

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

July 22, 2004

Date of Report
(Date of earliest event reported)

HARMONIC INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

0-25826
Commission File Number

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

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

Item 12. Disclosure of Results of Operations and Financial Condition

On July 22, 2004, Harmonic Inc. (“Harmonic”) is issuing a press release and holding a conference call regarding its financial results for the quarter ended July 2, 2004. A copy of the press release is furnished as Exhibit 99.1 to this report and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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: July 22, 2004

By: /s/ ROBIN N. DICKSON

Robin N. Dickson
Chief Financial Officer

Exhibit Index

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

HARMONIC ANNOUNCES SECOND QUARTER RESULTS

INCREASING SALES AND NEW OPTICAL AND DIGITAL PRODUCTS

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

For the second quarter of 2004, the Company reported net sales of \$57.0 million, up from \$55.1 million in the previous quarter and up from \$41.7 million in the second quarter of 2003. The revenue growth reflects increased shipments to cable and satellite customers worldwide. International sales represented 44% of total sales for the second quarter of 2004, up from 33% in the previous quarter, due principally to the completion of initial customer acceptance testing for a large international project.

The Company's CS division, which designs, manufactures and markets digital headend systems for a number of markets, had divisional net sales of \$33.3 million in the second quarter of 2004, up from \$27.1 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 \$23.7 million in the second quarter of 2004, up from \$14.6 million in the same period of 2003.

"We are pleased with our sales growth, our improved results from operations and our introduction of exciting new products in the second quarter," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "We saw increasing demand from our international and domestic cable customers who continue to deploy more equipment to offer video-on-demand, high-definition (HD) programming, new digital channels, cable telephony and IP services. We continued to extend our technology leadership with the introduction of new digital encoders and optical transmission systems, including the initial deployments of our new Commercial Services Solution to enable cable operators to provide broadband services to businesses, schools and government offices."

"Our satellite customers continue to expand the number of HD and digital channels, and a number of telephone companies are exploring different approaches to offer competitive digital video services. Across our different markets, we are helping customers in their plans to migrate to next-generation network transmission and video compression technologies. While the timing of customer deployments remains difficult to predict, we expect that intensifying competition among our customers, along with the ever-increasing bandwidth and technical requirements for new services, will continue to drive growing demand for our fiber optic and digital products in the second half of 2004 and beyond."

The GAAP net loss for the second quarter of 2004 was \$1.8 million, or \$0.02 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 second quarter include a credit relating to the sale of previously reserved inventory of \$1.2 million. Excluding the inventory benefit described above and the effects of non-cash accounting charges for the amortization of intangibles, the non-GAAP net income for the second quarter of 2004 was \$0.5 million, or \$0.01 per share. This compares to a non-GAAP net loss of \$6.6 million, or \$0.11 per share, for the same period of 2003.

At the end of the second quarter of 2004, the Company had cash, cash equivalents and short-term investments of \$92.2 million, compared to \$108.4 million at the end of the first quarter. The decline in the cash position primarily reflected increases in working capital requirements, particularly in receivables, as well as approximately \$4.8 million paid under a tax-sharing agreement from an acquisition completed in 2000.

Harmonic's conference call regarding its second quarter 2004 results will be held today, July 22, 2004, 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. 21180559). The replay will be available after 5:00 p.m. on July 22 at the same website address or by calling +1-402-977-9140 (Reservation No. 21180559).

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 NEW COMMERCIAL SERVICES SOLUTIONS' ABILITY TO ENABLE CABLE OPERATORS TO PROVIDE BROADBAND SERVICES TO BUSINESSES, SCHOOLS AND GOVERNMENT OFFICES; CUSTOMER PLANS TO MIGRATE TO NEXT-GENERATION NETWORK TRANSMISSION AND VIDEO COMPRESSION TECHNOLOGIES; OUR EXPECTATION THAT INTENSIFYING COMPETITION AMONG OUR CUSTOMERS, ALONG WITH EVER-INCREASING BANDWIDTH AND TECHNICAL REQUIREMENTS FOR NEW SERVICES, WILL CONTINUE TO DRIVE GROWING DEMAND FOR OUR FIBER OPTIC AND DIGITAL PRODUCTS IN THE SECOND HALF OF 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)

	JULY 2 2004	DECEMBER 31, 2003
	-----	-----
	(UNAUDITED)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,353	\$ 41,877
Short-term investments	76,847	70,720
Accounts receivable, net	39,103	38,528
Inventories	30,359	22,425
Prepaid expenses and other assets	7,765	6,196
	-----	-----
Total current assets	169,427	179,746
Property and equipment, net	21,131	23,458
Intangibles and other assets	14,559	21,522
	-----	-----
	\$ 205,117	\$ 224,726

