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

FORM 8-K/A

(Amendment No. 1 to Current Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934)

Date of Report January 5, 1998

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)

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Current Report on Form 8-K dated January 5, 1998 as set forth in the pages attached hereto.

ITEM 7 - FINANCIAL STATEMENTS AND EXHIBITS

The following financial statements, pro forma financial information and exhibits are filed as part of this report.

(a) Financial statements of business acquired:

- o Report of Independent Public Accountants.
- o Consolidated Balance Sheets as of September 30, 1997 (unaudited) and December 31, 1996.
- o Consolidated Statements of Operations for the nine month period ended September 30, 1997 (unaudited), and for the eleven month period ended December 31, 1996.
- o Consolidated Statements of Changes in Shareholders' (Deficit) Equity for the nine months ended September 30, 1997 (unaudited) and for the eleven month period ended December 31, 1996.
- o Consolidated Statements of Cash Flows for the nine month period ended September 30, 1997 (unaudited), and for the eleven month period ended December 31, 1996.
- o Notes to Consolidated Financial Statements.

(b) Pro forma financial information required:

Pro forma Combined Condensed Consolidated Balance Sheet as of September 26, 1997 with respect to Registrant and September 30, 1997 with respect to N.M. New Media Communication Ltd. ("NMC"), a corporation organized under the laws of the State of Israel.

Pro forma Condensed Consolidated Statement of Operations for the nine months ended September 26, 1997 with respect to Registrant and the nine months ended September 30, 1997 with respect to NMC, and the year ended December 31, 1996.

(c) Exhibits.

EXHIBITS

2.1 Stock Purchase Agreement (the "Purchase Agreement") dated as of September 16, 1997, among Registrant, NMC and the Sellers, including Exhibit 2.4 (a) (iv) attached thereto. Previously filed.

2.2 First Amendment to Stock Purchase Agreement dated November 25, 1997 among Registrant, NMC and the Sellers. Previously filed.

20.1 Press Release dated September 16, 1997, announcing the signing of the Purchase Agreement. Previously filed.

23.1 Consent of Independent Public Accountants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned, hereunto duly authorized.

Harmonic Lightwaves, Inc.

Dated: March 23, 1998 By: /s/ROBIN N. DICKSON

Robin N. Dickson, Chief Financial Officer

IBDO

ALMAGOR & Co. CPA (ISR)

7 Abba Hillel Rd. P.O. Box 3600
Zip 52134, Ramat-Gan, Israel
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
TO THE SHAREHOLDERS OF N.M. NEW MEDIA COMMUNICATION LTD.

We have audited the accompanying balance sheet of N. M. NEW MEDIA COMMUNICATION LTD. ("the Company") at December 31, 1996 and the consolidated balance sheet as at that date, the statement of operations, statement of changes in shareholders' equity and the statement of cash flows - of the Company and consolidated - for the eleven month period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, including those prescribed by the Auditors' (Mode of Performance) Regulations (Israel), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether it derives from an error in the financial statements or from a misrepresentation included therein. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements, present fairly, in all material respects, the financial position -- of the Company and consolidated - at December 31, 1996 and the results of operations, changes in shareholders' equity and cash flows - of the Company and consolidated - for the eleven-month period ended December 31, 1996 in conformity with accounting principles generally accepted in the United States.

IBDO ALMAGOR CO.
CERTIFIED PUBLIC ACCOUNTANTS

Ramat-Gan, Israel

May 28, 1997

N.M. NEW MEDIA COMMUNICATION LTD.

BALANCE SHEET
(IN U.S. DOLLARS)

	SEPTEMBER 30, 1997	AS AT DECEMBER 31, 1996	
	CONSOLIDATED	CONSOLIDATED	COMPANY
	(UNAUDITED)		
ASSETS			
CURRENT ASSETS (Note 3)			
Cash and cash equivalents	25,668	362,062	362,062
Trade receivables	179,249	87,500	87,500
Other receivables and prepaid expenses	108,372	147,063	310,572
Payments on account of software license	517,480	466,680	--
Payments on account of supplier	451,854	--	--
Inventories	273,831	132,878	--
	1,556,454	1,196,183	760,134
INVESTMENTS			
Investment in consolidated subsidiary (Note 4)	--	--	11,852
Long-term loan (Note 5)	9,347	23,767	23,767
	9,347	23,767	35,619
PROPERTY AND EQUIPMENT (Note 6)			
Cost	277,425	145,987	145,987
Less - Accumulated depreciation	(44,341)	(10,960)	(10,960)
	233,085	135,027	135,027
	1,798,886	1,354,977	930,780

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

N.M. NEW MEDIA COMMUNICATION LTD.

BALANCE SHEET
(IN U. S. DOLLARS)

	SEPTEMBER 30, 1997	AS AT DECEMBER 31, 1996	
	CONSOLIDATED	CONSOLIDATED	COMPANY
	(UNAUDITED)		
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY			
CURRENT LIABILITIES (Note 7)			
Short-term credits from banks	249,547	36,191	33,064
Payables:			
Trade	225,701	464,399	43,329
Advanced payment from customer	355,631	--	--
Other and accrued expenses	92,712	57,958	57,958
TOTAL CURRENT LIABILITIES	923,591	558,548	134,351
LONG-TERM LOANS (Note 8)	1,048,594	349,250	349,250
OTHER LIABILITIES	42,201	--	--
COMMITMENTS (Note 9)			
SHAREHOLDERS' (DEFICIT) EQUITY			
Share capital (Note 10)	470	447	447
Additional paid-in capital	1,670,186	890,906	890,906
Accumulated deficit	(1,886,156)	(444,174)	(444,174)
TOTAL SHAREHOLDERS' (DEFICIT) EQUITY	(215,500)	447,179	447,179
	1,798,886	1,354,977	930,780

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

N.M. NEW MEDIA COMMUNICATION LTD.

