TOTAL NUMBER OF PAGES 15
INDEX TO EXHIBITS AT PAGE 14

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 28, 1997

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to ___________

Commission File No. 0-25826

HARMONIC LIGHTWAVES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	77-0201147
(State of incorporation)	(I.R.S. Employer Identification No.)

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)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

As of March 28, 1997 there were 10,234,639 shares of the Registrant's Common Stock outstanding.

HARMONIC LIGHTWAVES, INC.

Index

Page

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements:

Condensed Consolidated Balance Sheets at March 28, 1997 and December 31, 1996....3

Condensed Consolidated Statements of Operations for the Three Months Ended March 28, 1997 and March 29, 1996....4

Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 28, 1997 and March 29, 1996....5

Notes to Condensed Consolidated Financial Statements....6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations....7

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K....12

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HARMONIC LIGHTWAVES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 28, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,548	$ 16,410
Accounts receivable, net	14,318	12,643
Inventories	16,951	14,782
Prepaid expenses and other assets	1,460	1,315
Total current assets	47,277	45,150
Property and equipment, net	9,452	8,751
Other assets	474	732
	$ 57,203	$ 54,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,859	$ 5,604
Accrued liabilities	5,127	5,388
Total current liabilities	10,986	10,992
Stockholders' equity (deficit)		
Preferred stock, $.001 par value, 5,000,000 shares authorized; no shares issued or outstanding	--	--

Common Stock, $.001 par value, 50,000,000 shares authorized; 10,234,639 and 10,040,036 shares issued and outstanding	10	10
Capital in excess of par value	55,059	54,579
Accumulated deficit	(8,852)	(10,948)
Total stockholders' equity	46,217	43,641
	$ 57,203	$ 54,633

The accompanying notes are integral part of these financial statements.

HARMONIC LIGHTWAVES, INC.

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

	THREE MONTHS ENDED	
	MARCH 28, 1997	MARCH 29, 1996
Net sales	$19,033	$11,242
Cost of sales	10,042	6,282
Gross profit	8,991	4,960
Operating expenses:		
Research and development	2,791	1,893
Sales and marketing	2,863	1,967
General and administrative	1,110	664
Total operating expenses	6,764	4,524
Income from operations	2,227	436
Interest income and other income (expense), net	241	244
Income before income taxes	2,468	680
Provision for income taxes	370	34
Net income	$ 2,098	$ 646
Net income per share	$ 0.18	$ 0.06
Weighted average common shares and equivalents	11,568	11,174

The accompanying notes are an integral part of these financial statements.

HARMONIC LIGHTWAVES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 28, 1997	MARCH 29, 1996
Cash flows from operating activities:		
Net income	$ 2,098	$ 646
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	763	558
Changes in assets and liabilities:		
Accounts receivable	(1,675)	(4,505)
Inventories	(2,169)	603
Prepaid expenses and other assets	113	(1,195)
Accounts payable	255	463
Accrued liabilities	(261)	(233)
Net cash used in operating activities	(876)	(3,663)
Cash flows used in investing activities for the acquisition of property and equipment	(1,466)	(959)
Cash flows provided by financing activities from issuance of common stock, net	480	279
Net decrease in cash and cash equivalents	(1,862)	(4,343)
Cash and cash equivalents at beginning of period	16,410	22,126
Cash and cash equivalents at end of period	$ 14,548	$ 17,783
Supplemental schedule of cash flow information		
Income taxes paid during the period	$ 145	$ 100

The accompanying notes are an integral part of these financial statements.

HARMONIC LIGHTWAVES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements include all adjustments (consisting only of normal recurring adjustments) which Harmonic Lightwaves, Inc. (the "Company") considers necessary for a fair presentation of the results of operations for the interim periods covered and the financial condition of the Company at the date of the balance sheets. The quarterly financial information is unaudited. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements contained in the Company's Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on March 28, 1997. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 1997, or any other future period.

