

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2014	2015	2014	2015
Net revenues	\$ 215,805	\$ 215,017	\$ 432,467	\$ 421,375
Cost of revenues	97,978	104,047	199,930	203,047
Gross profit	117,827	110,970	232,537	218,328
<i>Gross profit %</i>	<i>54.6%</i>	<i>51.6%</i>	<i>53.8%</i>	<i>51.8%</i>
Research, development and engineering	23,769	22,609	46,289	45,803
Selling, general and administrative	60,350	54,296	116,779	109,974
Gain from litigation settlements	(4,150)	(31)	(6,150)	(907)
Total operating expenses	79,969	76,874	156,918	154,870
Operating income	37,858	34,096	75,619	63,458
<i>Operating income %</i>	<i>17.5%</i>	<i>15.9%</i>	<i>17.5%</i>	<i>15.1%</i>
Interest expense	(142)	(7,320)	(150)	(10,061)
Other non-operating income and (expense), net	(543)	(2,138)	485	(2,423)
Income before income taxes	37,173	24,638	75,954	50,974
Income tax expense	9,752	6,742	19,861	11,850
Net income	<u>\$ 27,421</u>	<u>\$ 17,896</u>	<u>\$ 56,093</u>	<u>\$ 39,124</u>
<i>% of net revenues</i>	<i>12.7%</i>	<i>8.3%</i>	<i>13.0%</i>	<i>9.3%</i>
Earnings per common share:				
Basic	\$ 0.66	\$ 0.53	\$ 1.35	\$ 1.09
Diluted	\$ 0.65	\$ 0.52	\$ 1.32	\$ 1.07
Shares used in computing earnings per common share:				
Basic	41,765	33,590	41,692	35,796
Diluted	42,505	34,245	42,560	36,676
<i>Effective tax rate</i>	<i>26.2%</i>	<i>27.4%</i>	<i>26.1%</i>	<i>23.2%</i>

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

UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2015	September 30, 2015
ASSETS		
Cash and cash equivalents	\$ 276,850	\$ 304,836
Short-term investments	97,859	119,607
Total cash, cash equivalents and short-term investments	374,709	424,443
Accounts receivable, net	136,581	139,939
Inventory, net	56,676	57,760
Deferred tax assets	6,564	6,518
Other current assets	28,124	30,464
Total current assets	602,654	659,124
Long-term investments	107,590	81,132
Property, plant and equipment, net	139,413	143,188
Goodwill and purchased intangibles, net	16,077	15,952
Other assets	10,308	7,791
Total assets	<u>\$ 876,042</u>	<u>\$ 907,187</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 32,781	\$ 43,172
Accrued liabilities	62,041	60,764
Total current liabilities	94,822	103,936
Long-term debt, net of issuance costs	—	488,884
Long-term income taxes payable	12,984	12,574
Revolving line of credit	34,500	—
Other long-term liabilities	6,339	8,831
Total liabilities	148,645	614,225
Stockholders' equity	727,397	292,962
Total liabilities and stockholders' equity	<u>\$ 876,042</u>	<u>\$ 907,187</u>

PLANTRONICS, INC.
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	2015	2014	2015
Cash flows from operating activities				
Net Income	\$ 27,421	\$ 17,896	\$ 56,093	\$ 39,124
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,464	4,833	9,088	9,819
Amortization of debt issuance cost	—	362	—	483
Stock-based compensation	7,387	8,832	13,692	16,882
Excess tax benefit from stock-based compensation	(692)	(759)	(1,684)	(3,150)
Deferred income taxes	(946)	(1,339)	1,769	2,807
Provision for excess and obsolete inventories	186	682	565	1,084
Other operating activities	(1,685)	(1,500)	(1,104)	3,037
Changes in assets and liabilities:				
Accounts receivable, net	10,999	(11,404)	(1,632)	(2,825)
Inventory, net	(1,136)	(2,524)	(5,119)	(2,166)
Current and other assets	(1,961)	679	(2,931)	(2,190)
Accounts payable	2,163	4,058	8,158	9,016
Accrued liabilities	(3,251)	6,883	(7,771)	671
Income taxes	(456)	(3,725)	2,907	(6,144)
Cash provided by operating activities	42,493	22,974	72,031	66,448
Cash flows from investing activities				
Proceeds from sale of investments	15,937	8,454	20,951	24,829
Proceeds from maturities of investments	30,375	14,980	81,275	40,405
Purchase of investments	(44,358)	(17,757)	(99,225)	(61,591)
Acquisitions, net of cash acquired	(150)	—	(150)	—
Capital expenditures	(6,107)	(9,126)	(13,419)	(13,092)
Cash used for investing activities	(4,303)	(3,449)	(10,568)	(9,449)
Cash flows from financing activities				
Repurchase of common stock	(6,479)	(188,776)	(18,917)	(473,220)
Employees' tax withheld and paid for restricted stock and restricted stock units	(448)	(596)	(6,235)	(10,499)
Proceeds from issuances under stock-based compensation plans	8,592	5,994	11,424	9,071
Proceeds from revolving line of credit	—	—	—	155,749
Repayments of revolving line of credit	—	—	—	(190,249)
Proceeds from bonds issuance, net	—	(1,269)	—	488,401
Payment of cash dividends	(6,447)	(5,158)	(12,836)	(10,986)
Excess tax benefit from stock-based compensation	692	759	1,684	3,150
Cash used for financing activities	(4,090)	(189,046)	(24,880)	(28,583)
Effect of exchange rate changes on cash and cash equivalents	(1,121)	(1,022)	(1,058)	(430)
Net increase (decrease) in cash and cash equivalents	32,979	(170,543)	35,525	27,986
Cash and cash equivalents at beginning of period	235,250	475,379	232,704	276,850
Cash and cash equivalents at end of period	\$ 268,229	\$ 304,836	\$ 268,229	\$ 304,836