STATEMENT OF OPERATIONS
(IN U.S. DOLLARS)

NINE MONTHS ENDED SEPTEMBER 30, 1997	EIGHT MONTHS ENDED SEPTEMBER 30, 1996	ELEVEN MONTHS ENDED DECEMBER 31, 1996	
CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	COMPANY

	(UNAUDITED)	(UNAUDITED)		
Revenues from system sales (Note 12a)	593,289	149,405	318,392	235,508
Cost of production of systems (Note 12b)	188,416	133,400	117,741	87,568
GROSS PROFIT	404,873	16,005	200,651	147,940
Research and development expenses (Note 12c)	279,699	--	112,328	112,328
Marketing and selling expenses (Note 12d)	917,567	89,493	296,779	288,577
General and administrative expenses (Note 12e)	577,835	224,852	223,058	177,918
	1,775,101	314,345	632,165	578,823
OPERATING LOSS BEFORE FINANCIAL EXPENSES, NET	(1,370,227)	(298,340)	(431,514)	(430,883)
Financial expenses, net (Note 12f)	73,903	(8,640)	12,660	24,820
OPERATING LOSS	(1,444,130)	(306,980)	(444,174)	(455,703)
Company's share in income of consolidated subsidiary	--	--	--	11,529
NET LOSS FOR THE PERIOD	(1,444,130)	(306,980)	(444,174)	(444,174)
LOSS PER SHARE DATA: (Note 2j)				
Loss per share	(992)	230	(415)	(415)
Weighted average number of shares used in computation	1,456	415	1,070	1,070

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

N.M. NEW MEDIA COMMUNICATION LTD.

STATEMENT OF CASH FLOWS
(IN U.S. DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30, 1997 CONSOLIDATED	EIGHT MONTHS ENDED SEPTEMBER 30, 1996 CONSOLIDATED	ELEVEN MONTHS ENDED DECEMBER 31, 1996	
			CONSOLIDATED	COMPANY
	(UNAUDITED)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss for the period	(1,444,130)	(306,980)	(444,174)	(444,174)
Adjustments to reconcile loss for the period to net cash used in operating activities	(471,257)	(271,251)	(294,845)	(291,395)
NET CASH USED IN OPERATING ACTIVITIES	(1,915,387)	(578,231)	(739,019)	(735,569)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Grant of long-term loan	--	(34,077)	(31,377)	(31,377)
Repayment of long-term loans	13,027	141,642	7,746	7,746
Investment in consolidated subsidiary	--	--	--	(323)
Investment in property and equipment	(132,147)	3,415	(145,987)	(145,987)
NET CASH USED IN INVESTING ACTIVITIES	(119,121)	(172,304)	(169,618)	(169,941)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of shares	783,615	430,437	891,353	891,353
Receipt of long-term loans from shareholder	696,614	325,807	298,198	298,198
Receipt of long-term bank loans	18,654	63,681	58,730	58,730
Repayment of long-term bank loans	(8,764)	(910)	(3,329)	(3,329)

Short-term credit, net	207,996	228,329	25,747	22,620
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,698,114	1,047,344	1,270,699	1,267,572
NET (DECREASE) INCREASE IN CASH AND CASE EQUIVALENTS	(336,394)	296,810	362,062	362,062
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	362,062	--	--	--
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25,668	296,810	362,062	362,062

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

N.M. NEW MEDIA COMMUNICATION LTD.

STATEMENT OF CASH FLOWS
(IN U.S. DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30, 1997	EIGHT MONTHS ENDED SEPTEMBER 30, 1996	DECEMBER 31, 1996	
	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	COMPANY
	(UNAUDITED)			
Appendix - Adjustments to reconcile loss for the period to net cash used in operating activities				
INCOME AND EXPENSES NOT INVOLVING CASH FLOWS:				
Depreciation	33,437	4,214	10,960	10,960
Company's share in income of consolidated subsidiary	--	--	--	(11,529)
Erosion of long-term loans granted	1,278	249	(137)	
			(137)	
Increase in value of long-term loans received	(4,589)	--	6,096	6,096
Interest accrued on long-term loan	2,903	--	--	--
	33,028	4,463	16,919	5,390
CHANGES IN ASSETS AND LIABILITIES:				
Increase in trade receivables	(91,749)	(108,494)	(87,500)	(87,500)
Decrease (increase) in other receivables	37,183	(49,854)	(147,063)	(310,572)
Increase in payments on account of software licenses	(50,800)	(201,773)	(466,680)	--
Increase in payments on account of supplier	(451,854)	(451,854)	--	--
Increase in inventories	(140,953)	(84,634)	(132,878)	--
Increase in trade payables	(238,698)	87,239	464,399	43,329
Increase in payment from customer	355,631	--	--	--
Increase in other payables	34,754	81,802	57,958	57,958
Increase in other liabilities	42,201	--	--	--
	(504,285)	275,714	(311,764)	(296,785)
	(471,257)	(271,251)	(294,845)	(291,395)

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

N.M. NEW MEDIA COMMUNICATION LTD.