NOTE 2 - INVENTORIES (IN THOUSANDS)

	MARCH 28, 1997 (UNAUDITED)	DECEMBER 31, 1996
Raw materials	$ 3,045	$ 3,104
Work-in-process	5,266	4,704
Finished goods	8,640	6,974
	$ 16,951	$ 14,782

NOTE 3 - NET INCOME PER SHARE

Net income per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of stock options and warrants (using the treasury stock method). Common equivalent shares are excluded from the computation if their effect is antidilutive.

NOTE 4 - RECENT ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued Statement No. 128 (SFAS 128), "Earnings Per Share." SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the financial statements for all entities with complex capital structures. SFAS 128 requires adoption for fiscal periods ending after December 15, 1997. Pro forma disclosure of basic EPS and diluted EPS for the current reporting and comparable period in the prior year is as follows:

NET INCOME PER SHARE - PRO FORMA (UNAUDITED)	MARCH 28, 1997	MARCH 29, 1996
Basic net income per share	$ 0.21	$ 0.06
Diluted net income per share	$ 0.18	$ 0.06

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Harmonic Lightwaves, Inc. ("Harmonic" or the "Company") is a worldwide supplier of highly integrated fiber optic transmission, digital headend and element management systems for the delivery of interactive services over broadband networks. The Company designs, manufactures and markets optical transmitters, nodes, receivers, digital video compression and modulation equipment and element management hardware and software. These products are used by major communications providers, such as cable television operators, in bi-directional networks.

This Quarterly Report on Form 10-Q 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. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors including those set forth under "Factors That May Affect Future Results Of Operations" below and elsewhere in this Form 10-Q.

RESULTS OF OPERATIONS

Net Sales

The Company's net sales increased 69% from $11.2 million in the first quarter of 1996 to $19.0 million in the first quarter of 1997. This growth in net sales was attributable in part to higher unit sales of the Company's existing products, particularly its return path products and the 1550 nm MaxLink transmission system which began shipment during the second quarter of 1996. These factors were partially offset by lower unit sales of the YAGLink optical transmitter due in part to the increasing acceptance of 1550 nm transmitters among cable operators for broadcast transmission. In the first quarter of 1997, both domestic and international sales increased over the levels achieved in the first quarter of 1996. International sales represented 70% of net sales in the first quarter of 1997 compared to 71% of net sales in the first quarter of 1996.

Gross Profit

Gross profit increased from $5.0 million (44% of net sales) in the first quarter of 1996 to $9.0 million (47% of net sales) in the first quarter of 1997. The increase in gross profit was principally due to the higher unit sales of existing products, sales of the new 1550 nm MaxLink transmission system, higher selling prices for certain products due to customer and model mix and lower material costs. The increase in gross profit as a percentage of net sales in the first quarter of 1997 was also due to certain nonrecurring costs incurred in the first quarter of 1996, including start-up production costs associated with the launch of the MAXLink transmitter and reconfiguration of certain products to meet customer requirements and to ensure full compatibility with the Company's element management products.

Research and Development

Research and development expenses increased from $1.9 million (17% of net sales) in the first quarter of 1996 to $2.8 million (15% of net sales) in the first quarter of 1997. The increase in research and development expenses was principally attributable to increased headcount, particularly at the Company's Israeli subsidiary, which is developing Harmonic's first digital headend products. The Company anticipates that research and development expenses will continue to increase substantially in absolute dollars, although such expenses may vary as a percentage of net sales.

Sales and Marketing

Sales and marketing expenses increased from $2.0 million (17% of net sales) in the first quarter of 1996 to $2.9 million (15% of net sales) in the first quarter of 1997. The increase in expenses was primarily due to higher headcount and costs associated with expansion of the direct sales force, customer service and technical support organizations, as well as higher promotional expenses. The Company anticipates that sales and marketing expenses will continue to increase substantially in absolute dollars, although such expenses may vary as a percentage of net sales.

General and Administrative

General and administrative expenses increased from $0.7 million (6% of net sales) in the first quarter of 1996 to $1.1 million (6% of net sales) in the first quarter of 1997. The increase in expenses was principally attributable to costs of supporting the Company's growth in headcount and operations. The

Company expects to incur higher levels of general and administrative costs in the future, although such expenses may vary as a percentage of net sales.

