

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

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### FILER

#### ZORAN CORP \DE\

CIK: **1003022** | IRS No.: **942794449** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **000-27246** | Film No.: **09545835**  
SIC: **3674** Semiconductors & related devices

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SUNNYVALE CA 94086

Business Address  
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4085236500

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **January 26, 2009**

**ZORAN CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation)

**0-27246**

(Commission File Number)

**94-2794449**

(IRS Employer Identification  
No.)

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**1390 Kifer Road**

**Sunnyvale, California 94086-5305**

(Address of principal executive offices) (Zip Code)

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Registrant's telephone number, including area code:

**(408) 523-6500**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02: Results of Operations and Financial Condition.**

On January 26, 2009, Zoran Corporation (“Zoran”) announced its financial results for the quarter and year ended December 31, 2008 and provided its outlook for the quarter ending March 31, 2009. A copy of Zoran’s press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information furnished in this Item 2.02 and Exhibit 99.1 attached hereto shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 or 12(a)(2) of the Securities Act of 1933. The information contained herein and in the accompanying exhibit shall not be deemed to be incorporated by reference into any filing with the SEC made by Zoran whether before or after the date hereof, regardless of any general incorporation language contained in such filing.

**Item 9.01: Financial Statements and Exhibits**

**(d) Exhibits**

| <u>Number</u> | <u>Title</u>                                                                                                               |
|---------------|----------------------------------------------------------------------------------------------------------------------------|
| 99.1          | Zoran Press Release dated January 26, 2009, regarding financial results of fiscal quarter and year ended December 31, 2008 |

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ZORAN CORPORATION**

Date: January 26, 2009

By: /s/ KARL SCHNEIDER

Karl Schneider  
Senior Vice President of Finance and  
Chief Financial Officer

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**Zoran Corporation:**

Karl Schneider  
 Chief Financial Officer  
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Company Web Site:  
 www.zoran.com

## ZORAN CORPORATION REPORTS FOURTH QUARTER AND YEAR END 2008 RESULTS

*DTV revenues grow 59 percent annually, achieving records in revenues and units shipped; Company generates nearly \$26 million in cash from operations during the fourth quarter and enters 2009 with \$396 million in cash and short-term investments and long-term investments*

SUNNYVALE, Calif. (January 26, 2009) – Zoran Corporation (Nasdaq GS: ZRAN), a leading provider of digital solutions for applications in the digital entertainment and digital imaging markets, today reported results for its fourth quarter and year ended December 31, 2008.

Revenues for the fourth quarter were \$74.7 million, compared to \$126.1 million last quarter and \$129.4 million for the fourth quarter of 2007. The Company reported a fourth quarter GAAP net loss of \$20.2 million, or \$0.40 per share, which includes \$3.1 million for stock-based compensation expense, \$109 thousand for amortization of acquired intangible assets and an adjustment of the tax provision to a non-GAAP rate of \$6.5 million. This compares with a net loss of \$154.2 million, or \$3.01 per share, for the previous quarter and net income of \$58.7 million, or \$1.11 per diluted share, for the fourth quarter last year. As a reminder, the previous quarter's net loss included non-cash charges of \$167.6 million for impairment of intangible assets.

Non-GAAP net loss for the fourth quarter was \$10.5 million, or \$0.21 per share, which excludes charges related to the amortization of acquisition-related purchased intangible assets, stock-based compensation expenses and the adjustment of the tax provision to a non-GAAP rate. This compares with non-GAAP net income of \$13.9 million, or \$0.27 per diluted share, for the previous quarter, and \$18.1 million, or \$0.34 per diluted share, for the same period last year.

For the full year 2008, revenues were \$438.5 million, compared to \$507.4 million for 2007. GAAP net loss for 2008 was \$215.7 million, or \$4.20 per diluted share, compared to net income of \$66.2 million or \$1.29 per diluted share for the full year 2007. Non-GAAP net income for 2008 was \$8.4 million, or \$0.16 per

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diluted share. This compares with non-GAAP net income of \$70.9 million, or \$1.37 per diluted share for 2007.

