First Quarter 2012 Earnings Conference Call

April 24, 2012

Patrick Harshman, President & CEO

Carolyn Aver, Chief Financial Officer

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Forward Looking Statements

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 2012 business strategy and our Q2 2012 financial outlook. 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.

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Q1 2012: Results

- **Revenue $127.7M**
  - Unusually slow start to quarter
  - Europe soft throughout quarter
    - Most significant impact on Video Processing and Production & Playout
  - Cable strong, particularly Edge & Access
- **Bookings $142.5M**
  - Up 8% from Q1-11
  - Solid momentum across geographies, except Europe
  - Record Service & Support bookings
- **Operating performance**
  - Gross margin 47% (non-GAAP), impacted by product mix
  - EPS $0.03 (non-GAAP)
  - Cash generated $7M

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2012 Strategic Focus

- **Broadening global customer base**
- **Extending product leadership position**
- **Achieving operational excellence**

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Q1 2012: Business Highlights

Broadening global customer base

- Bookings growth ex-Europe demonstrates strong competitive momentum
  - Record Latin America bookings
  - Strengthening Asia Pacific business as Japan bounces back
  - Global Cable bookings up 13% from Q1-11
- Continued expansion of Broadcast & Media footprint
  - Announced significant wins with Modern VideoFilm, NBC and Home Depot
- Expanding Service Provider footprint
  - Broader product portfolio penetrating existing customers
  - Recent IPTV win with major Telco

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Q1 2012: Business Highlights

Extending market leadership – Multiscreen Video

- Significant new over-the-top wins
  - Announced Swisscom mobile/web and NBC Olympics
  - Our largest-ever file transcoding software deal with major Internet player
  - Record bookings for ProMedia product line (Intel-based)
- Expanding product and technology leadership
  - Announced new ultra-dense ProStream transcoding appliance
  - First-ever MPEG-DASH demonstration jointly with Akamai and Qualcomm
- HD OTT growth plays to our video technology strengths
  - Video quality, compression and bandwidth management

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Q1 2012: Business Highlights

Extending market leadership – Broadcast & Media

- New ChannelPort™ playout server with branding
  - Most significant new Playout product release since Omneon acquisition
- New ProView™ 7100 integrated receiver-decoder with transcoding
  - Further strengthens growing content delivery portfolio
- Positive response from customers at recent NAB show
- Compelling pipeline of new products and system solutions

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Q1 2012: Business Highlights

Extending market leadership – Cable Edge

- Edge & Access revenue up 18% from Q1-11
- Fast-growing footprint of new HectoQAM edge product
  - Spanning VOD, high-speed data and switched digital video applications
  - Gaining market share
  - Initial chassis sales carry lower gross margins; expect future software licenses as network traffic increases
- Continuing positive customer response to CCAP initiative
  - First CCAP chassis shipments planned for H1 2013

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Q1 2012: Business Highlights

Extending market leadership – Services & Support

- 14% of total revenue
- Record bookings
  - Most bookings recognized as revenue only in future periods
- Increasingly important element of our value proposition
  - Projects becoming more complex and fast-moving
  - Customers striving to reduce operating expenses
  - Customers value Harmonic's unique know-how and experience delivering premium video over IP

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Q1 2012: Financial Highlights

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$Millions (except GM, OM and EPS)	Q1 2012	Q4 2011	Q1 2011	Q1/Q4 Change	Q1 Y/Y Change
Total Net Revenue	$127.7	$143.6	$132.8	-11%	-4%
Gross Margin % - Non-GAAP	47%	51%	51%	-400 bp	-420 bp
Gross Margin % - GAAP	42%	47%	47%	-456 bp	-469 bp
Operating Expense - Non-GAAP	$56.1	$53.9	$54.0	4%	4%
Operating Margin - Non-GAAP	3%	13%	10%	-1040 bp	-740 bp
EPS - Non-GAAP	$0.03	$0.12	$0.09	-$0.09	-$0.06
EPS - GAAP	-$0.06	$0.04	$0.00	-$0.10	-$0.06
Bookings	$142.5	$142.0	$131.6	0%	8%
Backlog and Deferred	$135.7	$125.0	$121.8	9%	11%

