

Quarterly Newsletter – December 2005

From the Desk of CEO Kevin Kennedy

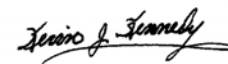
Our fiscal first quarter results, announced on November 9, 2005, demonstrated that our cost reduction initiatives were starting to enable a more profitable business model. Our Commercial and Consumer business, for example, delivered an operating income of \$8.4 million, which compares to a loss of \$0.5 million in the previous quarter, reflecting the actions we have taken to exit unprofitable businesses since the start of the calendar year. Importantly, we achieved the \$4 million in cost savings we had targeted for the first quarter, and stated that we believed we were on track to achieve the \$9 million, \$17 million, and \$22 million identified for our fiscal second, third and fourth quarters, respectively. When compared to our 2005 fiscal third quarter results, this means we expect to have reduced costs by \$88 million on an annualized basis by the end of this fiscal year.

Our acquisition strategy to expand our market opportunity in growing, profitable markets is also gaining traction, with both our top and bottom lines benefiting from a partial quarter contribution from our new Test and Measurement business, which closed in early August. Coupled with the positive impact of our cost reduction initiatives, our non-GAAP gross margin improved from 18% in the 2005 fiscal fourth quarter to 32% in the 2006 fiscal first quarter. Seasonal strength in the December quarter, coupled with the fact that we will benefit, for the first time, from a full quarter contribution supports our revenue guidance for the

quarter of \$300 to \$320 million, which compares to reported 2006 first quarter non-GAAP revenue of \$259.2 million.

Our proposal to execute a reverse stock split in a ratio of 1 for 8, 1 for 9 or 1 for 10 was approved by stockholders at our 2005 Annual Meeting. We believe that it is important to increase visibility into our earnings performance by reducing the number of shares outstanding. With 1.6 billion shares outstanding, a net income performance of anywhere between \$8 million and \$23 million would be reported as \$0.01 on an earnings-per-share basis. Assuming a 1:10 reverse stock split, resulting in 160 million shares outstanding, (although I remind you that the ratio as well as the timing of a reverse stock split remains at the discretion of the Board of Directors), the same net income performance of \$8 million would be reported as \$0.05 on an EPS basis, and \$23 million would be \$0.14, which clearly presents a different view of progress. Furthermore, we believe that a higher stock price will enable a broader group of institutional investors to participate in the stock.

On our November 9, 2005 conference call, we stated that we expected to deliver non-GAAP EBITDA profitable results in the second fiscal quarter. If we achieve this goal, it will be the first time since March 2001 that JDSU has reported non-GAAP EBITDA profitability. As we approach profitability, we remain focused on execution.



Communications Test & Measurement Presentation

On December 1, 2005, JDSU hosted an educational conference call to introduce investors to its newest business segment – Communications Test & Measurement. This segment became part of the company through the acquisition of Acterna, Inc., which closed in August 2005. Contributing a partial quarter of revenue to our fiscal first quarter results, the Communications Test & Measurement segment accounted for \$95.4 million, or 37%, of total revenue.

Highlights from the call:

- Communications Test & Measurement has an annual growth rate of 5-15% and a total market size of \$2.6 billion.
- More than 4,000 customers worldwide, including AT&T, Comcast, Verizon, Sprint, Cisco, Alcatel and China Telecom.

- Demand driven by competition between cable, telecom, wireless and satellite providers to provide an all-in-one solution. For consumers, this is known as triple play (voice, data and video services); for businesses it is the ability to provide advanced business services (VoIP, Gigabit Ethernet, etc.).
- Competitors in the Communications Test & Measurement industry include Agilent, Sunrise Telecom, Ixia, Spirent and EXFO.
- JDSU is ranked #1 or #2 in the majority of broadband test & measurement markets, according to Frost & Sullivan, Prime Data and internal research.
- Global presence – direct salespeople located in 31 different countries.