STATEMENT OF SHAREHOLDERS' (DEFICIT) EQUITY
(IN U.S. DOLLARS)

	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
MOVEMENT IN THE ELEVEN-MONTH PERIOD ENDED DECEMBER 31, 1996:				
Issue of shares	447	--	--	447
Issue of shares (net of issue expenses)	--	890,906	--	890,906
Loss for the period	--	--	(447,174)	(444,174)
BALANCE AS AT DECEMBER 31, 1996	447	890,906	(444,174)	447,179
Issue of shares (Unaudited)	23	--	--	23
Issue of shares net of issue expenses (Unaudited)	--	779,280	--	779,280
Loss for the period (Unaudited)			(1,444,130)	(1,444,130)
Currency translation (Unaudited)	--	--	2,148	2,148
BALANCE AS AT SEPTEMBER 30, 1997	470	1,670,186	(1,886,156)	(215,500)

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

N.M. NEW MEDIA COMMUNICATION LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL

a. The Company was incorporated and commenced operations on February 12, 1996. The Company is engaged in the development, marketing and sale of solutions for data transfer by cable or satellite, the sale and supply of applications and the provision of related services.

b. REPORTING CURRENCY

These financial statements have been prepared in U.S. dollars ("dollar"). The currency of the primary economic environment in which the operations of the Company are conducted is the dollar.
Thus, the dollar is the functional currency of the Company.

c. DEFINITIONS

THE COMPANY	-	N.M. NEW MEDIA COMMUNICATION LTD.
THE GROUP	-	the Company and its consolidated subsidiary, N.M. TECHNOLOGIES, LTD.

THE PARENT COMPANY	-	N.M. NEW MEDIA ENTERTAINMENT LTD.
RELATED PARTIES	-	as defined in Opinion No. 29 of the Institute of Certified Public Accountants in Israel, including interested party as defined in the Securities Law, 1968. Transactions with related parties are presented in Note 12g.

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES

a. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the company and a company in which the Company holds 100% of the control and ownership therein. Material inter-company balances transactions have been eliminated on consolidation.

The consolidated financial statements have been prepared on the basis of the audited financial statements of the consolidated subsidiary at the balance sheet date. In the opinion of the Company, unaudited statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of results for the interim period.

b. RATE OF EXCHANGE AND LINKAGE TERMS

Balances linked to the Israeli consumer price index ("C.P.I.") are presented according to the index for calculating the corresponding balance.

Monetary balances in, or linked to, foreign currency are presented at the representative exchange rates at the balance sheet date.

Information on the Israeli C.P.I. and the exchange rate of the dollar is as follows:

	DECEMBER 31, 1996
Dollar	3.251
Israeli C.P.I.	143.1
PERCENTAGE CHANGES DURING THE PERIOD:	
Dollar	4.3%
Israeli C.P.I.	8.66%

c. CASH EQUIVALENTS

Cash equivalents include liquid deposits, the original maturity date of which was not more than three months.

d. INVENTORY

Inventory is stated at the lower of cost or market value. The cost was determined by the "first-in-first-out" method.

e. INVESTMENTS IN CONSOLIDATED SUBSIDIARY

The investment in a subsidiary's shares is presented on equity basis.

f. FIXED ASSETS

Fixed assets are presented at cost less accumulated depreciation and amortization. Depreciation is calculated by the straight-line method, at annual rates calculated as sufficient to write off the assets over their estimated useful lives.

Rates of depreciation and amortization are as follows:

	%
Motor vehicles	15
Office furniture and equipment	7 - 25 (Mainly - 25%)
Machinery and equipment	25

g. RECOGNITION OF REVENUE FROM SYSTEMS SALES

The Company recognizes revenues from system sales on shipment to the customer. Demonstration models for which the customer acceptance has not been received, are not recognized as a sale.

h. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to the statement of operations as they arise.

i. DEFERRED INCOME TAXES

Deferred income taxes are provided for temporary differences between the assets and liabilities, as measured in the financial statements, and for tax purposes at the tax rates expected to be in effect when these differences reverse, in accordance with Statement 109 of the FASB (Accounting for Income Taxes).

j. LOSS PER SHARE

Loss per share is computed for NIS 1 of share capital on the basis of the weighted average share capital outstanding during the period.

NOTE 3 - SUPPLEMENTARY INFORMATION ON CURRENT ASSETS

	DECEMBER 31, 1996	
	CONSOLIDATED	COMPANY
	US$	US$
a. CASH AND CASH EQUIVALENTS		
Cash	2,062	2,062
Cash equivalents (see d1 below)	360,000	360,000
	362,062	362,062
b. OTHER RECEIVABLES AND PREPAID EXPENSES		
Prepaid expenses	33,436	33,436
Value added tax	66,129	66,129
Parent company (see d2 below)	23,153	23,153
Subsidiary (see d2 below)	--	163,509

Interested party (see d2 below)	6,504	6,504
Income tax payments	1,981	1,981
Other	15,860	15,860
	147,063	310,572

	SEPTEMBER 30, 1997	DECEMBER 31, 1996	
	CONSOLIDATED	CONSOLIDATED	COMPANY
	US$	US$	US$
	(UNAUDITED)		
c. INVENTORY			
Systems	273,831	76,239	--
Packing materials	--	6,639	--
Payment on account of system components (see Note 9h)	--	50,000	--
	273,831	132,878	--

d. ADDITIONAL INFORMATION

1. Cash equivalents include bank deposits linked to the dollar, bearing weighted annual interest of 4%.

2. The balances of the parent company, a subsidiary and an related party are linked to the Israeli C.P.I. and are non-interest bearing. The highest debit balances during the period were US$ 23 thousand, US$ 164 thousand and US$ 32 thousand, respectively.