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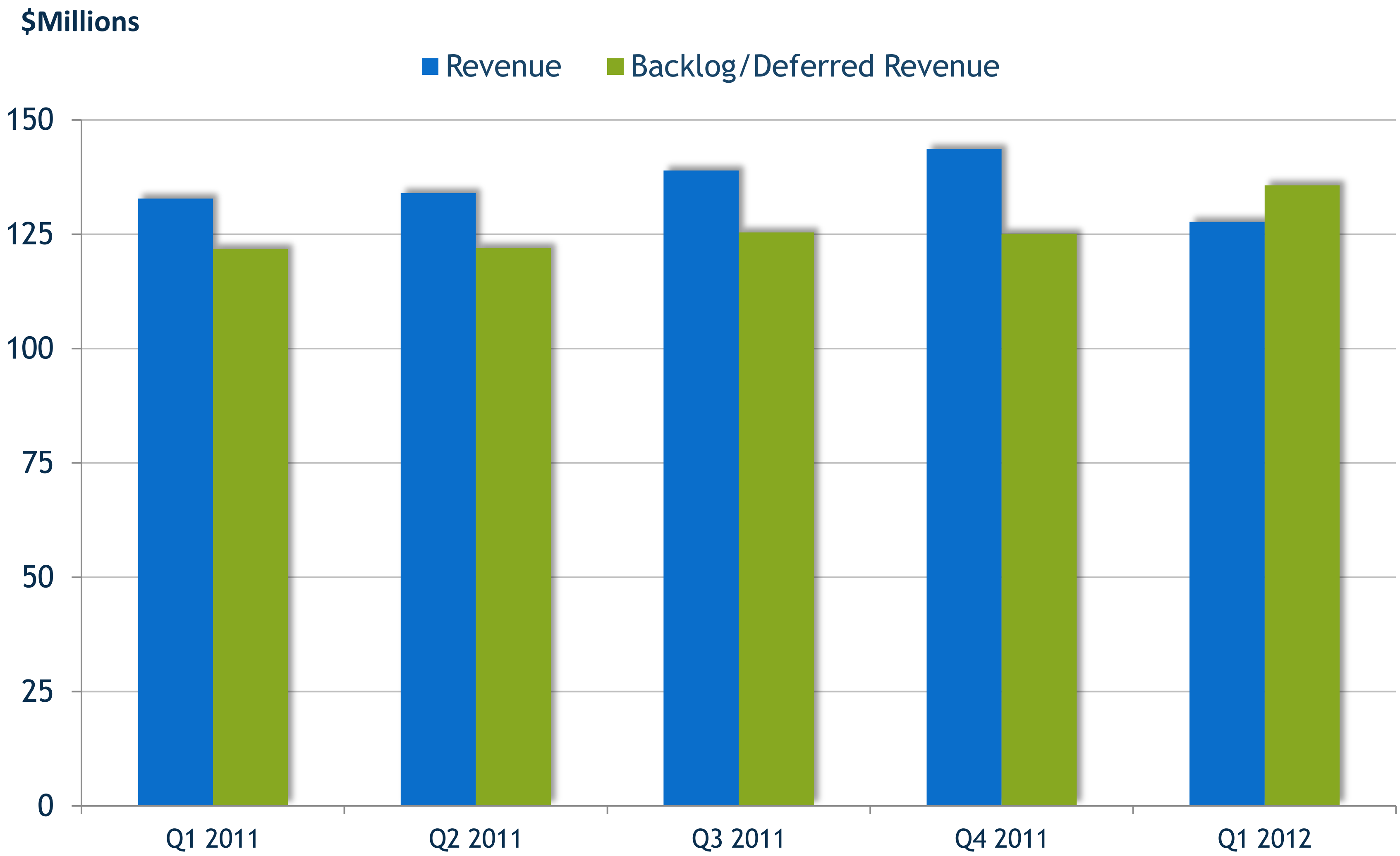
Quarterly Revenue and Backlog



