logitech®

# 2017 Annual General Meeting
# Invitation, Proxy Statement and Annual Report

# TO OUR SHAREHOLDERS

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**WE'VE COME A LONG WAY…**

When we meet people from outside Logitech, we often hear, "Wow, you really had a terrific year!", or "What a turnaround this past year or two!".

The truth is we started down this road five years ago. That was Fiscal Year 2013, when retail sales in constant currency fell -7% year on year.

We made changes to our strategy, our culture and our team. And since then we've systematically and passionately worked toward our goal to become a design company. A design company is not one focused on fashion or beautiful products (although our products are beautiful). It's a company that puts the consumer at the heart of every experience.

We've made great progress. We have won over a hundred design awards across fourteen categories; we've grown market share in almost every category; and we've created new businesses in Mobile Speakers, Video Collaboration, and Home Video. We're working to reinvent existing categories, too - like Presenters, where the introduction of our Spotlight presentation remote disrupted our own existing offering and transformed the category, taking the experience to a new level. We also acquired Jaybird, complementing our portfolio with a new brand focused on wireless earbuds that delight those with a sports and active lifestyle.

Our focus on design and expansion into new businesses have helped drive the top line. Retail sales have grown each successive fiscal year from a -7% decline in FY 2013 to +2%, +4% and +9% growth each successive year. Last year, we drove +15% growth. Over the same period, our profit has almost quadrupled, from $67 million in FY 2013 to $252 million in FY 2017, up over 40% this last year alone. In FY 2017, we also delivered $279 million in cash flow, returning two thirds of that back to shareholders in dividends and buybacks. And we still left plenty of room for acquisitions that can accelerate or differentiate our growth businesses.

So, we have come a long way. Which gives us an opportunity to put this company - now in its 35th year - into a broader perspective as we look ahead. For both of us, it's an anniversary of sorts this year. Guerrino celebrates 20 years at Logitech in a few months and Bracken celebrates his first five. Let's step back and think about the world in which we now play. After all, you're reading this because you're interested in what's ahead.

**TOOLS ENHANCE OUR LIVES**

Let's step way back to the dawn of humanity; even before history was recorded. Our earliest tools were knives, spears, the wheel, jugs and more. They enabled us to do things we couldn't do on our own and became stepping stones for new advances. Technology evolution and human evolution moved forward hand-in-hand.

Hundreds of thousands of years later, humankind is using tools for the same reasons. Many of those original tools are still here today. But we've added remarkably sophisticated ones to the mix: medicine, GPS, telephones, planes, cars, rockets and the Internet, to name just a few. Of course, Logitech also entered the tool business with a significant, mouse-sized step, beside another important tool, the personal computer.

Over the following thirty years or so, Logitech successfully surrounded the personal computer with PC peripherals: first mice, then keyboards and finally webcams and speakers. In many cases these were packaged with the original computer. Later, we upgraded them to improve the consumer experience. This became our retail business, driven by the rapidly expanding adoption of personal computers.

**A WORLD IN CONSTANT TRANSFORMATION**

Just as the flint knife is no longer our cutting tool of choice, the rise of the personal computer has seen its heyday. Evolution and innovation never stop. And while Logitech has been completing the first act of our transformation, the technology stage has been shifting and transforming around us too. The PC hasn't gone away, but its role in

# WE ARE JUST GETTING STARTED

the world has changed dramatically to be a smaller part of today's big technological trends. The world is now enabled by the cloud - shared, on-demand computing power that takes online activity off the desk to...well, everywhere. New technologies or experiences like self-driving cars, machine learning, augmented reality, space tourism, connected devices and more, have become commonplace concepts. We all know they are here or are coming.

So how do we think about these developments in technology and Logitech's role in that exciting world?

**WE'VE EVOLVED**

The cloud is a revolution in cost, service and user experience - which combined, make for a huge opportunity. The need for PC peripherals continues, but the need for cloud peripherals - those devices and experiences that enable or are enabled by cloud services - is growing rapidly. And we expect it to continue to grow for decades and decades.

Logitech saw this coming and moved our focus from accessorizing computing devices, like personal computers, to designing peripherals for the cloud.

We've crafted a steady stream of them. In the past few months we've introduced our latest Logitech Circle 2 Home Security Camera, designed for cloud-based home monitoring; Ultimate Ears WONDERBOOM Portable Wireless Speakers that play your music loud straight from the cloud; and the Logitech MeetUp Video Conference Camera, enabling cloud-based video conferencing in the huddle room.

These are second, third or fourth-generation products developed over the past four years that ride on the back of the cloud revolution. And that's just part of the picture. Over half our business is now designed to enable or enhance cloud services. And that's only the start.

On top of that, despite declining sales of new personal computers, PC usage has stayed roughly the same. There's still at least one on each of our desks; that's a lot of PCs. We continue to innovate in this space to drive fantastic new experiences that PC users love - innovations like Logitech Flow, which allows people to seamlessly use their mouse across computers, from screen to screen, cut and paste and transfer files.

**AND NOW WHAT**

The best thing about this story is that we are still in the early stages of what we are capable of doing. The long-term potential for the cloud is exciting … and the long-term potential number and size of the peripherals and experiences Logitech can create for the cloud are thrilling.

Thankfully, humanity keeps innovating and creating new tools. We, at Logitech, are transforming in step with those innovations; and driving them ourselves. At our core, we are still that practical, optimistic and humble little mouse company that started alongside the explosion in demand for one of humanity's greatest tools: the computer. And we are now building off a new generation of platforms, well beyond the computer: those driven by cloud services. We still feel small in front of this enormous opportunity. But we're ambitious to make a difference in more and more places.

We are just getting started.

**Guerrino De Luca**
Chairman of the Board

**Bracken Darrell**
President and Chief Executive Officer

* Note that these results and comparisons with prior years focus on results from continuing operations. They do not include the performance of Lifesize because Logitech separated its Lifesize division from the Company in December 2015.

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# 2017 Annual General Meeting
# Invitation, Proxy Statement and Annual Report

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July 26, 2017

To our shareholders:

You are cordially invited to attend Logitech's 2017 Annual General Meeting. The meeting will be held on Tuesday, September 12, 2017 at 2:00 p.m. at the SwissTech Convention Center, EPFL, in Lausanne, Switzerland.

Enclosed is the Invitation and Proxy Statement for the meeting, which includes an agenda and discussion of the items to be voted on at the meeting, instructions on how you can exercise your voting rights, information concerning Logitech's compensation of its Board members and executive officers, and other relevant information.

Whether or not you plan to attend the Annual General Meeting, your vote is important.

Thank you for your continued support of Logitech.

Guerrino De Luca
*Chairman of the Board*

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**LOGITECH INTERNATIONAL S.A.**
Invitation to the Annual General Meeting
Tuesday, September 12, 2017
2:00 p.m. (registration starts at 1:30 p.m.)
SwissTech Convention Center, EPFL – Lausanne, Switzerland

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# AGENDA

**A. Reports**

Report on Operations for the fiscal year ended March 31, 2017

**B. Proposals**

1. Approval of the Annual Report, the consolidated financial statements and the statutory financial statements of Logitech International S.A. for fiscal year 2017
2. Advisory vote to approve executive compensation
3. Advisory vote on the frequency of future advisory votes on executive compensation
4. Appropriation of retained earnings and declaration of dividend
5. Release of the Board of Directors and Executive Officers from liability for activities during fiscal year 2017
6. Elections to the Board of Directors
   - 6.A. Re-election of Dr. Patrick Aebischer
   - 6.B. Re-election of Dr. Edouard Bugnion
   - 6.C. Re-election of Mr. Bracken Darrell
   - 6.D. Re-election of Ms. Sally Davis
   - 6.E. Re-election of Mr. Guerrino De Luca
   - 6.F. Re-election of Ms. Sue Gove
   - 6.G. Re-election of Mr. Didier Hirsch
   - 6.H. Re-election of Dr. Neil Hunt
   - 6.I. Re-election of Mr. Dimitri Panayotopoulos
   - 6.J. Re-election of Dr. Lung Yeh
   - 6.K. Election of Ms. Wendy Becker
   - 6.L. Election of Ms. Neela Montgomery
7. Election of the Chairman of the Board
8. Elections to the Compensation Committee
   - 8.A. Re-election of Dr. Edouard Bugnion
   - 8.B. Re-election of Ms. Sally Davis
   - 8.C. Re-election of Dr. Neil Hunt
   - 8.D. Re-election of Mr. Dimitri Panayotopoulos
9. Approval of Compensation for the Board of Directors for the 2017 to 2018 Board Year
10. Approval of Compensation for the Group Management Team for fiscal year 2019
11. Re-election of KPMG AG as Logitech's auditors and ratification of the appointment of KPMG LLP as Logitech's independent registered public accounting firm for fiscal year 2018
12. Re-election of Ms. Béatrice Ehlers as Independent Representative

Apples, Switzerland, July 26, 2017

The Board of Directors

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# Questions and Answers about The Logitech 2017 Annual General Meeting

## General Information for All Shareholders

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| **WHY AM I RECEIVING THIS "INVITATION AND PROXY STATEMENT"?** | This document is designed to comply with both Swiss corporate law and U.S. proxy statement rules. Outside of the U.S. and Canada this Invitation and Proxy Statement will be made available to registered shareholders with certain portions translated into French and German. We made copies of this Invitation and Proxy Statement available to shareholders beginning on July 26, 2017.<br><br>The Response Coupon is requested on behalf of the Board of Directors of Logitech for use at Logitech's Annual General Meeting. The meeting will be held on Tuesday, September 12, 2017 at 2:00 p.m. at the SwissTech Convention Center, EPFL, in Lausanne, Switzerland. |
| **WHO IS ENTITLED TO VOTE AT THE MEETING?** | Shareholders registered in the Share Register of Logitech International S.A. (including in the sub-register maintained by Logitech's U.S. transfer agent, Computershare) on Wednesday, September 6, 2017 have the right to vote. No shareholders will be entered in the Share Register between September 6, 2017 and the day following the meeting. As of June 30, 2017, there were 86,113,995 shares registered and entitled to vote out of a total of 163,909,945 Logitech shares outstanding. The actual number of registered shares that will be entitled to vote at the meeting will vary depending on how many more shares are registered, or deregistered, between June 30, 2017 and September 6, 2017.<br><br>For information on the criteria for the determination of the U.S. and Canadian "street name" beneficial owners who may vote with respect to the meeting, please refer to "Further Information for U.S. and Canadian "Street Name" Beneficial Owners" below. |
| **WHO IS A REGISTERED SHAREHOLDER?** | If your shares are registered directly in your name with us in the Share Register of Logitech International S.A., or in our sub-register maintained by our U.S. transfer agent, Computershare, you are considered a registered shareholder, and this Invitation and Proxy Statement and related materials are being sent or made available to you by Logitech. |

# Questions and Answers about The Logitech 2017 Annual General Meeting

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| **WHO IS A BENEFICIAL OWNER WITH SHARES REGISTERED IN THE NAME OF A CUSTODIAN, OR "STREET NAME" OWNER?** | Shareholders that have not requested registration on our Share Register directly, and hold shares through a broker, trustee or nominee or other similar organization that is a registered shareholder, are beneficial owners of shares registered in the name of a custodian. If you hold your Logitech shares through a U.S. or Canadian broker, trustee or nominee or other similar organization (also called holding in "street name"), which is the typical practice of our shareholders in the U.S. and Canada, the organization holding your account is considered the registered shareholder for purposes of voting at the meeting, and this Invitation and Proxy Statement and related materials are being sent or made available to you by them. You have the right to direct that organization on how to vote the shares held in your account. |
| **WHY IS IT IMPORTANT FOR ME TO VOTE?** | Logitech is a public company and key decisions can only be made by shareholders. Whether or not you plan to attend, your vote is important so that your shares are represented. |
| **HOW MANY REGISTERED SHARES MUST BE PRESENT OR REPRESENTED TO CONDUCT BUSINESS AT THE MEETING?** | There is no quorum requirement for the meeting. Under Swiss law, public companies do not have specific quorum requirements for shareholder meetings, and our Articles of Incorporation do not otherwise provide for a quorum requirement. |
| **WHERE ARE LOGITECH'S PRINCIPAL EXECUTIVE OFFICES?** | Logitech's principal executive office in Switzerland is at EPFL – Quartier de l'Innovation, Daniel Borel Innovation Center 1015 Lausanne, Switzerland, and our principal executive office in the United States is at 7700 Gateway Boulevard, Newark, California 94560. Logitech's main telephone number in Switzerland is +41-(0)21-863-5111 and our main telephone number in the United States is +1-510-795-8500. |
| **HOW CAN I OBTAIN LOGITECH'S PROXY STATEMENT, ANNUAL REPORT AND OTHER ANNUAL REPORTING MATERIALS?** | A copy of our 2017 Annual Report to Shareholders, this Invitation and Proxy Statement and our Annual Report on Form 10-K for fiscal year 2017 filed with the U.S. Securities and Exchange Commission (the "SEC") are available on our website at *http://ir.logitech.com*. Shareholders also may request free copies of these materials at our principal executive offices in Switzerland or the United States, at the addresses and phone numbers above. |
| **WHERE CAN I FIND THE VOTING RESULTS OF THE MEETING?** | We intend to announce voting results at the meeting and issue a press release promptly after the meeting. We will also file the results on a Current Report on Form 8-K with the SEC by Monday, September 18, 2017. A copy of the Form 8-K will be available on our website at *http://ir.logitech.com*. |

# Questions and Answers about The Logitech 2017 Annual General Meeting

**IF I AM NOT A REGISTERED SHAREHOLDER, CAN I ATTEND AND VOTE AT THE MEETING?**

You may not attend the meeting and vote your shares in person at the meeting unless you either become a registered shareholder by September 6, 2017 or you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. If you hold your shares through a non-U.S. or non-Canadian broker, trustee or nominee, you may become a registered shareholder by contacting our Share Registrar at Logitech International S.A., c/o Devigus Shareholder Services, Birkenstrasse 47, CH-6343 Rotkreuz, Switzerland, and following their registration instructions or, in certain countries, by requesting registration through the bank or brokerage through which you hold your shares. If you hold your shares through a U.S. or Canadian broker, trustee or nominee, you may become a registered shareholder by contacting your broker, trustee or nominee, and following their registration instructions.

## Further Information for Registered Shareholders

**HOW CAN I VOTE IF I DO NOT PLAN TO ATTEND THE MEETING?**

If you do not plan to attend the meeting, you may appoint the Independent Representative, Ms. Béatrice Ehlers, to represent you at the meeting. Please provide your voting instructions by marking the applicable boxes beside the agenda items on the Internet voting site for registered shareholders, *gvmanager.ch/logitech* for shareholders on the Swiss share register or *www.proxyvote.com* for shareholders on the U.S. share register, or on the Response Coupon or Proxy Card, as applicable.

**SWISS SHARE REGISTER – INTERNET VOTING –** Go to the Internet voting site *gvmanager.ch/logitech* and log in with your one-time code on the Response Coupon. Please use the menu item "Grant Procuration" and submit your instructions by clicking on the "Send" button. Your code is only valid once; it expires once you have submitted your voting or any other instructions and signed off the portal. As long as you remain signed in to the portal, you may change your voting instructions at your discretion.

**SWISS SHARE REGISTER – RESPONSE COUPON** – Mark the box under Option 3 on the enclosed Response Coupon. Please sign, date and promptly mail your completed Response Coupon to Ms. Béatrice Ehlers using the appropriate enclosed postage-paid envelope.

**U.S. SHARE REGISTER – INTERNET VOTING** – Go to the Internet voting site *www.proxyvote.com* and log in with your 16-digit voting control number printed in the box marked by the arrow on the Notice of Internet Availability of Proxy Materials that you received from us. Please follow the menus to select the Independent Representative, Ms. Béatrice Ehlers, to represent you at the meeting.

**U.S. SHARE REGISTER – PROXY CARD** – If you have requested a Proxy Card, mark the box "Yes" on the Proxy Card to select the Independent Representative, Ms. Béatrice Ehlers, to represent you at the meeting. Please sign, date and promptly mail your completed Proxy Card to Broadridge using the enclosed postage-paid envelope.

## Questions and Answers about The Logitech 2017 Annual General Meeting



**HOW CAN I ATTEND THE MEETING?**

If you wish to attend the meeting, you will need to obtain an admission card. You may order your admission card on the Internet voting site for registered shareholders, *www.gvmanager.ch/logitech* for shareholders on the Swiss share register or *www.proxyvote.com* for shareholders on the U.S. share register, or on the Response Coupon or Proxy Card, as applicable, and we will send you an admission card for the meeting. If an admission card is not received by you prior to the meeting and you are a registered shareholder as of September 6, 2017, you may attend the meeting by presenting proof of identification at the meeting.

**SWISS SHARE REGISTER – INTERNET VOTING** – Go to the Internet voting site *gvmanager.ch/logitech* and log in with your one-time code on the Response Coupon. Please use the menu item "Order Admission Card". Your code is only valid once; it expires as soon as you have ordered an admission card by clicking on the "Send" button or submitted any other instructions and signed off the portal.

**SWISS SHARE REGISTER – RESPONSE COUPON** – Mark the box under Option 1 on the enclosed Response Coupon. Please send the completed, signed and dated Response Coupon to Logitech using the enclosed postage-paid envelope by Wednesday, September 6, 2017.

**U.S. SHARE REGISTER – INTERNET VOTING** – Go to the Internet voting site *www.proxyvote.com* and log in with your 16-digit voting control number printed in the box marked by the arrow on the Notice of Internet Availability of Proxy Materials that you received from us. Please follow the menus to indicate that you will personally attend the meeting.

**U.S. SHARE REGISTER – PROXY CARD** – If you have requested a Proxy Card, mark the box "Yes" on the Proxy Card to indicate that you will personally attend the meeting. Please sign, date and promptly mail your completed Proxy Card to Broadridge using the enclosed postage-paid envelope by Wednesday, September 6, 2017.

**CAN I HAVE ANOTHER PERSON REPRESENT ME AT THE MEETING?**

Yes. If you would like someone other than the Independent Representative to represent you at the meeting, please mark Option 2 on the Response Coupon (for shareholders on the Swiss share register) or, if you requested a Proxy Card (for shareholders on the U.S. share register), mark the box on the Proxy Card to authorize the person you name on the reverse side of the Proxy Card. On either the Response Coupon or the Proxy Card, please provide the name and address of the person you want to represent you. Please return the completed, signed and dated Response Coupon to Logitech or Proxy Card to Broadridge, using the enclosed postage-paid envelope by September 6, 2017. We will send an admission card for the meeting to your representative. If the name and address instructions you provide are not clear, Logitech will send the admission card to you, and you must forward it to your representative.

If you requested and received an admission card to attend the meeting, you can also authorize someone other than the Independent Representative to represent you at the meeting on the admission card and provide that signed, dated and completed admission card to your representative, together with your voting instructions.

# Questions and Answers about The Logitech 2017 Annual General Meeting

**CAN I SELL MY SHARES BEFORE THE MEETING IF I HAVE VOTED?**

Logitech does not block the transfer of shares before the meeting. However, if you sell your Logitech shares before the meeting and Logitech's Share Registrar is notified of the sale, your votes with those shares will not be counted. Any person who purchases shares after the Share Register closes on Wednesday, September 6, 2017 will not be able to register them until the day after the meeting and so will not be able to vote the shares at the meeting.

**IF I VOTE BY PROXY, CAN I CHANGE MY VOTE AFTER I HAVE VOTED?**

You may change your vote by Internet or by mail through September 6, 2017. You may also change your vote by attending the meeting and voting in person. For shareholders on the Swiss share register, you may revoke your vote by requesting a new one-time code and providing new voting instructions at *gvmanager.ch/logitech*, or by requesting and submitting a new Response Coupon from our Swiss Share Register at Devigus Shareholder Services (by telephone at +41-41-798-48-33 or by e-mail at *logitech@devigus.com*). For shareholders on the U.S. share register, you may revoke your vote by providing new voting instructions at *www.proxyvote.com*, if you voted by Internet, or by requesting and submitting a new Proxy Card. Your attendance at the meeting will not automatically revoke your vote or Response Coupon or Proxy Card unless you vote again at the meeting or specifically request in writing that your prior voting instructions be revoked.

**SWISS SHARE REGISTER – INTERNET VOTING –** After you receive the new one-time code, go to the Internet voting site *gvmanager.ch/logitech* and log in. Please use the menu item "Grant Procuration". Follow the directions on the site to complete and submit your new instructions until Wednesday, September 6, 2017, 23:59 (Central European Time), or you may attend the meeting and vote in person.

**SWISS SHARE REGISTER – RESPONSE COUPON –** If you request a new Response Coupon and wish to vote again, you may complete the new Response Coupon and return it to us by September 6, 2017, or you may attend the meeting and vote in person.

**U.S. SHARE REGISTER – INTERNET VOTING –** Go to the Internet voting site *www.proxyvote.com* and log in with your 16-digit voting control number printed in the box marked by the arrow on the Notice of Internet Availability of Proxy Materials that you received from us. Please follow the menus to submit your new instructions until Wednesday, September 6, 2017, 11:59 p.m. (U.S. Eastern Daylight Time), or you may attend the meeting and vote in person.

**U.S. SHARE REGISTER – PROXY CARD –** If you request a new Proxy Card and wish to vote again, you may complete the new Proxy Card and return it to Broadridge by September 6, 2017, or you may attend the meeting and vote in person.

# Questions and Answers about The Logitech 2017 Annual General Meeting

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| **IF I VOTE BY PROXY, WHAT HAPPENS IF I DO NOT GIVE SPECIFIC VOTING INSTRUCTIONS?** | **SWISS SHARE REGISTER – INTERNET VOTING –** If you are a registered shareholder and vote using the Internet voting site, you have to give specific voting instructions for all agenda items before you can submit your instructions.<br><br>**SWISS SHARE REGISTER – RESPONSE COUPON –** If you are a registered shareholder and sign and return a Response Coupon without giving specific voting instructions for some or all agenda items, you thereby give instructions to the Independent Representative to vote your shares in accordance with the recommendations of the Board of Directors for such agenda items as well as for new and amended proposals that could be formulated during the course of the meeting. |
| | **U.S. SHARE REGISTER – INTERNET VOTING –** If you are a registered shareholder and vote using the Internet voting site without giving specific voting instructions for some or all agenda items, you thereby give instructions to the Independent Representative to vote your shares in accordance with the recommendations of the Board of Directors for such agenda items as well as for new and amended proposals that could be formulated during the course of the meeting.<br><br>**U.S. SHARE REGISTER – PROXY CARD –** If you are a registered shareholder and sign and return a Proxy Card without giving specific voting instructions for some or all agenda items, you thereby give instructions to the Independent Representative to vote your shares in accordance with the recommendations of the Board of Directors for such agenda items as well as for new and amended proposals that could be formulated during the course of the meeting. |
| **WHO CAN I CONTACT IF I HAVE QUESTIONS?** | If you have any questions or need assistance in voting your shares, please call us at +1-510-713-4220 or e-mail us at *logitechIR@logitech.com.* |

# Questions and Answers about The Logitech 2017 Annual General Meeting

## Further Information for U.S. or Canadian “Street Name” Beneficial Owners

**WHY DID I RECEIVE A ONE-PAGE NOTICE IN THE MAIL REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS INSTEAD OF A FULL SET OF PROXY MATERIALS?**

We have provided access to our proxy materials over the Internet to beneficial owners holding their shares in “street name” through a U.S. or Canadian broker, trustee or nominee. Accordingly, such brokers, trustees or nominees are forwarding a Notice of Internet Availability of Proxy Materials (the “Notice”) to such beneficial owners. All such shareholders will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found on the Notice. In addition, beneficial owners holding their shares in street name through a U.S. or Canadian broker, trustee or nominee may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

**HOW CAN I GET ELECTRONIC ACCESS TO THE PROXY MATERIALS?**

The Notice will provide you with instructions regarding how to:

- View our proxy materials for the meeting on the Internet; and
- Instruct us to send our future proxy materials to you electronically by email.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual shareholders’ meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

**WHO MAY PROVIDE VOTING INSTRUCTIONS FOR THE MEETING?**

For purposes of U.S. or Canadian beneficial shareholder voting, shareholders holding shares through a U.S. or Canadian broker, trustee or nominee organization on July 14, 2017 may direct the organization on how to vote. Logitech has made arrangements with a service company to U.S. and Canadian brokers, trustees and nominee organizations for that service company to provide a reconciliation of share positions of U.S. and Canadian “street name” beneficial owners between July 14, 2017 and August 31, 2017, which Logitech determined is the last practicable date before the meeting for such a reconciliation. These arrangements are intended to result in the following adjustments: If a U.S. or Canadian “street name” beneficial owner as of July 14, 2017 votes but subsequently sells their shares before August 31, 2017, their votes will be cancelled. A U.S. or Canadian “street name” beneficial owner as of July 14, 2017 that has voted and subsequently increases or decreases their shareholdings but remains a beneficial owner as of August 31, 2017 will have their votes increased or decreased to reflect their shareholdings as of August 31, 2017.

If you acquire Logitech shares in “street name” after July 14, 2017 through a U.S. or Canadian broker, trustee or nominee, and wish to vote at the meeting or provide voting instructions by proxy, you must become a registered shareholder. You may become a registered shareholder by contacting your broker, trustee or nominee, and following their registration instructions. In order to allow adequate time for registration, for proxy materials to be sent or made available to you, and for your voting instructions to be returned to us before the meeting, please begin the registration process as far before September 6, 2017 as possible.

# Questions and Answers about The Logitech 2017 Annual General Meeting

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| **IF I AM A U.S. OR CANADIAN "STREET NAME" BENEFICIAL OWNER, HOW DO I VOTE?** | If you are a beneficial owner of shares held in "street name" and you wish to vote in person at the meeting, you must obtain a valid proxy from the organization that holds your shares.<br><br>If you do not wish to vote in person, you may vote by proxy. You may vote by proxy over the Internet, by mail or by telephone by following the instructions provided in the Notice or on the Proxy Card. |
| **WHAT HAPPENS IF I DO NOT GIVE SPECIFIC VOTING INSTRUCTIONS?** | If you are a beneficial owner of shares held in "street name" in the United States or Canada and do not provide your broker, trustee or nominee with specific voting instructions, then under the rules of various national and regional securities exchanges, your broker, trustee or nominee may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, your shares will not be voted on such matter and will not be considered votes cast on the applicable Proposal. We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice. We believe the following Proposals will be considered non-routine: Proposal 2 (Advisory vote to approve executive compensation), Proposal 3 (Advisory vote on the frequency of future advisory votes on executive compensation), Proposal 4 (Appropriation of retained earnings and declaration of dividend), Proposal 5 (Release of the Board of Directors and Executive Officers from liability for activities during fiscal year 2017), Proposal 6 (Elections to the Board of Directors), Proposal 7 (Election of the Chairman), Proposal 8 (Elections to the Compensation Committee), Proposal 9 (Approval of Compensation for the Board of Directors for the 2017 to 2018 Board Year), Proposal 10 (Approval of Compensation for the Group Management Team for Fiscal Year 2019), Proposal 12 (Election of the Independent Representative). All other Proposals involve matters that we believe will be considered routine. Any "broker non-votes" on any Proposals will not be considered votes cast on the Proposal. |
| **WHAT IS THE DEADLINE FOR DELIVERING MY VOTING INSTRUCTIONS?** | If you hold your shares through a U.S. or Canadian bank or brokerage or other custodian, you have until 11:59 pm (U.S. Eastern Daylight Time) on Wednesday, September 6, 2017 to deliver your voting instructions. |
| **CAN I CHANGE MY VOTE AFTER I HAVE VOTED?** | You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may vote again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the meeting and voting in person, if you have a "legal proxy" that allows you to attend the meeting and vote. However, your attendance at the Annual General Meeting will not automatically revoke your proxy unless you vote again at the meeting or specifically request in writing that your prior proxy be revoked. |

# Questions and Answers about The Logitech 2017 Annual General Meeting

**HOW DO I OBTAIN A SEPARATE SET OF PROXY MATERIALS OR REQUEST A SINGLE SET FOR MY HOUSEHOLD IN THE UNITED STATES?**

We have adopted a procedure approved by the SEC called "householding" for shareholders in the United States. Under this procedure, shareholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our proxy statement and annual report unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure reduces our printing costs and postage fees. Each U.S. shareholder who participates in householding will continue to be able to access or receive a separate proxy card.

If you wish to receive a separate proxy statement and annual report at this time, please request the additional copy by contacting our mailing agent, Broadridge, by telephone at +1-866-540-7095 or by e-mail at *sendmaterial@proxyvote.com*. If any shareholders in your household wish to receive a separate proxy statement and annual report in the future, they may call our investor relations group at +1-510-713-4220 or write to Investor Relations, 7700 Gateway Boulevard, Newark, California 94560. They may also send an email to our investor relations group at *logitechIR@logitech.com*. Other shareholders who have multiple accounts in their names or who share an address with other stockholders can authorize us to discontinue mailings of multiple proxy statements and annual reports by calling or writing to investor relations.

## Further Information for Shareholders with Shares Registered Through a Bank or Brokerage as Custodian (Outside the U.S. or Canada)

**HOW DO I VOTE BY PROXY IF MY SHARES ARE REGISTERED THROUGH MY BANK OR BROKERAGE AS CUSTODIAN?**

Your broker, trustee or nominee should have enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares. If you did not receive such instructions you must contact your bank or brokerage for their voting instructions.

**WHAT IS THE DEADLINE FOR DELIVERING MY VOTING INSTRUCTIONS IF MY LOGITECH SHARES ARE REGISTERED THROUGH MY BANK OR BROKERAGE AS CUSTODIAN?**

Banks and brokerages typically set deadlines for receiving instructions from their account holders. Outside of the U.S. and Canada, this deadline is typically two to three days before the deadline of the company holding the general meeting. This is so that the custodians can collect the voting instructions and pass them on to the company holding the meeting. If you hold Logitech shares through a bank or brokerage outside the U.S. or Canada, please check with your bank or brokerage for their specific voting deadline and submit your voting instructions to them as far before that deadline as possible.

# Questions and Answers about The Logitech 2017 Annual General Meeting

## Other Meeting Information

**Meeting Proposals**

There are no other matters that the Board intends to present, or has reason to believe others will present, at the Annual General Meeting.

If you are a registered shareholder:

| | |
|---|---|
| SWISS SHARE REGISTER | **INTERNET VOTING –** If you are a registered shareholder and vote using the Internet voting site, you have to give specific voting instructions to all agenda items before you can submit your instructions.<br><br>**RESPONSE COUPON –** If you are a registered shareholder and sign and return a Response Coupon without giving specific voting instructions for some or all agenda items, you thereby give instructions to the Independent Representative to vote your shares in accordance with the recommendations of the Board of Directors for such agenda items as well as for new and amended proposals that could be formulated during the course of the meeting. |
| U.S. SHARE REGISTER | **INTERNET VOTING –** If you are a registered shareholder and vote using the Internet voting site without giving specific voting instructions for some or all agenda items, you thereby give instructions to the Independent Representative to vote your shares in accordance with the recommendations of the Board of Directors for such agenda items as well as for new and amended proposals that could be formulated during the course of the meeting.<br><br>**PROXY CARD –** If you are a registered shareholder and sign and return a Proxy Card without giving specific voting instructions for some or all agenda items, you thereby give instructions to the Independent Representative to vote your shares in accordance with the recommendations of the Board of Directors for such agenda items as well as for new and amended proposals that could be formulated during the course of the meeting. |

If you are a beneficial owner of shares held in “street name” in the United States or Canada, if other matters are properly presented for voting at the meeting and you have provided discretionary voting instructions on a voting instruction card or through the Internet or other permitted voting mechanisms or have not provided voting instructions, your shares will be voted in accordance with the recommendations of the Board of Directors at the meeting on such matters.

**Proxy Solicitation**

We do not expect to retain a proxy solicitation firm. Certain of our directors, officers and other employees, without additional compensation, may contact shareholders personally or in writing, by telephone, e-mail or otherwise in connection with the proposals to be made at the meeting. In the United States, we are required to request that brokers and nominees who hold shares in their names furnish our proxy material to the beneficial owners of the shares, and we must reimburse such brokers and nominees for the expenses of doing so in accordance with certain U.S. statutory fee schedules.

# Questions and Answers about The Logitech 2017 Annual General Meeting

**Tabulation of Votes**

Representatives of at least two Swiss banks will serve as scrutineers of the vote tabulations at the meeting. As is typical for Swiss companies, our Share Registrar will tabulate the voting instructions of registered shareholders that are provided in advance of the meeting.

**Shareholder Proposals and Nominees**

*Shareholder Proposals for 2017 Annual General Meeting*

Under our Articles of Incorporation, one or more registered shareholders who together represent shares representing at least the lesser of (i) one percent of our issued share capital or (ii) an aggregate par value of one million Swiss francs may demand that an item be placed on the agenda of a meeting of shareholders. Any such proposal must be included by the Board in our materials for the meeting. A request to place an item on the meeting agenda must be in writing and describe the proposal. With respect to the 2017 Annual General Meeting, the deadline to receive proposals for the agenda was July 13, 2017. In addition, under Swiss law registered shareholders, or persons holding a valid proxy from a registered shareholder, may propose alternatives to items on the 2017 Annual General Meeting agenda before or at the meeting.

*Shareholder Proposals for 2018 Annual General Meeting*

We anticipate holding our 2018 Annual General Meeting on or about September 5, 2018. A registered shareholder that satisfies the minimum shareholding requirements in the Company's Articles of Incorporation may demand that an item be placed on the agenda for our 2018 Annual General Meeting of shareholders by delivering a written request describing the proposal to the Secretary of Logitech at our principal executive office in either Switzerland or the United States no later than July 7, 2018. In addition, if you are a registered shareholder and satisfy the shareholding requirements under Rule 14a-8 of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), you may submit a proposal for consideration by the Board of Directors for inclusion in the 2018 Annual General Meeting agenda by delivering a request and a description of the proposal to the Secretary of Logitech at our principal executive office in either Switzerland or the United States no later than March 28, 2018. The proposal will need to comply with Rule 14a-8 of the Exchange Act, which lists the requirements for the inclusion of shareholder proposals in company-sponsored proxy materials under U.S. securities laws. Under the Company's Articles of Incorporation only registered shareholders are recognized as Logitech shareholders. As a result, if you are not a registered shareholder you may not make proposals for the 2018 Annual General Meeting.

*Nominations of Director Candidates*

Nominations of director candidates by registered shareholders must follow the rules for shareholder proposals above.

*Provisions of Articles of Incorporation*

The relevant provisions of our Articles of Incorporation regarding the right of one or more registered shareholders who together represent shares representing at least the lesser of (i) one percent of our issued share capital or (ii) an aggregate par value of one million Swiss francs to demand that an item be placed on the agenda of a meeting of shareholders are available on our website at *http://ir.logitech.com*. You may also contact the Secretary of Logitech at our principal executive office in either Switzerland or the United States to request a copy of the relevant provisions of our Articles of Incorporation.

# Agenda Proposals and Explanations

## A. Reports

**Report on Operations for the Fiscal Year Ended March 31, 2017**

Senior management of Logitech International S.A. will provide the Annual General Meeting with a presentation and report on operations of the Company for fiscal year 2017.

# Agenda Proposals and Explanations

## B. Proposals

### Proposal 1

Approval of the Annual Report, the Consolidated Financial Statements and the Statutory Financial Statements of Logitech International S.A. for Fiscal Year 2017

**Proposal**

The Board of Directors proposes that the Annual Report, the consolidated financial statements and the statutory financial statements of Logitech International S.A. for fiscal year 2017 be approved.

**Explanation**

The Logitech consolidated financial statements and the statutory financial statements of Logitech International S.A. for fiscal year 2017 are contained in Logitech's Annual Report, which was made available to all registered shareholders on or before the date of this Invitation and Proxy Statement. The Annual Report also contains the reports of Logitech's auditors on the consolidated financial statements and on the statutory financial statements, Logitech's Remuneration Report prepared in compliance with the Swiss Ordinance Against Excessive Compensation by Public Corporations (the so-called "Minder Ordinance") as well as the report of the statutory auditors on the Remuneration Report, additional information on the Company's business, organization and strategy, and information relating to corporate governance as required by the SIX Swiss Exchange directive on corporate governance. Copies of the Annual Report are available on the Internet at *ir.logitech.com*.

Under Swiss law, the annual report and financial statements of Swiss companies must be submitted to shareholders for approval or disapproval at each annual general meeting. In the event of a negative vote on this proposal by shareholders, the Board of Directors will call an extraordinary general meeting of shareholders for reconsideration of this proposal by shareholders.

Approval of this proposal does not constitute approval or disapproval of any of the individual matters referred to in the Annual Report or the consolidated or statutory financial statements for fiscal year 2017.

