

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2014	2013	2014	2013
Net revenues	\$ 209,070	\$ 204,179	\$ 818,607	\$ 762,226
Cost of revenues	98,015	98,086	391,979	359,045
Gross profit	111,055	106,093	426,628	403,181
<i>Gross profit %</i>	53.1%	52.0%	52.1%	52.9%
Research, development and engineering	22,453	20,848	84,781	80,373
Selling, general and administrative	53,105	47,969	201,176	182,445
Restructuring and other related charges	-	398	547	2,266
Total operating expenses	75,558	69,215	286,504	265,084
Operating income	35,497	36,878	140,124	138,097
<i>Operating income %</i>	17.0%	18.1%	17.1%	18.1%
Interest and other income (expense), net	956	(136)	1,015	328
Income before income taxes	36,453	36,742	141,139	138,425
Income tax expense	8,510	8,033	28,722	32,023
Net income	\$ 27,943	\$ 28,709	\$ 112,417	\$ 106,402
<i>% of net revenues</i>	13.4%	14.1%	13.7%	14.0%
Earnings per common share:				
Basic	\$ 0.67	\$ 0.68	\$ 2.65	\$ 2.55
Diluted	\$ 0.65	\$ 0.67	\$ 2.59	\$ 2.49
Shares used in computing earnings per common share:				
Basic	41,866	42,104	42,452	41,748
Diluted	42,697	43,119	43,364	42,738
<i>Effective tax rate</i>	23.3%	21.9%	20.4%	23.1%

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UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2014	March 31, 2013
ASSETS		
Cash and cash equivalents	\$ 232,704	\$ 228,776
Short-term investments	102,717	116,581
Total cash, cash equivalents and short-term investments	<u>335,421</u>	<u>345,357</u>
Accounts receivable, net	138,301	128,209
Inventory, net	57,132	67,435
Deferred tax assets	11,776	10,120
Other current assets	13,657	15,369
Total current assets	<u>556,287</u>	<u>566,490</u>
Long-term investments	100,342	80,261
Property, plant and equipment, net	134,402	99,111
Goodwill and purchased intangibles, net	16,165	16,440
Other assets	4,619	2,303
Total assets	<u>\$ 811,815</u>	<u>\$ 764,605</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 30,756	\$ 37,067
Accrued liabilities	66,851	66,419
Total current liabilities	<u>97,607</u>	<u>103,486</u>
Deferred tax liabilities	-	1,742
Long-term income taxes payable	12,719	12,005
Other long-term liabilities	2,825	925
Total liabilities	<u>113,151</u>	<u>118,158</u>
Stockholders' equity	698,664	646,447
Total liabilities and stockholders' equity	<u>\$ 811,815</u>	<u>\$ 764,605</u>

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended		Twelve Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Cash flows from operating activities				
Net income	\$ 27,943	\$ 28,709	\$ 112,417	\$ 106,402
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	3,895	4,115	15,566	16,219
Stock-based compensation	6,184	4,177	23,180	18,350
Provision for excess and obsolete inventories	(281)	270	4,138	1,576
Deferred income taxes	1,041	2,013	1,571	984
Excess tax benefit from stock-based compensation	(225)	(1,792)	(4,659)	(2,722)
Other operating activities	638	610	1,983	2,249
Changes in assets and liabilities:				
Accounts receivable, net	(4,793)	(15,120)	(11,332)	(16,335)
Inventory, net	9,175	(868)	6,040	(14,811)
Current and other assets	529	(1,128)	1,355	(6,056)
Accounts payable	4,028	1,055	(6,311)	2,778
Accrued liabilities	(1,806)	5,801	(418)	9,641
Income taxes	3,041	4,404	(2,039)	7,226
Cash provided by operating activities	<u>49,369</u>	<u>32,246</u>	<u>141,491</u>	<u>125,501</u>
Cash flows from investing activities				
Purchase of investments	(65,519)	(70,216)	(247,355)	(258,278)
Proceeds from maturities of investments	42,745	66,450	137,955	184,115
Proceeds from sale of investments	12,732	18,393	102,414	56,471
Acquisitions, net of cash acquired	-	-	-	(1,926)
Capital expenditures	(13,328)	(9,932)	(50,985)	(39,310)
Cash used for investing activities	<u>(23,370)</u>	<u>4,695</u>	<u>(57,971)</u>	<u>(58,928)</u>
Cash flows from financing activities				
Repurchase of common stock	(28,900)	(305)	(85,654)	(23,931)
Proceeds from issuances under stock-based compensation plans	4,455	18,775	24,054	31,865
Employees' tax withheld and paid for restricted stock and restricted stock units	(207)	(199)	(6,221)	(3,047)
Proceeds from revolving line of credit	-	-	-	18,000
Repayments of revolving line of credit	-	(20,000)	-	(55,000)
Payment of cash dividends	(4,267)	(4,316)	(17,372)	(17,072)
Excess tax benefit from stock-based compensation	225	1,792	4,659	2,722
Cash used for financing activities	<u>(28,694)</u>	<u>(4,253)</u>	<u>(80,534)</u>	<u>(46,463)</u>
Effect of exchange rate changes on cash and cash equivalents	(135)	(568)	942	(669)
Net increase (decrease) in cash and cash equivalents	(2,830)	32,120	3,928	19,441
Cash and cash equivalents at beginning of period	235,534	196,656	228,776	209,335
Cash and cash equivalents at end of period	<u>\$ 232,704</u>	<u>\$ 228,776</u>	<u>\$ 232,704</u>	<u>\$ 228,776</u>

