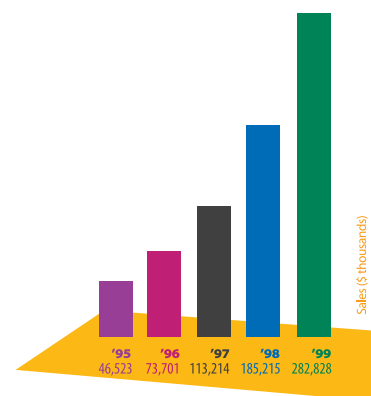




JDS Uniphase is a high technology company that designs, develops, manufactures and distributes a comprehensive range of products for the growing fiberoptic communications market. These products are deployed by system manufacturers worldwide to develop advanced optical networks for the telecommunications and cable television industries.



Financial highlights



(in thousands, except per share amounts)

Years Ended June 30,	1999	1998	1997	1996	1995
Consolidated Statement of Operations Data:					
Net sales	\$ 282,828	\$ 185,215	\$ 113,214	\$ 73,701	\$ 46,523
Amortization of purchased intangibles	\$ 15,730	\$ 5,577	\$ 1,844	\$ 169	\$ 229
Acquired in-process					
research and development ⁽²⁾	\$ 210,400	\$ 40,268	\$ 33,314	\$ 4,480	\$ 4,460
Merger and other costs ⁽³⁾	\$ 6,759	\$ --	\$ --	\$ --	\$ --
Income (loss) from operations ⁽²⁾	\$ (153,222)	\$ (11,521)	\$ (15,785)	\$ 5,849	\$ 1,285
Net income (loss) ⁽²⁾	\$ (171,057)	\$ (19,630)	\$ (17,787)	\$ 3,212	\$ 1,439
Earnings (loss) per share ⁽⁴⁾ :					
Basic	\$ (2.15)	\$ (0.28)	\$ (0.26)	\$ 0.07	\$ 0.04
Dilutive	\$ (2.15)	\$ (0.28)	\$ (0.26)	\$ 0.06	\$ 0.04
Shares used in per share calculation ⁽⁴⁾ :					
Basic	79,562	70,902	67,382	51,116	37,884
Dilutive	79,562	70,902	67,382	55,824	41,794

At June 30,	1999	1998	1997	1996	1995
Consolidated Balance Sheet Data:					
Working capital	\$ 314,760	\$ 121,428	\$ 110,197	\$ 132,239	\$ 18,404
Total assets	\$ 4,096,097	\$ 332,871	\$ 180,653	\$ 175,692	\$ 33,611
Long-term obligations	\$ 9,847	\$ 5,666	\$ 2,478	\$ 7,049	\$ 244
Total stockholders' equity ⁽¹⁾	\$ 3,619,247	\$ 280,038	\$ 152,033	\$ 154,824	\$ 26,196

(1) In November 1998, Uniphase acquired Uniphase Broadband Products, Inc. ("UBP") in a transaction accounted for as a pooling of interests. UBP was a Subchapter S Corporation for income tax purposes prior to acquisition, therefore its taxable income was includable in the personal income tax returns of its stockholders. UBP made periodic dividend distributions to its pre-merger stockholders based on their estimated tax liability on the earnings of UBP. JDS Uniphase has not paid cash dividends on its common stock.

(2) Subsequent to the Securities and Exchange Commission's letter to the AICPA dated September 9, 1998, regarding its views on in-process research and development, the Company re-evaluated its in-process research and development charge with respect to its acquisition of Uniphase Netherlands in June 1998, revised the purchase price allocation and restated its financial statements. As a result, Uniphase made an adjustment which decreased the amount of previously expensed in-process research and development, increased the amount capitalized as goodwill and other intangibles, decreased the net loss by \$59.3 million and decreased basic and diluted net loss per share by \$0.84 for the year ended June 30, 1998.

(3) Results of operations for fiscal 1999 include \$5.9 million of costs and expenses attributable to the pooling of interests transaction with UBP and \$0.9 million of operating expenses to reflect the loss on sale of the Ultrapointe assets.

(4) Share and per share amounts for all historical periods have been restated to reflect the 100% stock dividend paid to stockholders of record as of July 23, 1999.

Letter to stockholders
Expand the boundaries

On June 28, 1999, the stockholders of JDS FITELE Inc. and Uniphase Corporation approved the merger of our two companies. Your vote of approval was the culmination of many months of collaboration that led to the creation of JDS Uniphase—a company dedicated to expanding the boundaries, anticipating the needs of our customers and exceeding their expectations. We thank you again for your ongoing support and confidence in our ability to pursue ever greater opportunities. This Annual Report presents an overview of the separate successes of our two companies during the past fiscal year and a summary of the comprehensive solutions we can offer together.



M. Zita Cobb
Senior Vice President
Strategy and Integration



Anthony R. Muller
Senior Vice President
Chief Financial Officer

The merger of JDS FITELE and Uniphase was the direct result of our complementary strengths and opportunities. While we had very little overlap in our products—passive and active fiberoptic technologies respectively—we shared a tremendous overlap in customers. Now, as an independent supplier with the broadest portfolio of active and passive components and modules, we can provide our customers with the efficiency of supply, the economies of scale and the full dependability of a “one-stop” source for individual components or integrated modules. JDS Uniphase is also uniquely positioned to design and develop products that are integrated and optimized to provide a higher level of functionality to our customers, which in turn enables them to reduce design times and better respond to the increasingly faster time-to-market demands of their customers.

We believe that JDS Uniphase has a compelling value proposition to offer our customers, and we expect to maintain and

strengthen this advantage by widening our product portfolio’s technological base through research and development. We will continue to focus our efforts on the core telecommunications product areas critical to our success, including passive components, source lasers, high-powered pump lasers, modulators and optical modules featuring increased functionality and performance. We will also evaluate opportunities for strategic mergers, acquisitions and joint ventures to further develop our manufacturing base and continue providing state-of-the-art technologies to meet our customers’ evolving needs.

In 1999, our financial performance again reflected the growth in our markets. We are pleased to report that sales of Uniphase grew 53% to \$283 million for the year ended June 30, 1999, while those of JDS FITELE grew 101% to CDN \$456 million for the year ended May 31, 1999. Pro forma combined sales for the year were \$588 million. These pro forma results combine those of JDS FITELE for the year ended May 31, 1999, and Uniphase for the year ended June 30, 1999, both periods ending prior to our merger which



became effective at the close of business on June 30, 1999. Historical financial information for Uniphase has been restated to reflect our merger with Broadband Communications Products, Inc. on November 30, 1998, in a transaction accounted for as a pooling of interests. Results for the fiscal year include a full year of sales of Uniphase Netherlands, which was acquired on June 9, 1998, in a transaction accounted for as a purchase.

On a pro forma basis, excluding acquisition and divestiture charges and the amortization of purchased intangible assets, Uniphase separately reported net income of \$59 million or \$0.68 per diluted share for the year ended June 30, 1999, after giving effect to our July 1999 two-for-one stock split, an increase of 66% over the \$35 million or \$0.46 per diluted share on a pro forma basis reported for 1998. JDS FITEL separately reported net income for the year of CDN \$99 million or CDN \$1.22 per diluted share, a 108% increase over net income of CDN \$48 million or CDN \$0.62 per diluted share earned in 1998. Our pro forma combined income for 1999, excluding acquisition and divestiture charges

and the amortization of purchased intangible assets, was \$125 million or \$0.73 per diluted share, after giving effect to our July 1999 two-for-one stock split.

During this year of change and evolution so many people deserve thanks for their tireless work and support. In particular, we would like to personally express our deepest appreciation to our employees. They are at the very foundation of our success and deserve our deepest thanks for their dedication and commitment. We would also like to take this opportunity in particular to thank our board members Koichi Abé, Robert C. Fink, Willem Haverkamp, Stephen C. Johnson, Shozo Inao, Catherine P. Lego, Kunihiro Matsubara and Masato Sakamoto who left our respective boards upon the creation of a new joint board of directors at the time of the merger. And we would like to give special thanks to Mr. Junnosuke Furukawa, the President of The Furukawa Electric Co., Ltd., for his

profoundly instrumental support to JDS FITEL since 1990. Without the support of these people and many others, the creation of JDS Uniphase would not have been possible.

As we look ahead to the future, we believe we are better positioned than ever to capitalize on our industry's emerging opportunities with our many strengths and our clear vision of how to best serve a rapidly developing industry.

Jozef Straus, Ph.D.
Co-Chairman,
President and
Chief Operating Officer

Kevin N. Kalkhoven
Co-Chairman,
Chief Executive Officer

Active fiberoptic products operate within the optical and electrical domains of the network. They generate, modulate and amplify optical signals within the fiberoptic systems that are vital to expanding our communications capabilities worldwide.



Consolidating our position *as the leader in active components*

Expanding Our Centers of Excellence

During 1999, we expanded our manufacturing capacity in our operations throughout the world. Significantly, in February we opened our second European laser fabrication facility in the Netherlands, designed specifically to manufacture a broad range of semiconductor lasers. This new facility and our recently opened facility in Zürich, manufacturing pump lasers, give us world-class capabilities that strengthen our active component product portfolio.



WDM technology enables cable television providers to offer their customers a broader range of services, such as Internet access, cable telephony and video-on-demand.

In addition to expanding our existing business units, we also merged with a key technology leader, Broadband Communications Products, a manufacturer of high-performance fiberoptic transmitter and receiver modules and test equipment.

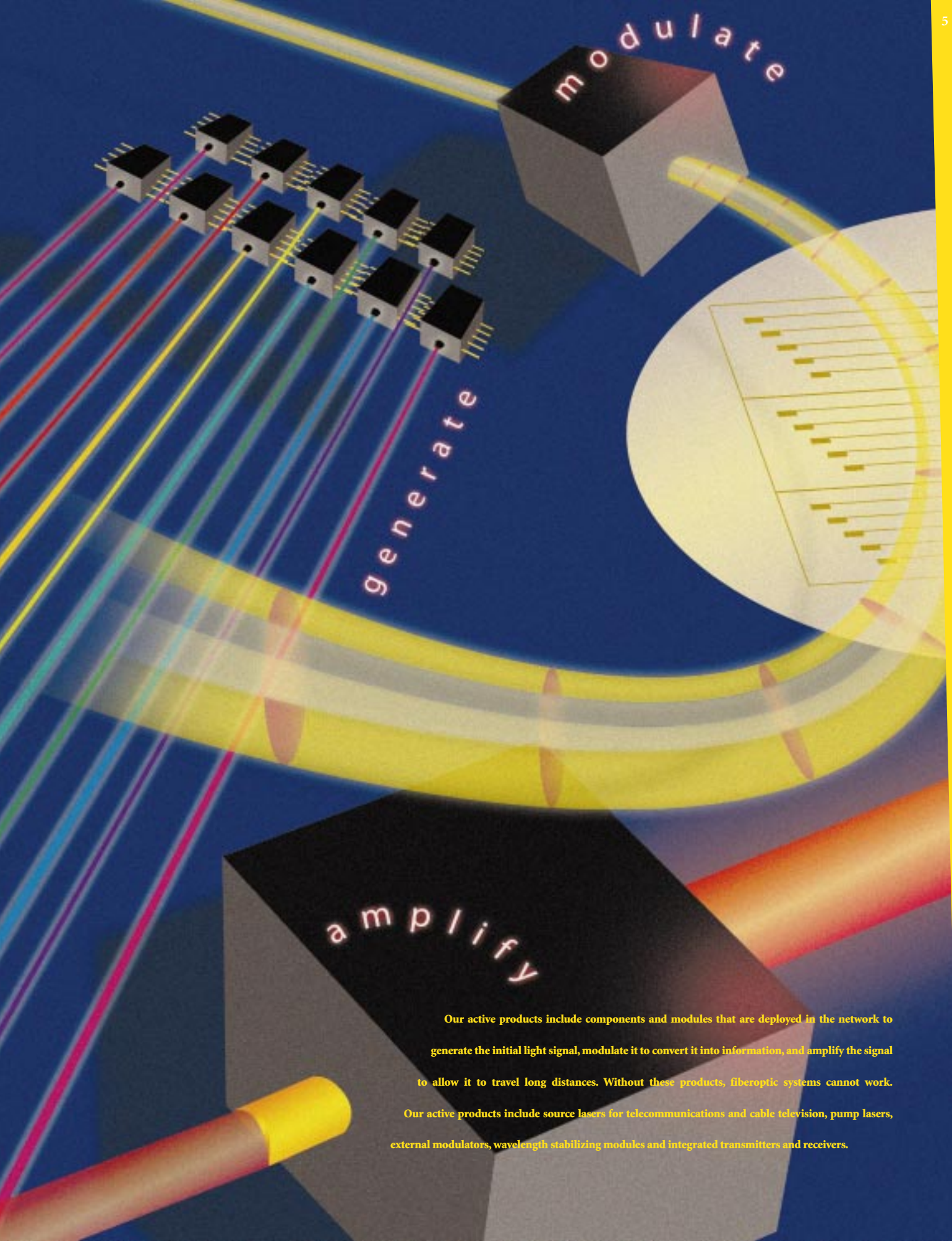
Enabling Submarine and Cable Market Growth

Uniphase components and modules played a key role this year in the growth of Wavelength Division Multiplexing (WDM) technology in the cable television and submarine markets. While fiberoptics has been a key enabling technology for these industries for some time, in 1999 Uniphase helped our customers develop WDM systems

that bring the benefits of the bandwidth revolution to the home and around the globe, while opening new markets for our products.

Strengthening Our Partnerships with Our Customers

We created a comprehensive account-based sales organization this year to serve our customers more effectively. This organization partners with our customers through the entire life cycle of an optical system—from concept through development to manufacturing and deployment—ensuring that our customers benefit from the full range of our products and capabilities.



Our active products include components and modules that are deployed in the network to generate the initial light signal, modulate it to convert it into information, and amplify the signal to allow it to travel long distances. Without these products, fiberoptic systems cannot work.

Our active products include source lasers for telecommunications and cable television, pump lasers, external modulators, wavelength stabilizing modules and integrated transmitters and receivers.



Our passive products include components and modules that route and guide the optical signals transmitted through a fiberoptic network. These products include wavelength division multiplexers that enable multiple signals of different color to travel down a single fiberoptic cable, add/drop multiplexers that allow signals to be added or dropped within the network and optical cross connects that can select individual signals and redirect them.



Passive fiberoptic products operate within the optical domain of the network. They are used to multiplex, attenuate, isolate, switch and route optical signals so that fiberoptic networks can carry more information, more rapidly, to more places around the globe.

Consolidating our position *as the leader in passive components*

Responding to Market Demands

JDS FITEL enjoyed another year of robust growth as the result of our ability to design, develop and deliver products in response to the market's growing demands for greater transmission capacity and increased flexibility in fiberoptic networks. In particular, the company's performance reflects the ongoing, industry-wide deployment of Dense Wavelength Division Multiplexing (DWDM) applications and network products that provide advanced optical functionality.

Developing Technologies

JDS FITEL made a number of acquisitions and alliances to widen our technology base and broaden our position in established and emerging markets. By increasing our ownership in IOT Integrierte Optik GmbH & Co. KG and acquiring the assets of Akzo Nobel Photonics, we strengthened the development of our advanced waveguide technology programs for telecommunication networks. We also entered into a contractual joint venture with Corning Inc. to develop and manufacture optical isolators, which are used to improve performance in optical transmission systems.

Building for the Future

Our operational infrastructure kept pace with this accelerated rate of growth. The first phase of our new campus was completed in 1999, adding 257,000 sq. ft. of research and development, manufacturing and corporate facilities. In addition, construction began on the second phase to provide a further 239,000-sq. ft. of space to continue our growth.



WDM multiplexer products are absolutely crucial in meeting the demand for more bandwidth in fiberoptic networks because they enable multiple signals of different color to be carried on a single optical fiber.

Rapidly increasing levels of information transfer and Internet use have created a huge demand for increased capacity in fiberoptic telecommunications networks. JDS Uniphase products are essential elements in enabling this bandwidth revolution.