KPMG AG, as Logitech auditors, issued an unqualified recommendation to the Annual General Meeting that the consolidated and statutory financial statements of Logitech International S.A. be approved. KPMG AG expressed their opinion that the consolidated financial statements for the year ended March 31, 2017 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and comply with Swiss law. They further expressed their opinion and confirmed that the statutory financial statements and the proposed appropriation of available earnings comply with Swiss law and the Articles of Incorporation of Logitech International S.A. and the Remuneration Report contains the information required by Swiss law.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" approval of the Annual Report, the consolidated financial statements and the statutory financial statements of Logitech International S.A. for fiscal year 2017.

# Proposal 2

## Advisory Vote to Approve Executive Compensation

### Proposal

The Board of Directors proposes that shareholders approve, on an advisory basis, the compensation of Logitech's named executive officers disclosed in Logitech's Compensation Report for fiscal year 2017.

### Explanation

Since 2009, the Logitech Board of Directors has asked shareholders each year to approve Logitech's compensation philosophy, policies and practices, as set out in the "Compensation Discussion and Analysis" section of the Compensation Report, in a proposal commonly known as a "say-on-pay" proposal. Beginning with the 2011 Annual General Meeting, a say-on-pay advisory vote was required for all public companies, including Logitech, that are subject to the applicable U.S. proxy statement rules. Shareholders have been supportive of our compensation philosophy, policies and practices in each of those years.

At the 2011 Annual General Meeting, shareholders approved a proposal to take the say-on-pay vote annually. Accordingly, the Board of Directors is asking shareholders to approve, on an advisory basis, the compensation of Logitech's named executive officers disclosed in the Compensation Report, including the "Compensation Discussion and Analysis," the Summary Compensation table and the related compensation tables, notes, and narrative. This vote is not intended to address any specific items of compensation or any specific named executive officer, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in the Compensation Report.

This say-on-pay vote is advisory and therefore is not binding. It is carried out as a best practice and to comply with applicable U.S. proxy statement rules, and is consequently independent from, and comes in addition to, the binding vote on the compensation of the Board of Directors for the 2017 to 2018 Board Year contemplated in Proposal 9 and the binding vote on the Approval of Compensation for the Group Management Team for Fiscal Year 2019 contemplated in Proposal 10 below. However, the say-on-pay vote will provide information to us regarding shareholder views about our executive compensation philosophy, policies and practices, which the Compensation Committee of the Board will be able to consider when determining future executive compensation. The Committee will seek to determine the causes of any significant negative voting result.

As discussed in the Compensation Discussion and Analysis section of Logitech's 2017 Compensation Report, Logitech has designed its compensation programs to:

- provide compensation sufficient to attract and retain the level of talent needed to create and manage an innovative, high-growth, global company in highly competitive and rapidly evolving markets;
- support a performance-oriented culture;
- maintain a balance between fixed and variable compensation and place a significant portion of total compensation at risk based on the Logitech's performance, while maintaining controls over inappropriate risk-taking by factoring in both annual and long-term performance;
- provide a balance between short-term and long-term objectives and results;
- align executive compensation with shareholders' interests by tying a significant portion of compensation to increasing share value; and
- reflect an executive's role and past performance through base salary and short-term cash incentives, and his or her potential for future contribution through long-term equity incentive awards.

While compensation is a central part of attracting, retaining and motivating the best executives and employees, we believe it is not the sole or exclusive reason why exceptional executives or employees choose to join and stay at Logitech, or why they work hard to achieve results for shareholders. In this regard, both the Compensation Committee and management believe that providing a working environment and opportunities in which executives and employees can develop, express their individual potential, and make a difference, are also a key part of Logitech's success in attracting, motivating and retaining executives and employees.

The Compensation Committee of the Board has developed a compensation program that is described more fully in the Compensation Report included in this Invitation and Proxy Statement. Logitech's compensation philosophy, compensation program risks and design, and compensation paid during fiscal year 2017 are also set out in the Compensation Report.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" approval of the following advisory resolution:

"Resolved, that the compensation paid to Logitech's named executive officers as disclosed in the Compensation Report, including the "Compensation Discussion and Analysis," the Summary Compensation table and the related compensation tables, notes, and narrative discussion, is hereby approved."

# Agenda Proposals and Explanations

## Proposal 3

## Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation

### Proposal

The Board of Directors asks shareholders for their advisory vote on the frequency of future advisory say-on-pay votes on executive compensation. In particular, the Board of Directors asks shareholders for their guidance on whether future advisory say-on-pay votes, such as the one in Proposal 2 above, should be held every one, two or three years.

### Explanation

This proposal asks shareholders to indicate their preference, on an advisory basis, for the frequency of future shareholder advisory votes on executive compensation. The Board of Directors is asking shareholders for their views on the frequency of these votes pursuant to the same U.S. law described in Proposal 2 above that requires each company subject to U.S. proxy statement rules, including Logitech, to hold a say-on-pay advisory vote on executive compensation. This vote on the frequency of say-on-pay votes must be held at least once every six years and is advisory in nature.

The Board of Directors has asked shareholders to approve Logitech's compensation philosophy, policies and practices in each of the last eight years. The Board believes that providing an annual advisory vote on compensation provides the Board with more opportunity for timely feedback, especially given the annual binding vote on the Approval of Compensation for the Group Management Team required under Swiss law, and so the Board recommends that shareholders vote to hold a say-on-pay advisory vote every year. However, in accordance with the applicable U.S. law, shareholders will be able to specify one of four choices for this proposal: one year, two years, three years, or abstain from voting. Shareholders' votes on this proposal are independent from, and will not affect, the binding vote on the compensation of the Board of Directors for the 2017 to 2018 Board Year contemplated in Proposal 9 and the binding vote on the Approval of Compensation for the Group Management Team for fiscal year 2019 contemplated in Proposal 10 below.

### Voting Requirement to Approve Proposal

This advisory vote is non-binding. The Board has a strong preference to continue with advisory say-on-pay votes on executive compensation on an annual basis; however, the Board will carefully consider the voting results and expects to take into account the alternative that receives the greatest number of votes, even if that alternative does not receive a majority of the votes cast.

### Recommendation

The Board of Directors recommends that shareholders approve, on an advisory basis, holding a yearly say-on-pay advisory vote on executive compensation. The alternative receiving the greatest number of votes (every one, two or three years) will be considered the frequency selected by shareholders.

# Proposal 4

## Appropriation of Retained Earnings and Declaration of Dividend

### Proposal

The Board of Directors proposes that CHF 740,727,981 (approximately USD 740,024,289 based on the exchange rate on March 31, 2017) of retained earnings be appropriated as follows:

| | | Year ended March 31, 2017 |
|---|---|---|
| Retained earnings available at the end of fiscal year 2017 | CHF | 740,727,981 |
| Proposed dividends | CHF | (100,025,881) |
| Balance of retained earnings to be carried forward | CHF | 640,702,100 |

The Board of Directors approved and proposes distribution of a gross aggregate dividend of CHF 100,025,881 (approximately USD 99,970,687, based on the exchange rate on March 31, 2017), or approximately CHF 0.6160 per share (approximately USD 0.6157 per share).*

No distribution shall be made on shares held in treasury by the Company and its subsidiaries.

If the proposal of the Board of Directors is approved, the dividend payment of approximately CHF 0.6160 per share (or approximately CHF 0.4004 per share after deduction of 35% Swiss withholding tax whenever required) will be made on or about September 27, 2017 to all shareholders on record as of the record date (which will be on or about September 26, 2017). We expect that the shares will be traded ex dividend as of approximately September 25, 2017. For payments made in U.S. dollars, we expect to use the currency exchange rate as of the date of the meeting, September 12, 2017.

### Explanation

Under Swiss law, the use of retained earnings must be submitted to shareholders for approval or disapproval at each annual general meeting. The retained earnings at the disposal of Logitech shareholders at the 2017 Annual General Meeting are the earnings of Logitech International S.A., the Logitech parent holding company.

The proposal of the Board of Directors to distribute a gross dividend of approximately CHF 0.6160 per share represents an increase of approximately 10% over the prior year, following another year of strong cash flow from operations, and is an indication of the Board of Directors' confidence in the future of the Company. Since fiscal year 2013, the Board of Directors decided on a recurring annual gross dividend and not on an occasional one. As a consequence, the Company expects to propose such a dividend to the shareholders of the Company every year (subject to the approval of the Company's statutory auditors in the applicable year).

Other than the distribution of the dividend, the Board of Directors proposes the carry-forward of retained earnings based on the Board's belief that it is in the best interests of Logitech and its shareholders to retain Logitech's earnings for future investment in the growth of Logitech's business, for share repurchases, and for the possible acquisition of other companies or lines of business.

### Voting Requirement to Approve Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

### Recommendation

The Board of Directors recommends a vote "**FOR**" approval of the proposed appropriation of retained earnings with respect to fiscal year 2017, including the payment of a dividend to shareholders in an aggregate amount of CHF 100,025,881.

* The per share approximations are based on 162,379,677 shares outstanding, net of treasury shares, as of March 31, 2017. Distribution-bearing shares are all shares issued except for treasury shares held by Logitech International S.A. on the day preceding the payment of the distribution.

# Agenda Proposals and Explanations

## Proposal 5

## Release of the Board of Directors and Executive Officers from Liability for Activities during Fiscal Year 2017

### Proposal

The Board of Directors proposes that shareholders release the members of the Board of Directors and Executive Officers from liability for activities during fiscal year 2017.

### Explanation

As is customary for Swiss corporations and in accordance with Article 698, subsection 2, item 5 of the Swiss Code of Obligations, shareholders are requested to release the members of the Board of Directors and the Executive Officers from liability for their activities during fiscal year 2017 that have been disclosed to shareholders. This release from liability exempts members of the Board of Directors or Executive Officers from liability claims brought by the Company or its shareholders on behalf of the Company against any of them for activities carried out during fiscal year 2017 relating to facts that have been disclosed to shareholders. Shareholders that do not vote in favor of the proposal, or acquire their shares after the vote without knowledge of the approval of this resolution, are not bound by the result for a period ending six months after the vote.

### Voting Requirement to Approve Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions and not counting the votes of any member of the Board of Directors or of any Logitech executive officers.

### Recommendation

The Board of Directors recommends a vote "**FOR**" the proposal to release the members of the Board of Directors and Executive Officers from liability for activities during fiscal year 2017.

# Proposal 6
## Elections to the Board of Directors

Our Board of Directors is presently composed of ten members. Each director was elected for a one-year term ending at the closing of the 2017 Annual General Meeting.

At the recommendation of the Nominating Committee, the Board has nominated the twelve individuals below to serve as directors for a one-year term, beginning in each case as of the Annual General Meeting on September 12, 2017. Ten of the nominees currently serve as members of the Board of Directors. Their current terms expire upon the closing of the Annual General Meeting on September 12, 2017. The other nominees were recommended by the Nominating Committee of the Board and approved by the Board in June 2017 as nominees for election to the Board. Ms. Wendy Becker's and Ms. Neela Montgomery's candidacies as nominees were each recommended by Russell Reynolds Associates, a search firm that we engaged to identify director candidates.

The term of office ends at the closing of the next Annual General Meeting. There will be a separate vote on each nominee.

Under Swiss law, Board members may only be appointed by shareholders. If the individuals below are elected, the Board will be composed of twelve members. The Board has no reason to believe that any of our nominees will be unwilling or unable to serve if elected as a director.

For further information on the Board of Directors, including the current members of the Board, the Committees of the Board, the means by which the Board exercises supervision of Logitech's executive officers, and other information, please see "Corporate Governance and Board of Directors Matters" below.

**6.A Re-election of Dr. Patrick Aebischer**

**Proposal:** The Board of Directors proposes that Dr. Patrick Aebischer be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Dr. Aebischer, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 31.

**6.B Re-election of Dr. Edouard Bugnion**

**Proposal:** The Board of Directors proposes that Dr. Edouard Bugnion be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Dr. Bugnion, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 31.

**6.C Re-election of Mr. Bracken Darrell**

**Proposal:** The Board of Directors proposes that the Company's President and Chief Executive Officer, Mr. Bracken Darrell, be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Mr. Darrell, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 32.

# Agenda Proposals and Explanations

**6.D Re-election of Ms. Sally Davis**

**Proposal:** The Board of Directors proposes that Ms. Sally Davis be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Ms. Davis, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 32.

**6.E Re-election of Mr. Guerrino De Luca**

**Proposal:** The Board of Directors proposes that Mr. Guerrino De Luca be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Mr. De Luca, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 33.

**6.F Re-election of Ms. Sue Gove**

**Proposal:** The Board of Directors proposes that Ms. Sue Gove be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Ms. Gove, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 33.

**6.G Re-election of Mr. Didier Hirsch**

**Proposal:** The Board of Directors proposes that Mr. Didier Hirsch be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Mr. Hirsch, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 34.

**6.H Re-election of Dr. Neil Hunt**

**Proposal:** The Board of Directors proposes that Dr. Neil Hunt be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Dr. Hunt, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 34.

**6.I Re-election of Mr. Dimitri Panayotopoulos**

**Proposal:** The Board of Directors proposes that Mr. Dimitri Panayotopoulos be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Mr. Panayotopoulos, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 35.

**6.J Re-election of Dr. Lung Yeh**

**Proposal:** The Board of Directors proposes that Dr. Lung Yeh be re-elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Dr. Yeh, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 35.

**6.K Election of Ms. Wendy Becker**

**Proposal:** In accordance with the recommendation of the Nominating Committee, the Board of Directors proposes that Ms. Wendy Becker be elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

# Agenda Proposals and Explanations

Wendy Becker is the former Chief Executive Officer of Jack Wills Limited, a British-based manufacturer and retailer of brand name clothing, a position she held from October 2013 to September 2015. She was the Chief Operating Officer of Jack Wills from August 2012 to October 2013. Ms. Becker served as Group Chief Marketing Officer of Vodafone Group Plc, a global telecommunications company, from September 2009 to January 2011. Prior to Vodafone, she served as the Managing Director of the TalkTalk Telecom Group, a provider of fixed line broadband, voice telephony, mobile and television services, a Partner responsible for the United Kingdom consumer practice at McKinsey & Company, an international management consulting firm, and in various marketing and brand roles at The Procter & Gamble Company. Ms. Becker is a non-executive director of Great Portland Estates Plc, a British property development and investment company, a non-executive director of NHS (National Health Service) England, a member of the Finance Committee of the Oxford University Press, Deputy Chair of Cancer Research UK, a trustee of The Prince's Trust, a UK charity supporting young people, and a Trustee of the Design Museum, a museum devoted to contemporary design in every form. She holds a BA degree in Economics from Dartmouth College and an MBA from Stanford University's Graduate School of Business. She is 51 years old and a British, American and Italian national.

Ms. Becker brings senior leadership, strategic, consumer brand marketing, telecom and design experience to the Board from her positions at Jack Wills, Vodafone, McKinsey and TalkTalk as well as her board and trustee positions.

The Board of Directors has determined that she will be an independent Director.

**6.L Election of Ms. Neela Montgomery**

**Proposal:** In accordance with the recommendation of the Nominating Committee, the Board of Directors proposes that Ms. Neela Montgomery be elected to the Board for a one-year term ending at the closing of the 2018 Annual General Meeting.

*Neela Montgomery* is a Member of the Executive Board for Multichannel Retail at the Otto Group, GmbH, a globally operating retail and services group. She has served in this position since November 2014 and oversees Group companies that operate in e-commerce and store-based retail as well as serving as Executive Chair of Crate & Barrel in North America and SportScheck and Frankonia in Central Europe. She is expected to become the Chief Executive Officer of Crate & Barrel, a global home furnishings retailer, as of August 2017. Prior to joining the Otto Group, Ms. Montgomery was the UK General Merchandise Director on the UK Board of Tesco Plc, one of the world's largest retailers, from June 2012 to June 2014, supervising diverse areas such as Home, Electronics & Entertainment from a multichannel perspective. She served at Tesco since 2002, including as UK E-Commerce Director from March 2011 to December 2012 and as Chief Merchant for Tesco Malaysia from July 2007 to May 2011. Ms. Montgomery serves as Chairwoman at Euromarket Designs, Inc. (dba Crate & Barrel), SportScheck GmbH, Frankonia Handels GmbH, and Manufactum GmbH & Co. KG, each of which is an Otto Group company. She studied English literature at Oxford University and holds an MBA from INSEAD having studied in France and Singapore. She is 42 years old and a British national.

Ms. Montgomery brings senior leadership, multichannel retail, e-commerce, home electronics and global experience to the Board from her positions in North America, EMEA and Asia Pacific at the Otto Group and Tesco.

The Board of Directors has determined that she will be an independent Director.

**Voting Requirement to Approve Proposals**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

**Recommendation**

The Board of Directors recommends a vote **"FOR"** the election to the Board of each of the above nominees.

# Proposal 7

## Election of the Chairman of the Board

Pursuant to the so-called “Minder Ordinance”, Swiss law requires that the Chairman of the Board of Directors be elected on the occasion of each Annual General Meeting for a one-year term ending at the closing of the following Annual General Meeting.

### Proposal

The Board of Directors proposes that Mr. Guerrino De Luca be re-elected as Chairman of the Board of Directors for a one-year term ending at the closing of the 2018 Annual General Meeting.

### Voting Requirement to Approve Proposal

The affirmative “FOR” vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

### Recommendation

The Board of Directors recommends a vote “**FOR**” the election of Mr. Guerrino De Luca as Chairman of the Board of Directors.

# Agenda Proposals and Explanations

## Proposal 8

## Elections to the Compensation Committee

Our Compensation Committee is presently composed of four members, each of whom is standing for re-election to the Board of Directors and to the Compensation Committee. Following the amendment to the Swiss corporate law on January 1, 2014, the members of the Compensation Committee are to be elected annually and individually by the shareholders. Only members of the Board of Directors can be elected as members of the Compensation Committee.

At the recommendation of the Nominating Committee, the Board of Directors has nominated the four individuals below to serve as members of the Compensation Committee for a term of one year. All four of the nominees currently serve as members of the Compensation Committee and, as required by our Compensation Committee charter, all of the nominees are independent in accordance with the requirements of the listing standards of the Nasdaq Stock Market, the outside director definition of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, the definition of a "non-employee director" for purposes of Rule 16b-3 promulgated by the U.S. Securities and Exchange Commission, and Rule 10C-1(b)(1) of the U.S. Securities Exchange Act of 1934, as amended.

The term of office ends at the closing of the next Annual General Meeting. There will be a separate vote on each nominee.

### 8.A Re-election of Dr. Edouard Bugnion

**Proposal:** The Board of Directors proposes that Dr. Edouard Bugnion be re-elected to the Compensation Committee for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Dr. Bugnion, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 31.

### 8.B Re-election of Ms. Sally Davis

**Proposal:** The Board of Directors proposes that Ms. Sally Davis be re-elected to the Compensation Committee for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Ms. Davis, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 32.

### 8.C Re-election of Dr. Neil Hunt

**Proposal:** The Board of Directors proposes that Dr. Neil Hunt be re-elected to the Compensation Committee for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Dr. Hunt, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 34.

### 8.D Re-election of Mr. Dimitri Panayotopoulos

**Proposal:** The Board of Directors proposes that Mr. Dimitri Panayotopoulos be re-elected to the Compensation Committee for a one-year term ending at the closing of the 2018 Annual General Meeting.

For biographical information and qualifications of Mr. Panayotopoulos, please refer to "Corporate Governance and Board of Directors Matters – Members of the Board of Directors" on page 35.

### Voting Requirement to Approve Proposals

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

### Recommendation

Our Board of Directors recommends a vote "**FOR**" the election to the Compensation Committee of each of the above nominees.

# Proposal 9

## Approval of Compensation for the Board of Directors for the 2017 to 2018 Board Year

### Proposal

The Board of Directors proposes that the shareholders approve a maximum aggregate amount of the compensation of the Board of Directors of CHF 5,300,000 for the term of office from the Annual General Meeting 2017 until the Annual General Meeting 2018 (the "2017 – 2018 Board Year"), subject to adjustment for certain changes in the applicable currency exchange rate.*

### Explanation

Pursuant to the so-called "Minder Ordinance", the compensation of the Board of Directors must be subject each year to a binding shareholder vote, in the manner contemplated by Logitech's Articles of Incorporation. Article 19 quarter, paragraph 1(a) of Logitech's Articles of Incorporation allows shareholders to approve the maximum aggregate amount of the compensation of the Board of Directors for the period up to the next Annual General Meeting.

Under the Company's Articles of Incorporation, the compensation of the members of the Board of Directors who do not have management responsibilities consists of cash payments and shares or share equivalents. The value of cash compensation and shares or share equivalents corresponds to a fixed amount, which reflects the functions and responsibilities assumed. The value of shares or share equivalents is calculated at market value at the time of grant.

Pursuant to Article 19 bis, paragraph 2 of the Company's Articles of Incorporation, the compensation of the members of the Board of Directors who have management responsibilities (i.e., executive members of the Board of Directors) is structured similarly to the compensation of the members of the Group Management Team.

The proposed maximum amount of CHF 5,300,000 has been determined based on the increase from eight to ten non-executive members of the Board of Directors and on the following non-binding assumptions:

With respect to the ten non-executive members of the Board of Directors:

- Cash payments of a maximum of approximately CHF 830,000. Cash payments for non-executive members of the Board of Directors include annual retainers for Board and committee service.
- Share or share equivalent awards of a maximum of approximately CHF 1,650,000. The value of share or share equivalent awards corresponds to a fixed amount and the number shares granted will be calculated at market value at the time of their grant.
- Other payments, including the Company's contributions to social security, of a maximum of approximately CHF 340,000.

* For each decrease of 0.01 in the exchange rate of the Swiss Franc against the U.S. Dollar below the assumed level of USD 1.0138 to CHF 1.00, if any, the maximum aggregate amount of the compensation of the Board of Directors will increase by CHF 25,000 for the 2017 – 2018 Board Year. This adjustment reflects the fact that the compensation of our Chairman, which is included in the maximum aggregate amount of the compensation for the Board of Directors, is set in U.S. Dollars.

# Agenda Proposals and Explanations

With respect to executive members of the Board of Directors:

- Gross base compensation of a maximum of CHF 520,000.**
- Performance-based cash compensation of a maximum of CHF 1,040,000.** Performance-based cash compensation in the form of incentive cash payments may be earned under the Logitech Management Performance Bonus Plan (the "Bonus Plan") or other cash bonuses approved by the Compensation Committee. Payout under the Bonus Plan is variable, and is based on the achievement of the Company's, individual employees' or other performance goals. The proposed maximum amount of the performance-based bonus assumes maximum achievement of all performance goals.
- Equity incentive awards of a maximum of CHF 830,000.** Long-term equity incentive awards are generally granted in the form of performance-based restricted stock units, or PSUs, time-based restricted stock units, or RSUs, or other financial instruments contemplated in the applicable equity plans. The proposed maximum amount of the equity incentive awards assumes maximum achievement of all performance goals and full vesting of all time-based equity incentive awards. As in past years, the value of PSUs, RSUs or other financial instruments granted as equity incentive awards, and included in the compensation reported in our Compensation Report, is calculated based on estimated fair value at the time of their grant.
- Other compensation of a maximum of CHF 90,000.** Other compensation may include tax preparation services and related expenses, 401(k) savings plan matching contributions, premiums for group term life insurance and long-term disability insurance, employer's contribution to medical premiums, employer's contribution to social security and Medicare, relocation or extended business travel-related expenses, defined benefit pension plan employment contributions and other awards. The Company generally does not provide all of these components of other compensation to all executives each year, but the proposed maximum amount of compensation has been formulated to provide flexibility to cover these compensation components as applicable.

The executive member of the Board of Directors to whom the proposed compensation referred to above applies is Mr. Guerrino De Luca, the Company's Chairman. As set forth in the Compensation Report in this Invitation and Proxy Statement, Mr. De Luca's compensation structure matches the compensation structure of members of the Group Management Team, and the increase in the maximum equity incentive award assumption from previous budgets matches the increase described in the explanation for Proposal 10 below. In his capacity as a member of the Group Management Team, Mr. Bracken Darrell is not entitled to compensation for his services on the Company's Board of Directors.

Shareholders are approving the maximum aggregate amount of compensation set forth in the proposal. The assumptions set forth in this explanation are based on the Company's current expectations about future compensation plans and decisions. The Company may redesign its compensation plans or make alternative compensation decisions within the maximum aggregate amount of compensation approved by shareholders. The actual compensation awarded to the members of the Board of Directors for the 2017 - 2018 Board Year will be disclosed in the Compensation Report in the Invitation and Proxy Statement for the 2019 Annual General Meeting.

In the event of a negative vote on this proposal by shareholders, the Board of Directors will submit an alternative proposal to the same or a subsequent general meeting.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" the approval of the maximum aggregate amount of the compensation of the members of the Board of Directors of CHF 5,300,000 for the term of office from the Annual General Meeting 2017 until the Annual General Meeting 2018, subject to adjustment as set forth in the proposal.

** Mr. De Luca's compensation is set in U.S. Dollars. The estimated amounts in U.S. Dollars used in these assumptions were converted using an assumed exchange rate of 1 Swiss Franc to 1.0138 U.S. Dollars based on the 12 month (April 2016 to March 2017) average exchange rate.

# Proposal 10

## Approval of Compensation for the Group Management Team for Fiscal Year 2019

### Proposal

The Board of Directors proposes that the shareholders approve a maximum aggregate amount of the compensation of the Group Management Team of USD 24,650,000 for fiscal year 2019, subject to adjustment for certain changes in the applicable currency exchange rate.*

### Explanation

Pursuant to the so-called “Minder Ordinance”, the compensation of the Company’s Group Management Team must be subject each year to a binding shareholder vote, in the manner contemplated by Logitech’s Articles of Incorporation. Article 19 quarter, paragraph 1(b) of Logitech’s Articles of Incorporation allows shareholders to approve the maximum aggregate amount of the compensation of the Group Management Team for the next fiscal year. As the 2017 Annual General Meeting takes place in the middle of Logitech’s fiscal year 2018, the applicable next fiscal year is fiscal year 2019. This required, binding vote on the compensation of the Group Management Team is independent from, and comes in addition to, the non-binding, advisory say-on-pay vote contemplated in Proposal 2.

Logitech’s Group Management Team currently consists of Messrs. Bracken Darrell, President and Chief Executive Officer, Vincent Pilette, Chief Financial Officer, Marcel Stolk, Executive Chairman, Logitech Europe S.A. and Senior Vice President, Creativity & Productivity Business Group, and L. Joseph Sullivan, Senior Vice President, Worldwide Operations.

Logitech’s compensation philosophy, compensation program risks and design, and compensation paid during fiscal year 2017 are set forth in the Compensation Report.

The proposed maximum amount of USD 24,650,000 has been determined based on the following non-binding assumptions for Logitech’s Group Management Team as an aggregate group:

- Gross base salary of a maximum of USD 2,730,000.
- Performance-based cash compensation of a maximum of USD 5,460,000. Performance-based cash compensation in the form of incentive cash payments may be earned under the Logitech Management Performance Bonus Plan (the “Bonus Plan”) or other cash bonuses approved by the Compensation Committee. Payout under the Bonus Plan is variable, and is based on the achievement of the Company’s, individual executives’ or other performance goals, and for fiscal year 2019 is expected to continue to range from 0% to 200% of the executive’s target incentive. The proposed maximum amount of the performance-based bonus for fiscal year 2019 assumes maximum achievement of all performance goals.
- Equity incentive awards of a maximum of USD 15,710,000. Long-term equity incentive awards are generally granted in the form of performance-based restricted stock units, or PSUs, time-based restricted stock units, or RSUs, or other financial instruments contemplated in the applicable equity plans. The proposed maximum amount of the equity incentive awards assumes maximum achievement of all performance goals and full vesting of all time-based equity incentive awards. The increase in the maximum equity incentive award assumption from previous budgets reflects a program incorporating performance conditions such as revenue growth, relative total shareholder return (TSR), a non-GAAP operating income gate, and a greater range of payout opportunities linked to a broader range of performance challenges. As in past years, the value of PSUs, RSUs or other financial instruments granted as equity incentive awards, and included in the compensation reported in our Compensation Report, is calculated based on estimated fair value at the time of their grant.

* For each increase of 0.01 in the exchange rate of the Swiss Franc against the U.S. Dollar above the assumed level of USD 1.0138 to CHF 1.00, if any, the maximum aggregate amount of the compensation of the Group Management Team will increase by USD 35,000 for fiscal year 2019. This adjustment reflects the fact that the compensation of one member of our Group Management Team is set in Swiss Francs.

- Other compensation of a maximum of USD 750,000. Other compensation includes tax preparation services and related expenses, 401(k) savings plan matching contributions, premiums for group term life insurance and long-term disability insurance, employer's contribution to medical premiums, employer's contribution to social security and Medicare, relocation or extended business travel-related expenses, defined benefit pension plan employment contributions and other awards. The Company generally does not provide all of these components of other compensation to all executives each year, but the proposed maximum amount of compensation has been formulated to provide flexibility to cover these compensation components as applicable.

Shareholders are approving the maximum aggregate amount of compensation set forth in the proposal. The assumptions set forth in this explanation are based on the Company's current expectations about future compensation plans and decisions. The Company may redesign its compensation plans or make alternative compensation decisions within the maximum aggregate amount of compensation approved by shareholders. The actual compensation awarded to the members of the Group Management Team for fiscal year 2019 will be disclosed in the Compensation Report in the Invitation and Proxy Statement for the 2019 Annual General Meeting.

In the event of a negative vote on this proposal by shareholders, the Board of Directors will submit an alternative proposal to the same or a subsequent general meeting.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" the approval of the maximum aggregate amount of the compensation of the Group Management Team of USD 24,650,000 for fiscal year 2019, subject to adjustment as set forth in the proposal.

# Proposal 11

## Re-election of KPMG AG as Logitech's Auditors and Ratification of the Appointment of KPMG LLP as Logitech's Independent Registered Public Accounting Firm for Fiscal Year 2018

**Proposal**

The Board of Directors proposes that KPMG AG be re-elected as auditors of Logitech International S.A. for a one-year term and that the appointment of KPMG LLP as Logitech's independent registered public accounting firm for fiscal year 2018 be ratified.

**Explanation**

KPMG AG, upon recommendation of the Audit Committee of the Board, is proposed for re-election for a further year as auditors for Logitech International S.A. KPMG AG assumed its first audit mandate for Logitech during fiscal year 2015.

The Audit Committee has also appointed KPMG LLP, the U.S. affiliate of KPMG AG, as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2018 for purposes of U.S. securities law reporting. Logitech's Articles of Incorporation do not require that shareholders ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm. However, Logitech is submitting the appointment of KPMG LLP to shareholders for ratification as a matter of good corporate governance. If shareholders do not ratify the appointment, the Audit Committee will reconsider whether to retain KPMG LLP. Even if the appointment is ratified, the Audit Committee may, in its discretion, change the appointment during the year if the Committee determines that such a change would be in the best interests of Logitech and its shareholders.

Information on the fees paid by Logitech to KPMG AG and KPMG LLP, the Company's auditors and independent registered public accounting firm for fiscal year 2017, respectively, as well as further information regarding KPMG AG and KPMG LLP, is set out below under the heading "Independent Auditors" and "Report of the Audit Committee."

Members of KPMG AG will be present at the Annual General Meeting, will have the opportunity to make a statement, and will be available to respond to appropriate questions you may ask.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

**Recommendation**

Our Board of Directors recommends a vote **"FOR"** the re-election of KPMG AG as auditors of Logitech International S.A. and the ratification of the appointment of KPMG LLP as Logitech's independent registered public accounting firm, each for the fiscal year ending March 31, 2018.

# Proposal 12

## Re-election of Ms. Béatrice Ehlers as Independent Representative

Pursuant to the so-called “Minder Ordinance”, Swiss law requires that the independent representative of the shareholders (Independent Representative) be elected on the occasion of each Annual General Meeting for a one-year term ending at the closing of the following Annual General Meeting.

### Proposal

The Board of Directors proposes that Ms. Béatrice Ehlers be re-elected as Independent Representative for a one-year term ending at the closing of the 2018 Annual General Meeting.

### Explanation

Shareholders may either represent their shares themselves or have them represented by a third party, whether or not a shareholder, if the latter is given a written proxy. In accordance with Swiss law, each shareholder may be represented at the general meeting by the Independent Representative, Ms. Béatrice Ehlers, or by a third-party proxy. Ms. Ehlers is a notary public and has served as the Independent Representative at previous annual general meetings.

Under Swiss corporate law, the Independent Representative must satisfy strict independence requirements. General voting instructions can be given with respect to a particular general meeting of shareholders with respect to proposals and agenda items that have not been disclosed in the invitation to the general meeting.

### Voting Requirement to Approve Proposal

The affirmative “FOR” vote of a majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions.

### Recommendation

Our Board of Directors recommends a vote “**FOR**” the re-election of Ms. Béatrice Ehlers as Independent Representative.

# Corporate Governance and Board of Directors Matters

The Board of Directors is elected by the shareholders and holds the ultimate decision-making authority within Logitech, except for those matters reserved by law or by Logitech's Articles of Incorporation to its shareholders or those that are delegated to the executive officers under the organizational regulations (also known as by-laws). The Board makes resolutions through a majority vote of the members present at the meetings. In the event of a tie, the vote of the Chairman decides.

Logitech's Articles of Incorporation set the minimum number of directors at three. We had ten members of the Board of Directors as of June 30, 2017. If all of the nominees to the Board presented in Proposal 6 are elected, the Board will have twelve members.

## Board of Directors Independence

The Board of Directors has determined that each of our directors and director nominees, other than Bracken Darrell and Guerrino De Luca, qualifies as independent in accordance with the published listing requirements of the Nasdaq Stock Market and Swiss corporate governance best practices guidelines. The Company's independent directors and director nominees include Patrick Aebischer, Edouard Bugnion, Sally Davis, Sue Gove, Didier Hirsch, Neil Hunt, Dimitri Panayotopoulos, Lung Yeh, Wendy Becker and Neela Montgomery. The Nasdaq independence definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, as further required by Nasdaq rules, the Board has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and the Company with regard to each director's business and personal activities as they may relate to Logitech and Logitech's management.

# Corporate Governance and Board of Directors Matters

## Members of the Board of Directors

The members of the Board of Directors, including their principal occupation, business experience, and qualifications, are set out below.

### Patrick Aebischer 62 Years Old Director since 2016

Former President, Swiss Federal Institute of Technology (EPFL)
Swiss national

*Patrick Aebischer* is the former President of the École Polytechnique Fédérale de Lausanne (EPFL), a position to which he was nominated by the Swiss Federal Council and that he held from March 2000 through December 2016, a Professor in Neurosciences at the EPFL since 2000, and Director of the Neurodegenerative Disease Laboratory at the Brain Mind Institute, EPFL since 2000. He was re-elected as President of the EPFL in 2004, 2008 and 2012. Prior to these positions, Dr. Aebischer was a Professor and Director of the Surgical Research Division and Gene Therapy Center at the University Hospital of Lausanne, Chairman of the Section of Artificial Organs, Biomaterials and Cellular Technology of the Division of Biology and Medicine at Brown University, and held other positions in medical sciences at Brown University. Dr. Aebischer is also the founder of three biotech companies. He currently serves on the Boards of Nestlé S.A., a leading nutrition, health and wellness company, and Lonza Group Ltd., a leading supplier to the life-science industries, as well as Chairman of the Advisory Board of the Novartis Venture Fund. Dr. Aebischer holds a M.D. from the University of Geneva and University of Fribourg, Switzerland, and three Honorary Doctorate degrees.

Dr. Aebischer brings senior leadership, innovation and technology expertise, a global world view and strategic experience to the Board from his role as the President of the EPFL, his experience founding technology companies, and as a member of the senior leadership of leading Swiss companies.

The Board of Directors has determined that Dr. Aebischer is an independent Director.

### Edouard Bugnion 47 Years Old Director since 2015

Vice President for Information Systems and Professor, School of Computer and Communication Sciences, EPFL
Swiss and U.S. national

*Edouard Bugnion* is a Professor in the School of Computer and Communication Sciences at the École Polytechnique Fédérale de Lausanne (EPFL) and, since January 2017, also the Vice President for Information Systems at the EPFL. Prior to joining the EPFL in August 2012, Dr. Bugnion was a Founder and Chief Technology Officer of Nuova Systems, Inc., a developer of enterprise data center solutions, from October 2005 to May 2008. Nuova Systems was funded by and acquired by Cisco Systems, Inc., a worldwide leader in Internet Protocol-based networking products and services. He joined Cisco as a Vice President and Chief Technology Officer of Cisco's Server Access and Virtualization Business Unit from May 2008 to June 2011. Prior to Nuova, Dr. Bugnion was a Founder of VMware, a leading provider of cloud and virtualization software and services, where he held many positions, including Chief Technology Officer, from 1998 to 2005. The Swiss Government appointed Dr. Bugnion to serve on the Board of InnoSuisse, a Swiss agency for innovation promotion, starting in 2018. Dr. Bugnion holds an Engineering Diplom from ETH Zürich, a Master's degree from Stanford University and a Ph.D. from Stanford University, all in Computer Science.

