

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
Net revenues	\$ 215,805	\$ 193,980	\$ 432,467	\$ 396,798
Cost of revenues	97,978	94,366	199,930	191,552
Gross profit	117,827	99,614	232,537	205,246
<i>Gross profit %</i>	54.6%	51.4%	53.8%	51.7%
Research, development and engineering	23,769	20,447	46,289	41,310
Selling, general and administrative	60,350	48,507	116,779	96,604
Gain from litigation settlement	(4,150)	—	(6,150)	—
Restructuring and other related charges	—	(176)	—	547
Total operating expenses	79,969	68,778	156,918	138,461
Operating income	37,858	30,836	75,619	66,785
<i>Operating income %</i>	17.5%	15.9%	17.5%	16.8%
Interest and other income (expense), net	(685)	359	335	(127)
Income before income taxes	37,173	31,195	75,954	66,658
Income tax expense	9,752	8,057	19,861	16,567
Net income	\$ 27,421	\$ 23,138	\$ 56,093	\$ 50,091
<i>% of net revenues</i>	12.7%	11.9%	13.0%	12.6%
Earnings per common share:				
Basic	\$ 0.66	\$ 0.54	\$ 1.35	\$ 1.17
Diluted	\$ 0.65	\$ 0.53	\$ 1.32	\$ 1.15
Shares used in computing earnings per common share:				
Basic	41,765	42,810	41,692	42,751
Diluted	42,505	43,597	42,560	43,667
<i>Effective tax rate</i>	26.2%	25.8%	26.1%	24.9%

PLANTRONICS, INC.
SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$ in thousands)

UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 30, 2014	March 31, 2014
ASSETS		
Cash and cash equivalents	\$ 268,229	\$ 232,704
Short-term investments	90,290	102,717
Total cash, cash equivalents and short-term investments	358,519	335,421
Accounts receivable, net	140,427	138,301
Inventory, net	63,551	57,132
Deferred tax assets	11,255	11,776
Other current assets	18,420	13,657
Total current assets	592,172	556,287
Long-term investments	111,720	100,342
Property, plant and equipment, net	138,324	134,402
Goodwill and purchased intangibles, net	16,204	16,165
Other assets	2,929	4,619
Total assets	\$ 861,349	\$ 811,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 38,914	\$ 30,756
Accrued liabilities	56,129	66,851
Total current liabilities	95,043	97,607
Long-term income taxes payable	13,776	12,719
Other long-term liabilities	5,010	2,825
Total liabilities	113,829	113,151
Stockholders' equity	747,520	698,664
Total liabilities and stockholders' equity	\$ 861,349	\$ 811,815

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Cash flows from operating activities				
Net Income	\$ 27,421	\$ 23,138	\$ 56,093	\$ 50,091
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,464	3,783	9,088	7,891
Stock-based compensation	7,387	5,965	13,692	10,953
Provision for excess and obsolete inventories	186	1,498	565	3,281
Deferred income taxes	(946)	(410)	1,769	5,293
Excess tax benefit from stock-based compensation	(692)	(513)	(1,684)	(4,086)
Other operating activities	(1,685)	135	(1,104)	1,200
Changes in assets and liabilities:				
Accounts receivable, net	10,999	(2,834)	(1,632)	3,082
Inventory, net	(1,136)	(4,780)	(5,119)	(4,552)
Current and other assets	(1,961)	(1,362)	(2,931)	(659)
Accounts payable	2,163	(3,227)	8,158	(7,567)
Accrued liabilities	(3,251)	3,392	(7,771)	(3,885)
Income taxes	(456)	(1,319)	2,907	(3,436)
Cash provided by operating activities	42,493	23,466	72,031	57,606
Cash flows from investing activities				
Purchase of investments	(44,358)	(59,233)	(99,225)	(116,354)
Proceeds from maturities of investments	30,375	19,770	81,275	54,970
Proceeds from sale of investments	15,937	34,315	20,951	65,130
Acquisitions, net of cash acquired	(150)	—	(150)	—
Capital expenditures	(6,107)	(14,199)	(13,419)	(27,213)
Cash provided by (used for) investing activities	(4,303)	(19,347)	(10,568)	(23,467)
Cash flows from financing activities				
Repurchase of common stock	(6,479)	(16,547)	(18,917)	(27,313)
Proceeds from issuances under stock-based compensation plans	8,592	5,474	11,424	18,637
Employees' tax withheld and paid for restricted stock and restricted stock units	(448)	(343)	(6,235)	(4,369)
Payment of cash dividends	(6,447)	(4,397)	(12,836)	(8,765)
Excess tax benefit from stock-based compensation	692	513	1,684	4,086
Cash used for financing activities	(4,090)	(15,300)	(24,880)	(17,724)
Effect of exchange rate changes on cash and cash equivalents	(1,121)	818	(1,058)	789
Net increase (decrease) in cash and cash equivalents	32,979	(10,363)	35,525	17,204
Cash and cash equivalents at beginning of period	235,250	256,343	232,704	228,776
Cash and cash equivalents at end of period	\$ 268,229	\$ 245,980	\$ 268,229	\$ 245,980