Essential elements *in today's telecommunications*

Every time you make a long-distance phone call, watch a cable television program, use a cell phone or surf the net, you have more than likely used components and modules designed and produced by JDS Uniphase. Our lasers, modulators, multiplexers, amplifiers, switches and other products form the fiberoptic foundation for these and other types of communications.

The demands created by the new communications revolution have led service providers such as AT&T, MCI WorldCom, Sprint, Quest, Global Crossing and others to offer a new range of services not easily anticipated

five years ago. These opportunities have created demand for new, more powerful, and more flexible fiberoptic systems that must be delivered within previously unimaginable timeframes. It is the task of system providers such as Lucent, Nortel Networks, Alcatel, Ciena, Pirelli and others, to achieve these levels of performance. It is our task to design and manufacture the key components and modules required to build these new, more powerful fiberoptic systems.

While in the past many companies chose to supply their own components for their fiberoptic systems, we believe the price, performance and delivery pressures of the current marketplace make it increasingly

attractive to turn to independent suppliers of these components. By turning to the comprehensive portfolio of active and passive components and integrated modules of JDS Uniphase, our customers are able to manufacture systems that give their own customers an advantage in meeting the needs of today's communications revolution.





The formation of JDS Uniphase joined two industry leaders with complementary products and technologies and created a "one-stop" source for the full range of fiberoptic components and modules. With our comprehensive portfolio of active and passive products, JDS Uniphase is enabling our customers—the system providers who create and maintain fiberoptic systems for network service providers—to respond to the burgeoning demands of their markets.

The fiberoptic components and modules provided by JDS Uniphase make it possible for optical signals to be carried within cable television networks, local-access telecommunications networks, long-haul networks connecting different cities and countries on the same land mass and submarine networks that transverse the oceans to connect different continents. JDS Uniphase provides each principal type of active and passive product required in these fiberoptic network systems.

Transmitters and Receivers (Tx/Rx)

—create, transmit and receive information through the modulation and detection of laser light



- 1550 nm CW lasers
- 1310/1550 nm DMLs
- 2.5 and 10.0 Gb/s EMLs
- 2.5 and 10.0 Gb/s lithium niobate modulators
- ITU wavelength lockers
- Photodetectors
- Integrated Tx/Rx modules



Wavelength Division Multiplexers (WDM)

—combine and separate laser signals to allow several different "colors" of light to travel down a single fiber optic cable while retaining their individual properties and signal patterns



- 100+ channel ITU 50/100/200 GHz spaced thin film filter demultiplexers
- 40+ channel ITU 100 GHz spaced diffraction grating demultiplexers
- Optical frequency interleavers
- "Red/blue" and L-band color band separators
- Wideband WDM couplers
- Fiber Bragg gratings
- WDM cassette modules



Optical Amplifiers (OA)

—boost the optical signal to enable long-haul and metro DWDM system applications



- 980 nm pump lasers
- 1480 nm pump lasers
- 980/1480 nm pump WDM couplers
- 1510/1625 nm telemetry channel WDM couplers
- Monitor tap couplers
- Optical isolators and hybrid components
- Polarization combiners
- Tunable Fabry-Perot filters
- Gain equalization and ASE noise filters
- Voltage controlled optical attenuators
- Passive and active optical amp modules
- Semiconductor optical amplifiers
- Integrated amplifiers



Optical Add/Drop Multiplexers (OADM)

—manage bandwidth by selectively filtering and combining optical signals of different "colors" of light



- 50/100/200 GHz spacing ITU thin film filters and fiber gratings
- Optical circulators
- Color band separators
- 1 x 2 and 2 x 2 optical switches
- Tunable bandpass filters
- Configurable optical add-drop modules (COADM)

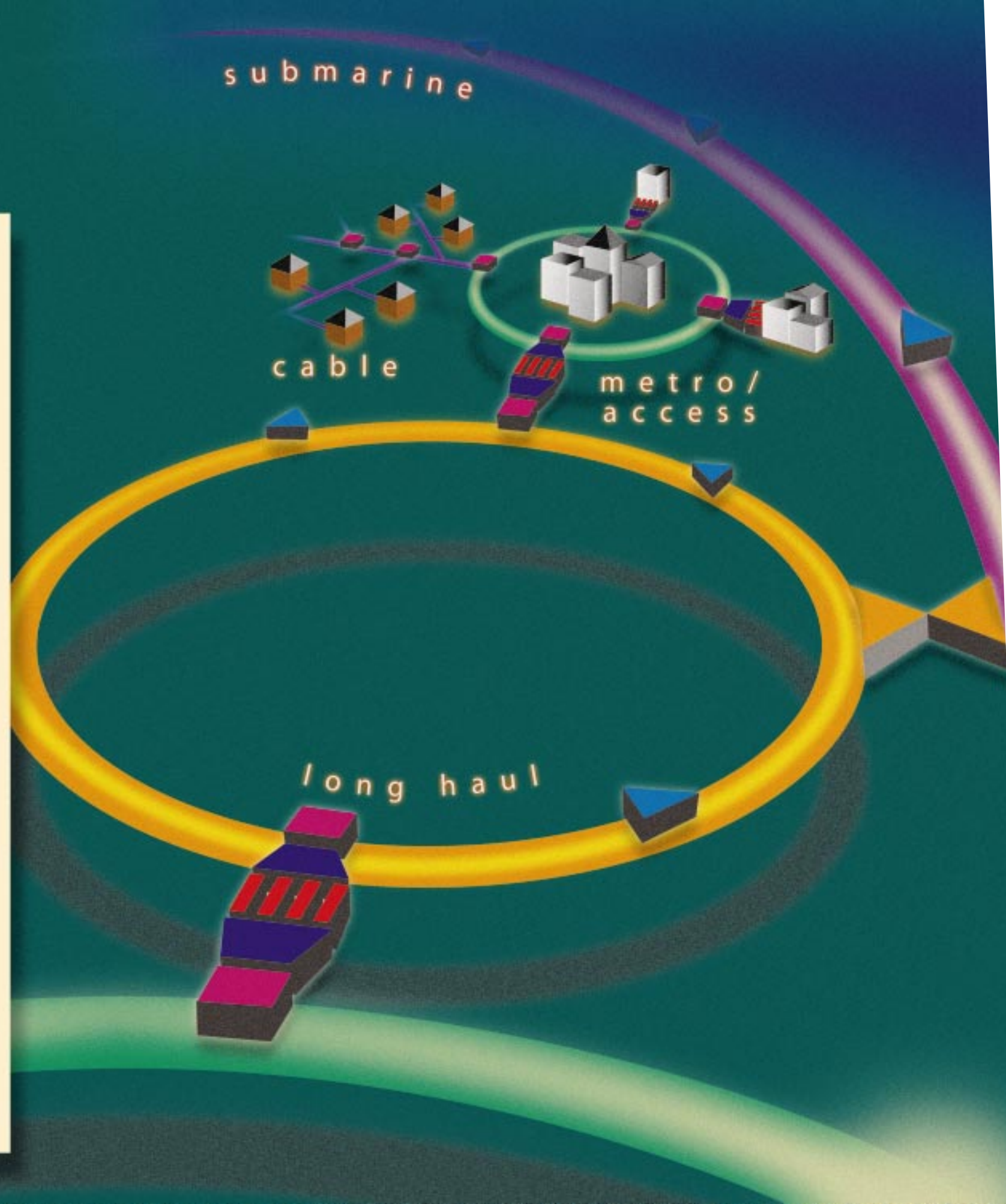


Optical Cross Connects (OXC)

—allow one or more optical signals to be selected, routed and switched through an optical network



- 1xN and MxN matrix switches
- 1x2 and 2x2 array switching modules
- Optical cross-connect modules
- 8 x 8 solid state OXC



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Overview

JDS Uniphase is the leading provider of advanced fiber optic components and modules. These products are sold to the world's leading telecommunications and cable television system providers, which are commonly referred to as OEMs and include Alcatel, Ciena, General Instruments, Lucent, Nortel, Pirelli, Scientific Atlanta, Siemens and Tyco. Our products perform both optical-only, commonly referred to as "passive" functions, and optoelectronic, commonly referred to as "active" functions, within fiberoptic networks. Our products include semiconductor lasers, high-speed external modulators, transmitters, amplifiers, couplers, multiplexers, circulators, tunable filters, optical switches and isolators for fiberoptic applications. We also supply our OEM customers with test instruments for both system production applications and network installation. In addition, we design, manufacture and market laser subsystems for a broad range of OEM applications, which include biotechnology, industrial process control and measurement, graphics and printing and semiconductor equipment.

Recent Events

Uniphase recently completed a merger of equals with JDS FITELE Inc., a Canadian corporation. In connection with this transaction which was accounted for as a purchase, Uniphase changed its name from "Uniphase Corporation" to "JDS Uniphase Corporation" and changed its stock symbol to "JDSU." We commenced combined operations as of June 30, 1999. In this transaction, JDS FITELE shareholders received a total of 7,333,652 shares of our common stock and a total of 72,534,038 exchangeable shares ("Exchangeable Shares") of JDS Uniphase Canada Ltd. (taking into account the two-for-one share split of the Exchangeable Shares and the one-for-one stock dividend on the Common Shares which were effective July 23, 1999). Each Exchangeable Share is exchangeable, at the option of its holder, at any time into one share of our common stock. Holders of Exchangeable Shares are entitled to dividend and other rights that are, as nearly as practicable, economically equivalent to those of our common stockholders. At any time on or after March 31, 2014 (subject to acceleration in certain circumstances), the Board of Directors of JDS Uniphase Canada Ltd. may redeem all outstanding Exchangeable Shares for an equal number of shares of our common stock. The Exchangeable Shares are listed for trading on The Toronto Stock Exchange under the symbol "JDU." At the consummation of Uniphase's combination with JDS FITELE, the outstanding options to acquire JDS FITELE common shares became options to purchase a total of 6.7 million shares of our common stock. In addition, we granted options to purchase 6.8 million shares of our common stock to certain former JDS FITELE employees upon the effective date of the merger.

On July 23, 1999, we completed a 100% stock dividend with respect to our outstanding common stock and a corresponding two-for-one stock split of the Exchangeable Shares of our subsidiary, JDS Uniphase Canada Ltd. All prior period share and share amounts have been restated to reflect this stock dividend and stock split.

On August 4, 1999, we completed an underwritten public offering of shares of our common stock and concurrent private placement of Exchangeable Shares of our subsidiary, JDS Uniphase Canada Ltd. The offering of common stock related to 9,250,000 shares of common stock at a price of US \$82.625 per share of which 7,034,308 shares were sold by us and 2,215,692 shares were sold by certain stockholders of JDS Uniphase. The Exchangeable Share offering consisted of 538,600 Exchangeable Shares sold by JDS Uniphase Canada Ltd. and 211,400 Exchangeable Shares sold by certain shareholders of JDS Uniphase Canada Ltd. The net proceeds to us from both offerings, which will be used for general corporate purposes, aggregated approximately \$600 million.

Results of Operations

The historical results of operations contained herein only includes business activities from the former Uniphase Corporation plus the impact of purchase accounting that generated a charge of \$210.4 million for acquired in-process research and development attributable to the JDS merger recorded on June 30, 1999.

Management's discussion and analysis
of financial condition and results of operations (cont.)

The following table sets forth for the periods indicated certain financial data as a percentage of net sales:

<i>Fiscal Years Ended</i>	<i>June 30,</i>		
	<i>1999</i>	<i>1998</i>	<i>1997</i>
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	49.1	51.9	53.0
Gross profit	50.9	48.1	47.0
Operating expenses:			
Research and development	9.6	8.0	8.7
Selling, general and administrative	13.2	21.5	21.2
Amortization of purchased intangibles	5.6	3.0	1.6
Acquired in-process research and development	74.4	21.8	29.4
Merger and other costs	2.3	--	--
Total operating expenses	105.1	54.3	60.9
Income (loss) from operations	(54.2)	(6.2)	(13.9)
Interest and other income, net	1.3	1.7	3.0
Income (loss) before income taxes	(52.9)	(4.5)	(10.9)
Income tax expense	7.6	6.1	4.8
Net income (loss)	(60.5) %	(10.6) %	(15.7) %

Years Ended June 30, 1999, 1998 and 1997

Net Sales. Net sales of \$282.8 million for fiscal 1999 represented an increase of \$97.6 million or 53% over fiscal 1998 net sales of \$185.2 million which increased \$72.0 million or 64% from fiscal 1997 net sales of \$113.2 million. The increases in both periods were primarily because of higher net sales from the Active Products Group and the Transmission and Test Group. Fiscal 1999 net sales from the Active Products Group includes sales from the Netherlands subsidiary (UNL) which was acquired in June 1998 in a transaction accounted for as a purchase. Separate discussions with respect to net sales and operating profits by each of the reportable operating segments can be found after the Income Tax Expense heading.

Net sales to customers outside the United States and Canada accounted for \$114.4 million, \$70.5 million and \$35.7 million or 40%, 38% and 32% of total sales for the years ended June 30, 1999, 1998 and 1997, respectively. The increase of \$43.9 million from fiscal 1998 to fiscal 1999 is primarily because of increased sales of active components and transmission and test products. The increase in international sales in 1999 was also due to the inclusion of a full year's sales from UNL. The fiscal 1998 increase in international sales over fiscal 1997 of \$34.8 million was due primarily to the inclusion of a full year of ULE sales and the acquisitions of UNL in June 1998 and UFC in November 1997. See Note 10 of Notes to Consolidated Financial Statements.

Net sales for the year ended June 30, 1999 are not considered indicative of the results to be expected for any future period. In addition, there can be no assurance that the market for our products will grow in future periods at its historical percentage rate or that certain market segments will not decline. Further, there can be no assurance that we will be able to increase or maintain our market share in the future or to achieve historical growth rates.

Gross Profit. Gross profit of \$144.1 million, or 51% of net sales for fiscal 1999 represents an increase of \$55.0 million or 62% over fiscal 1998 gross profit of \$89.1 million, which was 48% of net sales. Gross profit increased \$35.9 million or 67% over fiscal 1997 gross profit of \$53.2 million, which was 47% of net sales. The increase in gross profit from the Active Products Group and the Transmission and Test Group more than offset gross profits lost from the sale of the Ultrapointe product line, which histori-

cally generated lower gross margins as a percentage of sales. Fiscal 1999 amounts also include a full year's gross profit from UNL, which contributed to the increase, while fiscal 1998 gross profits were adversely impacted by the items discussed in the following paragraph.

Concurrent with the acquisition of UNL in fiscal 1998, we took certain actions that resulted in reductions to fiscal 1998 gross profit. Charges attributable to such actions were primarily for: (i) inventory write-downs of \$2.5 million as a result of product overlap of the UNL lasers with some of Uniphase's existing products resulting in excess quantities and obsolescence of certain products; (ii) inventory write-downs of \$1.0 million as a result of renegotiating certain provisions of its distribution agreement with KLA-Tencor to provide reduced quantities of Ultrapointe products, resulting in excess inventory levels; and (iii) inventory write-downs of \$600,000 as a result of discontinuing a small specialty product line.

Gross margin increased to 51% in fiscal 1999 from 48% in fiscal 1998 primarily because of certain manufacturing efficiencies and the higher relative growth rate of product lines with higher gross margin rates. We experienced an increase in gross margins to 48% in fiscal 1998 from 47% in fiscal 1997. Inventory charges resulting from our change in strategic focus with respect to diode based laser applications and from the modification of certain customer and product strategies incorporating lower powered amplifiers by the Active Products Group contributed to the lower gross margin between fiscal 1997 and 1998.

There can be no assurance that we will be able to maintain gross margins at current levels in future periods. We expect that periodic fluctuations in our gross margins will continue because of changes in our sales and product mix, manufacturing constraints, competitive pricing pressures, higher costs resulting from new production facilities, manufacturing yields, acquisitions of businesses that may have different margins than ours and inefficiencies associated with new product introductions.

