

## Quarterly Newsletter – March 2006

### From the Desk of CEO Kevin Kennedy

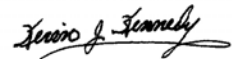
Our fiscal second quarter results, announced on February 1, 2006, included our first quarter of positive non-GAAP earnings before interest, taxes and depreciation since 2001. While we still have more to do to achieve positive earnings per share, our second quarter nonetheless marked an important milestone in JDSU's journey to profitability. Combined, our acquisition strategy and our cost reduction initiatives resulted in a non-GAAP gross margin of 36%, which compares to 32% in the previous quarter, and to 17% in the year-ago quarter. Importantly, we achieved the \$9 million of cost savings that we had targeted for the second fiscal quarter, and continue to target \$17 million for the third fiscal quarter, and \$22 million for the fourth fiscal quarter.

Even as we dramatically re-engineer the company from a financial perspective, JDSU has never lost its focus on technological innovation. Thanks to our continued investment - both internally and through acquisition - JDSU is positioned very well to play a leading role in a number of emerging markets. Our acquisition of Acterna, for example, positioned JDSU as a leading supplier of innovative hand-held test equipment for both traditional telecom carriers and cable service operators as they implement triple-play services such as VOIP and IPTV.

In our optical communications segment, our tunable lasers, reconfigurable optical add/drop multiplexers (ROADMs), and other products in our agile optical portfolio offer unparalleled reconfigurability, scalability and robustness which allow operators to lower capital and running costs while enabling next generation services. Finally, in our commercial and consumer segment, JDSU continues to gain recognition for our high-power, high-performance precision lasers, and we believe we are strongly positioned to support the industry's transition from gas to solid-state.

At JDSU, we continue to execute across multiple fronts, from the transfer of our optical communications manufacturing to lower cost locations, to the phase out of unprofitable or non-core products, and the integration of our strategic acquisitions. Despite these challenges, we believe that we have identified a path to non-GAAP positive results, and that we have positioned the company well to play a leading role in emerging technologies.

As always, there is a lot to focus on at JDSU, and I look forward to updating you on our progress in future quarters.



### New Manufacturing Consolidation Initiatives

Aligned with JDSU's extensive plan to move the majority of our manufacturing to lower-cost locations, we announced on February 14, 2006 that we had entered into a definitive agreement to sell all manufacturing operations in Ottawa, Canada, to Fabrinet, one of our contract manufacturing partners. The transaction is expected to close by the end of March 2006, at which time Fabrinet will manage ongoing production and the Asian transfer activities currently performed by the Ottawa site.

This transition affects products that are part of our Optical Communications business, and marks the final phase of JDSU's original plan to transfer all assembly manufacturing to lower cost locations.

In November, JDSU had announced the closure of its Rochester MN facility, additional consolidation at our Santa Rosa, CA facility, and the transfer of Ottawa manufacturing operations to Asia. All three initiatives were expected to be completed by the end of December 2006, so the development in Ottawa has accelerated our schedule. Non-manufacturing activities at the Ottawa site are unaffected by this agreement.

JDSU expects to quantify the future savings expected from the transaction, as well as those from consolidation activities in Rochester, MN and Santa Rosa, CA, during its next quarterly earnings announcement.

### Recent and Upcoming Events

*All webcast replays are available at [www.jdsu.com/investors](http://www.jdsu.com/investors)*

**JDSU at Goldman Sachs Conference** – February 28, 2006  
**3GSM World Congress** – February 13-16, 2006  
**JDSU at Thomas Weisel Conference** – February 6, 2006  
**Fiscal 2006 2<sup>nd</sup> Quarter Earnings Results** – February 1, 2006  
**JDSU at Needham Growth Conference** – January 12, 2006

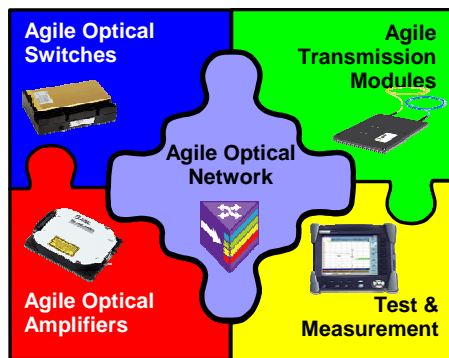
**OFC** – March 7-9, 2006  
**JDSU at Deutsche Bank Conference** – March 14, 2006  
**TelecomNext 2006** – March 20-22, 2006  
**Fiscal 2006 3<sup>rd</sup> Quarter Earnings Results** – TBA  
**JDSU at JP Morgan Conference** – May 22, 2006

## Update on Potential Reverse Stock Split

As previously announced, on December 1, 2005, JDSU stockholders approved the proposal authorizing the Board of Directors to effect a reverse stock split any time before December 1, 2006. The ratios approved are 1:8, 1:9 and 1:10. At this time it remains up to the Board to decide if or when to effect a reverse stock split, and which ratio to use.

## Agile Optical Network Strategy

On February 9, 2006, JDSU launched a strategic initiative and expanded product portfolio to meet the growing demand for Agile Optical Networks (AON), one of the optical communications industry's fastest-growing segments.



The AON addresses the economic and competitive realities of today's communications industry, which is driven by the surge in IP-based triple-play and enterprise service deployment. An AON is a dynamically reconfigurable DWDM network designed to accelerate triple-play service deployment and enable advanced wavelength applications at significantly reduced cost. JDSU also introduced an end-to-end portfolio of AON-enabling solutions, including Agile Optical Switches, Agile Transmission Modules and Agile Optical Amplifiers as well as the industry's leading portfolio of test and measurement solutions for optical networks.

## Recent News In Brief

**12/19/05** – Kevin A. DeNuccio, President and Chief Executive Officer of Redback, was announced as a new member of the JDSU Board of Directors. Mr. DeNuccio was recruited to lead the Redback Networks turnaround in August of 2001. Prior to joining Redback, he was senior vice president of worldwide service provider operations for Cisco Systems, Inc.

**1/19/06** – JDSU announced the appointment of Hal Covert, Executive Vice President and Chief Financial Officer of Openwave Systems, Inc., to its Board of Directors. The addition of Mr. Covert increased the size of JDSU's board to nine members, eight of whom are independent.

**1/30/06** – 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 January 27, 2006 which was \$3.16.

**3/1/06** – Former Sun Microsystems executive, Masood Jabbar, was announced as the newest member of the JDSU Board of Directors. Mr. Jabbar started with Sun in 1986 and held a series of progressively responsible roles, including President of the Computer Systems Division and CFO of Sun Microsystems Computer Corporation, until 2003. The addition of Mr. Jabbar brings the total Board membership to 10 members.

During the past few months, our **Communications T&M** team has introduced many new products, including:

- A Very Long Range (VLR) OTDR module for the T-BERD and MTS-8000 platform.
- The SmartClass family of access field testers.
- An All-in-one portable tester for 40/43G networks.
- Optical FiberCable v4 and Optical FiberTrace v6.
- Digital Services Analysis Meter (DSAM) 6000.

## 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 second 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](http://www.jdsu.com)