Other Income (Expense)

Other income (expense), consisting principally of interest income, was $0.2 million in both the first quarter of 1996 and the first quarter of 1997. The Company expects interest expense to be nominal in the future as it currently has no capital lease obligations or bank debt.

Income Taxes

The provision for income taxes for the first quarter of 1996 and the first quarter of 1997 are based on estimated effective annual tax rates of 5% and 15%, respectively. The increase in effective rate in the first quarter of 1997 compared to the first quarter of 1996 is due to the expectation that the Company's deferred tax assets, consisting primarily of net operating loss carryovers, will be fully utilized during 1997. The Company's effective tax rate for 1996 resulted from federal and state alternative minimum taxes and estimated future realization of deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operations was approximately $3.7 million and $0.9 million for the first quarters of 1996 and 1997, respectively. The decrease in cash used in operations is primarily due to higher net income and improved customer collections, partially offset by cash used to fund inventory growth. In addition, the Company paid approximately $1.1 million in prepaid rents and deposits during the first quarter of 1996 in connection with signing a 10-year lease for the new corporate headquarters in Sunnyvale, California which it occupied in August 1996.

Additions to property, plant and equipment were approximately $1.0 million and $1.5 million in the first quarters of 1996 and 1997, respectively. The increase in 1997 compared to 1996 is due principally to leasehold improvements and furniture and fixtures for the Company's new research and development facility in Caesarea, Israel. The Company expects to spend approximately $5.0 million on capital expenditures in 1997, primarily for manufacturing and test equipment.

As of March 28, 1997, the Company's principal sources of liquidity included cash and cash equivalents of $14.5 million and a bank line of credit which provides for up to $10.0 million in borrowings and expires in September 1997. The line of credit bears interest at the bank's prime rate or LIBOR plus 2.0%. There were no outstanding

borrowings under this line during the first quarter of 1997. The Company expects that it will be able to renew or replace the line of credit upon its expiration on terms acceptable to the Company.

The Company believes that its existing liquidity sources and anticipated funds from operations will satisfy its cash requirements for at least the next twelve months.

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

Potential Fluctuations in Future Operating Results

The Company's operating results have fluctuated and may continue to fluctuate in the future, on an annual and a quarterly basis, as a result of a number of factors, many of which are outside of the Company's control, including the level of capital spending in the cable television industry, changes in the regulatory environment, changes in market demand, the timing of customer orders, competitive market conditions, lengthy sales cycles, new product introductions by the Company or its competitors, market acceptance of new or existing products, the cost and availability of components, the mix of the Company's customer base and sales channels, the mix of products sold, development of custom products, the level of international sales and general economic conditions. The Company establishes its expenditure levels for product development and other operating expenses based on projected sales levels, and expenses are relatively fixed in the short term. Accordingly, variations in timing of sales can cause significant fluctuations in operating results. In addition, because a significant portion of the Company's business is derived from orders placed by a limited number of large customers, the timing of such orders can also cause significant fluctuations in the Company's operating results. If sales are below expectations in any given quarter, the adverse impact of the shortfall on the Company's operating results may be magnified by the Company's inability to adjust spending to compensate for the shortfall.

Dependence on Key Customers and End Users

Historically, a substantial majority of the Company's sales have been to relatively few customers. Sales to the Company's ten largest customers in 1995, 1996 and the first quarter of 1997 accounted for approximately 80%, 72% and 74%, respectively, of its net sales. The Company expects that sales to relatively few customers will continue to account for a significant percentage of net sales for the foreseeable future. Harmonic has adopted a strategy to sell to major domestic customers through its own direct sales force and expects that domestic OEM and distributor revenues will be a smaller percentage of net sales in the future. In this regard, net sales to ANTEC in the first quarter of 1997 were not significant, and are expected to be insignificant in the future. Substantially all of the Company's sales are made on a purchase order basis, and none of the Company's customers has entered into a long-term agreement requiring it to purchase the Company's products. The loss of, or any reduction in orders from, a significant customer would have a material adverse effect on the Company's business and operating results.

