Orckit Communications Reports 2008 Fourth Quarter and Year End Results

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TEL AVIV, Israel, February 3, 2009 -- Orckit Communications Ltd. (NasdaqGM: ORCT) today reported results for the fourth quarter and year ended December 31, 2008.

Revenues in the fourth quarter of 2008 were $6.8 million compared to $5.4 million in the previous quarter ended September 30, 2008 and $1.8 million in the comparable quarter last year. Net loss for the quarter ended December 31, 2008 was $7.1 million, or $(0.57) per diluted share, compared to a net loss of 9.7 million, or $(0.59) per share, for the previous quarter ended September 30, 2008 and net income of $6.4 million, or $0.38 per diluted share, for the fourth quarter of 2007. Adjustments related to the valuation of the conversion terms of the Company's convertible notes issued in March 2007 resulted in financial income of $1.3 million in the quarter ended December 31, 2008, financial expense of $1.7 million in the quarter ended September 30, 2008 and financial income of $41,000 in the quarter ended December 31, 2007. Results for the quarter ended December 31, 2007 included one-time income of $14.2 million derived from a payment to the Company in connection with the settlement of a commercial dispute related to the Company's legacy operations.

Revenues for the year ended December 31, 2008 were $17.3 million compared to $9.9 million for the year ended December 31, 2007. Net loss for the year ended December 31, 2008 was $32.3 million, or $(1.97) per share, compared to $12.1 million, or $(0.76) per share, for the year ended December 31, 2007. Adjustments related to the valuation of the conversion terms of the Company's convertible notes issued in March 2007 resulted in financial income of $1.1 million in 2008 and $2.6 million in 2007. Results for 2007 also included the one-time income of $14.2 million.

Key Highlights for the quarter:

- Q4 2008 revenue increased more than 200% compared to Q4 2007;
- Transitioned from a one-customer only business as of December 2007, to seven customers during 2008;
- Successfully introduced the CM-4140 that offers enhanced MPLS functionality to the Metro edge, supporting advanced data and video services, and have already confirmed two commercial customers;
- Commenced new sales and marketing efforts in growing territories;
- Major established carrier customers continued to deploy Orckit's metro high-end solutions; and
- Completed reorganization, mainly decreases in employee head count. Following the reorganization, operating expenses is expected to decrease by approximately 20%.

Izhak Tamir, Chairman and President of Orckit, commented, “We have made considerable progress with our CM4140 since its introduction in October 2008, particularly among Tier-2 carriers, which until recently, has not been one of our primary target markets. With this new market in mind, we are diversifying our customer base to meet the needs of businesses at new levels, increasing the market size of our product offering targets.”

Mr. Tamir continued, “This is a groundbreaking technology, with superior cost performance characteristics for both established and second tier metro carriers, and which provided us with the ability to decrease our sales cycle from two years to only six months. We have already generated two new customers for the CM4140 and expect to use it to introduce our higher-capacity Corrigent branded products to these new customers. Our CM4140 sets new industry standards for a metro edge solution's performance, and allows carriers to serve their customers more efficiently, offering advanced services for data and video transmissions without the need to change their existing core carrier infrastructure other than in the metro edge. We now believe that we have an added distinct advantage in our industry and we have initiated new sales and marketing efforts to support this product introduction.”

Mr. Tamir concluded, “Our existing carrier customers continue their plans to deploy our CM-100 and CM-4000 product lines and we can expect additional deployments of our CM4140 during the year. We are very excited about what we have achieved to date, and, despite the many unknowns that exist in this economy with regard to carriers’ capital budgets, we remain optimistic about our superior products and commercial prospects for 2009.”

Outlook and Guidance

For the quarter ending March 31, 2009, we expect revenues to be approximately $4.0 million, with a net loss of approximately $7.1 million, or approximately $(0.43) per share. This guidance does not take into account financial income or expense resulting from adjustments related to the valuation of the conversion terms included in our convertible subordinated notes that were issued in March 2007. Such financial income or expense is subject to certain factors, including our share price, which cannot be estimated at this time.

Conference Call

Orckit Communications will host a conference call on February 3, 2009, at 9:00 a.m. EST. The call can be accessed by dialing 1-888-459-5609 in the United States and 1-973- 321-1024 internationally. Please utilize the code 79597305. A replay of the call will be available at http://www.orckit.com. A replay of the call will be also available through March 3, 2009 at 11:59 p.m. at 1-800- 642-1687 in the United States and 1-706-645-9291 internationally. To access this replay, enter the following code: 79597305.

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

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

	December 31 2008	December 31 2007
ASSETS		
Current assets:		
Cash and short term marketable securities	$ 48,231	$ 68,225
Trade receivables	3,820	49
Other receivables	3,638	1,632
Inventories	1,771	1,347
Total current assets	57,460	71,253
Long term marketable securities	19,738	34,142
Severance pay fund	3,017	3,454
Property and equipment, net	1,378	1,384
Deferred issuance costs, net	596	781
Total assets	$ 82,189	$ 111,014
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	$ 4,654	$ 4,292
Accrued expenses and other payables	8,296	8,240
Deferred income	2,787	1,045
Total current liabilities	15,737	13,577
Long term liabilities :		
Convertible subordinated notes	30,367	28,723
Adjustments due to convertible notes conversion terms	(4,636)	(3,247)
Convertible subordinated notes, net	25,731	25,476
Accrued severance pay and other	3,960	4,553
	29,691	30,029
Total liabilities	45,428	43,606
Shareholders' equity	36,761	67,408
Total liabilities and shareholders' equity	$ 82,189	$ 111,014
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ORCKIT COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(US$ in thousands, except per share data)

	Three Months Ended December 31		Year Ended December 31	
	2008	**2007**	**2008**	**2007**
Revenues	$ 6,781	$ 1,786	$ 17,256	$ 9,906
Cost of revenues	4,268	915	9,606	4,826
Gross profit	2,513	871	7,650	5,080
Research and development expenses, net	5,254	5,318	22,859	20,158
Selling, marketing general and administrative expenses	5,028	4,410	19,164	16, 902
Total operating expenses	10,282	9,728	42,023	37,060
Operating loss	(7,769)	(8,857)	(34,373)	(31,980)
Financial income (expenses), net	(622)	949	1,004	3,066
Adjustments due to convertible notes conversion terms	1,336	41	1,082	2,586
Total financial income, net	714	990	2,086	5,652
Other income	0	14,231	0	14,231
Net income (loss)	$ (7,055)	$ 6,364	$ (32,287)	$ (12,097)
Net income (loss) per share - basic	$ (0.43)	$ 0.39	$ (1.97)	$ (0.76)
Net income (loss) per share - diluted	$ (0.57)	$ 0.38	$ (1.97)	$ (0.76)
Weighted average number of shares outstanding - basic	16,403	16,310	16,386	15,911
Weighted average number of shares outstanding - diluted	18,442	16,911	16,386	15,911