

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

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

April 22, 2004

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Date of Report  
(Date of earliest event reported)

**HARMONIC INC.**

(Exact name of Registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

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0-25826  
Commission File Number

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77-0201147  
(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)

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**Item 7. Financial Statements and Exhibits**

(c) Exhibits

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release of Harmonic Inc., issued on April 22, 2004

**Item 12. Disclosure of Results of Operations and Financial Condition**

On April 22, 2004, Harmonic Inc. ("Harmonic") is issuing a press release and holding a conference call regarding its financial results for the quarter ended April 2, 2004. 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: April 22, 2004

By: /s/ROBIN N. DICKSON  
Robin N. Dickson  
Chief Financial Officer

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

HARMONIC ANNOUNCES FIRST QUARTER RESULTS  
Year-Over-Year Revenue Increased 49%

SUNNYVALE, CALIF. -- APRIL 22, 2004 -- Harmonic Inc. (Nasdaq: HLIT) today announced its results for the quarter ended April 2, 2004.

For the first quarter of 2004, the Company reported net sales of \$55.1 million, up 49% from \$37.0 million in the first quarter of 2003. The strong year-over-year revenue growth reflected increased shipments to cable and satellite customers worldwide. International sales represented 33% of total sales for the first quarter of 2004, up from 30% in the previous quarter, due to improvements in certain international markets and the expected seasonal slowdown in domestic sales in the first quarter.

The Company's CS division, which designs, manufactures and markets digital headend systems for a number of markets, had divisional net sales of \$35.8 million in the first quarter of 2004, up from \$24.0 million in the same period of 2003. The BAN division, which designs, manufactures and markets fiber optic products primarily for broadband cable networks, had divisional net sales of \$19.3 million in the first quarter of 2004, up from \$13.0 million in the same period of 2003.

"We are pleased with our strong sales improvement in the first quarter, which is typically our slowest period for the year," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "Our domestic cable customers continue to gradually deploy video-on-demand (VOD), high-definition (HD) programming, more digital channels and IP services. We are also encouraged by the growing interest in VOD and HD among our international cable customers in Asia and Europe, as well as our satellite customers' plans to offer more HD and local channels."

"While the timing of customer deployments remains difficult to predict, we continue to see intensifying competition between cable and satellite operators, which drives the need for both more bandwidth capacity and better bandwidth management. Moreover, we believe that the telcos are continuing to explore how they can best offer a competitive array of quality digital video services in the coming years. We believe increasing competition between operators, combined with the ever-increasing bandwidth and technical requirements of new residential and business services, will fuel growing demand for our fiber optic and digital products in 2004 and beyond."

The GAAP net loss for the first quarter of 2004 was \$2.6 million or \$0.04 per share, compared to a net loss of \$11.7 million or \$0.19 per share for the same period of 2003. The GAAP results for the first quarter includes a credit relating to the sale of previously reserved inventory of \$0.7 million. 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 first quarter of 2003 was \$0.2 million or \$0.00 per share. This compares to a non-GAAP net loss of \$9.3 million or \$0.15 per share for the same period of 2003.

At the end of the first quarter of 2004, the Company had cash, cash equivalents and short-term investments of \$108.4 million, compared to \$112.6 million at the end of 2003.

Harmonic's conference call regarding its first quarter 2004 results will be held today at 2:00 p.m. Pacific (5:00 p.m. Eastern) on April 22, 2004. A listen-only broadcast of the conference call can be accessed on the Company's website at [www.harmonicinc.com](http://www.harmonicinc.com) or by calling +1 - 415 - 908 - 4707 (Reservation No. 21180558). The replay will be available after 5:00 p.m. on April 22, 2004 at the same website address or by calling +1 - 402 - 977 - 9140 (Reservation No. 21180558).

