7,514	–
Income tax benefit	3,902	728

Deferred income tax assets and liabilities are summarised as follows:

	At 31 December 2009 US$000	At 31 December 2008 US$000
Property, plant and equipment	206	296
Net operating loss carryforwards	46,427	47,130
Liabilities	2,841	3,403
Deferred taxes in relation to share option expenses	3,021	–
Deferred taxes in relation to tax credits	1,250	1,049
Other	33	32
Deferred tax assets	53,778	51,910
Property, plant and equipment	(7)	(12)
Intangible Assets	(363)	(335)
Other	(111)	(11)
Deferred tax liabilities	(481)	(358)
Net deferred tax assets	53,297	51,552
Recognized net deferred tax assets	7,514	–
Unrecognized deferred tax assets	45,783	51,552

Audited selected explanatory notes to the consolidated financial statements

3. Income taxes *continued*

Tax loss carry-forwards, temporary differences and net deferred tax assets are summarised as follows:

	31 December 2009				31 December 2008			
	Tax loss carryforwards US$000	**Temporary Differences US$000**	**Tax credits US$000**	**Net deferred tax assets US$000**	Tax loss carryforwards US$000	Temporary Differences US$000	Tax credits US$000	Net deferred tax assets US$000
Germany	**149,554**	**8,476**	**–**	**43,577**	161,918	10,590	–	47,725
UK	**11,974**	**11,160**	**4,465**	**7,728**	1,922	1,055	3,746	1,882
US								
-Federal	**4,580**	**–**	**–**	**1,557**	4,486	–	–	1,525
-State	**3,764**	**–**	**–**	**339**	3,871	–	–	348
Other	**28**	**222**	**–**	**96**	–	176	–	72
Total				**53,297**				51,552

4. Cash, cash equivalents and restricted cash

	2009 US$000	2008 US$000
Cash at bank	**40,552**	14,222
Short-term deposits	**33,050**	22,693
Deposits designated as a hedging instrument	**46,546**	–
Cash & cash equivalents	**120,148**	**36,915**
Restricted Cash	**3,000**	–
Cash & cash equivalents and restricted cash	**123,148**	**36,915**

5. Inventories

Inventories are comprised of the following:

	At 31 December 2009 US$000	At 31 December 2008 US$000
Raw materials	**4,260**	3,074
Work-in-process	**5,528**	4,814
Finished goods	**16,405**	12,050
	26,193	19,938

6. Shareholders' equity and other reserves

Capital Increase

On 25 September 2009 the shareholders of the Company approved an offering of 12 million new ordinary shares of 10 pence each in the capital of the Company (the 'New Shares') with new and existing institutional investors at a price of EUR 3.65 per share to raise gross proceeds of 43.8 million € (US$64.3 million); net proceeds (after deduction of offering expenses of US$4.7 million) were US$59.6 million. The trading of the New Shares commenced on the Regulated Market (Regulierter Markt) of the Frankfurt Stock Exchange on 30 September 2009.

On 20 October 2009, the Company completed an offering of 3,500,000 previously unissued ordinary shares at £0.10 per share to its employee share options trust ("Trust") at a price of EUR 0,20 per share, to make such shares available for the exercise of stock option rights that had previously been granted to employees. At 31 December 2009 and 31 December 2008, the Trust continued to hold 2,663,318 and 641,259 shares respectively. These shares are legally issued and outstanding for accounting purposes and accordingly have been reported in the caption "employee stock purchase plan shares" as a reduction of shareholders' equity.

6. Shareholders' equity and other reserves *continued*

Ordinary shares

At 31 December 2009, Dialog had authorised 104,311,860 (2008: 104,311,860) Ordinary shares with a par value of £0.10 per share, of which 61,568,930 (2008: 46,068,930) shares were issued and outstanding.

	amount of shares	US$000
At 1 January 2008 and 2009	**46,068,930**	**9,328**
Issued on 25 September 2009	**12,000,000**	**1,922**
Issued on 20 October 2009	**3,500,000**	**575**
At 31 December 2009	**61,568,930**	**11,825**

The Dialog's stock was previously issued in the form of bearer shares. On 16 November 2009, all shares were converted in registered shares. All shares are fully paid.

7. Segmental reporting

Since 2009 the Group applies IFRS 8 "Operating Segments." Following the provisions of IFRS 8, reportable operating segments are identified based on the "management approach." The management approach requires external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the chief operating decision maker, which considered the Group as being the Board of Management.

