

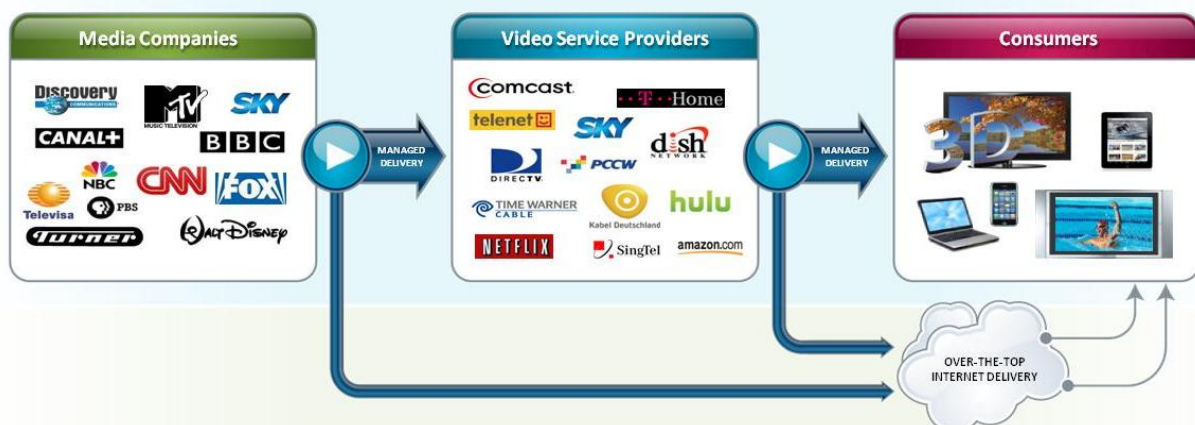
## Company Overview

**Harmonic Inc. (Nasdaq: HLIT)** offers a comprehensive, innovative and market-leading portfolio of video infrastructure solutions, spanning content production to multi-screen video delivery. Harmonic helps its customers to efficiently create, prepare and deliver differentiated video services over broadcast, cable, Internet, mobile, satellite and telecom networks, while simplifying end-to-end asset management, reducing costs and streamlining workflows. The Company's customers, which include the top 20 Fortune 2000 media companies, choose Harmonic to enable their high-quality video services in virtually every country.

### Dynamic Video Economy

Cable, satellite (DBS), telecom, Internet and mobile service providers that deliver video programming are engaged in intensifying competition to offer a more extensive, personalized and compelling video experience to viewers. At the same time, broadcasters, media content owners and aggregators are increasingly seeking new ways to streamline their workflows and engage in new business models for distributing their content. This increasingly dynamic video economy is driven by a number of important industry trends:

- Growing popularity of high-definition television (HDTV) sets is driving the demand for additional HD content and higher quality video signals, including high-quality standard definition (SD) and HD programming through new over-the-top Internet, multi-screen and TV anywhere services.
- Emerging video distribution over the internet and mobile devices is changing traditional video viewing habits, distribution methods and the industry's competitive landscape.
- Increasing demand for personalized and time-shifted content is facilitated by the proliferation of digital video recorders and network-based video-on-demand (VOD) services.
- Expanding high-definition, on-demand, Internet and mobile video services drive the need for more sophisticated video processing capabilities and greater network access bandwidth.
- The proliferation of digital video services worldwide, particularly in rapidly developing countries.
- The convergence of traditional video content owners and service providers drives the need for new solutions to optimize workflows and further integrate system and network architectures.



## Growth Opportunities in Multiple Markets

Harmonic enables *cable operators* to offer bundled packages of digital video, voice and data services. Cable operators continue to upgrade their networks in order to offer more high-quality HD and SD digital channels and interactive services, such as VOD, high-speed Internet, residential telephony and business services. Cable operators have also begun introducing services which enable subscribers to access authorized programming on PCs and mobile devices. In order to provide these new services, operators are adopting bandwidth optimization techniques and new transmission standards (such as DOCSIS 3.0) and continually making enhancements to their optical networks.

Harmonic helps over 100 *direct broadcast satellite operators* worldwide to establish digital television services that can deliver several hundred channels of high-quality standard definition video and increasing numbers of HDTV channels. DBS services operate mostly in a one-way environment, with signals transmitted from an uplink center to a satellite and then beamed to dishes located at subscribers' homes. DBS providers are seeking to protect and expand their subscriber base in a number of ways, such as making local channels available in major markets in standard definition and high definition formats. Continuing advances in digital video compression technology (such as MPEG-4) allow DBS operators to cost-effectively add new channels and expand their video offerings. Certain DBS operators have also entered into partnerships or acquisitions which provide terrestrial broadband services, allowing them to introduce interactive, on-demand and high-speed data services. Moreover, DBS operators have made acquisitions of, or introduced, technologies that will allow subscribers to access certain programming on PCs and mobile devices.