3. Disclosure and presentation of financial instruments - see Note 14.

NOTE 4 - INVESTMENT IN SUBSIDIARY

a. COMPRISED AS FOLLOWS (Company only)

	DECEMBER 31, 1996 US$
Shares -	
Cost	323
Company's share in post-acquisition results	11,529
	11,852

b. ADDITIONAL INFORMATION

On February 14, 1996, the Company established a wholly-owned subsidiary by the name of New Media Technologies, Ltd., which is engaged in the purchase and construction of digital data transfer systems through the use of cables, called "Cyber-City".

NOTE 5 - LONG-TERM LOAN

The loan which was made to an related party, is linked to the Israeli C.P.I., is non-interest bearing and is repayable in monthly installments of US$ 1.5 thousand per month.

NOTE 6 - FIXED ASSETS

a. COMPRISED AS FOLLOWS (Company and consolidated)

	DECEMBER 31, 1996		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	US$	US$	US$
Furniture and equipment	38,846	4,035	34,811
Research and development equipment	33,794	3,196	30,598
Motor vehicles	73,347	3,729	69,618
	145,987	10,960	135,027

b. LIENS - see Note 11.

NOTE 7 - SUPPLEMENTARY INFORMATION ON CURRENT LIABILITIES

	DECEMBER 31, 1996	
	CONSOLIDATED	COMPANY
	US$	US$
a. SHORT-TERM BANK CREDIT		
BANKS -		
Overdraft (see c1 below)	25,747	22,620
Current maturities of long-term loans (see c2 below)	10,444	10,444
	36,191	33,064
b. OTHER PAYABLES AND ACCRUED EXPENSES		
Salaries and related accruals	44,102	44,102
Other accrued expenses	10,176	10,176
Interested parties (see c3 below)	3,680	3,680
	57,958	57,958

c. ADDITIONAL INFORMATION

1. The balance of the bank overdraft is unlinked and bears weighted annual

interest of 20%.

2. The balance of the current maturities of long-term loans are linked to the Israeli C.P.I. and bear weighted annual interest of 6.75%.

3. The related party balance is linked to the Israeli C.P.I. and is non-interest bearing.

4. Disclosure and presentation of financial instruments - see Note 14.

d. SECURITIES - see Note 11.

NOTE 8 - LONG-TERM LOANS

	DECEMBER 31, 1996 US$
a. COMPRISED AS FOLLOWS (Company and consolidated)	
Related parties	304,860
Banks	54,834
Less - current maturities	(10,444)
	44,390
	349,250

b. LINKAGE TERMS AND INTEREST RATES

The debt is linked to the Israeli C.P. I. The debt from related parties are non-interest bearing. The bank debt bears annual interest of 6.75%.

c. MATURITY DATES

	DECEMBER 31, 1996 US$
Banks -	
First year (current maturities)	10,444
Second year	11,118
Third year	11,833
Fourth year	12,595
Fifth year and thereafter	8,844
	44,390
	54,834
Related parties - maturity date not determined	304,860
	359,694

d. SECURITIES - see Note 11.

NOTE 9 - COMMITMENTS

a. On March 12, 1996, the Company signed an agreement with the parent company and IES Electronic Industries Ltd., ("IES"), whereby shares constituting a 25.1% holding in the Company were issued to IES for US$ 400 thousand.

Pursuant to the agreement, IES loaned the Company US$ 300 thousand (see Note 8 above). Subsequent to the balance sheet date, IES loaned the Company a further US$ 200 thousand. In addition it was provided that the Company, would appropriate, each year, 25% of its distributable earnings to repaying the abovementioned loans.

Furthermore, it was provided in the said agreement with I.E.S., that the Company would order hardware from Combox Ltd. ("Combox"), a company under the control of IES. On December 25, 1996, an agreement was signed by the subsidiary and Combox, whereby Combox would supply at no cost demonstration systems in the value of US$ 200 thousand.

b. On March 12, 1996, the Company signed an employment agreement with the Company's general manger, pursuant to which the latter would receive monthly salary at a total cost to Company of US$ 9 thousand. The salary is linked to the Israeli C.P.I. and increased in real terms by 10% in the first year of employment. As well as salary, the general manager is entitled to an annual bonus of 5% of the Company's annual pre-tax income of an amount between US$ 300 thousand US$ 1 million, 3% of the annual pre-tax income of an amount between US$ 1 million and US$ 2 million and 2% of the annual pre-tax income of an amount above US$ 2 million. Furthermore, it was agreed that the annual bonus would not be paid after the Company issues its shares to the public. The term of the agreement is two years with an option to extend the agreement further without limit. The Company may terminate the agreement and dismiss the general manager with six months' advance notice and the general manager may terminate the agreement and resign with three months' advance notice.

