

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2014	2015	2014	2015
Net revenues	\$ 231,781	\$ 225,735	\$ 664,248	\$ 647,110
Cost of revenues	111,865	116,219	311,795	319,266
Gross profit	119,916	109,516	352,453	327,844
<i>Gross profit %</i>	<i>51.7%</i>	<i>48.5%</i>	<i>53.1%</i>	<i>50.7%</i>
Research, development and engineering	22,991	20,811	69,280	66,614
Selling, general and administrative	57,977	53,715	174,756	163,689
Gain from litigation settlements	(1,666)	(91)	(7,816)	(998)
Restructuring and other related charges	—	8,433	—	8,433
Total operating expenses	79,302	82,868	236,220	237,738
Operating income	40,614	26,648	116,233	90,106
<i>Operating income %</i>	<i>17.5%</i>	<i>11.8%</i>	<i>17.5%</i>	<i>13.9%</i>
Interest expense	(59)	(7,217)	(209)	(17,278)
Other non-operating income and (expense), net	(1,959)	398	(1,474)	(2,025)
Income before income taxes	38,596	19,829	114,550	70,803
Income tax expense	8,212	3,541	28,073	15,391
Net income	<u>\$ 30,384</u>	<u>\$ 16,288</u>	<u>\$ 86,477</u>	<u>\$ 55,412</u>
<i>% of net revenues</i>	<i>13.1%</i>	<i>7.2%</i>	<i>13.0%</i>	<i>8.6%</i>
Earnings per common share:				
Basic	\$ 0.73	\$ 0.50	\$ 2.07	\$ 1.60
Diluted	\$ 0.71	\$ 0.49	\$ 2.03	\$ 1.56
Shares used in computing earnings per common share:				
Basic	41,901	32,579	41,780	34,723
Diluted	42,700	33,259	42,674	35,588
<i>Effective tax rate</i>	<i>21.3%</i>	<i>17.9%</i>	<i>24.5%</i>	<i>21.7%</i>

PLANTRONICS, INC.
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(\$ in thousands)

UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2015	December 31, 2015
ASSETS		
Cash and cash equivalents	\$ 276,850	\$ 219,091
Short-term investments	97,859	166,257
Total cash, cash equivalents and short-term investments	374,709	385,348
Accounts receivable, net	136,581	136,402
Inventory, net	56,676	55,650
Deferred tax assets	6,564	6,548
Other current assets	28,124	28,403
Total current assets	602,654	612,351
Long-term investments	107,590	135,164
Property, plant and equipment, net	139,413	145,349
Goodwill and purchased intangibles, net	16,077	15,890
Other assets	10,308	8,767
Total assets	<u>\$ 876,042</u>	<u>\$ 917,521</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 32,781	\$ 39,738
Accrued liabilities	62,041	63,161
Total current liabilities	94,822	102,899
Long-term debt, net of issuance costs	—	489,246
Long-term income taxes payable	12,984	12,219
Revolving line of credit	34,500	—
Other long-term liabilities	6,339	9,730
Total liabilities	148,645	614,094
Stockholders' equity	727,397	303,427
Total liabilities and stockholders' equity	<u>\$ 876,042</u>	<u>\$ 917,521</u>