Dr. Bugnion's significant expertise in technology, software and cloud computing, and his experience founding technology companies and as a member of the senior leadership of leading technology companies, provides the Board with technology and product strategy expertise as well as senior leadership.

Dr. Bugnion currently serves on the Compensation Committee The Board of Directors has determined that he is an independent Director.

# Corporate Governance and Board of Directors Matters

## Bracken Darrell 54 Years Old Director since 2013

President and Chief Executive Officer, Logitech International S.A.
U.S. national

*Bracken Darrell* joined Logitech as President in April 2012 and became Chief Executive Officer in January 2013. Prior to joining Logitech, Mr. Darrell served as President of Whirlpool EMEA and Executive Vice President of Whirlpool Corporation, a home appliance manufacturer and marketing company, from January 2009 to March 2012. Previously, Mr. Darrell had been Senior Vice President, Operations of Whirlpool EMEA from May 2008 to January 2009. From 2002 to May 2008, Mr. Darrell was with P&G (The Procter & Gamble Company), a consumer brand company, most recently as the President of its Braun GmbH subsidiary. Prior to rejoining P&G in 2002, Mr. Darrell served in various executive and managerial positions with General Electric Company from 1997 to 2002, with P&G from 1991 to 1997, and with PepsiCo Inc. from 1987 to 1989. Mr. Darrell holds a BA degree from Hendrix College and an MBA from Harvard University.

In addition to being the President and Chief Executive Officer of the Company, Mr. Darrell brings senior leadership, consumer brand marketing and global experience to the Board.

## Sally Davis 63 Years Old Director since 2007

Former Chief Executive Officer, BT Wholesale
British national

*Sally Davis* is the former Chief Executive Officer of BT Wholesale, a division of BT Group responsible for providing telecommunications services and bandwidth to carriers and service providers globally, a position she held from 2007 until she retired in August 2011. She was the Chief Portfolio Officer of British Telecom from 2005 to 2007. She had previously held senior executive roles within BT since joining the company in 1999, including President, Global Products, Global Services from 2002 to 2005, President, BT Ignite Applications Hosting from 2001 to 2002 and Director, Group Internet and Multimedia from 1999 to 2001. Before joining BT, Ms. Davis held leading roles in several major communications companies, including Bell Atlantic in the United States and Mercury Communications in the United Kingdom. Ms. Davis currently serves on the Boards of Telenor Group, a global mobile communications services company, CityFibre Infrastructure Holdings PLC, a fibre optic infrastructure company, and Arqiva Group Limited, a leading UK communications infrastructure company. She holds a BA degree from and is a Fellow of University College, London.

Ms. Davis' experience as a Chief Executive of a leading European telecommunications company, and her significant technology product strategy and product portfolio knowledge, provides the Board with expertise in senior leadership, technology, product strategy, and financial management.

Ms. Davis currently is Chair of the Compensation Committee and the Nominating Committee. The Board of Directors has determined that she is an independent Director.

## Guerrino De Luca 64 Years Old Director since 1998

Chairman, Logitech International S.A.
Italian and U.S. national

*Guerrino De Luca* has served as Chairman of the Logitech Board of Directors since January 2008. Mr. De Luca served as Logitech's Chief Executive Officer from April 2012 to January 2013 and as acting President and Chief Executive Officer from July 2011 to April 2012. Previously, Mr. De Luca served as Logitech's President and Chief Executive Officer from February 1998, when he joined the Company, to January 2008. Prior to joining Logitech, Mr. De Luca served as Executive Vice President of Worldwide Marketing for Apple Computer, Inc., a consumer electronics and computer company, from February 1997 to September 1997, and as President of Claris Corporation, a U.S. personal computing software vendor, from May 1994 to February 1997. Prior to joining Claris, Mr. De Luca held various positions with Apple in the United States and in Europe. Mr. De Luca holds a Laurea degree in Electronic Engineering from the University of Rome, Italy.

As Logitech's Chairman and former Chief Executive Officer, Mr. De Luca brings significant senior leadership, industry, strategy, marketing and global experience to the Board and a deep knowledge of, passion for and commitment to Logitech, its people and its products.

Mr. De Luca currently is Chairman of the Board.

## Sue Gove 58 Years Old Director since 2015

President, Excelsior Advisors, LLC
U.S. national

*Sue Gove* is the President of Excelsior Advisors, LLC, a retail consulting and advisory firm. Prior to founding Excelsior Advisors in August 2014, Ms. Gove was the President and Chief Executive Officer of Golfsmith International, a multi-channel specialty golf retailer, from October 2012 to April 2014 and President from February 2012 to April 2014. She also served Golfsmith as Chief Operating Officer from September 2008 to October 2012, as Chief Financial Officer from March 2009 to July 2012 and as Executive Vice President from September 2008 to February 2012. Prior to joining Golfsmith, Ms. Gove was an independent consultant, serving specialty retail and private equity clients from 2006 to 2008, which included consultancy for Prentice Capital Management, LP from April 2007 to March 2008 and for Alvarez and Marsal Business Consulting, L.L.C. from April 2006 to March 2007. Ms. Gove served Zale Corporation, a leading specialty jewelry retailer, from 1980 to 2006, including as Chief Operating Officer from August 2002 to March 2006, as Chief Financial Officer from December 1997 to February 2003 and as a Board member from September 2004 to March 2006. She currently serves on the Boards of Iconix Brand Group, a consumer brand licensing and marketing company, and AutoZone, Inc., a leading retailer and distributor of automotive replacement parts and accessories. Ms. Gove holds a BBA degree in Accounting from the University of Texas at Austin.

Ms. Gove has significant executive experience with international retail, marketing, merchandising and global operations, and brings to our Board senior leadership, strategic and financial experience. As a member of other public company boards, Ms. Gove also provides cross-board experience.

Ms. Gove currently serves on the Audit Committee. The Board of Directors has determined that she is an independent Director.

## Didier Hirsch 66 Years Old Director since 2012

Senior Vice President and Chief Financial Officer, Agilent Technologies, Inc.
French national

*Didier Hirsch* is the Senior Vice President and Chief Financial Officer of Agilent Technologies, Inc., a global leader in life sciences, diagnostics and applied chemical markets. He has served in his current position since July 2010 and served in various senior finance positions with Agilent since 1999. Mr. Hirsch had joined Hewlett-Packard Company in 1989, and served as Director of Finance and Administration of Hewlett-Packard Europe, Middle East and Africa (EMEA) from 1996 to 1999, Director of Finance and Administration of Hewlett-Packard Asia Pacific from 1993 to 1996, and Director of Finance and Administration of Hewlett-Packard France from 1989 to 1993. Prior to Hewlett-Packard, Mr. Hirsch worked in finance positions with Valeo Inc., Gemplus S.C.A., SGS-Thomson Microelectronics, I.B.H. Holding S.A., Bendix Corporation and Ford Motor Company. He serves on the Board of Knowles Corporation, a New York Stock Exchange (NYSE)-listed global supplier of advanced micro-acoustic, audio processing, and specialty component solutions, serving the mobile consumer electronics, communications, medical, military, aerospace and industrial markets. Mr. Hirsch holds an MS degree in Computer Sciences from Toulouse University and an MS degree in Industrial Administration from Purdue University.

As Chief Financial Officer of a leading public technology company, and with significant finance expertise developed over several decades at technology and manufacturing companies in the U.S.A., EMEA and Asia Pacific, Mr. Hirsch brings senior leadership, finance (including U.S. GAAP), technology and global experience to the Board.

Mr. Hirsch currently is Chair of the Audit Committee and serves on the Nominating Committee. The Board of Directors has determined that he is an independent Director.

## Neil Hunt 55 Years Old Director since 2010

Former Chief Product Officer, Netflix, Inc.
U.K. and U.S. national

*Neil Hunt* is the former Chief Product Officer of Netflix, Inc., a California-based company offering the world's largest Internet TV service operating in more than 50 countries worldwide. He was with Netflix from 1999 through July 2017, and was responsible for the design, implementation and operation of the technology at Netflix. Prior to his current position, he served as Vice President, Internet Engineering at Netflix from 1999 to 2002. From 1997 to 1999, Dr. Hunt was Director of Engineering for Rational Software, a California-based maker of software development tools, and he served in engineering roles at predecessor companies from 1991 to 1997. Dr. Hunt holds a Doctorate in Computer Science from the University of Aberdeen, U.K. and a Bachelors degree from the University of Durham, U.K.

Dr. Hunt's significant expertise in technology, product development leadership and strategy, and his experience as a member of the senior leadership of a leading digital delivery company, provides the Board with technology, product strategy and global expertise as well as senior leadership.

Dr. Hunt currently is the Lead Independent Director and serves on the Compensation Committee and the Nominating Committee. The Board of Directors has determined that he is an independent Director.

## Dimitri Panayotopoulos 65 Years Old Director since 2014

Senior Advisor,
The Boston
Consulting
Group
U.K. national

*Dimitri Panayotopoulos* is a Senior Advisor at The Boston Consulting Group, a global management consulting firm. Prior to joining The Boston Consulting Group in April 2014, Mr. Panayotopoulos served with The Procter & Gamble Company ("P&G"), a consumer brand company, from 1977 to 2014. At P&G, he served as Vice Chairman and Advisor to the Chairman & Chief Executive Officer at P&G from July 2013 to January 2014, Vice Chairman of Global Business Units from May 2011 to July 2013, Vice Chairman of Global Household Care Group from July 2007 to May 2011, Group President of Global Fabric Care from July 2004 to July 2007, President of Central and Eastern Europe, Middle East and Africa from July 2001 to July 2004, and President-Greater China from 1999 to July 2001. Mr. Panayotopoulos served in various executive, managerial and other positions with P&G in sales, brand management and advertising in Europe (including Switzerland), Egypt and the Far East from 1977 to 1999. He serves on the Board of British American Tobacco p.l.c., a London Stock Exchange (LSE)-listed global tobacco company. Mr. Panayotopoulos holds a BA degree from Sussex University, U.K.

Mr. Panayotopoulos brings senior leadership, strategic, financial, consumer brand marketing and global experience to the Board from his former leadership positions with P&G in a broad spectrum of regions.

Mr. Panayotopoulos currently serves on the Compensation Committee. The Board of Directors has determined that he is an independent Director.

## Lung Yeh 61 Years Old Director since 2015

Managing
Director,
Enspire Capital
U.S. national

*Lung Yeh* is the Managing Director of Enspire Capital, a Singapore-based venture capital and private equity firm focusing on technology, media and telecommunications, internet and mobile investments in Silicon Valley, China, Taiwan, Hong Kong and Singapore. Prior to joining Enspire Capital in 2004, Dr. Yeh was the Vice President of Business Development at Centrality Communications, Inc., a leading provider of GPS semiconductor platforms for high-functional mobile devices, from 2003 to 2004, a Founder and Chief Executive Officer of Pico Communications Inc., a provider of integrated Bluetooth and mobile Internet access and networking solutions, from 1999 to 2003, Vice President of the Communication and Internet Division of Creative Labs Ltd., a leader in digital entertainment products, from 1993 to 1998, a Founder and Chief Executive Officer of ShareVision Technology, Inc., a desktop videoconferencing technology company, from 1991 to 1993, and served in various management and technical positions at Apple Inc., NYNEX and Kodak, from 1985 to 1991. Dr. Yeh holds a BSEE in Communication Engineering from National Chiao-Tung University and a Ph.D. in Electrical Engineering from the University of Wisconsin – Madison.

Dr. Yeh has extensive investment and senior leadership experience, as a venture capitalist in Asia and the United States focused on multimedia, wireless and communications, and also as the founder and former Chief Executive Officer of several technology companies. He brings to the Board senior leadership, business development and global expertise.

Dr. Yeh currently serves on the Audit Committee. The Board of Directors has determined that he is an independent Director.

Other than the current employment and involvement noted above, no other Logitech Board member currently has material supervisory, management, or advisory functions outside Logitech. None of the Company's directors holds any official functions or political posts.

## Elections to the Board of Directors

Directors are elected at the Annual General Meeting of Shareholders, upon proposal of the Board of Directors. The proposals of the Board of Directors are made following recommendations of the Nominating Committee.

**Shareholder Recommendations and Nominees**

Under our Articles of Incorporation, one or more registered shareholders who together represent shares representing at least the lesser of (i) one percent of our issued share capital or (ii) an aggregate par value of one million Swiss francs may demand that an item be placed on the agenda of a meeting of shareholders, including a nominee for election to the Board of Directors. A request to place an item on the meeting agenda must be in writing, describe the proposal and be received by our Board of Directors at least 60 days prior to the date of the meeting. Demands by registered shareholders to place an item on the agenda of a meeting of shareholders should be sent to: Secretary to the Board of Directors, Logitech International S.A., EPFL - Quartier de l'Innovation, Daniel Borel Innovation Center, 1015 Lausanne, Switzerland, or c/o Logitech Inc., 7700 Gateway Boulevard, Newark, CA 94560, USA.

Under the Company's Articles of Incorporation only registered shareholders are recognized as shareholders of the company. As a result, beneficial shareholders do not have a right to place an item on the agenda of a meeting, regardless of the number of shares they hold. For information on how beneficial shareholders may become registered shareholders, see "Questions and Answers about the Logitech 2017 Annual General Meeting - If I am not a registered shareholder, can I attend and vote at the meeting?"

If the agenda of a general meeting of shareholders includes an item calling for the election of directors, any registered shareholder may propose a candidate for election to the Board of Directors before or at the meeting.

The Nominating Committee does not have a policy on consideration of recommendations for candidates to the Board of Directors from registered shareholders.

The Nominating Committee considers it appropriate not to have a formal policy for consideration of such recommendations because the evaluation of potential members of the Board of Directors is by its nature a case-by-case process, depending on the composition of the Board at the time, the needs and status of the business of the Company, and the experience and qualification of the individual. Accordingly, the Nominating Committee would consider any such recommendations on a case-by-case basis in their discretion, and, if accepted for consideration, would evaluate any such properly submitted nominee in consideration of the membership criteria set forth under "Board Composition" below. Shareholder recommendations to the Board of Directors should be sent to the above address.

**Board Composition**

The Nominating Committee is responsible for reviewing and assessing with the Board the appropriate skills, experience, and background sought of Board members in the context of our business and the then-current membership on the Board. The Nominating Committee has not formally established any specific, minimum qualifications that must be met by each candidate for the Board of Directors or specific attributes, qualities or skills that are necessary for one or more of the members of the Board of Directors to possess. However, we do not expect or intend that each director will have the same background, skills, and experience; we expect that Board members will have a diverse portfolio of backgrounds, skills, and experiences. One goal of this diversity is to assist the Board as a whole in its oversight and advice concerning our business and operations.

The review and assessment of Board candidates and the current membership of the Board by the Nominating Committee and the Board includes numerous diverse factors, such as: independence; senior management experience; understanding of and experience in technology, finance, marketing and operations; international experience and geographic representation; age; and gender and ethnic diversity.

The priorities and emphasis of the Nominating Committee and of the Board with regard to these factors change from time to time to take into account changes in Logitech's business and other trends, as well as the portfolio of skills and experience of current and prospective Board members.

Listed below are key skills and experience that we currently consider important for our directors to have in light of our current business and structure. We do not expect each director to possess every attribute. The directors' biographies note each director's relevant experience, qualifications, and skills relative to this list.

- *Senior Leadership Experience.* Directors who have served in senior leadership positions are important to Logitech, because they bring experience and perspective in analyzing, shaping, and overseeing the execution of important operational and policy issues at a senior level.
- *Financial Expertise.* Knowledge of financial markets and accounting and financial reporting processes is important because it assists our directors in understanding, advising, and overseeing Logitech's structure, financial reporting, and internal control of such activities.
- *Industry and Technical Expertise.* Because we develop and manufacture hardware and software products, ship them worldwide, and sell to major consumer electronics distributors and retailers, expertise in hardware and software, and experience in supply chain, manufacturing and consumer products is useful in understanding the opportunities and challenges of our business and in providing insight and oversight of management.
- *Brand Marketing Expertise.* Because we are a consumer products company, directors who have brand marketing experience can provide expertise and guidance as we seek to maintain and expand brand and product awareness and a positive reputation.
- *Global Expertise.* Because we are a global organization with research and development, and sales and other offices in many countries, directors with global expertise, particularly in Europe, the U.S. and Asia, can provide a useful business and cultural perspective regarding many significant aspects of our business.

**Identification and Evaluation of Nominees for Directors**

Our Nominating Committee uses a variety of methods for identifying and evaluating nominees for director. Our Nominating Committee regularly assesses the appropriate size and composition of the Board of Directors, the needs of the Board of Directors and the respective Committees of the Board of Directors and the qualifications of candidates in light of these needs. Candidates may come to the attention of the Nominating Committee through shareholders, management, current members of the Board of Directors or search firms. The evaluation of these candidates may be based solely on information provided to the Committee or may also include discussions with persons familiar with the candidate, an interview of the candidate or other actions the Committee deems appropriate, including the use of paid third parties to review candidates.

## Terms of Office of Directors

Each director is elected individually by a separate vote of shareholders. Until 2012, each director was elected for a term of three years. At the Company's 2012 Annual General Meeting, shareholders approved a change such that each director, starting with the directors elected at the 2012 Annual General Meeting, will be subject to a term of one year. All ten of our current directors are being presented for re-election to the Board of Directors at the 2017 Annual General Meeting. Each director is eligible for re-election until his or her seventieth birthday. Directors may not seek reelection after they have reached 70 years of age or have served on the Board of Directors as a non-employee member for 12 years, unless the Board of Directors adopts a resolution to the contrary. A member of the Board who reaches 70 years of age or 12 years of service as a non-employee member of the Board of Directors during the term of his or her directorship may remain a director until the expiration of the term. A director's term of office as Chairman coincides with his or her term of office as a director. A director may be indefinitely re-elected as Chairman, subject to the age and tenure limits mentioned above.

The year of appointment and remaining term of office as of March 31, 2017 for each director are as follows:

| Name | Year First Appointed | Year Current Term Expires |
|---|---|---|
| Patrick Aebischer(1) | 2016 | Annual General Meeting 2017 |
| Edouard Bugnion(1) | 2015 | Annual General Meeting 2017 |
| Bracken Darrell(2) | 2013 | Annual General Meeting 2017 |
| Sally Davis(1) | 2007 | Annual General Meeting 2017 |
| Guerrino De Luca(2) | 1998 | Annual General Meeting 2017 |
| Sue Gove(1) | 2015 | Annual General Meeting 2017 |
| Didier Hirsch(1) | 2012 | Annual General Meeting 2017 |
| Neil Hunt(1) | 2010 | Annual General Meeting 2017 |
| Dimitri Panayotopoulos(1) | 2014 | Annual General Meeting 2017 |
| Lung Yeh(1) | 2015 | Annual General Meeting 2017 |

(1) *Non-executive member of the Board of Directors.*

(2) *Executive member of the Board of Directors.*

# Corporate Governance and Board of Directors Matters

## Board Responsibilities and Structure

The Board of Directors is responsible for supervising the management of the business and affairs of the Company. In addition to the non-transferable powers and duties of boards of directors under Swiss law, the Logitech Board of Directors also has the following responsibilities:

- the signatory power of its members;
- the approval of the budget submitted by the Chief Executive Officer;
- the approval of investments or acquisitions of more than USD 10 million in the aggregate not included in the approved budgets;
- the approval of any expenditure of more than USD 10 million not specifically identified in the approved budgets; and
- the approval of the sale or acquisition, including related borrowings, of the Company's real estate.

The Board of Directors has delegated the management of the Company to the Chief Executive Officer and the executive officers, except where Swiss law or the Company's Articles of Incorporation or Organizational Regulations (By-Laws) provide differently.

**Board Leadership Structure**

The Board has since 1997 had a general practice that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons as an aid in the Board's oversight of management. Since 1997, the Chairman has been a former Chief Executive Officer of the Company and has served as a full-time senior executive. Logitech believes that there are advantages to having a former Chief Executive Officer as Chairman, for matters such as: leadership continuity; day-to-day assistance to and oversight of the Chief Executive Officer and other executive officers; and facilitating communications and relations between the Board, the Chief Executive Officer, and other senior management.

Mr. De Luca, the Company's former Chief Executive Officer and current Chairman, has served in that role since January 2008. On July 27, 2011, Mr. De Luca assumed the role of acting President and Chief Executive Officer, in addition to continuing his duties as Chairman, at the request of the Board of Directors. The Board appointed Bracken Darrell as President as of April 9, 2012, and he became the Chief Executive Officer as of January 1, 2013. The Board considered the holding of both the Chairman and Chief Executive Officer positions by Mr. De Luca as a temporary arrangement, and returned to its general practice of the positions being held by separate persons upon the appointment of Mr. Darrell as Chief Executive Officer.

The Chairman of the Board is elected by the shareholders on an annual basis, at the Annual General Meeting of Shareholders. The Secretary of the Board of Directors is appointed at the Board meeting coinciding with the Annual General Meeting of Shareholders. As of June 30, 2017, the Secretary was Mr. Bryan Ko, the Company's General Counsel.

**Role of the Chairman and of the Chief Executive Officer**

The Chairman assumes a leading role in mid- and long-term strategic planning and the selection of top-level management, and he supports major transaction initiatives of Logitech.

The Chief Executive Officer manages the day-to-day operations of Logitech, with the support of the other executive officers. The Chief Executive Officer has, in particular, the following powers and duties:

- defining and implementing short and medium term strategies;
- preparing the budget, which must be approved by the Board of Directors;
- reviewing and certifying the Company's annual report;
- appointing, dismissing and promoting any employees of Logitech other than executive officers and the head of the internal audit function;
- taking immediate measures to protect the interests of the Company where a breach of duty is suspected from executive officers until the Board has decided on the matter;

- carrying out Board resolutions;
- reporting regularly to the Chairman of the Board of Directors on the activities of the business;
- preparing supporting documents for resolutions that are to be passed by the Board of Directors; and
- deciding on issues brought to his attention by executive officers.

The detailed authorities and responsibilities of the Board of Directors, the Chief Executive Officer and the executive officers are set out in the Company's Articles of Incorporation and Organizational Regulations. Please refer to *http://ir.logitech.com* for copies of these documents.

**Lead Independent Director**

As appointed by the Board, Dr. Hunt serves as Lead Independent Director. The responsibilities of the Lead Independent Director include chairing meetings of the non-executive directors and serving as the presiding director in performing such other functions as the Board may direct. The Lead Independent Director is elected annually by the Independent Directors.

**Means by Which the Board of Directors Supervises Executive Officers**

The Board of Directors is regularly informed on developments and issues in Logitech's business, and monitors the activities and responsibilities of the executive officers in various ways.

- At each regular Board meeting the Chief Executive Officer reports to the Board of Directors on developments and important issues. The Chief Executive Officer also provides regular updates to the Board members regarding Logitech's business between the dates of regular Board meetings.
- The offices of Chairman and Chief Executive Officer are generally separated, to help ensure balance between leadership of the Board and leadership of the day-to-day management of Logitech.
- Executive officers and other members of senior management, at the invitation of the Board, attend portions of meetings of the Board and its Committees to report on the financial results of Logitech, its operations, performance and outlook, and on areas of the business within their responsibility, as well as other business matters. For further information on participation by executive officers and other members of senior management in Board and Committee meetings please refer to "Board Committees" below.
- There are regular quarterly closed sessions of the non-executive, independent members of the Board of Directors, led by the Lead Independent Director, where Logitech issues are discussed without the presence of executive or non-independent members of the Board or executive officers.
- The Board holds quarterly closed sessions, where all Board members meet without the presence of non-Board members, to discuss matters appropriate to such sessions, including organizational structure and the hiring and mandates of executive officers.
- There are regularly scheduled reviews at Board meetings of Logitech strategic and operational issues, including discussions of issues placed on the agenda by the non-executive members of the Board of Directors.
- The Board reviews and approves significant changes in Logitech's structure and organization, and is actively involved in significant transactions, including acquisitions, divestitures and major investments.
- All non-executive Board members have access, at their request, to all internal Logitech information.
- The head of the Internal Audit function reports to the Audit Committee.

**The Board's Role in Risk Oversight**

One of the Board's functions is oversight of risk management at Logitech. "Risk" is inherent in business, and the Board seeks to understand and advise on risk in conjunction with the activities of the Board and the Board's Committees.

# Corporate Governance and Board of Directors Matters

The largest risk in any business typically is that the products and services it offers will not be met by customer demand, because of poor strategy, poor execution, lack of competitiveness, or some combination of these or other factors. The Board implements its risk oversight responsibilities, at the highest level, through regular reviews of the Company's business, product strategy and competitive position, and through management and organizational reviews, evaluations and succession planning.

Within the broad strategic framework established by the Board, management is responsible for identifying risk and risk controls related to significant business activities; mapping the risks to company strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward and the appropriate manner in which to control risk.

The Board's risk oversight role is implemented at the full Board level, and also in individual Board Committees. The full Board receives specific reports on enterprise risk management, in which the identification and control of risk are the primary topics of the discussion. Presentations and other information for the Board and Board Committees generally identify and discuss relevant risk and risk control; and the Board members assess and oversee the risks as a part of their review of the related business, financial, or other activity of the Company. The Compensation Committee oversees issues related to the design and risk controls of compensation programs. The Audit Committee oversees issues related to internal control over financial reporting and Logitech's risk tolerance in cash-management investments. The Board's role in oversight does not have a direct impact on the Board's leadership structure, which is discussed above.

**Board Meetings**

The Chairman sets the agenda for Board meetings, in coordination with the Chief Executive Officer. Any member of the Board of Directors may request that a meeting of the Board be convened. The directors receive materials in advance of Board meetings allowing them to prepare for the handling of the items on the agenda.

The Chairman and Chief Executive Officer recommend executive officers or other members of senior management who, at the invitation of the Board, attend portions of each quarterly Board meeting to report on areas of the business within their responsibility. Infrequently, the Board may also receive reports from external consultants such as executive search or succession experts or outside legal experts to assist the Board on matters it is considering.

The Board typically holds regularly scheduled Board meetings twice each quarter: once for a review and discussion of the Company, its strategy or both, which lasts a full day to a day-and-a-half and in which all directors participate in person except in special individual circumstances; and once for a quarterly earnings-related meeting, which typically lasts for approximately one hour or less and in which directors participate in person or by teleconference or video conference. Additional meetings of the Board may be held by teleconference or video conference and the duration of such meetings varies depending on the subject matters considered.

**Emergency Resolutions**

In case of emergency, the Chairman of the Board may have the power to pass resolutions which would otherwise be the responsibility of the Board. Decisions by the Chairman of the Board made in this manner are subject to ratification by the Board of Directors at its next meeting or by way of written consent. No such emergency resolutions were passed during fiscal year 2017.

**Independent Director Sessions**

The Board of Directors has adopted a policy of regularly scheduled sessions of Board meetings where the independent directors meet to consider matters without management or non-independent directors present. During fiscal year 2017, separate sessions of the independent directors were held at four separate meetings.

**Board Effectiveness**

Our Board of Directors performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations.

# Corporate Governance and Board of Directors Matters

## Board Committees

The Board has standing Audit, Compensation, and Nominating Committees to assist the Board in carrying out its duties. Each of the Board committees is composed entirely of directors that are independent in accordance with the published listing requirements of the Nasdaq Stock Market and Swiss corporate governance best practices guidelines. At each quarterly Board meeting, each applicable Board Committee reports to the full Board on the substance of the Committee's meetings, if any, during the quarter.

Each Committee has a written charter approved by the Board. The chair of each Committee determines the Committee's meeting agenda. The Board Committee members receive materials in advance of Committee meetings allowing them to prepare for the meeting. The Charters of each Board Committee are available on Logitech's Investor Relations website at *http://ir.logitech.com*. Each of the Audit, Compensation and Nominating Committees has the authority to engage outside experts, advisors and counsel to the extent it considers appropriate to assist the Committee in its work. The members of the Committees are identified in the following table:

| **Director** | **Audit** | **Compensation** | **Nominating** |
|---|---|---|---|
| Patrick Aebischer | | | |
| Edouard Bugnion | | X | |
| Bracken Darrell | | | |
| Sally Davis | | Chair | Chair |
| Guerrino De Luca | | | |
| Sue Gove | X | | |
| Didier Hirsch | Chair | | X |
| Neil Hunt | | X | X |
| Dimitri Panayotopoulos | | X | |
| Lung Yeh | X | | |

# Corporate Governance and Board of Directors Matters

**Attendance at Board, Committee and Annual Shareholders' Meetings**

In fiscal year 2017 the Board met ten times, nine of which were regularly scheduled meetings. In addition, the Audit Committee met eight times, the Compensation Committee met six times, and the Nominating Committee met five times. In addition to its meetings, the Board took three actions for approval by written consent during fiscal year 2017. We expect each director to attend each meeting of the Board and the Committees on which he or she serves, and also expect them to attend the Annual General Meeting of shareholders. All ten of our directors attended the 2016 Annual General Meeting. All of the incumbent directors attended at least 75% of the meetings of the Board and the Committees on which he or she served, except for Dr. Aebischer who attended 67% of the meetings of the Board during the portion of fiscal year 2017 on which he served on the Board. Dr. Aebischer joined the Board in September 2016, and the Board recognized at the time of his nomination that he had certain conflicts with some of the scheduled Board meetings during the portion of fiscal year 2017 on which he would serve on the Board if elected. Detailed attendance information for Board and Board Committee meetings during fiscal year 2017 is as follows:

| | Board of Directors | Audit Committee | Compensation Committee | Nominating Committee |
|---|---|---|---|---|
| *# of meetings held* | 10 | 8 | 6 | 5 |
| Patrick Aebischer(1) | 4 | | | |
| Edouard Bugnion(2) | 10 | | 3 | |
| Kee-Lock Chua(3) | 4 | 4 | | 2 |
| Bracken Darrell | 10 | | | |
| Sally Davis | 7 | | 6 | 5 |
| Guerrino De Luca | 10 | | | |
| Sue Gove | 10 | 8 | | |
| Didier Hirsch | 10 | 8 | | 5 |
| Neil Hunt(4) | 10 | | 6 | 2 |
| Dimitri Panayotopoulos | 9 | | 5 | |
| Lung Yeh(5) | 10 | 4 | | |

*(1) Dr. Aebischer was elected to the Board as of the Annual General Meeting on September 7, 2016, and attended four of the six Board meetings that were held after that date.*

*(2) Dr. Bugnion was elected to the Compensation Committee as of the Annual General Meeting on September 7, 2016, and attended all three of the Compensation Committee meetings that were held after that date.*

*(3) Mr. Chua did not stand for re-election as a director at the Annual General Meeting on September 7, 2016. He attended four of five Board meetings and two of the three Audit Committee meetings that were held prior to the Annual General Meeting.*

*(4) Dr. Hunt was appointed to the Nominating Committee as of September 8, 2016, and attended both of the Nominating Committee meetings that were held after that date.*

*(5) Dr. Yeh was appointed to the Audit Committee as of September 8, 2016, and attended all four of the Audit Committee meetings that were held after that date.*

# Corporate Governance and Board of Directors Matters

**Audit Committee**

The Audit Committee is appointed by the Board to assist the Board in monitoring the Company's financial accounting, controls, planning and reporting. It is composed of only non-executive, independent Board members. Among its duties, the Audit Committee:

- reviews the adequacy of the Company's internal controls and disclosure controls and procedures;
- reviews the independence, fee arrangements, audit scope, and performance of the Company's independent auditors, and recommends the appointment or replacement of independent auditors to the Board of Directors;
- reviews and approves all non-audit work to be performed by the independent auditors;
- reviews the scope of Logitech's internal auditing and the adequacy of the organizational structure and qualifications of the internal auditing staff;
- reviews, before release, the quarterly results and interim financial data;
- reviews with management and the independent auditors the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company's guidelines and policies with respect to risk assessment and risk management; and
- reviews, before release, the audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and recommends that the Board of Directors include the audited financial statements in the annual report made available to shareholders.

The Audit Committee currently consists of Mr. Hirsch, Chairperson, Ms. Gove and Dr. Yeh. The Board has determined that each member of the Audit Committee meets the independence requirements of the Nasdaq Stock Market listing standards and the applicable rules and regulations of the SEC. In addition, the Board has determined that Mr. Hirsch and Ms. Gove are audit committee financial experts as defined by the applicable rules and regulations of the SEC.

The Audit Committee met eight times in fiscal year 2017. Four meetings were held in person on the day prior to the regularly scheduled quarterly Board meeting, for approximately two to three hours, and four were held by teleconference, for approximately one hour or less preceding the Company's quarterly report of financial results. The Committee received reports and presentations before the meetings in order to allow them time to prepare adequately. At the Committee's invitation, the Company's Chief Financial Officer, Corporate Controller, Vice President of Internal Audit and General Counsel, Deputy General Counsel or Associate General Counsel attended each meeting, and representatives from the Company's then-current auditors and independent registered public accounting firm, KPMG AG and KPMG LLP, respectively, also attended all eight of the meetings. Other members of management also participated in certain meetings. Four meetings also included separate sessions with representatives of the auditors and independent registered public accounting firm, with the Chief Financial Officer and with the head of Internal Audit.

**Compensation Committee**

The Compensation Committee reviews and approves, or recommends to the Board for approval, the compensation of executive officers and non-executive Board members and Logitech's compensation policies and programs, including share-based compensation programs and other incentive-based compensation. Within the guidelines established by the Board and the limits set forth in the Company's employee equity incentive plans, the Compensation Committee also has the authority to grant equity incentive awards to employees without further Board approval. The Committee is composed of only non-executive, independent Board members.

The Compensation Committee currently consists of Ms. Davis, Chairperson, Dr. Bugnion, Dr. Hunt and Mr. Panayotopoulos. The Board of Directors has determined that each member of the Compensation Committee meets the independence requirements of the Nasdaq Stock Market listing standards.

The Compensation Committee met six times in fiscal year 2017. At the Committee's invitation, the Company's Head of People & Culture and Head of Total Rewards attended each meeting, the Committee's independent advisor from Agnès Blust Consulting attended all six meetings, and the Committee's independent advisor from Compensia attended five of the six meetings. Four of the meetings were held in person and five of the six meetings lasted for approximately one hour to three hours or more. In addition to its meetings, the Committee took five actions for approval by written consent during fiscal year 2017.

Please refer to the Company's Compensation Report for further information on the Compensation Committee's criteria and process for evaluating executive compensation.

**Nominating Committee**

The Nominating Committee is composed of at least three members, with each of the members being non-executive, independent directors. Among its duties, the Nominating Committee:

- evaluates the composition of the Board of Directors and its Committees, determines future requirements and makes recommendations to the Board of Directors for approval;
- determines on an annual basis the desired Board qualifications and expertise and conducts searches for potential directors with these attributes;
- evaluates and makes recommendations of nominees for election to the Board of Directors; and
- evaluates and makes recommendations to the Board concerning the appointment of directors to Board Committees and the selection of Board Committee chairs.

The Nominating Committee may and typically does retain an executive search firm to assist with the identification and evaluation of prospective Board nominees based on criteria established by the Committee. For information on the Nominating Committee's policies with respect to director nominations please see "Elections to the Board of Directors" above.

The Nominating Committee currently consists of Ms. Davis, Chairperson, Mr. Hirsch and Dr. Hunt. The Board of Directors has determined that each of Ms. Davis, Mr. Hirsch and Dr. Hunt meets the independence requirements of the Nasdaq Stock Market listing standards. Upon the Committee's recommendation of nominees for election to the Board of Directors, the nominees are presented to the full Board. Nominees are then selected by a majority of the independent members of the Board. The Nominating Committee met five times in fiscal year 2017. The meetings were held in person or by teleconference and lasted approximately half-an-hour to one hour.

**Technology and Innovation Committee**

Subsequent to the end of fiscal year 2017, the Company created a joint Board and management Technology and Innovation Committee as an informal forum to allow management to draw on the expertise and experience of our Board members and to foster communication between members of management and the members of the Board and better understanding by members of the Board of the Company's technology and innovation strategies, plans, opportunities and issues. The Technology and Innovation Committee currently consists of Board members Dr. Aebischer, Dr. Bugnion, Dr. Hunt and Dr. Yeh, all of whom have advanced technical degrees and have been Chief Technology Officers at technology companies or have founded and managed technology companies, and the Company's Chief Technology Officer, Chief Design Officer and Chief Information Officer.

# Corporate Governance and Board of Directors Matters

## Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee has been an officer or employee of Logitech. None of our executive officers serves on the board of directors or compensation committee of a company that has an executive officer that serves on our Board of Directors.

## Communications with the Board of Directors

Shareholders may contact the Board of Directors about bona fide issues or questions about Logitech by sending an email to *generalcounsel@logitech.com* or by writing the Corporate Secretary at the following address:

Logitech International S.A.
Attn: Corporate Secretary
EPFL - Quartier de l'Innovation
Daniel Borel Innovation Center
1015 Lausanne, Switzerland

All such shareholder communications will be forwarded to the appropriate member or members of the Board of Directors or, if none is specified, to the Chairman of the Board of Directors.