c. On March 12, 1996, the Group signed an agreement with the parent company, pursuant to which the parties decided that in consideration of the initiating activities which the parent company carried out for the Group, the signing of an agreement for marketing and distribution of "ACCS" systems with KMS (a German company) for US$ 500 thousand in a back-to-back agreement with IBM Israel Ltd., the parent company will be entitled to US$ 50 thousand to be paid out of the funds the parent Company will receive from KMS.

d. On March 12, 1996, the Company and the parent company signed an agreement, pursuant to which the Company paid the parent company US$ 23 thousand for the purchase of the rights to the "Windows" version of the "Cyber City" software.

e. On March 12, 1996, the Group signed an agreement with the parent company, pursuant to which the Group will pay the parent company US$ 2 thousand per month for its participation in the parent company's office expenses, mainly in respect of rent, communications and secretarial services.

f. On September 30, 1996, the Company signed an agreement with its subsidiary, setting out their mutual relationships relating to the sale and marketing of solutions for data transfer by cable or satellite. According to the agreement, the Company will purchase user-licenses of the operation software and modems and core hardware from the subsidiary at the subsidiary's cost plus 25% mark-up, for the sale and marketing the products to the Company's customers. The consideration will be paid by the Company to the subsidiary within 21 days of receiving the amounts from customers for the abovementioned sales or another date to be determined by the parties.

g. On March 1, 1996, the Company signed an agreement with its subsidiary for the provision of various management services for a monthly payment of US$ 3 thousand linked to the Israeli C.P.I. The agreement is for an unlimited period, though may be cancelled with 14 days' advance notice.

h. On April 28, 1996, the subsidiary signed an agreement with IBM Israel Ltd., ("IBM"), whereby IBM agreed to grant the subsidiary the marketing rights to the versions of ACCS systems.

In accordance with the agreement, the subsidiary made its first order for the software licenses for US$ 700 thousand, of which US$ 500 thousand had been paid in advance as at December 31, 1996. The subsidiary's obligation to purchase and pay for the first order is subject to IBM's obligation to develop a new version of the system and, in particular, the operation software, in accordance with IBM's development program. Furthermore, it was agreed that continuation of development will be subject to the subsidiary fulfilling its commitment to purchase user-license of the amounts and on the dates outlined in the agreement. Through December 31, 1996, the subsidiary had utilized software licenses amounting to US$ 33 thousand.

The agreement extends to December 31, 1999.

According to the agreement, IBM received an option to acquire shares of the subsidiary which will entitle it 20% interest in Company's share capital against a payment of an amount equal to 80% of the price which IES paid for the share capital to which it was entitled or was paid by the first investor that replaces it. The option extends to a period of one year from the agreement date (until April 28, 1997).

i. On November 6, 1996, the Company signed an investment agreement with a group of investors from the United States ("the Investors"), whereby the Company issued to the Investors 67 ordinary shares constituting a 4.8%-interest in the Company for consideration of US$ 500 thousand. In addition, the Investors received two options enabling them to increase their shareholdings. By the terms of the first option, which was exercised at the end of March 1997, 67 ordinary shares constituting a 4.6% interest in the Company were issued to the Investors for US$ 500 thousand. The second option allows the Investors to invest a further US$ 1 million in exchange for an additional 2.86%-interest in the Company, within two years or until the Company has issued shares to the public

j. On December 29, 1996, the Company signed, in concert with others, an agreement to establish a company by the name of Cyber Set Middle East Ltd., ("Cyber Set"), with the object of operating and marketing the satellite-operated "Cyber City" system for trade and private customers in Israel. Pursuant to the agreement, the Company will be engaged in providing the service using the "Amos" satellite in Israel and other satellites in Israel, North America and Europe commencing March 1997. The Company will sell to Cyber Set the hardware and software included in the system to Cyber Set. The parties will not contract with another party, either as promoter or partner, to operate the service in Israel, Europe or North America, other than through the Company.

   The parties will retain a 50%-ownership interest in Cyber Set. The Company and others have undertaken to invest in equal proportions in Cyber Set the amounts required for its operations. Any party which does not make this investment (hereinafter, "the declining party") will not be entitled to its share allocation, even though its holding will be diluted, if the other party invests its full share in the additional capital in exchange for its share allocation alone and not as an investment in any other way. The declining party will be given an option to purchase from the Company, by way of an allocation, shares of a number which would be allocated to it in exchange for payments of its share in the additional capital. The option is valid for 12 months from the date on which the shareholder invests its additional rightful share as outlined above.

   It was agreed by the parties that in the event of a new investor's joining, the share of each of the parties would be diluted proportionally. A new investor's joining will be effected only with the unanimous consent of the members of the Board of directors. The Board of Directors of Cyber Set will be selected by the two parties in such a way that will achieve equal representation for the Company and for the others. The Chairman of the Board of Directors will be appointed from the directors who will be appointed by the parties and will be replaced by rotation each year. The Chairman will not have a surplus, extra or casting vote in the board decisions.

k. The Company has signed a letter of intent with Cellular Vision Technology & Telecommunication L.P. ("CT&T") in the United States to supply the "Cyber City" system of a volume of at least 100,000 units for end-users for US$ 30 million. Supply is planned through August 31, 1998. Through December 31, 1996, the Company sold systems to CT&T in accordance with the abovementioned agreement totaling US$ 103 thousand. On December 26, 1996, an order for systems was received for the supply of systems during 1997 for US$ 2.3 million and payment on account totaling US$ 560 thousand was received. The agreement between the parties was not signed.

l. Subsequent to the balance sheet date, the Company established a wholly-owned subsidiary in the United States called New Media Inc., which is intended to act as its marketing arm in the United States.