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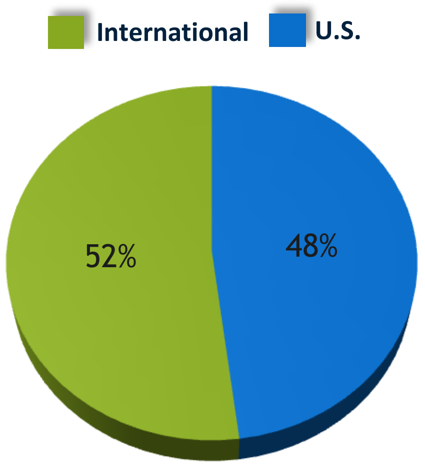
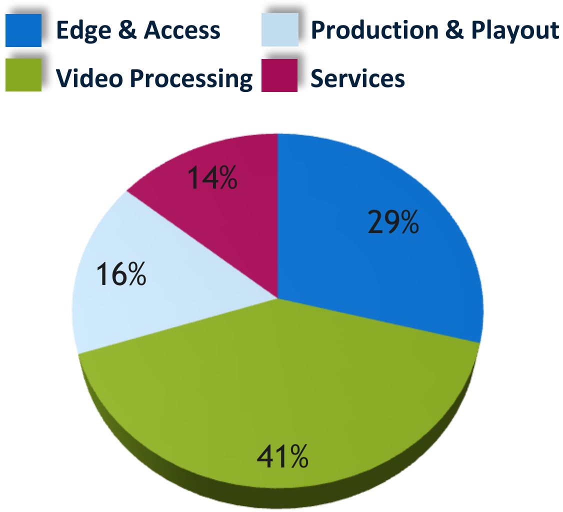
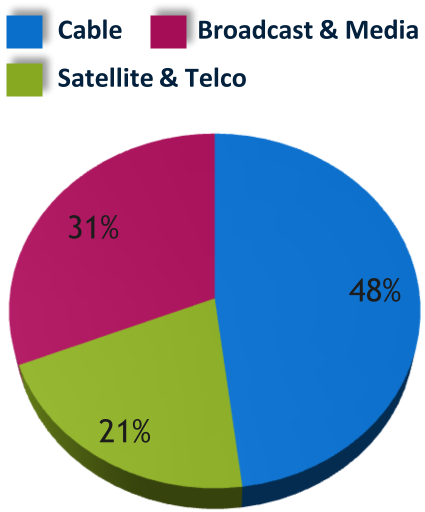
Q1 2012: Revenue Mix

GEOGRAPHY	SEGMENTS	MARKETS







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Q1 2012: Balance Sheet and Cap-Ex Highlights

	$Millions	
Cash	$168.5	Up $6.7M from Q4 11
Accounts Receivable	$111.8	80 days
Inventories	$65.5	4.1 turns
Debt	$0	
Capital Expenditures	$3.7	$15M-$20M for 2012

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Stock Repurchase

- **Authorized repurchase of up to $25 million of common stock**
  - Open market purchases
  - Funded from available working capital
  - Expected purchases will counter dilution from incentive stock programs
- **Currently 117.6 million shares outstanding**

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Q2 2012: Financial Guidance

	Metric
Q2 Revenue	$130M - $140M
Non-GAAP Gross Margin*	49% - 51%
Non-GAAP Operating Expenses*	$56M - $57M
Non-GAAP Tax Rate**	25%

***Excludes charges for stock-based compensation and the amortization of intangibles.**
****Assumes no extension to the R&D tax credit**

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Business Summary

- **Confident in fundamental growth opportunities**
  - Proliferation of video content and media outlets
  - Increasing demand for higher video quality in every format
  - Internet and mobile bandwidth constraints
- **Strengthening competitive position**
  - Extending technology leadership
  - Expanding global footprint
  - Continuing to invest in key strategic programs
- **Reduced near-term visibility in Europe**
  - Cautious Q2 outlook

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Use of Non-GAAP Financial Measures

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.

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Q1 2012: GAAP to Non-GAAP Reconciliation

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	Three months ended					
	March 30, 2012			April 1, 2011		
	Gross Profit	Operating Expense	Net Income (Loss)	Gross Profit	Operating Expense	Net Income
	(In thousands, except per share amounts)					
GAAP	$ 53,662	$ 62,319	$ (7,528)	$ 61,855	$ 61,942	$ 516
Cost of revenue related to stock-based compensation expense	794	-	794	747	-	747
Research and development expense related to stock-based compensation expense		(1,724)	1,724	-	(1,836)	1,836
Selling, general and administrative expense related to stock-based compensation expense	-	(2,282)	2,282	-	(3,419)	3,419
Selling, general and administrative expense related to excess facility costs and other non-recurring expenses	-	-	-	-	(409)	409
Amortization of intangibles	5,360	(2,179)	7,539	5,142	(2,229)	7,371
Discrete tax items and adjustments	-	-	(1,659)	-	-	(4,038)
Non-GAAP	$ 59,816	$ 56,134	$ 3,152	$ 67,744	$ 54,049	$ 10,260
GAAP net income (loss) per share - basic			$ (0.06)			$ 0.00
GAAP net income (loss) per share - diluted			$ (0.06)			$ 0.00
Non-GAAP net income per share - basic			$ 0.03			$ 0.09
Non-GAAP net income per share - diluted			$ 0.03			$ 0.09
Shares used in per share calculation - basic			117,275			113,836
Shares used in per share calculation - diluted, GAAP			117,275			116,109
Shares used in per share calculation - diluted, non-GAAP			118,134			116,109

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