



## **Orckit Communications Reports 330% Sequential Increase in Revenues and Narrowed Losses in Fourth Quarter of 2004**

### ***Company Increases 2005 Revenue Guidance to \$80 Million, with Projected Profitability***

TEL AVIV, Israel, January 27, 2005 -- Orckit Communications Ltd. (Nasdaq: ORCT) today reported results for the fourth quarter and year ended December 31, 2004.

Revenues in the fourth quarter of 2004 were \$8.6 million compared to \$173,000 in the quarter ended December 31, 2003 and \$2.0 million in the previous quarter ended September 30, 2004. Net loss for the quarter was \$2.9 million, or \$(0.67) per share, compared to a net loss of \$5.5 million, or \$(1.26) per share, for the quarter ended December 31, 2003 and \$5.9 million, or \$(1.36) per share, in the third quarter of 2004.

Revenues for the twelve months ended December 31, 2004 were \$11.3 million compared to \$1.7 million for the year ended December 31, 2003. Net loss for period was \$20.1 million, or \$(4.62) per share, compared to \$21.6 million, or \$(4.99) per share, for the year ended December 31, 2003. The Company had financial income of \$1.5 million in 2004 compared to \$5.1 million in 2003. The financial income in 2003 was primarily derived from the early retirement of Orckit's convertible subordinated notes.

During the quarter, the Company granted a major customer post-contract support services in connection with sales of the Corrigent CM-100 product. Since there was no specific objective evidence of the fair value of such post-contract services, the Company recognizes revenues for such sales ratably over the 14-month post contract support term. The deferred income balance of \$35.7 million as of December 31, 2004 equals the amount of product revenues that were invoiced and due on shipment, but deferred, less applicable product and warranty costs.

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

-- Product deliveries to KDDI Japan commenced on schedule. The Corrigent CM-100 product line is used for a nationwide deployment of an RPR network. This network will support advanced IP "triple play" services to residential subscribers and the migration to voice over IP services. TDM traffic is also supported.

-- A number of telecom carriers in Asia and the U.S. continued trials and evaluations of the CM-100 Packet ADM. Applications enabled through the use of CM-100 include packet-rich video distribution, Ethernet services, Internet access, and IP telephony.

Izhak Tamir, President of Orckit, commented: "Our results for the fourth quarter, the first in which we had significant revenues from our RPR product line, represent the culmination of years of hard work and significant investment in bringing the Corrigent CM-100 to market. During the fourth quarter, we were pleased to meet our customer's request for an accelerated ramp up in product deliveries to facilitate the rollout of new IP services."

"We expect that demand for the Corrigent CM-100 product line will be strong in 2005. We have the capabilities and infrastructure in place to meet this demand and address new opportunities as they materialize. We plan to continue to invest additional resources in 2005 to establish a leading position in this fast growing segment of the metro market."

Mr. Tamir concluded: "Telecom carriers continue to evaluate optimized platforms to support new triple play services of voice, video and data over IP networks. Such advanced services, particularly Telco TV, are likely to drive the demand for the CM-100 product line going forward. We expect that additional carriers will recognize the benefits of the CM-100 and will select it as the solution of choice for these applications, bringing both MPLS and RPR capabilities to metro networks."

### **Outlook and Guidance**

Guidance for the first quarter and full year 2005 has been revised as follows:

For the quarter ending March 31, 2005, Orckit expects revenues of approximately \$17.0 million, and net income of approximately \$750,000, or \$0.15 per diluted share.

For 2005, Orckit expects revenues of approximately \$80.0 million, and net income of approximately \$8.0 million to \$8.5 million, with net income per diluted share of approximately \$1.60 to \$1.70.

### **Conference Call**

Orckit Communications will host a conference call on Thursday, January 27, 2005, at 11 a.m. EST. The call can be accessed by dialing 877-691-0878 in the United States and 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. EST through February 3, 2005 at 11:59 p.m., EST. To listen to the replay, please call 877-519-4471 in the United States and 973-341-3080 internationally. To access the replay, enter the following code: 5568000

### **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

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, exchange rate fluctuations, fluctuation in order size, 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 December 31		Year Ended December 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>	\$ 8,577	\$ 173	\$ 11,276	\$ 1,683
<b>Cost of revenues</b>	4,454	27	5,901	748
<b>Gross profit</b>	<u>4,123</u>	<u>146</u>	<u>5,375</u>	<u>935</u>
<b>Research and development expenses, net</b>	3,408	3,289	15,043	15,003
<b>Selling, marketing, general and administrative expenses</b>	4,011	2,625	11,993	12,656
<b>Total operating expenses</b>	<u>7,419</u>	<u>5,914</u>	<u>27,036</u>	<u>27,659</u>
<b>Operating loss</b>	<u>(3,296)</u>	<u>(5,768)</u>	<u>(21,661)</u>	<u>(26,724)</u>
<b>Financial income, net</b>	375	293	1,529	5,108
<b>Net loss</b>	<u>\$ (2,921)</u>	<u>\$ (5,475)</u>	<u>\$ (20,132)</u>	<u>\$ (21,616)</u>
<b>Net loss per share - basic and diluted</b>	<u>\$ (0.67)</u>	<u>\$ (1.26)</u>	<u>\$ (4.62)</u>	<u>\$ (4.99)</u>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>4,379</u>	<u>4,342</u>	<u>4,358</u>	<u>4,332</u>

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

	<b>December 31 <u>2004</u></b>	<b>December 31 <u>2003</u></b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short term marketable securities	\$ 58,780	\$ 41,623
Trade receivables	54,814	147
Other receivables	1,492	1,596
Inventories	5,533	100
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Total current assets	120,619	43,466
<b>Long term marketable securities</b>	18,441	37,418
<b>Other investments</b>	1,907	500
<b>Severance pay fund</b>	3,348	2,707
<b>Property and equipment, net</b>	4,211	2,093
<b>Deferred issuance costs, net</b>	0	147
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Total assets	\$ 148,526 =====	\$ 86,331 =====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Bank loans	\$ 31,000	\$ 0
Trade payables	25,824	3,108
Accrued expenses and other payables	11,645	5,878
Deferred income	35,662	0
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Total current liabilities	104,131	8,986
<b>Long term liabilities :</b>		
Accrued severance pay	4,131	3,435
Convertible subordinated notes	0	16,238
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<b>Total liabilities</b>	108,262	28,659
Shareholders' equity	40,264	57,672
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Total liabilities and shareholders' equity	\$ 148,526 =====	\$ 86,331 =====