Research and Development Expense. Research and development (R&D) expense of \$27.0 million or 10% of net sales represented an increase of \$12.2 million or 82% over fiscal 1998 expense of \$14.9 million or 8% of net sales. The increase in R&D dollar expenses is primarily due to the continued development and enhancement of our fiber optic product lines and the addition of UNL in June 1998. R&D expense in fiscal 1998 which represented a \$5.0 million or 51% increase over fiscal 1997 R&D expense of \$9.9 million, or 9% of net sales. The fiscal 1998 increase in R&D expense was largely due to the continuing efforts to develop our telecommunications products and the additional R&D expenses of certain new business units in fiscal 1998.

We are committed to continuing our significant R&D expenditures and expect that the absolute dollar amount of R&D expenses will increase as we invest in developing new products and in expanding and enhancing our existing product lines, although R&D expenses may vary as a percentage of net sales in future periods. In addition, there can be no assurance that expenditures for R&D will be successful or that improved processes or commercial products will result from these projects.

Selling, General and Administrative Expense. On an as reported basis, selling, general and administrative (SG&A) expense of \$37.4 million or 13% of net sales in fiscal 1999 represents a decrease of \$2.5 million or 6% as compared to fiscal 1998 SG&A expense of \$39.9 million. SG&A expense before acquisition and reorganization charges (described below) of \$36.9 million or 13% of net sales in fiscal 1999 represent an increase of \$9.3 million or 34% over fiscal 1998 expense of \$27.6 million or 15% of net sales. The dollar increase in SG&A expense as compared to fiscal 1998 is primarily due to higher sales, marketing and administrative costs to support all telecommunications and CATV products and the addition of UNL in June 1998 offset by a reduction in SG&A expense as a result of the Ultrapointe product line sale.

In connection with Uniphase's merger with JDS FITELE, we recorded approximately \$513,000 in charges in fiscal 1999 to consolidate our Wavelocker product operations and to curtail overlapping development of circulator products. These charges consisted primarily of write offs of certain assets and the cost of closing our facility in Batavia, Illinois.

Management's discussion and analysis
of financial condition and results of operations (cont.)

In the fourth quarter of fiscal 1998, we recorded SG&A charges related to certain initiatives taken following the acquisition of UNL. These charges included the cost of: reorganizing our management and sales structure which included \$3.6 million for severance costs related to management and other personnel terminated during the quarter, of which \$2.9 million was a non-cash charge resulting from the acceleration of stock option vesting. An additional \$700,000 in SG&A expenses related to costs incurred in connection with centralizing our sales function that included hiring and relocating new sales management and training the sales force; SG&A expense in the fourth quarter of fiscal 1998 also provided for the cost of changing the structure of Ultrapointe in connection with the continuing downturn in semiconductor equipment markets. The primary components of these charges were severance costs related to Ultrapointe personnel terminated during the quarter, of which \$3.9 million was a non-cash charge resulting from the acceleration of stock option vesting and costs of \$1.1 million incurred in connection with obtaining a supply agreement with a major CATV system customer. Cash outflows in connection with these actions were approximately \$1.8 million during fiscal 1999.

In fiscal 1997, SG&A expense was \$24 million or 21% of net sales. As a result of the ULE acquisition and a change in strategic focus for diode-based laser applications, we recorded charges to consolidate its European laser research to Switzerland, close its Uniphase Lasers, Ltd. facility in Rugby, England, consolidate laser packaging operations and to recognize the modification of certain customer and product strategies at UTP incorporating lower powered amplifiers. Uniphase also increased its allowance for doubtful accounts and certain other reserves in the third quarter of fiscal 1997.

We expect the amount of SG&A expenses to increase in the future, although such expenses may vary as a percentage of net sales in future periods. We expect to incur charges to operations, which are not currently estimable, in fiscal 2000 to reflect costs associated with integrating Uniphase and JDS FITELE's operations.

Amortization of Purchased Intangibles. Since fiscal 1995, we have entered into several mergers and acquisitions that generated approximately \$3.5 billion in identified intangibles (primarily developed technology) and goodwill. In fiscal 1999, amortization of purchased intangibles ("API") was \$15.7 million or 6% of net sales, which represented a \$10.2 million or 182% increase from API expense of \$5.6 million or 3% of net sales in fiscal 1998. The increase in API expense is primarily due to the intangible assets generated from the acquisition of UNL in June 1998 and the purchase of certain assets from Chassis Engineering in September 1998.

API expense in fiscal 1998 represented a \$3.7 million or 202% increase over API expense of \$1.8 million in fiscal 1997 or 2% of net sales. API expense in fiscal 1998 includes a \$3.7 million impairment charge to certain long-lived assets recorded in connection with the acquisition of UFP in fiscal 1996 following the acquisition of UNL. Fiscal 1997 API expense includes a \$477,000 impairment to certain long-lived assets resulting from the closure of Uniphase's Optomech facility in Rugby, England.

Our API expense will increase significantly in the future periods as a result of the merger with JDS FITELE and, accordingly, we expect to report losses for the foreseeable future. Goodwill and other intangibles arising from the JDS FITELE merger totaled \$3.4 billion, including the related deferred tax effect. If we amortized goodwill and other intangible assets in equal quarterly amounts over a five year period following completion of Uniphase's combination with JDS FITELE, the accounting charge attributable to these items would be \$168 million per quarter or \$672 million per fiscal year. In addition, API expense could change because of other acquisitions or impairment of existing identified intangible assets and goodwill in future periods.

Acquired In-process Research and Development. In fiscal 1999, we recorded \$210.4 million or 74% of net sales of acquired in-process research and development resulting from Uniphase's merger with JDS FITELE. In fiscal 1998, we incurred charges for in-process research and development of \$40.3 million or 22% of net sales related to the acquisition of UNL from Philips (\$33.7 million) and UFC from Australian Photonics Pty Ltd. (\$6.6 million). In fiscal 1997, we incurred a charge for in-process research and development of \$33.3 million or 29% of net sales related to the acquisition of the assets of ULE from IBM. See

Note 9 of Notes to Consolidated Financial Statements. These amounts were expensed on the acquisition dates because the acquired technology had not yet reached technological feasibility and had no future alternative uses. There can be no assurance that acquisitions of businesses, products or technologies by us in the future will not result in substantial charges for acquired in-process research and development that may cause fluctuations in our quarterly or annual operating results.

A description of the acquired in-process technology, stage of development, estimated completion costs, and time to complete at the date of the merger for the merger with JDS FITELE, as well as the current status of acquired in-process research and development projects for each acquisition can be found at the end of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Interest and Other Income. Net interest and other income of \$3.6 million for fiscal 1999 represented an increase of \$382,000 from fiscal 1998 income of \$3.3 million. Fiscal 1998 net interest and other income was comparable to fiscal 1997 income of \$3.4 million. The increase in interest and other income in 1999 was primarily the result of higher investment balances.

Income Tax Expense. We recorded tax provisions of \$21.5 million, \$11.4 million, and \$5.4 million for fiscal 1999, 1998 and 1997, respectively. The expected tax benefit derived by applying the federal statutory rate to the operating losses each year was primarily offset by in-process research and development expenses which provided no immediate tax benefit.

We have established a valuation allowance covering a portion of the gross deferred tax assets originating from its European subsidiaries acquired in fiscal 1998 and 1997. The valuation allowance reduces net deferred tax assets to amounts considered realizable in the near future based on projected future taxable income. As there can be no assurance that these European subsidiaries will generate future taxable income, there can be no assurance that these valuation allowances will be realized.

Operating Segment Information

Active Products Group. Net sales increased 98% from fiscal 1998 primarily because of the introduction of several new products including a higher powered 980-nm pump laser, the submarine 980-nm pump laser and the Wavelocker module. Net sales were also higher because of continued demand for modulator products and the acquisition of UNL in June 1998 in a transaction accounted for as a purchase. Net sales for this operating segment increased 134% from fiscal 1997 to 1998, primarily because of higher volumes of modulator products and a full year's contribution to net sales from the Switzerland subsidiary (ULE) that was acquired in March 1997 in a transaction accounted for as a purchase. Operating income from the Active Products Group increased in each year presented because of these same factors. Results for the second half of fiscal 1999 also benefited from the higher volumes enabled by final qualification of ULE's new wafer fabrication facility.

Transmission and Test Group. Net sales increased 81% from fiscal 1998 because of continued demand for certain test instruments and from growth of the Company's new 1310-nm CATV transmitter product line. As compared to 1550-nm digital transmitters, analog 1310-nm transmitters require significantly higher volumes with lower average selling prices to achieve comparable net sales. Net sales from transmission and test products increased 50% from fiscal 1997 to fiscal 1998 primarily because of higher volumes of 1550-nm transmitters and test instruments. Operating income in the current year increased significantly (498%) from fiscal 1998 primarily because of costs incurred in 1998 to develop the 1310-nm transmitter products and the discontinuance of a small specialty products line in the same period. Operating income in fiscal 1998 of \$2.7 million improved over fiscal 1997 amount of \$0.7 million as fiscal 1998 represented the first full year of production of 1550-nm transmitters and amplifier products for CATV.

Laser Subsystems Group. Net sales and operating income improved 9% from fiscal 1998 to fiscal 1999. Laser subsystem products are used in biotechnology and semiconductor applications that the Company characterizes as mature industries. Fiscal 1998 net sales grew 16% from fiscal 1997, however operating income improved 40% from \$8.4 million in 1997 to \$11.8 million in fiscal 1998 because of the closure of the Laser Subsystems Group's facility in Rugby, England in fiscal 1997.

Liquidity and Capital Resources

At June 30, 1999, our combined balance of cash, cash equivalents and short-term investments was \$233.9 million. During fiscal 1999, we met our liquidity needs primarily through cash generated from operating activities. Net cash provided by operating activities was \$66.9 million in fiscal 1999, compared with \$51.0 million and \$21.9 million for fiscal years 1998 and 1997, respectively.

Cash provided by operating activities during fiscal 1999 was primarily the result of net losses of \$171.1 million offset by non-cash charges during the year for depreciation and amortization of \$30.7 million and acquired in-process research and development costs of \$210.4 million. Increases to accounts receivable, inventories and other working capital attributable to the merger with JDS FITELE are excluded from operating cash flow as the amounts represent non cash exchanges for common stock (see Note 11 of Notes to Consolidated Financial Statements). Increases in accounts receivable of \$21.5 million resulted from higher sales. Inventories increased \$12.1 million to meet the ongoing increases in demand for several major telecommunications products. Cash flow from operating activities also benefited from increases in all other liabilities of \$25.0 million offset by a decrease in other current assets of \$5.1 million.

Cash used in investing activities was \$40.3 million in fiscal 1999 compared with \$45.7 million and \$48.9 million for fiscal years 1998 and 1997, respectively. The merger with JDS FITELE generated \$35.4 million in cash net of \$12 million in transaction related costs. Other acquisition related activities during fiscal 1999 used approximately \$400,000. In fiscal 1999, we incurred capital expenditures of \$46.6 million primarily for facilities improvements and equipment purchases to expand our manufacturing capacity primarily for our telecommunications product lines. We expect to continue to expand its worldwide manufacturing capacity, primarily for telecommunications products, by making approximately \$160 million in capital expenditures for fiscal 2000. In addition, we invested excess net cash of \$28.4 million in short-term investments during fiscal 1999.

We generated \$15.4 million in cash from financing activities in fiscal 1999 as compared to cash used in financing activities of \$1.7 million in fiscal 1998 and cash provided by financing activities of \$3.8 million in fiscal 1997. In fiscal 1999, we generated \$16.1 million from the exercise of stock options and the sale of stock through our employee stock purchase plan. Cash used for financing activities in fiscal 1999 include dividends of \$648,000 paid to former shareholders of BCP.

We have two unsecured revolving lines of credit totaling \$54.0 million. Advances under the U.S. line of credit bears interest at the bank's prime rate (7.75% at June 30, 1999) whereas the Canadian credit line bears interest at LIBOR (5.84% at June 30, 1999) plus .25%. There were no borrowings under either line as of June 30, 1999. Under the terms of the U.S. line of credit agreement, we are required to maintain certain minimum working capital, net worth, profitability levels and other financial conditions. The U.S. agreement prohibits the payment of cash dividends and contains certain restrictions on our ability to borrow money or purchase assets or interests in other entities without the prior written consent of the bank. The U.S. line of credit expires in May 2000. As of June 30, 1999, we were in compliance with all covenants under the agreement.

We believe that our existing cash balances and investments, together with cash flow from operations, available lines of credit and our recently completed stock offerings discussed below, will be sufficient to meet our liquidity and capital spending requirements at least through the end of fiscal 2000. However, possible investments in or acquisitions of complementary

businesses, products or technologies may require additional financing prior to such time. In August 1999, we completed a sale of approximately 8.4 million shares of Common Stock and 0.5 million of Exchangeable Shares. Net proceeds were approximately \$710 million and are available for general corporate purposes. There can be no assurance that additional debt or equity financing will be available when required or, if available, can be secured on terms satisfactory to us.

Acquired In-Process Research and Development

JDS FITEL

The in-process research and development relates to sophisticated optical components and modules that manage light transmission through today's most advanced telecommunications systems. The in-process research and development is comprised of four main categories: (i) Thermo Optic Waveguide Attenuators, (ii) Solid State Switch (iii) 50 GHz Wavelength Division Multiplexing ("WDM"), and (iv) Erbium Doped Fibers Amplifiers ("EDFA").

The following is a brief description of each acquired in-process research and development project as of the date of the merger:

Thermo-Optic Waveguide Attenuator. The main application for this product is in active power control for optical networks, both at the transmitter for pre-emphasis and inside an optical amplifier for gain tilt control. The current generation of attenuators are optomechanical but the thermo-optic attenuator will be solid state. The main advantages of this technology are: no moving parts, smaller size, and lower cost. We estimate that the development cycle for this product family will continue for approximately 18 months. The product is currently in the designing stage of the development cycle. The estimated cost to complete development of the attenuator technology is expected to be approximately \$1.3 million ratably until its completion in the fourth calendar quarter of 2000. We believe the associated risks of developing this product into commercially viable products to be meeting customer/market performance specifications and competing technologies that offer comparable functionality.

Solid State Switch. This is the waveguide optical switch series of solid state switches. This technology uses the thermo-optic effect in a polymer. The main application is in configurable optical add/drop and optical protection switching. We estimate that the development cycle for this product family will continue for approximately 12 months. The product is currently in the prototyping stage of the development cycle. The estimated cost to complete development of the switching technology is expected to be approximately \$2.8 million ratably until its completion in the second calendar quarter of 2000. We believe the associated risks of developing this product into commercially viable products to be meeting customer/market performance specifications and competing technologies that offer comparable functionality.

50GHz WDM. This product represents the next generation of WDM components. These products are used by telecommunications carriers to enhance the carrying capacity of fiber in their long-distance networks. We estimate that the development cycle for this product family will continue for approximately 6 months. The product is currently in the verification and testing stage of the development cycle. The estimated cost to complete development of the 50GHz WDM technology is expected to be approximately \$7.5 million ratably until its completion in the fourth calendar quarter of 1999. We believe the associated risks of developing this product into commercially viable products to be meeting customer/market performance specifications and competing technologies that offer comparable functionality.

EDFA. The EDFA is used to compensate for fiber loss and extends the reach of the telecommunications system on which it is being used. In WDM systems, all the wavelengths can be amplified by a single EDFA. This method is much more cost effective than using electrical regenerators for individual wavelengths. We estimate that the development cycle for this product family will continue

for approximately 3 months. The product is currently in the verification and testing stage of the development cycle. The estimated cost to complete development of the EDFA technology is expected to be approximately \$6.0 million ratably until its completion in the third calendar quarter of 1999. We believe the associated risks of developing this product into commercially viable products to be meeting customer/market performance specifications and competing technologies that offer comparable functionality.

Value Assigned to In-Process Research and Development

The value assigned to in-process research and development was determined by considering the importance of each project to the overall development plan, estimating costs to develop the purchased in-process research and development into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The revenue estimates used to value the purchased in-process research and development were based on estimates of relevant market sizes and growth factors, expected trends in technology and the nature and expected timing of new product introductions by us and our competitors.

