

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 20, 2005

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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

[Item 2.02. Results of Operations and Financial Condition](#)

[Item 9.01. Financial Statements and Exhibits](#)

[SIGNATURES](#)

[Exhibit Index](#)

[EXHIBIT 99.1](#)

[Table of Contents](#)

Item 2.02. Results of Operations and Financial Condition

On January 20, 2005, Harmonic Inc. (“Harmonic”) issued a press release regarding its unaudited financial results for the quarter and year ended December 31, 2004. Harmonic also announced that it would be holding a conference call on Thursday, January 20, 2005, to discuss its financial results for the quarter and year ended December 31, 2004.

The information in this Current Report on Form 8-K is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section.

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.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of Harmonic Inc., issued on January 20, 2005

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 20, 2005

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

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of Harmonic Inc., issued on January 20, 2005

HARMONIC ANNOUNCES UNAUDITED FOURTH QUARTER AND YEAR-END RESULTS

STRONG SALES, GROSS MARGIN AND EARNINGS GROWTH;
ANNUAL REVENUE UP 36%

SUNNYVALE, CALIF.--JANUARY 20, 2005--Harmonic Inc. (Nasdaq: HLIT) today announced its unaudited results for the quarter and year ended December 31, 2004. The results are in line with the Company's preliminary estimates for net sales announced on January 13, 2005.

For the fourth quarter of 2004, the Company reported net sales of \$85.6 million, up 69% from \$50.6 million in the previous quarter and up 52% from \$56.3 million in the fourth quarter of 2003. Shipments in the fourth quarter of 2004 included sales of approximately \$8-10 million which were originally expected to be recorded as revenue in the third quarter of 2004. For the full year 2004, the Company reported net sales of \$248.3 million, up 36% from \$182.3 million in 2003. International sales represented 36% of total sales for the fourth quarter and 42% for the full year of 2004, up from 30% and 29%, respectively, for the corresponding periods in 2003.

The CS division, which designs, manufactures and markets digital headend systems for a number of markets, had divisional net sales of \$67.7 million in the fourth quarter, up from \$34.6 million in the previous quarter. The BAN division, which designs, manufactures and markets fiber optic products for broadband cable networks, had divisional net sales of \$17.9 million, up from \$16.0 million in the previous quarter.

As a result of the product mix, increased sales volume and cost reduction efforts, the Company achieved significant gross margin improvement for the fourth quarter and for the full year of 2004, compared to the same periods in 2003.

For the fourth quarter of 2004, GAAP net income was \$10.2 million, or \$0.14 per diluted share, compared to \$1.4 million, or \$0.02 per diluted share, for the same period of 2003. For the full year 2004, GAAP net income was \$1.6 million, or \$0.02 per diluted share, compared to a net loss of \$29.4 million, or \$0.47 per share, in 2003. Excluding an inventory benefit relating to the sale of previously reserved inventory and the effects of non-cash accounting charges for the amortization of intangibles, non-GAAP net income for the fourth quarter of 2004 was \$12.7 million, or \$0.17 per diluted share, compared to \$1.2 million, or \$0.02 per diluted share, for the same period of 2003. For the full year 2004, non-GAAP net income was \$11.4 million, or \$0.16 per diluted share, compared to a net loss of \$18.8 million, or \$0.30 per share in 2003. At the end of the fourth quarter of 2004, the Company had cash, cash equivalents and short-term investments of \$100.6 million, up from \$89.4 million at the end of the previous quarter.

"We are very pleased with our strong sales, gross margin and earnings growth for the fourth quarter and for the year," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "During the quarter, we received significant orders from cable customers for our digital headend systems for simulcasting. This permits the transmission of high quality digital TV channels and helps reclaim bandwidth for more HD channels, video on demand and IP services.

"We continued to strengthen our business in the satellite segment, with major MPEG-2 installations for both standard and high-definition channels. At the same time, we were working with our key satellite customers on new technology for both advanced codecs and new IP applications. In the telco market, we shipped more of our next generation encoders for video-over-DSL deployments, including MPEG-4 for a European customer, and we made our first volume shipments of fiber optic products for fiber-to-the-premises applications."

"During 2004, we made significant progress toward our long-term objective of diversifying our business across different markets, driven by the intensifying competition among cable, satellite and telco operators. We are also encouraged by our stronger international business in a number of regions, especially in Europe. While the timing and scale of new telco projects remains difficult to predict from quarter to quarter, we are optimistic about our prospects in 2005 and beyond."

For the first quarter of 2005, the Company expects net sales in the range of \$70

million to \$75 million, with GAAP net income in the range of \$0.02 to \$0.06 per share and non-GAAP net income, excluding the amortization of intangibles, of \$0.07 to \$0.11 per share. For the first six months of 2005, the Company expects net sales of approximately \$150 million.

1

Harmonic will host a conference call today to discuss its financial results at 2:00 p.m. Pacific (5:00 p.m. Eastern). A broadcast of the conference call can be accessed on the Company's website at www.harmonicinc.com or by calling +1-617-786-2961 (participant code 80352909). The replay will be available after 5:00 p.m. on January 20 at the same website address or by calling +1-617-801-6888 (participant code 80352909).

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 unaudited financial results for the fourth quarter and year ended December 31, 2004; our expected net sales, GAAP net income per share and non-GAAP net income per share for the first quarter of 2005; our expected net sales for the first six months of 2005; our expectations regarding diversifying our business across different markets to take advantage of intensifying competition among cable, satellite and telco operators; and our optimism about our prospects in 2005 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 risks that actual results could vary perhaps materially following completion of the audit of our 2004 operating results by our registered public accountants, 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.