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		Six Months Ended	
	September 30,		September 30,	
	2014	2015	2014	2015
GAAP Gross profit	\$ 117,827	\$ 110,970	\$ 232,537	\$ 218,328
Stock-based compensation	668	879	1,203	1,658
Non-GAAP Gross profit	<u>\$ 118,495</u>	<u>\$ 111,849</u>	<u>\$ 233,740</u>	<u>\$ 219,986</u>
<i>Non-GAAP Gross profit %</i>	<i>54.9%</i>	<i>52.0%</i>	<i>54.0%</i>	<i>52.2%</i>
GAAP Research, development and engineering	\$ 23,769	\$ 22,609	\$ 46,289	\$ 45,803
Stock-based compensation	(2,115)	(2,619)	(3,866)	(4,978)
Purchase accounting amortization	(61)	(63)	(111)	(125)
Non-GAAP Research, development and engineering	<u>\$ 21,593</u>	<u>\$ 19,927</u>	<u>\$ 42,312</u>	<u>\$ 40,700</u>
GAAP Selling, general and administrative	\$ 60,350	\$ 54,296	\$ 116,779	\$ 109,974
Stock-based compensation	(4,604)	(5,334)	(8,623)	(10,246)
Non-GAAP Selling, general and administrative	<u>\$ 55,746</u>	<u>\$ 48,962</u>	<u>\$ 108,156</u>	<u>\$ 99,728</u>
GAAP Operating expenses	\$ 79,969	\$ 76,874	\$ 156,918	\$ 154,870
Stock-based compensation	(6,719)	(7,953)	(12,489)	(15,224)
Purchase accounting amortization	(61)	(63)	(111)	(125)
Non-GAAP Operating expenses	<u>\$ 73,189</u>	<u>\$ 68,858</u>	<u>\$ 144,318</u>	<u>\$ 139,521</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	2015	2014	2015
GAAP Operating income	\$ 37,858	\$ 34,096	\$ 75,619	\$ 63,458
Stock-based compensation	7,387	8,832	13,692	16,882
Purchase accounting amortization	61	63	111	125
Non-GAAP Operating income	<u>\$ 45,306</u>	<u>\$ 42,991</u>	<u>\$ 89,422</u>	<u>\$ 80,465</u>
GAAP Net income	\$ 27,421	\$ 17,896	\$ 56,093	\$ 39,124
Stock-based compensation	7,387	8,832	13,692	16,882
Purchase accounting amortization	61	63	111	125
Income tax effect of above items	(2,250)	(2,656)	(4,050)	(4,994)
Income tax effect of unusual tax items	(74) ⁽¹⁾	(177) ⁽¹⁾	(347) ⁽¹⁾	(1,171) ⁽¹⁾
Non-GAAP Net income	<u>\$ 32,545</u>	<u>\$ 23,958</u>	<u>\$ 65,499</u>	<u>\$ 49,966</u>
GAAP Diluted earnings per common share	\$ 0.65	\$ 0.52	\$ 1.32	\$ 1.07
Stock-based compensation	0.17	0.26	0.32	0.46
Income tax effect	(0.05)	(0.08)	(0.10)	(0.17)
Non-GAAP Diluted earnings per common share	<u>\$ 0.77</u>	<u>\$ 0.70</u>	<u>\$ 1.54</u>	<u>\$ 1.36</u>
Shares used in diluted earnings per common share calculation	42,505	34,245	42,560	36,676

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

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.