The rates utilized to discount the net cash flows to their present value are based on Company's weighted average cost of capital and the weighted average return on assets. Given the nature of the risks associated with the difficulties and uncertainties in completing each project and thereby achieving technological feasibility, anticipated market acceptance and penetration, market growth rates, and risks related to the impact of potential changes in future target markets, the weighted average cost of capital was adjusted. Based on these factors, a discount rate of 27% was deemed appropriate for JDS FITEL.

The estimates used in valuing in-process research and development were based upon assumptions we believe to be reasonable but which are inherently uncertain and unpredictable. Our assumptions may be incomplete or inaccurate, and no assurance can be given that unanticipated events and circumstances will not occur. Accordingly, actual results may vary from the projected results. Any such variance may result in a material adverse effect on our financial condition and results of operations.

With respect to the acquired in-process technologies, the calculations of value were adjusted to reflect the value creation efforts of JDS FITEL prior to the merger. Following are the estimated completion percentages and technology lives:

<i>Project</i>	<i>Percent Completed</i>	<i>Expected Technology Life</i>
Thermo-Optic Waveguide Attenuator	70%	5 years
Solid State Switches	80%	5 years
50 GHz WDM	50%	5 years
EDFA	70%	5 years

The value assigned to each acquired in-process research and development project as of the merger date were as follows (in millions):

Thermo-Optic Waveguide Attenuator	\$ 13.6
Solid State Switches	19.1
50 GHz WDM	45.1
EDFA	107.4
Other projects	25.2
Total acquired in-process research and development	\$ 210.4

Current Status of Acquired In-Process Research and Development Projects

We periodically review the stage of completion and likelihood of success of each of the in-process research and development projects. The current status of the in-process research and development projects for all major acquisitions during fiscal 1998 and 1997 are as follows:

Uniphase Netherlands

The product introductions for the WDM lasers - CW and direct modulation and DFB/EA and modulator are either on schedule or are approximately 6 months behind schedule. The WDM laser - direct modulation is expected to have a lower revenue growth rate than originally anticipated. The development of the semiconductor optical amplifier technology has been delayed because of market demand for other products. The development of the telecom technology is on schedule but the revenue growth rate in initial periods is expected to be lower than originally anticipated. Development of the CATV technologies is approximately 6 months behind schedule and is expected to take a higher level of development effort to bring the technology to market. We have incurred post-acquisition research and development expenses of approximately \$4.6 million in developing the acquired in-process technology and estimate the cost to complete this technology, in combination with our other continuing research and development expenses, will not be in excess of our historic expenditures for research and development as a percentage of our net sales. The differences between the actual outcome noted above and the assumptions used in the original valuation of the technology are not expected to ultimately impact the expected return on investment from the acquisition of UNL or our results of operations and financial position.

Uniphase Fiber Components

The initial products developed from submarine and unpackaged technology projects were completed approximately on schedule and post-acquisition research and development expenses approximately equaled the estimated cost to complete at the acquisition date. The Company is experiencing higher levels of demand for the submarine products than anticipated in the original estimates. The temperature compensation project is behind schedule because of unforeseen technical difficulties in maintaining specifications at the harshest environmental test points, however we are satisfied with the developments achieved to date. The dispersion compensation project is significantly behind schedule and the market does not appear to be developing as anticipated. The Add-Drop projects were discontinued concurrent to the merger with JDS. We have incurred post-acquisition research and development expenses of approximately \$2.7 million in developing the acquired in-process technology and estimate the cost to complete this technology, in combination with our other continuing research and development expenses, will not be in excess of our historic expenditures for research and development as a percentage of our net sales. The differences between the actual outcome noted above and the assumptions used in the original valuation of the technology are not expected to ultimately impact the expected return on investment from the acquisition of UFC or our results of operations and financial position.

Uniphase Laser Enterprise

The Submount and RWG series products were released on schedule and post-acquisition research and development expenses approximately equaled the estimated cost to complete at the acquisition date. Actual revenue for these products has significantly exceeded the estimates used in the valuation of the technology. We did not pursue development of the distributed feedback laser because of resources being redirected to expand the Submount and RWG Series development program in response to strong market demand. The high power project is somewhat delayed because of shifting R&D resources to Submount/RWG because

of RWG demand. We have incurred post-acquisition research and development expenses of approximately \$6.2 million in developing the acquired in-process technology and estimate the cost to complete this technology, in combination with our other continuing research and development expenses, will not be in excess of our historic expenditures for research and development as a percentage of our net sales. The differences between the actual outcome noted above and the assumptions used in the original valuation of the technology are not expected to ultimately impact the expected return on investment from the acquisition of ULE or our results of operations and financial position.

Year 2000 Readiness

We are aware of the risks associated with the operation of information technology and non-information technology systems as the Year 2000 approaches. The problem is pervasive and complex and may affect many information technology and non-information technology systems. The Year 2000 problem results from the rollover of the two digit year value from "99" to "00." Systems that do not properly recognize such date-sensitive information could generate erroneous data or fail. In addition to our own systems, we rely on external systems of our customers, suppliers, creditors, financial organizations, utilities providers and government entities, both domestic and international (which we collectively refer to as "third parties"). Consequently, we could be affected by disruptions in the operations of third parties with which we interact. Furthermore, as customers expend resources to correct their own systems, they may reduce their purchasing frequency and volume of our products.

We are using both internal and external resources to assess:

- our state of readiness (including the readiness of third parties with which we interact) concerning the Year 2000 problem,
- our costs to correct material Year 2000 problems related to our internal information technology and non-information technology systems,
- the known risks related to any failure to correct any Year 2000 problems we identify, and
- the contingency plan, if any, that we should adopt should any identified Year 2000 problems not be corrected.

To date, we have incurred costs not exceeding \$2 million to upgrade our information technology and non-information technology systems to, among other things, make such systems Year 2000 ready. We continue to evaluate the estimated costs associated with the efforts to prepare for Year 2000 based on actual experience. While the efforts will involve additional costs, we believe, based on (1) available information, (2) amounts spent to date and (3) the fact that our information technology and non-information technology systems depend on third-party software which, we believe, has been or is being updated to address the Year 2000 problem, that we will manage our total Year 2000 transition without any material adverse effect on our business operations, financial condition, products or financial prospects. The actual outcomes and results could be affected by future factors including, but not limited to:

- the continued availability of skilled personnel,
- cost control,
- the ability to locate and remediate software code problems,
- critical suppliers and subcontractors meeting their Year 2000 compliance commitments, and
- timely actions by customers.

We are working with our software system suppliers and believe that certain of these systems are currently not Year 2000 ready. We have targeted September 30, 1999 as the date by which these systems shall be Year 2000 ready. In any event, however, we anticipate that such systems will be corrected for the Year 2000 problem prior to December 31, 1999. We are working with those third parties to identify any Year 2000 problems affecting such third parties that could have a material adverse effect on our business, financial condition or results of operations. However, it would be impracticable for us to attempt to address all potential Year 2000 problems of third parties that have been or may in the future be identified. Specifically, Year 2000 problems have arisen or may arise regarding the information technology and non-information technology systems of third parties having widespread national and international interactions with persons and entities generally (for example, certain information technology and non-information technology systems of governmental agencies, utilities and information and financial networks) that, if uncorrected, could have a material adverse impact on our business, financial condition or results of operations. We are still assessing the effect the Year 2000 problem will have on our suppliers and, at this time, cannot determine such impact. However, we have identified alternative suppliers and, in the event that any significant supplier suffers unresolved material Year 2000 problems, we believe that we would only experience short-term disruptions in supply, not exceeding 90 days, while such supplier is replaced.

Forward-Looking Statements

The statements contained in this Annual Report that are not purely historical are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, including, without limitations, statements regarding the Company's expectations, hopes, beliefs, anticipations, commitments, intentions and strategies regarding the future. Forward-looking statements contained in this Annual Report include, without limitation: (i) the following in the "Letter to the Stockholders:" our belief that we have a compelling value proposition to offer our customers and our expectation that we will maintain and strengthen this advantage; and our belief as to our position to capitalize on our industry's emerging opportunities; (ii) the following under "Management's Discussion and Analysis of Financial Condition and Results of Operation:" the statement regarding our continuing and future R&D and SG&A expenses; our belief with respect to the sufficiency of our existing cash balances, investments, cash flow from operations, availability under lines of credit and the proceeds of our recent public offerings for our liquidity and capital spending requirements; our estimations and beliefs with respect to the development cycles and costs to complete our current acquired in-process research and development projects, together with the risks associated with such projects; our belief that we will manage our Year 2000 transition without any material adverse effect on our business, operations, financial condition, prospects or financial prospects and that we will only experience short-term supply disruptions if any significant supplier suffers from Year 2000 problems; and (iii) the following statements under "Notes to Consolidated Financial Statements:" our estimations and beliefs with respect to the costs to complete current acquired in-process research and development projects and the timing of completion of such projects; and our expected revision to our operating segments in fiscal 2000. Forward-looking statements should be considered in the context of the risks described in this Annual Report and our report on Form 10-K on file with the SEC as of August 30, 1999. Actual results could differ from those projected in any forward-looking statements include, but are not limited to: managing our growth, difficulties encountered in manufacturing our product, adverse impact of purchase accounting treatment on our operating results attributable to our merger with JDS FITEL, volatility of our stock price, our reliance on key customers and key suppliers, collective bargaining agreements covering certain employees, our ability to remain competitive, our participation in international markets, financial markets and capital markets, our proprietary rights, rights of our existing stockholders relative to holders of our preferred stock and the anti-takeover provisions we currently maintain. The forward-looking statements are made as of the date of this Annual Report and we assume no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements.

Consolidated statements of operations
JDS Uniphase Corporation

(in thousands, except per share data)

Years Ended June 30,	1999	1998	1997
Net sales	\$ 282,828	\$ 185,215	\$ 113,214
Cost of sales	138,748	96,130	60,001
Gross profit	144,080	89,085	53,213
Operating expenses:			
Research and development	27,048	14,857	9,861
Selling, general, and administrative	37,365	39,904	23,979
Amortization of purchased intangibles	15,730	5,577	1,844
Acquired in-process research and development	210,400	40,268	33,314
Loss on sale of product line	882	--	--
Merger costs	5,877	--	--
Total operating expenses	297,302	100,606	68,998
Loss from operations	(153,222)	(11,521)	(15,785)
Interest income	4,083	2,964	3,985
Interest expense	(21)	(69)	(421)
Other income (expense), net	(429)	356	(134)
Loss before income taxes	(149,589)	(8,270)	(12,355)
Income tax expense	21,468	11,360	5,432
Net loss	\$ (171,057)	\$ (19,630)	\$ (17,787)
Basic and dilutive loss per share	\$ (2.15)	\$ (0.28)	\$ (0.26)
Shares used in per share calculation:			
Basic and dilutive	79,562	70,902	67,382

See accompanying notes to consolidated financial statements.

Consolidated balance sheets
JDS Uniphase Corporation

(in thousands, except share and per share data)

June 30,	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,418	33,325
Short-term investments	158,475	62,031
Accounts receivable, less allowances for doubtful accounts of \$1,101 at June 30, 1999 and \$809 at June 30, 1998	120,868	41,922
Inventories	87,850	22,137
Refundable income taxes	4,821	2,219
Deferred income taxes	7,923	4,321
Other current assets	8,220	2,640
Total current assets	463,575	168,595
Property, plant and equipment, net	181,092	57,191
Deferred income taxes	5,449	3,976
Goodwill and other intangible assets	3,444,215	102,979
Other assets	1,766	130
Total assets	\$ 4,096,097	\$ 332,871
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 38,123	\$ 15,784
Accrued payroll and related expenses	27,237	7,793
Income taxes payable	37,203	7,697
Other accrued expenses	46,252	15,893
Total current liabilities	148,815	47,167
Deferred income taxes	318,188	--
Accrued pension and other employee benefits	6,129	4,835
Other non-current liabilities	3,718	831
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value:		
Authorized shares – 1,000,000		
Series A: 100,000 shares issued and outstanding at June 30, 1999 and 1998		--
Series B: 100,000 shares authorized at June 30, 1999 and 1998		--
Undesignated: 1 voting share authorized, issued and outstanding		--
Common stock, \$0.001 par value		
Authorized shares – 200,000,000		
Issued and outstanding shares – 160,922,626 at June 30, 1999 and 77,839,932 at June 30, 1998	161	78
Additional paid-in capital	3,822,591	307,408
Accumulated deficit	(197,823)	(26,118)
Accumulated other comprehensive income (loss)	(5,682)	(1,330)
Total stockholders' equity	3,619,247	280,038
Total liabilities and stockholders' equity	\$ 4,096,097	\$ 332,871

See accompanying notes to consolidated financial statements

Consolidated statement of stockholders' equity
JDS Uniphase Corporation

(in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (loss)	Total
	Shares	Amount	Shares	Amount				
Balance at June 30, 1996	--	\$ --	65,846	\$ 66	\$ 141,337	\$ 13,336	\$ 85	\$ 154,824
Shares issued under employee stock plans and related tax benefits	--	--	3,296	3	14,654	--	--	14,657
Amortization of deferred compensation	--	--	--	--	871	--	--	871
Dividends on BCP stock	--	--	--	--	--	(430)	--	(430)
Net loss	--	--	--	--	--	(17,787)	--	(17,787)
Net unrealized gain (loss) on securities available-for-sale	--	--	--	--	--	--	29	29
Foreign currency translation adjustment	--	--	--	--	--	--	(131)	(131)
Comprehensive loss	--	--	--	--	--	--	--	(17,889)
Balance at June 30, 1997	--	--	69,142	69	156,862	(4,881)	(17)	152,033
Shares issued under employee stock plans and related tax benefits	--	--	2,178	2	11,278	--	--	11,280
Preferred and common stock issued to Philips	100	--	6,520	7	131,337	--	--	131,344
Amortization of deferred compensation	--	--	--	--	1,051	--	--	1,051
Stock compensation	--	--	--	--	6,880	--	--	6,880
Dividends on BCP stock	--	--	--	--	--	(643)	--	(643)
Adjustment to conform BCP with Company's fiscal year end	--	--	--	--	--	(964)	--	(964)
Net unrealized gain (loss) on securities available-for-sale	--	--	--	--	--	--	43	43
Foreign currency translation adjustment	--	--	--	--	--	--	(1,356)	(1,356)
Net loss	--	--	--	--	--	(19,630)	--	(19,630)
Comprehensive loss	--	--	--	--	--	--	--	(20,943)
Balance at June 30, 1998	100	--	77,840	78	307,408	(26,118)	(1,330)	280,038
Shares issued under employee stock plans and related tax benefits	--	--	3,126	3	29,463	--	--	29,466
Common stock and options issued in connection with JDS FITEL merger (net of issuance costs)	--	--	79,868	80	3,482,791	--	--	3,482,871
Conversion of debt for common stock	--	--	88	--	2,437	--	--	2,437
Amortization of deferred compensation	--	--	--	--	492	--	--	492
Dividends on BCP stock	--	--	--	--	--	(648)	--	(648)
Net loss	--	--	--	--	--	(171,057)	--	(171,057)
Net unrealized (loss) on securities available-for-sale	--	--	--	--	--	--	(190)	(190)
Foreign currency translation adjustment	--	--	--	--	--	--	(4,162)	(4,162)
Comprehensive loss	--	--	--	--	--	--	--	(175,409)
Balance at June 30, 1999	100	\$ --	160,922	\$ 161	\$ 3,822,591	\$ (197,823)	\$ (5,682)	\$ 3,619,247

See accompanying notes to consolidated financial statements.

