

## Quarterly Newsletter – March 2007

### From the Desk of CEO Kevin Kennedy

Since my last quarterly update, JDSU reached additional financial milestones with the release of our fiscal 2007 second quarter results. We reported five year highs for revenue, gross margin and net income, marking our second quarter of profitability on a non-GAAP basis. To illustrate the progress made on the bottom-line, consider that two years ago we reported non-GAAP loss per share of \$(0.16), compared to non-GAAP earnings per share of \$0.13 this past quarter, an improvement of 29 cents. At the same time, we reached or exceeded our near-term business model targets of non-GAAP gross margin greater than 40%, non-GAAP operating margin between 2% and 5%, and non-GAAP EBITDA between 6% and 9% of revenue.

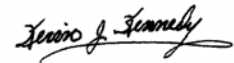
We can attribute the achievement of these goals to the widespread cost reduction initiatives introduced almost two years ago, to our focus on sales growth through both organic innovation and complementary acquisitions, as well as to the seasonally strong sales reported by our Communications Test and Measurement segment. As we have said before, some of our Communications Test and Measurement customers tend to accelerate spending just before the end of the calendar year, which held true this past December.

As far as our end markets go, we believe the environment remains

favorable as we have not seen any change to the fundamental growth drivers, which include broadband growth, the expansion of rich media content (e.g. movies viewed over the internet), and continued competition between telecom and cable service providers to deliver triple-play services (voice, video and data all on one bill). However, despite these favorable market drivers, Optical Communications revenue declined slightly in the second quarter as some customers modified their supply chains and/or inventory levels, in some cases following consolidation activity.

Although the majority of the heavy-lifting involved in our cost reduction program has been completed, additional initiatives in North America remain in progress. Related to these initiatives, we achieved our targeted \$2 million in cost savings in the second quarter, bringing the total to \$4 million. We expect to save an additional \$3 million in the third quarter, bringing the total to \$7 million, when compared to the first quarter of fiscal 2007.

Looking ahead, our objective for the rest of calendar 2007 is to find additional areas to improve profitability in order to achieve our targeted model on a sustainable basis, in the absence of seasonal strength in any one business.



### Picolight Acquisition

On February 27, 2007, JDSU announced plans to acquire privately held Picolight, Inc., a leading designer and manufacturer of optical pluggable transceivers, for approximately \$115 million in stock, plus up to an additional \$10 million in cash subject to the achievement of certain revenue targets during calendar 2007. Picolight has approximately 130 employees based in Louisville, CO. The transaction is expected to close during the quarter ending June 30, 2007.

JDSU believes that the acquisition of Picolight would support the Company's growth and margin expansion initiatives with a best-in-class vertically integrated manufacturing model and strategic integrated circuit partnership. The acquisition would also accelerate JDSU's position in the fast-growing 10 Gigabit Ethernet market, and position JDSU's roadmap for next-generation Fibre Channel and Ethernet products.

10 Gigabit Ethernet and Fibre Channel serve the datacom market, which includes any large organization, such as a corporation or a

government entity. Organizations need their own networks to quickly transport data between its users and to store large amounts of data. This is different from the telecom market, where carriers (such as AT&T) build much larger networks to carry data longer distances, e.g. between two cities.

10 Gigabit Ethernet is used to interconnect LANs (local area networks), servers, and printers used by businesses. According to a recent study by LightCounting, the market for 10 Gigabit Ethernet optical components used by enterprise-focused network equipment manufacturers, such as pluggable transceivers, is expected to grow from approximately \$200 million in 2006 to over \$650 million in 2010, at a 35% CAGR (compound annual growth rate).

Fibre channel is used for storage area networks (SAN), allowing organizations to store information. JDSU already held the #2 position in this market, which would be strengthened with the addition of Picolight.