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2014	2015	2014	2015
Cash flows from operating activities				
Net Income	\$ 30,384	\$ 16,288	\$ 86,477	\$ 55,412
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,887	5,019	13,975	14,838
Amortization of debt issuance cost	—	362	—	845
Stock-based compensation	7,430	7,717	21,122	24,599
Excess tax benefit from stock-based compensation	(1,304)	(150)	(2,988)	(3,300)
Deferred income taxes	(115)	(622)	1,654	2,185
Provision for excess and obsolete inventories	427	235	992	1,319
Non-cash restructuring charges	—	8,433	—	8,433
Other operating activities	1,588	2,859	484	5,896
Changes in assets and liabilities:				
Accounts receivable, net	(16,847)	4,104	(18,479)	1,279
Inventory, net	4,199	1,814	(920)	(352)
Current and other assets	(1,749)	1,926	(4,680)	(264)
Accounts payable	(5,763)	(3,272)	2,395	5,744
Accrued liabilities	11,235	(4,512)	3,464	(3,841)
Income taxes	(6,027)	(2,626)	(3,120)	(8,770)
Cash provided by operating activities	28,345	37,575	100,376	104,023
Cash flows from investing activities				
Proceeds from sale of investments	51,613	32,061	72,564	56,890
Proceeds from maturities of investments	20,900	11,490	102,175	51,895
Purchase of investments	(73,532)	(144,519)	(172,757)	(206,110)
Acquisitions, net of cash acquired	—	—	(150)	—
Capital expenditures	(5,795)	(7,885)	(19,214)	(20,977)
Cash used for investing activities	(6,814)	(108,853)	(17,382)	(118,302)
Cash flows from financing activities				
Repurchase of common stock	(8,526)	(9,556)	(27,443)	(482,776)
Employees' tax withheld and paid for restricted stock and restricted stock units	(1,071)	(305)	(7,306)	(10,804)
Proceeds from issuances under stock-based compensation plans	6,397	783	17,821	9,854
Proceeds from revolving line of credit	—	—	—	155,749
Repayments of revolving line of credit	—	—	—	(190,249)
Proceeds from bonds issuance, net	—	—	—	488,401
Payment of cash dividends	(6,460)	(5,048)	(19,296)	(16,034)
Excess tax benefit from stock-based compensation	1,304	150	2,988	3,300
Cash used for financing activities	(8,356)	(13,976)	(33,236)	(42,559)
Effect of exchange rate changes on cash and cash equivalents	(1,054)	(491)	(2,112)	(921)
Net increase (decrease) in cash and cash equivalents	12,121	(85,745)	47,646	(57,759)
Cash and cash equivalents at beginning of period	268,229	304,836	232,704	276,850
Cash and cash equivalents at end of period	\$ 280,350	\$ 219,091	\$ 280,350	\$ 219,091

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		Nine Months Ended	
	December 31,		December 31,	
	2014	2015	2014	2015
GAAP Gross profit	\$ 119,916	\$ 109,516	\$ 352,453	\$ 327,844
Stock-based compensation	685	811	1,888	2,469
Non-GAAP Gross profit	<u>\$ 120,601</u>	<u>\$ 110,327</u>	<u>\$ 354,341</u>	<u>\$ 330,313</u>
<i>Non-GAAP Gross profit %</i>	<i>52.0%</i>	<i>48.9%</i>	<i>53.3%</i>	<i>51.0%</i>
GAAP Research, development and engineering	\$ 22,991	\$ 20,811	\$ 69,280	\$ 66,614
Stock-based compensation	(2,068)	(2,286)	(5,934)	(7,264)
Purchase accounting amortization	(64)	(62)	(175)	(187)
Non-GAAP Research, development and engineering	<u>\$ 20,859</u>	<u>\$ 18,463</u>	<u>\$ 63,171</u>	<u>\$ 59,163</u>
GAAP Selling, general and administrative	\$ 57,977	\$ 53,715	\$ 174,756	\$ 163,689
Stock-based compensation	(4,677)	(4,620)	(13,300)	(14,866)
Non-GAAP Selling, general and administrative	<u>\$ 53,300</u>	<u>\$ 49,095</u>	<u>\$ 161,456</u>	<u>\$ 148,823</u>
GAAP Operating expenses	\$ 79,302	\$ 82,868	\$ 236,220	\$ 237,738
Stock-based compensation	(6,745)	(6,906)	(19,234)	(22,130)
Purchase accounting amortization	(64)	(62)	(175)	(187)
Restructuring and other related charges	—	(8,433)	—	(8,433)
Non-GAAP Operating expenses	<u>\$ 72,493</u>	<u>\$ 67,467</u>	<u>\$ 216,811</u>	<u>\$ 206,988</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		Nine Months Ended	
	December 31,		December 31,	
	2014	2015	2014	2015
GAAP Operating income	\$ 40,614	\$ 26,648	\$ 116,233	\$ 90,106
Stock-based compensation	7,430	7,717	21,122	24,599
Purchase accounting amortization	64	62	175	187
Restructuring and other related charges	—	8,433	—	8,433
Non-GAAP Operating income	<u>\$ 48,108</u>	<u>\$ 42,860</u>	<u>\$ 137,530</u>	<u>\$ 123,325</u>
GAAP Net income	\$ 30,384	\$ 16,288	\$ 86,477	\$ 55,412
Stock-based compensation	7,430	7,717	21,122	24,599
Purchase accounting amortization	64	62	175	187
Restructuring and other related charges	—	8,433	—	8,433
Income tax effect of above items	(2,204)	(3,549)	(6,254)	(8,543)
Income tax effect of unusual tax items	(2,028) ⁽¹⁾	(1,419) ⁽¹⁾	(2,375) ⁽¹⁾	(2,590) ⁽¹⁾
Non-GAAP Net income	<u>\$ 33,646</u>	<u>\$ 27,532</u>	<u>\$ 99,145</u>	<u>\$ 77,498</u>
GAAP Diluted earnings per common share	\$ 0.71	\$ 0.49	\$ 2.03	\$ 1.56
Stock-based compensation	0.18	0.24	0.49	0.69
Restructuring and other related charges	—	0.25	—	0.24
Income tax effect	(0.10)	(0.15)	(0.20)	(0.31)
Non-GAAP Diluted earnings per common share	<u>\$ 0.79</u>	<u>\$ 0.83</u>	<u>\$ 2.32</u>	<u>\$ 2.18</u>
Shares used in diluted earnings per common share calculation	42,700	33,259	42,674	35,588