Consolidated statement of cash flows
JDS Uniphase Corporation

(in thousands)

Years Ended June 30,	1999	1998	1997
Operating activities			
Net loss	\$ (171,057)	\$ (19,630)	\$ (17,787)
BCP net income for the six months ended December 31, 1997	--	(964)	--
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation expense	13,864	6,193	3,204
Amortization expense	16,794	4,002	1,617
Acquired in-process research and development	210,400	40,268	33,314
Stock compensation expense	492	6,880	871
Write-off of inventory, equipment and intangible assets	2,477	3,605	1,977
Change in deferred income taxes, net	5,075	(834)	(1,591)
Changes in operating assets and liabilities:			
Accounts receivable	(21,493)	(12,386)	1,117
Inventories	(12,050)	1,674	(5,389)
Refundable income taxes	(351)	3,791	(1,450)
Other current assets	(5,139)	(988)	718
Income taxes payable	17,511	9,042	2,652
Accounts payable, accrued liabilities, and other accrued expenses	10,423	10,372	2,682
Net cash provided by operating activities	66,946	51,025	21,935
Investing activities			
Purchase of available-for-sale investments	(204,794)	(187,246)	(97,959)
Sale of available-for-sale investments	176,418	177,267	107,258
Cash acquired from merger with JDS FITEL, net of expenses	35,423	--	--
Acquisition of Netherlands subsidiary	--	(4,100)	--
Acquisition of Uniphase Fiber Components Ltd. Pty, net of cash acquired	--	(6,696)	--
Acquisition of net assets of Laser Enterprise	--	--	(45,900)
Other acquisitions of businesses	(389)	--	--
Purchase of property, plant, equipment and licenses	(46,622)	(24,870)	(12,239)
Increase in other assets	(334)	(79)	(11)
Decrease in other assets	--	12	--
Net cash used in investing activities	(40,298)	(45,712)	(48,851)
Financing activities			
Repayment of notes payable and lease obligations	--	(6,061)	(548)
Proceeds from issuance of common stock other than in a public offering	16,093	4,886	4,464
Pre-merger dividends paid on BCP stock	(648)	(540)	(126)
Net cash provided by (used in) financing activities	15,445	(1,715)	3,790
Increase (decrease) in cash and cash equivalents	42,093	3,598	(23,126)
Cash and cash equivalents at beginning of period	33,325	29,727	52,853
Cash and cash equivalents at end of period	\$ 75,418	\$ 33,325	\$ 29,727

See accompanying notes to consolidated financial statements.

Note 1. Business Activities and Summary of Significant Accounting Policies

Business Activities

JDS Uniphase Corporation (the “Company” or “JDS Uniphase”) was formed as a Delaware Corporation in October 1993. The Company designs, develops, manufactures and markets components, modules and instruments for fiber optic telecommunications, cable television (CATV) systems and laser subsystems. The Company’s telecommunications and CATV divisions design, develop, manufacture and market active and passive fiberoptic components and modules including semiconductor lasers, high-speed external modulators, transmitters, amplifiers, couplers (including WDM), circulators, tunable filters, optical switches, isolators and other components for fiber optic applications. Instruments are manufactured and marketed for both production and installation by OEM telecommunications customers. The Company’s Laser Division designs, develops, manufactures and markets laser subsystems for a broad range of OEM applications which include biotechnology, industrial process control and measurement, graphics and printing, and semiconductor equipment. In December 1998, the Company sold the assets of its Ultrapointe subsidiary to KLA-Tencor Corporation. Ultrapointe designed and manufactured advanced laser-based systems for semiconductor wafer defect examination and analysis.

As more fully described in Note 9, the Company merged with Broadband Communications Products, Inc. (“BCP”) in November 1998 in a pooling of interests transaction. The consolidated financial statements for fiscal 1998 and 1997 have been restated to include the financial position, results of operations and cash flows of BCP. There were no transactions between BCP and the Company prior to the combination and no significant adjustments were necessary to conform BCP’s accounting policies. Because of differing year ends, financial information relating to Uniphase’s fiscal years ended June 30, 1997 has been combined with financial information relating to BCP’s years ended December 31, 1997. The consolidated statement of stockholders’ equity for fiscal 1998 includes an adjustment of \$964,000 to reduce accumulated deficit for the income of BCP for the six months ended December 31, 1997 which is included in the results of operations twice. Net sales of BCP for the six months ended December 31, 1997 were approximately \$4.1 million. BCP was a subchapter S Corporation for income tax purposes and, therefore, did not pay U.S. federal income taxes. BCP will be included in the Company’s U.S. federal income tax return effective November 25, 1998. BCP’s net taxable temporary differences were insignificant as of the date of the merger.

Basis of Presentation

The consolidated financial statements include JDS Uniphase and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Reclassifications

The Company separately classified the amortization and write-offs associated with goodwill and other intangible assets arising from transactions accounted for as purchases which were previously included in selling, general and administrative expenses and has included royalty and license costs as selling general and administrative expense on the Consolidated Statements of Operations. In addition, the Company has combined goodwill and identified intangibles on the Consolidated Balance Sheets under the caption “Intangible assets.” For comparative purposes, amounts in the prior years have been reclassified to conform to the current period presentation.

Cash, Cash Equivalents and Short-term Investments

JDS Uniphase considers all liquid investments with maturities of ninety days or less when purchased to be cash equivalents. The Company's short-term investments have maturities of greater than ninety days. The Company's securities are classified as available-for-sale and are recorded at fair value. Fair value is based upon market prices quoted on the last day of the fiscal year. The cost of debt securities sold is based on the specific identification method. Unrealized gains and losses are reported as a separate component of stockholders' equity. Gross realized gains and losses are included in interest income and have not been material. The Company's investments consist of the following:

(in thousands)
June 30, 1999

	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Value</i>
Floating rate bonds	\$ 6,900	\$ --	\$ --	\$ 6,900
Municipal bonds	80,021	56	135	79,942
Auction instruments	5,950	--	--	5,950
Money market instruments	83,542	--	5	83,537
	<u>\$ 176,413</u>	<u>\$ 56</u>	<u>\$ 140</u>	<u>\$ 176,329</u>

(in thousands)
June 30, 1998

	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Value</i>
Floating rate bonds	\$ 9,740	\$ --	\$ --	\$ 9,740
Municipal bonds	60,216	64	10	60,270
Auction instruments	6,101	--	--	6,101
Money market instruments	5,851	--	--	5,851
	<u>\$ 81,908</u>	<u>\$ 64</u>	<u>\$ 10</u>	<u>\$ 81,962</u>

The following is a summary of contractual maturities of the Company's investments:

(in thousands)
June 30, 1999

	<i>Amortized Cost</i>	<i>Estimated Fair Value</i>
Money market funds	\$ 83,542	\$ 83,537
Amounts maturing within one year	28,755	28,776
Amounts maturing after one year, within five years	64,116	64,016
	<u>\$ 176,413</u>	<u>\$ 176,329</u>

Fair Value of Financial Instruments

The Company has determined the estimated fair value of financial instruments. The amounts reported for cash, accounts receivable, short-term borrowings, accounts payable, notes payable and accrued expenses approximate the fair value because of their short maturities. Investment securities and foreign currency exchange contracts are reported at their estimated fair value based on quoted market prices of comparable instruments.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. The components of inventory consist of the following:

<i>(in thousands)</i>		
<i>June 30,</i>	<i>1999</i>	<i>1998</i>
Finished goods	\$ 10,400	\$ 7,274
Work in process	35,867	11,998
Raw materials and purchased parts	41,583	2,865
	\$ 87,850	\$ 22,137

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets: building and improvements, 5 to 40 years; machinery and equipment, 2 to 5 years; furniture, fixtures, and office equipment, 5 years. Leasehold improvements are amortized by the straight-line method over the shorter of the estimated useful lives of the assets or the term of the lease. The components of property, plant and equipment are as follows:

<i>(in thousands)</i>		
<i>June 30,</i>	<i>1999</i>	<i>1998</i>
Land	\$ 10,025	\$ 4,868
Building and improvements	38,595	8,772
Machinery and equipment	109,856	36,566
Furniture, fixtures and office equipment	15,271	8,051
Leasehold improvements	16,452	4,922
Construction in progress	20,035	12,162
	210,234	75,341
Less: accumulated depreciation and amortization	(29,142)	(18,150)
	\$ 181,092	\$ 57,191

Goodwill and Other Intangible Assets

Intangible assets represent licenses and intellectual property acquired, purchased intangible assets and the excess acquisition cost over the fair value of tangible and intangible net assets of businesses acquired (goodwill). Purchased intangible assets include developed technology, trademarks and trade names, assembled workforces and customer bases. Intangible assets are being amortized using the straight-line method over estimated useful lives ranging from 3 to 10 years.

The amortization and write-off goodwill and purchased intangibles are separately presented as a component of operating expenses on the Consolidated Statement of Operations, whereas the amortization of licenses and other intellectual property is included in selling, general and administrative expense. The components of intangible assets are as follows:

<i>(in thousands)</i> <i>June 30,</i>	<i>1999</i>	<i>1998</i>	<i>Remaining Lives</i>
Goodwill	\$ 2,583,920	\$ 82,802	2 – 6 years
Purchased intangibles	881,857	21,584	2 – 6 years
Licenses and other intellectual property	1,950	1,950	1 – 9 years
	<i>3,467,727</i>	<i>106,336</i>	
Less: accumulated amortization	<i>(23,512)</i>	<i>(3,357)</i>	
	<i>\$ 3,444,215</i>	<i>\$ 102,979</i>	

Intangible and other long-lived assets are reviewed whenever indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the related asset carrying amount. Intangible assets were reviewed during the fiscal fourth quarter of 1998 following the Company's acquisition of UNL. This review indicated that the UFP intangible assets were impaired, as determined based on the projected cash flows from UFP over the next three years. Cash flow projections took into effect the net sales and expenses expected from UFP products, as well as maintaining its current manufacturing capabilities. Consequently, the carrying value of the UFP goodwill and other long-lived assets totaling \$2.2 million and \$1.5 million, respectively, were written off as a component of operating expenses during fiscal 1998.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, short-term investments and trade receivables. The Company places its cash equivalents and short-term investments with high credit-quality financial institutions. The Company invests its excess cash primarily in auction and money market instruments, and municipal and floating rate bonds. The Company has established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Company sells primarily to customers involved in the application of laser technology and the manufacture of telecommunications products. The Company performs ongoing credit evaluations of its customers and does not require collateral. The Company provides reserves for potential credit losses, however such losses and yearly provisions have not been significant and have been within management's expectations.

Foreign Currency Translation and Exchange Contracts

The Company's international subsidiaries use their local currency as their functional currency. Assets and liabilities denominated in foreign currencies are translated using the exchange rate on the balance sheet dates. Net sales and expenses are translated using average rates of exchange prevailing during the year. The translation adjustment resulting from this process is included as a component of other stockholders' equity and comprehensive income (loss). Foreign currency transaction gains and losses are not material and are included in the determination of net income.

During fiscal 1999, the Company entered into forward foreign currency option contracts to hedge certain balance sheet accounts denominated in Swiss Francs, Dutch Guilders, German Marks, Canadian Dollars and Japanese Yen. As of June 30, 1999, the Company had foreign currency option contracts outstanding as follows (in thousands of equivalent U.S. dollars):

Swiss Francs	\$ 6,639
Dutch Guilders	4,925
Canadian Dollars	25,000
Japanese Yen	2,000
	\$ 38,564

These foreign currency contracts expire on various dates in the first quarter of fiscal 2000. The difference between the fair value and the amortized carrying value on foreign currency exchange contracts is immaterial.

While the contract amounts provide one measure of the volume of the transactions outstanding at June 30, 1999, they do not represent the amount of the Company's exposure to credit risk. The Company's exposure to credit risk (arising from the possible inability of the counterparts to meet the terms of their contracts) is generally limited to the amount, if any, by which the counterparts' obligations exceed the obligations of the Company.

Revenue Recognition

The Company recognizes revenue generally at the time of shipment. Revenue on the shipment of evaluation units is deferred until customer acceptance. The Company provides for the estimated cost to repair products under warranty at the time of sale.

Stock Dividend

On July 8, 1999, the Company's Board of Directors approved a 100% stock dividend on all common stock and a stock split on the exchangeable shares for holders of record as of July 23, 1999. All share and per share amounts included in these consolidated financial statements and notes applicable to prior periods have been restated to reflect this stock dividend and stock split.

Earnings (loss) per Share

As the Company incurred a loss in fiscal 1999, 1998 and 1997, the effect of dilutive securities totaling 6,822,000, 5,990,000, and 5,468,000 equivalent shares, respectively, have been excluded from the computation as they are antidilutive. Dilutive securities exclude the conversion of Series A Preferred Stock until the removal of all contingencies attributable to their conversion is assured beyond a reasonable doubt. In fiscal 2000, earnings per share will include the JDS Uniphase Canada Ltd. Exchangeable Shares ("Exchangeable Shares").

The following table sets for the computation of basic and diluted earnings (loss) per share:

<i>(in thousands, except per share data)</i>			
<i>Year Ended June 30</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Denominator for basic and dilutive earnings (loss) per share-weighted average shares	79,562	70,902	67,382
Net loss	\$ (171,057)	\$ (19,630)	\$ (17,787)
Basic and dilutive loss per share	\$ (2.15)	\$ (0.28)	\$ (0.26)

Stock Based Compensation

In accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," the Company records and amortizes, over the related vesting periods, deferred compensation representing the difference between the price per share of stock issued or the exercise price of stock options granted and the fair value of the Company's common stock at the time of issuance or grant. Stock compensation costs are immediately recognized to the extent the exercise price is below the fair value on the date of grant and no future vesting criteria exist.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Standards

As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income". SFAS 130 established new rules for the reporting and display of comprehensive income and its components; however, the adoption of this statement had no impact on the Company's net income or stockholders' equity. SFAS 130 requires foreign currency translation adjustments, which prior to adoption were reported in stockholders equity, to be included in accumulated other comprehensive income. SFAS 130 also requires unrealized gains or losses on the Company's available-for-sale securities, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income. Comprehensive income consists of net income and other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of SFAS 130.

In 1999, the Company also adopted Statement of Financial Accounting Standards No. 132 ("SFAS 132"), "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS 132 standardizes the disclosure requirements for pensions and other postretirement benefits, requires additional information on changes in the benefit obligations and fair values of plan assets and eliminates certain disclosures that are no longer considered useful. The adoption of SFAS 132 had no impact on the Company's financial position or results of operations.

The Company intends to adopt Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standard No. 137 "Deferral of Effective Date of FASB Statement 133," as of the beginning of its fiscal year 2001. The Standard will require the Company to

recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The change in a derivative's fair value related to the ineffective portion of a hedge, if any, will be immediately recognized in earnings. The effect of adopting the Standard is currently being evaluated but is not expected to have a material effect on the Company's financial position or overall trends in results of operations.

Note 2. Lines of Credit

The Company has a U.S. \$10.0 million revolving bank line of credit that expires in May 2000. Advances under the line of credit bear interest at the bank's prime rate (7.75% at June 30, 1999) and are unsecured. Under the terms of the line of credit agreement, the Company is required to maintain certain minimum working capital, net worth, profitability levels and other specific financial ratios. In addition, the agreement prohibits the payment of cash dividends and contains certain restrictions on the Company's ability to borrow money or purchase assets or interests in other entities without the prior written consent of the bank. The Company also has an unused operating bank line of credit for Canadian \$65 million (approximately U.S. \$44 million). Borrowings under the Canadian line of credit bear interest charged at LIBOR (5.84% at June 30, 1999) plus 1/4%. The Company has no outstanding borrowings under either of these facilities at June 30, 1999.

Note 3. Other Accrued Expenses

The components of other accrued expenses are as follows:

<i>(in thousands)</i>		
<i>June 30,</i>	<i>1999</i>	<i>1998</i>
Acquisition, integration and reorganization costs	\$ 22,526	\$ 8,294
Temporary labor costs	4,816	--
Accrued expenses due to affiliated company	4,252	--
Warranty reserve	2,361	1,906
Facility expansion holdbacks	2,010	--
Other accrued liabilities	10,287	5,693
	<u>\$ 46,252</u>	<u>\$ 15,893</u>

Acquisition, integration and reorganization costs include approximately \$9.1 million of direct costs associated with the JDS FITELE merger, approximately \$10.3 million of costs incurred by JDS FITELE in connection with the merger and \$3.1 million for certain exit costs in connection with the acquisition with UNL in fiscal 1998 (see Note 9).

