



Third Quarter Earnings Conference Call

October 27, 2011

Patrick Harshman, President & CEO
Carolyn Aver, Chief Financial Officer

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During the course of this presentation, we will provide projections and other forward looking statements regarding future events or the future financial performance of Harmonic, including expectations concerning our 2011 business strategy, our Q4 2011 financial outlook, our 2011 guidance on revenue and operating performance. Such statements are only current expectations and actual events or results may differ materially. We refer you to Harmonic’s filings with the SEC, particularly our most recent Reports on Form 10-K and Form 10-Q. These documents identify important risk factors that could cause actual results to differ materially from our projections or other forward looking statements. We will also present financial metrics determined on a “non-GAAP” basis. These items, together with the corresponding GAAP numbers and a reconciliation to GAAP, are contained in this presentation and the related earnings press release on our website at www.harmonicinc.com.



▶ Revenue \$138.9M

- 7% growth from Q3 2010 pro forma* revenue
- Domestic business rebounded, up 24% from Q2 2011
- 10% YTD growth from 2010 pro forma* revenue

▶ Bookings \$141.4M

- Strong competitive momentum across geographies and segments

▶ Operating performance

- Gross margin 51% (non-GAAP)
- Operating margin 12% (non-GAAP)
- EPS \$0.11 (non-GAAP)

**Includes full quarter pro forma revenue for Omneon for periods prior to September 30, 2011.*



▶ Stronger domestic demand

- New video processing wins, spanning HD to mobile and web
- Balanced across broadcast and media, cable, satellite and telco
- Many customers still planning next generation video services

▶ Continuing strong international demand

- International revenue up 16% YTD over 2010 pro forma* revenue
- Competitive momentum across product categories and geographies
- Competitive pricing pressure

**Includes full quarter pro forma revenue for Omneon for periods prior to September 30, 2011.*



▶ **Expanding Broadcast & Media customer base**

- YTD revenue 31% of total
- Grew 19% YTD from 2010 pro forma* revenue
- Success spans traditional and mobile / web Internet applications

▶ **Production & Playout progressing more modestly**

- Revenue up 2% from Q3 2010 pro forma*; up 5% from Q2 2011
- New media storage products performing well
 - Announced BBC, Crawford Media, Dubai Media, London Studios and Sichuan TV wins
 - First significant multiscreen application win involving MediaGrid
- Cross-selling and integrated solutions progressing

**Includes full quarter pro forma revenue for Omneon for periods prior to September 30, 2011.*



▶ **Cable Edge & Access demand strong**

- Revenue up 10% from Q3 2010
- EdgeQAM leadership extended by new dense HectoQAM technology
- Positive customer response to CCAP development program

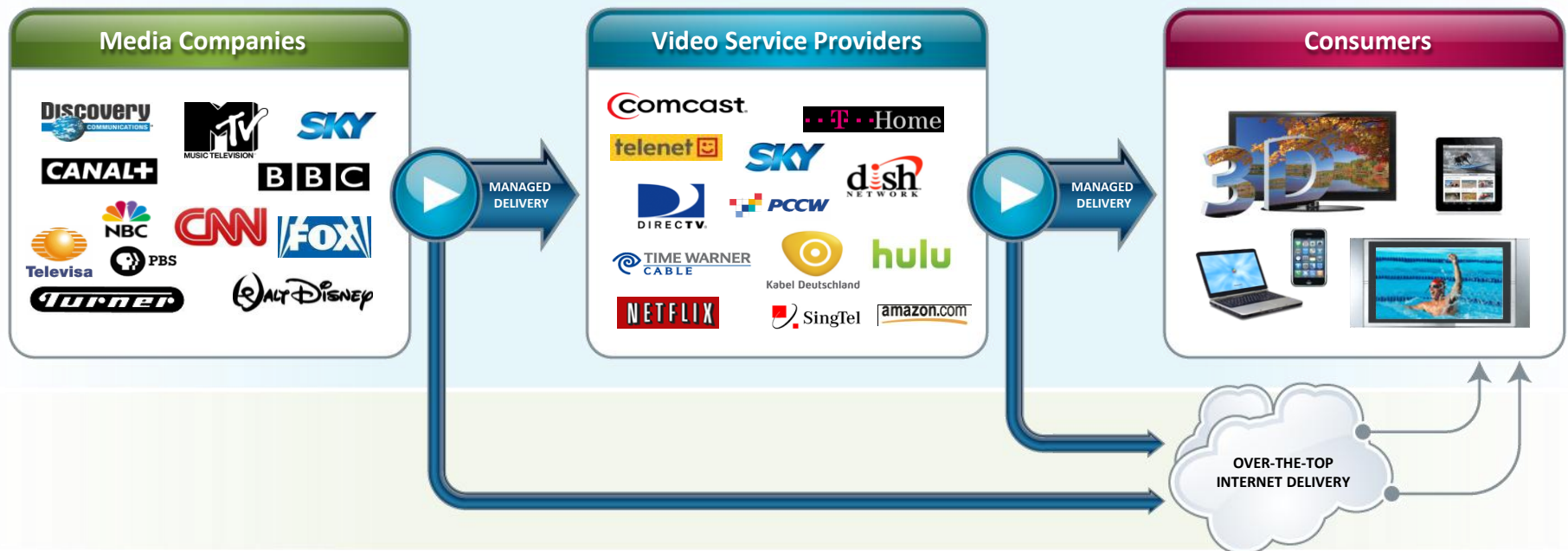
▶ **Strong Video Processing growth worldwide**

