



Harmonic Announces First Quarter Results

April 24, 2002

SUNNYVALE, Calif., Apr 24, 2002 (BUSINESS WIRE) -- Harmonic Inc. (Nasdaq: HLIT) today announced its results for the quarter ended March 29, 2002.

For the first quarter of 2002, Harmonic reported net sales of \$54.0 million, up from \$40.3 million for the first quarter of 2001. Domestic sales represented 69% of total sales for the first quarter of 2002.

The Convergent Systems (CS) division, which designs, manufactures and markets digital headend systems for a number of markets, had divisional net sales of \$32.2 million, up 50% from \$21.5 million in the first quarter of 2001. Harmonic recently introduced Gigabit Ethernet capability to its Narrowcast Services Gateway(TM) (NSG) product line and saw strong demand for NSGs for new video-on-demand deployments by several major cable operators in the United States during the first quarter. In addition, Harmonic saw increased interest in its high definition (HD) digital encoders in both broadcasting and cable applications.

The Broadband Access Networks (BAN) division, which designs, manufactures and markets fiber optic products for broadband cable networks, had divisional net sales of \$21.8 million, up 16% from \$18.8 million in the first quarter of 2001. The higher BAN sales reflected increased activity in network upgrades by certain domestic cable operators. Harmonic also sees growing interest in its GIGALight transport systems, which enable cable operators to cost-effectively manage increasing amounts of digital traffic.

"We are pleased with our performance in the first quarter and see a variety of new promising initiatives developing in different broadband markets," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "In particular, our first quarter revenue was driven by increased shipments of our NSG and solid demand for our digital encoder products, including our HD encoder. We also saw greater activity in network upgrades by a number of our major domestic cable customers to increase their network capacity and lay the foundation for the introduction of advanced services, such as video-on-demand and HDTV."

"We continue to expect increasing sales in 2002, driven principally by the rollouts of new services by our domestic cable customers. At the same time, we anticipate spending by our domestic satellite customers and our European cable customers to be relatively flat in the near term, as a result of such factors as pending business combinations, financial restructurings and regulatory issues. In coming periods, we expect to continue to extend our strong customer base across a range of broadband markets, maintain our technology leadership and improve our operating performance."

Excluding the effects of non-cash accounting charges for the amortization of intangibles, the pro forma net loss for the first quarter of 2002 was \$8.2 million, or \$0.14 per share, on 59,476,000 basic weighted average shares outstanding. This compares to a pro forma net loss of \$44.9 million or \$0.77 per share on 58,161,000 basic weighted average shares outstanding for the same period of 2001, excluding amortization of goodwill and other intangibles. The pro forma net loss for the first quarter of 2001 included charges of \$14.0 million, or \$0.24 per share, associated with excess and obsolete inventories, relocation and severance costs. Including the amortization of intangibles, the net loss for the first quarter of 2002 was \$14.0 million, or \$0.24 per share, as compared to a net loss of \$48.7 million, or \$0.84 per share, for the first quarter of 2001.

Harmonic also announced today that its Shelf Registration Statement has been declared effective by the Securities and Exchange Commission. Under the shelf registration statement, Harmonic may issue various types of securities from time to time up to an aggregate of \$150 million.

Harmonic's conference call regarding its first quarter 2002 results will be held today at 2:00 P.M. Pacific Time/5:00 Eastern Time and a listen-only Internet broadcast of the call can be accessed on Harmonic's website at: www.harmonicinc.com or by calling 212-231-6028 (Reservation No. 20511527). The conference call replay will be available until 5:00 PM (Pacific Time) May 1, 2002, at the website address or by calling 800-633-8284 or +1 858-812-6440 (Reservation No. 20511527).

About Harmonic Inc.

Harmonic is a leading provider of innovative broadband solutions that deliver video, voice and data to communications providers around the world. Harmonic's technically advanced fiber optic, digital video and IP data delivery systems enable network operators to provide a range of interactive and advanced digital services that include high-speed Internet access, telephony, digital video, HDTV, video and audio streaming, and video-on-demand.

Harmonic (Nasdaq: HLIT) is headquartered in Sunnyvale, California with R&D, sales, and system integration centers worldwide. Harmonic has customers in over 40 countries on six continents, including many of the world's largest communications providers. For more information, visit www.harmonicinc.com.