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](http://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 domestic cable customers' gradual deployment of VOD, HD programming, more digital channels and IP services; growing interest in VOD and HD among our international cable customers in Asia and Europe; our satellite customers' plans to offer more HD and local channels; intensifying competition between cable and satellite operators, which drives the need for both more bandwidth capacity and better bandwidth management; our belief that the telcos are continuing to explore how they can best offer a competitive array of quality digital video services in the coming years; our belief that increasing competition between operators, combined with the ever-increasing bandwidth and technical requirements of new residential and business services, will fuel growing demand for our fiber optic and digital products in 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, 2003, 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)

	APRIL 2, 2004	DECEMBER 31, 2003
	-----	-----
	(UNAUDITED)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 36,826	\$ 41,877
Short-term investments	71,540	70,720
Accounts receivable, net	32,360	38,528
Inventories	28,323	22,425
Prepaid expenses and other current assets	6,134	6,196
	-----	-----
Total current assets	175,183	179,746
Property and equipment, net	22,555	23,458
Intangibles and other assets	18,037	21,522
	-----	-----
	\$ 215,775	\$ 224,726
	=====	=====
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		

Current portion of long-term debt	\$ 882	\$ 1,027
Accounts payable	15,180	14,863
Income taxes payable	6,924	6,935
Deferred revenue	6,986	11,712
Accrued liabilities	46,968	49,820
	-----	-----
Total current liabilities	76,940	84,357
	-----	-----
Long-term debt, less current portion	581	629
Accrued excess facilities costs	27,603	28,627
Other non-current liabilities	5,231	4,952
	-----	-----
Total liabilities	110,355	118,565
	-----	-----
Stockholders' equity:		
Common stock	2,038,559	2,036,593
Accumulated deficit	(1,933,135)	(1,930,558)
Accumulated other comprehensive income	(4)	126
	-----	-----
Total stockholders' equity	105,420	106,161
	-----	-----
	\$ 215,775	\$ 224,726
	=====	=====

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

	THREE MONTHS ENDED	
	-----	-----
	APRIL 2, 2004	MARCH 28, 2003
	-----	-----
Net sales	\$ 55,106	\$ 37,041
Cost of sales	33,219	26,294
	-----	-----
Gross profit	21,887	10,747
	-----	-----
Operating expenses:		
Research and development	8,850	8,503
Selling, general and administrative	13,994	12,063
Amortization of intangibles	1,933	1,933
	-----	-----
Total operating expenses	24,777	22,499
	-----	-----
Loss from operations	(2,890)	(11,752)
Interest and other income, net	413	185
	-----	-----
Loss before income taxes	(2,477)	(11,567)
Provision for income taxes	100	100
	-----	-----
Net loss	\$ (2,577)	\$ (11,667)
	=====	=====

Net loss per share		
Basic	\$ (0.04)	\$ (0.19)
	=====	=====
Diluted	\$ (0.04)	\$ (0.19)
	=====	=====
Weighted average shares		
Basic	71,713	60,456
	=====	=====
Diluted	71,713	60,456
	=====	=====

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

	THREE MONTHS ENDED	
	----- APRIL 2, 2004	MARCH 28, 2003 -----
Net sales	\$ 55,106	\$ 37,041
Cost of sales	32,346	25,811
	-----	-----
Gross profit	22,760	11,230
	-----	-----
Operating expenses:		
Research and development	8,850	8,503
Selling, general and administrative	13,994	12,063
	-----	-----
Total operating expenses	22,844	20,566
	-----	-----
Non-GAAP loss from operations	(84)	(9,336)
Interest and other income, net	413	185
	-----	-----
Non-GAAP income/(loss) before income taxes	329	(9,151)
Provision for income taxes	100	100
	-----	-----
Non-GAAP net income/(loss)	\$ 229	\$ (9,251)
	=====	=====
Non-GAAP net income(loss) per share		
Basic	\$ 0.00	\$ (0.15)
	=====	=====
Diluted	\$ 0.00	\$ (0.15)
	=====	=====
Weighted average shares		
Basic	71,713	60,456
	=====	=====
Diluted	73,346	60,456
	=====	=====

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	
	APRIL 2, 2004	MARCH 28, 2003
Non-GAAP net income (loss)	\$ 229	\$ (9,251)
Items charged to cost of sales:		
Amortization of intangibles	(1,540)	(1,540)
Realized margin on reserved product sold	667	1,057
	(873)	(483)
Total of charges to cost of sales		
Items charged to operating expenses:		
Amortization of intangibles	(1,933)	(1,933)
	(1,933)	(1,933)
Total of charges to operating expenses		
GAAP net loss	\$ (2,577)	\$ (11,667)