Dependence on Cable Television Industry Capital Spending

To date, substantially all of the Company's sales have been derived, directly or indirectly, from sales to cable television operators. Demand for the Company's products depends to a significant extent upon the magnitude and timing of capital spending by cable television operators for constructing, rebuilding or upgrading their systems. The capital spending patterns of cable television operators are dependent on a variety of factors, including access to financing, cable television operators' annual budget cycles, the status of federal, local and foreign government regulation of telecommunications and television broadcasting, overall demand for cable television services, competitive pressures (including the availability of alternative video delivery technologies such as satellite broadcasting), discretionary customer spending patterns and general economic conditions. The Company believes that the consolidation of ownership of domestic cable television systems, by acquisition and system exchanges, together with uncertainty over regulatory issues, particularly the debate over the provisions

of the Telecommunications Act of 1996, caused delays in capital spending by major domestic MSOs during the second half of 1995 and first quarter of 1996. Although the Act became law in February 1996 and the Company believes that its provisions will result in increased capital expenditures in the telecommunications industry, there can be no assurance that capital spending by domestic MSOs will increase in the near future, or at all, or that Harmonic's sales will benefit. In addition, cable television capital spending can be subject to the effects of seasonality, with fewer construction and upgrade projects typically occurring in winter months and otherwise being affected by inclement weather.

Highly Competitive Industry

The market for cable television transmission equipment is extremely competitive and has been characterized by rapid technological change. Most of the Company's competitors are substantially larger and have greater financial, technical, marketing and other resources than the Company. Many of such large competitors are in a better position to withstand any significant reduction in capital spending by cable television operators. In addition, many of the Company's competitors have more long standing and established relationships with domestic and foreign cable television operators than does the Company. There can be no assurance that the Company will be able to compete successfully in the future or that competition will not have a material adverse effect on the Company's business and operating results.

Rapid Technological Change

The market for the Company's products is relatively new, making it difficult to accurately predict the market's future growth rate, size and technological direction. In view of the evolving nature of this market, there can be no assurance that cable television operators, telephone companies or other suppliers of broadband services will not decide to adopt alternative architectures or technologies that are incompatible with the Company's products, which would have a material adverse effect on the Company's business and operating results.

The broadband communications markets are characterized by continuing technological advancement. To compete successfully, the Company must design, develop, manufacture and sell new products that provide increasingly higher levels of performance and reliability. As new markets for broadband communications equipment continue to develop, the Company must successfully develop new products for these markets in order to remain competitive. For example, to compete successfully in the future, the Company believes that it must successfully develop and introduce products that will facilitate the processing and transmission of digital signals over optical networks. While the Company has announced and demonstrated initial products for digital applications, there can be no assurance that the Company will successfully complete development of, or successfully introduce, products for digital applications, or that such products will achieve commercial acceptance. In addition, in order to successfully develop and market its planned products for digital applications, the Company may be required to enter into technology development or licensing agreements with third parties. Although many companies are often willing to enter into such technology development or licensing agreements, there can be no assurance that such agreements will be negotiated on terms acceptable to the Company, or at all. The failure to enter into technology development or licensing agreements, when necessary, could limit the Company's ability to develop and market new products and could have a material adverse effect on the Company's business and operating results.

The failure of the Company to successfully develop and introduce new products that address the changing needs of the broadband communications market could have a material adverse effect on the Company's business and operating results. In addition, there can be no assurance that the successful introduction by the Company of new products will not have an adverse effect on the sales of the Company's existing products. For instance, an emerging trend in the domestic market toward narrowcasting (targeted delivery of advanced services to small groups of subscribers) is causing changes in the network architectures of some cable operators. This may have the effect of changing the Company's product mix toward lower price transmitters, which could adversely affect the Company's gross margins.

Sole or Limited Sources of Supply

Certain components and subassemblies necessary for the manufacture of the Company's products are obtained from a sole supplier or a limited group of suppliers. The reliance on sole or limited suppliers, particularly foreign suppliers, and the Company's increasing reliance on subcontractors involve several risks, including a potential inability to obtain an adequate supply of required components or subassemblies and reduced control over pricing, quality and timely delivery of components or subassemblies. Certain key elements of the Company's digital headend products are expected to be provided initially by a sole foreign supplier. The Company does not maintain long-term agreements with any of its suppliers or subcontractors. An inability to obtain adequate deliveries or any other circumstance that would require the Company to seek alternative sources of supply could affect the Company's ability to ship its products on a timely basis, which could damage relationships with current and prospective customers and could have a material adverse effect on the Company's business and operating results. The Company believes that investment in inventories will constitute a significant portion of its working capital in the future. As a result of such investment in inventories, the Company may be subject to an increasing risk of inventory obsolescence in the future, which would materially and adversely affect its business and operating results.