- Revenue up 23% YTD from 2010
- Introduced powerful new products: Electra 9000 and ProMedia suite
- Multiscreen activity progressing well



▶ Multiscreen business momentum

- Strategic wins with leading media companies and service providers
- New products enable managed network and over-the-top delivery
- Leading the market with integrated HDTV + mobile / web solutions





▶ **Leveraging increased scale and solution breadth**

- Developing new relationships with leading media companies
- Capturing greater market share in International markets
- Deepening relationships with historic service provider customers

▶ **Extending technology leadership position**

- Multiscreen and Internet delivery of very high-quality video
- Dense edgeQAM and IP-over-cable delivery
- Video production and post-production

▶ **Enhancing operational execution**

- Targeted R&D investment in high growth opportunities
- Carefully managing operating expenses



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Carolyn Aver, CFO

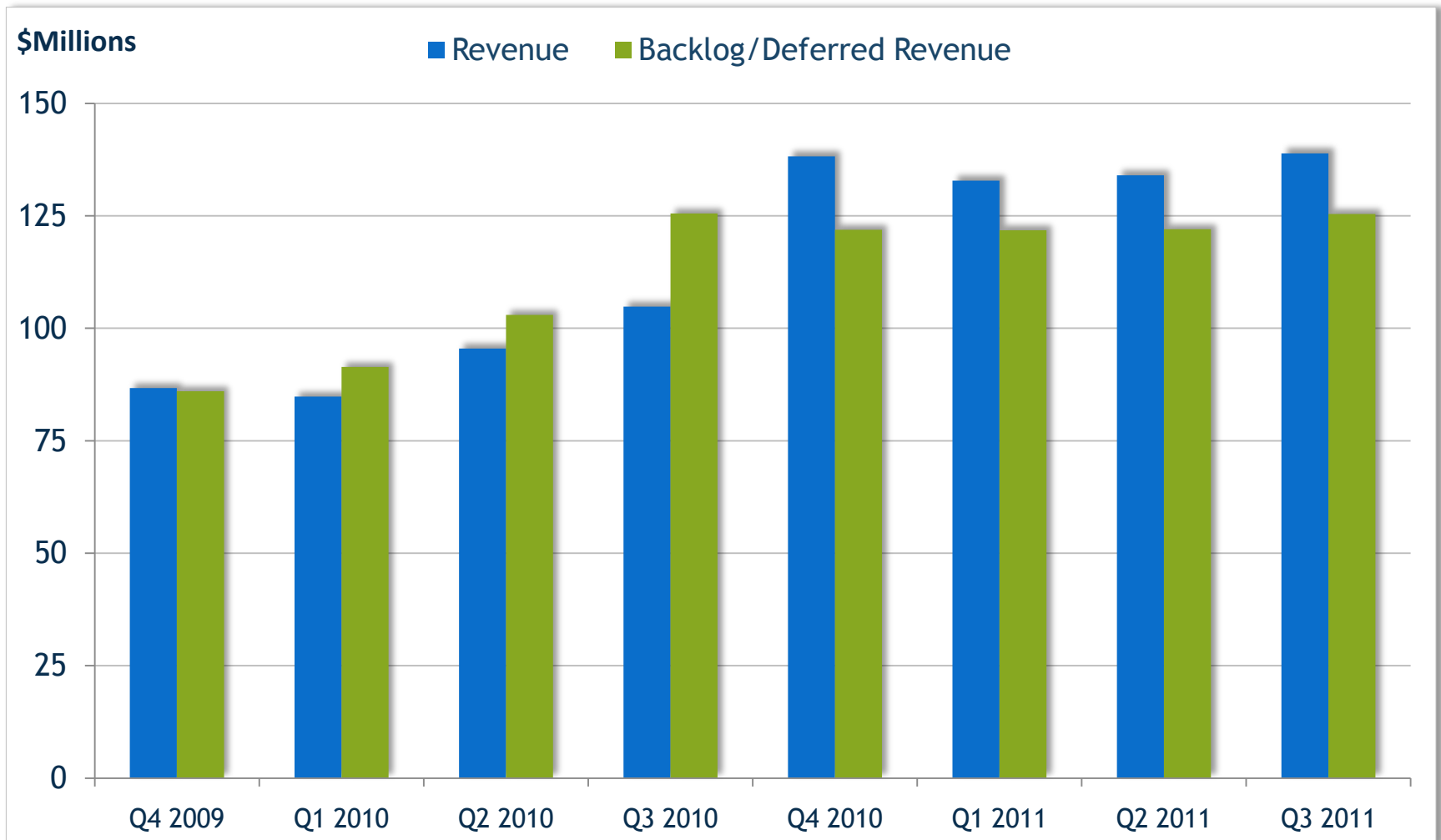
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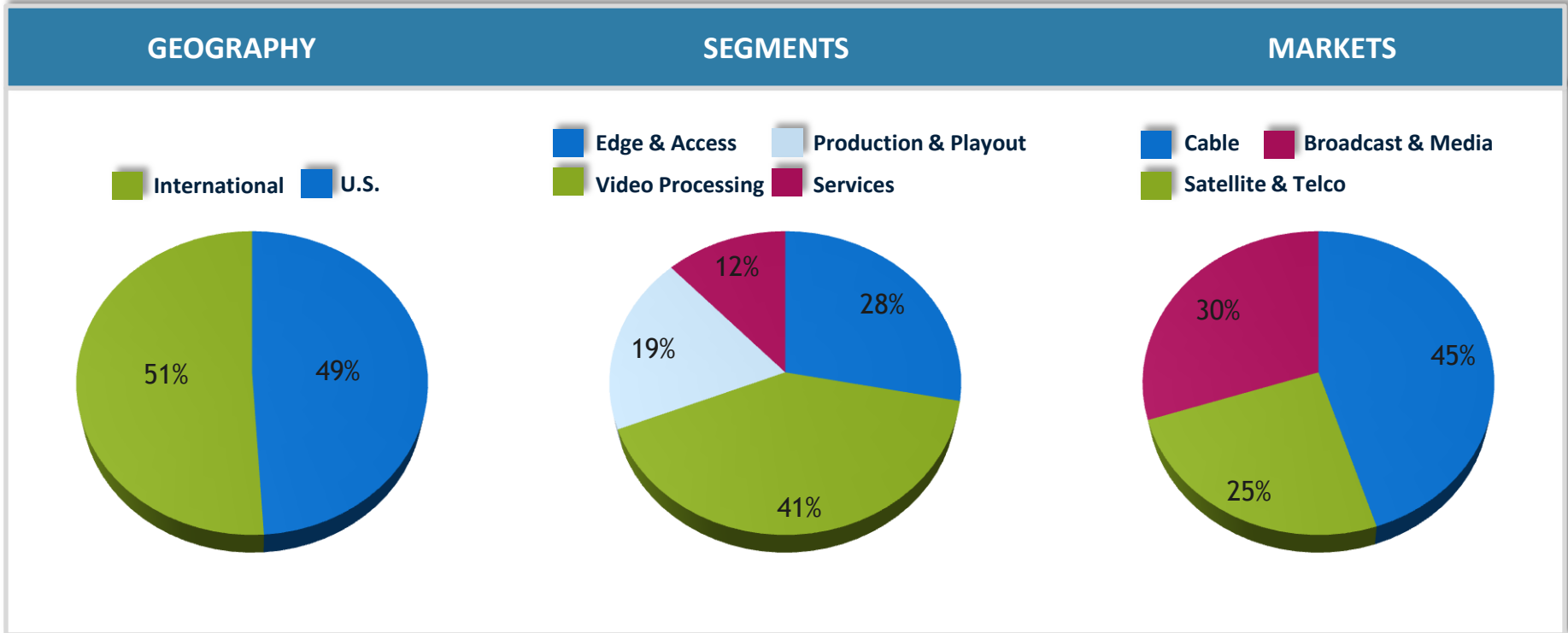


