Logitech Announces Q4, Full-Year Financial Results for FY 2009

FREMONT, Calif., April 22, 2009 and ROMANEL-SUR-MORGES, Switzerland, April 23, 2009 — Logitech International (SIX: LOGN) (Nasdaq: LOGI) today announced financial results for the fourth quarter and full year of Fiscal Year 2009.

Sales for Q4 were $408 million, a decrease of 32 percent compared to $601 million in the same quarter last year. The Company posted an operating loss of $43 million, compared to operating income of $66 million in the same quarter a year ago. The net loss for Q4 was $35 million ($0.20 per share) compared to net income of $60.3 million ($0.32 per share) in Q4 FY 2008. During the fourth quarter, Logitech recorded pre-tax restructuring charges of $20.5 million ($15.9 million after tax or $0.09 per diluted share). Gross margin for Q4 was 25.0 percent compared to 35.6 in Q4 FY 2008.

Logitech's retail sales for Q4 FY 2009 declined by 32 percent year over year, with sales down by 36 percent in EMEA, 33 percent in the Americas, and 14 percent in Asia. OEM sales were down by 33 percent.

"The primary cause of the year-over-year decline in our Q4 sales was the economic downturn," said Gerald P. Quindlen, Logitech president and chief executive officer. "Our sales were negatively impacted by the combination of weak consumer demand and the accelerating reset by our channel partners of their weeks of supply. A contributing factor to our sales decline was the effect of the stronger U.S. dollar.

"Consumer demand for our products in Q4 was much stronger than our reported sales would suggest. According to data we receive from our channel partners, sell-through of our products in the Americas and EMEA, our two largest regions, was down 14 percent and 7 percent, respectively, in Q4 compared to the prior year. Additionally, our most current data shows that our market share is largely stable – and in some cases growing – across most of our product categories.

"Historically the amount of Logitech product carried by our channel partners has been a function of the high sell-through rate of our products. With the continuing economic downturn, the sudden decline in the sell-through rate of our products resulted in our channel partners significantly lowering their levels of required supply. We are reaching alignment with this new level through promotional activities and reduced shipments. Our actions will accelerate, in Q1, leading to equilibrium in the channel in Q2. In view of these dynamics, we expect Q1 to be the low point of the year for operating results.

"During Q4 we achieved more than a $100 million reduction in our inventory on a sequential basis. I am also very pleased with our cash management during the quarter. We exited Fiscal Year 2009 with approximately a half billion dollars in cash, up sequentially, and virtually unchanged year over year, in spite of the turmoil in the global economy during the period.

"As we successfully achieve realignment with partners' required supply levels, continue to realize the benefits of our recent restructuring – which, together with our efforts to reduce variable spending, we expect to reduce our cost structure by $100 million annually – and introduce our new lineup of products designed for today's consumer, I believe we will have the elements in place for a return to earnings growth for the second half of Fiscal 2010.

"Beyond the current fiscal year, there are significant, ongoing trends that will spur our growth as we move past the impact of the current macroeconomic environment. Logitech fulfills the increasing demand for interfaces between people and the expanding digital world across multiple platforms and user environments. This presents an opportunity for us as we introduce products that enhance the usability and experiences of these new platforms. Our advantages of scale, strong distribution, brand leadership and an unparalleled innovation engine continue to position us for long-term growth."

Full-Year Financial Results

For the full fiscal year, sales were $2.2 billion, down from $2.4 billion in FY 2008. Operating income was $110 million, down from $287 million a year ago. Net income was $107 million ($0.59 per share) compared to net income of $231 million ($1.23 per share) in the prior year. Excluding restructuring charges, net income was $128 million ($0.69 per share). Gross margin for FY 2009 was 31.3 percent compared to 35.8 percent in FY 2008.

Outlook

Because of the continued impact of the global economic environment on Logitech's business visibility, the Company will provide

a one-quarter outlook in each quarter throughout Fiscal Year 2010. For the first quarter of FY 2010, which is historically the smallest quarter for both sales and operating leverage, Logitech expects sales within the range of $300 million to $320 million, gross margin within the range of 24 percent to 26 percent, and an operating loss between $40 million and $50 million. The Company expects Q1 to be the low point of the year for operating results.

Earnings Teleconference and Webcast

Logitech will hold an earnings teleconference on Thursday, April 23, 2009 at 8:30 a.m. Eastern Standard Time and 14:30 Central European Summer Time. A live webcast of the call, along with presentation slides, will be available on the Logitech corporate Web site at http://ir.logitech.com.

About Logitech

Logitech is a world leader in personal peripherals, driving innovation in PC navigation, Internet communications, digital music, home-entertainment control, gaming and wireless devices. Founded in 1981, Logitech International is a Swiss public company listed on the SIX Swiss Exchange (LOGN) and on the Nasdaq Global Select Market (LOGI).

This press release contains forward-looking statements, including the statements regarding the size and timing of expected savings from the restructuring and efforts to lower variable expenses, an expected return to earnings growth in the second half of FY 2010, the impact of ongoing trends on future growth, being positioned for long-term growth, anticipated sales, operating income and gross margin for Q1 FY 2010, and the expectation that Q1 FY 2010 will be the low point for operating results. The forward-looking statements in this release involve risks and uncertainties that could cause Logitech's actual results to differ materially from that anticipated in these forward-looking statements. Factors that could cause actual results to differ materially include: our inability to predict the depth and length of the deterioration of general economic conditions and its impact on our business, operating results and financial condition; the demand of our customers and our consumers for our products and our ability to accurately forecast it; Logitech's ability to achieve expected cost reductions within expected time frames; 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 we fail to take advantage of long-term trends in the consumer electronics and personal computers industries; if we fail to successfully innovate in our current and emerging product categories and identify new feature or product opportunities; the sales mix among our lower- and higher-margin products and our geographic sales mix; as well as those additional factors set forth in our periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2008 and our Quarterly Reports on Form 10-Q, available at www.sec.gov. Logitech does not undertake to update any forward-looking statements.