“At the onset of 2008, we stated that revenues from our DTV and mobile phone processor product lines would grow substantially throughout the year and we are pleased that despite the worldwide recession, we were able to deliver on this objective,” said Dr. Levy Gerzberg, Zoran's president and chief executive officer. “DTV grew 59 percent on an annual basis and mobile phone processors increased nearly five-fold during the same period. These strong results were not enough to offset the impact of the deteriorating economy on our remaining markets however, and we do not expect any near-term improvements in those markets. Our focus remains on managing our resources and controlling expenses and we are pleased to have generated nearly \$26 million in cash from operations during the quarter, enabling us to begin the year with \$396 million in cash and short-term investments and long-term investments. We have multiple new product introductions scheduled for 2009 and continue to see solid design win activity for existing product lines, positioning us well for when the economy recovers.”

### Recent Highlights

- Revenues by product line for the fourth quarter of 2008 were 36 percent Digital Camera, 23 percent DTV, 23 percent Printer Imaging, 10 percent DVD, 7 percent mobile phone processors and 1 percent other
- Zoran demonstrated new HDTV, Set-Top Box, Digital Camera, HD DVD, Multimedia Mobile Phone, Printer and Connected Technologies at CES 2009
- Over 70 new consumer electronic product models Powered by Zoran were displayed at CES 2009
- Products powered by Zoran gained CES 2009 Innovation recognition, including Aiptek' s Portable Media Player PocketCinema V10, Samsung' s Upconverting DVD Player DVD-H1080, and new digital camera models under major brand names
- Flip Mino HD from Pure Digital using Zoran' s COACH digital camera technology was named "Gadget of the Year" by Freep.com and listed under PC World' s Best Products of CES 2009
- Printing devices using Zoran' s IPS Software Solution won industry awards again in 2008
- Zoran shipped new SupraHD<sup>®</sup> 775 & SupraHD<sup>®</sup> 785 HDTV Processors with Advanced Audio Processing and Color Management capabilities

## Future Outlook

The following forward-looking statements are based on our current expectations, and actual results may differ materially.

The Company is currently expecting first quarter 2009 revenues to range between \$50 million and \$55 million, with gross margins ranging between 46 and 48 percent. Excluding acquisition related amortization

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costs and stock-based compensation expense, non-GAAP operating expenses are expected to be in a range of \$51 million to \$52 million. Acquisition-related amortization costs are expected to be approximately \$109 thousand and stock-based compensation expense is expected to range between \$2.9 and \$3.4 million. The Company expects to record a first quarter loss in the range of \$0.54 to \$0.58 per share on approximately 51.5 million shares. On a non-GAAP basis, which excludes acquisition-related amortization costs and stock-based compensation expense, the Company expects to record a loss in the range of \$0.48 and \$0.53 per share. With this outlook, cash is expected to decline between \$25 million and \$30 million.

Zoran will provide more commentary on its fourth quarter results during the quarterly conference call.

## Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Zoran provides non-GAAP financial information, consisting of non-GAAP operating expense and non-GAAP net income (loss) that excludes impairment of intangible assets, acquisition related in-process research and development expenses, amortization of acquired intangible assets and stock-based compensation expense and associated income tax adjustments.

The Company believes that its non-GAAP financial information provides useful information to management and investors regarding financial and business trends relating to its financial condition and results of operations because it excludes items that management considers to be outside of the Company' s core operating results. The Company believes that this non-GAAP net income (loss), in combination with the Company' s financial results calculated in accordance with GAAP, provides investors with additional perspective and a more meaningful understanding of the Company' s ongoing operating performance. In addition, the Company' s management uses these non-GAAP measures to review and assess the financial performance of the Company, to determine executive officer incentive compensation, and to plan and forecast

performance in future periods. The Company's non-GAAP net income (loss) is not prepared in accordance with GAAP, is not an alternative to GAAP financial information, and may be calculated differently than non-GAAP financial information disclosed by other companies.