Note 4. Income Taxes

Income tax expense consists of the following:

<i>(in thousands)</i> Year Ended June 30,	1999	1998	1997
Federal:			
Current	\$ 15,380	\$ 7,848	\$ 4,635
Deferred	(2,944)	(361)	(367)
	12,436	7,487	4,268
State:			
Current	1,370	3,245	1,222
Deferred	(198)	(524)	(160)
	1,172	2,721	1,062
Foreign:			
Current	9,793	1,152	1,166
Deferred	(1,933)	--	(1,064)
	7,860	1,152	102
Income tax expense	\$ 21,468	\$ 11,360	\$ 5,432

The tax benefit realized in connection with exercises of stock options reduced taxes currently payable by \$11.4 million, \$6.2 million and \$10.2 million for the years ended June 30, 1999, 1998 and 1997, respectively.

A reconciliation of the income tax expense at the federal statutory rate to income tax expense at the effective tax rate is as follows:

<i>(in thousands)</i> Year Ended June 30,	1999	1998	1997
Income taxes (benefit) computed at federal statutory rate	\$ (52,356)	\$ (2,812)	\$ (4,200)
State taxes, net of federal benefit	762	1,796	701
Acquired in-process research and development for which no tax benefit is currently recognizable	82,056	13,691	9,466
Non-deductible merger expenses	2,292	--	--
Benefit from net earnings of foreign subsidiaries considered permanently invested in non-U.S. operations	(4,597)	--	--
Realization of valuation allowance	(389)	(1,547)	--
Tax exempt income	(1,159)	(527)	(502)
Pre-merger Subchapter S taxes	--	(775)	(379)
Other	(5,141)	1,534	346
Income tax expense	\$ 21,468	\$ 11,360	\$ 5,432

Cumulative undistributed earnings of the Company's foreign subsidiaries for which no U.S. income taxes have been provided aggregated approximately \$25.6 million at June 30, 1999. These earnings are considered to be permanently invested in non-U.S. operations. Additional U.S. taxes of approximately \$4.6 million would have to be provided if these earnings were repatriated to the U.S.

The components of deferred taxes consist of the following:

<i>(in thousands)</i>		
<i>June 30,</i>	<i>1999</i>	<i>1998</i>
<hr/>		
Deferred tax assets:		
AMT and research tax credit carryforwards	\$ 3,718	\$ 2,813
Net operating loss carryforwards	6,739	--
Inventory	1,150	1,336
Additional tax basis of intangibles	7,402	8,793
Deferred compensation	2,925	2,637
Warranty accruals and other reserves	1,949	538
Other	431	1,430
<hr/>		
Total deferred tax assets	24,314	17,547
Valuation allowance	(10,942)	(9,250)
<hr/>		
Net deferred tax assets	13,372	8,297
Deferred tax liabilities:		
Acquired intangibles	(318,188)	--
<hr/>		
Total deferred tax liabilities	(318,188)	--
<hr/>		
Total net deferred tax assets (liabilities)	\$ (304,816)	\$ 8,297

The valuation allowance at June 30, 1999 relates to tax benefits of stock option deductions, which will be credited to equity when realized. The valuation allowance reduces net deferred tax assets to amounts considered realizable in the near future based on projected future taxable income.

At June 30, 1999, the Company had federal net operating loss carryforwards of approximately \$19.2 million. These carryforwards will expire beginning in 2012, if not utilized.

Note 5. Lease Commitments

The Company leases manufacturing and office space primarily in Manteca, California; Bloomfield, Connecticut; Chalfont, Pennsylvania; Melbourne, Florida; Witney, United Kingdom; Zurich, Switzerland; Sydney, Australia; Eindhoven, the Netherlands and Canada under operating leases expiring at various dates through December 2013 and containing certain renewal options ranging from one to four years. The Company has the option of terminating two of its lease agreements on December 25, 2003 upon six months written notification.

Future minimum commitments for noncancelable operating leases are as follows:

<i>(in thousands)</i>	
<i>Operating Leases</i>	
2000	\$ 4,812
2001	4,976
2002	4,294
2003	3,844
2004	3,831
Thereafter	17,488
Total minimum lease payments	\$ 39,245

Rental expense for operating leases for the years ended June 30, 1999, 1998, and 1997 amounted to approximately \$5.0 million, \$1.3 million and \$1.0 million, respectively.

Note 6. Related Party Transactions

As discussed in Note 9, the Company acquired 100% of the capital stock of Philips Optoelectronics B.V. from Koninklijke Philips Electronics N.V. ("Philips"). Philips owns approximately 3.5% of the Company's outstanding common stock and maintained a seat on the Company's Board of Directors through July 6, 1999. The Company has operating leases for manufacturing facilities and site service agreements for network support and information systems at the Philips NATLAB Center in Eindhoven, the Netherlands. In addition, the Company is obligated to provide future design and development services on certain laser technology to Philips that the Company believes will be of strategic importance to Philips' existing consumer and business electronics operations. The Company is obligated to provide 15 million Dutch Guilders (approximately \$7.5 million) of such services through April 2000, of which the remaining amount of approximately 5 million Dutch Guilders is expected to be provided ratably during fiscal 2000.

Payments to Philips for non-cancelable lease commitments totalled \$2.1 million fiscal 1999. Lease commitments to Philips included in Note 5 above represent 66% of total future minimum commitments for non-cancelable operating leases. Balances with related parties that are included in the consolidated financial statements are immaterial, except for the following amounts with Philips:

<i>(in thousands)</i>		
<i>June 30,</i>	<i>1999</i>	<i>1998</i>
Accounts Receivable	\$ --	\$ 6,805
Accounts Payable	\$ --	\$ 442

Note 7. Pension and Other Employee Benefits

Pension

Through the acquisition of ULE in Switzerland, the Company acquired two foreign defined benefit pensions plans related to the employees of ULE. Benefits are based on years of service and annual compensation on retirement. Plans are funded in accordance with applicable Swiss regulations.

In connection with the acquisition of UNL, the Company agreed to continue to provide pension benefits to its qualified Holland employees through a multi-employer defined benefit pension plan sponsored by the Holland Metalworkers Union. Philips is obligated to fully fund the pension benefit obligation for all periods prior to June 9, 1998 directly to the Metalworkers Union Plan. The Company has also assumed responsibility for funding benefits earned in excess of those provided by the Holland Metalworkers Union.

A summary of the components of net periodic benefit cost for the defined benefit plans is presented here:

<i>(in thousands)</i>				
<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	
Defined benefit plans:				
Service cost	\$ 212	\$ 626	\$ 458	
Interest cost	362	339	322	
Expected return on plan assets	(214)	(253)	(224)	
Prior gains (losses)	(8)	--	--	
Net periodic benefit cost	\$ 352	\$ 712	\$ 556	

Weighted average assumptions used each year in accounting for defined benefit plans were:

<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>
ULE pensions:		
Discount rate as of year end	3.5%	5.0%
Return on plan assets	4.5%	4.5%
Rate of compensation increase	2.5%	3.5%
UNL pensions:		
Discount rate as of year end	4.0%	4.0%
Return on plan assets	4.5%	4.5%
Rate of compensation increase	2.0%	2.0%

The following table sets forth the funded status and amounts recognized in the Consolidated Balance Sheet for the Company's benefit plans (in thousands):

<i>(in thousands)</i>		
<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 8,586	\$ 6,448
Service cost	212	626
Interest cost	362	339
Plan participants' contributions	327	167
Business combinations	--	2,000
Actuarial (gains) losses	2,320	(994)
Benefit obligation at end of year	\$ 11,807	\$ 8,586
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 4,909	\$ 4,488
Actual return on plan assets	(652)	34
Company contributions	165	220
Plan participants' contributions	327	167
Benefits paid	--	--
Fair value of plan assets at end of year	\$ 4,749	\$ 4,909
Funded status of plan (underfunded)	\$ (7,058)	\$ (3,677)
Unrecognized net actuarial (gain) loss	2,419	(775)
Net prepaid (accrued) benefit cost	\$ (\$4,639)	\$ (4,452)

Amounts recognized in the Consolidated Balance Sheet consist of:

<i>(in thousands)</i>		
<i>June 30,</i>	<i>1999</i>	<i>1998</i>
Prepaid (accrued) benefit cost	\$ --	\$ (2,452)
Accrued benefit liability	(2,197)	(2,000)
Intangible asset	(2,442)	--
Net prepaid (accrued) benefit cost	\$ (4,639)	\$ (4,452)

Plan assets consist primarily of listed stocks, bonds and cash surrender value life insurance policies.

Other Employee and Postemployment Benefits

JDS Uniphase has an employee 401(k) salary deferral plan, covering all domestic employees. Employees may make contributions by withholding a percentage of their salary up to \$10,000 per year. Company contributions consist of \$.25 per dollar contributed by the employees with at least six months of service. Company contributions were approximately \$567,000, \$426,000 and \$309,000 for the years ended June 30, 1999, 1998, and 1997, respectively.

Note 8. Stockholders' Equity

Preferred Stock

In connection with the acquisition of UNL, the Company issued 100,000 shares of non-voting, non-cumulative Series A Preferred Stock to Philips having a par value of \$.001 per share. The Series A Preferred Stock is convertible into additional shares of common stock based on an agreed upon formula for annual and cumulative shipments of certain products during the four-year period ending June 30, 2002. The Preferred Stock is also convertible into common stock upon the occurrence of a Redemption Event, as defined in the Series A Preferred Stock Agreement.

In June 1998, the Company adopted a Stockholder Rights Agreement, as amended (the "Company Rights Agreement") and declared a dividend distribution of one right (a "Right") per share of common stock for stockholders of record as of July 6, 1998. Each Right will entitle stockholders to purchase 1/1000 share of the Company's Series B Preferred Stock at an exercise price of \$135. The Rights only become exercisable in certain limited circumstances following the tenth day after a person or group announces acquisitions of or tender offers for 15% or more of the Company's common stock. For a limited period of time following the announcement of any such acquisition or offer, the Rights are redeemable by the Company at a price of \$.01 per Right. If the Rights are not redeemed, each Right will then entitle the holder to purchase common stock having the value of twice the then-current exercise price. For a limited period of time after the exercisability of the Rights, each Right, at the discretion of the Board, may be exchanged for either 1/1000 share of the Company's Series A Preferred Stock or one share of common stock per Right. The Rights expire on June 22, 2008.

The Board of Directors has the authority, without any further vote or action by the stockholders, to provide for the issuance of an additional 799,999 shares of Preferred Stock from time to time in one or more series with such designations, rights, preferences and limitations as the Board of Directors may determine, including the consideration received therefore, the number of shares comprising each series, dividend rates, redemption provisions, liquidation preferences, redemption fund provisions, conversion rights and voting rights, all without the approval of the holders of common stock.

Exchangeable Shares of JDS Uniphase Canada Ltd.

On June 30, 1999, in connection with the merger with JDS FITEL, JDS Uniphase Canada Ltd., a subsidiary of the Company, adopted an Exchangeable Share rights plan (the "Exchangeable Rights Plan") substantially equivalent to the Company Rights Agreement. Under the Exchangeable Rights Plan, each Exchangeable Share issued has an associated right (an "Exchangeable Share Right") entitling the holder of such Exchangeable Share Right to acquire additional Exchangeable Shares on terms and conditions substantially the same as the terms and conditions upon which a holder of shares of common stock is entitled to acquire either 1/1000 share of the Company's Series B Preferred Stock or, in certain circumstances, shares of common stock under the Company Rights Agreement. The definitions of beneficial ownership, the calculation of percentage ownership and the number of shares outstanding and related provisions of the Company Rights Agreement and the Exchangeable Rights Plan apply, as appropriate, to shares of common stock and Exchangeable Shares as though they were the same security. The Exchangeable Share Rights are intended to have characteristics essentially equivalent in economic effect to the Rights granted under the Company Rights Agreement.

Stock Option Plans

As of June 30, 1999, Uniphase had reserved approximately 28,718,000 shares of common stock for future issuance to employees and directors under its 1984 Amended and Restated Stock Option Plan (the "1984 Option Plan"), the Amended and Restated 1993 Flexible Stock Incentive Plan (the "1993 Option Plan"), the JDS FITEL, Inc. 1994 Stock Option Plan ("the 1994 JDS Plan"), the JDS FITEL, Inc. 1996 Stock Option Plan ("the 1996 JDS Plan") and the 1996 Non-qualified Stock Option Plan ("the 1996 Option Plan"). The Board of Directors has the authority to determine the type of option and the number of shares subject to option. The exercise price is generally equal to fair value of the underlining stock at the date of grant. Options generally become exercisable over a four-year period and, if not exercised, expire from five to ten years from the date of grant. The following table summarizes option activity through June 30, 1999:

	<i>Shares Available for Grant</i>	<i>Options Outstanding</i>	
		<i>Number of Shares</i>	<i>Weighted Average Exercise Price</i>
<i>(in thousands, except price per share)</i>			
Balance at June 30, 1996	168	10,058	\$ 1.67
Increase in authorized shares	5,484	--	--
Granted	(4,004)	4,004	10.08
Canceled	472	(456)	6.22
Exercised	--	(2,856)	1.35
Balance at June 30, 1997	2,120	10,750	4.70
Increase in authorized shares	6,358	--	--
Granted	(4,848)	4,848	18.47
Canceled	386	(386)	6.78
Exercised	--	(1,883)	2.02
Expired	(59)	--	--
Balance at June 30, 1998	3,957	13,329	9.46
Increase in authorized shares	14,397	--	--
Granted	(12,428)	12,428	40.87
Canceled	578	(578)	18.13
Exercised	--	(2,959)	5.48
Expired	(6)	--	--
Balance at June 30, 1999	6,498	22,220	\$ 23.31

The following table summarizes information about options outstanding at June 30, 1999 (shares in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.12 - \$ 1.53	2,640	3.83	\$ 0.80	2,349	\$ 0.82
\$ 1.72 - \$ 4.07	2,341	4.71	\$ 2.95	1,309	\$ 2.87
\$ 4.47 - \$ 9.66	2,529	5.35	\$ 7.77	477	\$ 8.29
\$ 9.93 - \$ 14.69	2,231	5.73	\$ 13.22	792	\$ 12.65
\$ 14.69 - \$ 18.27	2,412	6.16	\$ 16.41	945	\$ 16.51
\$ 18.36 - \$ 26.38	2,644	6.83	\$ 21.99	542	\$ 21.41
\$ 27.16 - \$ 27.44	2,487	7.19	\$ 27.39	162	\$ 27.44
\$ 27.91 - \$ 67.22	3,377	7.20	\$ 54.73	16	\$ 28.06
\$ 67.23 - \$ 75.52	1,131	7.06	\$ 67.90	--	\$ --
\$ 75.69 - \$ 75.69	428	7.99	\$ 75.69	--	\$ --
\$ 0.12 - \$ 75.69	22,220	6.03	\$ 23.31	6,592	\$ 7.85

Employee Stock Purchase Plans

The Uniphase 1998 Employee Stock Purchase Plan (the "98 Purchase Plan") was adopted in June 1998. The Company has reserved 5,000,000 shares of common stock for issuance under the 98 Purchase Plan. The 98 Purchase Plan, effective August 1, 1998, provides eligible employees with the opportunity to acquire an ownership interest in Uniphase through participation in a program of periodic payroll deductions applied at specific intervals to the purchase of common stock. The Purchase Plan is structured as a qualified employee stock purchase plan under Section 423 of the amended Internal Revenue Code of 1986. However, the Purchase Plan is not intended to be a qualified pension, profit sharing or stock bonus plan under Section 401(a) of the 1986 Code and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The Purchase Plan will terminate upon the earlier of August 1, 2008 or the date on which all shares available for issuance under the Purchase Plan have been sold.

Stock Based Compensation

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in the Company's financial statements.