⁽¹⁾ Excluded amount represents tax benefits from the release of tax reserves and the impact of tax law changes.

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, including non-GAAP operating income, non-GAAP net income and non-GAAP diluted EPS which exclude certain non-cash expenses and charges that are included in the most directly comparable GAAP measure. These non-cash charges and expenses include 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.

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	Q316
GAAP Gross profit	\$ 114,710	\$ 117,827	\$ 119,916	\$ 109,166	\$ 107,358	\$ 110,970	\$ 109,516
Stock-based compensation	535	668	685	695	779	879	811
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>	<u>\$ 110,327</u>
Non-GAAP Gross profit %	<u>53.2%</u>	<u>54.9%</u>	<u>52.0%</u>	<u>54.7%</u>	<u>52.4%</u>	<u>52.0%</u>	<u>48.9%</u>
GAAP Operating expenses	\$ 76,949	\$ 79,969	\$ 79,302	\$ 76,314	\$ 77,996	\$ 76,874	\$ 82,868
Stock-based compensation	(5,770)	(6,719)	(6,745)	(6,774)	(7,271)	(7,953)	(6,906)
Purchase accounting amortization	(50)	(61)	(64)	(63)	(62)	(63)	(62)
Restructuring and other related charges	—	—	—	—	—	—	(8,433)
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>	<u>\$ 67,467</u>
GAAP Operating income	\$ 37,761	\$ 37,858	\$ 40,614	\$ 32,852	\$ 29,362	\$ 34,096	\$ 26,648
Stock-based compensation	6,305	7,387	7,430	7,469	8,050	8,832	7,717
Purchase accounting amortization	50	61	64	63	62	63	62
Restructuring and other related charges	—	—	—	—	—	—	8,433
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>	<u>\$ 42,860</u>
Non-GAAP Operating income %	<u>20.4%</u>	<u>21.0%</u>	<u>20.8%</u>	<u>20.1%</u>	<u>18.2%</u>	<u>20.0%</u>	<u>19.0%</u>
GAAP Income before income taxes	\$ 38,781	\$ 37,173	\$ 38,596	\$ 30,701	\$ 26,336	\$ 24,638	\$ 19,829
Stock-based compensation	6,305	7,387	7,430	7,469	8,050	8,832	7,717
Purchase accounting amortization	50	61	64	63	62	63	62
Restructuring and other related charges	—	—	—	—	—	—	8,433
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>	<u>\$ 36,041</u>
GAAP Income tax expense	\$ 10,109	\$ 9,752	\$ 8,212	\$ 4,877	\$ 5,108	\$ 6,742	\$ 3,541
Income tax effect of above items	1,800	2,250	2,204	2,252	2,338	2,656	3,549
Income tax effect of unusual tax items	273	74	2,028	489	994	177	1,419
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>	<u>\$ 8,509</u>
Non-GAAP Income tax expense as a % of Non-GAAP Income before income taxes	<u>27.0%</u>	<u>27.1%</u>	<u>27.0%</u>	<u>19.9%</u>	<u>24.5%</u>	<u>28.6%</u>	<u>23.6%</u>