\$Millions (except GM and EPS)	Q3 2011	Q2 2011	Q3 2010	Q3/Q2 Change	Q3 Y/Y Change
Net Revenue - GAAP	\$138.9	\$134.0	\$104.8	4%	33%
Net Revenue - Pro Forma	\$138.9	\$134.0	\$129.5	4%	7%
Gross Margin % - Non-GAAP	51%	51%	49%	22 bp	180 bp
Gross Margin % - GAAP	46%	46%	45%	-17 bp	70 bp
OPEX - Non-GAAP	\$53.7	\$53.9	\$38.1	0%	41%
Operating Margin - Non-GAAP	12%	11%	12%	30 bp	-54 bp
EPS Non-GAAP	\$0.11	\$0.09	\$0.09	\$0.02	\$0.02
EPS - GAAP	\$0.03	\$0.00	\$0.00	\$0.03	\$0.03
Bookings	\$141.4	\$131.7	\$107.5	7%	32%
Backlog and Deferred	\$125.4	\$122.0	\$125.5	3%	0%

Quarterly GAAP Revenue and Backlog



Omneon contributed from completion of acquisition on September 15, 2010





	\$Millions	Metric
Cash	\$140.9	Up \$6.6M Q3/Q2
Accounts Receivable	\$116.4	76 days
Inventories	\$65.2	4.2 turns
Debt	\$0	
Capital Expenditures	\$3.5	Expect \$14M-\$16M for 2011



	Metric
Q4 Revenue	\$135M - \$145M
Non-GAAP Gross Margin*	49.5% - 51.5%
Non-GAAP Operating Expenses*	\$51M - \$53M
Non-GAAP Tax Rate	25%
* Excludes charges for stock-based compensation and the amortization of intangibles.	

This guidance includes the Company's current estimate of the anticipated impact of the floods in Thailand on its global supply chain for certain optical access and media storage products. The anticipated impact is up to \$2M in revenue and up to 0.5% on gross margins.



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In establishing operating budgets, managing its business performance, and setting internal measurement targets, the Company excludes a number of items required by GAAP. Management believes that these accounting charges and credits, most of which are non-cash or non-recurring in nature, are not useful in managing its operations and business. Historically, the Company has also publicly presented these supplemental non-GAAP measures in order to assist the investment community to see the Company “through the eyes of management,” and thereby enhance understanding of its operating performance. The non-GAAP measures presented here are gross margins, operating expense, net income and net income per share. The presentation of non-GAAP information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP, and is not necessarily comparable to non-GAAP results published by other companies. A reconciliation of the historical non-GAAP financial measures discussed in this press release to the most directly comparable historical GAAP financial measures is included with the financial statements contained in this presentation. The non-GAAP adjustments described below have historically been excluded from our GAAP financial measures. These adjustments are excess facilities charges, severance charges, acquisition related costs, discrete tax items and adjustments and non-cash items, such as stock-based compensation expense, amortization of intangibles and the fair value write-up of acquired inventories sold.

