

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 27, 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
(State of incorporation)

77-0201147
(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 No

As of June 27, 1997 there were 10,335,400 shares of the Registrant's Common Stock outstanding.

HARMONIC LIGHTWAVES, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HARMONIC LIGHTWAVES, INC.

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

	JUNE 27, 1997	DECEMBER 31, 1996
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,964	\$ 16,410
Accounts receivable, net	21,481	12,643
Inventories	13,871	14,782
Prepaid expenses and other assets	1,768	1,315
	-----	-----
Total current assets	48,084	45,150
Property and equipment, net	9,835	8,751
Other assets	214	732
	-----	-----
	\$ 58,133	\$ 54,633
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 4,246	\$ 5,604
Accrued liabilities	5,568	5,388
	-----	-----
Total current liabilities	9,814	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; 10,335,400 and 10,040,036 shares issued and outstanding	10	10
Capital in excess of par value	55,341	54,579
Accumulated deficit	(7,012)	(10,948)
Currency translation	(20)	--
	-----	-----
Total stockholders' equity	48,319	43,641
	-----	-----
	\$ 58,133	\$ 54,633
	=====	=====

The accompanying notes are integral part of these financial statements.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 27, 1997	JUNE 28, 1996	JUNE 27, 1997	JUNE 28, 1996
	-----	-----	-----	-----
Net sales	\$20,514	\$13,485	\$39,547	\$24,727
Cost of sales	10,778	7,474	20,820	13,756
	-----	-----	-----	-----
Gross profit	9,736	6,011	18,727	10,971
	-----	-----	-----	-----
Operating expenses:				
Research and development	2,876	2,038	5,667	3,931
Sales and marketing	3,712	2,269	6,575	4,236
General and administrative	1,132	796	2,242	1,460
	-----	-----	-----	-----
Total operating expenses	7,720	5,103	14,484	9,627
	-----	-----	-----	-----
Income from operations	2,016	908	4,243	1,344
Interest and other income (expense), net	147	277	388	521
	-----	-----	-----	-----
Income before income taxes	2,163	1,185	4,631	1,865

Provision for income taxes	325	59	695	93
	-----	-----	-----	-----
Net income	\$ 1,838	\$ 1,126	\$ 3,936	\$ 1,772
	=====	=====	=====	=====
Net income per share	\$ 0.16	\$ 0.10	\$ 0.34	\$ 0.16
	=====	=====	=====	=====
Weighted average common shares and equivalents	11,497	11,452	11,530	11,336
	=====	=====	=====	=====

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

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HARMONIC LIGHTWAVES, INC.

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

	SIX MONTHS ENDED	
	JUNE 27, 1997	JUNE 28, 1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 3,936	\$ 1,772
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	1,601	1,143
Changes in assets and liabilities:		
Accounts receivable	(8,838)	(5,660)
Inventories	911	204
Prepaid expenses and other assets	65	(1,353)
Accounts payable	(1,358)	1,443
Accrued liabilities	180	509
	-----	-----
Net cash used in operating activities	(3,503)	(1,942)
	-----	-----
Cash flows used in investing activities for the acquisition of property and equipment	(2,685)	(1,815)
	-----	-----
Cash flows provided by financing activities from issuance of common stock, net	762	362
	-----	-----
Effect of exchange rate changes on cash and equivalents	(20)	--
Net decrease in cash and cash equivalents	(5,446)	(3,395)
Cash and cash equivalents at beginning of period	16,410	22,126
	-----	-----
Cash and cash equivalents at end of period	\$ 10,964	\$ 18,731
	=====	=====
Supplemental schedule of cash flow information and noncash financing activities		

Income taxes paid during the period \$ 217 \$ 122

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)

	JUNE 27, 1997	DECEMBER 31, 1996
	-----	-----
	(UNAUDITED)	
Raw materials.....	\$ 3,172	\$ 3,104
Work-in-process.....	3,589	4,704
Finished goods.....	7,110	6,974
	-----	-----
	\$ 13,871	\$ 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:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	-----	-----	-----	-----
	JUNE 27, 1997	JUNE 28, 1996	JUNE 27, 1997	JUNE 28, 1996
NET INCOME PER SHARE - PRO FORMA (UNAUDITED)	-----	-----	-----	-----

Basic net income per share	\$	0.18	\$	0.11	\$	0.38	\$	0.18
=====								
Diluted net income per share	\$	0.16	\$	0.10	\$	0.34	\$	0.16
=====								

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. Such statements include expectations as to future operating results, future expenditures, future cash requirements, future industry conditions and new product development. 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 52% from \$13.5 million in the second quarter of 1996 to \$20.5 million in the second quarter of 1997. For the six month periods, net sales increased 60% from \$24.7 million in the first six months of 1996 to \$39.5 million in the first six months of 1997. This growth in net sales was attributable to higher unit sales of the Company's existing products, particularly of the PWRLink transmitter, receiver and return path products and sales of 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, which were due in part to the increasing acceptance of 1550 nm transmitters among cable operators for broadcast transmission. In the second quarter of 1997, both domestic and international sales increased over the levels achieved in the second quarter of 1996. International sales represented 59% of net sales in the second quarter of 1997 compared to 64% of net sales in the second quarter of 1996.