# Security Ownership

## Security Ownership of Certain Beneficial Owners and Management as of June 30, 2017

In accordance with the proxy statement rules under U.S. securities laws, the following table shows the number of our shares beneficially owned as of June 30, 2017 by:

- each person or group known by Logitech, based on filings pursuant to Section 13(d) or (g) under the U.S. Securities Exchange Act of 1934 or notifications to the Company under applicable Swiss laws, to own beneficially more than 5% of our outstanding shares as of June 30, 2017;
- each director and each nominee for director;
- the persons named in the Summary Compensation Table in the Compensation Report (the “named executive officers”); and
- all directors and current executive officers as a group.

| Beneficial Owners[(1)] | Number of Shares Owned[(2)] | Shares that May be Acquired Within 60 Days[(3)] | Total Beneficial Ownership | Total as a Percentage of Shares Outstanding[(4)] |
|---|---|---|---|---|
| **5% shareholders:** | | | | |
| BlackRock, Inc.[(5)] | 8,907,311 | — | 8,907,311 | 5.4% |
| **Directors, not including the Chairman or the CEO:** | | | | |
| Patrick Aebischer[(6)] | — | — | — | * |
| Edouard Bugnion | 13,578 | — | 13,578 | * |
| Sally Davis | 100,922 | — | 100,922 | * |
| Sue Gove | 7,720 | — | 7,720 | * |
| Didier Hirsch | 46,878 | — | 46,878 | * |
| Neil Hunt | 52,410 | — | 52,410 | * |
| Dimitri Panayotopoulos | 23,230 | — | 23,230 | * |
| Lung Yeh | 7,720 | — | 7,720 | * |
| **Nominees for Director:** | | | | |
| Wendy Becker | — | — | — | * |
| Neela Montgomery | — | — | — | * |
| **Named Executive Officers:** | | | | |
| Guerrino De Luca | 279,676 | 160,000 | 439,676 | * |
| Bracken Darrell | 732,797 | 1,700,000 | 2,432,797 | 1.5% |
| Vincent Pilette | 311,878 | — | 311,878 | * |
| Marcel Stolk | 56,941 | — | 56,941 | * |
| L. Joseph Sullivan | 132,333 | — | 132,333 | * |
| Current Directors and Executive Officers as a Group (13) | 1,766,083 | 1,860,000 | 3,626,083 | 2.2% |

* *Less than 1%*

(1) *Unless otherwise indicated, the address for each beneficial owner listed in this table is c/o Logitech International S.A., EPFL, Quartier de l’Innovation, Daniel Borel Innovation Center, 1015 Lausanne, Switzerland / 7700 Gateway Boulevard, Newark, California 94560.*

# Security Ownership

*(2) To Logitech's knowledge, except as otherwise noted in the footnotes to this table, each director and executive officer has sole voting and investment power over the shares reported as beneficially owned in accordance with SEC rules, subject to community property laws where applicable.*

*(3) Includes shares represented by vested, unexercised options as of June 30, 2017 and options and restricted stock units that are expected to vest within 60 days after June 30, 2017. These shares are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding the options or restricted stock units, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.*

*(4) Based on 163,909,945 shares outstanding on June 30, 2017 (173,106,620 shares outstanding less 9,196,675 treasury shares outstanding).*

*(5) The number of shares held by BlackRock, Inc. and its subsidiaries is based on a notification filed with the SIX Exchange Regulation on May 9, 2017. The address of BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055.*

(6) *Dr. Aebischer was first elected as a director of the Company at the Annual General Meeting on September 7, 2016.*

## Share Ownership Guidelines

Members of the Board of Directors and executive officers and other officers who report directly to the Chief Executive Officer or President are subject to share ownership guidelines.

Directors are required to own Logitech shares with a market value equal to 3 times the annual Board retainer under guidelines adopted by the Board in June 2006 and revised in June 2013. Directors are required to achieve this ownership within five years of joining the Board, or, in the case of directors serving at the time the guidelines were originally adopted, within five years of the effective date of adoption of the guidelines. The guidelines will be adjusted to reflect any capital adjustments, and will be reevaluated by the Board from time to time. As of June 30, 2017, each director had either satisfied these ownership guidelines or had time remaining to do so.

The Compensation Committee adopted share ownership guidelines for executive officers and other officers who report directly to the Chief Executive Officer or President effective September 2008 and revised in September 2013. These guidelines now apply to executive officers and other officers who report directly to the Chief Executive Officer. These guidelines require:

- the Chief Executive Officer to hold a number of Logitech shares with a market value equal to 5 times his annual base salary;
- the Chief Financial Officer to hold a number of Logitech shares with a market value equal to 3 times his annual base salary;
- executive officers, other than the Chief Executive Officer and Chief Financial Officer, to hold a number of Logitech shares with a market value equal to 2 times their respective annual base salaries; and
- remaining officers who report directly to the Chief Executive Officer to hold a number of Logitech shares with a market value equal to their respective annual base salaries.

Officers subject to the guidelines are required to achieve the guideline within five years of being appointed to the position making them subject to the guideline, or, in the case of such officers serving at the time the guidelines were originally adopted, within five years of the effective date of adoption of the guidelines. The guidelines will be adjusted to reflect any capital adjustments, and will be re-evaluated by the Compensation Committee from time to time. Up to 50% of the guideline may be met through the net value of vested, unexercised stock options. If the guideline is not met within five years, the Chief Executive Officer must hold 100% of his after-tax shares resulting from option exercises or other equity incentive awards until the guideline is reached, and all other executive officers and Chief Executive Officer direct reports must hold at least 50% of the net shares resulting from option exercises or other equity incentive awards until the guideline is reached. In addition, if the guideline is not met, the officer will have 50% of the after-tax value of any earned bonuses under the Leadership Team Bonus Program paid in fully vested Logitech shares. As of June 30, 2017, all of the executive officers and other officers who report directly to Chief Executive Officer had either satisfied these ownership guidelines or had time remaining to do so.

# Certain Relationships and Related Transactions

## Our Policies

It is our policy that all employees must not engage in any activities which could conflict with Logitech's business interests, which could adversely affect its reputation or which could interfere with the fulfillment of the responsibilities of the employee's job, which at all times must be performed in the best interests of Logitech. In addition, Logitech employees may not use their position with Logitech, or Logitech's information or assets, for their personal gain or for the improper benefit of others. These policies are included in our Business Ethics and Conflict of Interest Policy, which covers our directors, executive officers and other employees. If in a particular circumstance the Board concludes that there is or may be a perceived conflict of interest, the Board will instruct our Legal department to work with our relevant business units to determine if there is a conflict of interest. Any waivers to these conflict rules with regard to a director or executive officer require the prior approval of the Board, and any transaction that is a related party transaction under U.S. securities laws must be approved by the Audit Committee or another independent committee of the Board.

## Nasdaq Rules and Swiss Best Corporate Governance Practices

Nasdaq rules defining "independent" director status also govern conflict of interest situations, as do Swiss best corporate governance principles published by economiesuisse, a leading Swiss business organization. As discussed above, the Board of Directors has determined that each of our directors and nominees to be a director, other than Mr. Darrell and Mr. De Luca, qualifies as "independent" in accordance with the Nasdaq rules. The Nasdaq rules include a series of objective tests that would not allow a director to be considered independent if the director has or has had certain employment, business or family relationships with the company. The Nasdaq independence definition also includes a requirement that the Board review the relations between each independent director and the company on a subjective basis. In accordance with that review, the Board has made a subjective determination as to each independent director that no relationships exist that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

## SEC Rules

In addition to the Logitech and Nasdaq policies and rules described above, the SEC has specific disclosure requirements covering certain types of transactions involving Logitech and a director or executive officer or persons and entities affiliated with them.

Logitech has a long-standing relationship with the École Polytechnique Fédérale de Lausanne (EPFL) and has based its Swiss headquarters on the EPFL campus since 2013. In fiscal year 2017, we did approximately USD 2.3 million of business with the EPFL and the EPFL Innovation Park, a foundation controlled by the EPFL and other entities. The payments primarily covered our office lease and related payments. We also engaged in research projects, event and organization sponsorships, and other projects with the EPFL. In September 2016, Patrick Aebischer, the President of the EPFL, joined our board of directors. Dr. Aebischer retired as President of the EPFL at the end of December 2016. In January 2017, Edouard Bugnion, one of our non-employee directors, became Vice President for Information Systems at the EPFL. Dr. Aebischer and Dr. Bugnion are also professors at the EPFL.

Other than the EPFL, since April 1, 2016 we have not been a party to, and we have no plans to be a party to, any transaction or series of similar transactions in which the amount involved exceeded or will exceed USD 120,000 and in which any current director, director nominee, executive officer, holder of more than 5% of our shares, or any member of the immediate family of any of the foregoing, had or will have a direct or indirect material interest.

We have entered into an indemnification agreement with each of our directors and executive officers. The indemnification agreements require us to indemnify our directors and officers to the fullest extent permitted by Swiss and California law.

None of the following persons has been indebted to Logitech or its subsidiaries at any time since the beginning of fiscal year 2017: any of our directors or executive officers; any nominee for election as a director; any member of the immediate family of any of our directors, executive officers or nominees for director; any corporation or organization of which any of our directors, executive officers or nominees is an executive officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities (except trade debt entered into in the ordinary course of business); and any trust or other estate in which any of the directors, executive officers or nominees for director has a substantial beneficial interest or for which such person serves as a trustee or in a similar capacity.

# Independent Auditors

Under Logitech's Articles of Incorporation, the shareholders elect or re-elect the Company's independent auditors each year at the Annual General Meeting.

Logitech's independent auditors for fiscal year 2017 were KPMG AG, Zurich, Switzerland. KPMG AG assumed its first audit mandate for Logitech in fiscal year 2015. They were elected by the shareholders as Logitech's auditors at the Annual General Meeting in December 2014 and re-elected at the Annual General Meetings in September 2015 and September 2016. For purposes of U.S. securities law reporting, KPMG LLP, Santa Clara, California, served as the Company's independent registered public accounting firm for fiscal year 2017. Together, KPMG AG and KPMG LLP are referred to as "KPMG." As appointed by the Board, the Audit Committee is responsible for supervising the performance of the Company's independent auditors, and recommends the election or replacement of the independent auditors to the Board of Directors.

Representatives of KPMG were invited to attend all regular meetings of the Audit Committee. During fiscal year 2017, KPMG representatives attended all of the Audit Committee meetings. The Committee met separately four times with representatives of KPMG in closed sessions of Committee meetings.

On a quarterly basis, KPMG reports on the findings of their audit and/or review work including their audit of Logitech's internal control over financial reporting. These reports include their assessment of critical accounting policies and practices used, alternative treatments of financial information discussed with management, and other material written communication between KPMG and management. At each quarterly Board meeting, the Audit Committee reports to the full Board on the substance of the Committee meetings during the quarter. On an annual basis, the Audit Committee approves KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the independent auditors, subject to shareholder approval. The Audit Committee reviews the annual report provided by KPMG as to its independence.

## Audit and Non-Audit Fees

The following table sets forth the aggregate fees billed to us for the audit and other services provided by KPMG during the fiscal years ended March 31, 2017 and 2016 (in thousands):

| | 2017 | 2016 |
|---|---|---|
| Audit fees(1) | $ 3,124 | $ 2,991 |
| Audit related fees(2) | 47 | 196 |
| Tax fees(3) | 120 | 123 |
| Total | $ 3,291 | $ 3,310 |

(1) *Audit fees. This category includes fees for the audit of our financial statements in our Annual Report on Form 10-K, fees for the audit of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, fees for the review of the interim condensed financial statements in our Quarterly Reports on Form 10-Q, and fees for the services that are normally provided by KPMG in connection with statutory and regulatory filings or other engagements and accounting and reporting consultations related to Lifesize discontinued operations.*

(2) *Audit-related fees. This category includes fees for the due diligence related to the Jaybird acquisition.*

(3) *Tax fees. This category includes fees related to the 2015 and 2014 tax compliance and tax consulting services.*

# Independent Auditors

## Pre-Approval Procedures and Policies

The Audit Committee pre-approves all audit and non-audit services provided by KPMG. This pre-approval must occur before the auditor is engaged. The Audit Committee pre-approves categories of non-audit services and a target fee associated with each category. Usage of KPMG fees against the target is presented to the Audit Committee at each in-person quarterly meeting, with additional amounts requested as needed. Services that last longer than a year must be re-approved by the Audit Committee.

The Audit Committee can delegate the pre-approval ability to a single independent member of the Audit Committee. The delegate must communicate all services approved at the next scheduled Audit Committee meeting. The Audit Committee or its delegate can pre-approve types of services to be performed by KPMG with a set dollar limit per type of service. The Vice President, Corporate Controller is responsible for ensuring that the work performed is within the scope and dollar limit as approved by the Audit Committee. Management must report to the Audit Committee the status of each project or service provided by KPMG.

# Report of the Audit Committee

The Audit Committee is responsible for overseeing Logitech's accounting and financial reporting processes and audits of Logitech's financial statements. The Audit Committee acts only in an oversight capacity and relies on the work and assurances of management, which has primary responsibility for Logitech's financial statements and reports, Logitech's internal auditors, as well as KPMG, Logitech's independent auditors, which is responsible for expressing an opinion on the conformity of Logitech's audited financial statements to generally accepted accounting principles and attesting to the effectiveness of Logitech's internal control over financial reporting.

The Board of Directors has adopted a written charter for the Audit Committee. A copy of the Charter can be found on our website at *http://ir.logitech.com*. To view the charter, select "Audit Committee Charter" under "Corporate Governance."

The Audit Committee has reviewed and discussed our audited financial statements for the fiscal year ended March 31, 2017, with our management. In addition, the Audit Committee has discussed with the independent auditors the matters required to be discussed by Auditing Standard 1301, "Communications with Audit Committees," as adopted by the Public Company Accounting Oversight Board.

The Audit Committee has received the written disclosures and the letter from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Logitech's Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

**Submitted by the Audit Committee of the Board**

Didier Hirsch, Chairperson
Sue Gove
Lung Yeh

# Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires Logitech's directors, executive officers and any persons who own more than 10% of Logitech's shares, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulation to furnish Logitech with copies of all Section 16(a) forms that they file. As a matter of practice, our administrative staff assists our executive officers and directors in preparing initial ownership reports and reporting ownership changes, and typically files these reports on their behalf.

We believe that all Section 16(a) filing requirements were met in fiscal year 2017, with the exceptions noted below:

- A late Form 4 report was filed for Vincent Pilette on June 21, 2016 to report the vesting of performance share units, and the forfeiture of shares to satisfy tax withholding obligations arising out of the vesting of performance share units, on June 15, 2016.

# Compensation Report for Fiscal Year 2017

This Compensation Report has been designed to comply with both the proxy statement rules under U.S. securities laws and Swiss regulations. For Swiss law purposes, this Report is supplemented by a Remuneration Report prepared in compliance with the Ordinance against excessive compensation in stock exchange listed companies in Switzerland (the “Minder Ordinance”). This Report is an integrated part of our Annual Report, Invitation, and Proxy Statement for our 2017 Annual General Meeting.

## Compensation Discussion and Analysis

This Compensation Discussion and Analysis is intended to assist our shareholders in understanding our executive compensation program by providing an overview of our executive compensation-related policies, practices, and decisions for fiscal year 2017. It also explains how we determined the material elements of compensation for our Chief Executive Officer, our Chief Financial Officer, and the three executive officers (other than our Chief Executive Officer and Chief Financial Officer) who were our most highly-compensated executive officers for fiscal year 2017, and who we refer to as our “Named Executive Officers.” For fiscal year 2017, our Named Executive Officers were:

- Guerrino De Luca, our Executive Chairman;
- Bracken Darrell, our President and Chief Executive Officer;
- Vincent Pilette, our Chief Financial Officer;
- Marcel Stolk, our Executive Chairman, Logitech Europe S.A. and Senior Vice President, Creativity & Productivity Business Group; and
- L. Joseph Sullivan, our Senior Vice President, Worldwide Operations.

## Executive Summary

The Compensation Committee believes the design of our executive compensation programs has and will continue to meet our goal of providing our executives with market-competitive compensation packages that provide for above market rewards when Logitech outperforms both our internal goals and the overall market, and limited rewards when Logitech’s performance does not meet these objectives. Overall, our Compensation Committee has developed executive compensation programs that it believes will provide an incentive to drive the Company’s performance and reward both our shareholders and our executives.

**Fiscal Year 2017 Business Highlights**

Logitech had a successful fiscal year 2017 demonstrating the strength of our strategy. We delivered our best annual retail sales growth in six years. We continued to introduce innovative new products and improved cost and working capital management. We grew net sales across almost all our product categories and in all our regions. Many categories - Video Collaboration, Mobile Speakers, Gaming, and Smart Home - grew double digits, and PC Peripherals saw solid growth too. We improved our financial fundamentals, delivering our highest gross margin in Company history while growing retail sales by 14%. Our cash flow from operations grew 52%, the highest level in seven years. Our total shareholder return for the period April 1, 2016 to March 31, 2017 was 105%, which outperformed the S&P 500, the Nasdaq 100 and the SMI Expanded for the same period. Please see the section entitled *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report for a more detailed discussion of our fiscal year 2017 financial results.

# Compensation Report for Fiscal Year 2017

**Executive Compensation Highlights**

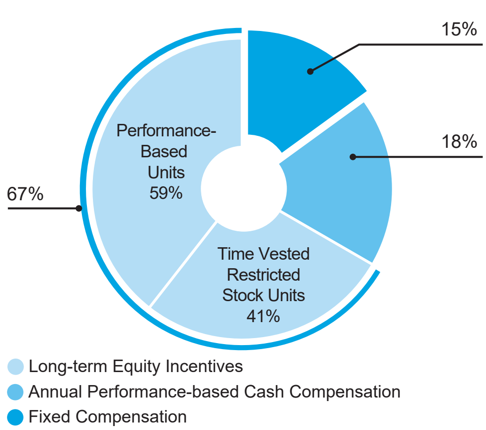
The incentives created by our executive compensation program drive outstanding performance and have contributed to our growth and stockholder value creation and demonstrate our commitment to pay-for-performance. Consistent with our strong performance and compensation philosophy, the Compensation Committee took the following compensation actions for our executive officers for fiscal year 2017:

| Named Executive Officer | FY 2017 Base Salary Increase from FY 2016 | FY 2017 Annual Bonus as a Percentage of Target Bonus | FY 2017 Annual Time-Based Restricted Stock Units Award (Grant Date Fair Value) | FY 2017 Annual Performance-Based Restricted Stock Units Award (Grant Date Fair Value) |
|---|---|---|---|---|
| Guerrino De Luca | 0% | 200% | $184,512 | $265,447 |
| Bracken Darrell | 8% | 200% | $1,660,530 | $2,388,962 |
| Vincent Pilette | 0% | 200% | $738,017 | $1,061,786 |
| Marcel Stolk | 3% | 200% | $351,615 | $504,348 |
| L. Joseph Sullivan | 3% | 200% | $221,408 | $318,536 |

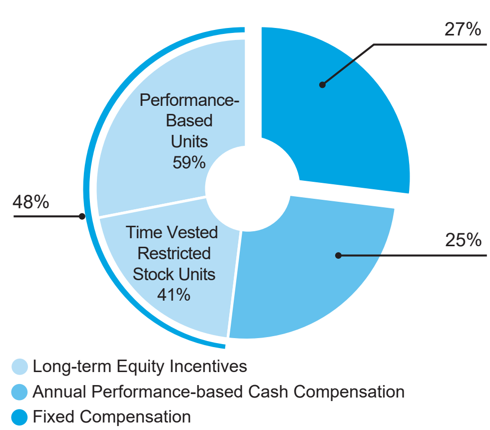
*Emphasis on Variable and Performance-Based Compensation*

The annual compensation of our executive officers varies from year to year based on our corporate financial and operational results and individual performance. Our executive compensation program emphasizes “variable” performance-based pay over “fixed” pay and seeks to balance short-term and long-term incentives as well as performance-based and time-based incentives. In fiscal year 2017, the majority of the target total direct compensation of our CEO consisted of performance-based pay, including cash awarded under our annual bonus plan and long-term incentives in the form of performance-based equity awards for which value is based on achievement of performance criteria. Fixed pay, primarily consisting of base salary, made up only 15% of our CEO’s target total direct compensation in fiscal year 2017, while variable pay, consisting of both annual bonus and long-term equity incentives, made up 85% of his target total direct compensation. This same philosophy was applied to our other executive officers. The following charts show the percentages of target variable pay versus target fixed pay for fiscal year 2017:

**CEO TARGET COMPENSATION MIX**




**OTHER NEO TARGET COMPENSATION MIX**



# Compensation Report for Fiscal Year 2017

**Executive Compensation Best Practices**

We strive to maintain sound executive compensation policies and practices, including compensation-related corporate governance standards, consistent with our executive compensation philosophy. We have the following executive compensation policies and practices in place, including both those that we have implemented to drive performance and those that either prohibit or minimize behaviors that we do not believe serve our shareholders' long-term interests:

*What We Do*

- ✓ ***Compensation Committee Independence*** **–** Our Board of Directors maintains a Compensation Committee comprised solely of independent directors.
- ✓ ***Independent Compensation Committee Advisors*** **–** The Compensation Committee engages and retains its own independent advisors and reviews their independence.
- ✓ ***Annual Compensation Review*** **–** The Compensation Committee conducts an annual review of our executive compensation philosophy and strategy, including a review of the compensation peer group and other information used for comparative purposes.
- ✓ ***Compensation-Related Risk Assessment*** **–** The Compensation Committee conducts an annual evaluation of our compensation programs, policies, and practices, to ensure that they are designed to reflect an appropriate level of risk-taking but do not encourage our employees to take excessive or unnecessary risks that could have a material adverse impact on the Company.
- ✓ ***Emphasize Performance-based Incentive Compensation*** **–** The Compensation Committee designs our executive compensation program to use performance-based short-term and long-term incentive compensation awards to align the interests of our executive officers with the interests of our shareholders.
- ✓ ***Emphasize Long-Term Equity Compensation*** **–** The Compensation Committee uses equity awards to deliver long-term incentive compensation opportunities to our executive officers. These equity awards vest or may be earned over multi-year periods, which better serves our long-term value creation goals and retention objectives.
- ✓ ***Limited Executive Perquisites*** **–** We generally do not provide perquisites or other personal benefits to our executive officers. The executive officers participate in our health and welfare benefit programs on the same basis as all of our employees.
- ✓ ***Stock Ownership Policy*** **–** We maintain a stock ownership policy for our directors and executive officers which requires each of them to own a specified amount of our registered shares as a multiple of their salary or annual board retainer.
- ✓ ***Compensation Recovery Policy*** **–** We have adopted a policy that provides for the recoupment of bonus and other incentive compensation and equity compensation from our executive officers resulting from fraud or intentional misconduct of an executive officer or if the executive officer knew of the fraud or misconduct.
- ✓ ***"Double-Trigger" Change of Control Arrangements in Equity Award Agreements*** **–** The post-employment equity compensation arrangements for our executive officers are based on a "double-trigger" arrangement that provides for acceleration of time-based equity only in the event of (i) a change in control of the Company and (ii) a qualifying termination of employment. As noted below, we do not have any cash payment related to termination of employment or change of control.
- ✓ ***Prohibition on Hedging and Pledging*** **–** Under our Insider Trading Policy, we prohibit our executive officers from hedging any Company securities owned by them and from pledging any Company securities owned by them as collateral for a loan.
- ✓ ***Succession Planning*** **–** Our Board of Directors reviews on an annual basis our succession strategies and plans for our most critical positions.

# Compensation Report for Fiscal Year 2017

*What We Do Not Do*

- ✗ ***No Severance or Change of Control Arrangements –*** To comply with the Minder Ordinance we have terminated all severance and change of control arrangements (other than acceleration of vesting of equity awards as provided in our equity award agreements) for executive officers, including members of our Group Management Team (Messrs. Darrell, Pilette, Stolk and Sullivan).
- ✗ ***No Special Retirement Programs –*** Other than our Section 401(k) plan and our Swiss Pension plan generally available to all employees in the U.S. and Switzerland, respectively, we do not offer defined benefit or contribution retirement plans or arrangements for our executive officers.
- ✗ ***No Tax "Gross-Ups" or Payments –*** We do not provide any "gross-ups" or tax payments in connection with any compensation element for our executive officers, other than for our standard relocation benefits. This means we do not provide any excise tax "gross-up" or tax reimbursement in connection with any change of control payments or benefits.
- ✗ ***No Unearned Dividends –*** We do not pay dividends or dividend equivalents on unvested or unearned restricted stock unit or performance-based restricted stock unit awards.
- ✗ ***No Stock Option Repricing –*** We do not reprice options to purchase our registered shares without shareholder approval.

*Say-on-Pay*

As required under the U.S. securities laws, Logitech provides shareholders the ability to periodically cast advisory votes on executive compensation, as reflected in the proposals for our 2017 Annual General Meeting. We remain committed to providing clear and thorough disclosure on our executive compensation practices and actions, and our Compensation Committee will carefully consider the voting results.

Beginning in 2015, in compliance with the Minder Ordinance, we instituted annual binding shareholder votes on the aggregate compensation amounts for our directors and for members of our Group Management Team consistent with the compensation structure that shareholders approved in amendments to our Articles of Incorporation at our 2014 Annual General Meeting.

At our 2015 Annual General Meeting, shareholders approved a maximum aggregate amount of compensation for the Board of Directors of CHF 4,600,000 for the 2015 - 2016 Board Year and for the Group Management Team of USD 19,200,000 for fiscal year 2017. The total actual compensation paid for the 2015 -2016 Board Year was CHF 3,866,326[1]. The total actual compensation paid to members of the Group Management Team for fiscal year 2017 was USD 15,430,100.

At our 2016 Annual General Meeting, 85% of the votes cast on our annual Say-on-Pay proposal supported the compensation of our named executive officers, 93% approved the aggregate compensation for the board of directors for the 2016 to 2017 board year and 90% approved the aggregate compensation of our Group Management Team for fiscal year 2018. The Compensation Committee was mindful of shareholder support for our pay-for-performance compensation philosophy in maintaining our general compensation practices and setting fiscal year 2017 compensation for our executive officers. Our CEO and CFO regularly speak with our shareholders about the Company, our performance and strategy and communicate any feedback on our compensation plans back to the Compensation Committee which it considers when making compensation decisions. We will continue to engage with our shareholders and consider the results from this year's and future advisory and binding votes on executive compensation as well as feedback from shareholders. For more information regarding our annual Say-on-Pay proposal for fiscal year 2017 and our binding votes on aggregate compensation, see *Proposal 2 – Advisory vote to approve executive compensation, Proposal 9 – Approval of Compensation for the Board of Directors for the 2017 to 2018 Board Year and Proposal 10 – Approval of Compensation for the Group Management Team for Fiscal Year 2019*.

## Compensation Philosophy and Guiding Principles

We have designed our executive compensation program to:

- Provide compensation sufficient to attract and retain the level of talent needed to create and manage an innovative, high-growth, global company in highly competitive and rapidly evolving markets;

[1] The portion of Board compensation attributable to our Executive Chairman, typically calculated on a fiscal year basis, is estimated based on actual equity grants made and bonuses paid during the applicable Board year and pro-rated amounts for his salary and other compensation for each fiscal year in the applicable Board year by month.

- Support a performance-oriented culture;
- Maintain a balance between fixed and variable compensation and place a significant portion of total compensation at risk based on the Company's performance, while maintaining controls over inappropriate risk-taking by factoring in both annual and long-term performance;
- Provide a balance between short-term and long-term objectives and results;
- Align executive compensation with shareholders' interests by tying a significant portion of compensation to increasing share value; and
- Reflect the executive's role and past performance through base salary and short-term cash incentives, and his or her potential for future contribution through long-term equity incentive awards.

However, while compensation is a central part of attracting, retaining, and motivating the best executives and employees, we believe it is not the sole or exclusive reason why exceptional executives or employees choose to join and stay at Logitech, or why they work hard to achieve results for our shareholders. In this regard, both the Compensation Committee and management believe that providing a working environment and opportunities in which executives and employees can develop, express their individual potential, and make a difference are also a key part of Logitech's success in attracting, motivating, and retaining executives and employees.

The Compensation Committee periodically reviews and analyzes market trends and the prevalence of various compensation delivery vehicles and adjusts the design and operation of our executive compensation program from time to time as it deems necessary or appropriate. In designing and implementing the various elements of our executive compensation program, the Compensation Committee considers market and industry practices, as well as our compensation structure's tax efficiency and its impact on our financial condition. While the Compensation Committee considers all of these factors in its deliberations, it places no formal weighting on any one factor.

The Compensation Committee evaluates our compensation philosophy and program objectives on an annual basis or more frequently as circumstances require.

## Compensation-Setting Process

**Role of the Compensation Committee**

The Compensation Committee, among its other responsibilities, establishes our overall compensation philosophy and reviews and approves our executive compensation program, including the specific compensation of our executive officers. The Compensation Committee has the authority to retain compensation consultants and other advisors, including legal counsel, to assist in carrying out its responsibilities. The Compensation Committee's authority, duties, and responsibilities are described in its charter, which is reviewed annually and updated as warranted. The charter is available on our Company website at *http://ir.logitech.com*.

While the Compensation Committee determines our overall compensation philosophy and approves the compensation of our executive officers, it considers the recommendations of its compensation consultants and other advisors, as well as our CEO, our CFO, our head of People & Culture, and our compensation department. The Compensation Committee makes all final decisions regarding executive compensation, including base salary levels, target annual cash bonus opportunities, actual cash bonus payments, and long-term incentives in the form of equity awards. The Compensation Committee meets on a regularly-scheduled basis and at other times as needed. The Compensation Committee periodically reviews compensation matters with our Board of Directors. The chair of the Compensation Committee reports to the Board of Directors on the activities of the Compensation Committee at quarterly board meetings, and the minutes of the Compensation Committee meetings are available to the members of the Board of Directors.

Before the beginning of each fiscal year, the Compensation Committee reviews our executive compensation program to assess whether our compensation elements, actions, and decisions (i) are properly coordinated, (ii) are aligned with our vision, mission, values, and corporate goals, (iii) provide appropriate short-term and long-term incentives for our executive officers, (iv) achieve their intended purposes, and (v) are competitive with the compensation of executives in comparable positions at the companies with which we compete for executive talent. Following this assessment, the Compensation Committee makes any necessary or appropriate modifications to our existing plans and arrangements or adopts new plans or arrangements.

# Compensation Report for Fiscal Year 2017

The Compensation Committee also conducts an annual review of our executive compensation strategy to ensure that it is appropriately aligned with our business strategy and achieving our desired objectives. Further, the Compensation Committee reviews market trends and changes in competitive compensation practices, as further described below.

The factors considered by the Compensation Committee in determining the compensation of our executive officers for fiscal year 2017 included:

- Each individual executive's performance;
- Each individual executive's skills, experience, qualifications and marketability;
- The Company's performance against financial goals and objectives;
- The Company's performance relative to both industry competitors and its compensation peer group;
- The positioning of the amount of each executive's compensation in a ranking of peer compensation;
- The compensation practices of the Company's peer group; and
- The recommendations of our CEO (except with respect to his own compensation and the compensation of our Executive Chairman) as described below.

The Compensation Committee did not weight these factors in any predetermined or formulaic manner in making its decisions. The members of the Compensation Committee considered this information in light of their individual experience, knowledge of the Company, knowledge of each executive officer, knowledge of the competitive market, and business judgment in making their decisions regarding executive compensation and our executive compensation program.

As part of this process, our Executive Chairman works closely with the Compensation Committee in determining the compensation of our CEO. The Compensation Committee, in consultation with the other non-employee members of the Board of Directors, also evaluates the performance of our Executive Chairman and our CEO each year and makes all decisions regarding their base salary adjustments, target annual cash bonus opportunities, actual cash bonus payments, and long-term incentives in the form of equity awards. Our Executive Chairman and our CEO are not present during any of the deliberations regarding their own compensation.

**Role of our CEO**

Our CEO works closely with the Compensation Committee in determining the compensation of our other executive officers, excluding our Executive Chairman. Typically, our CEO works with the Compensation Committee to recommend the structure of the annual bonus plan, and to identify and develop corporate performance objectives for such plan, and to evaluate actual performance against the selected measures. Our CEO also works with the Compensation Committee to determine the appropriate form and performance goals for our equity compensation program.

At the beginning of each year, our CEO reviews the prior year's performance of our executive officers who report to him and then makes recommendations to the Compensation Committee for each element of compensation. Using his evaluation of each executive officer's performance and taking into consideration historical compensation awards to our executive officers and our corporate performance during the preceding year, these recommendations cover base salary adjustments, target annual cash bonus opportunities, actual bonus payments, and long-term incentives in the form of equity awards for each of our executive officers (other than himself and our Executive Chairman) based on our results, the individual executive officer's contribution to these results, and the executive officer's performance toward achieving the executive officer's individual performance goals. The Compensation Committee then reviews these recommendations and makes decisions as to the target total direct compensation of each executive officer, as well as each individual compensation element.

While the Compensation Committee considers our CEO's recommendations, as well as the competitive market analysis prepared by its compensation consultants, these recommendations and market data serve as only two of several factors in making its decisions with respect to the compensation of our executive officers. Ultimately, the Compensation Committee applies its own business judgment and experience to determine the individual compensation elements and amount of each element for our executive officers. Moreover, no executive officer participates in the determination of the amounts or elements of his or her own compensation.

**Role of Compensation Consultants**

Pursuant to its charter, the Compensation Committee has the authority to engage its own compensation consultants and other advisors, including legal counsel, as it determines in its sole discretion, to assist in carrying out its responsibilities. The Compensation Committee makes all determinations regarding the engagement, fees, and services of these advisors, and any such advisor reports directly to the Compensation Committee. The Compensation Committee may replace its compensation consultants or hire additional advisors at any time.

# Compensation Report for Fiscal Year 2017

In fiscal year 2017, pursuant to this authority, the Compensation Committee engaged Compensia, Inc., a U.S. compensation consulting firm, and Agnès Blust Consulting, a Swiss compensation consulting firm. The Compensation Committee engages compensation consultants to provide information, analysis, and other assistance relating to our executive compensation programs on an ongoing basis. The nature and scope of the services provided to the Compensation Committee by the independent compensation consultants in fiscal year 2017 were as follows:

- reviewed and recommended updates to the compensation peer group;
- provided advice with respect to compensation best practices and market trends for executive officers and members of our Board of Directors;
- conducted an analysis of the levels of overall compensation and each element of compensation for our executive officers;
- conducted an analysis of the levels of overall compensation and each element of compensation for the members of our Board of Directors;
- conducted a compensation risk assessment;
- assisted in our equity compensation strategy and proposal for an equity compensation plan pool increase; and
- provided legislative updates and ad hoc advice and support throughout the year.

The independent compensation consultants attend Compensation Committee meetings as requested and also communicate with the Compensation Committee outside of meetings. The compensation consultants report to the Compensation Committee rather than to management, although the compensation consultants typically meet with members of management, including our CEO and members of our executive compensation staff, for purposes of understanding proposals that management may make to the Compensation Committee.

The Compensation Committee has assessed the independence of the compensation consultants taking into account, among other things, the six independence-related factors as set forth in Exchange Act Rule 10C-1 issued by the SEC under the Dodd–Frank Wall Street Reform and Consumer Protection Act and the enhanced independence standards and factors set forth in the applicable listing standards of the Nasdaq Stock Market, and has concluded that its relationship with each independent compensation consultant and the work of each of them on behalf of the Compensation Committee has not raised any conflict of interest. Compensia and Agnès Blust Consulting have not provided any other services to us and have received no compensation other than with respect to the services described above.

# Compensation Report for Fiscal Year 2017

**Compensation Peer Group**

As part of its deliberations, the Compensation Committee considers competitive market data on executive compensation levels and practices and a related analysis of such data. This data is drawn from a select group of peer companies developed by the Compensation Committee, as well as compensation survey data.

For fiscal year 2017, at the direction of the Compensation Committee, the compensation consultant evaluated the existing compensation peer group and used the criteria set forth in the following table to objectively identify companies for inclusion in the group:

| Criteria | Rationale |
|---|---|
| Industry | We compete for talent with companies in the following industries:<br>• Technology<br>• Consumer Products |
| Financial Scope | Our Named Executive Officer compensation should be similar to senior managers at companies that have comparable financial characteristics including revenue and market capitalization. |
| Other Factors | As appropriate, we utilize additional refinement criteria (objective or subjective) such as revenue growth, profitability, valuation, headcount, or business model.<br><br>U.S. publicly traded companies. Although we are a Swiss company, in certain circumstances we compete for executive management talent with technology companies in the United States, and particularly in the high-technology area of Silicon Valley. |

Based on these criteria, the Compensation Committee selected the following peer group of 16 publicly-traded companies, which it subsequently approved and then used as a reference when making compensation decisions with respect to setting compensation for fiscal year 2017:

| | | |
|---|---|---|
| Belden Inc. | | Super Micro Computer |
| Brocade Communications Systems, Inc. | Knowles Corporation | Synaptics Inc. |
| Diebold, Incorporated | Lexmark International, Inc. | Trimble Navigation Limited |
| Garmin Ltd. | NETGEAR, Inc. | VeriFone Systems, Inc. |
| GoPro, Inc. | Plantronics, Inc. | Zebra Technologies Corporation |
| Hasbro, Inc. | Polycom, Inc. | |

JDS Uniphase was removed from the peer group as it split into two companies and was replaced by Super Micro Computer.