As a company with significant global operations and sales, fluctuations in foreign currency exchange rates may have a material effect on our reported results. Consequently, we also present supplemental metrics as identified in the reconciliation within this release "on a constant currency basis" which excludes the impact of currency exchange rate fluctuations. The constant currency presentation, which is a non-GAAP measure, is intended to supplement our reported operating results and, when considered in conjunction with the corresponding GAAP measures, facilitate a better understanding of changes in the metrics from period to period and the core operations of the Company. We calculate constant currency percentages by removing any hedge gains or losses from the particular metric in the current period and then converting our current period local currency financial results using the foreign currency exchange rates in effect during the prior year period and comparing these adjusted amounts to the corresponding current period metric.

We are also presenting additional "Adjusted Non-GAAP" metrics. These metrics are calculated on a constant currency basis and exclude the impact of our Q2 FY16 customer discount reserve adjustment. We have reconciled these Adjusted Non-GAAP metrics within the tables at the end of this press release.

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

(\$ in thousands, except per share data)

	Q115	Q215	Q315	Q415	Q116	Q216
GAAP Gross profit	\$ 114,710	\$ 117,827	\$ 119,916	\$ 109,166	\$ 107,358	\$ 110,970
Stock-based compensation	535	668	685	695	779	879
Non-GAAP Gross profit	<u>\$ 115,245</u>	<u>\$ 118,495</u>	<u>\$ 120,601</u>	<u>\$ 109,861</u>	<u>\$ 108,137</u>	<u>\$ 111,849</u>
<i>Non-GAAP Gross profit %</i>	<i>53.2%</i>	<i>54.9%</i>	<i>52.0%</i>	<i>54.7%</i>	<i>52.4%</i>	<i>52.0%</i>
GAAP Operating expenses	\$ 76,949	\$ 79,969	\$ 79,302	\$ 76,314	\$ 77,996	\$ 76,874
Stock-based compensation	(5,770)	(6,719)	(6,745)	(6,774)	(7,271)	(7,953)
Purchase accounting amortization	(50)	(61)	(64)	(63)	(62)	(63)
Non-GAAP Operating expenses	<u>\$ 71,129</u>	<u>\$ 73,189</u>	<u>\$ 72,493</u>	<u>\$ 69,477</u>	<u>\$ 70,663</u>	<u>\$ 68,858</u>
GAAP Operating income	\$ 37,761	\$ 37,858	\$ 40,614	\$ 32,852	\$ 29,362	\$ 34,096
Stock-based compensation	6,305	7,387	7,430	7,469	8,050	8,832
Purchase accounting amortization	50	61	64	63	62	63
Non-GAAP Operating income	<u>\$ 44,116</u>	<u>\$ 45,306</u>	<u>\$ 48,108</u>	<u>\$ 40,384</u>	<u>\$ 37,474</u>	<u>\$ 42,991</u>
<i>Non-GAAP Operating income %</i>	<i>20.4%</i>	<i>21.0%</i>	<i>20.8%</i>	<i>20.1%</i>	<i>18.2%</i>	<i>20.0%</i>
<i>GAAP Income before income taxes</i>	<i>\$ 38,781</i>	<i>\$ 37,173</i>	<i>\$ 38,596</i>	<i>\$ 30,701</i>	<i>\$ 26,336</i>	<i>\$ 24,638</i>
Stock-based compensation	6,305	7,387	7,430	7,469	8,050	8,832
Purchase accounting amortization	50	61	64	63	62	63
Non-GAAP Income before income taxes	<u>\$ 45,136</u>	<u>\$ 44,621</u>	<u>\$ 46,090</u>	<u>\$ 38,233</u>	<u>\$ 34,448</u>	<u>\$ 33,533</u>
GAAP Income tax expense	\$ 10,109	\$ 9,752	\$ 8,212	\$ 4,877	\$ 5,108	\$ 6,742
Income tax effect of above items	1,800	2,250	2,204	2,252	2,338	2,656
Income tax effect of unusual tax items	273	74	2,028	489	994	177
Non-GAAP Income tax expense	<u>\$ 12,182</u>	<u>\$ 12,076</u>	<u>\$ 12,444</u>	<u>\$ 7,618</u>	<u>\$ 8,440</u>	<u>\$ 9,575</u>
<i>Non-GAAP Income tax expense as a % of Non-GAAP Income before income taxes</i>	<i>27.0%</i>	<i>27.1%</i>	<i>27.0%</i>	<i>19.9%</i>	<i>24.5%</i>	<i>28.6%</i>

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

(\$ in thousands, except per share data)