In contrast to the former reporting structure, the Group reports on three operating segments, which are independently managed by bodies responsible for the respective segments depending on the nature of products offered. The identification of Company components as business segments is based in particular on the existence of business unit managers who report directly to the CEO of Dialog and who are responsible for the performance of the segment under their charge. In accordance with IFRS 8, the former Wireless Segment was divided into the Audio and Power Management Segment and the Display Systems Segment which are now reported separately as operating segments. Prior-year figures have been adjusted accordingly.

a) Operating segments

The Group's operating segments are:

Audio and Power Management

This segment includes our power management and audio chips especially designed to meet the needs of the wireless systems markets.

Display Systems

The products in this segment include a range of advanced driver technologies for low power display applications - from PMOLEDs, to electronic paper and MEMS displays.

Automotive and Industrial

In the automotive and industrial market our products address the safety, management and control of electronic systems in cars and for industrial applications.

Audited selected explanatory notes to the consolidated financial statements

7. Segmental reporting *continued*

	2009					2008				
	Audio & Power Management US$000	**Display Systems 3) 4) US$000**	**Automotive/Industrial US$000**	**Corporate 5) US$000**	**Total US$000**	Audio & Power Management US$000	Display Systems 3) 4) US$000	Automotive/Industrial US$000	Corporate 5) US$000	Total US$000
Revenues 1)	**176,569**	**5,987**	**33,531**	**1,526**	**217,613**	121,355	5,149	35,193	133	161,830
R&D expenses	**24,383**	**8,312**	**9,513**	**413**	**42,621**	19,816	7,025	9,453	427	36,721
Operating profit (loss) 2)	**47,048**	**(12,395)**	**(3,636)**	**(2,345)**	**28,672**	21,892	(10,972)	(875)	(4,093)	5,952
Depreciation/amortization	**3,535**	**1,490**	**1,594**	**–**	**6,619**	3,769	2,060	1,909	–	7,738
Impairment and disposal losses	**1,076**	**179**	**441**		**1,696**	1,171	454	362	249	2,236
Investments	**5,447**	**2,296**	**2,457**	**–**	**10,200**	4,110	2,247	2,083	–	8,440
	At 31 Dec 2009					At 31 Dec 2008				
Total assets	**43,605**	**4,308**	**13,366**	**131,032**	**192,311**	28,410	4,679	10,349	36,915	80,353
Liabilities	**16,025**	**6,756**	**7,227**	**5,324**	**35,332**	9,367	5,121	4,746	914	20,148

[1] All revenues are from sales to external customers
[2] Certain overhead costs are allocated mainly based on sales and headcount.
[3] Revenue is partially generated from funded research and development activity.
[4] The operating loss reflects the investment in the emerging display technology.
[5] Corporate revenue in 2009 includes US$ 1.961,000 relating to the BenQ Cash settlement (see note 27).

Corporate expenses and income include sales discounts on early payment, the holding company, stock option expenses, expenses for the Management Long Term Incentive Plan (LTIP), the restructuring expenses and income and other expenses not specifically attributable to the operating segments. Corporate assets include certain financial assets such as cash and cash equivalents, and marketable securities. Corporate liabilities include liabilities of the holding company and other liabilities not specifically attributable to operating segments.

Segment assets and liabilities comprise all assets and liabilities employed by the relevant business segment to generate the operating segment's profit or loss.

Investments comprise additions to property, plant and equipment, and intangible assets.

In 2009 and 2008 the Group had no inter-segment sales, income, expenses, receivables, payables or provisions.

There are no differences between the measurements of the reportable segments profits and losses, assets and liabilities and the entities profit and losses, assets and liabilities.

7. Segmental reporting *continued*

b) Geographic information

	2009 US$000	2008 US$000
Revenues		
United Kingdom	**434**	1,222
Hungary	**17,444**	17,056
Other European countries	**20,600**	22,550
China	**145,986**	100,323
Other Asian countries	**23,047**	12,546
Other countries	**10,102**	8,133
Total revenues	**217,613**	161,830
Investments		
Germany	**7,809**	7,658
Japan	**350**	32
United Kingdom	**2,022**	749
Other	**19**	1
Total investments	**10,200**	8,440

	At 31 December 2009 US$000	At 31 December 2008 US$000
Assets		
Germany	**185,656**	77,359
Japan	**854**	736
United Kingdom	**5,577**	2,083
Other	**224**	175
Total assets	**192,311**	80,353

Revenues are allocated to countries based on the location of the shipment destination. Segmental investments and assets are allocated based on the geographic location of the asset.

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