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 March 31,		Twelve Months Ended March 31,	
	2014	2013	2014	2013
GAAP Gross profit	\$ 111,055	\$ 106,093	\$ 426,628	\$ 403,181
Stock-based compensation	695	391	2,554	2,020
Accelerated depreciation	-	252	261	1,012
Lease termination charges	-	-	1,388	-
Non-GAAP Gross profit	<u>\$ 111,750</u>	<u>\$ 106,736</u>	<u>\$ 430,831</u>	<u>\$ 406,213</u>
<i>Non-GAAP Gross profit %</i>	<i>53.5%</i>	<i>52.3%</i>	<i>52.6%</i>	<i>53.3%</i>
GAAP Research, development and engineering	\$ 22,453	\$ 20,848	\$ 84,781	\$ 80,373
Stock-based compensation	(1,696)	(1,126)	(6,404)	(4,842)
Accelerated depreciation	-	(176)	(200)	(682)
Lease termination charges	-	-	(21)	-
Purchase accounting amortization	(50)	-	(200)	-
Non-GAAP Research, development and engineering	<u>\$ 20,707</u>	<u>\$ 19,546</u>	<u>\$ 77,956</u>	<u>\$ 74,849</u>
GAAP Selling, general and administrative	\$ 53,105	\$ 47,969	\$ 201,176	\$ 182,445
Stock-based compensation	(3,794)	(2,659)	(14,222)	(11,488)
Lease termination charges	-	-	(45)	-
Purchase accounting amortization	-	-	(106)	-
Non-GAAP Selling, general and administrative	<u>\$ 49,311</u>	<u>\$ 45,310</u>	<u>\$ 186,803</u>	<u>\$ 170,957</u>
GAAP Operating expenses	\$ 75,558	\$ 69,215	\$ 286,504	\$ 265,084
Stock-based compensation	(5,490)	(3,785)	(20,626)	(16,330)
Accelerated depreciation	-	(176)	(200)	(682)
Lease termination charges	-	-	(66)	-
Purchase accounting amortization	(50)	-	(306)	-
Restructuring and other related charges	-	(398)	(547)	(2,266)
Non-GAAP Operating expenses	<u>\$ 70,018</u>	<u>\$ 64,856</u>	<u>\$ 264,759</u>	<u>\$ 245,806</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		Twelve Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
GAAP Operating income	\$ 35,497	\$ 36,878	\$ 140,124	\$ 138,097
Stock-based compensation	6,185	4,176	23,180	18,350
Accelerated depreciation	-	428	461	1,694
Lease termination charges	-	-	1,454	-
Purchase accounting amortization	50	-	306	-
Restructuring and other related charges	-	398	547	2,266
Non-GAAP Operating income	<u>\$ 41,732</u>	<u>\$ 41,880</u>	<u>\$ 166,072</u>	<u>\$ 160,407</u>
GAAP Net income	\$ 27,943	\$ 28,709	\$ 112,417	\$ 106,402
Stock-based compensation	6,185	4,176	23,180	18,350
Accelerated depreciation	-	428	461	1,694
Lease termination charges	-	—	1,454	—
Purchase accounting amortization	50	—	306	—
Restructuring and other related charges	-	398	547	2,266
Income tax effect of above items	(1,738)	(1,416)	(7,498)	(6,551)
Income tax effect of unusual tax items	(650) ⁽¹⁾	(1,835) ⁽²⁾	(7,432) ⁽³⁾	(3,906) ⁽²⁾
Non-GAAP Net income	<u>\$ 31,790</u>	<u>\$ 30,460</u>	<u>\$ 123,435</u>	<u>\$ 118,255</u>
GAAP Diluted earnings per common share	\$ 0.65	\$ 0.67	\$ 2.59	\$ 2.49
Stock-based compensation	0.14	0.11	0.53	0.44
Accelerated depreciation	-	0.01	0.01	0.03
Lease termination charges	-	-	0.03	-
Restructuring and other related charges	-	-	0.02	0.05
Income tax effect	(0.05)	(0.08)	(0.33)	(0.24)
Non-GAAP Diluted earnings per common share	<u>\$ 0.74</u>	<u>\$ 0.71</u>	<u>\$ 2.85</u>	<u>\$ 2.77</u>
Shares used in diluted earnings per common share calculation	42,697	43,119	43,364	42,738

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

⁽²⁾ Excluded amount represents tax benefits from the expiration of certain statutes of limitations.

