

PLANTRONICS, INC.
SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2014	2013
Net revenues	\$ 216,662	\$ 202,818
Cost of revenues	101,952	97,186
Gross profit	114,710	105,632
<i>Gross profit %</i>	52.9%	52.1%
Research, development and engineering	22,520	20,863
Selling, general and administrative	56,429	48,097
Gain from litigation settlement	(2,000)	-
Restructuring and other related charges	-	723
Total operating expenses	76,949	69,683
Operating income	37,761	35,949
<i>Operating income %</i>	17.4%	17.7%
Interest and other income (expense), net	1,020	(486)
Income before income taxes	38,781	35,463
Income tax expense	10,109	8,510
Net income	\$ 28,672	\$ 26,953
<i>% of net revenues</i>	13.2%	13.3%
Earnings per common share:		
Basic	\$ 0.69	\$ 0.63
Diluted	\$ 0.68	\$ 0.62
Shares used in computing earnings per common share:		
Basic	41,619	42,692
Diluted	42,466	43,650
<i>Effective tax rate</i>	26.1%	24.0%

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UNAUDITED CONSOLIDATED BALANCE SHEETS

	<u>June 30, 2014</u>	<u>March 31, 2014</u>
ASSETS		
Cash and cash equivalents	\$ 235,250	\$ 232,704
Short-term investments	93,187	102,717
Total cash, cash equivalents and short-term investments	<u>328,437</u>	<u>335,421</u>
Accounts receivable, net	150,765	138,301
Inventory, net	60,968	57,132
Deferred tax assets	11,507	11,776
Other current assets	13,949	13,657
Total current assets	<u>565,626</u>	<u>556,287</u>
Long-term investments	108,784	100,342
Property, plant and equipment, net	137,046	134,402
Goodwill and purchased intangibles, net	16,115	16,165
Other assets	2,149	4,619
Total assets	<u>\$ 829,720</u>	<u>\$ 811,815</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 36,751	\$ 30,756
Accrued liabilities	61,489	66,851
Total current liabilities	<u>98,240</u>	<u>97,607</u>
Long-term income taxes payable	13,224	12,719
Other long-term liabilities	4,527	2,825
Total liabilities	<u>115,991</u>	<u>113,151</u>
Stockholders' equity	713,729	698,664
Total liabilities and stockholders' equity	<u>\$ 829,720</u>	<u>\$ 811,815</u>

PLANTRONICS, INC.
SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 28,672	\$ 26,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,624	4,108
Stock-based compensation	6,305	4,988
Provision for excess and obsolete inventories	379	1,783
Deferred income taxes	2,715	5,703
Excess tax benefit from stock-based compensation	(992)	(3,573)
Other operating activities	581	1,065
Changes in assets and liabilities:		
Accounts receivable, net	(12,631)	5,916
Inventory, net	(3,983)	228
Current and other assets	(970)	703
Accounts payable	5,995	(4,340)
Accrued liabilities	(4,520)	(7,277)
Income taxes	3,363	(2,117)
Cash provided by operating activities	29,538	34,140
Cash flows from investing activities		
Purchase of investments	(54,867)	(57,121)
Proceeds from maturities of investments	50,900	35,200
Proceeds from sale of investments	5,014	30,815
Capital expenditures	(7,312)	(13,014)
Cash used for investing activities	(6,265)	(4,120)
Cash flows from financing activities		
Repurchase of common stock	(12,438)	(10,766)
Proceeds from issuances under stock-based compensation plans	2,832	13,163
Employees' tax withheld and paid for restricted stock and restricted stock units	(5,787)	(4,026)
Payment of cash dividends	(6,389)	(4,368)
Excess tax benefit from stock-based compensation	992	3,573
Cash used for financing activities	(20,790)	(2,424)
Effect of exchange rate changes on cash and cash equivalents	63	(29)
Net increase (decrease) in cash and cash equivalents	2,546	27,567
Cash and cash equivalents at beginning of period	232,704	228,776
Cash and cash equivalents at end of period	\$ 235,250	\$ 256,343

PLANTRONICS, INC.
UNAUDITED RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	Three Months Ended	
	June 30,	
	2014	2013
GAAP Gross profit	\$ 114,710	\$ 105,632
Stock-based compensation	535	535
Accelerated depreciation	-	220
Lease termination charges	-	262
Non-GAAP Gross profit	<u>\$ 115,245</u>	<u>\$ 106,649</u>
<i>Non-GAAP Gross profit %</i>	<i>53.2%</i>	<i>52.6%</i>
GAAP Research, development and engineering	\$ 22,520	\$ 20,863
Stock-based compensation	(1,751)	(1,368)
Accelerated depreciation	-	(151)
Purchase accounting amortization	(50)	(50)
Non-GAAP Research, development and engineering	<u>\$ 20,719</u>	<u>\$ 19,294</u>
GAAP Selling, general and administrative	\$ 56,429	\$ 48,097
Stock-based compensation	(4,019)	(3,084)
Purchase accounting amortization	-	(71)
Non-GAAP Selling, general and administrative	<u>\$ 52,410</u>	<u>\$ 44,942</u>
GAAP Operating expenses	\$ 76,949	\$ 69,683
Stock-based compensation	(5,770)	(4,452)
Accelerated depreciation	-	(151)
Purchase accounting amortization	(50)	(121)
Restructuring and other related charges	-	(723)
Non-GAAP Operating expenses	<u>\$ 71,129</u>	<u>\$ 64,236</u>