Gross Profit

Gross profit increased from \$6.0 million (45% of net sales) in the second quarter of 1996 to \$9.7 million (47% of net sales) in the second quarter of 1997 and from \$11.0 million (44% of net sales) in the first six months of 1996 to \$18.7 million (47% of net sales) in the first six months of 1997. The increases in gross profit, as a percentage of net sales, were principally due to higher unit sales and lower material costs resulting from higher unit volume. In addition, manufacturing costs of the Company's MAXLink products were substantially lower in the second quarter of 1997, compared to the second quarter of 1996, when the MAXLink entered volume production. These factors were partially offset by lower selling prices of certain products.

Research and Development

Research and development expenses increased from \$2.0 million (15% of net sales) in the second quarter of 1996 to \$2.9 million (14% of net sales) in the second quarter of 1997. For the six month periods, research and development expenses increased from \$3.9 million in 1996 (16% of net sales) to \$5.7 million in 1997 (14% of net sales). The increases in research and development expenses in both periods were 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.

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Sales and Marketing

Sales and marketing expenses increased from \$2.3 million (17% of net sales) in the second quarter of 1996 to \$3.7 million (18% of net sales) in the second quarter of 1997. For the six month periods, sales and marketing expenses increased from \$4.2 million to \$6.6 million, but remained constant as a percentage of net sales at 17%, reflecting higher sales levels. The increases in expenses were primarily due to higher headcount 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 \$0.8 million in the second quarter of 1996 to \$1.1 million in the second quarter of 1997, but represented 6% of net sales in both quarters, reflecting higher sales levels. For the six month periods, general and administrative expenses increased from \$1.5 million to \$2.2 million, but remained constant as a percentage of net sales at 6%. The increases in expenses were 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 \$0.1 million and \$0.4 million in the three and six month periods respectively, ended June 27, 1997, compared to \$0.3 million and \$0.5 million in the corresponding periods of 1996. The decreases in both periods in 1997 were principally due to interest earned on lower average cash balances.

Income Taxes

The provisions for income taxes for both periods of 1996 and 1997 are based on an estimated effective annual tax rate of 5% and 15%, respectively. The increase in effective rate in 1997 compared to 1996 is due primarily to the expectation that the Company's 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.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operations was approximately \$1.9 million and \$3.5 million for the six months ended June 28, 1996 and June 27, 1997, respectively. The increase in cash used in operations was primarily due to higher accounts receivable and lower accounts payable, partially offset by higher net income, cash generated from reduction in inventory and lower prepaid expenses. The increase in accounts receivable during the first six months of 1997 was attributable principally to the pattern of sales in the second quarter of 1997, which were concentrated in the latter part of the quarter compared to the fourth quarter of 1996, in which sales were concentrated in the first part of the quarter. The higher prepaid expenses at June 28, 1996 compared to June 27, 1997 was due to payment by the Company of approximately \$1.1 million in prepaid rents and deposits during the first half of 1996 in connection with signing a 10-year lease for the new corporate headquarters in Sunnyvale, California which the Company occupied in August 1996.

Additions to property, plant and equipment were approximately \$1.8 million and \$2.7 million in the first six months of 1996 and 1997, respectively. The increase in 1997 compared to 1996 was 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.

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As of June 27, 1997, the Company's principal sources of liquidity included cash and cash equivalents of \$11.0 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 second 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. In addition, in the first and second quarters of 1997, the Company recognized a substantial portion of its revenues in the last month of the quarter. 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 six months of 1997 accounted for approximately 80%, 72% and 65%, respectively, of its net sales. Due in part to the consolidation of ownership of domestic cable television systems, 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 1997 and beyond than they have been in prior years. In this regard, net sales to ANTEC in the first half 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.

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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.

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 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. 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 six months of 1997 represented 65%, 57% and 64% 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. In addition, the Company 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 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 additional orders to supply its products for use in foreign broadband systems.

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 OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matters were approved at the Registrant's Annual Meeting of Stockholders held on April 30, 1997.

(a) The following directors were elected:

Directors	For	Against
Floyd Kvamme	7,772,568	55,122
David Lane	7,772,068	55,622
Barry Lemieux	7,768,868	58,822
Anthony Ley	7,802,611	25,079
Moshe Nazarathy	7,804,418	23,272
Michel Vaillaud	7,767,117	60,573

(b) Amendment of the 1995 Stock Plan

1995 Stock Plan	Number of Common Shares Voted		
	For	Against	Abstain
Amendment to 1995 Stock Plan	4,964,079	2,847,435	16,176

(c) The stockholders also approved the following proposal:

Independent Accountants	Number of Common Shares Voted		
	For	Against	Abstain
Ratification of Price Waterhouse LLP as independent accountants	7,814,728	6,797	6,165

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 June 27, 1997.

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: August 11, 1997

HARMONIC LIGHTWAVES, INC.
(Registrant)

By: /s/ ROBIN N. DICKSON

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

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HARMONIC LIGHTWAVES, INC.

Index to Exhibits

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

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HARMONIC LIGHTWAVES, INC.
 COMPUTATION OF NET INCOME PER SHARE
 (IN THOUSANDS)
 (UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 27 1997 ----	JUNE 28, 1996 ----	JUNE 27 1997 ----	JUNE 28, 1996 ----
Net Income	\$ 1,838	\$ 1,126	\$ 3,936	\$ 1,772
Weighted average shares outstanding:				
Common stock	10,296	10,078	10,252	10,031
Common stock issuable upon exercise of options and warrants	1,201	1,374	1,278	1,305
Weighted average common shares and equivalents	11,497	11,452	11,530	11,336
Net income per share (1)	\$ 0.16	\$ 0.10	\$ 0.34	\$ 0.16

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

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