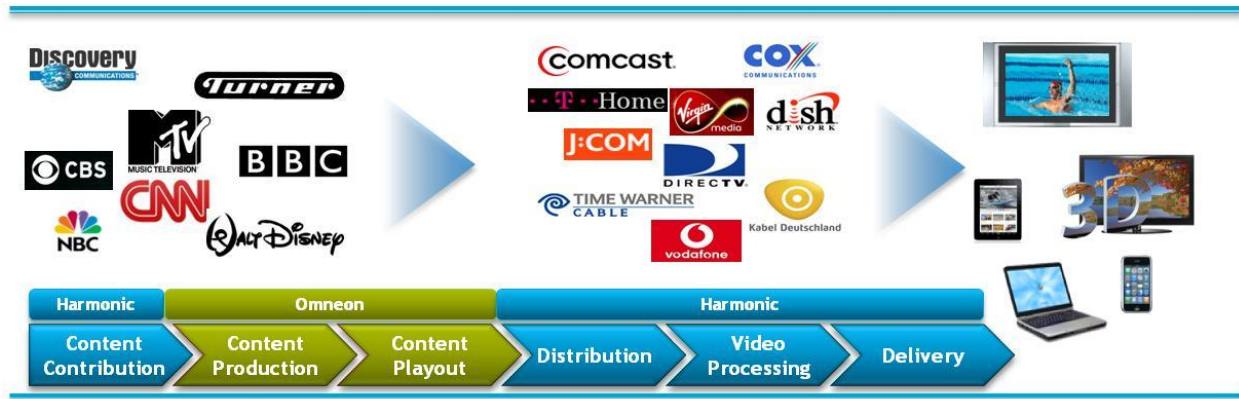
Harmonic enables *telephone service (telco) operators* to deploy new video services, in part as a response to increasing competition in their traditional data and voice markets. Their legacy networks confront significant bandwidth constraints when offering multi-channel video services, especially HDTV, across widespread geographic areas. Yet, advanced video compression technology and improvements in DSL technology have allowed many telco operators to introduce competitive video services using the Internet (IPTV). A few operators are also building out fiber networks, enabling the delivery of hundreds of video channels, as well as very high-speed data delivery. Furthermore, increasing network capacity and the growing capabilities of mobile devices are enabling major telcos worldwide to begin offering mobile video services to their subscribers.

Harmonic helps *broadcasters, media content owners and aggregators* to more efficiently produce and distribute digital video content, convert content from analog to digital formats, manage the available bandwidth and transmit live programming to their studios. Subsequently, Harmonic helps them broadcast their content to cable, satellite, telecom and other operators for distribution to viewers via traditional television services, the Internet or the growing array of new media services.



## Solutions and Services

To address these evolving opportunities in different markets, Harmonic offers a variety of industry-leading systems, software and services.



**Content Production and Payout Solutions.** In September 2010, Harmonic acquired Omneon Inc. The acquisition strengthened Harmonic's competitive position in the digital media market and broadened its relationships with customers that produce and distribute digital video content, such as owners of media content and broadcasters. As a result, Harmonic provides:

- Video servers used to record incoming content from either live feeds or tapes and encode that content in real-time into standard media files that are stored in the server's file system until needed for playback as part of a scheduled playlist.
- Video-optimized storage systems that provide highly scalable storage capacity and access bandwidth to support demanding media production applications, such as video editing, content transformation and media library management.
- Media applications that complement the video server and storage platforms by providing integrated media management and workflow control.

**Video Processing Solutions.** These solutions provide video delivery operators with the ability to acquire a variety of signals from different sources and in different protocols, and then organize, manage and distribute real-time and stored video content in ways that maximizes use of the available bandwidth. These products include:

- Broadcast encoders that compress video, audio and data channels to low bit rates, while maintaining high video quality, in standard and high definition formats and use MPEG-2, MPEG-4 AVC/H.264, or MPEG-4 video compression standards. Most of these encoders are used in real-time broadcasting applications, but they are also employed in conjunction with our software in encoding of video content and storage for later delivery as VOD.
- Contribution and distribution encoders that provide broadcasters with video compression solutions for on-the-spot news gathering, live sports coverage and other remote events.
- Stream processing and statistical multiplexing solutions that enable video network operators to manage and organize digital streams in a format best suited to their particular delivery requirements and subscriber offerings.
- Content preparation, storage and delivery solutions for multi-screen applications that enable high-quality broadcast and on-demand video services on any device (TV, PC or mobile).

