



Orckit Communications Reports 2006 Second Quarter Results

TEL AVIV, Israel, July 25 -- Orckit Communications Ltd. (Nasdaq: ORCT) today reported results for the second quarter and six months ended June 30, 2006.

Revenues in the second quarter of 2006 were \$14.7 million compared to \$21.8 million in the quarter ended June 30, 2005 and \$25.0 million in the previous quarter ended March 31, 2006.

Net income for the quarter ended June 30, 2006 was \$294,000, or \$0.02 per diluted share, compared to net income of \$3.9 million, or \$0.21 per diluted share, for the quarter ended June 30, 2005 and net income of \$5.8 million, or \$0.34 per diluted share, for the previous quarter ended March 31, 2006.

Revenues for the six months ended June 30, 2006 were \$39.7 million compared to \$42.4 million for the six months ended June 30, 2005. Net income for the six months ended June 30, 2006 was \$6.1 million, or \$0.36 per diluted share, compared to net income of \$7.0 million, or \$0.39 per diluted share, for the six months ended June 30, 2005.

Key highlights for the quarter:

- Product evaluations of CM-100 Packet Transport Systems continued with several carriers, primarily in Asia.
- Corrigent's CM-100 Packet Transport Systems have been certified by the Metro Ethernet Forum as compliant with the MEF Carrier Ethernet Services, Test Specification MEF9. The MEF is an international forum focused on promulgating specifications to accelerate the worldwide adoption of Ethernet services.
- The introduction of a new Fibre Channel interface card, now available with the CM-100 product line. This new module addresses the requirements of large enterprise customers that desire to extend their storage area network capabilities across the public network. By using an enhanced solution of Fibre Channel over IP transmission, carriers can gain significant operational benefits over existing solutions.
- The release of a suite of TDM-to-Ethernet interface cards for the CM-100 that enables carriers to easily aggregate Ethernet and other packet services from existing TDM access networks. Using the CM-100, service providers can now offer popular Ethernet services

over existing TDM access networks and aggregate these services efficiently on 10Gbps packet rings. Carriers with heavy TDM traffic are expected to enjoy capital expenditure and operational benefits by using these functionalities.

Izhak Tamir, President of Orckit, commented, "Worldwide trends for convergence of wireline and wireless networks, coupled with the introduction of IP video services, continue to drive the need for metro network upgrades. We see growing interest in our CM-100 product family from leading telecom carriers as they evaluate 10 Gigabit per second metro upgrades to support data, video and TDM services."

He continued, "KDDI, our most significant customer, is progressing in its efforts to have a fully IP-based fixed-mobile converged network, while enjoying subscriber growth for its data services over wireline as well as cellular networks. However, following the significant network expansion KDDI has undertaken using the CM-100 product, additional expansion in 2006 will be low. Nevertheless, we believe that we are well positioned to benefit from the continued growth in KDDI's subscriber base for data and video services, and from expected deliveries related to its future network expansion."

Mr. Tamir concluded: "Our R&D efforts remain on track. We are adding superior capabilities to the CM-100 metro platform for high-end metro transport services addressing converged TDM and IP data solutions. We believe that product evaluations, trial activities and increased interest from established carriers will lead to renewed revenue growth in the future."

Outlook and Guidance

As a result of lower demand for our products in Japan this year, we are reducing our guidance for 2006. For the year ending December 31, 2006, we expect revenues to be in the range of \$62.0 million to \$68.0 million, net income to be in the range of \$2.9 million to \$6.0 million and net income per diluted share to be in the range of \$0.17 to \$0.35.

Conference Call

Orckit Communications will host a conference call on July 25, 2006, at 11 a.m. EST. The call can be accessed by dialing 1-866-406-5408 in the United States and 1-973-582-2822 internationally. A replay of the call will be available at <http://www.orckit.com>. A replay of the call will be also available through August 1, 2006 at 11:59 p.m. at 1-877-519-4471 in the United States and 1-973-341-3080 internationally. To access this replay, enter the following code: 7592389.

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. For more information on Orckit see www.orckit.com

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.

TABLES TO FOLLOW

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>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Revenues | \$ | 14,706 | \$ 21,754 | \$ 39,665 | \$ 42,401 |
| Cost of revenues | | 7,357 | 11,115 | 19,385 | 21,662 |
| Gross profit | | <hr/> 7,349 | <hr/> 10,639 | <hr/> 20,280 | <hr/> 20,739 |
| Research and development expenses, net | | 3,982 | 3,941 | 8,222 | 7,907 |
| Selling, marketing general and administrative expenses | | 3,662 | 3,709 | 7,565 | 7,395 |
| Total operating expenses | | <hr/> 7,644 | <hr/> 7,650 | <hr/> 15,787 | <hr/> 15,302 |
| Operating income (loss) | | <hr/> (295) | <hr/> 2,989 | <hr/> 4,493 | <hr/> 5,437 |
| Financial income, net | | 589 | 865 | 1,621 | 1,558 |
| Net income | \$ | <hr/> 294 | <hr/> 3,854 | <hr/> 6,114 | <hr/> 6,995 |
| Net income per share - basic | \$ | <hr/> 0.02 | <hr/> 0.28 | <hr/> 0.40 | <hr/> 0.51 |
| Net income per share - diluted | \$ | <hr/> 0.02 | <hr/> 0.21 | <hr/> 0.36 | <hr/> 0.39 |
| Weighted average number of shares outstanding - basic | | <hr/> 15,513 | <hr/> 13,917 | <hr/> 15,218 | <hr/> 13,674 |
| Weighted average number of shares outstanding - diluted | | <hr/> 16,685 | <hr/> 16,515 | <hr/> 17,020 | <hr/> 16,260 |

ORCKIT COMMUNICATIONS LTD.

CONSOLIDATED BALANCE SHEETS

(US\$ in thousands)

| | | June 30 <u>2006</u> | | December 31 <u>2005</u> |
|---|----|------------------------|----|----------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and short term marketable securities | \$ | 39,759 | \$ | 45,379 |
| Trade receivables | | 1,047 | | 702 |
| Other receivables | | 1,682 | | 1,520 |
| Inventories | | 3,416 | | 3,330 |
| | | <hr/> | | <hr/> |
| Total current assets | | 45,904 | | 50,931 |
| Long term marketable securities | | 61,849 | | 72,381 |
| Severance pay fund | | 3,033 | | 2,894 |
| Property and equipment, net | | 3,185 | | 3,740 |
| | | <hr/> | | <hr/> |
| Total assets | \$ | 113,971 | \$ | 129,946 |
| | | ===== | | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Trade payables | \$ | 7,517 | \$ | 9,282 |
| Accrued expenses and other payables | | 12,276 | | 19,173 |
| Deferred income | | 13,235 | | 28,736 |
| | | <hr/> | | <hr/> |
| Total current liabilities | | 33,028 | | 57,191 |
| Long term liabilities : | | | | |
| Accrued severance pay | | 4,011 | | 3,689 |
| | | <hr/> | | <hr/> |
| Total liabilities | | 37,039 | | 60,880 |
| Shareholders' equity | | 76,932 | | 69,066 |
| | | <hr/> | | <hr/> |
| Total liabilities and shareholders' equity | \$ | 113,971 | \$ | 129,946 |
| | | ===== | | ===== |