NOTE 10 - SHARE CAPITAL

a. COMPOSITION OF SHARE CAPITAL AS AT DECEMBER 31, 1996

	NUMBER OF SHARES	
	AUTHORIZED	ISSUED AND FULLY PAID
Ordinary shares of NIS 1 par value	20,000	1,403

b. CHANGES IN SHARE CAPITAL

1. On February 12, 1996, the Company issued 1,000 ordinary shares to the parent company at par value.

2. On April 30, 1996 and on July 9, 1996, the Company issued to IES 138 ordinary shares for consideration of US$ 150 thousand and 198 ordinary shares for consideration of US$ 250 thousand, respectively.

3. On November 6, 1996, the Company issued 67 ordinary shares to foreign investors for consideration of US$ 500 thousand.

c. ADDITIONAL INFORMATION

1. Pursuant to an agreement between the parent company and IES, it was provided that in the event that the Company decides on the issuance of options to employees, the options will not be entitled to more than 12% of the Company's shares.

2. Pursuant to an agreement between the Company and foreign investors, the said investors received two options which allow them to increase their shareholdings (see Note 9i above).

NOTE 11 - LIENS AND SECURITIES

Liabilities to banks as at December 31, 1996 totaling US$ 55 thousand are secured by fixed liens on motor vehicles and insurance rights.

NOTE 12 - SUPPLEMENTARY STATEMENT OF OPERATIONS INFORMATION

	ELEVEN MONTHS ENDED DECEMBER 31, 1996	
	CONSOLIDATED	COMPANY
	US$	US$
a. CLASSIFICATION OF SALES BY GEOGRAPHICAL DISTRIBUTION		
Europe	215,178	176,658
North America	103,214	58,850
	318,392	235,508
b. COST OF PRODUCTION OF SYSTEMS		
Purchase of systems	76,921	
Purchase of software licenses	33,320	
Purchase of packing materials	7,500	
Purchase of systems from subsidiary	--	87,568
	117,741	87,568
c. RESEARCH AND DEVELOPMENT EXPENSES		
Subcontractors	63,420	115,358
Salaries and related expenses	48,908	48,908
	112,328	112,328
d. SELLING AND MARKETING EXPENSES		
Salaries and related expenses	115,358	63,420
Foreign travel	83,762	83,762
Advertising and sales promotion	54,364	54,364
Exhibitions	29,560	23,352
Others	27,440	25,446
Less - Participation of Marketing Promotion Fund	(13,705)	(13,705)
	296,779	288,577
e. GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and related expenses	41,951	41,951
Rent and maintenance	60,129	50,010
Professional services	91,327	87,066
Depreciation	10,960	10,960
Others	18,691	18,691
Less - management fees from subsidiary	--	(30,760)
	223,058	177,918

	ELEVEN MONTHS ENDED DECEMBER 31, 1996	
	CONSOLIDATED	COMPANY
	US$	US$
f. FINANCIAL EXPENSES, NET		
Interest expense on--		
Short-term credit	6,667	4,763
Long-term loans	7,903	7,903
	14,570	12,666
Financial income from--		
Interest on short-term bank deposits	(7,136)	(7,136)
Exchange rate differences, net	5,226	19,290
	(1,910)	12,154
	12,660	24,820
g. TRANSACTIONS WITH RELATED PARTIES		
1. PARENT COMPANY-		
Expenses-		
Participation in office maintenance expenses (1)	18,466	8,347
Research and development expenses	23,014	23,014
2. CONSOLIDATED SUBSIDIARY		
Revenues-		
Management fees (2)	--	36,760
Expenses -		
Purchase of systems (3)	--	87,568
3. RELATED PARTIES WHO ARE MANAGERS AND DIRECTORS		
Expenses-		
Salaries and related expenses (4)	75,931	75,931

(1) See Note 9e.
(2) See Note 9g.
(3) See Note 9f.
(4) See Note 9b.

NOTE 13 - TAXES ON INCOME

a. The Group's tax loss carryforwards, totaling US$ 481 thousand, are denominated in NIS and linked to the Israeli C.P.I.

b. The Group is assessed under the provisions of the Income Tax Law (Inflationary Adjustments), 1985, pursuant to which results for tax purposes are measured in real terms in accordance with changes in the Israeli C.P.I.

c. The Company has not received final tax assessments since its incorporation.