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 September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
GAAP Gross profit	\$ 117,827	\$ 99,614	\$ 232,537	\$ 205,246
Stock-based compensation	668	638	1,203	1,173
Accelerated depreciation	—	41	—	261
Lease termination charges	—	1,126	—	1,388
Non-GAAP Gross profit	<u>\$ 118,495</u>	<u>\$ 101,419</u>	<u>\$ 233,740</u>	<u>\$ 208,068</u>
<i>Non-GAAP Gross profit %</i>	<i>54.9%</i>	<i>52.3%</i>	<i>54.0%</i>	<i>52.4%</i>
GAAP Research, development and engineering	\$ 23,769	\$ 20,447	\$ 46,289	\$ 41,310
Stock-based compensation	(2,115)	(1,652)	(3,866)	(3,020)
Accelerated depreciation	—	(49)	—	(200)
Lease termination charges	—	(21)	—	(21)
Purchase accounting amortization	(61)	(50)	(111)	(100)
Non-GAAP Research, development and engineering	<u>\$ 21,593</u>	<u>\$ 18,675</u>	<u>\$ 42,312</u>	<u>\$ 37,969</u>
GAAP Selling, general and administrative	\$ 60,350	\$ 48,507	\$ 116,779	\$ 96,604
Stock-based compensation	(4,604)	(3,675)	(8,623)	(6,759)
Lease termination charges	—	(45)	—	(45)
Purchase accounting amortization	—	(35)	—	(106)
Non-GAAP Selling, general and administrative	<u>\$ 55,746</u>	<u>\$ 44,752</u>	<u>\$ 108,156</u>	<u>\$ 89,694</u>
GAAP Operating expenses	\$ 79,969	\$ 68,778	\$ 156,918	\$ 138,461
Stock-based compensation	(6,719)	(5,327)	(12,489)	(9,779)
Accelerated depreciation	—	(49)	—	(200)
Lease termination charges	—	(66)	—	(66)
Purchase accounting amortization	(61)	(85)	(111)	(206)
Restructuring and other related charges	—	176	—	(547)
Non-GAAP Operating expenses	<u>\$ 73,189</u>	<u>\$ 63,427</u>	<u>\$ 144,318</u>	<u>\$ 127,663</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 September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
GAAP Operating income	\$ 37,858	\$ 30,836	\$ 75,619	\$ 66,785
Stock-based compensation	7,387	5,965	13,692	10,952
Accelerated depreciation	—	90	—	461
Lease termination charges	—	1,192	—	1,454
Purchase accounting amortization	61	85	111	206
Restructuring and other related charges	—	(176)	—	547
Non-GAAP Operating income	<u>\$ 45,306</u>	<u>\$ 37,992</u>	<u>\$ 89,422</u>	<u>\$ 80,405</u>
GAAP Net income	\$ 27,421	\$ 23,138	\$ 56,093	\$ 50,091
Stock-based compensation	7,387	5,965	13,692	10,952
Accelerated depreciation	—	90	—	461
Lease termination charges	—	1,192	—	1,454
Purchase accounting amortization	61	85	111	206
Restructuring and other related charges	—	(176)	—	547
Income tax effect of above items	(2,250)	(2,072)	(4,050)	(3,961)
Income tax effect of unusual tax items	(74) ⁽¹⁾	(226) ⁽¹⁾	(347) ⁽¹⁾	(1,161) ⁽²⁾
Non-GAAP Net income	<u>\$ 32,545</u>	<u>\$ 27,996</u>	<u>\$ 65,499</u>	<u>\$ 58,589</u>
GAAP Diluted earnings per common share	\$ 0.65	\$ 0.53	\$ 1.32	\$ 1.15
Stock-based compensation	0.17	0.14	0.32	0.25
Accelerated depreciation	—	—	—	0.01
Lease termination charges	—	0.02	—	0.03
Restructuring and other related charges	—	—	—	0.02
Income tax effect	(0.05)	(0.05)	(0.10)	(0.12)
Non-GAAP Diluted earnings per common share	<u>\$ 0.77</u>	<u>\$ 0.64</u>	<u>\$ 1.54</u>	<u>\$ 1.34</u>
Shares used in diluted earnings per common share calculation	42,505	43,597	42,560	43,667

⁽¹⁾ Excluded amount represents tax benefits from the release of tax reserves.

