



## **Orkit Communications Reports 2004 Third Quarter Results Announces Commercial Deliveries of Metro Products**

TEL AVIV, Israel, November 1, 2004 -- Orkit Communications Ltd. (Nasdaq: ORCT) today reported results for the third quarter and nine months ended September 30, 2004.

Revenues in the third quarter of 2004 were \$2.0 million compared to \$599,000 in the quarter ended September 30, 2003. Net loss for the quarter was \$5.9 million, or \$(1.36) per share, compared to a net loss of \$5.2 million, or \$(1.13) per share, for the quarter ended September 30, 2003.

Revenues for the nine months ended September 30, 2004 were \$2.7 million compared to \$1.5 million for the nine months ended September 30, 2003. Net loss for the period was \$17.2 million, or \$(3.96) per share, compared to \$16.1 million, or \$(3.40) per share, for the nine months ended September 30, 2003. The Company had financial income of \$1.2 million in the nine months ended September 30, 2004 compared to \$4.8 million in the nine months ended September 30, 2003. The financial income in the nine months ended September 30, 2003 was primarily derived from the early retirement of Orkit's convertible subordinated notes.

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

-- KDDI Japan selected Corrigent's CM-100 packet ADM for nationwide deployment to offer advanced "triple play" services. Commercial shipments to KDDI commenced in the fourth quarter.

-- Corrigent CM-100 products were delivered to VIC TOKAI, Japan to enable the efficient delivery of advanced data and Ethernet based services.

-- In order to meet expected accelerated demand for the CM-100 product, Corrigent completed a significant production ramp up with its sub-contractors to support high volume deliveries.

-- Established telecom carriers continued trials and evaluation of the CM-100 Packet ADM in an effort to upgrade metro networks to support packet-rich services for digital video distribution, Internet access, and IP telephony.

-- The operations of Spediant Systems were halted in an effort to focus Orkit's resources and management attention on the operations of Corrigent. Some of Spediant's personnel will support the growth and expansion of Corrigent.

Izhak Tamir, President of Orckit, commented: "We are pleased with the demand for Corrigent's CM-100 packet ADM product line. To support this demand, we increased assembly and testing capacity at our sub-contractors for the delivery of CM-100 Packet ADM products."

"Telecom carriers continue to evaluate new optimized platforms to support the triple play of voice, digital video and data over IP networks. CM-100 offers a cost-effective optical product to support these metro networks. We plan to continue to invest in sales and marketing activities and in the development of advanced product features to meet customer needs. Going forward into 2005, our attention and resources will be directed toward these efforts."

### **Outlook and Guidance**

For the fourth quarter of 2004, we expect revenues of approximately \$7.0 to \$8.0 million, net loss of approximately \$3.8 to \$4.3 million, with loss per share in the range of \$(0.87) to \$(0.98).

For 2005, we expect revenues to exceed \$60 million, net loss of approximately \$2.0 to \$5.0 million, with loss per share in the range of \$(0.45) to \$(1.12).

### **Conference Call**

Orckit Communications will host a conference call on Monday, November 1, 2004, at 11 a.m. EDT. 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 November 8, 2004 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: 5249970

### **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, exchange rate fluctuations, the impact of competitive products and pricing, market acceptance, the lengthy sales cycle, 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 BALANCE SHEETS  
(US\$ in thousands)**

		<b>September 30 <u>2004</u></b>		<b>December 31 <u>2003</u></b>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and short term marketable securities	\$	42,001	\$	41,623
Trade receivables		686		147
Other receivables		1,510		1,596
Inventories		3,201		100
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Total current assets		47,398		43,466
<b>Long term marketable securities</b>		19,285		37,418
<b>Other investments</b>		1,907		500
<b>Severance pay fund</b>		3,388		2,707
<b>Property and equipment, net</b>		3,841		2,093
<b>Deferred issuance costs, net</b>		0		147
		<hr/>		<hr/>
Total assets	\$	75,819	\$	86,331
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Bank loan	\$	16,000	\$	0
Trade payables		8,423		3,108
Accrued expenses and other payables		4,954		5,878
		<hr/>		<hr/>
Total current liabilities		29,377		8,986
<b>Long term liabilities :</b>				
Accrued severance pay		4,118		3,435
Convertible subordinated notes		0		16,238
		<hr/>		<hr/>
<b>Total liabilities</b>		33,495		28,659
Shareholders' equity		42,324		57,672
		<hr/>		<hr/>
Total liabilities and shareholders' equity	\$	75,819	\$	86,331
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**ORCKIT COMMUNICATIONS LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(US\$ in thousands, except per share data)

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Revenues</b>	\$ 2,029	\$ 599	\$ 2,699	\$ 1,510
<b>Cost of revenues</b>	1,196	231	1,447	721
<b>Gross profit</b>	<u>833</u>	<u>368</u>	<u>1,252</u>	<u>789</u>
<b>Research and development expenses, net</b>	4,227	3,347	11,635	11,714
<b>Selling, general and administrative expenses</b>	3,023	2,826	7,982	10,031
<b>Total operating expenses</b>	<u>7,250</u>	<u>6,173</u>	<u>19,617</u>	<u>21,745</u>
<b>Operating loss</b>	<b>(6,417)</b>	<b>(5,805)</b>	<b>(18,365)</b>	<b>(20,956)</b>
<b>Financial income, net</b>	469	636	1,154	4,815
<b>Net loss</b>	<u>\$ (5,948)</u>	<u>\$ (5,169)</u>	<u>\$ (17,211)</u>	<u>\$ (16,141)</u>
	=====	=====	=====	=====
<b>Net loss per share - basic and diluted</b>	<u>\$ (1.36)</u>	<u>\$ (1.13)</u>	<u>\$ (3.96)</u>	<u>\$ (3.40)</u>
	=====	=====	=====	=====
<b>Weighted average number of shares outstanding - basic and diluted</b>	4,362	4,580	4,351	4,742
	=====	=====	=====	=====