



ORCKIT

Orckit Communications Reports 2006 Third Quarter Results

TEL AVIV, Israel, October 31 -- Orckit Communications Ltd. (Nasdaq: ORCT) today reported results for the third quarter and nine months ended September 30, 2006.

Revenues in the third quarter of 2006 were \$15.0 million compared to \$25.4 million in the quarter ended September 30, 2005 and \$14.7 million in the previous quarter ended June 30, 2006.

Net income for the quarter ended September 30, 2006 was \$985,000, or \$0.06 per diluted share, compared to net income of \$7.6 million, or \$0.45 per diluted share, for the quarter ended September 30, 2005 and net income of \$294,000, or \$0.02 per diluted share, for the previous quarter ended June 30, 2006.

Revenues for the nine months ended September 30, 2006 were \$54.6 million compared to \$67.8 million for the nine months ended September 30, 2005. Net income for the nine months ended September 30, 2006 was \$7.1 million, or \$0.42 per diluted share, compared to net income of \$14.6 million, or \$0.84 per diluted share, for the nine months ended September 30, 2005.

Key highlights for the quarter:

- Product evaluations of CM-100 Packet Transport Systems continued with several carriers, primarily in Asia. Commercial selections by these carriers are expected to occur in 2007.

- Corrigent extended its Packet Transport Solution with new platforms: the CM-104 and the CM-21. These additions are designed to allow service providers more flexibility in the deployment of the CM product line, provide the access component in Corrigent's end-to-end packet transport solution and address service applications which were not covered prior to the release of these new platforms.

Izhak Tamir, President of Orckit, commented, "As video applications continue to draw increased interest for high wideband solutions in metro and access networks, Corrigent's product line is well positioned to provide telecom service providers with a full and efficient platform for converged networks of data, voice, video and cellular services. Increasing demand for these high bandwidth-demanding services is expected to propel commercial deployments for innovative platforms such as our CM product line."

Mr. Tamir 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 both advanced cellular and wireline offerings. However, following the significant network expansion KDDI has undertaken using the CM-100 product, additional expansion in its 2006 fiscal year, which ends in April 2007, 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."

Mr. Tamir concluded: "Our recent product introductions address market opportunities and are a result of our intense R&D efforts. As market demand for bandwidth increases, we intend to continue our efforts to offer telecom carriers innovative, high-capacity packetized solutions targeting this new area for converged transport technology."

Outlook and Guidance

For the year ending December 31, 2006, we expect revenues to be approximately \$63.0 million, net income to be \$4.1 million and net income per diluted share to be \$0.25.

Conference Call

Orckit Communications will host a conference call on October 31, 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 November, 7 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 product line of metro optical transport solutions, 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 September 30		Nine Months Ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues	\$ 14,961	\$ 25,443	\$ 54,626	\$ 67,844
Cost of revenues	6,933	13,060	26,318	34,722
Gross profit	<u>8,028</u>	<u>12,383</u>	<u>28,308</u>	<u>33,122</u>
Research and development expenses, net	3,640	3,983	11,862	11,890
Selling, marketing general and administrative expenses	4,236	3,825	11,801	11,220
Total operating expenses	<u>7,876</u>	<u>7,808</u>	<u>23,663</u>	<u>23,110</u>
Operating income	<u>152</u>	<u>4,575</u>	<u>4,645</u>	<u>10,012</u>
Financial income, net	833	583	2,454	2,141
Other income	0	2,448	0	2,448
Net income	\$ <u>985</u>	\$ <u>7,606</u>	\$ <u>7,099</u>	\$ <u>14,601</u>
Net income per share - basic	\$ <u>0.06</u>	\$ <u>0.54</u>	\$ <u>0.46</u>	\$ <u>1.05</u>
Net income per share - diluted	\$ <u>0.06</u>	\$ <u>0.45</u>	\$ <u>0.42</u>	\$ <u>0.84</u>
Weighted average number of shares outstanding - basic	<u>15,588</u>	<u>14,188</u>	<u>15,343</u>	<u>13,848</u>
Weighted average number of shares outstanding - diluted	<u>16,282</u>	<u>17,014</u>	<u>16,775</u>	<u>16,514</u>

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

	September 30		December 31
	<u>2006</u>		<u>2005</u>
ASSETS			
Current assets:			
Cash and short term marketable securities	\$ 47,291	\$	45,379
Trade receivables	195		702
Other receivables	1,604		1,520
Inventories	4,803		3,330
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Total current assets	53,893		50,931
Long term marketable securities	47,425		72,381
Severance pay fund	3,074		2,894
Property and equipment, net	2,712		3,740
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Total assets	\$ 107,104	\$	129,946
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LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank loan	\$ 1,368	\$	0
Trade payables	6,199		9,282
Accrued expenses and other payables	11,464		19,173
Deferred income	5,587		28,736
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Total current liabilities	24,618		57,191
Long term liabilities :			
Accrued severance pay	4,209		3,689
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Total liabilities	28,827		60,880
Shareholders' equity	78,277		69,066
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Total liabilities and shareholders' equity	\$ 107,104	\$	129,946
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