

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 22, 2004

Date of Report
(Date of earliest event reported)

HARMONIC INC.

(Exact name of Registrant as specified in its charter)

Delaware

0-25826

77-0201147

(State or other jurisdiction of
incorporation or organization)

Commission File Number

(I.R.S. Employer
Identification Number)

549 Baltic Way
Sunnyvale, CA 94089
(408) 542-2500

(Address, including zip code, and telephone number, including area code,
of Registrant's principal executive offices)

TABLE OF CONTENTS

[Item 7. Financial Statements and Exhibits](#)

[Item 12. Results of Operations and Financial Condition](#)

[SIGNATURES](#)

[Exhibit Index](#)

[EXHIBIT 99.1](#)

[Table of Contents](#)

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit Number	Description
99.1	Press Release of Harmonic Inc., issued on January 22, 2004

Item 12. Results of Operations and Financial Condition

On January 22, 2004, Harmonic Inc. ("Harmonic") is issuing a press release and holding a conference call regarding its financial results for the quarter ended December 31, 2003. A copy of the press release is furnished as Exhibit 99.1 to this report.

Use of Non-GAAP Financial Information

To supplement our consolidated financial statements presented in accordance with GAAP, Harmonic uses non-GAAP measures of operating income/loss, net income/loss and earnings/loss per share, which are adjusted from results based on GAAP to exclude certain costs and credits and gains and losses. These non-GAAP adjustments are provided to enhance the user's overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the non-GAAP results provide useful information to both management and investors by excluding certain items that we believe are not indicative of our core operating performance. In addition, since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency in our financial reporting. Further, these non-GAAP results are a primary indicator used by management for planning and forecasting in future periods. The presentation of this additional information is not intended to be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States, and is not necessarily comparable to non-GAAP results published by other companies. A table reconciling the non-GAAP results to GAAP results is included in the accompanying press release.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HARMONIC INC.

Date: January 22, 2004

By: /s/ROBIN N. DICKSON

Robin N. Dickson
Chief Financial Officer

[Table of Contents](#)

Exhibit Index

Exhibit Number	Description
99.1	Press Release of Harmonic Inc., issued on January 22, 2004

HARMONIC ANNOUNCES FOURTH QUARTER AND YEAR END RESULTS

CONTINUED REVENUE GROWTH; POSITIVE EARNINGS FOR THE QUARTER

SUNNYVALE, CALIF. - JANUARY 22, 2004 - Harmonic Inc. (Nasdaq: HLIT) today announced its results for the quarter and year ended December 31, 2003.

For the fourth quarter of 2003, the Company reported net sales of \$56.3 million, up from \$47.3 million in the previous quarter and from \$39.3 million in the fourth quarter of 2002. For the full year 2003, the Company had net sales of \$182.3 million, compared to \$186.6 million for 2002.

The sequential revenue growth for the fourth quarter reflected increased shipments to a number of domestic and international cable customers. Domestic sales represented 70% of total sales for the fourth quarter of 2003, compared to 71% in the previous quarter.

The Company's CS division, which designs, manufactures and markets digital headend systems for a number of markets, had divisional net sales of \$33.2 million, up from \$29.0 million in the previous quarter. The BAN division, which designs, manufactures and markets fiber optic products primarily for broadband cable networks, had divisional net sales of \$23.1 million, up from \$18.3 million in the previous quarter.

"We are pleased with our continued revenue growth and achieving profitability in the fourth quarter," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "We see intensifying competition between cable and satellite operators to offer more channels of digital video and new services, such as video-on-demand and high-definition television."

"In the fourth quarter, we continued to focus on expense control and on improving our operating efficiencies. Our gross margins improved significantly from a year ago, reflecting the success of our new products and increased volume. We are also very pleased with the completion of our public offering during the quarter, which strengthened our balance sheet and helps to position us for future growth. While we expect the usual seasonal slowdown in the first quarter, we are excited about our prospects in 2004 and beyond."

GAAP net income for the fourth quarter of 2003 was \$1.4 million, or \$0.02 per share, compared to a net loss of \$13.8 million, or \$0.23 per share, for the same period of 2002. For the full year 2003, the GAAP net loss was \$29.4 million, or \$0.47 per share. The GAAP net income for the fourth quarter includes a benefit of \$2.2 million from the reversal of bad debt reserves following the sale of the Company's pre-petition trade claims against Adelphia Communications. The Company also recorded a benefit of \$1.4 million relating to the sale of previously reserved inventory.

On a non-GAAP basis, excluding the benefits described above and the effects of non-cash accounting charges for the amortization of intangibles, the non-GAAP net income for the fourth quarter of 2003 was \$1.2 million, or \$0.02 per share. This compares to a non-GAAP net loss of \$11.5 million, or \$0.19 per share, for the same period of 2002. For the full year 2003, the non-GAAP net loss was \$18.8 million, or \$0.30 per share.

At the end of 2003, the Company had cash, cash equivalents and short-term investments of \$112.6 million, compared to \$49.2 million at the end of 2002. During the fourth quarter, the Company raised net proceeds of approximately \$71 million in a public offering and also generated cash from operations of approximately \$8 million.

Harmonic's conference call regarding its fourth quarter 2003 results will be held today at 2:00 p.m. Pacific (5:00 p.m. Eastern). A listen-only broadcast of the conference call can be accessed on the Company's website at: www.harmonicinc.com or by calling +1-415-908-4707 (Reservation No. 21180556). The replay will be available at the same website address or by calling +1-402-977-9140 (Reservation No. 21180556).