GAAP to Non-GAAP Reconciliation—Q3 2011



	Three months ended					
	September 30, 2011			October 1, 2010		
	Gross Profit	Operating Expense	Net Income	Gross Profit	Operating Expense	Net Income (Loss)
	(In thousands, except per share amounts)					
GAAP	\$ 63,961	\$ 60,121	\$ 3,546	\$ 47,532	\$ 45,960	\$ (361)
Cost of revenue related to stock-based compensation expense	843	-	843	516	-	516
Purchase accounting fair value adjustments related to inventory	-	-	-	412	-	412
Research and development expense related to stock-based compensation expense	-	(1,658)	1,658	-	(1,169)	1,169
Selling, general and administrative expense related to stock-based compensation expense	-	(2,504)	2,504	-	(1,833)	1,833
Selling, general and administrative expense related to excess facility costs and severance costs	-	-	-	-	(563)	563
Acquisition costs related to Omneon	-	-	-	-	(3,303)	3,303
Amortization of intangibles	5,446	(2,229)	7,675	2,714	(959)	3,673
Discrete tax items and adjustments	-	-	(3,483)	-	-	(2,147)
Non-GAAP	\$ 70,250	\$ 53,730	\$ 12,743	\$ 51,174	\$ 38,133	\$ 8,961
GAAP net income (loss) per share - basic			\$ 0.03			\$ (0.00)
GAAP net income (loss) per share - diluted			\$ 0.03			\$ (0.00)
Non-GAAP net income per share - basic			\$ 0.11			\$ 0.09
Non-GAAP net income per share - diluted			\$ 0.11			\$ 0.09
Shares used in per share calculation - basic			115,791			100,246
Shares used in per share calculation - diluted, GAAP			116,208			100,246
Shares used in per share calculation - diluted, Non-GAAP			116,208			100,941

Historic Pro Forma Financial Information



	Three months ended				Year ended				Three months ended							
	April 2, 2010	July 2, 2010	October 1, 2010	December 31, 2010	December 31, 2010		April 1, 2011	July 1, 2011	September 30, 2011							
	(In thousands, except percentages)															
Product																
Video Processing	\$ 38,890	34%	\$ 49,998	39%	\$ 51,005	39%	\$ 63,005	45%	\$ 202,898	40%	\$ 63,758	47%	\$ 51,525	38%	\$ 57,027	41%
Production and Playout	24,828	22%	26,589	21%	26,024	20%	27,699	20%	105,140	21%	22,408	17%	25,453	19%	26,619	19%
Edge and Access	35,544	32%	34,263	27%	34,712	27%	30,787	22%	135,306	26%	31,176	23%	40,178	30%	38,308	28%
Services and Support	13,777	12%	16,623	13%	17,760	14%	17,514	13%	65,674	13%	17,566	13%	16,840	13%	16,917	12%
Total	\$ 113,039	100%	\$ 127,473	100%	\$ 129,501	100%	\$ 139,005	100%	\$ 509,018	100%	\$ 134,908	100%	\$ 133,996	100%	\$ 138,871	100%
Geography																
United States	\$ 49,632	44%	\$ 65,456	51%	\$ 62,415	48%	\$ 64,230	46%	\$ 241,733	47%	\$ 60,608	45%	\$ 55,578	41%	\$ 68,718	49%
International	63,407	56%	62,017	49%	67,086	52%	74,775	54%	267,285	53%	74,300	55%	78,418	59%	70,153	51%
Total	\$ 113,039	100%	\$ 127,473	100%	\$ 129,501	100%	\$ 139,005	100%	\$ 509,018	100%	\$ 134,908	100%	\$ 133,996	100%	\$ 138,871	100%
Market																
Cable	\$ 56,441	50%	\$ 53,555	42%	\$ 63,419	49%	\$ 65,817	47%	\$ 239,232	47%	\$ 55,950	42%	\$ 64,142	48%	\$ 62,722	45%
Satellite and Telco	25,030	22%	36,218	28%	28,212	22%	28,455	21%	117,915	23%	35,388	26%	28,193	21%	33,974	25%
Broadcast and Media	31,568	28%	37,700	30%	37,870	29%	44,733	32%	151,871	30%	43,570	32%	41,661	31%	42,175	30%
Total	\$ 113,039	100%	\$ 127,473	100%	\$ 129,501	100%	\$ 139,005	100%	\$ 509,018	100%	\$ 134,908	100%	\$ 133,996	100%	\$ 138,871	100%

Note: Data includes a full quarter proforma revenue for Omneon, including certain deferred revenue excluded in reported results, for the periods prior to the three months ended July 1, 2011.