PLANTRONICS, INC.
UNAUDITED RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS DATA (CONTINUED)

	Three Months Ended	
	June 30,	
	2014	2013
GAAP Operating income	\$ 37,761	\$ 35,949
Stock-based compensation	6,305	4,987
Accelerated depreciation	-	371
Lease termination charges	-	262
Purchase accounting amortization	50	121
Restructuring and other related charges	-	723
Non-GAAP Operating income	<u>\$ 44,116</u>	<u>\$ 42,413</u>
GAAP Net income	\$ 28,672	\$ 26,953
Stock-based compensation	6,305	4,987
Accelerated depreciation	-	371
Lease termination charges	-	262
Purchase accounting amortization	50	121
Restructuring and other related charges	-	723
Income tax effect of above items	(1,800)	(1,889)
Income tax effect of unusual tax items	(273) ⁽¹⁾	(935) ⁽²⁾
Non-GAAP Net income	<u>\$ 32,954</u>	<u>\$ 30,593</u>
GAAP Diluted earnings per common share	\$ 0.68	\$ 0.62
Stock-based compensation	0.15	0.11
Accelerated depreciation	-	0.01
Lease termination charges	-	0.01
Restructuring and other related charges	-	0.02
Income tax effect	(0.05)	(0.07)
Non-GAAP Diluted earnings per common share	<u>\$ 0.78</u>	<u>\$ 0.70</u>
Shares used in diluted earnings per common share calculation	42,466	43,650

⁽¹⁾ Excluded amount represents tax benefits from stock-based compensation and release of tax reserves.

⁽²⁾ Excluded amount represents tax benefit from stock-based compensation, accelerated depreciation, lease termination charges, purchase accounting amortization, restructuring and other related charges, and tax benefits from the release of tax reserves and transfer pricing adjustments.

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP basis, we use non-GAAP measures of operating results, which are adjusted to exclude certain non-cash expenses and charges from non-GAAP operating income, non-GAAP operating margin and non-GAAP diluted EPS, including stock-based compensation related to stock options, restricted stock and employee stock purchases made under our employee stock purchase plan, purchase accounting amortization, accelerated depreciation, and early lease termination charges, all net of the associated tax impact, tax benefits from the release of tax reserves, transfer pricing, tax deduction and tax credit adjustments, and the impact of tax law changes. We exclude these expenses from our non-GAAP measures primarily because Plantronics' management does not believe they are part of our target operating model. We believe that the use of non-GAAP financial measures provides meaningful supplemental information regarding our performance and liquidity and helps investors compare actual results with our long-term target operating model goals. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods; however, non-GAAP financial measures are not meant to be considered in isolation or as a substitute for, or superior to, gross margin, operating income, operating margin, net income or EPS prepared in accordance with GAAP.

Summary of Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures

(\$ in thousands, except per share data)

