

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2015	2014
Net revenues	\$ 206,358	\$ 216,662
Cost of revenues	99,000	101,952
Gross profit	107,358	114,710
<i>Gross profit %</i>	52.0%	52.9%
Research, development and engineering	23,194	22,520
Selling, general and administrative	55,678	56,429
Gain from litigation settlements	(876)	(2,000)
Restructuring and other related charges	—	—
Total operating expenses	77,996	76,949
Operating income	29,362	37,761
<i>Operating income %</i>	14.2%	17.4%
Interest expense	(2,741)	(8)
Other non-operating income and (expense), net	(285)	1,028
Income before income taxes	26,336	38,781
Income tax expense	5,108	10,109
Net income	\$ 21,228	\$ 28,672
<i>% of net revenues</i>	10.3%	13.2%
Earnings per common share:		
Basic	\$ 0.56	\$ 0.69
Diluted	\$ 0.55	\$ 0.68
Shares used in computing earnings per common share:		
Basic	38,002	41,619
Diluted	38,943	42,466
<i>Effective tax rate</i>	19.4%	26.1%

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(\$ in thousands)

UNAUDITED CONSOLIDATED BALANCE SHEETS

	June 30, 2015	March 31, 2015
ASSETS		
Cash and cash equivalents	\$ 475,379	\$ 276,850
Short-term investments	114,615	97,859
Total cash, cash equivalents and short-term investments	589,994	374,709
Accounts receivable, net	127,160	136,581
Inventory, net	55,918	56,676
Deferred tax assets	6,376	6,564
Other current assets	25,866	28,124
Total current assets	805,314	602,654
Long-term investments	92,753	107,590
Property, plant and equipment, net	139,074	139,413
Goodwill and purchased intangibles, net	16,015	16,077
Other assets	6,530	10,308
Total assets	<u>\$ 1,059,686</u>	<u>\$ 876,042</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 38,398	\$ 32,781
Accrued liabilities	55,485	62,041
Total current liabilities	93,883	94,822
Long-term debt, net of issuance costs	488,524	—
Long-term income taxes payable	11,999	12,984
Revolving line of credit	—	34,500
Other long-term liabilities	8,832	6,339
Total liabilities	603,238	148,645
Stockholders' equity	456,448	727,397
Total liabilities and stockholders' equity	<u>\$ 1,059,686</u>	<u>\$ 876,042</u>

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SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities		
Net Income	\$ 21,228	\$ 28,672
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,986	4,624
Amortization of debt issuance cost	121	—
Stock-based compensation	8,050	6,305
Excess tax benefit from stock-based compensation	(2,391)	(992)
Deferred income taxes	4,146	2,715
Provision for excess and obsolete inventories	402	379
Other operating activities	4,537	581
Changes in assets and liabilities:		
Accounts receivable, net	8,579	(12,631)
Inventory, net	358	(3,983)
Current and other assets	(2,869)	(970)
Accounts payable	4,958	5,995
Accrued liabilities	(6,212)	(4,520)
Income taxes	(2,419)	3,363
Cash provided by operating activities	43,474	29,538
Cash flows from investing activities		
Proceeds from sale of investments	16,375	5,014
Proceeds from maturities of investments	25,425	50,900
Purchase of investments	(43,834)	(54,867)
Capital expenditures	(3,966)	(7,312)
Cash used for investing activities	(6,000)	(6,265)
Cash flows from financing activities		
Repurchase of common stock	(284,444)	(12,438)
Employees' tax withheld and paid for restricted stock and restricted stock units	(9,903)	(5,787)
Proceeds from issuances under stock-based compensation plans	3,077	2,832
Proceeds from revolving line of credit	155,749	—
Repayments of revolving line of credit	(190,249)	—
Proceeds from bonds issuance, net	489,670	—
Payment of cash dividends	(5,828)	(6,389)
Excess tax benefit from stock-based compensation	2,391	992
Cash provided by (used for) financing activities	160,463	(20,790)
Effect of exchange rate changes on cash and cash equivalents	592	63
Net increase (decrease) in cash and cash equivalents	198,529	2,546
Cash and cash equivalents at beginning of period	276,850	232,704
Cash and cash equivalents at end of period	\$ 475,379	\$ 235,250