⁽²⁾ Excluded amount represents 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 and other Unaudited GAAP Data

(\$ in thousands, except per share data)

	Q114	Q214	Q314	Q414	Q115	Q215
GAAP Gross profit	\$ 105,632	\$ 99,614	\$ 110,327	\$ 111,055	\$ 114,710	\$ 117,827
Stock-based compensation	535	638	686	695	535	668
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>	<u>\$ 118,495</u>
Non-GAAP Gross profit %	52.6%	52.3%	52.2%	53.5%	53.2%	54.9%
GAAP Operating expenses	\$ 69,683	\$ 68,778	\$ 72,485	\$ 75,558	\$ 76,949	\$ 79,969
Stock-based compensation	(4,452)	(5,327)	(5,357)	(5,490)	(5,770)	(6,719)
Accelerated depreciation	(151)	(49)	—	—	—	—
Lease termination charges	—	(66)	—	—	—	—
Purchase accounting amortization	(121)	(85)	(50)	(50)	(50)	(61)
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>	<u>\$ 73,189</u>
GAAP Operating income	\$ 35,949	\$ 30,836	\$ 37,842	\$ 35,497	\$ 37,761	\$ 37,858
Stock-based compensation	4,987	5,965	6,043	6,185	6,305	7,387
Accelerated depreciation	371	90	—	—	—	—
Lease termination charges	262	1,192	—	—	—	—
Purchase accounting amortization	121	85	50	50	50	61
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>	<u>\$ 45,306</u>
Non-GAAP Operating income %	20.9%	19.6%	20.7%	20.0%	20.4%	21.0%
GAAP Income before income taxes	\$ 35,463	\$ 31,195	\$ 38,028	\$ 36,453	\$ 38,781	\$ 37,173
Stock-based compensation	4,987	5,965	6,043	6,185	6,305	7,387
Accelerated depreciation	371	90	—	—	—	—
Lease termination charges	262	1,192	—	—	—	—
Purchase accounting amortization	121	85	50	50	50	61
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>	<u>\$ 44,621</u>
GAAP Income tax expense	\$ 8,510	\$ 8,057	\$ 3,645	\$ 8,510	\$ 10,109	\$ 9,752
Income tax effect of above items	1,889	2,072	1,799	1,738	1,800	2,250
Income tax effect of unusual tax items	935	226	5,621	650	273	74
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>	<u>\$ 12,076</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%	27.1%

Summary of Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures and other Unaudited GAAP Data (Continued)

(\$ in thousands, except per share data)

	Q114	Q214	Q314	Q414	Q115	Q215
GAAP Net income	\$ 26,953	\$ 23,138	\$ 34,383	\$ 27,943	\$ 28,672	\$ 27,421
Stock-based compensation	4,987	5,965	6,043	6,185	6,305	7,387
Accelerated depreciation	371	90	—	—	—	—
Lease termination charges	262	1,192	—	—	—	—
Purchase accounting amortization	121	85	50	50	50	61
Restructuring and other related charges	723	(176)	—	—	—	—
Income tax effect of above items	(1,889)	(2,072)	(1,799)	(1,738)	(1,800)	(2,250)
Income tax effect of unusual tax items	(935)	(226)	(5,621)	(650)	(273)	(74)
Non-GAAP Net income	<u>\$ 30,593</u>	<u>\$ 27,996</u>	<u>\$ 33,056</u>	<u>\$ 31,790</u>	<u>\$ 32,954</u>	<u>\$ 32,545</u>
GAAP Diluted earnings per common share	\$ 0.62	\$ 0.53	\$ 0.80	\$ 0.65	\$ 0.68	\$ 0.65
Stock-based compensation	0.11	0.14	0.14	0.14	0.15	0.17
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)	(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>	<u>\$ 0.77</u>
Shares used in diluted earnings per common share calculation	43,650	43,597	43,228	42,697	42,466	42,505

SUMMARY OF UNAUDITED GAAP DATA

(\$ in thousands)

Net revenues from unaffiliated customers:						
Enterprise	\$ 151,183	\$ 139,945	\$ 146,636	\$ 150,501	\$ 152,353	\$ 156,680
Consumer	51,635	54,035	66,103	58,569	64,309	59,125
Total net revenues	<u>\$ 202,818</u>	<u>\$ 193,980</u>	<u>\$ 212,739</u>	<u>\$ 209,070</u>	<u>\$ 216,662</u>	<u>\$ 215,805</u>
Net revenues by geographic area from unaffiliated customers:						
Domestic	\$ 121,318	\$ 115,795	\$ 113,042	\$ 125,123	\$ 124,467	\$ 123,697
International	81,500	78,185	99,697	83,947	92,195	92,108
Total net revenues	<u>\$ 202,818</u>	<u>\$ 193,980</u>	<u>\$ 212,739</u>	<u>\$ 209,070</u>	<u>\$ 216,662</u>	<u>\$ 215,805</u>

Balance Sheet accounts and metrics:

Accounts receivable, net	\$ 120,903	\$ 123,748	\$ 133,379	\$ 138,301	\$ 150,765	\$ 140,427
Days sales outstanding (DSO)	54	57	56	60	63	59
Inventory, net	\$ 65,314	\$ 69,150	\$ 66,569	\$ 57,132	\$ 60,968	\$ 63,551
Inventory turns	6.0	5.5	6.2	6.9	6.7	6.2