The following table sets forth the revenue and market capitalization of the fiscal 2017 compensation peer group as of February 2016 as compared to the same data for Logitech:

| (in millions) | Revenue | Market Capitalization |
|---|---|---|
| 75th Percentile | $ 2,864 | $ 3,180 |
| 50th Percentile | 2,238 | 1,772 |
| 25th Percentile | 1,687 | 1,507 |
| Logitech | 2,054 | 2,576 |
| Percentile Rank | 42% | 60% |

*The table reflects available revenue information for four quarters as of February 1, 2016 and 30-day average market capitalization as of February 1, 2016, as provided by Compensia.*

The market analysis provided by Compensia, and considered by the Compensation Committee in its review of our executive officers' compensation, compares Logitech to multiple sources of data: the compensation peer group described above, a broad custom survey of similarly sized technology companies, and a broad custom survey of technology companies that are larger than Logitech (the "next tier"). The broad technology survey data, which is necessary to provide market data where we do not have publicly disclosed information from our peers, consists of 75 companies that participated in the Radford survey with comparable revenue and market profile to the compensation peer group. The "next tier" data, which provides the Compensation Committee a view of the compensation levels for larger companies with which we compete for talent, consists of 21 technology companies with annual revenue and market cap a tier higher than Logitech's peer group selection criteria: revenue between approximately \$4 billion and \$16 billion and a market cap between approximately \$6 billion and \$45 billion.

The Compensation Committee believes that information regarding the compensation practices at other companies is useful in at least two respects. First, the Compensation Committee recognizes that our compensation policies and practices must be competitive in the marketplace. Second, this information is useful in assessing the reasonableness and appropriateness of individual executive compensation elements and of our overall executive compensation packages. This information is only one of several factors (as described above) that the Compensation Committee considers, however, in making its decisions with respect to the compensation of our executive officers.

# Compensation Report for Fiscal Year 2017

## Compensation Elements

The three primary elements of our executive compensation programs are (1) base salary, (2) annual cash bonus opportunities, and (3) long-term incentives in the form of equity awards, as described below:

| Compensation Element | What This Element Rewards | Purpose and Key Features of Element |
|---|---|---|
| Base salary | • Individual performance, level of experience, and contributions. | • Provides competitive level of fixed compensation determined by the market value of the position, with actual base salaries established based on the facts and circumstances of each executive officer and each individual position. |
| Annual cash bonuses | • Achievement of pre-established corporate performance objectives (for fiscal year 2017, focused on growing revenue and profitability), as well as management objectives and individual contributions. | • Motivates executive officers to achieve above target performance.<br>• Generally, performance levels are established to incentivize our executive officers to achieve or exceed performance objectives. For fiscal year 2017, payouts for corporate performance objectives could range from 0% to 200%, depending on actual achievement. |

| Compensation Element | What This Element Rewards | Purpose and Key Features of Element |
|---|---|---|
| Long-term incentives/equity awards | • Achievement of corporate performance objectives designed to enhance long-term shareholder value and attract, retain, motivate, and reward executive officers over extended periods for achieving important corporate objectives. | • Provide a variable "at risk" pay opportunity that aligns executive and shareholder interests through annual equity awards that vest over multiple years.<br>• Because the ultimate value of these equity awards is directly related to the market price of our registered shares, and the awards are only earned over an extended period of time subject to vesting, they serve to focus management on the creation and maintenance of long-term shareholder value.<br>• Performance-based equity links compensation to key financial metrics, such as revenue growth and profitability, that require strong performance for target or any substantial vesting to occur, and provides an extraordinary payout if performance significantly exceeds that of the objective or the benchmark group.<br>• Vesting requirements promote retention. |

Our executive officers also participate in the standard employee benefit plans available to most of our employees. Each of these compensation elements is discussed in greater detail below, including a description of the particular elements, how each element fits into our overall executive compensation program, and a discussion of the amounts of compensation paid to our executive officers in fiscal year 2017 under each of these elements.

**Base Salary**

We believe that a competitive base salary is a necessary element of our executive compensation program, so that we can attract and retain a stable management team. Base salaries for our executive officers are also intended to be competitive with those received by other individuals in similar positions at the companies with which we compete for talent, as well as equitable across the executive team.

Generally, we establish the initial base salaries of our executive officers through arm's-length negotiation at the time we hire the individual executive officer, taking into account his or her position, qualifications, experience, prior salary level, competitive and market considerations, and the base salaries of our other executive officers.

Thereafter, the Compensation Committee reviews the base salaries of our executive officers annually and makes adjustments to base salaries as it determines to be necessary or appropriate.

In fiscal year 2017, the Compensation Committee reviewed the base salaries of our executive officers, taking into consideration a competitive market analysis performed by Compensia, the scope of each executive officer's role, and the recommendations of our CEO (except with respect to his own base salary and the base salary of our Executive Chairman), as well as the other factors described above. Following this review, the Compensation Committee set the base salaries of our executive officers at levels that it believed were appropriate to maintain their competitiveness and provided a base salary increase to Messrs. Darrell, Stolk and Sullivan. The Compensation Committee approved a base salary increase for Mr. Darrell from $825,000 to $890,000 to bring his target total cash compensation to a competitive level in line with CEOs in our peer group.

# Compensation Report for Fiscal Year 2017

The base salaries of our executive officers for fiscal year 2017 were as follows:

| Named Executive Officer | Fiscal Year 2017 Base Salary | Fiscal Year 2016 Base Salary | Percentage Adjustment |
|---|---|---|---|
| Guerrino De Luca | $ 500,000 | $ 500,000 | 0% |
| Bracken Darrell | $ 890,000 | $ 825,000 | 8% |
| Vincent Pilette | $ 600,000 | $ 600,000 | 0% |
| Marcel Stolk | CHF 539,215 | CHF 523,510 | 3% |
| L. Joseph Sullivan | $ 455,800 | $ 442,500 | 3% |

The base salaries of our executive officers during fiscal year 2017 are set forth in the "2017 Summary Compensation Table" below.

**Annual Cash Bonuses**

We use annual bonuses to motivate our executive officers to achieve our short-term financial and operational objectives while making progress towards our longer-term growth and other goals. Consistent with our executive compensation philosophy, these annual bonuses are intended to help us to deliver a competitive total compensation opportunity to our executive officers. Annual cash bonuses are entirely performance-based, are not guaranteed, and may vary materially from year-to-year.

Typically, the Compensation Committee establishes cash bonus opportunities pursuant to a formal cash bonus plan that measures and rewards our executive officers for our actual corporate and their individual performance over our fiscal year. The cash bonus plan is designed to pay above-target bonuses when we exceed our annual corporate objectives and below-target bonuses or no bonus when we do not achieve these objectives.

In fiscal year 2017, the Compensation Committee determined cash bonus opportunities for our executive officers pursuant to the cash bonus plan for fiscal year 2017 under the Logitech Management Performance Bonus Plan (the "Bonus Plan"). Under the Bonus Plan, the Compensation Committee had the authority to select the performance measures and related target levels applicable to the annual cash bonus opportunities for our executive officers.

*Target Bonus Opportunities*

For fiscal year 2017, the target annual cash bonus opportunities for each of our executive officers under the Bonus Plan, expressed as a percentage of his annual base salary, were as follows:

| Named Executive Officer | Annual Base Salary | Target Bonus Opportunity (as a percentage of base salary) | Target Bonus Opportunity ($) |
|---|---|---|---|
| Guerrino De Luca | $500,000 | 100% | $500,000 |
| Bracken Darrell | $890,000 | 125% | $1,112,500 |
| Vincent Pilette | $600,000 | 100% | $600,000 |
| Marcel Stolk | CHF 539,215 | 80% | CHF 431,372 |
| L. Joseph Sullivan | $455,800 | 75% | $341,850 |

In setting the amount of the target annual cash bonus opportunities, the Compensation Committee takes into account competitive market data and the individual's role and contribution to performance. No changes were made to the target annual cash bonus opportunities for the executive officers for fiscal year 2017.

*Corporate Performance Objectives*

For purposes of the Bonus Plan, the Compensation Committee selected Revenue and Non-GAAP Operating Income as the corporate performance measures for fiscal year 2017. Each of these corporate performance measures was equally weighted. The Compensation Committee believed these performance measures were appropriate for our business because they provided a balance between growing our business, generating revenue, managing our expenses, and increasing profitability, which it believes most directly influences long-term shareholder value. The Compensation Committee established target performance levels for each of these measures at levels that it believed to be challenging, but attainable, through the successful execution of our Board-approved annual operating plan.

# Compensation Report for Fiscal Year 2017

For purposes of the Bonus Plan, the corporate performance measures were to be calculated as follows:

- "Revenue" meant Net Sales measured in "constant currency" (CC), which excludes the impact of currency exchange rate fluctuations. The target constant currency sales are calculated by translating sales in each local currency at the forecast exchange rate for that currency at the beginning of the performance period. The actual revenue in the performance period is translated in each local currency using the same forecast exchange rate to determine the performance achievement against the performance target. For additional information regarding "constant currency" sales, please refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report; and
- "Non-GAAP Operating Income" meant GAAP Operating Income from continuing operations, excluding share-based compensation expense, amortization of intangible assets, purchase accounting effect on inventory, acquisition-related costs, change in fair value of contingent consideration for business acquisition, restructuring charges (credits), gain(loss) on equity-method investment, investigation and related expenses, non-GAAP income tax adjustment and other items.

The threshold, target, and maximum levels of achievement for each corporate performance measure and their respective payment levels were as follows:

| Corporate Performance Measure | Threshold Performance Level | Threshold Payment Level | Target Performance Level | Target Payment Level | Maximum Performance Level | Maximum Payment Level |
|---|---|---|---|---|---|---|
| Revenue CC | 96% | 25% | 100% | 100% | 105% | 200% |
| Non-GAAP Operating Income | 84% | 50% | 100% | 100% | 109% | 200% |

For any bonus payment to be made under the fiscal year 2017 Bonus Plan, the threshold performance requirements had to be met for each of the corporate performance measures. In the event of actual performance between the threshold and target, and target and maximum, performance levels, the payment amount was to be calculated ratably between each designated segment determined by straight-line interpolation.

The Compensation Committee established the following target levels for each of the corporate performance measures under the Bonus Plan:

| Corporate Performance Measure | Weighting | Fiscal Year 2017 Target Level |
|---|---|---|
| Revenue CC | 50% | $2,015M |
| Non-GAAP Operating Income | 50% | $193M |

*Individual and Business Group Performance*

For executive officers who are business group or regional leaders, we factor in financial metrics with respect to their areas of responsibility, which the Compensation Committee believes are critical to driving long-term shareholder value. As a result, Mr. Stolk's target annual cash bonus opportunity was based 50% on achievement of the corporate performance measures described above and 50% on measures specific to the performance of the business group for which he is responsible.

In addition to the corporate performance objectives, 25% of the annual cash bonuses for our executive officers, other than our CEO and our Executive Chairman, can be adjusted based on each executive officer's individual performance and other factors as reviewed and assessed by our CEO.

# Compensation Report for Fiscal Year 2017

*2017 Performance Results and Bonus Decisions*

For fiscal year 2017, the Compensation Committee determined that our actual achievement with respect to the corporate financial objectives under the Bonus Plan was as follows:

| Corporate Performance Measure | Weighting | Fiscal Year 2017 Target Level | Fiscal Year 2017 Actual Result | Fiscal Year 2017 Performance Level | Fiscal Year 2017 Funding Percentage |
|---|---|---|---|---|---|
| Revenue CC | 50% | $2,015M | $2,203M (1) | 109% | 200% |
| Non-GAAP Operating Income | 50% | $193M | $252M(1) | 131% | 200% |
| **Calculated Result** | | | | | **200%** |

(1) *These are the fiscal year 2017 actual constant currency and non-GAAP results comparable to the USD and GAAP results reported in our Annual Report on Form 10-K. The Compensation Committee made its determinations based on the preliminary results reported in our earnings press release and Current Report on Form 8-K: Revenue CC of $2,189M and Non-GAAP Operating Income of $238M, representing 109% and 123% of fiscal year 2017 performance levels, respectively. The increases in the actual results did not affect the fiscal year 2017 funding percentage of 200%.*

The actual achievement under the Bonus Plan produced a funding percentage based on the corporate performance measures at a 200% level.

Based on its review of our overall corporate and business group performance, and taking into account the CEO's recommendations with respect to individual performance for the executive officers, other than himself and the Executive Chairman, the Compensation Committee approved bonus payments as follows for our executive officers for fiscal year 2017:

| Named Executive Officer | Target Annual Cash Bonus Opportunity | Actual Annual Cash Bonus Payment | Percentage of Target Annual Cash Bonus Opportunity |
|---|---|---|---|
| Guerrino De Luca | $500,000 | $1,000,000 | 200% |
| Bracken Darrell | $1,112,500 | $2,225,000 | 200% |
| Vincent Pilette | $600,000 | $1,200,000 | 200% |
| Marcel Stolk | CHF 431,372 | CHF 862,744 | 200% |
| L. Joseph Sullivan | $341,850 | $683,700 | 200% |

The Compensation Committee determined that the bonus amounts reflected our strong year and growth path, driven by our executive officers and for:

- Messrs. De Luca and Darrell reflected the achievement of the corporate performance measures described above.
- Mr. Pilette appropriately reflected his strong performance in reducing operating expenses, reorganizing and managing the Finance organization, and contributing to the strong performance of the Company and various strategic initiatives.
- Mr. Stolk reflected the achievement of the corporate performance measures described above and business group performance for which he is responsible.
- Mr. Sullivan reflected his performance in cost and inventory management and managing the worldwide operations of the Company.

The annual cash bonuses paid to our executive officers for fiscal year 2017 are set forth in the "2017 Summary Compensation Table" below.

**Long-Term Incentive Compensation**

We use long-term incentive compensation in the form of equity awards to motivate our executive officers by providing them with the opportunity to build an equity interest in the Company and to share in the potential appreciation of the value of our registered shares. We use performance-based restricted stock unit ("PSU" or "Performance Share Unit") and restricted stock unit ("RSU") awards that may be settled for shares of our common stock as the principal vehicles for delivering long-term incentive compensation opportunities to our executive officers. The Compensation Committee views equity awards, whether the awards are subject to time-based vesting requirements or are to be earned based on the attainment of specific performance objectives, as inherently variable since the grant date fair value of these awards may not necessarily be indicative of their value when, and if, our registered shares underlying these awards are ever earned or purchased. The Compensation Committee further believes these awards enable us to attract and retain key talent in our industry and aligns our executive officers' interests with the long-term interests of our shareholders. The Compensation Committee uses PSUs and RSUs because they are less dilutive than stock options.

At the beginning of fiscal year 2017, the Compensation Committee approved equity awards for our executive officers in recognition of our financial results and each executive officer's individual performance for fiscal year 2016 and expected future contributions. In determining the amount of each executive officer's equity award, the Compensation Committee took into consideration the recommendations of our CEO (except with respect to his own equity award and the Executive Chairman's equity award), as well as the factors described above. The Compensation Committee considers the dilutive effect of our long-term incentive compensation practices, and the overall impact that these equity awards, as well as awards to other employees, will have on shareholder value. The Compensation Committee also considered the existing equity holdings of each executive officer, including the current economic value of their unvested equity awards and the ability of these unvested holdings to satisfy our retention objectives.

The equity awards for our executive officers were composed of 60% PSUs and 40% time-based RSUs that may be settled for our registered shares. The equity awards granted to our executive officers in fiscal year 2017 were as follows:

| | Performance Share Units | | Restricted Stock Units | |
|---|---|---|---|---|
| **Named Executive Officer** | **Number of Shares** | **Grant Date Fair Value** | **Number of Shares** | **Grant Date Fair Value** |
| Guerrino De Luca | 18,700 | $265,447 | 12,467 | $184,512 |
| Bracken Darrell | 168,296 | $2,388,962 | 112,198 | $1,660,530 |
| Vincent Pilette | 74,800 | $1,061,786 | 49,866 | $738,017 |
| Marcel Stolk | 35,530 | $504,348 | 23,687 | $351,615 |
| L. Joseph Sullivan | 22,440 | $318,536 | 14,960 | $221,408 |

*Performance-Based RSUs*

The PSU awards granted to our executive officers in fiscal year 2017 were to be earned based on two performance measures – 50% based on Logitech's relative total shareholder return ("TSR") and 50% based on achievement of a Non-GAAP Operating Margin metric. The Compensation Committee believes that measuring a company's performance with multiple metrics provides a more complete picture of the Company's performance.

Relative TSR

The PSUs under this portion of the award are performance-based compensation because Logitech's relative TSR performance must be at or above the minimum threshold percentile against the Nasdaq-100 Index over the three-year performance period in order for the executive officer to earn any shares from the PSU award. If, at the end of the performance period, threshold performance is achieved, the number of shares in which the executive officer vests is pro-rated according to the Company's actual level of performance.

The Compensation Committee believes this measure is well aligned to shareholders' interest as it focuses on relative share performance against other mid- to large-size technology companies.

For purposes of the PSUs, relative TSR reflects (i) the aggregate change in the 30-day average closing price of Logitech shares against the companies in the Nasdaq-100 Index, and (ii) the value (if any) returned to shareholders in the form of dividends or similar distributions, assumed to be reinvested in shares when paid, each at the beginning and the end of a three-year performance period.

The vesting structure of the fiscal year 2017 PSUs is summarized below:

| Percentile Rank of Logitech TSR Against Nasdaq-100 Index TSR | Percentage of Shares that Vest |
|---|---|
| Below 30th Percentile Rank | 0% |
| 30th Percentile Rank (threshold) | 50% |
| 50th Percentile Rank (target) | 100% |
| 75th Percentile Rank and Above (maximum) | 150% |

The vested percentage attributable to a TSR Percentile Rank between the 30th and 50th percentiles, or between the 50th and 75th percentiles, is determined by straight-line interpolation.

Non-GAAP Operating Margin

The PSUs under this portion of the award are eligible to vest only if Logitech achieves a target level of Non-GAAP Operating Margin over four consecutive trailing quarters during the three-year performance period. Non-GAAP Operating Margin is defined as Logitech's four-consecutive-quarter cumulative Non-GAAP Operating Income (as reported by the Company in or at the time of its quarterly earnings press release furnished to the SEC and/or submitted to the SIX Swiss Stock Exchange) divided by Logitech's four-consecutive-quarter cumulative Net Sales (as similarly reported by the Company). Provided the performance requirement is achieved within the three-year timeframe, the award will vest over three years.

PSUs Vesting in Fiscal Year 2017

The PSUs granted in April 2014 completed the 3-year measurement period on March 31, 2017 and vested on April 15, 2017 at 150% of target. The amount vesting was dependent on Logitech's Total Shareholder Return (TSR) relative to the NASDAQ 100 over the performance period from April 1, 2014 through March 31, 2017 and Logitech's percentile ranking. Our average stock price at the beginning of the period was $15.76 and our ending average stock price was $32.64 (assuming dividends were reinvested). Therefore, for this period our TSR was 107.16% and our stock performed above the 93rd percentile, which resulted in a 150% payout.

For the PSUs granted in April 2016, the target level of 9% Non-GAAP Operating Margin was achieved over the four quarters of fiscal year 2017. Therefore, 100% of the shares of those PSUs are eligible to vest and one-third of the shares vested on May 15, 2017. The remaining two-thirds of the award will vest thereafter in equal annual installments over the next two years.

*Restricted Stock Unit Awards*

The RSU awards granted to our executive officers in fiscal year 2017 were subject to a time-based vesting requirement and have a four-year vesting period, in four equal annual installments based on the continued service of the executive officer on each such vesting date.

The equity awards granted to our executive officers in fiscal year 2017 are set forth in the "2017 Summary Compensation Table" and the "2017 Grants of Plan-Based Awards Table" below.

**Welfare and Health Benefits**

We maintain a tax-qualified retirement plan under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), for our employees in the U.S., including our executive officers, that provides them with an opportunity to save for retirement on a tax-advantaged basis. We intend for this plan to qualify under Sections 401(a) and 501(a) of the Code so that contributions by employees to the plan, and income earned on plan contributions, are not taxable to employees until distributed from the plan. In addition, all contributions are deductible by us when made.

All participants' interests in their deferrals are 100% vested when contributed under the plan. In fiscal year 2017, we made matching contributions into the Section 401(k) plan for our employees, including our executive officers. Under the plan, pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions.

In compliance with the Swiss federal pension law, we maintain a Cash Balance pension plan for our employees in Switzerland, with employee and employer contributions, which provides benefits in case of retirement, death or disability due to sickness.

In addition, we provide other benefits to our executive officers on the same basis as all of our full-time employees. These benefits include health, dental and vision benefits, health and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance coverage. We provide vacation and other paid holidays to all employees, including our executive officers. We also offer our employees the opportunity to participate in the Logitech Employee Share Purchase Plans.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based on regular monitoring of applicable laws and practices, the competitive market and our employees' needs.

**Deferred Compensation Plan**

Eligible employees, including our executive officers based in the United States, may also participate in the Logitech Inc. Deferred Compensation Plan and a predecessor plan, which are unfunded and unsecured plans that allow employees of

Logitech Inc., the Logitech subsidiary in the United States, who earn more than a threshold amount the opportunity to defer U.S. taxes on up to 80% of their base salary and up to 90% of their bonus or commission compensation.

Under the plan, compensation may be deferred until termination of employment or other specified dates chosen by the participants, and deferred amounts are credited with earnings based on investment benchmarks chosen by the participants from a number of mutual funds selected by Logitech Inc.'s 401(k) and Deferred Compensation Committee. The earnings credited to the participants are intended to be funded solely by the plan investments. Logitech does not make contributions to this plan. Information regarding executive officer participation in the deferred compensation plans can be found in the "Non-Qualified Deferred Compensation Table for Fiscal Year 2017" below.

Because the executive officers do not receive preferential or above-market rates of return under the deferred compensation plan, earnings under the plan are not included in the Summary Compensation table, but are included in the "Non-Qualified Deferred Compensation Table" below.

**Perquisites and Other Personal Benefits**

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, Logitech's executive officer benefit programs are substantially the same as for all other eligible employees. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the Compensation Committee.

## Employment Arrangements

We have extended written employment agreements or offer letters or both to each of our executive officers, including our CEO and our other executive officers. Each of these arrangements was approved on our behalf by our Board of Directors or the Compensation Committee, as applicable. We believe that these arrangements were appropriate to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In filling these executive positions, our Board of Directors or the Compensation Committee, as applicable, was aware that it would be necessary to recruit or retain candidates with the requisite experience and skills to manage a growing business in a dynamic environment.

Accordingly, it recognized that it would need to develop competitive compensation packages to attract or retain qualified candidates in a highly-competitive labor market. At the same time, our Board of Directors or the Compensation Committee, as applicable, was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

Each of these employment arrangements provides for “at will” employment and sets forth the initial compensation arrangements for the executive officer, including an initial base salary, a target annual cash bonus opportunity, and, in some instances, a recommendation for an equity award.

## Post-Employment Compensation

In 2015, to comply with the Minder Ordinance, we eliminated all change of control and severance arrangements with our executive officers, including all members of our Group Management Team. However, the Company continues to grant “double trigger” change of control arrangements with respect to time-based vesting in equity award agreements, and “double trigger” change of control equity vesting acceleration arrangements in outstanding equity awards remain in effect.

The purpose of the Change of Control provisions in equity award agreements is to support retention in the event of a prospective change of control. The RSU and PSU award agreements for our executive officers generally provide for the acceleration of vesting of the RSUs and PSUs subject to the award agreements if the executive officer is subject to an involuntary termination within 12 months after a change of control because his or her employment is terminated without cause or the executive resigns for good reason (a “double trigger”).

In the event of an involuntary termination within 12 months after a change of control with respect to awards granted before fiscal year 2015:

- All unvested shares subject to the RSUs will vest in full.
- 100% of the shares subject to the PSUs will vest if the change of control occurred within 1 year after the grant date of the PSUs. If the change of control occurs more than 1 year after the grant date of the PSUs, the number of shares subject to the PSU that will vest will be determined by applying the performance criteria under the PSUs as if the performance period had ended on the date of the change of control.

In the event of an involuntary termination within 12 months after a change of control with respect to awards granted in fiscal year 2015 or later:

- All RSUs and PSUs containing time-based elements would accelerate in full with respect to shares that are subject to time-based vesting.
- No shares subject to performance-based vesting requirements would accelerate.

To determine the level of acceleration of equity awards that may be provided in connection with a change of control, the Compensation Committee considered the requirements of the Minder Ordinance, the impact on shareholders, and market practices.

Logitech does not provide any payments to reimburse its executive officers for additional taxes incurred (also known as “gross-ups”) in connection with a change of control.

For a summary of the post-employment compensation arrangements with our executive officers, see “*—Potential Payments upon Termination or Change in Control*” below.

## Other Compensation Policies

**Stock Ownership Policy**

We believe that stock ownership by our directors and executive officers is important to link the risks and rewards inherent in stock ownership of these individuals and our shareholders. The Compensation Committee has adopted a stock ownership policy that requires our executive officers to own a minimum number of our registered shares. These mandatory ownership levels are intended to create a clear standard that ties a portion of these individuals' net worth to the performance of our stock price. The current ownership levels are as follows:

| Named Executive Officer | Minimum Required Level of Stock Ownership |
|---|---|
| Chief Executive Officer | 5x Base Salary |
| Chief Financial Officer | 3x Base Salary |
| Other Executive Officers | 2x Base Salary |

Equity interests that count toward the satisfaction of the ownership guidelines include shares owned outright by the executive officer and 50% of vested, unexercised stock options. Newly hired or promoted executives have five years from the date of the commencement of their appointment to attain these ownership levels. The CEO must hold 100% of his after-tax shares until the ownership requirements are met. The other executive officers must hold at least 50% of their after-tax shares until the ownership requirements are met. If an executive officer does not meet the applicable guideline by the end of the five-year period, the executive officer will have 50% of the after-tax value of any earned bonuses under the Leadership Team Bonus Program paid in fully vested Logitech shares. Our CEO and each of our other executive officers have either currently satisfied his or her required stock ownership levels or have remaining time to achieve the required levels of ownership.

Additionally, we have instituted stock ownership guidelines for our non-employee directors. For information regarding these guidelines, see the section entitled "Security Ownership - Share Ownership Guidelines" above.

**Compensation Recovery Policy**

In June 2010, the Compensation Committee adopted a policy regarding the recovery of compensation paid to an executive officer or the principal accounting officer of the Company (a "clawback"). Under the terms of the policy we may recover bonus amounts, equity awards or other incentive compensation awarded or paid within the prior three years to a covered officer if the Compensation Committee determines the compensation was based on any performance goals that were met or exceeded as a result, in whole or in part, of the officer's fraud or misconduct, or the officer knew at the time of the existence of fraud or misconduct that resulted in performance goals being met or exceeded, and a lower amount would otherwise have been awarded or paid to the officer. In addition, under the policy Logitech may recover gains realized on the exercise of stock options or on the sale of vested shares by an executive officer or the principal accounting officer if, within three years after the date of the gains or sales, Logitech discloses the need for a significant financial restatement, other than a financial restatement solely because of revisions to U.S. GAAP, and the Compensation Committee determines that the officer's fraud or misconduct caused or partially caused the need for the restatement, or the covered officer knew at the time of the existence of fraud or misconduct that resulted in the need for such restatement.

In addition, our 2006 Stock Incentive Plan and our Management Performance Bonus Plan provide that awards under the plans are suspended or forfeited if the plan participant, whether or not an executive officer:

- has committed an act of embezzlement, fraud or breach of fiduciary duty;
- makes an unauthorized disclosure of any Logitech trade secret or confidential information; or
- induces any customer to breach a contract with Logitech.

Any decision to suspend or cause a forfeiture of any award held by an executive officer under the 2006 Stock Incentive Plan or the Management Performance Bonus Plan is subject to the approval of the Board of Directors. The Compensation Committee will amend the policy, as necessary, to comply with the final SEC rules regarding claw-back policies required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**Equity Award Grant Practices**

*Determination of long-term equity incentive awards*

The Compensation Committee is responsible for approving which executive officers should receive equity incentive awards, when the awards should be made, the vesting schedule, and the number of shares or other rights to be granted. Long-term equity incentive awards to executive officers may be granted only by the Compensation Committee or the full Board of Directors. The Compensation Committee regularly reports its activity, including approvals of grants, to the Board.

*Timing of grants*

Long-term equity incentive award grants to executive officers are typically and predominantly approved at regularly scheduled, predetermined meetings of the Compensation Committee. These meetings are generally scheduled at least 18 months in advance and take place before the regularly scheduled, predetermined meetings of the full Board. On limited occasions, grants may be approved at an interim meeting of the Compensation Committee or by written consent, for the purpose of approving the hiring and compensation package for newly hired or promoted executives.

In fiscal year 2017, grants were made to non-executive new hires and promoted employees through regularly scheduled monthly written consents of the Compensation Committee or approval by the CEO pursuant to authority delegated to him by the Compensation Committee. We do not have any program, plan, or practice to select equity compensation grant dates in coordination with the release of material non-public information, nor do we time the release of information for the purpose of affecting value. We do not backdate options or grant options retroactively.

**Derivatives Trading, Hedging, and Pledging Policies**

We have adopted a policy prohibiting our employees, including our executive officers, and members of our Board of Directors from speculating in our equity securities, including the use of short sales, “sales against the box” or any equivalent transaction involving our equity securities. In addition, they may not engage in any other hedging transactions, such as “cashless” collars, forward sales, equity swaps and other similar or related arrangements, with respect to the securities that they hold. Finally, no employee, including an executive officer or member of our Board of Directors may acquire, sell, or trade in any interest or position relating to the future price of our equity securities.

We also have adopted a policy prohibiting the pledging of our securities by our employees, including our executive officers, and members of our Board of Directors.

## Tax and Accounting Considerations

**Accounting and Tax Treatment of Executive Compensation**

Favorable accounting and tax treatment of the various elements of our executive compensation program is a relevant consideration in its design.

However, the Company and the Compensation Committee have placed a higher priority on structuring flexible compensation programs to promote the recruitment, retention, and performance of our officers than on maximizing tax deductibility. Section 162(m) of the Code, as amended (the “Tax Code”), places a limit of $1 million on the amount of compensation that Logitech may deduct in any one year with respect to certain executive officers. The Compensation Committee has the ability through the use of the Logitech International S.A. 2006 Stock Incentive Plan to grant awards that qualify as “performance-based compensation” exempt from that $1 million limitation but, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all compensation to be deductible, and has in the past and will in the future make compensation awards that do not qualify to be exempt from the $1 million limitation when it believes that it is appropriate to meet its compensation objectives.

In addition to considering the tax consequences, the Compensation Committee considers the accounting consequences, including the impact of the Financial Accounting Standard Board’s Accounting Standards Codification Section 718, on its decisions in determining the forms of different equity awards.

# Compensation Report for Fiscal Year 2017

## Compensation Risks Assessment

The Compensation Committee conducts an annual review, with the assistance of its compensation consultant, of Logitech's compensation programs to assess the risks associated with their design and associated risk controls. The Compensation Committee reviews in particular the following compensation programs and associated practices:

- Equity awards granted under the 2006 Stock Incentive Plan.
- Management Performance Bonus Plan.
- Employee Performance Bonus Plan.
- Sales Commission Plans.
- Change of Control Agreements.

As in past years, based on its March 2017 review, the Compensation Committee has concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

## Report of the Compensation Committee

The Logitech Compensation Committee, which is composed solely of independent members of the Logitech Board of Directors, assists the Board in fulfilling its responsibilities with regard to compensation matters. The Compensation Committee has reviewed and discussed the "Compensation Discussion and Analysis" section of this Compensation Report with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Logitech's 2017 Invitation and Proxy Statement and Annual Report.

**Compensation Committee**

Sally Davis, Chairperson
Edouard Bugnion
Neil Hunt
Dimitri Panayotopoulos

# Compensation Report for Fiscal Year 2017

## Summary Compensation Table for Fiscal Year 2017

The following table provides information regarding the compensation and benefits earned during fiscal years 2017, 2016, and 2015 by our named executive officers. For more information, please refer to the “Compensation Disclosure and Analysis,” as well as the “Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table.”