NOTE 14 - DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

a. LINKAGE TERMS OF MONETARY BALANCES (Consolidated)

DECEMBER 31, 1996

	IN FOREIGN CURRENCY OR LINKED THERETO US$	LINKED TO THE ISRAELI C.P.I. US$	UNLINKED AND INTEREST BEARING US$	UNLINKED AND NON-INTEREST BEARING US$	TOTAL US$
ASSETS					
Current assets	449,562	29,658	--	83,970	563,190
Investments	--	23,767	--	--	23,767
	449,562	53,425	--	83,970	586,957
LIABILITIES					
Current liabilities	--	14,126	25,747	518,677	558,550
Long-term liabilities	--	349,250	--	--	349,250
	--	363,376	25,747	518,677	907,800
Excess assets over liabilities (excess liabilities over assets)	449,562	(309,951)	(25,747)	(434,707)	(320,843)

b. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments of the Group include non-derivative assets - cash and cash equivalents, trade receivables, other receivables and prepaid expenses and long-term loans, as well as non-derivative liabilities - short-term bank credit, trade payables, other payables and accrued expenses and long-term debt. Due to their nature, there is no material variance between their fair value and the value at which they are stated in the financial statements.

c. CURRENCY AND INTEREST RISK

Since the Group's revenues are denominated in foreign currency while some of its purchases and expenses are in Israeli currency, the Group has exposure to fluctuations in the exchange rates of the U.S. dollar. In addition, the Group has assets in foreign currency held partly against liabilities under various linkage and interest terms. The Group does not usually enter into contracts in derivative financial instruments to reduce its exposure to risk arising from changes in exchange rate or interest rate.

NOTE 15 - SUBSEQUENT EVENTS (UNAUDITED)

a. On March 24, 1997, the Company issued to an investor 67 ordinary shares constituting a 4.6% holding in the Company for proceeds of US$ 500 thousand. The issue was made pursuant to an option held by the investor.

b. On May 19, 1997, the Company issued to foreign investors 16 ordinary shares constituting a 1.08% holding in the Company for proceeds of US$ 287 thousand.

c. On March 30, 1997, the Company signed an agreement with an American company to supply the Company with hardware components for the Cyber-City system for US$ 4.3 million during the years 1997-1998. In addition, the agreement includes another agreement to develop the components. As at September 10, 1996, the Company had paid the American company a total of US$ 523 thousand on account of the hardware components and the development, as mentioned in the agreement.

d. On September 16, 1997, the shareholders of the Company signed an agreement with Harmonic Lightwaves, Inc. ("Harmonic"), a company publicly traded on NASDAQ, to sell their shareholdings in the Company for 1,037,911 shares of Harmonic Common Stock. In addition, the Company signed an agreement with Harmonic to receive loans of a cumulative amount of US$1 million through December 31, 1997. On September 4, 1997, the Company received an advance of US $500 thousand from Harmonic Lightwaves, Inc. pursuant to the loan agreement. The loan is linked to the dollar and bears interest at 7% per annum.

e. On September 9, 1997, the Company signed with another company an agreement cancelling the contract to establish the companies, Cyber-Set Middle East Ltd., ("Middle East") and Cyber-Set International ("International") which was signed on December 29, 1996. The Company transferred all of its shares in Middle East and International to the other company at their nominal value.

ITEM 7 (b) - PRO FORMA FINANCIAL INFORMATION

The following pro forma combined condensed financial statements of Harmonic Lightwaves, Inc. ("Harmonic") have been prepared to give effect to the January 5, 1998 acquisition of N.M. New Media Communication Ltd. ("NMC") using the purchase method of accounting. Consideration for the acquisition was $17,581,000 consisting of issuance of 1,037,911 shares of Harmonic's Common Stock, payment of $1,000 cash and the assumption by Harmonic of NMC stock options to purchase 138,758 shares of Harmonic's Common Stock.

The pro forma combined condensed consolidated balance sheet assumes the acquisition took place in September 1997 and combines Harmonic's September 26, 1997 unaudited condensed consolidated balance sheet with NMC's September 30, 1997 unaudited condensed consolidated balance sheet. The pro forma combined condensed consolidated statements of operations assume that the acquisition took place as of the beginning of each of the periods presented and combines Harmonic's condensed consolidated statement of operations for the year ended December 31, 1996 and NMC's condensed consolidated statement of operations for the eleven month period ended December 31, 1996; and Harmonic's unaudited condensed consolidated statement of operations for the nine months ended September 26, 1997 with the unaudited condensed consolidated statement of operations of NMC for the nine months ended September 30, 1997. The inclusion of a shorter period for NMC than for Harmonic in the condensed consolidated statements of operations for 1996 was due to NMC's commencement of business on February 12, 1996.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of operating results or financial position that would have occurred if the acquisition had been consummated as of the dates indicated, nor is it necessarily indicative of future operating results or financial position.

HARMONIC LIGHTWAVES, INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	HARMONIC SEPTEMBER 26, 1997	NMC SEPTEMBER 30, 1997	ADJUSTMENTS(2)	PRO FORMA
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,938	$ 26	13 (a)	$ 9,951
Accounts receivable, net	21,495	218	(31)(a)	21,682
Inventories	14,360	274	263 (a)	14,897
Prepaid expenses and other assets	2,419	1,039	45 (a)	3,728
Total current assets	48,712	1,557	264	50,033
Notes receivable	500	9	(5)(a) (500)(b)	4
Property and equipment, net	10,416	233	11 (a)	10,660
Other assets	122	--	1,512 (c)	1,634

	$ 59,250	$ 1,799	$ 1,282	$ 62,331
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Bank borrowings	--	250	--	250
Accounts payable	$ 4,725	$ 226	--	$ 4,951
Accrued liabilities	4,910	448	--	5,358
Total current liabilities	9,635	924	--	10,559
Long-term debt	--	1,049	(500)(b)	549
Other liabilities	326	42	-- (c)	368
			216 (d)	
			(14,000)(d)	
Stockholders' equity (deficit)	49,289	(216)	15,566 (d)	50,855
	$ 59,250	$ 1,799	$ 1,282	$ 62,331