⁽³⁾ Excluded amount represents tax benefits from release of tax reserves, transfer pricing, tax deduction and tax credit adjustments, 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, 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)

	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414
GAAP Gross profit	\$ 97,696	\$ 97,228	\$ 102,164	\$ 106,093	\$ 105,632	\$ 99,614	\$ 110,327	\$ 111,055
Stock-based compensation	596	526	507	391	535	638	686	695
Accelerated depreciation	124	318	318	252	220	41	-	-
Lease termination charges	-	-	-	-	262	1,126	-	-
Non-GAAP Gross profit	<u>\$ 98,416</u>	<u>\$ 98,072</u>	<u>\$ 102,989</u>	<u>\$ 106,736</u>	<u>\$ 106,649</u>	<u>\$ 101,419</u>	<u>\$ 111,013</u>	<u>\$ 111,750</u>
Non-GAAP Gross profit %	54.3%	54.7%	52.2%	52.3%	52.6%	52.3%	52.2%	53.5%
GAAP Operating expenses	\$ 65,600	\$ 62,711	\$ 67,558	\$ 69,215	\$ 69,683	\$ 68,778	\$ 72,485	\$ 75,558
Stock-based compensation	(4,024)	(4,336)	(4,185)	(3,785)	(4,452)	(5,327)	(5,357)	(5,490)
Accelerated depreciation	(57)	(226)	(223)	(176)	(151)	(49)	-	-
Lease termination charges	-	-	-	-	-	(66)	-	-
Purchase accounting amortization	-	-	-	-	(121)	(85)	(50)	(50)
Restructuring and other related charges	-	-	(1,868)	(398)	(723)	176	-	-
Non-GAAP Operating expenses	<u>\$ 61,519</u>	<u>\$ 58,149</u>	<u>\$ 61,282</u>	<u>\$ 64,856</u>	<u>\$ 64,236</u>	<u>\$ 63,427</u>	<u>\$ 67,078</u>	<u>\$ 70,018</u>
GAAP Operating income	\$ 32,096	\$ 34,517	\$ 34,606	\$ 36,878	\$ 35,949	\$ 30,836	\$ 37,842	\$ 35,497
Stock-based compensation	4,620	4,862	4,692	4,176	4,987	5,965	6,043	6,185
Accelerated depreciation	181	544	541	428	371	90	-	-
Lease termination charges	-	-	-	-	262	1,192	-	-
Purchase accounting amortization	-	-	-	-	121	85	50	50
Restructuring and other related charges	-	-	1,868	398	723	(176)	-	-
Non-GAAP Operating income	<u>\$ 36,897</u>	<u>\$ 39,923</u>	<u>\$ 41,707</u>	<u>\$ 41,880</u>	<u>\$ 42,413</u>	<u>\$ 37,992</u>	<u>\$ 43,935</u>	<u>\$ 41,732</u>
Non-GAAP Operating income %	20.3%	22.3%	21.1%	20.5%	20.9%	19.6%	20.7%	20.0%
GAAP Income before income taxes	\$ 32,108	\$ 34,792	\$ 34,783	\$ 36,742	\$ 35,463	\$ 31,195	\$ 38,028	\$ 36,453
Stock-based compensation	4,620	4,862	4,692	4,176	4,987	5,965	6,043	6,185
Accelerated depreciation	181	544	541	428	371	90	-	-
Lease termination charges	-	-	-	-	262	1,192	-	-
Purchase accounting amortization	-	-	-	-	121	85	50	50
Restructuring and other related charges	-	-	1,868	398	723	(176)	-	-
Non-GAAP Income before income taxes	<u>\$ 36,909</u>	<u>\$ 40,198</u>	<u>\$ 41,884</u>	<u>\$ 41,744</u>	<u>\$ 41,927</u>	<u>\$ 38,351</u>	<u>\$ 44,121</u>	<u>\$ 42,688</u>
GAAP Income tax expense	\$ 8,545	\$ 8,868	\$ 6,577	\$ 8,033	\$ 8,510	\$ 8,057	\$ 3,645	\$ 8,510
Income tax effect of above items	1,421	1,648	2,066	1,416	1,889	2,072	1,799	1,738
Income tax effect of unusual tax items	-	-	2,071	1,835	935	226	5,621	650
Non-GAAP Income tax expense	<u>\$ 9,966</u>	<u>\$ 10,516</u>	<u>\$ 10,714</u>	<u>\$ 11,284</u>	<u>\$ 11,334</u>	<u>\$ 10,355</u>	<u>\$ 11,065</u>	<u>\$ 10,898</u>
Non-GAAP Income tax expense as a % of Non-GAAP Income before income taxes	27.0%	26.2%	25.6%	27.0%	27.0%	27.0%	25.1%	25.5%