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($)(1) | Option Awards ($) | Non-equity Incentive Plan Compensation ($)(2) | Changes in Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($)(3) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Guerrino De Luca | FY17 | 500,000 | — | 449,959 | — | 1,000,000 | — | 25,493 | 1,975,452 |
| Chairman of the Board | FY16 | 500,000 | — | 494,241 | — | 675,000 | — | 22,820 | 1,692,061 |
| | FY15 | 500,000 | — | 427,389 | — | 565,000 | — | 18,994 | 1,511,383 |
| Bracken Darrell | FY17 | 889,000 | — | 4,049,492 | — | 2,225,000 | — | 49,992 | 7,213,484 |
| President and Chief | FY16 | 825,000 | — | 4,942,274 | — | 1,392,188 | — | 49,875 | 7,209,337 |
| Executive Office | FY15 | 825,000 | — | 4,408,594 | — | 1,165,313 | — | 27,531 | 6,426,438 |
| Vincent Pilette | FY17 | 600,000 | — | 1,799,803 | — | 1,200,000 | — | 54,732 | 3,654,535 |
| Chief Financial Officer | FY16 | 557,308 | — | 1,969,226 | — | 870,000 | — | 65,680 | 3,462,214 |
| | FY15 | 500,000 | — | 2,701,247 | — | 560,000 | — | 16,816 | 3,778,063 |
| Marcel Stolk(4) | FY17 | 546,350 | — | 855,964 | — | 874,650 | — | 98,633 | 2,375,597 |
| Executive Chairman, Logitech Europe S.A. and SVP, C&P Business Group | FY16 | 538,587 | — | 738,305 | — | 581,674 | — | 100,056 | 1,958,622 |
| | FY15 | 564,558 | 345,091 | 826,097 | — | 546,492 | — | 104,583 | 2,386,821 |
| L Joseph Sullivan | FY17 | 455,595 | — | 539,944 | — | 683,700 | — | 22,581 | 1,701,820 |
| Senior Vice President, | FY16 | 442,385 | — | 593,105 | — | 464,625 | — | 22,364 | 1,522,479 |
| Worldwide Operations | FY15 | 427,500 | — | 545,602 | — | 362,306 | — | 17,687 | 1,353,095 |

*(1) These amounts do not represent the actual economic value realized by the named executive officer. Under SEC rules, the values reported in the “Stock Awards” column reflect the aggregate grant date fair value of grants stock awards to each of the listed officers in the fiscal years shown. The key assumptions and methodology of valuation of stock awards and stock options are presented in Note 6 to the Consolidated Financial Statements included in Logitech’s Annual Report to Shareholders. No stock options were granted to our named executive officers during fiscal years 2015, 2016 or 2017.*

*For FY17: The amount shown includes an aggregate grant date fair value of the shares issuable for PSUs granted in fiscal year 2017 at target achievement. Assuming the highest level of performance is achieved, the maximum possible value of the PSUs allocated in FY17, using the market value of our shares on the grant date of the PSUs, was: (a) in the case of Mr. De Luca, $376,805; (b) in the case of Mr. Darrell, $3,391,164; (c) in the case of Mr. Pilette $1,507,220; (d) in the case of Mr. Stolk, $715,930; and (e) in the case of Mr. Sullivan, $452,166.*

*For FY16: The amount shown includes an aggregate grant date fair value of the shares issuable for PSUs granted in fiscal year 2016 at target achievement. Assuming the highest level of performance is achieved, the maximum possible value of the PSUs allocated in FY16, using the market value of our shares on the grant date of the PSUs, was: (a) in the case of Mr. De Luca, $399,519; (b) in the case of Mr. Darrell, $3,995,151; (c) in the case of Mr. Pilette $1,331,717; (d) in the case of Mr. Stolk, $599,296; and (e) in the case of Mr. Sullivan, $479,451.*

*For FY15: The amount shown includes an aggregate grant date fair value of the shares issuable for PSUs granted in fiscal year 2015 at target achievement. Assuming the highest level of performance is achieved, the maximum possible value of the PSUs allocated in FY15, using the market value of our shares on the grant date of the PSUs, was: (a) in the case of Mr. De Luca, $402,062; (b) in the case of Mr. Darrell, $4,147,341; (c) in the case of Mr. Pilette $1,851,528; (d) in the case of Mr. Stolk, $779,949; and (e) in the case of Mr. Sullivan, $518,509.*

(2) *Except as noted below, reflects amounts earned under the Logitech Management Performance Bonus Plan. This non-equity incentive plan compensation was earned during the applicable fiscal year but, for executive officers, was paid during the next fiscal year in accordance with the terms of the Logitech Management Performance Bonus Plan.*

(3) *Details regarding the various amounts included in this column are provided in the following table entitled "All Other Compensation."*

(4) *Mr. Stolk's fiscal year 2017 compensation amounts in Swiss Francs were converted using the 12 month average (April 2016 to March 2017) exchange rate of 1 Swiss Franc to 1.0138 U.S. Dollars. Mr. Stolk's fiscal year 2016 compensation amounts in Swiss Francs were converted using the 12 month average (April 2015 to March 2016) exchange rate of 1 Swiss Franc to 1.0288 U.S. Dollars. Mr. Stolk's fiscal year 2015 compensation amounts in Swiss Francs were converted using the 12 month average (April 2014 to March 2015) exchange rate of 1 Swiss Franc to 1.0784 U.S. Dollars. In January 2015, Mr. Stolk received a special retention bonus of CHF 320,000 (or $345,091 in U.S. Dollars) in recognition of his leadership role in helping transform Logitech.*

## ALL OTHER COMPENSATION TABLE

| Name | Year | Tax Preparation Services ($) | 401(k) ($)[1] | Group Term Life Insurance ($) | Relocation or Travel in lieu of Relocation ($)[2] | Defined Benefit Pension Plan Employer Contrib. ($)[3] | Other Awards ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Guerrino De Luca | FY17 | — | 8,258 | 17,235 | — | — | — | 25,493 |
| | FY16 | — | 7,565 | 15,255 | — | — | — | 22,820 |
| | FY15 | — | 7,800 | 11,194 | — | — | — | 18,994 |
| Bracken Darrell | FY17 | 31,679 | 8,400 | 9,913 | — | — | — | 49,992 |
| | FY16 | 33,695 | 6,998 | 9,182 | — | — | — | 49,875 |
| | FY15 | 12,181 | 8,559 | 6,791 | — | — | — | 27,531 |
| Vincent Pilette | FY17 | — | 7,950 | 5,827 | 40,955 | — | — | 54,732 |
| | FY16 | — | 8,835 | 4,947 | 51,898 | — | — | 65,680 |
| | FY15 | — | 8,473 | 2,946 | 1,672 | — | 3,725 | 16,816 |
| Marcel Stolk | FY17 | — | — | — | — | 98,633 | — | 98,633 |
| | FY16 | — | — | — | — | 100,056 | — | 100,056 |
| | FY15 | — | — | — | — | 104,583 | — | 104,583 |
| L Joseph Sullivan | FY17 | — | 8,522 | 14,059 | — | — | — | 22,581 |
| | FY16 | 983 | 8,101 | 13,280 | — | — | — | 22,364 |
| | FY15 | — | 7,673 | 9,592 | — | — | 422 | 17,687 |

(1) *Represents 401(k) savings plan matching contributions, which are available to all of our regular employees who are on our U.S. payroll.*

(2) *Represents costs associated with Mr. Pilette's extended business travel.*

(3) *Represents the matching contributions to the Logitech Employee Pension Fund in Switzerland, which are available to all of our similarly-situated regular employees who are on our Swiss payroll.*

## Grants of Plan-Based Awards Table for Fiscal Year 2017

The following table sets forth certain information regarding grants of plan-based awards to each of our executive officers during fiscal year 2017. For more information, please refer to the "Compensation Disclosure and Analysis."

| | | | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1] | | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Type** | **Grant Date (MM/DD/YY)** | **Approval Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **Actual $[2]** | **Threshold (#)** | **Target (#)** | **Maximum (#)** | **All Other Stock Awards Number of Shares of Stock or Units (#)[3]** | **Grant Date Fair Value ($)[4]** |
| Guerrino De Luca | RSU | 04/15/16 | 04/15/16 | — | — | — | — | — | — | — | 12,467 | 184,512 |
| | PSU[5] | 04/15/16 | 04/15/16 | — | — | — | — | 4,675 | 9,350 | 14,025 | — | 141,933 |
| | PSU[6] | 04/15/16 | 04/15/16 | — | — | — | — | 9,350 | 9,350 | 9,350 | — | 123,514 |
| | FY17 Bonus | n/a | n/a | 187,500 | 500,000 | 1,000,000 | 1,000,000 | — | — | — | — | — |
| Bracken Darrell | RSU | 04/15/16 | 04/15/16 | — | — | — | — | — | — | — | 112,198 | 1,660,530 |
| | PSU[5] | 04/15/16 | 04/15/16 | — | — | — | — | 42,074 | 84,148 | 126,222 | — | 1,277,367 |
| | PSU[6] | 04/15/16 | 04/15/16 | — | — | — | — | 84,148 | 84,148 | 84,148 | — | 1,111,595 |
| | FY17 Bonus | n/a | n/a | 417,188 | 1,112,500 | 2,225,000 | 2,225,000 | — | — | — | — | — |
| Vincent Pilette | RSU | 04/15/16 | 04/15/16 | — | — | — | — | — | — | — | 49,866 | 738,017 |
| | PSU[5] | 04/15/16 | 04/15/16 | — | — | — | — | 18,700 | 37,400 | 56,100 | — | 567,732 |
| | PSU[6] | 04/15/16 | 04/15/16 | — | — | — | — | 37,400 | 37,400 | 37,400 | — | 494,054 |
| | FY17 Bonus | n/a | n/a | 225,000 | 600,000 | 1,200,000 | 1,200,000 | — | — | — | — | — |
| Marcel Stolk | RSU | 04/15/16 | 04/15/16 | — | — | — | — | — | — | — | 23,687 | 351,615 |
| | PSU[5] | 04/15/16 | 04/15/16 | — | — | — | — | 8,883 | 17,765 | 26,648 | — | 269,673 |
| | PSU[6] | 04/15/16 | 04/15/16 | — | — | — | — | 17,765 | 17,765 | 17,765 | — | 234,676 |
| | FY17 Bonus | n/a | n/a | 163,997 | 437,325 | 874,650 | 874,650 | — | — | — | — | — |
| L Joseph Sullivan | RSU | 04/15/16 | 04/15/16 | — | — | — | — | — | — | — | 14,960 | 221,408 |
| | PSU[5] | 04/15/16 | 04/15/16 | — | — | — | — | 5,610 | 11,220 | 16,830 | — | 170,320 |
| | PSU[6] | 04/15/16 | 04/15/16 | — | — | — | — | 11,220 | 11,220 | 11,220 | — | 148,216 |
| | FY17 Bonus | n/a | n/a | 128,194 | 341,850 | 683,700 | 683,700 | — | — | — | — | — |

*(1) The amounts in these columns reflect potential payouts with respect to each applicable performance period for the fiscal year 2017 bonus programs under the Bonus Plan described in "Compensation Discussion and Analysis" above.*

*(2) The amounts in this column reflect actual payouts with respect to each applicable performance period for the fiscal year 2017 bonus programs under the Bonus Plan. The actual payout amounts are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for fiscal year 2017.*

*(3) RSUs vest at a rate of 25% per year over four years, on each yearly anniversary of the grant date.*

*(4) These amounts do not represent the actual economic value realized by the named executive officer. Amounts in this column represent the grant date fair value of RSUs calculated in accordance with Accounting Standards Codification (ASC) 718 but does not include any reduction for estimated forfeitures. For performance-based RSUs ("PSUs") based on Total Shareholder Return ("TSR"), that number is calculated by multiplying the value determined using the Monte Carlo method by the target number of units awarded. For RSUs and PSUs based on Non-GAAP Operating Income Margin, that number is calculated based on the closing price of Logitech shares on the grant date multiplied by the number of shares granted, adjusted for dividend yield. The key assumptions for the valuation of the PSUs are presented in Note 6 to the Consolidated Financial Statements included in Logitech's Annual Report to Shareholders and Annual Report on Form 10-K for fiscal year 2017.*

*(5) Represents PSUs based on relative TSR. All shares subject to the PSU vesting conditions are unvested. The actual amount, if any, of shares that will vest under the PSU grants will not be known until March 31, 2019. The actual amount, if any, that may vest depends on Logitech's TSR performance versus the Nasdaq-100 Index TSR benchmark over the performance period.*

*(6) Represents PSUs based on Non-GAAP Operating Income Margin. All shares subject to the PSU have achieved the performance vesting condition. One-third of the shares vested under the PSU grants on May 15, 2017. The remaining two-thirds of the shares will vest in two equal installments on April 15, 2018 and April 15, 2019.*

*(7) Mr. Stolk's bonus amounts were converted using the 12 month average (April 2016 to March 2017) exchange rate of 1 Swiss Franc to 1.0138 U.S. Dollars.*

## Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

**Employment Agreements and Offer Letters**

We have entered into employment agreements or offer letters with each of our named executive officers. The employment agreements and offer letters generally provide that the compensation of the named executive officer is subject to the sole discretion of the Compensation Committee or the Board of Directors. The compensation earned by the named executive officers in fiscal year 2017 was not the result of any terms of their employment agreements or offer letters.

**Performance-Based Vesting Conditions**

Please refer to "Compensation Disclosure and Analysis—Compensation Elements—Annual Cash Bonuses" for a discussion of the performance measures applicable to the Bonus Plan during fiscal year 2017. In addition, please refer to "Compensation Disclosure and Analysis—Compensation Elements—Long-Term Incentive Compensation" for a discussion of performance measures under the PSUs granted to executive officers during fiscal year 2017.

## Outstanding Equity Awards at Fiscal Year 2017 Year-End Table

The following table provides information regarding outstanding equity awards for each of our named executive officers as of March 31, 2017. This table includes unexercised and unvested stock options, unexercised and unvested performance stock options, unvested PSUs, and unvested RSUs.

Unless otherwise specified, options and RSUs vest at a rate of 25% per year on each of the first four anniversaries of the grant date. The market value for stock options, including Premium Priced Options or PPOs and Performance Stock Options or PSOs, is calculated by taking the difference between the closing price of Logitech shares on the Nasdaq Global Select Market on the last trading day of the fiscal year ($31.87 on March 31, 2017) and the option exercise price, and multiplying it by the number of outstanding options. The market value for stock awards (RSUs and PSUs at target) is determined by multiplying the number of shares subject to such awards by the closing price of Logitech shares on the Nasdaq Global Select Market on the last trading day of the fiscal year.

# Compensation Report for Fiscal Year 2017

| | | Option Awards | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date (MM/DD/YY) | Number of Securities Underlying Unexercised Options (#) Exercisable | Option Exercise Price ($) Share | Option Exercise Date (MM/DD/YY) | Market Value of Unexercised Options ($) | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)[1] |
| Guerrino De Luca | 04/01/08 | 15,000 | 26.67 | 04/01/18 | 78,000 | — | — | — | — |
| | 04/01/09 | 15,000 | 10.64 | 04/01/19 | 318,450 | — | — | — | — |
| | 01/04/13 | 130,000 | 7.83 | 01/04/23 | 3,125,200 | — | — | — | — |
| | 04/15/13 | — | — | — | — | 5,000 | 159,350 | — | — |
| | 04/15/14 | — | — | — | — | 6,536 | 208,302 | 19,608 [2] | 624,907 |
| | 04/15/15 | — | — | — | — | 11,191 | 356,657 | 11,191 | 356,657 |
| | 04/15/15 | — | — | — | — | 7,460 [3] | 237,750 | — | — |
| | 04/15/16 | — | — | — | — | 9,350 [4] | 297,985 | 9,350 | 297,985 |
| | 04/15/16 | — | — | — | — | 12,467 | 397,323 | — | — |
| | **Total** | **160,000** | | | **3,521,650** | **52,004** | **1,657,367** | **40,149** | **1,279,549** |
| Bracken Darrell | 04/16/12 | 500,000 | 8.03 | 04/16/22 | 11,920,000 | — | — | — | — |
| | 04/16/12 | 400,000 | 14.05 | 04/16/22 | 7,128,000 | — | — | — | — |
| | 04/16/12 | 400,000 | 16.06 | 04/16/22 | 6,324,000 | — | — | — | — |
| | 04/16/12 | 400,000 | 20.08 | 04/16/22 | 4,716,000 | — | — | — | — |
| | 04/15/13 | — | — | — | — | 44,250 | 1,410,248 | — | — |
| | 04/15/14 | — | — | — | — | 67,420 | 2,148,675 | 202,260 [2] | 6,446,026 |
| | 04/15/15 | — | — | — | — | 111,909 | 3,566,540 | 111,909 | 3,566,540 |
| | 04/15/15 | — | — | — | — | 74,606 [3] | 2,377,693 | — | — |
| | 04/15/16 | — | — | — | — | 84,148 [4] | 2,681,797 | 84,148 | 2,681,797 |
| | 04/15/16 | — | — | — | — | 112,198 | 3,575,750 | — | — |
| | **Total** | **1,700,000** | | | **30,088,000** | **494,531** | **15,760,703** | **398,317** | **12,694,363** |
| Vincent Pilette | 03/25/15 | — | — | — | — | 55,104 | 1,756,164 | 55,105 | 1,756,196 |
| | 03/25/15 | — | — | — | — | 18,368 [3] | 585,388 | — | — |
| | 04/15/15 | — | — | — | — | 55,954 | 1,783,254 | 37,303 | 1,188,847 |
| | 04/15/15 | — | — | — | — | 24,868 [3] | 792,543 | — | — |
| | 04/15/16 | — | — | — | — | 37,400 [4] | 1,191,938 | 37,400 | 1,191,938 |
| | 04/15/16 | — | — | — | — | 49,866 | 1,589,229 | — | — |
| | **Total** | — | | | — | **241,560** | **7,698,517** | **129,808** | **4,136,981** |
| Marcel Stolk | 04/15/13 | — | — | — | — | 15,000 | 478,050 | — | — |
| | 04/15/14 | — | — | — | — | 12,678 | 404,048 | 38,037 [2] | 1,212,239 |
| | 04/15/15 | — | — | — | — | 11,191 | 356,657 | 16,787 | 535,002 |
| | 04/15/15 | — | — | — | — | 16,786 [3] | 534,970 | — | — |
| | 04/15/16 | — | — | — | — | 17,765 [4] | 566,171 | 17,765 | 566,171 |
| | 04/15/16 | — | — | — | — | 23,687 | 754,905 | — | — |
| | **Total** | — | | | — | **97,107** | **3,094,800** | **72,589** | **2,313,411** |
| L. Joseph Sullivan | 10/02/07 | 50,000 | 30.09 | 10/02/17 | 89,000 | — | — | — | — |
| | 04/15/13 | — | — | — | — | 10,000 | 318,700 | — | — |
| | 04/15/14 | — | — | — | — | 5,944 | 189,435 | 17,835 [2] | 568,401 |
| | 05/14/14 | — | — | — | — | 2,600 | 82,862 | 7,800 [2] | 248,586 |
| | 04/15/15 | — | — | — | — | 13,429 | 427,982 | 13,430 | 428,014 |
| | 04/15/15 | — | — | — | — | 8,953 [3] | 285,332 | — | — |
| | 04/15/16 | — | — | — | — | 11,220 [4] | 357,581 | 11,220 | 357,581 |
| | 04/15/16 | — | — | — | — | 14,960 | 476,775 | — | — |
| | **Total** | **50,000** | | | **89,000** | **67,106** | **2,138,668** | **50,285** | **1,602,583** |

*(1) The actual conversion, if any, of the PSUs based on TSR granted in each of fiscal years 2015, 2016 and 2017 into Logitech shares following the conclusion of the 3-year performance period will range between 50% and 150% of that target amount, depending upon Logitech's TSR performance versus the Nasdaq-100 index TSR benchmark over the performance period. The actual conversion, if any, of the remaining PSUs granted in fiscal year 2015, 2016 and 2017 is dependent on the achievement of non-GAAP operating margin.*

*(2) The actual conversion of the PSUs based on relative TSR granted in fiscal year 2015 into Logitech shares was 150% of that target amount, based on Logitech's TSR performance versus the Nasdaq-100 index TSR benchmark from April 1, 2014 to March 31, 2017, which was ratified by the Compensation Committee subsequently in April 2017.*

*(3) One-third of the PSUs based on non-GAAP operating margin granted in March and April 2015 vested subsequently in May 2016 as the performance goal was achieved as of March 31, 2016 and confirmed by the Compensation Committee in May 2016. One-third of the award vested on April 15, 2017 and the remaining one-third of the award will vest on April 15, 2018.*

*(4) One-third of the PSUs based on non-GAAP operating margin granted in April 2016 vested subsequently in May 2017 as the performance goal was achieved as of March 31, 2017 and confirmed by the Compensation Committee in May 2017. The remaining two thirds will vest in equal annual increments over 2 years on the second and third anniversaries of the grant dates.*

## Option Exercises and Stock Vested Table for Fiscal Year 2017

The following table provides the number of shares acquired and the value realized upon exercise of stock options and the vesting of PSUs and RSUs during fiscal year 2017 by each of our named executive officers.

| | Option Award | | Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($)(1) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($)(2) |
| Guerrino De Luca | 50,000 | 94,290 | 60,730 | 1,691,956 |
| Bracken Darrell | — | — | 582,566 | 16,602,113 |
| Vincent Pilette | — | — | 153,710 | 3,933,409 |
| Marcel Stolk | 225,000 | 2,881,413 | 167,532 | 4,058,446 |
| L. Joseph Sullivan | 185,000 | 1,931,822 | 113,227 | 2,746,080 |

*(1) The value realized equals the difference between the option exercise price and the fair market value of Logitech shares on the date of exercise, multiplied by the number of shares for which the option was exercised.*

*(2) Based on the closing trading price of Logitech shares on the Nasdaq Global Select Market on the date of vesting of underlying awards.*

## Pension Benefits Table for Fiscal Year 2017

Marcel Stolk has been a participant in Logitech's Swiss Pension plan, which is a benefit offered to all eligible Swiss employees. No other executive officers are beneficiaries under any pension plan benefits maintained by Logitech.

| Name | Plan Name | Number of Years of Credited Service (#) | Present Value of Accumulated Benefit ($) |
|---|---|---|---|
| Guerrino De Luca | n/a | n/a | — |
| Bracken Darrell | n/a | n/a | — |
| Vincent Pilette | n/a | n/a | — |
| Marcel Stolk | Logitech Employee Pension Fund | 6.00 | 1,000,303 |
| L. Joseph Sullivan | n/a | n/a | — |

## Non-qualified Deferred Compensation Table for Fiscal Year 2017

The following table sets forth information regarding the participation by our named executive officers in the Logitech Inc. U.S. Deferred Compensation Plan during fiscal year 2017 and at fiscal year-end.

| Name | Executive Contributions in Last Fiscal Year ($)(1) | Logitech Contributions in Last Fiscal Year ($) | Aggregate Earnings in Last Fiscal Year ($)(2) | Aggregate Withdrawals/ Distributions ($) | Aggregate Balance at Last Fiscal Year End ($) |
|---|---|---|---|---|---|
| Guerrino De Luca | — | — | — | — | — |
| Bracken Darrell | — | — | — | — | — |
| Vincent Pilette | — | — | — | — | — |
| Marcel Stolk | — | — | — | — | — |
| L. Joseph Sullivan | 232,313 | — | 118,035 | — | 1,091,283 |

(1) *Amounts are included in the Summary Compensation table in the "Non-equity Incentive Plan Compensation" column for fiscal year 2017. All contributions were made under the Logitech Inc. Deferred Compensation Plan.*

(2) *These amounts are not included in the Summary Compensation table because plan earnings were not preferential or above market.*

## Narrative Disclosure to Non-Qualified Deferred Compensation Table

Please refer to "Compensation Disclosure and Analysis—Compensation Elements—Deferred Compensation Plan" for a discussion of the Logitech Inc. U.S. Deferred Compensation Plan, effective January 1, 2009, as amended and restated effective January 1, 2017.

## Payments upon Termination or Change in Control

We have entered into agreements that provide for payments under certain circumstances in the event of termination of employment or service of our executive officers. These agreements include:

- PSU, RSU, and PSO award agreements that provide for the accelerated vesting of the shares subject to the award agreements under certain circumstances described below.
- Employment or other agreements with Bracken Darrell, Vincent Pilette, Joseph Sullivan and Marcel Stolk, under which each of them is entitled to receive a twelve or nine-month notice period or becomes subject to non-competition provisions if we terminate his employment or if he resigns.

Other than the agreements above, there are no agreements or arrangements for the payment of compensation to a named executive officer in the event of his involuntary termination with or without cause.

There are no agreements providing for payment of any consideration to any non-executive member of the Board of Directors upon termination of his or her services with the Company.

**Change of Control Severance Agreements**

Each of our executive officers had executed a change of control severance agreement with Logitech. These agreements have been terminated in compliance with the Minder Ordinance.

**PSU and RSU Award Agreements**

The treatment of equity upon termination of employment depends on the reason for termination and the employee's age and length of service at termination.

*Change of Control*

The PSU and RSU award agreements for named executive officers provide for the acceleration of vesting of the equity awards subject to the award agreements if the named executive officer is subject to an involuntary termination within 12 months after a change of control because his or her employment is terminated without cause or the executive resigns for good reason. In the event of such an involuntary termination following a change of control:

- All shares subject to the RSUs will vest;

- 100% of the shares subject to the PSUs granted in fiscal year 2014 will vest if the change of control occurred within one year after the grant date of the PSUs. If the change of control occurred more than one year after the grant date of the PSUs, the number of shares subject to the PSU that will vest will be determined by applying the performance criteria under the PSUs as if the performance period had ended on the date of the change of control; and
- The time-based vesting of PSU awards based on the achievement of a non-GAAP Operating Margin metric will accelerate if the performance-based vesting conditions have been attained.

*Death and Disability*

If an employee dies or has a separation of service due to disability, all shares subject to the RSU will vest. For PSUs, if the separation of service occurs during the performance period, the employee or the employee's estate receives a prorated number of the target shares based on the length of service during the performance period.

*Retirement*

For grants awarded in April 2017 or later, if an employee has a separation of service after meeting the age and service requirement, as applicable, all shares subject to the RSUs will continue to vest. For PSUs, if separation of service occurs during the performance period, the award continues to vest and the employee receives a prorated number of the actual earned shares at the regular vesting date based on the length of service during the performance period. The age and service requirement for the named executive officers is generally age 55 with at least ten years of service.

**Tables of Potential Payments Upon Termination or Change in Control**

The table below estimates the amount of compensation that would be paid in the event of an involuntary termination of a named executive officer without cause after a change in control, assuming that each of the terminations was effective as of March 31, 2017, subject to the terms of the PSO, PSU and RSU award agreements with each of the listed executive officers. As of December 2015, we do not have any cash payment related to termination of employment or change of control in compliance with the Minder Ordinance.

As of March 31, 2017, no compensation amounts were payable to any named executive officer in the event of a mutual agreement to terminate employment, whether upon retirement or otherwise.

The price used for determining the value of accelerated vesting of outstanding and unvested equity awards in the tables below was the closing price of Logitech's shares on the Nasdaq Global Select Market on March 31, 2017, the last business day of the fiscal year, of $31.87 per share.

**POTENTIAL PAYMENTS UPON INVOLUNTARY TERMINATION AFTER CHANGE IN CONTROL**

| Name | Value of Accelerated Equity Awards(1) |
|---|---:|
| Guerrino De Luca | 2,594,728 |
| Bracken Darrell | 25,429,742 |
| Vincent Pilette | 7,698,517 |
| Marcel Stolk | 3,364,149 |
| L. Joseph Sullivan | 4,913,159 |

(1) Represents, as of March 31, 2017, the aggregate market value of shares underlying all unvested RSUs and PSUs, in each case held by the named executive officer as of March 31, 2017 that are subject to acceleration according to the terms of an equity award agreement. For the PSUs granted on April 15, 2014, as of March 31, 2017 the performance condition was at a level which would have produced a payout percentage of 150%; therefore, 150% of such value was attributed to the shares subject to such PSUs. For the PSUs granted April 15, 2016 based on Non-GAAP Operating Margin, the performance condition was achieved as of March 31, 2017; therefore, 100% of such value was attributed to the shares subject to such PSUs.

## Compensation of Non-Employee Directors

For fiscal year 2017, the compensation of the members of the Board of Directors that are not Logitech employees, or non-employee directors, was determined by the Compensation Committee, consisting entirely of independent directors, and recommended to the full Board for approval.

The general policy is that compensation for non-employee directors should consist of a mix of cash and equity-based compensation. For fiscal year 2017, to assist the Compensation Committee in its annual review of director compensation, Compensia provided director pay practices and compensation data compiled from the annual reports and proxy statements of companies within our compensation peer group.

For fiscal year 2017, cash compensation of non-employee directors consists solely of annual retainers based on Board and committee service and payment for travel days in connection with attendance at Board meetings. Non-employee directors also receive an annual RSU grant based on a fixed market value. These annual RSU grants have generally been made on the day after our Annual General Meeting with a one-year vesting period.

Directors who are Logitech employees do not receive any compensation for their service on the Board of Directors. Non-employee director compensation currently consists of the following elements:

| | Amount (CHF) | Amount ($)(1) |
|---|---|---|
| Annual cash retainer | 60,000 | 60,828 |
| An additional annual cash retainer for the lead independent director | 20,000 | 20,276 |
| Annual retainer for the Audit Committee chair | 40,000 | 40,552 |
| Annual retainer for the Compensation Committee chair | 40,000 | 40,552 |
| Annual retainer for the Nominating Committee chair | 11,000 | 11,152 |
| Annual retainer for non-chair Audit Committee members | 15,000 | 15,207 |
| Annual retainer for non-chair Compensation Committee members | 15,000 | 15,207 |
| Annual retainer for Nominating Committee members | 5,000 | 5,069 |
| Annual RSU grant | 150,000 | 152,070 |
| Compensation for the number of travel days spent traveling to attend Board and committee meetings, per day rate | 2,500 | 2,535 |
| Reimbursement of reasonable expenses for non-local travel (business class) | | |

*(1) Amounts in Swiss Francs were converted using the 12 month average (April 2016 to March 2017) exchange rate of 1 Swiss Franc to 1.0138 U.S. Dollars.*

Non-employee Board members may elect to receive their Board fees in shares, net of withholdings at the market price on the date of the Annual General Meeting. Any such shares are to be issued under the 2006 Stock Incentive Plan.

The following table summarizes the total compensation earned or paid by Logitech during fiscal year 2017 to continuing members of the Board of Directors who were not executive officers as of March 31, 2017. Because the table is based on Logitech's fiscal year, and annual service for purposes of Board compensation is measured between the dates of Logitech's Annual General Meetings, usually held in September each year, the amounts in the table do not necessarily align with the description of Board compensation above.

# Compensation Report for Fiscal Year 2017

Information regarding compensation paid to and the option and stock awards held by Guerrino De Luca and Bracken Darrell, the members of the Board of Directors that are Logitech executive officers as of fiscal year-end 2017, are presented in the Summary Compensation Table and the Outstanding Equity Awards at Fiscal Year-End Table, respectively.

## NON-EMPLOYEE DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2017

| Name | Fees Earned in Cash ($)[1] | Stock Awards ($)[2] | Total ($) |
|---|---|---|---|
| Patrick Aebischer[3] | 40,552 | 148,764 | 189,316 |
| Edouard Bugnion[4] | 74,768 | 152,581 | 227,349 |
| Kee-Lock Chua[5] | 46,465 | — | 46,465 |
| Sally Davis[4] | 130,273 | 152,581 | 282,854 |
| Sue Gove[4] | 96,311 | 151,373 | 247,684 |
| Didier Hirsch | 121,656 | 151,373 | 273,029 |
| Neil Hunt | 114,475 | 151,373 | 265,848 |
| Dimitri Panayotopoulos[4] | 76,035 | 152,581 | 228,616 |
| Lung Yeh | 89,975 | 151,373 | 241,347 |

(1) *Amounts in Swiss Francs were converted using the 12 month average (April 2016 to March 2017) exchange rate of 1 Swiss Franc to 1.0138 U.S. Dollars.*

(2) *Amounts shown do not reflect compensation actually received by the director. Instead, the amount shown is the aggregate grant date fair value of stock-related awards in fiscal year 2017 computed in accordance with ASC Topic 718 -- Compensation -- Stock Compensation, disregarding forfeiture assumptions. The market value used to calculate the aggregate value for fiscal year 2017 was $28.61 or CHF 28.49 per share for Patrick Aebischer and $21.32 or CHF 21.20 per share for the other directors.*

(3) *Patrick Aebischer was first elected as a director at the Annual General Meeting in September 2016.*

(4) *Elected to receive their Board fees in shares.*

(5) *Kee-Lock Chua did not stand for re-election as director at the Annual General Meeting in September 2016.*

The following table presents additional information with respect to the equity awards held as of March 31, 2017 by members of the Board of Directors who were not executive officers as of fiscal year-end.

In 2010, Logitech began granting RSUs instead of stock options to continuing non-employee directors. The RSUs granted since fiscal year 2010 fully vest on approximately the one-year anniversary date of the grant.

The market value for stock options is calculated by taking the difference between the closing price of Logitech shares on the Nasdaq Global Select Market on the last trading day of the fiscal year ($31.87 on March 31, 2017) and the option exercise price, and multiplying it by the number of outstanding options. The market value for RSUs is determined by multiplying the number of shares subject to the award by the closing price of Logitech shares on the Nasdaq Global Select Market on the last trading day of the fiscal year.

Certain of the options as granted have exercise prices denominated in Swiss Francs. The U.S. Dollar exercise price in the table below for such options is based on an exchange rate of 1 Swiss Franc to 0.9994 U.S. Dollars as of March 31, 2017.

### OUTSTANDING EQUITY AWARDS FOR NON-EMPLOYEE DIRECTORS AT FISCAL 2017 YEAR-END

| | | Option Awards | | | | Stock Awards | |
|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date (MM/DD/YY)** | **Number of Securities Underlying Unexercised Options Exercisable (#)** | **Number of Securities Underlying Unexercised Options Unexercisable (#)** | **Option Exercise Price / Share ($)** | **Market Value of Unexercised Options ($)** | **Number of Shares or Units of Stock That Have Not Vested (#) [1]** | **Market Value of Shares or Units of Stock That Have Not Vested ($)** |
| Patrick Aebischer | 02/08/17 | — | — | — | — | 5,200 | 165,724 |
| Edouard Bugnion | 09/08/16 | — | — | — | — | 7,100 | 226,277 |
| Sally Davis | 06/20/07 | 30,000 | — | 34.42[2] | — | — | — |
| | 09/08/16 | — | — | — | — | 7,100 | 226,277 |
| Sue Gove | 09/08/16 | — | — | — | — | 7,100 | 226,277 |
| Didier Hirsch | 09/08/16 | — | — | — | — | 7,100 | 226,277 |
| Neil Hunt | 09/08/16 | — | — | — | — | 7,100 | 226,277 |
| Dimitri Panayotopoulos | 09/08/16 | — | — | — | — | 7,100 | 226,277 |
| Lung Yeh | 09/08/16 | — | — | — | — | 7,100 | 226,277 |

(1) *Unless otherwise indicated, the shares subject to these stock awards vest in full on the first anniversary of the grant date.*

(2) *The exercise price of the option as granted is 34.45 Swiss Francs per share.*

# Equity Compensation Plan Information

The following table summarizes the shares that may be issued upon the exercise of options (including PSOs and PPOs), RSUs, PSUs, and other rights under our employee equity compensation plans as of March 31, 2017. These plans include the 1996 Employee Share Purchase Plan (U.S.) and 2006 Employee Share Purchase Plan (Non-U.S.) (together, the "ESPPs"), 2006 Stock Incentive Plan and 2012 Stock Inducement Equity Plan. The table also includes shares that may be issued upon the exercise of outstanding options under the 1996 Stock Plan (this plan terminated in 2006).

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#) | (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(1) | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (#) |
|---|---|---|---|
| Equity Compensation Plans Approved by Security Holders | 7,529,941 (2) | $24 | 17,626,037 |
| Equity Compensation Plans Not Approved by Security Holders | 1,700,000 (3) | $14 | — |
| Total | 9,229,941 | $18 | 17,626,037 |

*(1) The weighted average exercise price is calculated based solely on outstanding options.*

*(2) Includes options and rights to acquire shares outstanding under our 1996 Employee Share Purchase Plan (U.S.), 2006 Employee Share Purchase Plan (Non-U.S.), 2006 Stock Incentive Plan and 1996 Stock Plan (which plan terminated in 2006).*

*(3) Includes options and rights to acquire shares outstanding under our 2012 Stock Inducement Equity Plan adopted under the Nasdaq rules.*

**2012 Stock Inducement Equity Plan**

Under the 2012 Stock Inducement Equity Plan, stock options and RSUs may be granted to eligible employees to serve as inducement material to enter into employment with the Company. Awards under the 2012 Stock Inducement Equity Plan may be conditioned on continued employment, the passage of time or the satisfaction of performance vesting criteria, based on individual written employment offer letters. The 2012 Stock Inducement Equity Plan has an expiration date of March 31, 2022. As of March 31, 2017, an aggregate of 1,800,000 shares was reserved for issuance under the 2012 Stock Inducement Equity Plan. As of March 31, 2017, no shares were available for issuance under this plan.

**2006 Stock Incentive Plan**

The Logitech International S.A. 2006 Stock Incentive Plan provides for the grant to eligible employees and non-employee members of the Board of Directors of stock options, stock appreciation rights, restricted stock, and restricted stock units. As of March 31, 2017, Logitech has granted stock options (including PSOs), RSUs, and PSUs under the 2006 Stock Incentive Plan and has made no grants of restricted shares or stock appreciation rights. Stock options granted under the 2006 Stock Incentive Plan generally will have terms not exceeding ten years and will be issued at exercise prices not less than the fair market value on the date of grant. Awards under the 2006 Stock Incentive Plan may be conditioned on continued employment, the passage of time, or the satisfaction of performance vesting criteria. As of March 31, 2017, an aggregate of 30.6 million shares is reserved for issuance under the 2006 Stock Incentive Plan. As of March 31, 2017, a total of 11,155,746 shares were available for issuance under this plan.

# Equity Compensation Plan Information

**1996 Stock Plan**

Under the 1996 Stock Plan, Logitech granted options for shares. Options issued under the 1996 Stock Plan generally vest over four years and remain outstanding for periods not to exceed ten years. Options were granted at exercise prices of at least 100% of the fair market value of the shares on the date of grant. Logitech made no grants of restricted shares, stock appreciation rights, or stock units under the 1996 Stock Plan. No further awards will be granted under the 1996 Stock Plan.

Each option issued under the 1996 Stock Plan entitles the holder to purchase one share of Logitech International S.A. at the exercise price.

**Employee Share Purchase Plans**

Logitech maintains two employee share purchase plans, one for employees in the United States and one for employees outside the United States. The plan for employees outside the United States is named the 2006 Employee Share Purchase Plan (Non-U.S.), or 2006 ESPP, and was approved by the Board of Directors in June 2006. The plan for employees in the United States is named the 1996 Employee Share Purchase Plan (U.S.), or 1996 ESPP. The 1996 ESPP was the worldwide plan until the adoption of the 2006 ESPP in June 2006. Under both plans, eligible employees may purchase shares with up to 10% of their earnings at the lower of 85% of the fair market value at the beginning or the end of each six-month offering period. Purchases under the plans are limited to a fair value of $25,000 in any one year, calculated in accordance with U.S. tax laws. During each offering period, payroll deductions of employee participants are accumulated under the share purchase plan. Subject to continued participation in these plans, purchase agreements are automatically executed at the end of each offering period. A total of 29 million shares have been reserved for issuance under both the 1996 and 2006 ESPPs. As of March 31, 2017, a total of 6,470,291 shares were available for issuance under these plans.

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# Annual Report
# Fiscal Year 2017

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# MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these statements as a result of certain factors, including those set forth in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission and posted to the Company's Investor Relations website, under Item 1A, Risk Factors, in Item 7A, Quantitative and Qualitative Disclosures about Market Risk (which also appears below), and elsewhere. Please read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included in this Annual Report. Terms used and not otherwise defined in this Annual Report have the meanings set forth in the Company's Annual Report on Form 10-K.*

### Overview of Our Company

Logitech is a world leader in designing, manufacturing and marketing products that have an everyday place in people's lives, connecting them to the digital experiences they care about. More than 35 years ago Logitech created products to improve experiences around the PC platform, and now it is designing products that enable better experiences consuming, sharing and creating any digital content (e.g., music, gaming, video), whether it is on a computer, mobile device or in the cloud. Logitech's brands of include Logitech, Jaybird, Logitech G and Ultimate Ears.

Logitech was founded in Switzerland in 1981, and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland, which conducts its business through subsidiaries in the Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Taiwan, Japan and Australia). Shares of Logitech International S.A. are listed on both the SIX Swiss Exchange, under the trading symbol LOGN, and the Nasdaq Global Select Market, under the trading symbol LOGI. References in this Annual Report to the "Company," "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Our products participate in five large markets that all have growth opportunities: Music, Gaming, Video Collaboration, Smart Home and Creativity & Productivity. We sell our products to a broad network of domestic and international customers, including direct sales to retailers and e-tailers, and indirect sales through distributors. Our worldwide channel network includes consumer electronics distributors, retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers and online merchants.

