Logitech is posting a copy of these prepared remarks, its press release and accompanying slides to its investor website. These prepared remarks will not be read on the call. We refer both to GAAP and to non-GAAP financial measures herein. For full GAAP to non-GAAP reconciliation information and cautionary information regarding the use of non-GAAP measures, please refer to "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at http://ir.logitech.com. The live webcast or replay of the question and answer session is also available on our website.

## COMPANY COMMENTARY

Following is a summary of the company's comments on key areas impacting Q4 and full Fiscal Year 2016 performance. These comments are focused on results from Continuing Operations.

The growth percentages that follow are in comparison to the same period of the prior year except as otherwise specified.

### OVERVIEW

Q4 financial results demonstrate continued sales growth and better-than-expected profitability, bringing Fiscal Year 2016 to a strong conclusion. Retail sales in Q4 grew by 6% in constant currency and by 4% in USD to $431M. Non-GAAP operating income was better than expected at $22M, up by 22%. Non-GAAP earnings per share were $0.14, up by 26%. Cash flow from operations was $32M in Q4.

For the full Fiscal Year 2016, retail sales grew by 9% in constant currency, the strongest growth in the last five years, and by 3% in USD to $1.95B. Growing categories represented more than 80% of our sales. Non-GAAP operating income was $179M, 8.9% of sales. Non-GAAP earnings per share were $0.98. Cash flow from operations was $183M, slightly higher despite the significant negative currency impact.

## SALES BY CATEGORY

As we discussed at our Analyst & Investor Day in March of this year, we are no longer grouping our product categories as belonging to Profit Maximization or Growth. This distinction was designed to help investors better understand our business during our turnaround. Going forward, we are looking at our diverse product categories relative to 5 large market opportunities (Gaming, Video Collaboration, Music, Home, and Creativity & Productivity), each comprised of multiple product categories (e.g., Creativity & Productivity contains mice, keyboards, and potentially other PC-related categories).

### GAMING

Q4 sales in our Gaming category grew by 21% in constant currency and by 19% in USD, with new products driving growth in keyboards, mice, and headsets. It was a very strong quarter for Gaming keyboards, led by the G810 Orion Spectrum Mechanical Gaming Keyboard that began shipping during the quarter. FY'16 Gaming sales increased by 23% in constant currency and 16% in USD.

### VIDEO COLLABORATION

Q4 Video Collaboration sales grew by 36% in constant currency and by 35% in USD. The growth was primarily driven by our conference cams, with a strong contribution from Logitech Group, our newest offering that delivers an affordable solution optimized for large rooms and works with virtually any UC or video collaboration software. We achieved strong double-digit sales growth in all regions. Video Collaboration was our fastest growing category in FY'16, with sales up by 51% in constant currency and 44% in USD.

### MOBILE SPEAKERS

Q4 sales in our Mobile Speakers category declined by 37% in constant currency and by 39% in USD. This decline primarily reflects the actions we took during the quarter to align our sales run rate with our expectations of a slower growing market in FY'17 as well as a challenging comparison to the prior year when we launched the $299 UE

MEGABOOM. FY'16 sales grew by 37% in constant currency and by 29% in USD. While market growth is slowing, we expect continued growth in the Mobile Speakers category in FY'17.

AUDIO – PC & WEARABLES

Q4 sales in our Audio category declined by 6% in constant currency and by 9% in USD. FY'16 sales declined by 2% in constant currency and by 8% in USD. The declines in both Q4 and the full year were driven entirely by PC Speakers and Headsets. Sales of our Audio Wearables delivered strong double-digit growth in both periods.

HOME CONTROL

In Q4, our Home Control sales decreased by 10% in constant currency and by 11% in USD. The contribution from the Harmony Elite, the new flagship in our Harmony line, partially offset the decline from older products in the line. FY'16 sales declined by 9% in constant currency and by 13% in USD.

