



## **Orckit Communications Reports 2005 Second Quarter Results**

---

### **Company Increases Full Year 2005 Guidance to \$95 million in Revenues and \$17 million in Net Income**

TEL AVIV, Israel, July 18, 2005 -- Orckit Communications Ltd. (NASDAQ: ORCT - News) today reported results for the second quarter and six months ended June 30, 2005.

Revenues in the second quarter of 2005 were \$21.8 million compared to \$350,000 in the quarter ended June 30, 2004 and \$20.6 million in the previous quarter ended March 31, 2005. Net income for the quarter was \$3.9 million, or \$0.21 per diluted share, compared to a net loss of \$5.9 million, or \$(0.45) per share, for the quarter ended June 30, 2004.

Revenues for the six months ended June 30, 2005 were \$42.4 million compared to \$670,000 for the six months ended June 30, 2004. Net income for the period was \$7.0 million, or \$0.39 per diluted share, compared to a net loss of \$11.3 million, or \$(0.86) per share, for the six months ended June 30, 2004.

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

- KDDI awarded Corrigent an expansion of its nationwide network build in Japan.
- Oki Electric Industry Co., Ltd., a diversified Japanese conglomerate with operations in the telecom equipment area, began to resell Corrigent's CM-100 product line.
- Corrigent participated in the Supercomm 2005 exhibition, demonstrating the CM-100 Packet ADM product line. Corrigent also chaired an industry panel on "Triple Play and IPTV - Case Study Lessons from the Field", where it discussed the CM-100 product line's success in the field, and other trends in the IPTV space along with executives from KDDI, SBC and Multimedia Research Group.
- Corrigent was highlighted in an optical transport industry report by Del'Oro Group for Q1 2005. The report addressed the increase in demand for 10 Gig units and for Gig Ethernet port deployed by telecom carriers. Corrigent was named as one of the top three equipment vendors in this market segment.

- During the quarter the following U.S. exchanges began to trade options on Orckit's shares: Chicago Board Option Exchange, American Stock Exchange and Philadelphia Stock Exchange.
- Beginning July 3, 2005, the Company's shares were added to the Tel Aviv Stock Exchange TEL-TECH 15 stock index. The TEL-TECH 15 index is composed of the 15 largest technology companies by market capitalization listed on the Tel Aviv Stock Exchange.

Izhak Tamir, President of Orckit, commented: "Our results for the second quarter of 2005 represent the large-scale deployment of Corrigent's CM-100 product line by KDDI Japan. We are honored to be selected by KDDI for further expansion of their metro network."

Mr. Tamir continued: "Telecom carriers' need to transition from existing SONET and SDH metro networks into a unified packet-based network is strong. This need is driven by new ultra-high bandwidth data services such as VOD (Video on Demand) and other high-end packet-based services. Building a unified network that supports both TDM and packet-based services increases capital expenditure efficiencies and significantly reduces network maintenance and operational costs. Corrigent's CM-100 is successfully addressing this emerging market."

## **Outlook and Guidance**

Guidance for the third quarter and full year 2005 is as follows:

For the quarter ending September 30, 2005, Orckit expects revenues of approximately \$24.0 million, and net income of approximately \$4.2 million, or \$0.23 per diluted share.

For 2005, Orckit expects revenues of approximately \$95.0 million, and net income of approximately \$17.0 million, or \$1.00 per diluted share.

### **Conference Call**

Orckit Communications will host a conference call on July 18, 2005, at 11 a.m. EDT. The call can be accessed by dialing 1-800-370-0898 in the United States and 1-973-409-9260 internationally. A replay of the call will be available at <http://www.orckit.com>. A replay of the call will be also available through July 25, 2005 at 11:59 p.m., EDT, at 1-877-519-4471 in the United States and 1-973-341-3080 internationally. To access this replay, enter the following code: 5875431.

### **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 June 30		Six Months Ended June 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>	\$ 21,754	\$ 350	\$ 42,401	\$ 670
<b>Cost of revenues</b>	11,115	133	21,662	251
<b>Gross profit</b>	10,639	217	20,739	419
<b>Research and development expenses, net</b>	3,941	3,935	7,907	7,408
<b>Selling, marketing general and administrative expenses</b>	3,709	2,498	7,395	4,959
<b>Total operating expenses</b>	7,650	6,433	15,302	12,367
<b>Operating income (loss)</b>	2,989	(6,216)	5,437	(11,948)
<b>Financial income, net</b>	865	332	1,558	685
<b>Net income (loss)</b>	\$ 3,854	\$ (5,884)	\$ 6,995	\$ (11,263)
<b>Net income (loss) per share - basic</b>	\$ 0.28	\$ (0.45)	\$ 0.51	\$ (0.86)
<b>Net income (loss) per share – diluted</b>	\$ 0.21	\$ (0.45)	\$ 0.39	\$ (0.86)
<b>Weighted average number of shares outstanding – basic</b>	13,917	13,062	13,674	13,038
<b>Weighted average number of shares outstanding – diluted</b>	16,515	13,062	16,260	13,038

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

	<b>June 30</b>	<b>December 31</b>
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short term marketable securities	\$ 34,142	\$ 58,780
Trade receivables	10,103	54,814
Other receivables	1,958	1,492
Inventories	6,050	5,533
 Total current assets	<hr/> 52,253	<hr/> 120,619
 <b>Long term marketable securities</b>	 65,045	 18,441
<b>Other investments</b>	1,907	1,907
<b>Severance pay fund</b>	2,925	3,348
<b>Property and equipment, net</b>	4,118	4,211
 Total assets	<hr/> \$ 126,248	<hr/> \$ 148,526
	<hr/> =====	<hr/> =====

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current liabilities:</b>		
Bank loans	\$ 11,000	\$ 31,000
Trade payables	16,103	25,824
Accrued expenses and other payables	13,406	11,645
Deferred income	30,894	35,662
 Total current liabilities	<hr/> 71,403	<hr/> 104,131
 <b>Long term liabilities :</b>		
Accrued severance pay	3,571	4,131
 <b>Total liabilities</b>	<hr/> 74,974	<hr/> 108,262
 Shareholders' equity	51,274	40,264
 Total liabilities and shareholders' equity	<hr/> \$ 126,248	<hr/> \$ 148,526
	<hr/> =====	<hr/> =====