#### Recent and Upcoming Events

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

**Fiscal 2007 2<sup>nd</sup> Quarter Earnings Results** – Jan. 31, 2007  
**Goldman Sachs Technology Conference** – Mar. 1, 2007  
**Communications Test & Measurement Webcast** – Mar. 7, 2007  
**Commercial Lasers Webcast** – Mar. 12, 2007

**Fiscal 2007 3<sup>rd</sup> Quarter Earnings Results** – TBD  
**Advanced Optical Technologies Webcast** – May 11, 2007  
**Optical Communications Webcast** – May 21, 2007  
**JPMorgan Technology Conference** – May 23, 2007

## Casabyte Acquisition

The acquisition of wireless test and measurement company, Casabyte Inc., closed on January 23, 2007 for approximately \$33 million in cash, 10% of which will be retained until the 1-year anniversary of the closing date. Casabyte is based in Renton, WA with approximately 65 employees.

The addition of Casabyte to our Communications Test and Measurement segment strengthens JDSU's position in the wireless test and measurement market. Casabyte's equipment can measure and monitor the quality of wireless services as they are delivered by mobile operators – such as Cingular – to customers, so the end user ultimately enjoys a clear viewing or listening experience via their wireless device. The acquisition broadens JDSU's well-established strength performing these same “service quality” tests for what we call “fixed wireline,” which includes land-line phone services provided by companies such as AT&T.

## Virtual Analyst Event

In February, JDSU announced a virtual Analyst Event designed to increase investors' understanding of our four addressed markets. Webcast replays of past presentations and live webcasts for future presentations are available at [www.jdsu.com/investors](http://www.jdsu.com/investors).

**Wednesday, March 7 at 1:30 p.m. Pacific Time**  
Communications Test and Measurement Product Group

**Monday, March 12 at 1:30 p.m. Pacific Time**  
Commercial Lasers Product Group

**Friday, May 11 at 1:30 p.m. Pacific Time**  
Advanced Optical Technologies Product Group

**Monday, May 21 at 1:30 p.m. Pacific Time**  
Optical Communications Product Group

## Recent News In Brief

**1/22/07** – Our Advanced Optical Technologies segment announced a new line of fluorescence filters utilizing its industry-leading and proprietary UCP-1 coating platform for use in various biomedical instrument applications. The filters are designed specifically for visual fluorescence applications used in laboratory environments conducting genetic and protein research.

**1/23/07** – In conjunction with Photonics West, North America's largest laser tradeshow, JDSU released the FCD488, the first telecom-based visible solid-state laser designed for biomedical, industrial and semiconductor applications. This innovative product demonstrates JDSU's unique capability to integrate telecom-based design into other businesses.

**1/23/07** – Also on display at Photonics West were JDSU's newest set of next generation high power diode lasers. Diode lasers can be used in a wide variety of applications, and also serve as an energy source for other lasers.

During the past few months, our **Communications T&M** team has made many announcements, including:

- The QT-50 Service Assurance Software Agent for VoIP was a recipient of INTERNET TELEPHONY Magazine's 2006 Product of the Year Award.
- The introduction of the OTU-8000, a rack-mounted, remote test unit for our optical network management system.
- New features were added to the Remote Cellular Automated Test System (RCATS), part of the company's portfolio of service assurance solutions that were acquired with Casabyte earlier this year.
- The shipment of more than 21,000 of our HST-3000 triple-play field test instrument, making it one of the industry's most widely deployed triple-play test instruments.

## Safe Harbor Statement

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

This document includes Non-GAAP financial measures where indicated. These non-GAAP financial measures complement the Company's consolidated financial statements presented in accordance with GAAP. However, these non-GAAP financial measures are not intended to supersede or replace the Company's GAAP results. A detailed reconciliation of historical GAAP results to the historical non-GAAP results is provided in the “Non-GAAP Condensed Consolidated Statement of Operations” schedule to our news release announcing the financial results of the second quarter of fiscal 2007. A discussion of the GAAP measures excluded from the forward-looking non-GAAP measures is provided in the “Business Outlook” paragraph of the news release. The news release is located in the Investor Relations section of our web site at [www.jdsu.com](http://www.jdsu.com)