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,	
	2015	2014
GAAP Gross profit	\$ 107,358	\$ 114,710
Stock-based compensation	779	535
Non-GAAP Gross profit	<u>\$ 108,137</u>	<u>\$ 115,245</u>
<i>Non-GAAP Gross profit %</i>	52.4%	53.2%
GAAP Research, development and engineering	\$ 23,194	\$ 22,520
Stock-based compensation	(2,359)	(1,751)
Purchase accounting amortization	(62)	(50)
Non-GAAP Research, development and engineering	<u>\$ 20,773</u>	<u>\$ 20,719</u>
GAAP Selling, general and administrative	\$ 55,678	\$ 56,429
Stock-based compensation	(4,912)	(4,019)
Non-GAAP Selling, general and administrative	<u>\$ 50,766</u>	<u>\$ 52,410</u>
GAAP Operating expenses	\$ 77,996	\$ 76,949
Stock-based compensation	(7,271)	(5,770)
Purchase accounting amortization	(62)	(50)
Non-GAAP Operating expenses	<u>\$ 70,663</u>	<u>\$ 71,129</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,	
	2015	2014
GAAP Operating income	\$ 29,362	\$ 37,761
Stock-based compensation	8,050	6,305
Purchase accounting amortization	62	50
Non-GAAP Operating income	<u>\$ 37,474</u>	<u>\$ 44,116</u>
GAAP Net income	\$ 21,228	\$ 28,672
Stock-based compensation	8,050	6,305
Purchase accounting amortization	62	50
Income tax effect of above items	(2,338)	(1,800)
Income tax effect of unusual tax items	(994) ⁽¹⁾	(273) ⁽¹⁾
Non-GAAP Net income	<u>\$ 26,008</u>	<u>\$ 32,954</u>
GAAP Diluted earnings per common share	\$ 0.55	\$ 0.68
Stock-based compensation	0.21	0.15
Income tax effect	(0.09)	(0.05)
Non-GAAP Diluted earnings per common share	<u>\$ 0.67</u>	<u>\$ 0.78</u>
Shares used in diluted earnings per common share calculation	38,943	42,466

⁽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.

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
GAAP Gross profit	\$ 114,710	\$ 117,827	\$ 119,916	\$ 109,166	\$ 107,358
Stock-based compensation	535	668	685	695	779
Non-GAAP Gross profit	<u>\$ 115,245</u>	<u>\$ 118,495</u>	<u>\$ 120,601</u>	<u>\$ 109,861</u>	<u>\$ 108,137</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>
GAAP Operating expenses	\$ 76,949	\$ 79,969	\$ 79,302	\$ 76,314	\$ 77,996
Stock-based compensation	(5,770)	(6,719)	(6,745)	(6,774)	(7,271)
Purchase accounting amortization	(50)	(61)	(64)	(63)	(62)
Non-GAAP Operating expenses	<u>\$ 71,129</u>	<u>\$ 73,189</u>	<u>\$ 72,493</u>	<u>\$ 69,477</u>	<u>\$ 70,663</u>
GAAP Operating income	\$ 37,761	\$ 37,858	\$ 40,614	\$ 32,852	\$ 29,362
Stock-based compensation	6,305	7,387	7,430	7,469	8,050
Purchase accounting amortization	50	61	64	63	62
Non-GAAP Operating income	<u>\$ 44,116</u>	<u>\$ 45,306</u>	<u>\$ 48,108</u>	<u>\$ 40,384</u>	<u>\$ 37,474</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>
GAAP Income before income taxes	\$ 38,781	\$ 37,173	\$ 38,596	\$ 30,701	\$ 26,336
Stock-based compensation	6,305	7,387	7,430	7,469	8,050
Purchase accounting amortization	50	61	64	63	62
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>
GAAP Income tax expense	\$ 10,109	\$ 9,752	\$ 8,212	\$ 4,877	\$ 5,108
Income tax effect of above items	1,800	2,250	2,204	2,252	2,338
Income tax effect of unusual tax items	273	74	2,028	489	994
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>
<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>

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

SUMMARY OF UNAUDITED GAAP DATA

(\$ in thousands)

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

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