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	Q316
GAAP Net income	\$ 28,672	\$ 27,421	\$ 30,384	\$ 25,824	\$ 21,228	\$ 17,896	\$ 16,288
Stock-based compensation	6,305	7,387	7,430	7,469	8,050	8,832	7,717
Purchase accounting amortization	50	61	64	63	62	63	62
Restructuring and other related charges	—	—	—	—	—	—	8,433
Income tax effect of above items	(1,800)	(2,250)	(2,204)	(2,252)	(2,338)	(2,656)	(3,549)
Income tax effect of unusual tax items	(273)	(74)	(2,028)	(489)	(994)	(177)	(1,419)
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>	<u>\$ 27,532</u>
GAAP Diluted earnings per common share	\$ 0.68	\$ 0.65	\$ 0.71	\$ 0.61	\$ 0.55	\$ 0.52	\$ 0.49
Stock-based compensation	0.15	0.17	0.18	0.17	0.21	0.26	0.24
Restructuring and other related charges	—	—	—	—	—	—	0.25
Income tax effect	(0.05)	(0.05)	(0.10)	(0.06)	(0.09)	(0.08)	(0.15)
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>	<u>\$ 0.83</u>
Shares used in diluted earnings per common share calculation	42,466	42,505	42,700	42,482	38,943	34,245	33,259

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	\$ 158,251
Consumer	64,308	59,125	70,190	52,102	54,601	54,549	67,484
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>	<u>\$ 225,735</u>
Net revenues by geographic area from unaffiliated customers:							
Domestic	\$ 124,467	\$ 123,697	\$ 123,092	\$ 116,351	\$ 117,578	\$ 123,803	\$ 122,075
International	92,195	92,108	108,689	84,411	88,780	91,214	103,660
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>	<u>\$ 225,735</u>

Balance Sheet accounts and metrics:

Accounts receivable, net	\$ 150,765	\$ 140,427	\$ 157,322	\$ 136,581	\$ 127,160	\$ 139,939	\$ 136,402
Days sales outstanding (DSO)	63	59	61	61	55	59	54
Inventory, net	\$ 60,968	\$ 63,551	\$ 57,724	\$ 56,676	\$ 55,918	\$ 57,760	\$ 55,650
Inventory turns	6.7	6.2	7.8	6.5	7.1	7.2	8.3

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

(\$ in millions, except per share data)

Net Revenues	Q3'15 (\$)	Q3'16 (\$)	Change (\$)	Change (%)
Net Revenues as reported (GAAP)	\$ 231.8	\$ 225.7	\$ (6.1)	(3)%
Less Hedge Gains	—	(1.7)		
Impact of Year over Year Foreign Currency Exchange Rate Movements	—	8.9		
Constant Currency Revenues (Non-GAAP)	231.8	232.9		

Operating Income	Q3'15 (\$)	Q3'15 (%)	Q3'16 (\$)	Q3'16 (%)
Operating Income as reported (GAAP)	\$ 40.6	17.5%	\$ 26.6	11.8 %
Stock-based compensation & purchase accounting amortization	7.5		7.9	
Restructuring and other related charges	—		8.4	
Non-GAAP Operating Income	48.1	20.8%	42.9	19.0 %
Less Hedge Gains, net	—		(0.5)	
Impact of Year over Year Foreign Currency Exchange Rate Movements	—		3.2	
Constant Currency Operating Income (Non-GAAP)	48.1	20.8%	45.6	19.6 %

Diluted Earnings per Common Share ("EPS")	Q3'15 (\$)	Q3'16 (\$)	Change (\$)	Change (%)
Diluted EPS (GAAP)	\$ 0.71	\$ 0.49	\$ (0.22)	(31)%
Stock-based compensation	0.18	0.24		
Restructuring and other related charges	—	0.25		
Income Tax Effect	(0.10)	(0.15)		
Non-GAAP Diluted EPS	0.79	0.83	0.04	5 %
Less Hedge Gains, net of tax	—	(0.03)		
Impact of Year over Year Foreign Currency Exchange Rate Movements, net of tax	—	0.10		
Constant Currency Diluted EPS (Non-GAAP)	0.79	0.90	0.11	14 %