- Decoders and descramblers that allow service providers to acquire content delivered from satellite and terrestrial broadcasters for distribution to their subscribers.

Management and control software that gives service providers the ability to control and visually monitor their digital video infrastructure at an aggregate level and reduce their operational costs.

**Edge and Access Solutions.** These solutions enable cable operators to deliver customized broadcast or narrowcast on-demand and data services to their subscribers. These products include:

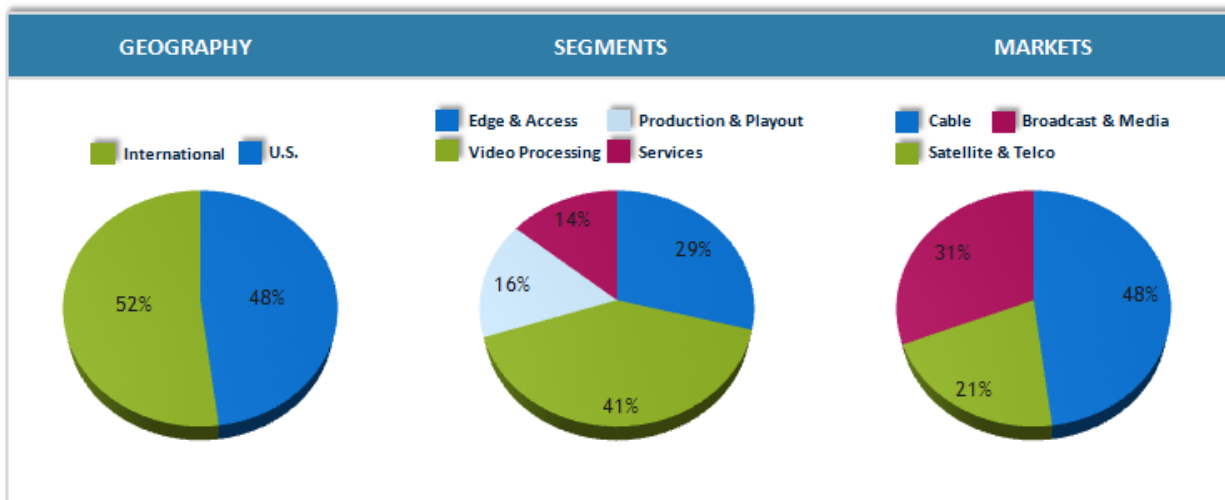
- Edge gateway (or EdgeQAM) devices that integrate routing, multiplexing and modulation into a single package for the delivery of narrowcast services, including video-on-demand applications, switched digital video and modular cable modem termination systems.
- Optical transmitters and amplifiers that serve long-haul and local transport applications in the cable distribution network.
- Optical nodes that support various fiber network architectures and configurable nodes to handle increasing two-way traffic without major reconstruction or replacement of the existing networks.

**Technical and Support Services.** Drawing upon its expertise in broadcast television, communications networking and compression technology, Harmonic provides a broad range of consulting, implementation and integration services to customers worldwide. These services include;

- Program management, budget analysis, technical design and planning, parts inventory management, building and site preparation, integration and equipment installation, end-to-end system testing, and comprehensive training.
- Maintenance and support services to customers under service level agreements that are generally renewed on an annual basis.

### Revenue Mix

The Company has a broad and expanding base of domestic and international customers, which include leading cable, DBS, telecom, Internet and mobile service providers, as well as broadcasters, media content owners and aggregators.



### **Legal Notice Regarding Forward-Looking Statements**

This Overview contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements related to the capabilities and benefits of Harmonic's products and services, changes in product and service offerings by, and the requirements of, Harmonic's existing and prospective customers and in the demands of the customers they serve, and Harmonic's growth opportunities and expanding customer base. Harmonic's expectations and beliefs regarding these matters may not materialize, and such expectations and beliefs and the Company's future financial results and financial condition are subject to risks and uncertainties that could materially and adversely affect such results and condition and the ability of the Company to achieve such expectations and beliefs. Such risks and uncertainties include, but are not limited to, those risks and uncertainties described in Harmonic's filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K, its most recent quarterly report on Form 10-Q and its current reports on Form 8-K. The forward-looking statements in this Overview are based on information available to Harmonic as of March 30, 2012, and the Company disclaims any obligation to update any forward-looking statements.