	=====	=====
Liabilities and stockholders' equity Current liabilities:		
Current portion of long-term debt	\$ 957	\$ 1,027
Accounts payable	13,037	14,863
Income taxes payable	6,884	6,935
Deferred revenue	4,991	11,712
Accrued liabilities	42,152	49,820
	-----	-----
Total current liabilities	68,021	84,357
	-----	-----
Long-term debt, less current portion	915	629
Accrued excess facilities costs	26,191	28,627
Other non-current liabilities	5,469	4,952
	-----	-----
Total liabilities	100,596	118,565
	-----	-----
Stockholders' equity:		
Common stock	2,039,596	2,036,593
Accumulated deficit	(1,934,903)	(1,930,558)
Accumulated other comprehensive income	(172)	126
	-----	-----
Total stockholders' equity	104,521	106,161
	-----	-----
	\$ 205,117	\$ 224,726
	=====	=====

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JULY 2, 2004	JUNE 27, 2003	JULY 2, 2004	JUNE 27, 2003
	-----	-----	-----	-----
Net sales	\$ 57,011	\$ 41,653	\$ 112,117	\$ 78,694
Cost of sales	34,715	28,901	67,933	55,195
	-----	-----	-----	-----
Gross profit	22,296	12,752	44,184	23,499
	-----	-----	-----	-----
Operating expenses:				
Research and development	8,311	8,431	17,161	16,934
Selling, general and administrative	13,529	14,408	27,524	26,471
Amortization of intangibles	1,933	1,933	3,866	3,866
	-----	-----	-----	-----
Total operating expenses	23,773	24,772	48,551	47,271
	-----	-----	-----	-----
Loss from operations	(1,477)	(12,020)	(4,367)	(23,772)
Interest and other income/(expense)	(191)	438	222	623
	-----	-----	-----	-----
Loss before income taxes	(1,668)	(11,582)	(4,145)	(23,149)
Provision for income taxes	100	100	200	200
	-----	-----	-----	-----
Net loss	\$ (1,768)	\$ (11,682)	\$ (4,345)	\$ (23,349)
	=====	=====	=====	=====
Net loss per share				
Basic	\$ (0.02)	\$ (0.19)	\$ (0.06)	\$ (0.39)
	=====	=====	=====	=====
Diluted	\$ (0.02)	\$ (0.19)	\$ (0.06)	\$ (0.39)
	=====	=====	=====	=====
Weighted average shares				
Basic	71,832	60,462	71,772	60,457
	=====	=====	=====	=====
Diluted	71,832	60,462	71,772	60,457
	=====	=====	=====	=====

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

(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JULY 2, 2004	JUNE 27, 2003	JULY 2, 2004	JUNE 27, 2003
Net sales	\$ 57,011	\$ 41,653	\$112,117	\$ 78,694
Cost of sales	34,359	28,406	66,704	54,217
Gross profit	22,652	13,247	45,413	24,477
Operating expenses:				
Research and development	8,311	8,431	17,161	16,934
Selling, general and administrative	13,529	11,738	27,524	23,801
Total operating expenses	21,840	20,169	44,685	40,735
Non-GAAP income/(loss) from operations	812	(6,922)	728	(16,258)
Interest and other income/(expense)	(191)	438	222	623
Non-GAAP income/(loss) before income taxes	621	(6,484)	950	(15,635)
Provision for income taxes	100	100	200	200
Non-GAAP net income/(loss)	\$ 521	\$ (6,584)	\$ 750	\$ (15,835)
Net loss per share				
Basic	\$ 0.01	\$ (0.11)	\$ 0.01	\$ (0.26)
Diluted	\$ 0.01	\$ (0.11)	\$ 0.01	\$ (0.26)
Weighted average shares				
Basic	71,832	60,462	71,772	60,457
Diluted	72,690	60,462	72,903	60,457

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 loss follows below.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JULY 2, 2004	JUNE 27, 2003	JULY 2, 2004	JUNE 27, 2003
Non-GAAP net income/(loss)	\$ 521	\$ (6,584)	\$ 750	\$ (15,835)
Items charged to cost of sales:				
Amortization of intangibles	(1,540)	(1,540)	(3,080)	(3,080)
Realized margin on reserved product sold	1,184	1,045	1,851	2,102
Total of charges to cost of sales	(356)	(495)	(1,229)	(978)
Items charged to operating expenses:				
Amortization of intangibles	(1,933)	(1,933)	(3,866)	(3,866)

Loss on litigation settlement	--	(2,670)	--	(2,670)
	-----	-----	-----	-----
Total of charges to operating expenses	(1,933)	(4,603)	(3,866)	(6,536)
	-----	-----	-----	-----
GAAP net loss	\$ (1,768)	\$ (11,682)	\$ (4,345)	\$ (23,349)
	=====	=====	=====	=====