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## Zoran Corporation Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Ladies and gentlemen if you wish to ask a question please press \* followed by 1 on your touchtone phone. If your question has been answered or you wish to withdraw your question please press \* followed by 2. Questions will be taken in the order they are received. Please press \*1 to begin.

Your first question comes from the line of Heidi Poon, Thomas Weisel Partners.

#### **Heidi Poon - Thomas Weisel Partners**

Hi guys. This is Heidi. I just want to dig a little deeper on the gross margins side. I understand you know the mix issue and that you expect digital cameras to run back up in the second half but you have previously indicated \$46 to \$48 million long term target growth margin. Do you think we have already gotten to that target and if that is the case what do we see in terms of 2009?

#### **Karl Schneider**

Well you are right, Heidi, we have previously indicated longer term we were expecting gross margins in that range. I think we have definitely got there a little sooner than we would have liked to have gotten there. We are expecting margins to come back a little in the second half. We are expecting to see margin improvements in things like our mobile phone processor as we get into the second half of the year and remember that is a processor that is a multi-chip module so the margins are a little challenged right now but we expect improvements. I think TV right now will show some improvements in gross margins in the second half. So yeah we are moving there a little quicker than we had anticipated and again I don't think it is going to deteriorate that much further in 2009.

#### **Heidi Poon - Thomas Weisel Partners**

Okay great. In terms of mobile...looks like it is ramping pretty nicely and you are expecting a stronger June quarter. Could you just give us a sense of the contribution target for 2008?

#### **Karl Schneider**

The contribution of mobile phones?

#### **Heidi Poon - Thomas Weisel Partners**

Yes. Essential contributions for this year.

**Karl Schneider**

Oh look, as I stated many times I think the mobile phones are going to have a pretty good year. When it is all said and done I don't think the numbers I have talked about in the past are going to be that far out of line. We're going to probably be at the higher end of some of the numbers I have indicated which is somewhere? I think I have said in the past between \$30-50 million in revenue from mobile phones.

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