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

(\$ in thousands, except per share data)

	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414
GAAP Net income	\$ 23,563	\$ 25,924	\$ 28,206	\$ 28,709	\$ 26,953	\$ 23,138	\$ 34,383	\$ 27,943
Stock-based compensation	4,620	4,862	4,692	4,176	4,987	5,965	6,043	6,185
Accelerated depreciation	181	544	541	428	371	90	-	-
Lease termination charges	-	-	-	-	262	1,192	-	-
Purchase accounting amortization	-	-	-	-	121	85	50	50
Restructuring and other related charges	-	-	1,868	398	723	(176)	-	-
Income tax effect of above items	(1,421)	(1,648)	(2,066)	(1,416)	(1,889)	(2,072)	(1,799)	(1,738)
Income tax effect of unusual tax items	-	-	(2,071)	(1,835)	(935)	(226)	(5,621)	(650)
Non-GAAP Net income	<u>\$ 26,943</u>	<u>\$ 29,682</u>	<u>\$ 31,170</u>	<u>\$ 30,460</u>	<u>\$ 30,593</u>	<u>\$ 27,996</u>	<u>\$ 33,056</u>	<u>\$ 31,790</u>
GAAP Diluted earnings per common share	\$ 0.55	\$ 0.61	\$ 0.66	\$ 0.67	\$ 0.62	\$ 0.53	\$ 0.80	\$ 0.65
Stock-based compensation	0.11	0.11	0.11	0.11	0.11	0.14	0.14	0.14
Accelerated depreciation	-	0.01	0.01	0.01	0.01	-	-	-
Lease termination charges	-	-	-	-	0.01	0.02	-	-
Restructuring and other related charges	-	-	0.05	-	0.02	-	-	-
Income tax effect	(0.03)	(0.03)	(0.10)	(0.08)	(0.07)	(0.05)	(0.18)	(0.05)
Non-GAAP Diluted earnings per common share	<u>\$ 0.63</u>	<u>\$ 0.70</u>	<u>\$ 0.73</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>	<u>\$ 0.64</u>	<u>\$ 0.76</u>	<u>\$ 0.74</u>
Shares used in diluted earnings per common share calculation	42,570	42,403	42,618	43,119	43,650	43,597	43,228	42,697

SUMMARY OF UNAUDITED GAAP DATA

(\$ in thousands)

Net revenues from unaffiliated customers:								
Office and Contact Center	\$ 134,033	\$ 133,119	\$ 139,449	\$ 142,700	\$ 151,183	\$ 139,945	\$ 146,636	\$ 150,501
Mobile	36,157	33,305	44,138	49,860	41,624	42,685	52,804	49,093
Gaming and Computer Audio	6,789	7,797	9,024	7,137	6,451	8,156	9,360	5,707
Clarity	4,386	5,059	4,791	4,482	3,560	3,194	3,939	3,769
Total net revenues	<u>\$ 181,365</u>	<u>\$ 179,280</u>	<u>\$ 197,402</u>	<u>\$ 204,179</u>	<u>\$ 202,818</u>	<u>\$ 193,980</u>	<u>\$ 212,739</u>	<u>\$ 209,070</u>
Net revenues by geographic area from unaffiliated customers:								
Domestic	\$ 104,078	\$ 107,513	\$ 111,847	\$ 113,009	\$ 121,318	\$ 115,795	\$ 113,042	\$ 125,123
International	77,287	71,767	85,555	91,170	81,500	78,185	99,697	83,947
Total net revenues	<u>\$ 181,365</u>	<u>\$ 179,280</u>	<u>\$ 197,402</u>	<u>\$ 204,179</u>	<u>\$ 202,818</u>	<u>\$ 193,980</u>	<u>\$ 212,739</u>	<u>\$ 209,070</u>

Balance Sheet accounts and metrics:

Accounts receivable, net	\$ 108,300	\$ 108,070	\$ 112,677	\$ 128,209	\$ 120,903	\$ 123,748	\$ 133,379	\$ 138,301
Days sales outstanding (DSO)	54	54	51	57	54	57	56	60
Inventory, net	\$ 58,932	\$ 61,639	\$ 66,905	\$ 67,435	\$ 65,314	\$ 69,150	\$ 66,569	\$ 57,132
Inventory turns	5.7	5.3	5.7	5.8	6.0	5.5	6.2	6.9