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

HARMONIC LIGHTWAVES, INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	HARMONIC NINE MONTHS ENDED SEPT. 26, 1997	NMC NINE MONTHS ENDED SEPT. 30, 1997	ADJUSTMENTS(3)	PRO FORMA
Net sales	$ 57,092	$ 593	$ --	$ 57,685
Cost of sales	30,466	188	--	30,654
Gross profit	26,626	405	--	27,031
Operating expenses:				
Research and development	8,519	280	--	8,799
Sales and marketing	9,907	917	--	10,824
General and administrative	3,597	578	227(a)	4,402
Total operating expenses	22,023	1,775	227	24,025
Income from operations	4,603	(1,370)	(227)	3,006
Interest and other income, net	514	(74)	--	440
Income before income taxes	5,117	(1,444)	(227)	3,446
Provision for income taxes	768	--	--	768

Net income	$ 4,349	$ (1,444)	(227)	$ 2,678
Basic net income per share	$ 0.42	--	--	$ 0.24
Diluted net income per share	$ 0.38	--	--	$ 0.21
Average number of shares outstanding	10,321	--	1,038	11,359
Average number of shares outstanding assuming dilution	11,573	--	1,038	12,611

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

HARMONIC LIGHTWAVES, INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	HARMONIC	NMC		
	YEAR ENDED DEC. 31, 1996	ELEVEN MONTHS ENDED DEC. 30, 1996	ADJUSTMENTS(3)	PRO FORMA
Net sales	$ 60,894	$ 318	$ --	$ 61,212
Cost of sales	33,163	117	--	33,280
Gross profit	27,731	201	--	27,932
Operating expenses:				
Research and development	9,237	112	--	9,349
Sales and marketing	9,827	297	--	10,124
General and administrative	3,463	223	277(a)	3,963
Total operating expenses	22,527	632	277	23,436
Income from operations	5,204	(431)	(277)	4,496
Interest and other income, net	1,025	(13)	--	1,012
Income before income taxes	6,229	(444)	(277)	5,508
Provision for income taxes	311	--	--	311
Net income	$ 5,918	$ (444)	(277)	$ 5,197

Basic net income per share	$ 0.59	--	--	$ 0.47
Diluted net income per share	$ 0.52	--	--	$ 0.42
Average number of shares outstanding	10,106	--	921	11,027
Average number of shares outstanding assuming dilution	11,474	--	921	12,395

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

HARMONIC LIGHTWAVES, INC.

NOTES TO PRO FORMA COMBINED CONDENSED STATEMENTS OF OPERATIONS

NOTE 1 - THE ACQUISITION

The total purchase price of $17,581,000 was allocated to the acquired assets, in-process technology and goodwill based on an independent valuation of the fair market values. The allocation of the purchase price is as follows (in thousands):

Total purchase price	$ 17,581
Current assets	$ 1,820
Property and equipment	244
Other non-current assets	5
In-process technology	14,000
Goodwill	$ 1,512

NOTE 2 - ADJUSTMENTS TO THE BALANCE SHEET

a. The total purchase price allocated to the acquired assets, in-process technology and goodwill are based on an independent valuation of the fair market values which results in an increase in total assets of $270,000 from the balances presented within the NMC September 30, 1997 consolidated balance sheet.

b. Reflects elimination of advances to NMC.

c. Reflects the recording of goodwill.

d. Includes the elimination of NMC's accumulated deficit, the recording by Harmonic of the in-process technology and the issuance of Common Stock to affect the transaction.

NOTE 3 - ADJUSTMENTS TO THE STATEMENTS OF OPERATIONS

a. To reflect the amortization of goodwill over the estimated useful life of five years.

NOTE 4 - NONRECURRING CHARGES

The $14 million nonrecurring charge resulting from acquired in-process technology has been reflected in the pro forma combined condensed balance sheet as of September 1997. However, this charge has been excluded from the pro forma combined condensed statement of operations for the year ended December 31, 1996 and the nine months ended September, 1997. This charge will be included in the actual consolidated statement of operations of Harmonic for the quarter ended April 3, 1998.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
2.1	Stock Purchase Agreement (the "Purchase Agreement") dated as of September 16, 1997, among Registrant, NMC and the Sellers, including Exhibit 2.4 (a) (iv) attached thereto. Previously filed.
2.2	First Amendment to Stock Purchase Agreement dated November 25, 1997 among Registrant, NMC and the Sellers. Previously filed.
20.1	Press Release dated September 16, 1997, announcing the signing of the Purchase Agreement. Previously filed.
23.1	Consent of Independent Public Accountants.

Exhibit 23.1

IBDO

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Tel: 972-3-5760606 Fax: 972-3-5754671

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the inclusion in the amendment to the Current Report (File No. 02-25826) on Form 8-K of Harmonic Lightwaves, Inc. of January 5, 1998 of our report dated May 28, 1997 with respect to the financial statements of N.M. New Media Communications Ltd.

Ramat-Gan, Israel
March 17, 1998

IBDO Almagor & Co.
Certified Public Accountants (Isr.)