



## **Orckit Communications Reports 2004 Second Quarter Results**

TEL AVIV, Israel, July 12, 2004 -- Orckit Communications Ltd. (Nasdaq: ORCT) today reported results for the second quarter and six months ended June 30, 2004.

Revenues in the second quarter of 2004 were \$350,000 compared to \$396,000 in the quarter ended June 30, 2003. Net loss for the quarter was \$5.9 million, or \$(1.35) per share, compared to a net loss of \$5.7 million, or \$(1.23) per share, for the quarter ended June 30, 2003.

Revenues for the six months ended June 30, 2004 were \$670,000 compared to \$911,000 for the six months ended June 30, 2003. Net loss for the period was \$11.3 million, or \$(2.59) per share, compared to \$11.0 million, or \$(2.27) per share, for the six months ended June 30, 2003. The Company had financial income of \$685,000 in the six months ended June 30, 2004 compared to \$4.2 million in the six months ended June 30, 2003. The financial income in the six months ended June 30, 2003 was primarily derived from the early retirement of Orckit's convertible subordinated notes.

### **The key highlights for the quarter:**

-- Corrigent Systems has continued to advance towards commercial deliveries and to establish its position in the metro transport market:

- Corrigent began to order products and components to ensure adequate product supply and to allow a smooth transition to commercial sales. Additionally, Corrigent secured higher capacity of assembly and final testing with its contract manufacturers in a number of sites.

- Industry standard IEEE 802.17 for RPR was approved after more than two years of IEEE standard committee sessions. Corrigent was a leading member of the IEEE standard bodies and its product line supports the standard.

- A number of established telecom carriers are progressing with the evaluation of the CM-100 Packet ADM for commercial deployment in an effort to upgrade existing metro networks. This demand is driven primarily by applications such as video, Ethernet services and other packet-rich online services for both residential and business customers.

-- Corrigent announced at the June Supercomm show in Chicago a wide range of new interface cards, as well as advanced MPLS software features which significantly broaden the services and capabilities of the CM-100 platform.

Izhak Tamir, President of Orckit, commented: "We are on track with our plan for commercial product delivery of Corrigent's CM-100 metro platform this year. Product deliveries to Vic Tokai, the metro customer previously announced, are proceeding and we are excited by additional prospects that Corrigent has in the Asian markets. New video services offered by telecom carriers are expected to fuel the demand for the Corrigent metro product line and accelerate carriers' plans to upgrade legacy metro equipment with products leveraging the emerging 802.17 RPR standard and MPLS technologies."

### **Conference Call**

Orckit Communications will host a conference call on Monday, July 12, 2004, at 11 a.m. EDT. The call can be accessed by dialing **1-877-691-0878** in the United States and **1-973-582-2741** internationally. The call will also be available live on the Internet at [www.kcsa.com](http://www.kcsa.com). A replay of the call will be available beginning at approximately 1 p.m. EDT through July 19, 2004 at 11:59 p.m., EDT. To listen to the replay, please call **1-877-519-4471** in the United States and **1-973-341-3080** internationally. To access the replay, enter the following code: **4938067**

### **About Orckit Communications**

Orckit Communications Ltd. is a leading provider of advanced telecom equipment targeting high capacity broadband services. Our products include Corrigent's CM-100 metro optical transport solution, based on RPR and MPLS technologies, delivering packet transmission services in the metro area, and Spediant's EML-8000 multi-loop product, delivering Ethernet services over bundled copper.

Certain matters discussed in this news release are forward-looking statements that involve a number of risks and uncertainties including, but not limited to, risks in product development plans and schedules, rapid technological change, changes and delays in product approval and introduction, customer acceptance of new products, the impact of competitive products and pricing, market acceptance, the lengthy sales cycle, proprietary rights of the Company and its competitors, risk of operations in Israel, government regulation, dependence on third parties to manufacture products, general economic conditions and other risk factors detailed in the Company's United States Securities and Exchange Commission filings. Orckit assumes no obligation to update the information in this release.

**ORCKIT COMMUNICATIONS LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS**

(US\$ in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>	\$ 350	\$ 396	\$ 670	\$ 911
<b>Cost of revenues</b>	133	159	251	490
<b>Gross profit</b>	<u>217</u>	<u>237</u>	<u>419</u>	<u>421</u>
<b>Research and development expenses, net</b>	3,935	3,592	7,408	8,367
<b>Selling, general and administrative expenses</b>	2,498	3,030	4,959	7,205
<b>Total operating expenses</b>	<u>6,433</u>	<u>6,622</u>	<u>12,367</u>	<u>15,572</u>
<b>Operating loss</b>	<u>(6,216)</u>	<u>(6,385)</u>	<u>(11,948)</u>	<u>(15,151)</u>
<b>Financial income, net</b>	332	644	685	4,179
<b>Net loss</b>	\$ <u>(5,884)</u>	\$ <u>(5,741)</u>	\$ <u>(11,263)</u>	\$ <u>(10,972)</u>
<b>Net loss per share - basic and diluted</b>	\$ <u>(1.35)</u>	\$ <u>(1.23)</u>	\$ <u>(2.59)</u>	\$ <u>(2.27)</u>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>4,354</u>	<u>4,657</u>	<u>4,346</u>	<u>4,824</u>

**ORCKIT COMMUNICATIONS LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(US\$ in thousands)

	<b>June 30</b>		<b>December 31</b>
	<b><u>2004</u></b>		<b><u>2003</u></b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and short term marketable securities	\$ 39,072	\$	41,623
Trade receivables	282		147
Other receivables	1,350		1,596
Inventories	206		100
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Total current assets	40,910		43,466
 <b>Long term marketable securities</b>	 29,782		 37,918
<b>Severance pay fund</b>	3,347		2,707
<b>Property and equipment, net</b>	1,909		2,093
<b>Deferred issuance costs, net</b>	0		147
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Total assets	\$ 75,948	\$	86,331
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Bank loan	\$ 5,000	\$	0
Trade payables	2,944		3,108
Accrued expenses and other payables	5,196		5,878
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Total current liabilities	13,140		8,986
 <b>Long term liabilities :</b>			
Accrued severance pay	4,033		3,435
Convertible subordinated notes	0		16,238
Long term bank loan	11,000		0
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<b>Total liabilities</b>	28,173		28,659
 Shareholders' equity	 47,775		 57,672
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Total liabilities and shareholders' equity	\$ 75,948	\$	86,331
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