## **Quarterly Conference Call**

Zoran Corporation has scheduled a conference call for 2:00 p.m. PT today to discuss fourth quarter and year end results. To listen to the call, please call 617-614-4070 approximately five minutes prior to the start of the call. For those who are not available to listen to the live conference call, a replay will be available from approximately 4:30 p.m. PT on January 26, until 4:30 p.m. PT on February 1, 2009. The

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access number for the replay is 617-801-6888, confirmation number 62707715. The conference call will be broadcast live over the Internet and can be accessed by all interested parties through the investor relations section of Zoran's website at [www.zoran.com](http://www.zoran.com). Please access the website at least fifteen minutes prior to the start of the call to register and to download and install any necessary audio software.

## **Company Profile**

Zoran Corporation, based in Sunnyvale, California, is a leading provider of digital solutions for applications in the growing digital entertainment and digital imaging markets. With two decades of expertise developing and delivering digital signal processing technologies, Zoran has pioneered high-performance digital audio and video, imaging applications, and Connect Share Entertain™ technologies for the digital home. Zoran's proficiency in integration delivers major benefits for OEM customers, including greater capabilities within each product generation, reduced system costs, and shorter time to market. Zoran-based DVD, digital camera, DTV, multimedia mobile phone, and multifunction printer products have received recognition for excellence and are now in hundreds of millions of homes and offices worldwide. With headquarters in the U.S. and additional operations in Canada, China, England, France, India, Israel, Japan, Korea and Taiwan, Zoran may be contacted on the World Wide Web at [www.zoran.com](http://www.zoran.com) or at 408-523-6500.

## **Forward-Looking Statements**

This press release includes forward-looking statements, including the chief executive officer quotation and the material presented under "Future Outlook," that reflect the Company's current views with respect to future events and future financial performance. These forward-looking statements are subject to many risks and uncertainties that could cause actual results to differ materially from what is expected, including risks associated with: potential declines in the Company's sales as a result of a global economic slowdown that could reduce demand for consumer electronic and other products; recent tightening in global credit markets, which could result in insolvency of key suppliers or customers, and customer inability to finance purchases of our products; the rapidly evolving markets for the Company's products and uncertainty regarding the pace and direction of development of those markets; cost and length of time required for new product development; timing and impact of new product introductions by the Company and its competitors, and of transitions away from older products; intense competition in our markets and in the markets in which our customers operate; the Company's reliance on other parties for wafer supplies, product assembly and testing, and manufacturing capacity; the effects of changes in revenue and product mix on the Company's gross margins; the Company's dependence on sales to large customers; fluctuations in tax rate caused by projections of the geographic sources of Company income; dependence on key personnel; and reliance on international operations, particularly operations in Israel. Further information regarding these and other risks and uncertainties can be found in the Company's most recently filed Annual Report on Form 10-K and other filings with the SEC.

Zoran, the Zoran logo, APPROACH, SupraTV and SupraXD are trademarks of Zoran Corporation in the United States and/or other countries. All other brands or names may be claimed as property of others.

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## **ZORAN CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(in thousands, except per share data)**  
**(unaudited)**

|                                                            | Three Months Ended |            | Year Ended   |            |
|------------------------------------------------------------|--------------------|------------|--------------|------------|
|                                                            | December 31,       |            | December 31, |            |
|                                                            | 2008               | 2007       | 2008         | 2007       |
| <b>Revenues:</b>                                           |                    |            |              |            |
| Hardware product revenues                                  | \$ 59,808          | \$ 113,860 | \$ 379,823   | \$ 445,370 |
| Software and other revenues                                | 14,881             | 15,513     | 58,716       | 61,991     |
| Total revenues                                             | 74,689             | 129,373    | 438,539      | 507,361    |
| <b>Costs and expenses:</b>                                 |                    |            |              |            |
| Cost of hardware product revenues                          | 36,413             | 62,030     | 229,008      | 236,282    |
| Research and development                                   | 30,342             | 30,113     | 117,948      | 113,140    |
| Selling, general and administrative                        | 21,010             | 27,372     | 94,562       | 112,422    |
| Amortization of intangibles                                | 109                | 9,238      | 23,096       | 43,224     |
| Impairment of intangible assets                            | -                  | -          | 167,579      | -          |
| In-process research and development                        | -                  | -          | 22,383       | -          |
| Total costs and expenses                                   | 87,874             | 128,753    | 654,576      | 505,068    |
| Operating income (loss)                                    | (13,185)           | 620        | (216,037)    | 2,293      |
| Interest and other income, net                             | 2,925              | 1,925      | 12,589       | 14,058     |
| Income (loss) before income taxes                          | (10,260)           | 2,545      | (203,448)    | 16,351     |
| Provision (benefit) for income taxes                       | 9,949              | (56,185)   | 12,279       | (49,835)   |
| Net income (loss)                                          | \$ (20,209)        | \$ 58,730  | \$ (215,727) | \$ 66,186  |
| Basic net income (loss) per share                          | \$ (0.40)          | \$ 1.15    | \$ (4.20)    | \$ 1.32    |
| Diluted net income (loss) per share                        | \$ (0.40)          | \$ 1.11    | \$ (4.20)    | \$ 1.29    |
| Shares used to compute basic net income (loss) per share   | 51,018             | 50,991     | 51,350       | 49,981     |
| Shares used to compute diluted net income (loss) per share | 51,018             | 52,728     | 51,350       | 51,404     |

