



Harmonic Inc. Announces Preliminary Third Quarter Results

September 30, 2002

SUNNYVALE, Calif., Sep 30, 2002 (BUSINESS WIRE) -- Harmonic Inc. (Nasdaq:HLIT) today announced its expected results for the quarter ended September 27, 2002. These results are preliminary and subject to change as a result of final management and auditor review and closing adjustments for the quarter.

For the third quarter of 2002, the Company expects to report net sales of approximately \$37.0 million to \$39.0 million. The Company's lower than anticipated sales primarily reflected a more significant than expected slowdown in orders from many of its domestic cable customers, which adversely impacted both Harmonic's Convergent Systems (CS) and Broadband Access Networks (BAN) divisions.

The CS division, which designs, manufactures and markets digital headend systems for a number of markets, expects divisional net sales of approximately \$24.0 million to \$25.5 million, compared to \$32.7 million in the previous quarter. The BAN division, which designs, manufactures and markets fiber optic products for broadband cable networks, expects divisional net sales of approximately \$13.0 million to \$13.5 million, compared to \$23.6 million in the previous quarter. Domestic sales represented approximately 69% of total sales for the third quarter of 2002, down from 77% in the previous quarter.

"The capital spending environment is extremely challenging worldwide," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "Our cable customers appear to be very cautious in the near term, and our domestic satellite customers and European customers continue to face pending business consolidations, financial restructuring and regulatory issues. We have been weathering the storm by reducing our costs, introducing new products and strengthening our technology leadership across a wide range of broadband markets."

"During the third quarter, we announced new cable deployments with Charter Communications in the US and Telewest in the UK, as well as a new satellite project in China and a new MMDS wireless project in Brazil. We also introduced new products for MPEG-2 video-over-IP applications. Despite the current market uncertainty, we believe that the long term outlook for broadband communications remains bright."

At the end of the third quarter of 2002, the Company expects to have cash, cash equivalents and short-term investments of approximately \$53.0 million, compared to \$56.9 million at the end of the previous quarter. The Company expects to report that, during the third quarter, it incurred severance and other costs of \$0.9 million related to recent workforce reductions. In light of the Company's reduced headcount, current business conditions, and a weak local real estate sublease market, Harmonic has also reassessed the adequacy of its accrual for the costs of excess facilities. As a consequence, Harmonic expects to report a third quarter charge of \$22.0 million for facilities costs in excess of projected needs. In addition, the Company expects to report a benefit of \$2.0 million to \$2.5 million, resulting from products sold during the quarter which had been reserved in prior years as excess and obsolete inventories. Excluding these special charges and credits and the effects of non-cash accounting charges for the amortization of intangibles, which are expected to be approximately \$3.5 million, the pro forma net loss for the quarter is expected to be approximately \$0.17 to \$0.22 per share. The GAAP loss, including the above charges, is expected to be approximately \$0.57 to \$0.62 per share. The Company plans to announce its complete third quarter results on October 23, 2002.

Harmonic's conference call regarding its preliminary third quarter 2002 results will be held today at 1:30 P.M. Pacific (4:30 P.M. Eastern). A broadcast of the conference call can be accessed on the Company's website at www.harmonicinc.com/ir_events or by calling +1-303-262-2130 (Reservation No. 500441). The replay will be available at the same website address or by calling 303-590-3000 (Reservation No. 500441).

About Harmonic Inc.

Harmonic Inc. is a leading provider of digital video, broadband optical networking and IP delivery systems to cable, satellite, telecom and broadcast network operators. Harmonic's open standards-based solutions for the headend through the last mile enable customers to develop new revenue sources and a competitive advantage by offering powerful interactive video, voice and data services such as video-on-demand, high definition digital television, telephony and Internet access.

Harmonic (Nasdaq: HLIT) is headquartered in Sunnyvale, California with R&D, sales and system integration centers worldwide. The Company's customers, including many of the world's largest communications providers, deliver services in virtually every country. Visit www.harmonicinc.com for more information.

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 growth in broadband communications over the long term and expected financial results and charges for the third quarter of 2002, which are preliminary and subject to change as a result of final management and auditor review and closing adjustments for the quarter. 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.

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