	Q115	Q215	Q315	Q415	Q116	Q216
GAAP Net income	\$ 28,672	\$ 27,421	\$ 30,384	\$ 25,824	\$ 21,228	\$ 17,896
Stock-based compensation	6,305	7,387	7,430	7,469	8,050	8,832
Purchase accounting amortization	50	61	64	63	62	63
Income tax effect of above items	(1,800)	(2,250)	(2,204)	(2,252)	(2,338)	(2,656)
Income tax effect of unusual tax items	(273)	(74)	(2,028)	(489)	(994)	(177)
Non-GAAP Net income	<u>\$ 32,954</u>	<u>\$ 32,545</u>	<u>\$ 33,646</u>	<u>\$ 30,615</u>	<u>\$ 26,008</u>	<u>\$ 23,958</u>
GAAP Diluted earnings per common share	\$ 0.68	\$ 0.65	\$ 0.71	\$ 0.61	\$ 0.55	\$ 0.52
Stock-based compensation	0.15	0.17	0.18	0.17	0.21	0.26
Income tax effect	(0.05)	(0.05)	(0.10)	(0.06)	(0.09)	(0.08)
Non-GAAP Diluted earnings per common share	<u>\$ 0.78</u>	<u>\$ 0.77</u>	<u>\$ 0.79</u>	<u>\$ 0.72</u>	<u>\$ 0.67</u>	<u>\$ 0.70</u>
Shares used in diluted earnings per common share calculation	42,466	42,505	42,700	42,482	38,943	34,245

SUMMARY OF UNAUDITED GAAP DATA

(\$ in thousands)

Net revenues from unaffiliated customers:						
Enterprise	\$ 152,354	\$ 156,680	\$ 161,591	\$ 148,660	\$ 151,757	\$ 160,468
Consumer	64,308	59,125	70,190	52,102	54,601	54,549
Total net revenues	<u>\$ 216,662</u>	<u>\$ 215,805</u>	<u>\$ 231,781</u>	<u>\$ 200,762</u>	<u>\$ 206,358</u>	<u>\$ 215,017</u>
Net revenues by geographic area from unaffiliated customers:						
Domestic	\$ 124,467	\$ 123,697	\$ 123,092	\$ 116,351	\$ 117,578	\$ 123,803
International	92,195	92,108	108,689	84,411	88,780	91,214
Total net revenues	<u>\$ 216,662</u>	<u>\$ 215,805</u>	<u>\$ 231,781</u>	<u>\$ 200,762</u>	<u>\$ 206,358</u>	<u>\$ 215,017</u>

Balance Sheet accounts and metrics:						
Accounts receivable, net	\$ 150,765	\$ 140,427	\$ 157,322	\$ 136,581	\$ 127,160	\$ 139,939
Days sales outstanding (DSO)	63	59	61	61	55	59
Inventory, net	\$ 60,968	\$ 63,551	\$ 57,724	\$ 56,676	\$ 55,918	\$ 57,760
Inventory turns	6.7	6.2	7.8	6.5	7.1	7.2

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

(\$ in millions, except per share data)

Net Revenues	Q2'15 (\$)	Q2'16 (\$)	Change (\$)	Change (%)
Net Revenues as reported (GAAP)	\$ 215.8	\$ 215.0	\$ (0.8)	0 %
Less Hedge Gains	—	(2.2)		
Impact of Year over Year Foreign Currency Exchange Rate Movements	—	10.5		
Constant Currency Revenues (Non-GAAP)	—	223.3		
Impact of Customer Reserve Adjustment	—	3.6		
Adjusted Revenues (Non-GAAP)	\$ 215.8	\$ 226.9	\$ 11.1	5 %

Operating Income	Q2'15 (\$)	Q2'15 (%)	Q2'16 (\$)	Q2'16 (%)
Operating Income as reported (GAAP)	\$ 37.9	17.6%	\$ 34.1	15.9 %
Stock-based compensation & Purchase accounting amortization	7.4		8.9	
Non-GAAP Operating Income	45.3	21.0%	43.0	20.0 %
Less Hedge Gains, net	—		(1.0)	
Impact of Year over Year Foreign Currency Exchange Rate Movements	—		4.3	
Constant Currency Operating Income (Non-GAAP)	—		46.3	20.7 %
Impact of Customer Reserve Adjustment	—		3.6	
Adjusted Operating Income (Non-GAAP)	\$ 45.3	21.0%	\$ 49.9	22.0 %

Diluted Earnings per Common Share ("EPS")	Q2'15 (\$)	Q2'16 (\$)	Change (\$)	Change (%)
Diluted EPS (GAAP)	\$ 0.65	\$ 0.52	\$ (0.13)	(20)%
Stock-based compensation	0.17	0.26		
Income Tax Effect	(0.05)	(0.08)		
Non-GAAP Diluted EPS	0.77	0.70	(0.07)	(9)%
Less Hedge Gains, net of tax	—	(0.05)		
Impact of Year over Year Foreign Currency Exchange Rate Movements, net of tax	—	0.16		
Constant Currency Diluted EPS (Non-GAAP)	—	0.81		
Impact of Customer Reserve Adjustment, net of tax	—	0.08		
Adjusted Diluted EPS (Non-GAAP)	\$ 0.77	\$ 0.89	\$ 0.12	16 %