POINTING DEVICES

Q4 sales in our Pointing Devices category increased by 8% in constant currency and by 6% in USD. The growth was driven by our wireless mice, with continued strong contributions from our newest high-end wireless mice, the MX Master Wireless Mouse and the MX Anywhere 2. FY'16 sales grew by 5% in constant currency and 1% in USD, with constant currency growth in all regions. During FY'16, we gained nearly two points of share in the Pointing Devices category, due to strong execution and meaningful innovation.

KEYBOARDS & COMBOS

Q4 sales in our Keyboards & Combos category increased by 7% in constant currency and by 5% in USD, with our wireless offerings driving the majority of the growth. FY'16 sales grew by 6% in constant currency and 1% in USD, led by Americas and Asia Pacific. FY'16 was the fourth consecutive year of growth in constant currency, and we gained more than two points of share.

TABLET & OTHER ACCESSORIES

In Q4, sales in our Tablet & Other Accessories category increased by 21% in constant currency and by 18% in USD. The growth was driven entirely by our CREATE Keyboard Case for the large iPad Pro, which was one of our top-selling products across all categories during the quarter. FY'16 sales in the Tablet & Other Accessories category declined by 23% in constant currency and by 26% in USD.

PC WEBCAMS

Q4 sales in our PC Webcams category increased by 27% in constant currency and by 25% in USD, the best quarterly growth in more than nine years. The growth was primarily driven by Asia Pacific, with sales nearly doubling due to a large business-to-business sale. FY'16 sales for the category grew by 7% in constant currency and by 2% in USD.

## **SALES BY REGION**

In Q4, sales in all regions were impacted both by the strategic actions we took and the challenging year-over-year comparison in the Mobile Speakers category.

AMERICAS

Q4 sales in Americas declined by 8% in constant currency and by 9% in USD, with the most significant decline in the Mobile Speakers category as we aligned to a slower growing market. Both Tablet & Other Accessories and Video Collaboration delivered strong growth. FY'16 sales increased by 5% in constant currency and by 3% in USD, with much of the growth driven by Video Collaboration and Mobile Speakers.

EMEA

Q4 sales in EMEA grew by 19% in constant currency, the third straight quarter of accelerating growth and the best growth in more than three years, and were up by 17%

in USD. FY'16 sales grew by 9% in constant currency and declined by 1% in USD, with strong constant currency growth in Video Collaboration, Gaming and Tablet & Other Accessories. With a favorable comparable in Q4 FY'15, our constant currency sales growth for FY'16 is a better indicator of our execution and progress in the region.

ASIA PACIFIC

Continued strong execution in Asia Pacific resulted in Q4 sales growth of 12% in constant currency and 9% in USD, the fifth consecutive quarter of double-digit growth in constant currency. Sales in China reached a record high for a quarter. FY'16 sales grew by 15% in constant currency and by 10% in USD.

## GROSS MARGIN

Q4 non-GAAP gross margin was 33.1%, up by 90 basis points despite the impact of currency, due primarily to product mix, including the exit from OEM, and supply chain savings. FY'16 non-GAAP gross margin was 33.9%, down by 140 basis points due to the impact of currency. We were able to offset more than half of this year-over-year negative currency impact through product mix, pricing actions, and our ongoing supply chain efficiency initiatives.

## OPERATING EXPENSES

Our Q4 non-GAAP operating expenses were $120M, down by $4M from the prior year to the lowest level for a quarter in more than five years due to continued disciplined spend management. FY'16 non-GAAP operating expenses were down by $5M to $504M, the lowest spending in the last six years and the third consecutive year of operating leverage. At just 25% of sales, the lowest since Fiscal 2009, this demonstrates the effectiveness of the actions we continue to take to reduce infrastructure costs and still invest in more R&D and growth initiatives. On top of the increase in R&D, we also continued to reallocate R&D toward growing businesses. For FY'16, R&D increased by 5% and G&A was down by 8% to 4.2% of sales, the lowest level in more than nine years.

**OPERATING INCOME**

Our non-GAAP operating income in Q4 was better than expected at $22M, up by 22%, with an operating margin of 5.2%. FY'16 non-GAAP operating income was $179M, $9M higher than the outlook we shared in January 2016, with an operating margin of 8.9%.

