



Microsoft and Harmonic Integrate Encoding and IPTV Solutions to Help Speed Telco TV Deployments and Market Growth

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Joint Initiative Provides Fully Integrated and Interoperable IP-Based Digital Television Platform Supporting Both MPEG-4 AVC and SMPTE VC-1

CHICAGO, Jun 07, 2005 (BUSINESS WIRE) -- Microsoft Corp. (Nasdaq:MSFT) and Harmonic Inc. (Nasdaq:HLIT) today announced they are jointly working to deliver an integrated Internet protocol (IP) based video solution encompassing the Microsoft(R) TV IPTV Edition software platform and Harmonic's industry-leading DiviCom(R) encoding solutions. The integration, which represents one of the first real-time IPTV solutions for both SMPTE VC-1 and MPEG-4 AVC (H.264), enables broadband service providers to offer feature-rich, broadcast-quality video services at ultra-low bit-rates. The collaboration -- formalized through a Development Cooperation Agreement -- is expected to speed service deployments while reducing technical risk, and to facilitate the growth of the emerging IPTV market. The agreement allows for the continued integration and interoperability testing of the two companies' solutions using the DiviCom MV 100 multi-codec real-time compression platform.

The collaboration between Microsoft and Harmonic will benefit telcos and other communication service providers seeking to extend their customer relationships by provisioning a compelling suite of broadcast and on-demand services over bandwidth-sensitive networks. By providing a comprehensive solution for transmitting high-quality video services at very low bit-rates, the two companies further facilitate the delivery of competitive TV services over xDSL and other IP-based networks. This new agreement builds on a relationship initiated in September 2003 to promote the Windows Media(R) 9 Series codec -- now known through the SMPTE standardization process as VC-1 -- for broadcast-grade video services on Harmonic's DiviCom MV 100 encoding platform.

As part of the collaboration agreement, Harmonic will support important new IPTV features such as a mosaic program guide and picture-in-picture viewing. Supporting such features and capabilities at the head-end rather than at the edge application server will result in a superior viewing experience with faster processing and better overall picture quality.

"High-quality, real-time VC-1 and AVC encoding is a critical component in the end-to-end delivery of IPTV services from Microsoft TV," said Phil Corman, director of worldwide partner development of the Microsoft TV Division at Microsoft Corp. "Harmonic's advanced encoding capability and video-over-IP expertise, combined with our robust IPTV software platform, make it possible for operators to utilize IP-based networks to deliver a range of next-generation television services and a viewing experience that is second to none. This is a critical requirement for growing the IPTV subscriber base."

"The expansion of the relationship between Microsoft and Harmonic is a very significant step in the evolution of commercially viable IPTV and broadband video services," said David Price, Vice President of Business Development for the Convergent Systems Division of Harmonic Inc. "Broadband operators can now overcome existing bandwidth limitations to offer a competitive TV service with compelling viewing features and more channels of high-quality video. We expect this to be a welcome development from both new and existing customers, and should serve to accelerate the roll-out of IP-based television services."

The improved compression efficiencies of advanced codecs coupled with the processing power and unique technology of Harmonic's DiviCom MV 100 will greatly reduce video bit-rates while maintaining broadcast-quality pictures. This makes it possible for operators to extend the reach of their services, efficiently utilize bandwidth to deliver more services, and reduce both deployment and operational costs. The MV 100 supports MPEG-2 in addition to VC-1 Advanced Profile and MPEG-4 AVC to enable a broad array of existing and emerging applications as well as to provide operators great choice and flexibility over the long-term. Harmonic's MV 100 is the world's first and remains the only real-time MPEG-4 AVC video encoder to power a commercial (revenue-generating) AVC-based broadcast IPTV service for a telco.

Microsoft TV IPTV Edition is a comprehensive software platform that allows broadband service providers to deliver compelling digital TV services using their existing IP networks. Leading service providers worldwide are conducting trials or planning to deploy IPTV services based on the Microsoft TV IPTV Edition platform.

About the DiviCom(R) MV 100 Real-time Encoding Platform

The DiviCom(R) MV 100 real-time encoding platform delivers compression efficiencies and video quality that redefine the meaning of ultra-low bit-rate encoding for MPEG-2, MPEG-4 AVC (H.264) and SMPTE VC-1. The MV 100's software architecture and processing power enable operators to easily accommodate changing market requirements through field installable features and functional enhancements, performance improvements, and even a more capable codec. Since its introduction in late 2003, the MV 100 has been deployed by telco, cable, satellite and terrestrial broadcasters for innovative applications -- such as the world's first MPEG-4 AVC-based TV-over-DSL service and cable digital simulcasting -- to become the leading multi-codec capable, real-time video encoder. Today, MV 100 encoders in use around the globe are delivering thousands of free and pay-TV services to tens of millions of viewers.

About the Microsoft TV Platform

The Microsoft TV platform is a family of software solutions that help network operators create and deliver new digital TV services that delight consumers. Designed to help cable providers and telecommunications companies derive more value from their digital video and network infrastructure investments, the Microsoft TV family supports a full range of services including interactive program guides, digital video recording, high-definition TV, on-demand programming and Internet Protocol TV (IPTV) services. The Microsoft TV platform works across a full range of set-top boxes and TV devices. More information about Microsoft TV can be found at www.microsoft.com/tv/.

About Microsoft

Founded in 1975, Microsoft (Nasdaq:MSFT) is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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: helping speed telco TV deployments and market growth, speeding service deployments while reducing technical risk and facilitating the growth of the emerging IPTV market, collaboration between Microsoft and Harmonic to benefit telcos and other communication service providers, Harmonic's support of important new IPTV features such as a mosaic program guide and picture-in-picture viewing, a superior viewing experience with faster processing and better overall picture quality, acceleration of the roll-out of IP-based television services, and greatly reducing video bit-rates while maintaining broadcast-quality pictures.

Our expectations and beliefs regarding these matters may not materialize, and actual results could differ materially from those projected. 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 recent Reports filed on Forms 10-K and 10-Q. Harmonic does not undertake to update any forward-looking statements.

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SOURCE: Harmonic Inc.

AxiCom (for Harmonic)

Stephen Orr, 408-543-2360 or +44.20.8392.4056

(Media Relations)

stephen.orr@axicom.com

or

StreetConnect (for Harmonic)

Michael Newman, 408-542-2760 (Investor Relations)

mnewman@stct.com

or

Weber Shandwick Worldwide (for Microsoft)

Microsoft TV Team, 425-452-5400 (Media Relations)

mstv@webershandwick.com