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**ZORAN CORPORATION**  
**NON-GAAP ADJUSTMENTS TO NET INCOME (LOSS)**  
**(in thousands, except per share data)**  
**(unaudited)**

|  | Three Months Ended |      | Year Ended   |      |
|--|--------------------|------|--------------|------|
|  | December 31,       |      | December 31, |      |
|  | 2008               | 2007 | 2008         | 2007 |

|                                                                     |    |                    |    |                  |    |                 |    |                  |
|---------------------------------------------------------------------|----|--------------------|----|------------------|----|-----------------|----|------------------|
| GAAP net income (loss)                                              | \$ | (20,209)           | \$ | 58,730           | \$ | (215,727)       | \$ | 66,186           |
| Adjusting items to GAAP net income (loss):                          |    |                    |    |                  |    |                 |    |                  |
| Operating expenses related to stock based compensation expense      |    | 3,117(a)           |    | 3,452(a)         |    | 13,106(a)       |    | 14,775(a)        |
| Amortization of intangibles                                         |    | 109(b)             |    | 9,238(b)         |    | 23,096(b)       |    | 43,224(b)        |
| Impairment of intangible assets                                     |    | –                  |    | –                |    | 167,579(c)      |    | –                |
| In-process research and development expense                         |    | –                  |    | –                |    | 22,383(d)       |    | –                |
| Provision (benefit) for income taxes                                |    | 6,486(e)           |    | (53,334)         |    | (2,044)(e)      |    | (53,334)         |
| Non-GAAP net income (loss)                                          | \$ | <u>(10,497)(f)</u> | \$ | <u>18,086(f)</u> | \$ | <u>8,393(f)</u> | \$ | <u>70,851(f)</u> |
| Non-GAAP basic net income (loss) per share                          | \$ | <u>(0.21)(f)</u>   | \$ | <u>0.35(f)</u>   | \$ | <u>0.16(f)</u>  | \$ | <u>1.42(f)</u>   |
| Non-GAAP diluted net income (loss) per share                        | \$ | <u>(0.21)(f)</u>   | \$ | <u>0.34(f)</u>   | \$ | <u>0.16(f)</u>  | \$ | <u>1.37(f)</u>   |
| Shares used to compute non-GAAP basic net income (loss) per share   |    | <u>51,018</u>      |    | <u>50,991</u>    |    | <u>51,350</u>   |    | <u>49,981</u>    |
| Shares used to compute non-GAAP diluted net income (loss) per share |    | <u>51,018</u>      |    | <u>52,861</u>    |    | <u>51,548</u>   |    | <u>51,659</u>    |

(a) This adjustment reflects the stock-based compensation expense recorded under SFAS 123R. For 2007, the adjustment also includes additional stock based compensation expense attributable to options that were remeasured as part of the stock option review and the attributable tax implications under IRS regulation 409(A) that will be incurred by the Company. The Company excludes these items when it evaluates the continuing operational performance of the Company as management believes this GAAP measure is not indicative of its core operating performance. (see (f) below)