**NET INCOME & EPS**

Q4 non-GAAP net income was $23M, up by 25%, with non-GAAP earnings per share at $0.14. FY'16 non-GAAP net income was $162M, and non-GAAP earnings per share were $0.98. Our non-GAAP tax rate for FY'16 was 10.2%. We expect it will be similar to that for FY'17 based on our current outlook for profit and revenue mix.

**BALANCE SHEET**

We generated $32M in cash from operations in Q4. For FY'16, we generated $183M in cash from operations despite the significant negative impact from currency, in-line with our non-GAAP operating income. Our quarter-ending cash position was $519M, down by just $14M despite the combination of $86M in dividend payments and $70M in share repurchases over the last twelve months. Our cash conversion cycle in Q4 was 26 days, up by 3 days.

We ended Q4 with $229M in inventory, down by $27M compared to March 2015 and by $11M sequentially. The reduction compared to the prior year was driven by the actions we took during the second half of the year to reduce our inventory, as well as the exit from our OEM business. Inventory turns increased from 4.7 to 5.0 times.

Our Q4 accounts receivable was $143M, down by $24M due primarily to the exit from OEM. DSO decreased by 4 days to 30 days, our lowest ever for a quarter.

Accounts payable was $241M, down by $52M due primarily to the reduction in inventory, with DPO at 75 days.

## SHARE COUNT & REPURCHASES

Our diluted share count in Q4 was 165.4M shares. In Q4, we repurchased 1.45M shares for $21M. We have approximately $178M available for opportunistic usage under our current share repurchase plan.

## FISCAL YEAR 2017 OUTLOOK

We are confirming the outlook for Fiscal Year 2017 that we shared at our Analyst and Investor Day of $185 million to $200 million in non-GAAP operating income and constant currency retail sales growth in the mid-single digits.

## FORWARD-LOOKING STATEMENTS

These remarks contain forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: compatibility of video collaboration software, market growth in product categories, efficiency initiatives, infrastructure cost reductions, investment in R&D and growth initiatives, and Fiscal Year 2017 tax rate, operating income and sales growth. The forward-looking statements in these remarks involve risks and uncertainties that could cause Logitech's actual results and events to differ materially from those anticipated in these forward-looking statements, including, without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; the demand of our customers and our consumers for our products and our ability to accurately forecast it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities in our new product categories or our growth opportunities are more limited than we expect; if sales of PC peripherals are less than we expect; the effect of pricing, product, marketing and other initiatives by our competitors, and our reaction to them, on our sales, gross margins and profitability; if our products and marketing strategies fail to separate our products from competitors' products; if we do not fully realize our goals to lower our costs and improve our operating leverage; if there is a deterioration of business and economic conditions in one or more of our sales regions or product categories, or significant fluctuations in exchange rates; the effect of changes to our effective income tax rates. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in Logitech's periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2015 and our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2015, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of these remarks.

## USE OF NON-GAAP FINANCIAL INFORMATION

To facilitate comparisons to Logitech's historical results, Logitech has included non-GAAP adjusted measures, which exclude share-based compensation expense, amortization of other intangible assets, restructuring charges (credits), benefit from (provision for) income taxes, one-time special charges and other items detailed under "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at http://ir.logitech.com. Logitech also presents percentage sales growth in constant currency, a non-GAAP measure, to show performance unaffected by fluctuations in currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales. Logitech believes this information, used together with the GAAP financial information, will help investors to evaluate its current period performance and trends in its business. With respect to our outlook for non-GAAP operating income, most of these excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Therefore, no reconciliation to the GAAP amounts has been provided for Fiscal Year 2017.

## USE OF SELL-THROUGH DATA

Logitech relies on reports from third-parties for data on its product sell-through and inventory information. While Logitech believes this information provides meaningful perspectives on sell-through and inventory trends over time, this information is not subject to Logitech's internal control systems and Logitech cannot assure investors of its accuracy.