This press release contains forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933 and Section 21(e) of the Securities Exchange Act of 1934, including statements related to increased interest in Harmonic's GIGALight transport systems, developments in broadband markets, the expectation that domestic cable customers will increase their network capacity and lay the foundation for the introduction of advanced services, increasing sales in 2002, anticipated spending by domestic satellite customers and European cable customers, extension of Harmonic's customer base, maintenance of Harmonic's technology leadership and improvements of Harmonic's operating performance. Actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include delays or decreases in capital spending in the cable and satellite industry, general economic conditions, market acceptance of new or existing Harmonic products, losses of one or more key customers, risks associated with Harmonic's international operations, inventory management problems, the effect of competition, difficulties associated with rapid technological changes in Harmonic's markets, the need to introduce new and enhanced

products, risks associated with a cyclical and unpredictable sales cycle and risks associated with integrating operations in a timely manner. The forward-looking statements contained in this press release are also subject to other risks and uncertainties, including those more fully described in Harmonic's filings with the Securities and Exchange Commission including its Annual Report filed on Form 10-K for the year ended December 31, 2001 and its quarterly reports on Form 10-Q. Harmonic does not undertake to update any forward-looking statements.

Editor's Note: Product and company names used here are trademarks or registered trademarks of their respective companies.

Harmonic Inc.
Pro Forma Condensed Consolidated Statements of Operations
(In thousands, except per-share data)
(Unaudited)

	Three Months Ended	
	March 29, 2002	March 30, 2001
Net sales	\$ 54,032	\$ 40,274
Cost of sales	35,247	49,021
Gross profit (loss)	18,785	(8,747)
Operating expenses:		
Research and development	11,119	15,502
Selling, general and administrative	15,321	21,682
Total operating expenses	26,440	37,184
Loss from operations	(7,655)	(45,931)
Interest and other income (expense), net	(7)	1,556
Loss before income taxes	(7,662)	(44,375)
Provision for income taxes	500	500
Net loss	\$ (8,162)	\$ (44,875)
Net loss per share		
Basic and diluted	\$ (0.14)	\$ (0.77)
Weighted average shares		
Basic and diluted	59,476	58,161

Notes to the unaudited Pro Forma Condensed Consolidated Statements of Operations:

- The above pro forma statements are not presented in accordance with generally accepted accounting principles due to the exclusion of amortization of goodwill and other intangibles and the related tax effects. The effect of excluding these items is as follows:

	Three Months Ended	
	March 29, 2002	March 30, 2001
Pro forma net loss	\$ (8,162)	\$ (44,875)
Amortization of goodwill and other intangibles, charged to:		
Cost of sales	3,022	2,013
Selling, general and administrative	2,828	3,096
Tax benefit of amortization of goodwill and other intangibles	--	(1,319)
GAAP net loss	\$ (14,012)	\$ (48,665)

- In addition, the unaudited Pro Forma Condensed Consolidated Statements of Operations for the three months ended March 30, 2001 include special charges associated with excess and obsolete inventories of \$11.0 million and relocation and severance costs of \$3.0 million. Excluding these costs from the unaudited Pro Forma Condensed Consolidated Statements of Operations for the three

months ended March 30, 2001 would result in a net loss per share of \$0.53.

Harmonic Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per-share data)

	Three Months Ended	
	March 29, 2002	March 30, 2001
Net sales	\$ 54,032	\$ 40,274
Cost of sales	38,269	51,034
Gross profit (loss)	15,763	(10,760)
Operating expenses:		
Research and development	11,119	15,502
Selling, general and administrative	15,321	21,682
Amortization of goodwill and other intangibles	2,828	3,096
Total operating expenses	29,268	40,280
Loss from operations	(13,505)	(51,040)
Interest and other income (expense), net	(7)	1,556
Loss before income taxes	(13,512)	(49,484)
Provision for (benefit from) income taxes	500	(819)
Net loss	\$ (14,012)	\$ (48,665)
Net loss per share		
Basic and diluted	\$ (0.24)	\$ (0.84)
Weighted average shares		
Basic and diluted	59,476	58,161

Harmonic Inc.
Condensed Consolidated Balance Sheets
(In thousands)

	March 29, 2002	December 31, 2001
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,274	\$ 36,005
Short-term investments	14,678	18,272
Accounts receivable, net	45,602	34,402
Inventories	26,126	30,944
Deferred income taxes	7,019	9,065
Prepaid expenses and other assets	7,049	9,775
Total current assets	137,748	138,463
Property and equipment, net	42,073	45,755
Intangibles and other assets	47,942	53,838
	\$ 227,763	\$ 238,056
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 1,424	\$ 1,281
Accounts payable	10,629	10,296
Income taxes payable	6,064	2,804
Accrued liabilities	57,905	57,474
Total current liabilities	76,022	71,855

Long-term debt, less current portion	1,385	1,465
Deferred income taxes	7,019	9,065
Accrued excess facility costs	18,619	19,563
Other non-current liabilities	1,196	1,054
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Total liabilities	104,241	103,002
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Stockholders' equity:		
Common stock	1,961,598	1,959,102
Accumulated deficit	(1,838,219)	(1,824,207)
Accumulated other comprehensive income	143	159
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Total stockholders' equity	123,522	135,054
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	\$ 227,763	\$ 238,056
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