	Q114	Q214	Q314	Q414	Q115
GAAP Gross profit	\$ 105,632	\$ 99,614	\$ 110,327	\$ 111,055	\$ 114,710
Stock-based compensation	535	638	686	695	535
Accelerated depreciation	220	41	-	-	-
Lease termination charges	262	1,126	-	-	-
Non-GAAP Gross profit	<u>\$ 106,649</u>	<u>\$ 101,419</u>	<u>\$ 111,013</u>	<u>\$ 111,750</u>	<u>\$ 115,245</u>
Non-GAAP Gross profit %	52.6%	52.3%	52.2%	53.5%	53.2%
GAAP Operating expenses	\$ 69,683	\$ 68,778	\$ 72,485	\$ 75,558	\$ 76,949
Stock-based compensation	(4,452)	(5,327)	(5,357)	(5,490)	(5,770)
Accelerated depreciation	(151)	(49)	-	-	-
Lease termination charges	-	(66)	-	-	-
Purchase accounting amortization	(121)	(85)	(50)	(50)	(50)
Restructuring and other related charges	(723)	176	-	-	-
Non-GAAP Operating expenses	<u>\$ 64,236</u>	<u>\$ 63,427</u>	<u>\$ 67,078</u>	<u>\$ 70,018</u>	<u>\$ 71,129</u>
GAAP Operating income	\$ 35,949	\$ 30,836	\$ 37,842	\$ 35,497	\$ 37,761
Stock-based compensation	4,987	5,965	6,043	6,185	6,305
Accelerated depreciation	371	90	-	-	-
Lease termination charges	262	1,192	-	-	-
Purchase accounting amortization	121	85	50	50	50
Restructuring and other related charges	723	(176)	-	-	-
Non-GAAP Operating income	<u>\$ 42,413</u>	<u>\$ 37,992</u>	<u>\$ 43,935</u>	<u>\$ 41,732</u>	<u>\$ 44,116</u>
Non-GAAP Operating income %	20.9%	19.6%	20.7%	20.0%	20.4%
GAAP Income before income taxes	\$ 35,463	\$ 31,195	\$ 38,028	\$ 36,453	\$ 38,781
Stock-based compensation	4,987	5,965	6,043	6,185	6,305
Accelerated depreciation	371	90	-	-	-
Lease termination charges	262	1,192	-	-	-
Purchase accounting amortization	121	85	50	50	50
Restructuring and other related charges	723	(176)	-	-	-
Non-GAAP Income before income taxes	<u>\$ 41,927</u>	<u>\$ 38,351</u>	<u>\$ 44,121</u>	<u>\$ 42,688</u>	<u>\$ 45,136</u>
GAAP Income tax expense	\$ 8,510	\$ 8,057	\$ 3,645	\$ 8,510	\$ 10,109
Income tax effect of above items	1,889	2,072	1,799	1,738	1,800
Income tax effect of unusual tax items	935	226	5,621	650	273
Non-GAAP Income tax expense	<u>\$ 11,334</u>	<u>\$ 10,355</u>	<u>\$ 11,065</u>	<u>\$ 10,898</u>	<u>\$ 12,182</u>
Non-GAAP Income tax expense as a % of Non-GAAP Income before income taxes	27.0%	27.0%	25.1%	25.5%	27.0%

Summary of Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures

(\$ in thousands, except per share data)

	Q114	Q214	Q314	Q414	Q115
GAAP Net income	\$ 26,953	\$ 23,138	\$ 34,383	\$ 27,943	\$ 28,672
Stock-based compensation	4,987	5,965	6,043	6,185	6,305
Accelerated depreciation	371	90	-	-	-
Lease termination charges	262	1,192	-	-	-
Purchase accounting amortization	121	85	50	50	50
Restructuring and other related charges	723	(176)	-	-	-
Income tax effect of above items	(1,889)	(2,072)	(1,799)	(1,738)	(1,800)
Income tax effect of unusual tax items	(935)	(226)	(5,621)	(650)	(273)
Non-GAAP Net income	<u>\$ 30,593</u>	<u>\$ 27,996</u>	<u>\$ 33,056</u>	<u>\$ 31,790</u>	<u>\$ 32,954</u>
GAAP Diluted earnings per common share	\$ 0.62	\$ 0.53	\$ 0.80	\$ 0.65	\$ 0.68
Stock-based compensation	0.11	0.14	0.14	0.14	0.15
Accelerated depreciation	0.01	-	-	-	-
Lease termination charges	0.01	0.02	-	-	-
Restructuring and other related charges	0.02	-	-	-	-
Income tax effect	(0.07)	(0.05)	(0.18)	(0.05)	(0.05)
Non-GAAP Diluted earnings per common share	<u>\$ 0.70</u>	<u>\$ 0.64</u>	<u>\$ 0.76</u>	<u>\$ 0.74</u>	<u>\$ 0.78</u>
Shares used in diluted earnings per common share calculation	43,650	43,597	43,228	42,697	42,466

SUMMARY OF UNAUDITED GAAP DATA

(\$ in thousands)

Net revenues from unaffiliated customers:					
Enterprise	\$ 151,183	\$ 139,945	\$ 146,636	\$ 150,501	\$ 152,353
Consumer	\$ 51,635	\$ 54,035	\$ 66,103	\$ 58,569	\$ 64,309
Total net revenues	<u>\$ 202,818</u>	<u>\$ 193,980</u>	<u>\$ 212,739</u>	<u>\$ 209,070</u>	<u>\$ 216,662</u>
Net revenues by geographic area from unaffiliated customers:					
Domestic	\$ 121,318	\$ 115,795	\$ 113,042	\$ 125,123	\$ 124,467
International	81,500	78,185	99,697	83,947	92,195
Total net revenues	<u>\$ 202,818</u>	<u>\$ 193,980</u>	<u>\$ 212,739</u>	<u>\$ 209,070</u>	<u>\$ 216,662</u>

Balance Sheet accounts and metrics:					
Accounts receivable, net	\$ 120,903	\$ 123,748	\$ 133,379	\$ 138,301	\$ 150,765
Days sales outstanding (DSO)	54	57	56	60	63
Inventory, net	\$ 65,314	\$ 69,150	\$ 66,569	\$ 57,132	\$ 60,968
Inventory turns	6.0	5.5	6.2	6.9	6.7