In conjunction with the acquisition of ULE in fiscal 1997, the Company issued stock options to key employees of ULE at a value that was less than the market value. The Company is recognizing compensation expense for the total value of \$2.0 million over the vesting period of four years. Stock based compensation expense in fiscal 1999 was immaterial.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. This information is required to be determined as if the Company had accounted for its employee stock options (including shares issued under the Employee Stock Purchase Plan, collectively called "options") granted subsequent to June 30, 1995 under the fair value method of that statement. The fair value of options granted in 1999, 1998 and 1997 reported below has been estimated at the date of grant using a BlackScholes option pricing model with the following weighted average assumptions:

	<i>Employee Stock Options</i>			<i>Employee Stock Purchase Plan Shares</i>		
	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Expected life (in years)	6.1	5.5	5.5	.5	.5	.5
Risk-free interest rate	5.6%	6.4%	6.5%	5.6%	5.9%	5.4%
Volatility	.67	.66	.64	.68	.76	.75
Dividend yield	0%	0%	0%	0%	0%	0%

The BlackScholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options. A total of approximately 12,428,000 options were granted during fiscal 1999 with exercise prices equal to the market price of the stock on the grant date. The weighted-average exercise price and weighted-average fair value of these options were \$40.87 and \$12.21, respectively. The weighted-average exercise price and weighted-average fair value of stock options granted during fiscal 1998 was \$18.47 and \$11.66 per share, respectively. The weighted average exercise price and weighted average fair value of stock options granted during fiscal 1997 was \$10.08 and \$6.87, respectively. The weighted average fair value of shares granted under the Employee Stock Purchase Plan during 1999, 1998 and 1997 was \$6.23, \$5.32 and \$3.54, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

<i>(in thousands, except per share data)</i>		<i>1999</i>	<i>1998</i>	<i>1997</i>
<i>Year Ended June 30,</i>				
Pro forma net income (loss)		\$ (228,686)	\$ (33,679)	\$ (22,003)
Pro forma earnings (loss) per share		\$ (2.87)	\$ (0.48)	\$ (0.33)

Pro forma net income represents the difference between compensation expense recognized under APB 25 and the related expense using the fair value method of SFAS No. 123 taking into account any additional tax effects of applying SFAS No. 123. The effects on pro forma disclosures of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosures of future years.

Note 9. Mergers and Acquisitions

JDS FITEL

Effective June 30, 1999, the Company combined its operations with JDS FITEL Inc. of Ottawa, Canada in a transaction accounted for as a purchase. JDS FITEL primarily manufactures passive products that include components and modules that route and guide optical signals transmitted through a fiberoptic network. The results of operations for fiscal 1999 exclude the business activities of JDS FITEL. The JDS Uniphase fiscal 1999 financial statements reflect the issuance of common shares or Exchangeable Shares of JDS Uniphase Canada Ltd. for all of the outstanding JDS FITEL common shares based on the outstanding JDS FITEL common shares on June 30, 1999, the exchange ratio of 0.50855 of a JDS Uniphase share of common stock or 0.50855 of an Exchangeable Share of JDS Uniphase Canada Ltd. for each JDS FITEL common share and an average market price per JDS Uniphase common share of \$81.713 per share. The average market price per JDS Uniphase common share is based on the average closing price for a range of trading days (January 22 through February 4, 1999) around the announcement date (January 28, 1999) of the merger. In addition, JDS Uniphase issued options to purchase 6.6 million JDS Uniphase common shares in exchange for outstanding JDS FITEL options with the number of shares and the exercise price appropriately adjusted by the exchange ratio. The value of the options, as well as estimated direct transaction expenses of \$12 million, have been included as a part of the total estimated purchase cost. In addition, the Company granted options to purchase approximately 6.8 million shares of JDS Uniphase Common Shares to certain former JDS FITEL employees subsequent to the effective date of the merger.

The total purchase cost of the JDS FITEL merger is as follows (in thousands):

Value of securities issued	\$ 3,263,119
Assumption of JDS FITEL options	221,614
	<hr/> 3,484,733
Direct transaction costs and expenses	12,000
Total purchase cost	<hr/> \$ 3,496,733

The preliminary allocation of the purchase price is as follows (in thousands):

Purchase price allocation:	
Tangible net assets acquired	\$ 244,839
Intangible assets acquired:	
Developed technology	490,500
Trademark and tradename	348,000
Assembled workforce	19,240
Goodwill	2,501,118
In-process research and development	210,400
Deferred tax liabilities	(317,364)
	<hr/>
Total purchase price allocation	\$ 3,496,733

The purchase price allocation is preliminary and is dependant upon the Company's final analysis.

Tangible net assets acquired includes \$47.4 million of cash acquired from JDS FITEL. Tangible net assets of JDS FITEL also include short-term investments, accounts receivable, inventories and fixed assets. Liabilities assumed principally include accounts payable, accrued compensation and accrued expenses. Goodwill and intangible assets acquired are each being amortized on a straight-line basis over estimated useful lives of five years.

A portion of the purchase price has been allocated to developed technology and acquired in-process research and development (“IPRD”). Developed technology and IPRD were identified and valued through extensive interviews, analysis of data provided by JDS FITEL concerning developmental products, their stage of development, the time and resources needed to complete them, if applicable, their expected income generating ability, target markets and associated risks. The Income Approach, which includes an analysis of the markets, cash flows, and risks associated with achieving such cash flows, was the primary technique utilized in valuing the developed technology and IPRD.

Where developmental projects had reached technological feasibility, they were classified as developed technology and the value assigned to developed technology was capitalized. Where the developmental projects had not reached technological feasibility and had no future alternative uses, they were classified as IPRD and charged to expense upon closing of the merger. The Company estimates that a total investment of \$17.5 million in research and development over the next 2 years will be required to complete the IPRD. The nature of the efforts required to develop the purchased IPRD into commercially viable products principally relate to the completion of all planning, designing, prototyping, verification and testing activities that are necessary to establish that the products can be produced to meet their design specifications, including functions, features and technical performance requirements.

In valuing the IPRD, JDS Uniphase considered, among other factors, the importance of each project to the overall development plan projected incremental cash flows from the projects when completed and any associated risks. The projected incremental cash flows were discounted back to their present value using a discount rate of 27%. This discount rate was determined after consideration of JDS Uniphase’s weighted average cost of capital and the weighted average return on assets. Associated risks include the inherent difficulties and uncertainties in completing each project and thereby achieving technological feasibility, anticipated levels of market acceptance and penetration, market growth rates and risks related to the impact of potential changes in future target markets.

The IPRD relates to sophisticated optical components and modules that manage light transmission through today’s most advanced telecommunications systems. The IPRD is comprised of four main categories: (i) Thermo Optic Waveguide Attenuators, (ii) Solid State Switch, (iii) 50 GHz Wavelength Division Multiplexing (“WDM”), and (iv) Erbium Doped Fiber Amplifiers.

The following unaudited pro forma summary presents the consolidated results of operations of the Company, excluding the charge for acquired in-process research and development, as if the acquisition of JDS FITEL had occurred at the beginning of fiscal 1998 and does not purport to be indicative of what would have occurred had the acquisition been made as of the beginning of fiscal 1998 or of results which may occur in the future.

(in thousands, except per share data)

<i>Year ended June 30,</i>	<i>1999</i>	<i>1998</i>
Net sales	\$ 587,889	\$ 346,331
Net income (loss)	\$ (712,971)	\$ (595,623)
Earnings (loss) per share	\$ (4.49)	\$ (4.06)

Broadband Communication Products, Inc.

On November 25, 1998, the Company acquired BCP of Melbourne, Florida in a tax-free reorganization that was accounted for as a pooling of interests. BCP manufactures high-speed and high-bandwidth fiber optic products including transmitters, receivers and multiplexers used to extend the reach of fiber optic transmission into metropolitan and local access networks. The Company exchanged 1.459 million shares of JDS Uniphase common stock and reserved 836,964 shares for BCP options assumed by the Company. Merger related expenses of approximately \$6.0 million were recorded in the second quarter of fiscal 1999. Separate net sales and related net income (loss) amounts of the merged entities are presented in the following table.

<i>(in thousands)</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
<i>Years Ended June 30,</i>	<i>(unaudited)</i>		
Net Sales:			
JDS Uniphase through September 30, 1998	\$ 54,196	\$ 175,801	\$ 106,966
BCP through September 30, 1998	3,224	9,414	6,248
JDS Uniphase subsequent to September 30, 1998	225,408	--	--
Net sales as reported	\$ 282,828	\$ 185,215	\$ 113,214
Net loss:			
JDS Uniphase through September 30, 1998	\$ 7,593	\$ (21,812)	\$ (18,854)
BCP through September 30, 1998	555	2,182	1,067
JDS Uniphase subsequent to September 30, 1998	\$ (179,205)	--	--
Net loss as reported	\$ (171,057)	\$ (19,630)	\$ (17,787)

Chassis Engineering, Inc.

In August 1998, the Company acquired certain assets of Chassis Engineering Inc. ("Chassis") for \$70,000 in cash and convertible debt of \$2.73 million. Chassis designs, develops, markets and manufactures packaging solutions for fiber optic and other high performance components. The convertible debt is composed of a \$1.93 million demand obligation and two performance-based instruments totaling \$800,000 that become due upon achieving certain milestones over the ensuing 9 to 18 months. The convertible debt bears interest at 5.48% and principal can be exchanged for newly issued shares of Uniphase common stock at a price of \$27.54 per share. The convertible debt is secured by a letter of credit issued against the Company's unused revolving bank line of credit. In February 1999, the holder tendered the \$1.93 million obligation and a performance-based instrument valued at \$500,000 for 88,230 shares of common stock.

Uniphase Netherlands

On June 9, 1998, the Company acquired 100% of the capital stock of Uniphase Netherlands B.V. (formerly Philips Optoelectronics B.V.) from Philips. UNL designs, develops, manufactures and markets high performance semiconductor lasers, photo diodes and components for telecommunications, CATV, multimedia and printing markets. The total purchase price of \$135.4 million consisted of 6,519,292 shares of common stock, cash of \$100,000 and \$4.0 million in related acquisition costs. The common stock is subject to restrictions from trading for twelve months from the transaction date, and Philips became the largest stockholder of record at 8.5% of the Company's common stock at the date of closing. In addition, the Company issued 100,000 shares of Series A Preferred Stock to Philips as contingent consideration and interest thereon worth up to 458 million Dutch

Guilders (approximately \$220 million). The number of shares of common stock to be issued upon conversion of this preferred stock is tied to unit shipments of certain products by UNL during the four-year period ending June 30, 2002 and the Company's stock price at the date the contingency attributable to the unit shipments is removed. The contingent consideration is not included in the acquisition cost above, but will be recorded at the current fair value as additional purchase price representing additional goodwill when the aggregate unit shipment criteria are met. The additional goodwill will be amortized over its remaining life.

The acquisition has been accounted for by the purchase method of accounting and accordingly, the accompanying financial statements include the results of operations of UNL subsequent to the acquisition date. The purchase price was allocated to the net assets and in-process research and development acquired. The purchased intangible assets and goodwill are being amortized over seven years.

In-process research and development was identified and valued through extensive interviews, analysis of data provided by UNL concerning developmental products, their stage of development, the time and resources needed to complete them, their expected income generating ability, target markets and associated risks. The Income Approach, which includes an analysis of the markets, cash flows, and risks associated with achieving such cash flows, was the primary technique utilized in valuing purchased research and development project.

The Company considered, among other factors, the importance of each project to the overall development plan, and the projected incremental cash flows from the projects when completed and any associated risks. The projected incremental cash flows were discounted back to their present value using a discount rate of 27%. This discount rate was determined after consideration of the Company's weighted average cost of capital and the weighted average return on assets. Associated risks include the inherent difficulties and uncertainties in completing each project and thereby achieving technological feasibility, anticipated levels of market acceptance and penetration, market growth rates and risks related to the impact of potential changes in future target markets. Since the acquisition date, some of the acquired in-process research and development projects have been completed and the related products have been released. The third generation in-process research and development projects acquired are still in development. The Company estimates that these projects will be released upon completion through 2002.

This analysis resulted in a valuation of \$33.7 million for acquired in-process research and development that had not reached technological feasibility and did not have alternative future uses. Therefore, in accordance with generally accepted accounting principles, the \$33.7 million was expensed. The Company estimates that a total investment of \$32,666,000 in research and development over the next three years will be required to complete the in-process research and development.

The following unaudited pro forma summary presents the consolidated results of operations of the Company, excluding the charge for acquired in-process research and development, as if the acquisition of UNL had occurred at the beginning of fiscal 1997 and does not purport to be indicative of what would have occurred had the acquisition been made as of the beginning of fiscal 1997 or of results which may occur in the future.

(in thousands, except per share data)
Year ended June 30,

	1998	1997
Net sales	\$ 213,753	\$ 137,814
Net income (loss)	\$ 3,862	\$ (30,400)
Earnings (loss) per share	\$ 0.05	\$ (0.41)

The effects of the UNL acquisition on the 1998 consolidated statement of cash flows were as follows (in thousands):

Working capital (deficiency) acquired	\$ (1,155)
Property, plant and equipment	7,084
Identified intangibles	16,000
Goodwill	81,823
Other liabilities	(2,008)
In-process research and development	33,700
Total purchase price	\$ 135,444

The following table shows the accrued liabilities included in the working capital deficiency acquired above, for costs associated with exit activities related to UNL in accordance with management's plans and certain other costs related to the acquisition.

<i>(in thousands)</i>	<i>1999</i>	<i>1998</i>
<i>Year ended June 30,</i>		
Estimated costs associated with removal of gas delivery and vacuum systems and other costs to restore leased property to original condition upon vacating	\$ 2,331	\$ 2,440
Cancellation fees in connection with facilities design work and early termination of a services agreement	250	764
Estimated lease termination costs	483	1,437
Other	52	331
Total	\$ 3,116	\$ 4,972

Uniphase Fiber Components

On November 26, 1997, the Company acquired 100% of the capital stock of Uniphase Fiber Components Pty Ltd. (formerly INDX Pty Ltd.) and obtained certain licensing rights from Australia Photonics Pty Limited (AP). UFC designs and manufactures fiber optic reflection filters (fiber Bragg gratings) for wavelength division multiplexing (WDM) applications. The total purchase price of \$6.9 million included a cash payment of \$6.5 million to AP and acquisition expenses of \$400,000.

The acquisition has been accounted for as a purchase and accordingly, the accompanying fiscal 1998 financial statements include the results of operations of UFC subsequent to the acquisition date. The purchase price was allocated to the net assets and the in-process research and development acquired. The purchased intangible assets are being amortized over the estimated useful life of 5 years.

In-process research and development was identified and valued through extensive interviews, analysis of data provided by UFC concerning developmental products, their stage of development, the time and resources needed to complete them, their expected income generating ability, target markets and associated risks. The Income Approach, which includes an analysis of the markets, cash flows, and risks associated with achieving such cash flows, was the primary technique utilized in valuing purchased research and development project.

The Company considered, among other factors, the importance of each project to the overall development plan, and the projected incremental cash flows from the projects when completed and any associated risks. The projected incremental cash flows were discounted back to their present value using a discount rate of 27%. This discount rate was determined after consideration of the Company's weighted average cost of capital and the weighted average return on assets. Associated risks include the inherent difficulties and uncertainties in completing each project and thereby achieving technological feasibility, anticipated levels of market acceptance and penetration, market growth rates and risks related to the impact of potential changes in future target markets. Since the acquisition date, some of the acquired in-process research and development projects have been completed and the related products have been released.

This analysis resulted in a valuation of \$6.6 million for acquired in-process research and development that had not reached technological feasibility and did not have alternative future uses. Therefore, in accordance with generally accepted accounting principles, such \$6.6 million was charged to income. The Company estimates that a total investment of \$1.9 million in research and development over the next year will be required to complete the in-process research and development.