We operate in a single operating segment: Peripherals. In fiscal years prior to fiscal year 2016, we operated in two segments: Peripherals, including retail and OEM products; and Lifesize Video Conferencing. During fiscal year 2016, we divested the Lifesize Video Conferencing segment, and exited the OEM business. Our financial results treat the Lifesize segment as discontinued operations for all the periods presented in this Annual Report.

From time to time, we may seek to partner with, or acquire when appropriate, companies that have products, personnel, and technologies that complement our strategic direction. We continually review our product offerings and our strategic direction in light of our profitability targets, competitive conditions, changing consumer trends and the evolving nature of the interface between the consumer and the digital world.

On September 15, 2016, we acquired Saitek product line for a total consideration of approximately $13.0 million (the "Saitek Acquisition"). The Saitek Acquisition is expected to enhance the breadth and depth of our product offerings and expand our engineering capabilities in simulation products.

On April 20, 2016, we acquired Jaybird LLC of Salt Lake City, Utah ("Jaybird") for a purchase price of $54.2 million, including a working capital adjustment and payment of a line-of-credit on behalf of Jaybird, along with an additional earn-out of up to $45 million in cash based on achievement of growth targets over two years (the "Jaybird Acquisition"). Jaybird is a leader in wireless audio wearables for sports and active lifestyles, and the acquisition of Jaybird expands our long-term growth potential in our Music market.

On December 28, 2015, we and Lifesize, Inc., a wholly owned subsidiary of Logitech which holds the assets of our Lifesize video conferencing business, entered into a stock purchase agreement with three venture capital firms. Immediately following the December 28, 2015 closing of the transaction, the venture capital firms held 62.5% of the outstanding shares of Lifesize, which resulted in a divestiture of the Lifesize video conferencing business by us. The historical results of operations and the financial position of Lifesize are included in the consolidated financial statements of Logitech and are reported as discontinued operations within this Annual Report.

We exited our OEM business during our fiscal quarter ended December 31, 2015. The results of our OEM business are included in our financial statements as part of continuing operations for the nine months ended December 31, 2015 and prior periods. There is no revenue and cost associated with this business in future periods.

**Summary of Financial Results**

Our total net sales for fiscal year 2017 increased 10% in comparison to fiscal year 2016 due to an increase in retail sales, partially offset by a decrease in OEM sales as a result of exiting the OEM business in the third quarter ended December 31, 2015. The results of operations for Jaybird and Saitek have been included in our consolidated statements of operations from the acquisition date. For fiscal year 2017, Jaybird and Saitek contributed a total of $65.7 million of net sales.

Retail sales during fiscal year 2017 increased 14% compared to fiscal year 2016. Retail sales increased 12%, 19% and 11% in the Americas ("AMR"), EMEA and Asia Pacific, respectively.

Our gross margin for fiscal year 2017 increased to 36.9%, compared to 33.7% for fiscal year 2016. The increase in gross margin was primarily driven by product cost reductions and our exit from the OEM business in fiscal year 2016, a benefit of $14.4 million primarily due to a change in estimated breakage attributable to customer incentive, cooperative marketing and pricing program accruals in EMEA, as well as greater supply chain efficiencies, partially offset by an increase of promotions, unfavorable currency exchange rates and amortization of intangible assets and purchase accounting effect on inventory from business acquisitions.

Operating expenses for fiscal year 2017 were $608.2 million, or 27.4% of net sales, compared to $552.0 million, or 27.4% for fiscal year 2016. The increase in operating expenses was primarily driven by higher personnel-related costs due to increased headcount, businesses acquired during fiscal year 2017, a higher variable compensation linked to strong performance, and amortization of intangibles from the business acquisitions, partially offset by a gain from change in fair value of contingent consideration from the Jaybird Acquisition and a decrease in restructuring charges as we substantially completed our restructuring plan in the fourth quarter of fiscal year 2016.

Net income from continuing operations for fiscal year 2017 was $205.9 million, compared to $128.4 million for fiscal year 2016.

**Trends in Our Business**

Our strategy focuses on five large multi-category market opportunities including Music, Gaming, Video Collaboration, Smart Home and Creativity & Productivity. We see opportunities to deliver growth with products in all these markets.

We believe our future growth will be determined by our ability to rapidly create innovative products across multiple digital platforms, including gaming, digital music devices, video and computing. The following discussion represents key trends specific to our market opportunities.

***Trends Specific to Our Five Market Opportunities***

*Music:* The music market grew during fiscal year 2017 driven by growing consumption of music through mobile devices such as smartphones and tablets. This market growth, together with our investments in the UE brand, new channel expansion, acquisitions of new portfolios and our ability to gain market share during fiscal year 2017, has driven our growth in this market.

*Gaming:* The PC Gaming platform continues to show strong growth as online gaming, multi-platform experiences, and eSports gain greater popularity and gaming content becomes increasingly more demanding. We believe Logitech is well positioned to benefit from the gaming market growth.

*Video Collaboration:* We are continuing our efforts to create and sell innovative products, including Video Collaboration products, to accommodate the increasing demand from medium-sized meeting rooms to small-sized rooms such as huddle rooms. We will continue to invest in select business-specific products, targeted product marketing and sales channel development.

*Smart Home:* This market increased in fiscal year 2016 and has continued growing in fiscal year 2017. In October 2016, we introduced a new Amazon Alexa skill that enables voice control of the living room entertainment experience using a Logitech Harmony Hub with Alexa-enabled devices such as the Amazon Echo or Echo Dot.

Through Harmony, Alexa can turn on/off and control a TV and AV system. We have also seen early success with the professional installer channel through the recent introduction of the Harmony Pro. We will continue to explore other innovative experiences for the Smart Home.

*Creativity & Productivity:* Although the consumer demand for PC peripherals is slowing, the installed base of PC users is large. We believe that innovative PC peripherals, such as our mice and keyboards, can renew the PC usage experience, providing growth opportunities. Smaller mobile computing devices, such as tablets, have created new markets and usage models for peripherals and accessories. We offer a number of products to enhance the use of mobile devices, including keyboard folios for the iPad and iPad mini, and keyboard covers and folios for the iPad Air. However, we have seen the market decline for the iPad platform, which has impacted the sales of our tablet accessories.

***Business Seasonality, Product Introductions and Business Acquisitions***

We have historically experienced higher net sales in our third fiscal quarter ending December 31, compared to other fiscal quarters in our fiscal year, due in part to seasonal holiday demand. Additionally, new product introductions and business acquisitions can significantly impact net sales, product costs and operating expenses. Product introductions can also impact our net sales to distribution channels as these channels are filled with new product inventory following a product introduction, and often channel inventory of an earlier model product declines as the next related major product launch approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction. However, neither historical seasonal patterns nor historical patterns of product introductions should be considered reliable indicators of our future pattern of product introductions, future net sales or financial performance.

**Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with U.S. GAAP (Generally Accepted Accounting Principles in the United States of America) requires us to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, net sales and expenses, and the disclosure of contingent assets and liabilities.

We consider an accounting estimate critical if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to an understanding of our financial condition and operating results.

We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions that may impact us in the future, actual results could differ from those estimates. Management has discussed the development, selection and disclosure of these critical accounting estimates with the Audit Committee of the Board of Directors.

We believe the following accounting estimates are most critical to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

***Accruals for Customer Programs***

We record accruals for cooperative marketing arrangements, customer incentive programs, pricing programs and product returns. An allowance against accounts receivable is recorded for accruals and program activity related to our direct customers and indirect customers who receive payments for program activity through our direct customers. A liability is recorded for accruals and program activity related to our indirect customers who receive payments directly and do not have a right of offset against a receivable balance. The estimated cost of these programs is usually recorded as a reduction of revenue. If we receive a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit, such cost is reflected in operating expenses. Significant management judgment and estimates must be used to determine the cost of these programs in any accounting period. Certain customer programs require management to estimate the percentage of those programs which will not be claimed or will not be earned by customers based on historical experience and on the specific terms and conditions of particular programs. The percentage of these customer programs that will not be claimed or earned is commonly referred to as "breakage".

*Cooperative Marketing Arrangements.* We enter into customer marketing programs with many of our distribution and retail customers, and with certain indirect partners, allowing customers to receive a credit equal to a set percentage of their purchases of our products, or a fixed dollar credit for various marketing programs. The objective of these arrangements is to encourage advertising and promotional events to increase sales of our products. Accruals for these marketing arrangements are recorded at the later of the date the revenue is recognized or the date the incentive is offered, based on negotiated terms, historical experience and inventory levels in the channel.

*Customer Incentive Programs.* Customer incentive programs include performance-based incentives and consumer rebates. We offer performance-based incentives to our distribution customers, retail customers and indirect partners based on pre-determined performance criteria. Accruals for performance-based incentives are recognized as a reduction of the sale price at the time of sale. Estimates of required accruals are determined based on negotiated terms, consideration of historical experience, anticipated volume of future purchases, and inventory levels in the channel. Consumer rebates are offered from time to time at our discretion for the primary benefit of end-users. Accruals for the estimated costs of consumer rebates and similar incentives are recorded at the later of time of sale or when the incentive is offered, based on the specific terms and conditions.

*Pricing Programs.* We have agreements with certain customers that contain terms allowing price protection credits to be issued in the event of a subsequent price reduction. At our discretion, we also offer special pricing discounts to certain customers. Special pricing discounts are usually offered only for limited time periods or for sales of selected products to specific indirect partners. Our decision to make price reductions is influenced by product life cycle stage, market acceptance of products, the competitive environment, new product introductions and other factors. Accruals for estimated expected future pricing actions are recognized at the time of sale based on analysis of historical pricing actions by customer and by product, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information, such as stage of product life-cycle.

*Returns.* We grant limited rights to return products. Return rights vary by customer, and range from just the right to return defective product to stock rotation rights limited to a percentage of sales approved by management. Estimates of expected future product returns are recognized at the time of sale based on analyses of historical return trends by customer and by product, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information. Upon recognition, we reduce sales and cost of goods sold for the estimated return. Return trends are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, product sell-through, the type of customer, seasonality, product quality issues, competitive pressures, operational policies and procedures, and other factors. Return rates can fluctuate over time, but are sufficiently predictable to allow us to estimate expected future product returns.

In connection with our sales growth strategy in EMEA, we expanded our use of performance-based programs in the region in fiscal years 2016 and 2017. During fiscal 2017, as customer incentive, cooperative marketing and pricing programs offered in fiscal year 2016 began to expire, EMEA experienced a significant increase in the rate of breakage on the related accruals as compared to historical levels. After considering the breakage data available through March 31, 2017, we revised our estimates of breakage associated with fiscal year 2017 customer incentive, cooperative marketing and pricing programs that have not yet expired as of year end. In prior periods, we did not have sufficient historical data on customer breakage patterns in the EMEA region to allow for a reliable estimation of future customer breakage attributable to these allowances and accruals. However, by the fourth quarter of fiscal year 2017, sufficient historical data was available to establish a model to reliably estimate the expected future customer breakage. Primarily as a result of this change in estimate, we recognized an increase in net sales of $14.4 million during the fourth quarter of the fiscal year ended March 31, 2017, compared with the preliminary results furnished to the SEC in the Current Report on Form 8-K on April 26, 2017. Significant management judgment and estimates are used to determine the breakage of the programs in any accounting period.

We regularly evaluate the adequacy of our accruals for cooperative marketing arrangements, customer incentive programs, pricing programs and product returns. Future market conditions and product transitions may require us to take action to increase such programs. In addition, when the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, we would be required to record incremental increases or reductions to revenue or operating expenses. If, at any future time, we become unable to reasonably estimate these costs, recognition of revenue might be deferred until products are sold to users, which would adversely impact revenue in the period of transition.

### *Inventory Valuation*

We must order components for our products and build inventory in advance of customer orders. Further, our industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand.

We record inventories at the lower of cost or market value and record write-downs of inventories that are obsolete or in excess of anticipated demand or market value. A review of inventory is performed each fiscal quarter that considers factors including the marketability and product life cycle stage, product development plans, component cost trends, demand forecasts and current sales levels. Inventory on hand which is not expected to be sold or utilized is considered excess, and we recognize the write-down in cost of goods sold at the time of such determination. The write-down is determined by comparison of the replacement cost with the estimated selling price less any costs of completion and disposal (net realizable value) and the net realizable value less the normal profit margin. At the time of loss recognition, new cost basis per unit and lower-cost basis for that inventory are established and subsequent changes in facts and circumstances would not result in an increase in the cost basis. If there is an abrupt and substantial decline in demand for Logitech's products or an unanticipated change in technological or customer requirements, we may be required to record additional write-downs that could adversely affect gross margins in the period when the write-downs are recorded.

### *Share-Based Compensation Expense*

Share-based compensation expense includes compensation expense reduced for estimated forfeitures. The grant date fair value for stock options and stock purchase rights is estimated using the Black-Scholes-Merton option-pricing valuation model. The grant date fair value of restricted stock units ("RSUs") that vest upon meeting certain market conditions is estimated using the Monte-Carlo simulation method. The grant date fair value of time-based RSUs and RSUs with performance conditions is calculated based on the closing market price on the date of grant, adjusted by estimated dividends yield prior to vesting.

Our estimates of share-based compensation expense require a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns, future forfeitures, probability of achievement of the set performance conditions, dividend yield, related tax effects and the selection of an appropriate fair value model. We estimate expected share price volatility based on historical volatility using daily prices over the term of past options, RSUs or purchase offerings, as we consider historical share price volatility as most representative of future volatility. We estimate expected life based on historical settlement rates, which we believe are most representative of future exercise and post-vesting termination behaviors. The dividend yield assumption is based on our history and expectations of future dividend payouts.  We use historical data to estimate pre-vesting forfeitures, and we record share-based compensation expense only for those awards that are expected to vest. Effective April 1, 2017, we will adopt Accounting Standards Update ("ASU") 2016-09 and will account for forfeitures as they occur. The impact from the change in the accounting for forfeitures will not have a material impact on our consolidated financial statements.

The assumptions used in calculating the fair value of share-based compensation expense and related tax effects represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, or if we decide to use a different valuation model, our share-based compensation expense could be materially different in the future from what we have recorded in the current period, which could materially affect our results of operations.

### *Accounting for Income Taxes*

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by the changes in or interpretations of tax laws and tax agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical mix of income and expense, and changes in our assessment of matters such as the ability to realize deferred tax assets. As a result of these considerations, we must estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income, considering all available evidence such as historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax strategies. When we determine that it is not more likely than not that we will realize all or part of our deferred tax assets, an adjustment is charged to earnings in the period when such determination is made. Likewise, if we later determine that it is more likely than not that all or a part of our deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

We make certain estimates and judgments about the application of tax laws, the expected resolution of uncertain tax positions and other matters surrounding the recognition and measurement of uncertain tax benefits. In the event that uncertain tax positions are resolved for amounts different than our estimates, or the related statutes of limitations expire without the assessment of additional income taxes, we will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur. Such adjustments may have a material impact on our income tax provision and our results of operations.

***Goodwill***

We conduct a goodwill impairment analysis annually at December 31 or more frequently if indicators of impairment exist or if a decision is made to sell or exit a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which an entity operates, increases in input costs that have a negative effect on earnings and cash flows, a trend of negative or declining cash flows, a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods, or other relevant entity-specific events such as changes in management, key personnel, strategy or customers, contemplation of bankruptcy, or litigation. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill.

In reviewing goodwill for impairment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the two-step quantitative impairment test; otherwise, no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The ultimate outcome of the goodwill impairment review for a reporting unit should be the same whether an entity chooses to perform the qualitative assessment or proceeds directly to the two-step quantitative impairment test. Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. We currently have only one reporting unit.

***Annual Impairment analysis***

We performed our annual impairment analysis of the goodwill as of December 31, 2016 by performing a qualitative assessment and concluded that it was more likely than not that the fair value of the peripheral reporting unit exceeded its carrying amount. Refer to the Note 12 to the consolidated financial statements included in this Annual Report for the disclosures.

***Product Warranty Accrual***

We estimate the cost of product warranties at the time the related revenue is recognized based on historical and projected warranty claim rates, historical and projected costs, and knowledge of specific product failures that are outside of our typical experience. Each fiscal quarter, we reevaluate estimates to assess the adequacy of recorded warranty liabilities considering the size of the installed base of products subject to warranty protection and adjust the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect our results of operations.

***Business Acquisitions***

Accounting for business acquisitions requires us to make significant estimates and assumptions, especially at the acquisition date with respect to tangible and intangible assets acquired and liabilities assumed and pre-acquisition contingencies. We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date.

Examples of critical estimates in valuing certain intangible assets and goodwill we have acquired include but are not limited to:

- royalty rate range and forecasted revenue growth rate assumptions;

- assumptions regarding the estimated useful life of the acquired intangibles;
- discount rates.

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

The economic useful life of the developed technology from the business acquisitions was determined based on the technology cycle related to developed technology of existing products, as well as the cash flows over the forecasted periods.

The economic useful life of the customer relationships from the business acquisitions was determined based on historical customer turnover rates and the industry benchmarks.

The economic useful life of the trade names from the business acquisitions was determined based on the expected life of the trade names and the cash flows anticipated over the forecasted periods.

The fair value of acquisition-related contingent consideration liability arising from the Jaybird Acquisition (see "Note 3 - Business Acquisitions" and "Note 10 - Fair Value Measurements" to the consolidated financial statements for more information) is determined by using a Monte Carlo Simulation that includes significant unobservable inputs such as a risk-adjusted discount rate and projected net sales of Jaybird over the earn-out period, and it is remeasured at each reporting period based on the inputs on the date of remeasurement. Projected net sales are based on our internal projections, including analysis of the target markets. The fair value of the contingent consideration decreased $8.1 million from the acquisition date. The change in fair value of contingent consideration results primarily from Jaybird's lower-than-expected net sales and revised projected net sales in the remaining earn-out period, primarily driven by supply constraints, an evolving product portfolio and changes in the competitive target market. Although these estimates are based on management's best knowledge of current events, the estimates could change significantly from period to period. Any changes to the significant unobservable inputs used, including the change in the forecast of net sales for the earn-out periods, may result in a change in the fair value of contingent consideration, and could have a material impact on future results of operations. Actual payment of contingent consideration in the future could be different from the current estimated fair value of the contingent consideration.

**Adoption of New Accounting Pronouncements**

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments (Topic 805)" ("ASU 2015-16"), which eliminates the requirement to restate prior period financial statements for measurement period adjustments in business combinations. ASU 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. We adopted this standard during the fiscal year 2017 and the adoption did not impact our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which gives guidance and reduces diversity in practice with respect to certain types of cash flows. We have early adopted this guidance during the second quarter of fiscal year 2017 and the adoption did not impact our consolidated financial statements.

Refer to Note 2 to the consolidated financial statements included in this Annual Report for recent accounting pronouncements to be adopted.

**Constant Currency**

We refer to our net sales growth rates excluding the impact of currency exchange rate fluctuations as "constant dollar" sales growth rates. Percentage of constant dollar sales growth 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.

Given our global sales presence and the reporting of our financial results in U.S. Dollars, our financial results could be affected by significant shifts in currency exchange rates. See "Results of Operations" for information on the effect of currency exchange results on our net sales. If the U.S. Dollar appreciates in comparison to other currencies in future periods, this will affect our results of operations in future periods as well.

## Results of Operations

### *Net Sales*

Net sales by channel for fiscal years 2017, 2016 and 2015 were as follows (Dollars in thousands):

| | Years Ended March 31, | | | Change | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 vs. 2016 | 2016 vs. 2015 |
| **Retail** | $ 2,221,427 | $ 1,947,059 | $ 1,887,446 | 14% | 3% |
| **OEM** | — | 71,041 | 117,462 | (100) | (40) |
| **Total net sales** | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 | 10 | 1 |

**Retail:**

During fiscal year 2017, retail sales increased 14%, in comparison to fiscal year 2016. If currency exchange rates had been constant in 2017 and 2016, our constant dollar retail sales growth rate would have been 14.9%. We grew across almost all our product categories. Video Collaboration, Music, Gaming, and Smart Home grew double digits. We recorded a benefit of $14.4 million primarily due to a change in estimated breakage attributable to customer incentive, cooperative marketing and pricing program accruals in EMEA.

During fiscal year 2016, retail sales increased 3%, in comparison to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales growth rate would have been 9%. The increase in sales was driven by double digit growth in Mobile Speakers, Gaming and Video Collaboration product categories.

**OEM:**

As we exited our OEM business in December 2015, there was no revenue during fiscal year 2017.

During fiscal year 2016, OEM sales decreased 40% compared to fiscal year 2015. The decline was primarily due to the exit from our OEM business and there was no revenue during the quarter ended March 31, 2016.

### *Sales Denominated in Other Currencies*

Although our financial results are reported in U.S. Dollars, a portion of our sales were generated in currencies other than the U.S. Dollar, such as the Euro, Chinese Renminbi, Japanese Yen, Canadian Dollar, Taiwan Dollar, British Pound and Australian Dollar. During fiscal years 2017, 2016 and 2015, 50%, 48% and 47% of our net sales were denominated in currencies other than the U.S. Dollar, respectively.

### *Retail Sales by Region*

The following table presents the change in retail sales by region for fiscal year 2017 compared with fiscal year 2016, and fiscal year 2016 compared with fiscal year 2015:

| | 2017 vs. 2016 | 2016 vs. 2015 |
|---|---|---|
| Americas | 12% | 3% |
| EMEA | 19 | (1) |
| Asia Pacific | 11 | 10 |

**Americas**

During fiscal year 2017, retail sales in the Americas increased 12%, compared to fiscal year 2016. If currency exchange rates had been constant in 2017 and 2016, our constant dollar retail sales growth rate would have been 13% in the Americas. The increase was driven by growth in Audio PC & Wearables, Mobile Speakers, Gaming and Keyboards & Combos, partially offset by declines in sales for Tablet & Other Accessories.

During fiscal year 2016, retail sales in the Americas increased 3%, compared to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales growth rate would have been 5% in the Americas. This increase was led by double digit growth in Video Collaboration and Mobile Speakers, partially offset by declines in sales for Tablet & Other Accessories and Home Control.

**EMEA**

During fiscal year 2017, retail sales in EMEA increased 19%, compared to fiscal year 2016. If currency exchange rates had been constant in 2017 and 2016, our constant dollar retail sales growth rate would have been 21% in the EMEA region. The growth in the period was driven by several of our product categories, with strength in Mobile Speakers, Keyboards & Combos, Video Collaboration and Gaming. We recorded a benefit of $14.4 million primarily due to a change in estimated breakage attributable to customer incentive, cooperative marketing and pricing program accruals in EMEA.

During fiscal year 2016, retail sales in EMEA decreased 1%, compared to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales growth rate would have been 9% in the EMEA region. Double digit growth in Gaming, Video Collaboration and Mobile Speakers product categories were offset by declines in all other product categories.

**Asia Pacific**

During fiscal year 2017, retail sales in Asia Pacific increased 11%, compared to fiscal year 2016. If currency exchange rates had been constant in 2017 and 2016, our constant dollar retail sales growth rate would have been 11% in the Asia Pacific region. The growth in the period was primarily driven by sales increases in Gaming and Video Collaboration.

During fiscal year 2016, retail sales in Asia Pacific increased 10%, compared to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales growth rate would have been 15% in the Asia Pacific region. We achieved double digit growth in Video Collaboration, PC Webcams, Mobile Speakers and Gaming product categories, partially offset by the decline in Tablets & Other Accessories and Home Control product categories.

***Net Retail Sales by Product Categories***

Net retail sales by product categories for fiscal years 2017, 2016 and 2015 were as follows (Dollars in thousands):

| | Years Ended March 31, | | | Change | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 vs. 2016 | 2016 vs. 2015 |
| Mobile Speakers | $ 301,021 | $ 229,718 | $ 178,038 | 31% | 29% |
| Audio-PC & Wearables | 246,390 | 196,013 | 213,496 | 26 | (8) |
| Gaming | 314,362 | 245,101 | 211,911 | 28 | 16 |
| Video Collaboration | 127,009 | 89,322 | 62,215 | 42 | 44 |
| Home Control | 65,510 | 59,075 | 68,060 | 11 | (13) |
| Pointing Devices | 501,562 | 492,543 | 487,210 | 2 | 1 |
| Keyboards & Combos | 480,312 | 430,190 | 426,117 | 12 | 1 |
| Tablet & Other Accessories | 76,879 | 103,886 | 140,994 | (26) | (26) |
| PC Webcams | 107,087 | 98,641 | 96,680 | 9 | 2 |
| Other (1) | 1,295 | 2,570 | 2,725 | (50) | (6) |
| **Total net retail sales** | $ 2,221,427 | $ 1,947,059 | $ 1,887,446 | 14 | 3 |

(1) Other category includes products that we currently intend to transition out of, or have already transitioned out of, because they are no longer strategic to our business.

**Retail Sales by Product Categories:**

**Music market:**

*Mobile Speakers*

Our Mobile Speakers category is made up entirely of bluetooth wireless speakers.

During fiscal year 2017, retail sales of Mobile Speakers increased 31%, compared to fiscal year 2016. Mobile Speaker sales increased primarily due to sales of the UE Boom 2 for the full fiscal year 2017 following its launch in the second quarter of fiscal year 2016 as well as the continued success of the UE Megaboom.

During fiscal year 2016, retail sales of Mobile Speakers increased 29%, compared to fiscal year 2015. The sales increased by double digits across all three regions, primarily due to strong demand of UE Boom 2, UE Megaboom and UE Roll bluetooth wireless speakers.

*Audio-PC & Wearables*

Our Audio-PC & Wearables category comprises PC speakers, PC headsets, in-ear headphones and premium wireless audio wearables.

During fiscal year 2017, retail sales of Audio-PC & Wearables increased 26%, compared to fiscal year 2016. The increase was primarily driven by the Jaybird Freedom F5 earbuds and the Jaybird X2 earbuds resulting from the Jaybird Acquisition in the first quarter of fiscal year 2017 (see Note 3 - "Business Acquisitions" to the consolidated financial statements) and X3 Sport Bluetooth earbuds launched in the third quarter of fiscal year 2017.

During fiscal year 2016, retail sales of Audio-PC & Wearables decreased 8%, compared to fiscal year 2015. The decrease was primarily due to decreases in sales in PC Speakers and PC Headsets, partially offset by an increase in audio wearables. Retail sales of our headset products decreased 6%. Retail sales of our Wearables products increased 46%.

**Gaming market:**

*Gaming*

Our Gaming category comprises gaming mice, keyboards, headsets, gamepads, steering wheels and Saitek simulation controllers.

During fiscal year 2017, retail sales of Gaming increased 28%, compared to fiscal year 2016. The increase was primarily driven by the continued success of our G502 Proteus Spectrum gaming mouse, G900 Chaos Spectrum gaming mouse, G933 Artemis Spectrum gaming headset and the G910 Orion Spectrum RGB mechanical gaming keyboard.

During fiscal year 2016, retail sales of Gaming increased 16%, compared to fiscal year 2015 with double digit growth for gaming keyboards, gaming headsets, and gaming steering wheels. Some of our top revenue-generating products for the year include G29 Driving Force Racing Wheel, G920 Driving Force Wheel, G933 Artemis Spectrum gaming headset, and the G910 Orion Spark gaming keyboard.

**Video Collaboration market:**

*Video Collaboration*

Our Video Collaboration category primarily includes products which combine audio and video and other products that can connect small- and medium-sized user groups.

During fiscal year 2017, retail sales of Video Collaboration increased 42%, compared to fiscal year 2016.The increase was primarily due to the continued success of the Logitech Group conference camera.

During fiscal year 2016, retail sales of Video Collaboration increased 44%, compared to fiscal year 2014. The increase was primarily due to the success of ConferenceCam Connect, PTZ Pro Camera, and Webcam C930e.

**Smart Home market:**

*Home Control*

Our Home Control category includes our Harmony line of advanced home entertainment controllers and new products dedicated to controlling emerging categories of connected smart home devices such as lighting, thermostats and door locks.

During fiscal year 2017, retail sales of Home Control increased 11%, compared to fiscal year 2016. The increase was primarily due to continued success of our Harmony Elite remote.

During fiscal year 2016, retail sales of Home Control decreased 13%, compared to fiscal year 2015. The decline was primarily driven by the sales decrease of our mid-range products.

**Creativity & Productivity market:**

*Pointing Devices*

Our Pointing Devices category comprises PC and Mac-related mice, touchpads and presenters.

During fiscal year 2017, retail sales of Pointing Devices increased 2%, in comparison to fiscal year 2016. Increases in sales of presentation tools, corded mice and other pointing devices were offset by the decrease in the sales of cordless mice.

During fiscal year 2016, retail sales of Pointing Devices increased 1%, compared to fiscal year 2015. The growth in this category was driven by the MX Master Wireless Mouse. New products contributed approximately 8% of total retail sales of Pointing Devices for fiscal year 2016.

*Keyboards & Combos*

Our Keyboards & Combos category comprises PC keyboards and keyboard/mice combo products.

During fiscal year 2017, retail sales of Keyboards & Combos increased 12%, compared to fiscal year 2016. The sales increase was primarily driven by the strong sales of our K400 Plus wireless keyboard and MK270 wireless combo, in addition to sales of our MK235 Combo for the full fiscal year 2017 following its launch in the fourth quarter of fiscal year 2016.

During fiscal year 2016, retail sales of Keyboards & Combos increased 1%, compared to fiscal year 2015. The sales increase was driven mainly by cordless keyboards which grew 17%. Our best selling products in this category include the Wireless MK270 and MK520 Wireless combos.

*Tablet & Other Accessories*

Our Tablet & Other Accessories category comprises keyboards and covers for tablets and smartphones as well as other accessories for mobile devices.

During fiscal year 2017, retail sales of Tablet & Other Accessories decreased 26%, compared to fiscal year 2016. The sales decrease reflects the declining market for iPad shipments, partially offset by sales of the Create Tablet Keyboard Case for the iPad Pro for the full fiscal year 2017 following its introduction in September of fiscal year 2016.

During fiscal year 2016, retail sales of Tablet & Other Accessories decreased 26%, compared to fiscal year 2015. The reduction in sales reflects the combination of a declining market for iPad shipments, partially offset by the new product introduction of Create backlit tablet keyboard case for iPad Pro.

*PC Webcams*

Our PC Webcams category comprises PC-based webcams targeted primarily at consumers.

During fiscal year 2017, retail sales of PC Webcams increased 9%, compared to fiscal year 2016. The increase was primarily driven by strong sales of our HD Pro Webcam C920, in addition to the introduction of the C922 Pro Stream Webcam.

During fiscal year 2016, retail sales of PC Webcams increased 2%, compared to fiscal year 2015. The growth was primarily driven by Asia Pacific, with sales nearly doubling.

***Gross Profit***

Gross profit for fiscal years 2017, 2016 and 2015 was as follows (Dollars in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| Net sales | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 |
| Gross profit | $ 820,041 | $ 681,047 | $ 705,457 |
| Gross margin | 36.9% | 33.7% | 35.2% |

Gross profit consists of net sales, less cost of goods sold (which includes materials, direct labor and related overhead costs, costs of manufacturing facilities, royalties, costs of purchasing components from outside suppliers, distribution costs, warranty costs, customer support, shipping and handling cost, outside processing costs and write-down of inventories), amortization of intangible assets and purchase accounting effect on inventory.

Gross margin is gross profit as a percentage of net sales. Gross margin increased by 320 basis points to 36.9% during fiscal year 2017, compared to fiscal year 2016. The increase in gross margin was primarily driven by product cost reductions, our exit from the OEM business in fiscal year 2016, a benefit of $14.4 million primarily due to a change in estimated breakage attributable to customer incentive, cooperative marketing and pricing program accruals in EMEA, as well as greater supply chain efficiencies, partially offset by an increase of promotions, unfavorable currency exchange rates, and amortization of intangible assets and purchase accounting effect on inventory from business acquisitions.

Gross margin decreased by 150 basis points to 33.7% in fiscal year 2016 as compared to fiscal year 2015. The decrease is primarily driven by unfavorable fluctuations in currency exchange rates, partially offset by sales price increases and savings from supply chain efficiencies related to freight.

***Operating Expenses***

Operating expenses for fiscal years 2017, 2016 and 2015 were as follows (Dollars in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Marketing and selling | $ 379,641 | $ 319,015 | $ 321,749 |
| % of net sales | 17.1 % | 15.8% | 16.0 % |
| Research and development | 130,525 | 113,176 | 107,543 |
| % of net sales | 5.9 % | 5.6% | 5.4 % |
| General and administrative | 100,270 | 101,012 | 125,995 |
| % of net sales | 4.5 % | 5.0% | 6.3 % |
| Amortization of intangible assets and acquisition-related costs | 5,814 | 984 | 763 |
| % of net sales | 0.3 % | —% | — % |
| Change in fair value of contingent consideration for business acquisition | (8,092) | — | — |
| % of net sales | (0.4)% | — | — |
| Restructuring charges (credits), net | 23 | 17,802 | (4,777) |
| % of net sales | — % | 0.9% | (0.2)% |
| Total operating expenses | $ 608,181 | $551,989 | $551,273 |
| % of net sales | 27.4 % | 27.4% | 27.5 % |

The increase in total operating expenses during fiscal year 2017, compared to fiscal year 2016, was mainly due to increases in marketing and selling expenses and research and development expenses and amortization of intangibles from the business acquisitions, partially offset by the decrease in restructuring charges and a credit from the change in fair value of contingent consideration for business acquisition.

Total operating expenses during fiscal year 2016 remained relatively flat, compared to fiscal year 2015, with increase in restructuring charges due to restructuring charges of $17.8 million in fiscal year 2016 compared to a restructuring credit of $4.8 million in fiscal year 2015, and increase in research and development expenses partially offset by the decrease in general and administrative expense. Marketing and selling expenses were relatively flat.

***Marketing and Selling***

Marketing and selling expenses consist of personnel and related overhead costs, corporate and product marketing, promotions, advertising, trade shows, customer and technical support and facilities costs.

During fiscal year 2017, marketing and selling expenses increased $60.6 million, compared to fiscal year 2016. The increase was primarily driven by $43.8 million higher personnel-related costs due to increased headcount during the last twelve months to expand our marketing team to support the advertising and marketing efforts for our products, including the increased headcount resulting from the Jaybird Acquisition and Saitek Acquisition, and increased variable compensation linked to stronger performance during fiscal year 2017. Additionally, there was an $18.4 million increase in expenses for external advertising and marketing.

During fiscal year 2016, marketing and selling expenses were relatively flat, compared to fiscal year 2015. The decrease in expense due to currency impact was offset by investments in growth markets.

***Research and Development***

Research and development expenses consist of personnel and related overhead costs for contractors and outside consultants, supplies and materials, equipment depreciation and facilities costs, all associated with the design and development of new products and enhancements of existing products.

During fiscal year 2017, research and development expenses increased $17.3 million, compared to fiscal year 2016. The increase was primarily driven by $13.9 million higher personnel-related costs for the development of new products, increased headcount from business acquisitions, and increased variable compensation linked to stronger performance during fiscal year 2017.

During fiscal year 2016, research and development expenses increased $5.6 million, compared to fiscal year 2015. The increase was primarily due to $4.6 million higher personnel-related expenses and $0.8 million higher consulting costs related to continuing investment in the enhancement of existing products and development of new products.

***General and Administrative***

General and administrative expenses consist primarily of personnel and related overhead and facilities costs for the finance, information systems, executives, human resources and legal functions.

During fiscal year 2017, general and administrative expenses decreased $0.7 million, compared to fiscal year 2016. The decrease was primarily due to a $3.5 million reduction related to the prior year's accrual for our settlement with the SEC and a $3.1 million decrease in information technology costs, partially offset by a $6.1 million increase in personnel-related costs largely driven by higher variable compensation linked to stronger performance during the fiscal year 2017.

During fiscal year 2016, general and administrative expenses decreased $25.0 million, compared to fiscal year 2015. The decrease was primarily due to the reduction of $19.1 million related to the Audit Committee independent investigation and related expenses incurred in fiscal year 2015 and a $2.5 million decrease in personnel-related costs.

***Amortization of Intangibles and Acquisition-Related Costs***

Amortization of intangibles included in operating expense and acquisition-related costs during fiscal year 2017, 2016 and 2015 were as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Amortization of intangible assets | $ 4,352 | $ 448 | $ 763 |
| Acquisition-related costs | 1,462 | 536 | — |
| Total | $ 5,814 | $ 984 | $ 763 |

Amortization of intangible assets consists of amortization of acquired intangible assets including customer relationships and trade names. Acquisition-related costs include legal expense, due diligence costs, and other professional costs incurred for business acquisitions.

The increase in amortization of intangible assets from fiscal year 2016 to 2017 was driven by the Jaybird and the Saitek Acquisition.