2

HARMONIC INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

DECEMBER 31, 2004

DECEMBER 31, 2003

Assets

Current assets:

Cash and cash equivalents	\$ 26,603	\$ 41,877
Short-term investments	74,004	70,720
Accounts receivable, net	64,148	37,909
Inventories	41,763	22,425
Prepaid expenses and other current assets	8,504	6,815

Total current assets	215,022	179,746
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Property and equipment, net	19,611	23,458
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Intangibles and other assets	7,723	21,522
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	\$ 242,356	\$ 224,726
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Liabilities and stockholders' equity

Current liabilities:

Current portion of long-term debt	\$ 1,067	\$ 1,027
Accounts payable	22,381	14,863
Income taxes payable	7,099	6,935
Accrued liabilities	67,363	61,532

Total current liabilities	97,910	84,357
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Long-term debt, less current portion	1,272	629
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Accrued excess facilities costs	24,085	28,627
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Other non-current liabilities	8,532	4,952
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Total liabilities	131,799	118,565
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Stockholders' equity:

Common stock	2,039,810	2,036,593
Accumulated deficit	(1,928,984)	(1,930,558)
Accumulated other comprehensive income	(269)	126

Total stockholders' equity	110,557	106,161
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	\$ 242,356	\$ 224,726
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HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2004	DECEMBER 31, 2003	DECEMBER 31, 2004	DECEMBER 31, 2003
Net sales	\$ 85,579	\$ 56,329	\$ 248,306	\$ 182,276
Cost of sales	45,806	33,885	143,811	121,673
Gross profit	39,773	22,444	104,495	60,603
Operating expenses:				

Research and development	10,076	8,962	35,585	35,107
Selling, general and administrative	17,800	10,711	59,742	48,309
Amortization of intangibles	1,933	1,933	7,732	7,732
	-----	-----	-----	-----
Total operating expenses	29,809	21,606	103,059	91,148
	-----	-----	-----	-----
Income/(loss) from operations	9,964	838	1,436	(30,545)
Interest and other income, net	483	532	727	1,412
	-----	-----	-----	-----
Income/(loss) before income taxes	10,447	1,370	2,163	(29,133)
Provision for income taxes	289	--	589	300
	-----	-----	-----	-----
Net income/(loss)	\$ 10,158	\$ 1,370	1,574	\$ (29,433)
	=====	=====	=====	=====
Net income (loss) per share				
Basic	\$ 0.14	\$ 0.02	\$ 0.02	\$ (0.47)
	=====	=====	=====	=====
Diluted	\$ 0.14	\$ 0.02	\$ 0.02	\$ (0.47)
	=====	=====	=====	=====
Weighted average shares				
Basic	72,275	67,090	72,015	62,288
	=====	=====	=====	=====
Diluted	73,221	68,123	73,043	62,288
	=====	=====	=====	=====

4

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

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2004	DECEMBER 31, 2003	DECEMBER 31, 2004	DECEMBER 31, 2003
	-----	-----	-----	-----
Net sales	\$ 85,579	\$ 56,329	\$ 248,306	\$ 182,276
Cost of sales	45,228	33,780	141,687	118,947
	-----	-----	-----	-----
Gross profit	40,351	22,549	106,619	63,329
	-----	-----	-----	-----
Operating expenses:				
Research and development	10,076	8,962	35,585	34,587
Selling, general and administrative	17,800	12,881	59,742	48,697
	-----	-----	-----	-----
Total operating expenses	27,876	21,843	95,327	83,284
	-----	-----	-----	-----
Non-GAAP income/(loss) from operations	12,475	706	11,292	(19,955)
Interest and other income, net	483	532	727	1,412
	-----	-----	-----	-----
Non-GAAP income/(loss) before income taxes	12,958	1,238	12,019	(18,543)
Provision for income taxes	289	--	589	300
	-----	-----	-----	-----
Non-GAAP net income/(loss)	\$ 12,669	\$ 1,238	\$ 11,430	\$ (18,843)
	=====	=====	=====	=====
Non-GAAP net income(loss) per share				
Basic	\$ 0.18	\$ 0.02	\$ 0.16	\$ (0.30)
	=====	=====	=====	=====
Diluted	\$ 0.17	\$ 0.02	\$ 0.16	\$ (0.30)
	=====	=====	=====	=====
Weighted average shares				

Basic	72,275	67,090	72,015	62,288
	=====	=====	=====	=====
Diluted	73,221	68,123	73,043	62,288
	=====	=====	=====	=====

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 loss to the GAAP net loss follows below.

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

(IN THOUSANDS)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	DECEMBER 31, 2004	DECEMBER 31, 2003	DECEMBER 31, 2004	DECEMBER 31, 2003
Non-GAAP net income (loss)	\$ 12,669	\$ 1,238	\$ 11,430	\$ (18,843)
Items charged to cost of sales:				
Amortization of intangibles	(1,540)	(1,540)	(6,161)	(6,161)
Realized margin on reserved product sold	962	1,435	4,037	4,670
Facilities, severance and other adjustments				(1,235)
Total of charges to cost of sales	(578)	(105)	(2,124)	(2,726)
Items charged to operating expenses:				
Amortization of intangibles	(1,933)	(1,933)	(7,732)	(7,732)
Loss on litigation settlement				(2,670)
Sale of Adelphia account receivables		2,170		2,170
Facilities, severance and other adjustments				368
Total of charges to operating expenses	(1,933)	237	(7,732)	(7,864)
GAAP net income (loss)	\$ 10,158	\$ 1,370	\$ 1,574	\$ (29,433)