The effects of the UFC acquisition on the 1998 consolidated statement of cash flows were as follows (in thousands):

Working capital (deficiency) acquired	\$ (344)
Property and equipment	279
Identified intangibles	193
In-process research and development	6,568
<u>Total purchase price, net of cash acquired</u>	<u>\$ 6,696</u>

Uniphase Laser Enterprise

On March 10, 1997, the Company acquired the net assets of ULE from IBM. ULE designs and manufactures semiconductor diode laser chips used by the telecommunications industry. The total purchase price of \$45.9 million includes a cash payment of \$45.0 million to IBM and acquisition expenses of \$900,000.

The acquisition has been accounted for by the purchase method of accounting and accordingly, the accompanying financial statements include the results of operations of ULE subsequent to the acquisition date. The purchase was allocated to the net assets and inprocess research and development acquired. The purchased intangible assets are being amortized over the estimated useful life of 5 years.

In-process research and development was identified and valued through extensive interviews, analysis of data provided by ULE concerning developmental products, their stage of development, the time and resources needed to complete them, their expected income generating ability, target markets and associated risks. The Income Approach, which includes an analysis of the markets, cash flows, and risks associated with achieving such cash flows, was the primary technique utilized in valuing purchased research and development project.

The Company considered, among other factors, the importance of each project to the overall development plan, and the projected incremental cash flows from the projects when completed and any associated risks. The projected incremental cash flows were discounted back to their present value using a discount rate of 20%. This discount rate was determined after consideration of the Company's weighted average cost of capital and the weighted average return on assets. Associated risks include the inherent difficulties and uncertainties in completing each project and thereby achieving technological feasibility, anticipated levels of market acceptance and penetration, market growth rates and risks related to the impact of potential changes in future target markets. Since the acquisition date, some of the acquired in-process research and development projects have been completed and the related products have been released.

This analysis resulted in a valuation of \$33.3 million for acquired in-process research and development that had not reached technological feasibility and did not have alternative future uses. Therefore, in accordance with generally accepted accounting principles, the \$33.3 million was expensed.

The following unaudited pro forma summary presents the consolidated results of operations of the Company, excluding the charge for acquired in-process research and development, as if the acquisition of ULE had occurred at the beginning of fiscal 1996 and does not purport to be indicative of what would have occurred had the acquisition been made as of the beginning of fiscal 1996 or of results which may occur in the future.

<i>(in thousands, except per share data)</i>	
<i>Year Ended June 30,</i>	<i>1997</i>
Net sales	\$ 130,061
Net income	\$ 18,226
Diluted earnings per share	0.27

The effects of the ULE acquisition on the 1997 consolidated statement of cash flows were as follows (in thousands):

Working capital acquired	\$ 8,358
Property, plant and equipment	3,477
Prepaid lease and service agreement	1,064
Identified intangibles	4,733
Other liabilities	(5,046)
Inprocess research and development	33,314
Total purchase price	\$ 45,900

Note 10. Operating Segments and Geographic Information

JDS Uniphase adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" in fiscal 1999. Information about operating segments, geographic information and major customers for fiscal 1999, 1998 and 1997 are presented below in accordance with SFAS No. 131.

The operating segments identified below report directly to the Chief Executive Officer (“CEO”). Financial information is available for each segment, and the CEO allocates resources to each of these segments based on their net sales and operating profits before interest and taxes, and certain purchase accounting related costs. The CEO has been identified as the Chief Operating Decision Maker as defined by SFAS 131.

JDS Uniphase designs, develops, manufactures and markets optical components and modules at various levels of integration. During fiscal 1999, the Company had ten operating segments. Operating segments have been aggregated into three reportable segments based upon the criteria in SFAS 131. The Company’s reportable segments are: Active Products, Transmission and Test Products and Laser Subsystems. The Company expects to revise these segments in fiscal 2000 because of its merger of operations with JDS FITEL on June 30, 1999. The Active Products Group consists primarily of source lasers, pump lasers, wavelength stabilizing modules, external modulator products and packaged lasers for fiber based data communications. Transmission and Test Products includes transmitters, transceivers, CATV amplifiers and test instruments used for measuring optical components. The Laser Subsystems Group includes both gas and solid state laser products used in biotechnology, industrial and semiconductor wafer inspection applications. The operating segments below the quantitative threshold are disclosed in the “all other” category and consist of two emerging product operations and the former Ultrapointe product group. All of the Company’s products are sold directly to original equipment manufacturer’s and industrial distributors throughout the world.

In addition to the above mentioned operating segments, corporate sales, marketing, finance and administration groups also reported to the CEO. In fiscal 2000, the operating segments, corporate sales and marketing are expected to report to the Chief Operating Officer (COO). Where practicable, the Company allocates these expenses to operating segments, primarily as a percentage of net sales. Certain corporate-level operating expenses (primarily charges originating from purchased intangibles, merger costs, losses from the sale of product lines, and acquired-in process research and development expenses) are not allocated to operating segments. In addition, the Company does not allocate income taxes, non-operating income and expenses or specifically identifiable assets to its operating segments.

Information about reportable segments sales and net income are as follows:

<i>(in thousands)</i>				
<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	
Active Products Group:				
Net sales to external customers	\$ 162,746	\$ 82,178	\$ 35,132	
Intersegment sales	\$ 3,767	\$ 2,038	\$ 2,499	
Operating income	\$ 56,763	\$ 24,680	\$ 6,706	
Transmission and Test Group:				
Net sales to external customers	\$ 61,981	\$ 34,233	\$ 22,823	
Intersegment sales	\$ 23	\$ 431	\$ --	
Operating income	\$ 15,914	\$ 2,659	\$ 744	
Laser Subsystems Group:				
Net sales to external customers	\$ 50,376	\$ 46,282	\$ 39,894	
Intersegment sales	\$ --	\$ 375	\$ 221	
Operating income	\$ 12,825	\$ 11,770	\$ 8,414	

A reconciliation of the amounts presented from reportable segments to the applicable line items on the consolidated financial statements is as follows:

<i>(in thousands)</i>			
<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Net sales:			
Net sales to external customers by reportable segments	\$ 275,103	\$ 162,693	\$ 97,849
Intersegment sales by reportable segments	3,790	2,844	2,720
All other net sales	7,729	22,522	15,365
Elimination of intersegment sales	(3,794)	(2,844)	(2,720)
Total net sales	\$ 282,828	\$ 185,215	\$ 113,214
Income (loss) before income taxes:			
Operating income by reportable segments	\$ 85,612	\$ 39,109	\$ 15,864
All other operating income (loss)	(5,945)	(4,785)	3,509
Unallocated amounts:			
Amortization of purchased intangibles	(15,730)	(5,577)	(1,844)
Acquired in-process research and development	(210,400)	(40,268)	(33,314)
Merger costs	(5,877)	--	--
Loss on sale of product line	(882)	--	--
Other income	3,633	3,251	3,430
Income (loss) before income taxes	\$ (149,589)	\$ (8,270)	\$ (12,355)

JDS Uniphase operates primarily in two geographic regions: North America and Europe. The following table shows sales and other identifiable assets by geographic region:

<i>(in thousands)</i>			
<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Net sales:			
North America	\$ 168,456	\$ 114,701	\$ 77,534
Europe	103,798	18,691	13,138
Rest of World	10,574	51,823	22,542
Total net sales	\$ 282,828	\$ 185,215	\$ 113,214
Identifiable assets:			
North America	\$ 3,994,566	\$ 239,098	\$ 152,082
Europe	97,077	92,243	28,571
Rest of World	4,454	1,531	--
Total assets	\$ 4,096,097	\$ 332,871	\$ 180,653

Net sales are attributed to countries based on the location of customers. Rest of World includes Japan, Australia and Asia. The decline in net sales to rest of world customers from fiscal 1998 to 1999 is primarily attributable to the disposal of the Ultrapointe product line. Identifiable assets are those assets of the Company that are identified with the operations of the corresponding geographic area. Identified intangible assets and goodwill of \$3,444,215 are included in domestic assets.

During fiscal 1999 and 1997, none of the Company's customers exceeded 10% of consolidated net sales. One telecommunications customer accounted for 11% of the Company's consolidated net sales in fiscal 1998. Another customer purchased both laser subsystems and Ultrapointe Systems that accounted for a combined 11% of the Company's consolidated net sales in fiscal 1998.

Note 11. Supplemental Cash Flow Information

The consolidated statement of cash flows for fiscal 1999 excludes non cash operating and investing activities of \$184.8 million and \$3.5 billion respectively, in connection with Uniphase's merger with JDS, FITEL, Inc., whereas the consolidated statement of cash flows for fiscal 1998 excludes noncash investing activities of \$131.3 million in common stock issued to Philips. Net cash provided by operating activities reflects cash payments for interest and income taxes as follows:

<i>(in thousands)</i>			
<i>Year Ended June 30,</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Cash payments for:			
Interest	\$ 23	\$ 69	\$ 219
Income taxes	\$ 9,302	\$ 2,318	\$ 2,262

Note 12. Unaudited Quarterly Results

The following table contains selected unaudited consolidated statement of operations data for each quarter of fiscal years 1999 and 1998.

<i>(in thousands, except per share data)</i>	<i>Sept. 30, 1997</i>	<i>Dec. 31, 1997</i>	<i>Mar. 31, 1998</i>	<i>June 30, 1998</i>	<i>Sept. 30, 1998</i>	<i>Dec. 31, 1998</i>	<i>Mar. 31, 1999</i>	<i>June 30, 1999</i>
Net sales	\$ 40,022	\$ 45,479	\$ 47,922	\$ 51,792	\$ 57,420	\$ 63,772	\$ 74,502	\$ 87,134
Cost of sales	20,520	23,242	23,183	29,185	28,898	33,538	36,271	40,041
Gross profit	19,502	22,237	24,739	22,607	28,522	30,234	38,231	47,093
Operating expenses:								
Research and development	3,009	3,359	4,050	4,439	5,663	5,785	7,326	8,274
Selling, general and administrative	6,856	7,354	7,083	18,611	7,071	8,392	9,076	12,826
Amortization of purchased intangibles	417	475	457	4,228	3,884	4,018	3,905	3,923
Acquired in-process research and development	--	6,568	--	33,700	--	--	--	210,400
Other operating expenses	--	--	--	--	--	6,259	500	--
Total operating expenses	10,282	17,756	11,590	60,978	16,618	24,454	20,807	235,423
Income (loss) from operations	9,220	4,481	13,149	(38,371)	11,904	5,780	17,424	(188,330)
Interest and other income, net	762	760	750	979	919	844	885	985
Income (loss) before income taxes	9,982	5,241	13,899	(37,392)	12,823	6,624	18,309	(187,345)
Income tax expense (benefit)	3,414	3,979	4,636	(669)	4,675	4,223	5,539	7,031
Net income (loss)	\$ 6,568	\$ 1,262	\$ 9,263	\$ (36,723)	\$ 8,148	\$ 2,401	\$ 12,770	\$ (194,376)
Earnings (loss) per share ⁽¹⁾ :								
Basic	\$ 0.09	\$ 0.02	\$ 0.13	\$ (0.50)	\$ 0.10	\$ 0.03	\$ 0.16	\$ (2.40)
Diluted	\$ 0.09	\$ 0.02	\$ 0.12	\$ (0.50)	\$ 0.10	\$ 0.03	\$ 0.15	\$ (2.40)
Number of weighted average shares outstanding ⁽¹⁾ :								
Basic	70,190	70,388	70,978	72,782	78,224	79,060	80,076	80,912
Diluted	75,578	75,798	76,372	72,782	84,536	84,516	86,808	80,912
	<i>Sept. 30, 1997</i>	<i>Dec. 31, 1997</i>	<i>Mar. 31, 1998</i>	<i>June 30, 1998</i>	<i>Sept. 30, 1998</i>	<i>Dec. 31, 1998</i>	<i>Mar. 31, 1999</i>	<i>June 30, 1999</i>
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	51.3	51.1	48.4	56.4	50.3	52.6	48.7	46.0
Gross profit	48.7	48.9	51.6	43.6	49.7	47.4	51.3	54.0
Operating expenses:								
Research and development	7.5	7.4	8.5	8.6	9.9	9.1	9.8	9.5
Selling, general and administrative	17.1	16.2	14.8	35.9	12.3	13.2	12.2	14.7
Amortization of purchased intangibles	1.0	1.0	1.0	8.2	6.8	6.3	5.2	4.5
Acquired in-process research and development	--	14.4	--	65.1	--	--	--	241.5
Other operating expenses	--	--	--	--	--	9.8	.7	--
Total operating expenses	25.7	39.0	24.2	117.7	28.9	38.4	27.9	270.2
Income (loss) from operations	23.0	9.9	27.4	(74.1)	20.7	9.1	23.4	(216.1)
Interest and other income, net	1.9	1.7	1.6	1.9	1.6	1.3	1.2	1.1
Income (loss) before income taxes	24.9	11.5	29.0	(72.2)	22.3	10.4	24.6	(215.0)
Income tax expense (benefit)	8.5	8.7	9.7	(1.3)	8.1	6.6	7.4	8.1
Net income (loss)	16.4%	2.8%	19.3%	(70.9)%	14.2%	3.8%	17.1%	(223.1)%

(1) Earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly per common share information may not equal the annual earnings (loss) per common share. All share and per share information has been retroactively restated to reflect the 100% stock dividend effective July 23, 1999.

Note 13. Subsequent events

On August 4, 1999, the Company completed an underwritten public offering of shares of common stock and concurrent private offering of Exchangeable Shares of its wholly-owned subsidiary, JDS Uniphase Canada Ltd. The offerings related to 9,250,000 shares of common stock at a price of US \$82.625 per share of which 7,034,308 shares were sold by the Company and 2,215,692 shares were sold by certain stockholders of JDS Uniphase. The Exchangeable Share offering consisted of 538,600 Exchangeable Shares sold by JDS Uniphase Canada Ltd. and 211,400 Exchangeable Shares sold by certain stockholders of JDS Uniphase Canada Ltd. The net proceeds to the Company from both offerings, which will be used for general corporate purposes, aggregated approximately \$600 million.

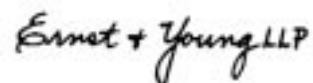
On August 25, 1999, the Company received additional proceeds of approximately \$110 million from the sale of an additional 1,387,500 shares of common stock as a result of the underwriters exercising their over-allotment option in the public offering.

The Board of Directors and Stockholders
JDS Uniphase Corporation

We have audited the accompanying consolidated balance sheets of JDS Uniphase Corporation as of June 30, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JDS Uniphase Corporation at June 30, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1999 in conformity with generally accepted accounting principles.



San Jose, California

July 23, 1999, except for Note 13, as to which the date is August 25, 1999.

Common Stock Market Price

At August 27, 1999, we had approximately 603 holders of record of our common stock and Exchangeable Shares. We had 109,751,566 Common Shares and 63,501,466 Exchangeable Shares outstanding on The Nasdaq National Market and The Toronto Stock Exchange, respectively. Holders of Exchangeable Shares may tender their holdings for common stock on a one-for-one basis at any time. The closing price on August 27, 1999, for the Common Stock and the Exchangeable Shares was \$110.19 and Canadian \$164.50, respectively. We have not paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The following high and low closing bid prices indicated for our Common Stock are as reported on The Nasdaq National Market during each of the quarters indicated.

	<i>High</i>	<i>Low</i>
Fiscal 1999 Quarter Ended:		
June 30	\$ 83.594	\$ 51.250
March 31	57.563	31.750
December 31	34.688	17.188
September 30	31.500	18.813
Fiscal 1998 Quarter Ended:		
June 30	\$ 31.500	\$ 20.313
March 31	22.078	16.594
December 31	23.250	14.250
September 30	20.094	14.469

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Business Development
General Counsel

Maurice P. Tavares

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Fiberoptic Products Group

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Annual Report to SEC

The Form 10-K Annual Report to the Securities and Exchange Commission provides certain additional information and is available to stockholders without charge upon written request to: Investor Relations
JDS Uniphase
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Stock Listing

The common stock of JDS Uniphase Corporation is traded on the Nasdaq National Market under the symbol JDSU and the exchangeable shares of JDS Uniphase Canada Ltd. are traded on The Toronto Stock Exchange under the symbol JDU.

JDS Uniphase is an equal opportunity employer



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