Recent and Upcoming Events

All webcast replays are available at www.jdsu.com/investors

JDSU at Lehman Brothers Conference – December 8, 2005
Annual Stockholders' Meeting – December 1, 2005
Communications Test & Measurement Presentation – December 1, 2005.
Fiscal 2006 First Quarter Earnings Results – November 9, 2005

Needham Growth Conference – January 12, 2006
Photonics West – January 24-26, 2006
Fiscal 2006 Second Quarter Earnings Results – TBA
JDSU at Thomas Weisel Partners Conference – March 6, 2006
OFC 2006 – March 7-9, 2006
TelecomNext 2006 – March 20-22, 2006

Agility Communications Acquisition Closes

The acquisition of Agility Communications, Inc. closed in November 2005. JDSU paid approximately \$65 million for privately held Agility, comprising approximately \$54 million in stock and \$11 million in cash.

The acquisition, announced in September, is another example of JDSU's commitment to investing in innovative technologies in potentially high growth markets. Adding Agility's tunable laser solutions further expands JDSU's portfolio for the agile network. Tunable lasers simplify the deployment of high-speed, metro and long-haul networks and enable next-generation services.

Agility has already been selling tunable transmitter and transponder products to top tier customers, including Siemens, Marconi, Mahi Networks, Tropic Networks, ECI, and many others. Many service providers have already migrated or announced plans to move to tunable solutions for agile, optical networks, including AT&T, SBC, and Verizon.

JDSU's agile network portfolio includes products such as EDFAs, ROADMs, wavelength blockers, and optical channel monitors.

Safe Harbor Statement

Certain statements in this document constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1934. "Forward-looking" statements are all statements made by us, other than those dealing specifically with historical matters and any statements we make about the conduct of our business or finances up to this moment. All other statements made by us are forward-looking statements which include any information provided on future business operations and guidance regarding our future financial performance. Actual results may differ materially from those projected in the forward-looking statements. Factors that could cause actual results to materially differ from those in the forward-looking statements are discussed in the Company's Securities and Exchange Commission Filings.

This document includes Non-GAAP financial measures where indicated. These non-GAAP financial measures complement the Company's consolidated financial statements presented in accordance with GAAP. However, these non-GAAP financial measures are not intended to supersede or replace the Company's GAAP results. A detailed reconciliation of historical GAAP results to the historical non-GAAP results is provided in the "Non-GAAP Condensed Consolidated Statement of Operations" schedule to our news release announcing the financial results of the first quarter of fiscal 2006. A discussion of the GAAP measures excluded from the forward-looking non-GAAP measures is provided in the "Business Outlook" paragraph of the news release. The news release is located in the Investor Relations section of our web site at www.jdsu.com

Other Second Quarter 2006 News In Brief

10/6/05 – JDSU filed a Form 8-K announcing the Audit Committee's dismissal of Ernst & Young as the Company's independent accounting firm. The Audit Committee also approved the appointment of PricewaterhouseCoopers (PwC) as the Company's new independent accounting firm for fiscal 2006.

11/14/05 – JDSU announced the grant of compensatory stock option awards to former employees of Acterna in connection with the acquisition that closed on August 3, 2005. The stock options were granted with an exercise price equal to the closing price of JDSU common stock on NASDAQ on November 10, 2005, which was \$2.24. These grants were distributed to a separate group of employees from the grants announced on September 2, 2005.

11/15/05 – JDSU filed a Form 8-K detailing additional steps taken in the consolidation of the company's manufacturing operations. Specifically, the company announced the closure of its Rochester, Minnesota facility, the transition of products manufactured at its Ottawa site to contract manufacturers and an additional phase of consolidation at its Santa Rosa facility. This phase of consolidation is expected to be completed by the end of December 2006, and to impact more than 500 employees.

12/1/05 – At JDSU's Annual Meeting of Stockholders', stockholders approved the proposal authorizing the Board of Directors to effect a reverse stock split in the range of 1:8 to 1:10. The Board has one year to decide if and when to effect a reverse stock split, as well as the appropriate ratio to use. Stockholder authorization will expire on December 1, 2006.

12/19/05 - JDSU announced that President and CEO of Redback, Kevin DeNuccio, has joined the JDSU Board of Directors.