(b) This adjustment reflects the amortization of intangible assets associated with the acquisitions of Oak Technology, Inc. in August 2003, Emblaze Semiconductor in July 2004, Oren Semiconductor, Inc. in June 2005 and Let It Wave in June 2008. These acquired intangible assets are amortized over their estimated useful lives. Such amortization expense does not impact the Company's cash flows and is excluded by management when evaluating our core operating results. (see (f) below)

(c) This adjustment represents the impairment of acquisition related to goodwill and intangible assets recorded by the Company as part of the annual Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets" and SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" analysis. The impairment of goodwill and intangible assets does not impact the Company's ongoing cash flows and is excluded by management when evaluating our core operating results. (see (f) below)

(d) This adjustment reflects the in process research and development charge recorded by the Company as part of the acquisition of Let It Wave in June 2008. This in process research and development charge does not impact the Company's ongoing cash flows and is excluded by management when evaluating our core operating results. (see (f) below)

(e) This adjustment represents the difference between the non-GAAP income tax rate and the GAAP income tax rate. This adjustment is made by the Company when it evaluates its continuing operational performance. (see (f) below)

(f) The Company believes that its non-GAAP financial information provides useful information to management and investors regarding financial and business trends relating to its financial condition and results of operations because it excludes charges that management considers to be outside of the Company's core operating results. The Company believes that this non-GAAP net income, in combination with the Company's financial results calculated in accordance with GAAP, provides investors with additional perspective and a more meaningful understanding of the Company's ongoing operating performance. In addition, the Company's management uses these non-GAAP measures to review and assess the financial performance of the Company, to determine executive officer incentive compensation and to plan and forecast



performance in future periods. The Company's non-GAAP net income is not prepared in accordance with GAAP, is not an alternative to GAAP financial information, and may be calculated differently than non-GAAP financial information disclosed by other companies.

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**ZORAN CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(in thousands)**  
**(unaudited)**

|                                               | <u>December 31,</u><br><u>2008</u> | <u>December 31,</u><br><u>2007</u> |
|-----------------------------------------------|------------------------------------|------------------------------------|
| <b>ASSETS</b>                                 |                                    |                                    |
| Current assets:                               |                                    |                                    |
| Cash and short-term investments               | \$ 358,527                         | \$ 319,809                         |
| Accounts receivable, net                      | 22,845                             | 58,220                             |
| Inventory                                     | 37,365                             | 48,992                             |
| Prepaid expenses and other current assets     | 25,549                             | 25,189                             |
| Total current assets                          | <u>444,286</u>                     | <u>452,210</u>                     |
| Property and equipment, net                   | 15,811                             | 17,636                             |
| Long-term investments                         | 37,425                             | 85,350                             |
| Other assets                                  | 69,659                             | 70,500                             |
| Intangible assets, net                        | <u>5,266</u>                       | <u>194,636</u>                     |
| Total assets                                  | <u>\$ 572,447</u>                  | <u>\$ 820,332</u>                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                    |                                    |
| Current liabilities:                          |                                    |                                    |
| Accounts payable                              | \$ 29,918                          | \$ 67,836                          |
| Accrued expenses and other liabilities        | 36,134                             | 43,968                             |
| Total current liabilities                     | 66,052                             | 111,804                            |
| Long term liabilities                         | 26,985                             | 20,756                             |
| Stockholders' equity:                         |                                    |                                    |
| Common stock                                  | 51                                 | 51                                 |
| Additional paid-in capital                    | 858,429                            | 847,597                            |
| Accumulated other comprehensive income (loss) | (2,472)                            | 995                                |
| Accumulated deficit                           | <u>(376,598)</u>                   | <u>(160,871)</u>                   |
| Total stockholders' equity                    | 479,410                            | 687,772                            |
| Total liabilities and stockholders' equity    | <u>\$ 572,447</u>                  | <u>\$ 820,332</u>                  |

Contact: Karl Schneider, Chief Financial Officer of Zoran Corporation, 408-523-6500, or ir@zoran.com;

or Bonnie McBride (Investors), 415-806-0385, or [bonnie@avalonir.com](mailto:bonnie@avalonir.com)

Web site: <http://www.zoran.com>

(ZRAN)

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