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 our views regarding intensifying competition between cable and satellite operators to offer more channels of digital video and new services such as video-on-demand, and high-definition television; our belief that our strengthened balance sheet helps to position us for future growth; and our results and prospects for the first quarter, 2004 and beyond. Our expectations and beliefs regarding these matters may not materialize, and 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, customer concentration and consolidation, 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, and risks associated with a cyclical and unpredictable sales cycle. 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, 2002, its quarterly reports on Form 10-Q and its current reports on Form 8-K. 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.

HARMONIC INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(UNAUDITED)	(UNAUDITED)
Assets		
Current assets:		
Cash and cash equivalents	\$ 41,877	\$ 21,542
Short-term investments	70,720	27,616
Accounts receivable, net	38,528	25,380
Inventories	22,425	25,904
Prepaid expenses and other current assets	6,196	5,494
	-----	-----
Total current assets	179,746	105,936
Property and equipment, net	23,458	32,456
Intangibles and other assets	21,522	35,362
	-----	-----
	\$ 224,726	\$ 173,754
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 1,027	\$ 1,862
Accounts payable	14,863	7,258
Income taxes payable	6,935	6,900
Accrued liabilities	61,532	58,670

Total current liabilities	84,357	74,690
Long-term debt, less current portion	629	710
Accrued excess facilities costs	28,627	34,754
Other non-current liabilities	4,952	1,417
Total liabilities	118,565	111,571
Stockholders' equity:		
Common stock	2,036,593	1,963,294
Accumulated deficit	(1,930,558)	(1,901,125)
Accumulated other comprehensive income	126	14
Total stockholders' equity	106,161	62,183
	\$ 224,726	\$ 173,754

HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2003	DECEMBER 31, 2002	DECEMBER 31, 2003	DECEMBER 31, 2002
Net sales	\$ 56,329	\$ 39,272	\$ 182,276	\$ 186,632
Cost of sales	33,885	29,769	121,673	132,203
Gross profit	22,444	9,503	60,603	54,429
Operating expenses:				
Research and development	8,962	9,178	35,107	40,829
Selling, general and administrative	10,711	12,386	48,309	81,427
Amortization of intangibles	1,933	1,933	7,732	9,522
Total operating expenses	21,606	23,497	91,148	131,778
Income/(loss) from operations	838	(13,994)	(30,545)	(77,349)
Interest and other income, net	532	242	1,412	931
Income/(loss) before income taxes	1,370	(13,752)	(29,133)	(76,418)
Provision for (benefit from) income taxes	--	--	300	500
Net income/(loss)	\$ 1,370	\$ (13,752)	\$ (29,433)	\$ (76,918)
Net loss per share				
Basic	\$ 0.02	\$ (0.23)	\$ (0.47)	\$ (1.29)
Diluted	\$ 0.02	\$ (0.23)	\$ (0.47)	\$ (1.29)
Weighted average shares				
Basic	67,090	60,064	62,288	59,779
Diluted	68,123	60,064	62,288	59,779

HARMONIC INC.
NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (1)
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2003	DECEMBER 31, 2002	DECEMBER 31, 2003	DECEMBER 31, 2002
Net sales	\$ 56,329	\$ 39,272	\$ 182,276	\$ 186,632
Cost of sales	33,780	29,907	118,947	129,199
Gross profit	22,549	9,365	63,329	57,433
Operating expenses:				
Research and development	8,962	9,178	34,587	40,829
Selling, general and administrative	12,881	11,965	48,697	55,284
Total operating expenses	21,843	21,143	83,284	96,113
Non-GAAP income/(loss) from operations	706	(11,778)	(19,955)	(38,680)
Interest and other income, net	532	242	1,412	931
Non-GAAP income/(loss) before income taxes	1,238	(11,536)	(18,543)	(37,749)
Provision for income taxes	--	--	300	500
Non-GAAP net income/(loss)	\$ 1,238	\$ (11,536)	\$ (18,843)	\$ (38,249)
Non-GAAP net income(loss) per share				
Basic	\$ 0.02	\$ (0.19)	\$ (0.30)	\$ (0.64)
Diluted	\$ 0.02	\$ (0.19)	\$ (0.30)	\$ (0.64)
Weighted average shares				
Basic	67,090	60,064	62,288	59,779
Diluted	68,123	60,064	62,288	59,779

(1) These Non-GAAP Condensed Consolidated Statements of Operations are provided to enhance overall understanding of our current financial performance and our prospects for the future. The presentation of this 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 table reconciling the Non-GAAP net income/(loss) to the GAAP net income/(loss) follows below.

HARMONIC INC.
NON-GAAP TO GAAP INCOME (LOSS) RECONCILIATION
(UNAUDITED)

(IN THOUSANDS)	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2003	DECEMBER 31, 2002	DECEMBER 31, 2003	DECEMBER 31, 2002
Non-GAAP net income (loss)	\$ 1,238	\$ (11,536)	\$ (18,843)	\$ (38,249)
Items charged to cost of sales:				
Amortization of intangibles	(1,540)	(1,541)	(6,161)	(9,126)
Realized margin on reserved product sold	1,435	1,947	4,670	6,932
Provision for probable losses on Adelphia deferred cost of sales	--	--	--	(201)
Facilities, severance and other adjustments	--	(268)	(1,235)	(609)
Total of charges to cost of sales	(105)	138	(2,726)	(3,004)
Items charged to operating expenses:				
Amortization of intangibles	(1,933)	(1,933)	(7,732)	(9,522)
Loss on litigation settlement	--	--	(2,670)	--
Provision for probable losses on Adelphia account receivables	--	--	--	(2,748)
Sale of Adelphia account receivables	2,170	--	2,170	--
Facilities, severance and other adjustments	--	(421)	368	(23,395)
Total of charges to operating expenses	237	(2,354)	(7,864)	(35,665)

GAAP net income (loss)

\$ 1,370
=====

\$ (13,752)
=====

\$ (29,433)
=====

\$ (76,918)
=====