Risks of International Operations

Sales to customers outside of the United States in 1995, 1996 and the first quarter of 1997 represented 65%, 57% and 70% of net sales, respectively, and the Company expects that international sales will continue to represent a substantial portion of its net sales for the foreseeable future. To date, the Company has sold its products outside the United States primarily through distributors. The Company has recently established a subsidiary in the United Kingdom to market Harmonic's products and support its customers. In the future, the Company may establish its own sales and support offices in other countries. There can be no assurance that the establishment of any such sales and support offices will not adversely affect the Company's existing relationships abroad or will result in increased sales of the Company's products. The Company also has an Israeli subsidiary that engages primarily in research and development. International operations are subject to a number of risks, including changes in foreign government regulations and telecommunications standards, export license requirements, tariffs and taxes, other trade barriers, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in establishing, staffing and managing foreign operations and political and economic instability. While international sales are typically denominated in U.S. dollars, fluctuations in currency exchange rates could cause the Company's products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. Payment cycles for international customers are typically longer than those for customers in the United States. There can be no assurance that foreign markets will continue to develop or that the Company will receive future orders to supply its products in international markets at rates equal to or greater than those experienced in recent periods.

Management of Growth

The growth in the Company's business has placed, and is expected to continue to place, a significant strain on the Company's limited personnel, management and other resources. The Company's ability to manage any future growth effectively will require it to attract, train, motivate and manage new employees successfully, to integrate new employees into its overall operations, to retain key employees and to continue to improve its operational, financial and management systems. Any failure by the Company to manage effectively its future growth could have a material adverse effect on the Company's business and operating results.

PART II

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

Exhibit #	Description of Document
11.1	Computation of Net Income Per Share
27.1	Financial Data Schedule

B. Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended March 28, 1997.

SIGNATURE

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, thereunto duly authorized.

Dated: May 8, 1997

HARMONIC LIGHTWAVES, INC.
(Registrant)

By: /s/ Robin N. Dickson

Robin N. Dickson
Chief Financial Officer
(Principal Financial and Accounting Officer)

HARMONIC LIGHTWAVES, INC.

Index to Exhibits

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
11.1	Computation of Net Income Per Share
27.1	Financial Data Schedule

EXHIBIT 11.1

HARMONIC LIGHTWAVES, INC.

COMPUTATION OF NET INCOME PER SHARE
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 28, 1997	THREE MONTHS ENDED MARCH 29, 1996
Net Income	$ 2,098	$ 646
Weighted average shares outstanding:		
Common stock	10,210	9,984
Common stock issuable upon exercise of options and warrants	1,358	1,190
Weighted average common shares and equivalents	11,568	11,174
Net income per share(1)	$ 0.18	$ 0.06

(1) Computed in the manner described in Note 3 to Notes to Condensed Consolidated Financial Statements.

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-START>	JAN-01-1997
<PERIOD-END>	MAR-28-1997
<CASH>	14,548
<SECURITIES>	0
<RECEIVABLES>	14,318
<ALLOWANCES>	0
<INVENTORY>	16,951
<CURRENT-ASSETS>	47,277
<PP&E>	9,452
<DEPRECIATION>	0
<TOTAL-ASSETS>	57,203
<CURRENT-LIABILITIES>	10,986
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	55,069
<OTHER-SE>	(8,852)
<TOTAL-LIABILITY-AND-EQUITY>	57,203
<SALES>	19,033
<TOTAL-REVENUES>	19,033
<CGS>	10,042
<TOTAL-COSTS>	10,042
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	2,468
<INCOME-TAX>	370
<INCOME-CONTINUING>	2,098
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	2,098
<EPS-PRIMARY>	.18
<EPS-DILUTED>	0