***Change in Fair Value of Contingent Consideration for Business Acquisition***

The change in fair value of contingent consideration during fiscal year 2017 is primarily due to lower-than-expected net sales of Jaybird products, and revised projected net sales of Jaybird products during the remaining earn-out period, primarily driven by supply constraints, an evolving product portfolio and changes in the competitive target market (see "Note 10 – Fair Value Measurement" to the consolidated financial statements). Although these estimates are based on management's best knowledge of current events, the estimates could change significantly from period to period. Any changes to the significant unobservable inputs used, including the change in the forecast of net sales of the earn-out periods, may result in a change in the fair value of contingent consideration, and could have a material impact on future results of operations. Actual payment of contingent consideration in the future could be different from the current estimated fair value of the contingent consideration.

***Restructuring Charges***

The following table summarizes restructuring-related activities during the fiscal years 2017 and 2016 from continuing operations (in thousands):

| | Restructuring - Continuing Operations | | | |
|---|---|---|---|---|
| | Termination Benefits | Lease Exit Costs | Other | Total |
| Accrual balance at March 31, 2015 | $ — | $ 954 | $ — | $ 954 |
| Charges, net | 17,280 | 337 | 185 | 17,802 |
| Cash payments | (11,373) | (1,166) | (185) | (12,724) |
| Accrual balance at March 31, 2016 | 5,907 | 125 | — | 6,032 |
| Charges, net | 23 | — | — | 23 |
| Cash payments | (5,195) | (125) | — | (5,320) |
| Accrual balance at March 31, 2017 | $ 735 | $ — | $ — | $ 735 |

During the first quarter of fiscal year 2016, we implemented a restructuring plan to exit the OEM business, reorganize Lifesize to sharpen its focus on its cloud-based offering, and streamline our overall cost structure, including overhead and infrastructure cost reductions with a targeted resource realignment. Restructuring charges incurred under this plan primarily consisted of severance and other ongoing and one-time termination benefits. Charges and other costs related to the workforce reduction and structure realignment are presented as restructuring charges in the consolidated statements of operations. We substantially completed this restructuring plan by the fourth quarter of fiscal year 2016.

On a total company basis, including the Lifesize video conferencing business as reported in discontinued operations, we have incurred $25.5 million under this restructuring plan, including $24.4 million for cash severance and other personnel costs.

***Other Income (Expense), Net***

Other income and expense for fiscal years 2017, 2016 and 2015 were as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Investment income (loss) related to a deferred compensation plan | $ 1,343 | $ (364) | $ 1,055 |
| Impairment of investment | — | — | (2,298) |
| Currency exchange gain (loss), net | 169 | 2,110 | (1,175) |
| Other | 165 | (122) | 120 |
| | $ 1,677 | $ 1,624 | $ (2,298) |

Investment income (loss) related to a deferred compensation plan for fiscal years 2017, 2016 and 2015 represents earnings, gains, and losses on trading investments related to a deferred compensation plan offered by one of our subsidiaries.

The $2.3 million investment impairment charges in fiscal year 2015 primarily resulted from the write-down of investments in privately-held companies.

Currency exchange gains or losses relate to balances denominated in currencies other than the functional currency in our subsidiaries, as well as to the sale of currencies, and to gains or losses recognized on foreign currency exchange forward contracts. We do not speculate in currency positions, but we are alert to opportunities to maximize currency exchange gains and minimize currency exchange losses.

***Provision for Income Taxes***

The provision for income taxes and the effective income tax rate for fiscal years 2017, 2016 and 2015 were as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Provision for income taxes | $ 9,113 | $ 3,110 | $ 4,654 |
| Effective income tax rate | 4.2% | 2.4% | 3.0% |

The changes in the effective income tax rate between fiscal years 2017 and 2016 and between fiscal years 2016 and 2015 were primarily due to the mix of income and losses in the various tax jurisdictions in which we operate. Further, there was a tax benefit of $15.4 million, $16.1 million and $15.4 million in fiscal years 2017, 2016 and 2015, respectively, related to the reversal of uncertain tax positions resulting from the expiration of the statutes of limitations. In fiscal year 2016 and 2015, there was a tax benefit of $2.2 million and $0.8 million, respectively, from the preferential income tax rate reduction pursuant to the High and New Technology Enterprise Program in China.

As of March 31, 2017 and March 31, 2016, the total amounts of unrecognized tax benefits due to uncertain tax positions were $63.7 million and $69.9 million, respectively, all of which would affect the effective income tax rates if recognized.

As of March 31, 2017, we had $51.8 million in non-current income taxes payable and $1.5 million in current income taxes payable, including interest and penalties, related to our income tax liability for uncertain tax positions. As of March 31, 2016, we had $59.7 million in non-current income taxes payable and $0.1 million in current income taxes payable. We continue to recognize interest and penalties related to unrecognized tax positions in income tax expense. We recognized $0.7 million, $0.3 million and $0.8 million in interest and penalties in income tax expense during fiscal years 2017, 2016 and 2015, respectively. As of March 31, 2017, 2016 and 2015, we had $3.0 million, $3.6 million and $4.9 million of accrued interest and penalties related to uncertain tax positions, respectively.

We file Swiss and foreign tax returns. We received final tax assessments in Switzerland through fiscal year 2014. For other foreign jurisdictions such as the United States, we are generally not subject to tax examinations for years prior to fiscal year 2013. We are under examination and have received assessment notices in foreign tax jurisdictions. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on our results of operations.

**Liquidity and Capital Resources**

***Cash Balances, Available Borrowings, and Capital Resources***

At March 31, 2017, we had cash and cash equivalents of $547.5 million, compared with $519.2 million at March 31, 2016. Our cash and cash equivalents consist of bank demand deposits and short-term time deposits of which 52% is held in Switzerland, 28% is held in Germany and 9% is held in Hong Kong and China. We do not expect to incur any material adverse tax impact except for what has been recognized or be significantly inhibited by any country in which we do business from the repatriation of funds to Switzerland, our home domicile.

At March 31, 2017, our working capital was $520.8 million, compared with working capital of $511.3 million at March 31, 2016. The increase in working capital over fiscal year 2017 was primarily due to higher balances of cash and cash equivalents, accounts receivables, net and inventories, partially offset by higher accounts payable and accrued and other current liabilities.

We had several uncommitted, unsecured bank lines of credit aggregating to $43.5 million as of March 31, 2017. There are no financial covenants under these lines of credit with which we must comply. As of March 31, 2017, we had outstanding bank guarantees of $20.7 million under these lines of credit.

The following table summarizes our Consolidated Statements of Cash Flows (in thousands) on a total company basis:

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net cash provided by operating activities | $ 278,728 | $ 183,111 | $ 178,632 |
| Net cash used in investing activities | (98,964) | (60,690) | (48,289) |
| Net cash used in financing activities | (146,056) | (141,669) | (48,854) |
| Effect of exchange rate changes on cash and cash equivalents | (5,370) | 1,405 | (13,863) |
| Net increase (decrease) in cash and cash equivalents | $ 28,338 | $ (17,843) | $ 67,626 |

The cash flows for fiscal years 2016 and 2015 included the cash flows from our discontinued operations, which were not material to the consolidated financial statements.

The following table presents selected financial information and statistics for fiscal years 2017, 2016 and 2015 (dollars in thousands):

| | March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Accounts receivable, net | $ 185,179 | $ 142,778 | $ 167,196 |
| Accounts payable | $ 274,805 | $ 241,166 | $ 292,797 |
| Inventories | $ 253,401 | $ 228,786 | $ 255,980 |
| Days sales in accounts receivable ("DSO")(Days)(1) | 33 | 30 | 34 |
| Days accounts payable outstanding ("DPO") (Days)(2) | 79 | 75 | 88 |
| Inventory turnover ("ITO")(x)(3) | 4.9 | 5.0 | 4.7 |

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(1) DSO is determined using ending accounts receivable, net as of the most recent quarter-end and net sales for the most recent quarter.
(2) DPO is determined using ending accounts payable as of the most recent quarter-end and cost of goods sold for the most recent quarter.
(3) ITO is determined using ending inventories and annualized cost of goods sold (based on the most recent quarterly cost of goods sold).

DSO as of March 31, 2017 increased three days, compared to March 31, 2016, primarily due to timing of net sales and customer payments. DSO as of March 31, 2016 decreased four days compared to March 31, 2015, primarily due to improvements in the efficiency and effectiveness of collection efforts.

DPO as of March 31, 2017 increased four days, compared to March 31, 2016, primarily due to increase in inventories and timing of payments. DPO as of March 31, 2016 decreased thirteen days, compared to March 31, 2015, primarily due to decrease in inventories and timing of payments.

ITO as of March 31, 2017 remained consistent compared to March 31, 2016. ITO as of March 31, 2016 increased compared to March 31, 2015. The increase was primarily due to exit from the OEM business at the end of the quarter ended December 31, 2015 and with no OEM inventories as of March 31, 2016.

If we are not successful in launching and phasing in our new products launched during the current fiscal year, or we are not able to sell the new products at the prices planned, it could have a material impact on our revenue, gross profit margin, operating results including operating cash flow, and inventory turnover in the future.

During fiscal year 2017, we generated $278.7 million in cash from operating activities. Our main sources of operating cash flows were from net income after adding back non-cash expenses of depreciation, amortization, and share-based compensation expense, and from the increases in accounts payable and accrued and other liabilities, partially offset by the increases in accounts receivable, net and inventories. The increases in accounts receivable, net and accounts payable were primarily driven by higher business volumes and timing of payments. The increase in inventories was primarily driven by higher business volumes. The increase in accrued and other liabilities was primarily due to change in the payment frequency of our cash bonus plan from semi-annual to annual, and higher variable compensation linked to strong performance for fiscal year 2017.

Net cash used in investing activities was $99.0 million, primarily due to $67.0 million of purchase price (net of cash acquired) for business acquisitions, $31.8 million of purchases of property, plant, and equipment, and $1.0 million of investments in privately held companies.

Net cash used in financing activities was $146.1 million, primarily for the $93.1 million cash dividends paid during the year, $83.8 million repurchases of our registered shares and $18.4 million tax withholdings related to net share settlements of restricted stock units, partially offset by $39.6 million in proceeds received from the sale of shares upon exercise of options and purchase rights.

Our expenditures for property, plant and equipment during fiscal years 2017, 2016 and 2015 were primarily for tooling and equipment, computer hardware and software and leasehold improvements.

Our expenditures for property, plant and equipment decreased during fiscal year 2017, compared to fiscal year 2016, due to a lower amount of tooling purchases. Our expenditures for property, plant and equipment increased during fiscal year 2016, compared to fiscal year 2015, mainly due to the building of production lines to accommodate the in-house manufacturing of certain products compared with purchase from third parties in the prior period to align with our goal to achieve cost savings.

Our payments for acquisitions, net of cash acquired, during fiscal year 2017, were for the Jaybird Acquisition and the Saitek Acquisition during the period (refer to "Note 3 - Business Acquisitions" to the consolidated financial statements). During fiscal year 2017, we made a $1.0 million investment in a limited partnership with a private investment fund. During fiscal year 2016, we made a $1.5 million strategic investment in one privately held company and $0.9 million investment in a limited partnership with a private investment fund. During fiscal year 2015 we made a $2.6 million strategic investment in one privately held company and acquired one privately held company for $0.9 million.

During fiscal year 2016, the net payments for the divestiture of discontinued operations were $1.4 million, and there was $0.7 million for cash outflow to an escrow account for the purchase of a domain name.

The purchases and sales of trading investments during fiscal years 2017, 2016 and 2015 represent mutual fund activity directed by participants in a deferred compensation plan offered by one of our subsidiaries. The mutual funds are held by a Rabbi Trust.

Excess tax benefit realized from share-based compensation included in cash flows from financing activities will be reclassified in operating cash flows starting in the first quarter of our fiscal year 2018 on a retrospective basis when we adopt ASU 2016-09. Refer to Note 2 to the consolidated financial statements included in this Annual Report for recent accounting pronouncements to be adopted.

During fiscal year 2017, there was a $5.4 million loss of currency translation exchange rate effect on cash and cash equivalents, compared to a gain of $1.4 million of currency translation exchange rate effect during fiscal year 2016, and a $13.9 million loss of currency translation exchange rate effect during fiscal year 2015. Higher currency translation exchange effects during fiscal years 2017 and 2015 were primarily due to the weakening of the Euro versus the U.S. Dollar by 6% and 22%, respectively, which had an adverse impact on our cash and cash equivalents balances in subsidiaries with Euro as their functional currency.

***Cash Outlook***

Our principal sources of liquidity are our cash and cash equivalents, cash flow generated from operations and, to a much lesser extent, capital markets and borrowings. Our future working capital requirements and capital expenditures may increase to support investment in product innovations and growth opportunities, or to acquire or invest in complementary businesses, products, services, and technologies.

In May 2017, the Board of Directors recommended that the Company pay approximately CHF 100.0 million (approximately $100.0 million based on the exchange rate on March 31, 2017) in cash dividends for fiscal year 2017. During fiscal year 2017, we paid a cash dividend of CHF 90.2 million (U.S. Dollar amount of $93.1 million) out of retained earnings. During fiscal year 2016, we paid a cash dividend of CHF 83.1 million (U.S. Dollar amount of $85.9 million) out of retained earnings.

In March 2014, our Board of Directors approved a share buyback program, which authorizes us to invest up to $250.0 million to purchase our own shares. As of March 31, 2017, the remaining amount that may be repurchased under the program is $94.6 million. This buyback program expired in April 2017 with approximately 0.2 million shares purchased for approximately $0.6 million subsequent to the year end.

In March 2017, our Board of Directors approved another share buyback program, which authorizes us to invest up to $250.0 million to purchase our own shares, following the expiration date of the 2014 buyback program. The new program was approved by the Swiss Takeover Board in May 2017. Although we enter into trading plans for systematic repurchases (e.g. 10b5-1 trading plans) from time to time, our share buyback program provides us with the opportunity to make opportunistic repurchases during periods of favorable market conditions and is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Opportunistic purchases may be started or stopped at any time without prior notice depending on market conditions and other factors.

As noted in "Note 3 - Business Acquisitions" to our consolidated financial statements, we acquired all of the equity interest of Jaybird for a purchase price of $54.2 million, including a working capital adjustment and payment of a line-of-credit on behalf of Jaybird, with an additional earn-out of up to $45 million in cash based on the achievement of certain net revenue growth targets over two years starting July 2016. If the net revenue growth targets are met, the Company will pay a maximum of $25 million and $20 million in fiscal years 2018 and 2019, respectively.

We have changed the payment frequency of our employee performance bonus plan from semi-annual payments to an annual payment. The full year bonus for fiscal year 2017 is expected to be made in the first quarter of fiscal year 2018, and the operating cash flow for that period could be negative as a result.

Our other contractual obligations and commitments that require cash are described in the following sections.

For over ten years, we have generated positive cash flows from our operating activities, including cash from operations of $278.7 million, $183.1 million and $178.6 million during fiscal years 2017, 2016, and 2015, respectively. If we do not generate sufficient operating cash flows to support our operations and future planned cash requirements, our operations could be harmed and our access to credit facilities could be restricted or eliminated. However, we believe that the trend of our historical cash flow generation, our projections of future operations and our available cash balances will provide sufficient liquidity to fund our operations for at least the next 12 months.

**Contractual Obligations and Commitments**

The following table summarizes our contractual obligations and commitments as of March 31, 2017 (in thousands):

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | March 31, 2017 | <1 year | 1-3 years | 4-5 years | >5 years |
| Inventory purchase commitments | $ 228,118 | $ 228,118 | $ — | $ — | $ — |
| Capital purchase commitments | 9,349 | 9,349 | — | — | — |
| Expected contribution to employee benefit plan (1) | 5,485 | 5,485 | * | * | * |
| Operating leases obligations | 39,363 | 10,294 | 15,795 | 8,991 | 4,283 |
| | $ 282,315 | $ 253,246 | $ 15,795 | $ 8,991 | $ 4,283 |

(1) Expected contribution to employee benefit plan: Commitments under the retirement plans relate to expected contributions to be made to our defined benefit plans for the next year only. We fund our pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. Expected contributions and payments to our defined benefit pension plans and non-retirement post-employment benefit plans beyond one year are excluded from the contractual obligations table because they are dependent on numerous factors that may result in a wide range of outcomes and thus are impractical to estimate. For more information on our defined benefit pension plans and non-retirement post-employment benefit plans, see Note 6 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

***Purchase Commitments***

As of March 31, 2017, we have fixed purchase commitments of $228.1 million for inventory purchases made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers, the majority of which are expected to be fulfilled during the first two quarters of fiscal year 2018. We recorded a liability for firm, non-cancelable, and unhedged inventory purchase commitments in excess of anticipated demand or market value consistent with our valuation of excess and obsolete inventory. As of March 31, 2017, the liability for these purchase commitments was $7.2 million and is recorded in accrued and other current liabilities and is not included in the preceding table. We have firm purchase commitments of $9.3 million for capital expenditures, primarily related to commitments for tooling, computer hardware and leasehold improvements. We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations. Although open purchase commitments are considered enforceable and legally binding, the terms generally allow us the option to reschedule and adjust our requirements based on business needs prior to delivery of goods.

***Operating Leases Obligation***

We lease facilities under operating leases, certain of which require us to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at our option and usually include escalation clauses linked to inflation. The remaining terms on our non-cancelable operating leases expire in various years through 2030.

***Contingent Consideration for Business Acquisition***

As noted in "Note 3 - Business Acquisitions" to our consolidated financial statements, we acquired all of the equity interest of Jaybird for a purchase price of $54.2 million, including a working capital adjustment and payment of a line-of-credit on behalf of Jaybird, with an additional earn-out of up to $45 million in cash based on the achievement of certain net revenue growth targets over two years starting July 2016. If the net revenue growth targets are met, we will pay a maximum of $25 million and $20 million in fiscal years 2018 and 2019, respectively. These amounts are not included in the preceding table because these represent the maximum amounts but the actual amounts paid could be different. See "Note 10 - Fair Value Measurements" to the consolidated financial statements for more information regarding the fair value of the contingent consideration.

***Income Taxes Payable***

As of March 31, 2017, we had $51.8 million in non-current income taxes payable and $1.5 million in current income taxes payable, including interest and penalties, related to our income tax liability for uncertain tax positions. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities; therefore, such amounts are not included in the above contractual obligation table.

***Investment Commitments***

During 2015, we entered into a limited partnership agreement with a private investment fund specialized in early-stage start-up consumer hardware electronics companies and committed a capital contribution of $4.0 million over the life of the fund. As of March 31, 2017, $2.1 million of the committed capital contribution has not yet been called by the fund.

***Guarantees***

Logitech Europe S.A. guaranteed payments of two third-party contract manufacturers' purchase obligations. As of March 31, 2017, the maximum amount of these guarantees were $3.8 million, of which $1.4 million of guaranteed purchase obligations were outstanding.

***Indemnifications***

We indemnify certain of our suppliers and customers for losses arising from matters such as intellectual property disputes and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances includes indemnification for damages and expenses, including reasonable attorneys' fees. As of March 31, 2017, no amounts have been accrued for indemnification provisions. We do not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under our indemnification arrangements.

We also indemnify our current and former directors and certain of our current and former officers. Certain costs incurred for providing such indemnification may be recoverable under various insurance policies. We are unable to reasonably estimate the maximum amount that could be payable under these arrangements because these exposures are not capped, the obligations are conditional in nature, and the facts and circumstances involved in any situation that might arise are variable.

The Stock Purchase Agreement that we entered into in connection with the investment by three venture capital firms in Lifesize, Inc. contains representations, warranties and covenants of Logitech and Lifesize, Inc. to the Venture Investors. Subject to certain limitations, we have agreed to indemnify the Venture Investors and certain persons related to the Venture Investors for certain losses resulting from breaches of or inaccuracies in such representations, warranties and covenants as well as certain other obligations, including third party expenses, restructuring costs and pre-closing tax obligations of Lifesize.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

**Research and Development**

For a discussion of our research and development activities, patents and licenses, please refer to Item 1, Business, in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission and posted to the Company's Investor Relations website.

# ADDITIONAL FINANCIAL DISCLOSURES

## MARKETING, SALES AND DISTRIBUTION

### Design, Channels and Marketing

#### *Design*

In the past few years, Logitech has strengthened its design capabilities by hiring a Chief Design Officer as well as building a world-class team of internal designers. Our designs have an everyday place in people's lives, connecting them to the digital experiences they care about. These products have been earning prestigious design awards - more than 70 design awards during the past three years - and enthusiastic reviews in the media. This is an important indication that Logitech's strategic aim to become a design company is working. During the fourth quarter of fiscal year 2017 alone, we won fifteen GOOD DESIGN(R) awards, nine iF Design awards and a record for us, nine Red Dot awards. As Logitech becomes a design company, design is used as a strategic and cultural differentiator. Design also helps to reduce product costs through increased collaboration between our design, development and manufacturing teams. Our key design centers are in Switzerland, Ireland, the United States, and Taiwan.

#### *Go-To-Market*

Over the past 30-plus years, Logitech has built an extensive global go-to-market network that can be leveraged as we introduce new products, enter new market categories and optimize the value of our existing products and product categories. We have multiple opportunities to drive growth - existing products in existing retailers, new products in existing retailers, existing products in new retailers, and new products in new retailers. Beyond traditional retail and distribution channels, we have also cultivated various non-traditional retail channels to sell our products. As we continue to expand into new channels, there are numerous cross-selling opportunities across our broad product portfolio. We have established Logitech as a neutral technology supplier that can work with leading technology vendors and platforms as well as provide connections among their products and ecosystems.

#### *Marketing*

As Logitech expands into multiple categories with multiple brands, we will focus on enhancing our marketing capabilities around brand strategy and execution, digital marketing, and marketing technology. We have started to develop and execute internally, many of our marketing and creative efforts that were once outsourced to outside marketing agencies to move from concept to execution with speed and cost efficiency. We are increasing our leverage of digital media channels and programs to drive consumer brand engagement and purchase. We are also increasing our focus on marketing analytics platform to improve our understanding of our marketing investments and maximize ROI. And we are making investments to upgrade all aspects of our marketing infrastructure including the re-platforming of all our websites to support the global expansion of our brands, countries, languages, devices and support the acceleration of our digital marketing efforts.

### Sales and Distribution

#### *Principal Markets*

Net sales by geographic region for fiscal years 2017, 2016 and 2015 (based on the customers' location) are as follows (in thousands):

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Americas | $ 963,674 | $ 881,379 | $ 864,761 |
| EMEA | 746,898 | 645,694 | 670,890 |
| Asia Pacific | 510,855 | 491,027 | 469,257 |
| | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 |

Revenues from sales to customers in Switzerland, our home domicile, represented 2% of our total consolidated net sales in each of fiscal years 2017, 2016 and 2015. In fiscal years 2017, 2016 and 2015, the United

States represented 37%, 38% and 36% of our total consolidated net sales, respectively. In fiscal year 2017, Germany represented 17% of our total consolidated net sales. No other single country represented more than 10% of our total consolidated net sales for fiscal years 2017, 2016 or 2015.

***Sales and Distribution***

Our sales and marketing activities are organized into three geographic regions: the Americas (North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (China, Japan, Australia, Taiwan, India and other countries).

We primarily sell our products to a network of distributors and retailers. We support these channels with third-party distribution centers located in North America, South America, Europe and Asia Pacific. Some of these distribution centers perform product localization with local language manuals, packaging and power plugs.

Logitech directly sells products to distributors and large retailers. Major distributors in North America include Ingram Micro, Tech Data Corporation, D&H Distributing Company, and Synnex Corporation. In Europe, major Pan-European distributors include Ingram Micro, Tech Data, and Gem Distribution. We also sell to many regional distributors such as Actebis GmbH in Germany, Littlebit Technology Partners AG in the Netherlands, Copaco Dc B.V. in the Netherlands and others. In Asia, major distributors include Beijing Digital China Limited in China, Daiwabo in Japan, and the pan-Asian distributor, Ingram Micro. Our distributor customers typically resell products to retailers, value-added resellers, systems integrators and other distributors with whom Logitech does not have a direct relationship.

Logitech's products can be purchased in most major retail chains, where we typically have access to significant shelf space. These chains in the U.S. include Best Buy, Walmart, Staples, Office Depot and Target. In Europe, chains include Metro Group (Media-Saturn Group), Carrefour Group, Kesa Electricals, Fnac, and Dixons Stores Group PLC. Logitech also sells products to non-traditional retail channels such as telcos. In addition, Logitech products can be purchased online either directly from Logitech.com or through e-tailers, such as Amazon.com, the websites of our major retail chains noted previously, and others. Logitech products are also carried by business-to-business direct market resellers such as CDW, Insight, Zones, PC Connection, and SHI.

In fiscal years 2017, 2016 and 2015, Ingram Micro Inc. and its affiliated entities together accounted for 15%, 14% and 15% of our net sales, respectively. In fiscal years 2017 and 2016, Amazon Inc. and its affiliated entities together accounted for 12% and 10% of our net sales, respectively. No other customer individually accounted for more than 10% of our net sales during fiscal years 2017, 2016 or 2015.

The material terms of our distribution agreements with Ingram Micro and its affiliated entities are summarized as follows:

- The agreements are non-exclusive in the particular territory and contain no minimum purchase requirements.
- Each agreement may be terminated for convenience at any time by either party. Most agreements provide for termination on 30 days written notice from either party, with two Ingram Micro agreements providing for termination on 90 days notice.
- We generally offer an allowance for marketing activities equal to a negotiated percentage of sales and volume rebates related to purchase volumes or sales of specific products to specified retailers. These terms vary by agreement.
- Agreements allow price protection credits to be issued for on-hand or in-transit new inventory if we, in our sole discretion, lower the price of the product.
- We grant limited stock rotation return rights, which vary by agreement.

The material terms of our distribution agreements with Amazon and its affiliated entities are summarized as follows:

- Each agreement has a one year term followed by one year automatic renewals.
- We generally offer an allowance for marketing activities equal to a negotiated percentage of sales through transactions and additional rebates related to sales of specific products to end users. These terms vary by agreement.
- Agreements allow price protection credits to be issued for on-hand or in-transit new inventory if we, in our sole discretion, lower the price of the product.
- We grant limited stock rotation return rights, which vary by agreement.

Through our operating subsidiaries, we maintain marketing and channel support offices in approximately 40 countries.

## MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Logitech's shares are listed and traded on both the SIX Swiss Exchange, where the share price is denominated in Swiss francs, and on the Nasdaq Global Select Market, where the share price is denominated in U.S. Dollars. The trading symbol for Logitech shares is LOGN on the SIX Swiss Exchange and LOGI on Nasdaq. As of May 4, 2017, there were 173,106,620 shares issued (including 9,535,630 shares held as treasury stock) held by 11,600 holders of record, and the closing price of our shares was CHF 33.60 ($33.86 based on exchange rates on such date) per share on the SIX Swiss Exchange and $33.90 per share as reported by the Nasdaq Stock Market.

### *SIX Swiss Exchange*

The following table sets forth certain historical share price information for our shares traded on the SIX Swiss Exchange, as reported by the SIX Swiss Exchange.

| | SIX Swiss Exchange | |
|---|---|---|
| | High CHF | Low CHF |
| Fiscal Year Ended March 31, 2017 | | |
| First quarter | 15.90 | 14.25 |
| Second quarter | 21.80 | 15.05 |
| Third quarter | 25.45 | 21.20 |
| Fourth quarter | 32.05 | 25.10 |
| Fiscal Year Ended March 31, 2016 | | |
| First quarter | 15.20 | 12.70 |
| Second quarter | 14.20 | 12.15 |
| Third quarter | 15.70 | 12.30 |
| Fourth quarter | 16.45 | 13.40 |

### *Nasdaq Global Select Market*

The following table sets forth certain historical share price information for our shares traded on the Nasdaq Global Select Market.

| | Nasdaq Global Select Market | |
|---|---|---|
| | High USD | Low USD |
| Fiscal Year Ended March 31, 2017 | | |
| First quarter | 16.73 | 14.45 |
| Second quarter | 22.46 | 15.60 |
| Third quarter | 25.22 | 21.44 |
| Fourth quarter | 32.06 | 24.89 |
| Fiscal Year Ended March 31, 2016 | | |
| First quarter | 16.25 | 13.13 |
| Second quarter | 14.87 | 12.79 |
| Third quarter | 15.73 | 12.58 |
| Fourth quarter | 16.56 | 13.48 |

### Dividends

Under Swiss law, a corporation may only pay dividends upon a vote of its shareholders. This vote typically follows the recommendation of the corporation's Board of Directors. In May 2017, the Board of Directors recommended that the Company pay approximately CHF 100.0 million (approximately $100.0 million based on the exchange rate on March 31, 2017) in cash dividends for fiscal year 2017. On September 7, 2016, Logitech's shareholders approved a cash dividend payment of CHF 90.2 million out of retained earnings to Logitech shareholders who owned shares on September 21, 2016. Eligible shareholders were paid CHF 0.56 per share ($0.57 per share in U.S. Dollars), totaling $93.1 million in U.S. Dollars on September 27, 2016. On September 9, 2015, Logitech's shareholders approved a cash dividend payment of CHF 83.1 million out of retained earnings to Logitech shareholders who owned shares on September 21, 2015. Eligible shareholders were paid CHF 0.51 per share ($0.53 per share in U.S. Dollars), totaling $85.9 million in U.S. Dollars on September 22, 2015. On December 18, 2014, Logitech's shareholders approved a cash dividend payment of CHF 43.1 million out of retained earnings to Logitech shareholders who owned shares on December 29, 2014. Eligible shareholders were paid CHF 0.26 per share ($0.27 per share in U.S. Dollars), totaling $43.8 million in U.S. Dollars on December 30, 2014.

Dividends paid and similar cash or in-kind distributions made by Logitech to a holder of Logitech shares (including dividends or liquidation proceeds and stock dividends), other than distributions of qualifying additional paid-in-capital if it is available under the current Swiss tax regime, are subject to a Swiss federal anticipatory tax at a rate of 35%. The anticipatory tax must be withheld by Logitech from the gross distribution, and paid to the Swiss Federal Tax Administration.

A Swiss resident holder and beneficial owner of Logitech shares may qualify for a full refund of the Swiss anticipatory tax withheld from such dividends. A holder and beneficial owner of Logitech shares who is a non-resident of Switzerland, but a resident of a country that maintains a double tax treaty with Switzerland, may qualify for a full or partial refund of the Swiss anticipatory tax withheld from such dividends by virtue of the provisions of the applicable treaty between Switzerland and the country of residence of the holder and beneficial owner of the Logitech shares.

In accordance with the tax convention between the United States and the Swiss Confederation ("Treaty"), a mechanism is provided whereby a U.S. resident (as determined under the Treaty), and U.S. corporations, other than U.S. corporations having a "permanent establishment" or a fixed base, as defined in the Treaty, in Switzerland, generally can obtain a refund of the Swiss anticipatory tax withheld from dividends in respect of Logitech shares, to the extent that 15% of the gross dividend is withheld as final withholding tax (i.e. 20% of the gross dividend may generally be refunded). In specific cases, U.S. companies not having a "permanent establishment" or a fixed base in Switzerland owning at least 10% of Logitech registered shares may receive a refund of the Swiss anticipatory tax withheld from dividends to the extent it exceeds 5% of the gross dividend (i.e., 30% of the gross dividend may be refunded). To get the benefit of a refund, holders must beneficially own Logitech shares at the time such dividend becomes due.

### Share Repurchases

In fiscal year 2017, the following approved share buyback program was in place:

| Share Buyback Program | Shares | Approved Amounts |
|---|---|---|
| March 2014 | 17,311 | $ 250,000 |

The following table presents certain information related to purchases made by Logitech of its equity securities under its publicly announced share buyback program (in thousands, except per share amounts):

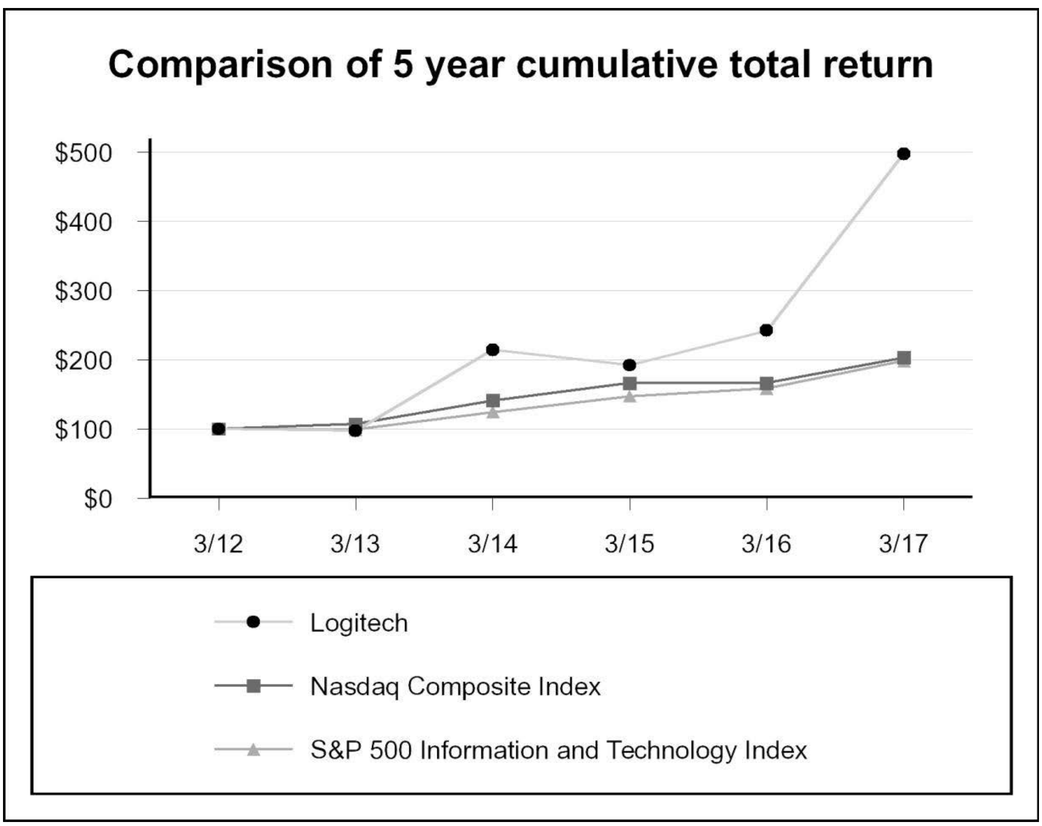
| | | Weighted Average Price Per Share | | Remaining Amount that May Yet Be Repurchased under the Program |
|---|---|---|---|---|
| During Fiscal Year Ended | Shares Repurchased | CHF (LOGN) | USD (LOGI) | |
| March 31, 2015 | 115 | — | 14.43 | 248,337 |
| March 31, 2016 | 4,951 | 13.52 | 14.63 | 178,298 |
| March 31, 2017 | 4,027 | 22.00 | 15.29 | 94,642 |
| | 9,093 | | | |

| During the three months ended | Total Number of Shares Repurchased | Weighted Average Price Paid Per Share | | | Remaining Amount that May Yet Be Repurchased under the Program |
|---|---|---|---|---|---|
| | | CHF (LOGN) | USD (LOGI) | | |
| Month 1 | | | | | |
| December 31, 2016 to January 27, 2017 | 233 | 25.74 | — | $ | 108,675 |
| Month 2 | | | | | |
| January 28, 2017 to February 24, 2016 | 214 | 29.18 | — | | 102,441 |
| Month 3 | | | | | |
| February 25, 2016 to March 31, 2017 | 259 | 30.23 | — | | 94,642 |
| Total | 706 | 28.43 | — | $ | 94,642 |

**Performance Graph**

*The information contained in the Performance Graph shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.*

The following graph compares the cumulative total stockholder return on our shares, the Nasdaq Composite Index, and the S&P 500 Information and Technology Index. The graph assumes that $100 was invested in our LOGI shares, the Nasdaq Composite Index and the S&P 500 Information and Technology Index on March 31, 2012, and calculates the annual return through March 31, 2017. The stock price performance on the following graph is not necessarily indicative of future stock price performance.




*$100 invested on March 31, 2012 in stock or index, including reinvestment of dividends.


| | March 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | |
| Logitech | $ | 100 | $ | 97 | $ | 214 | $ | 192 | $ | 242 | $ | 497 |
| Nasdaq Composite Index | $ | 100 | $ | 107 | $ | 141 | $ | 166 | $ | 166 | $ | 203 |
| S&P 500 Information and Technology Index | $ | 100 | $ | 99 | $ | 124 | $ | 147 | $ | 158 | $ | 198 |

## SELECTED FINANCIAL DATA

This financial data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. These historical results are not necessarily indicative of the results to be expected in the future.

| | Years ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016[(2)] | 2015[(2)] | 2014[(2)] | 2013[(2)] (unaudited) |
| | (in thousands, except for per share amounts) | | | | |
| **Consolidated statement of operations and cash flow data** | | | | | |
| Net sales | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 | $ 2,008,028 | $ 1,962,237 |
| Cost of goods sold | 1,395,211 | 1,337,053 | 1,299,451 | 1,346,122 | 1,329,015 |
| Amortization of intangible assets and purchase accounting effect on inventory | 6,175 | — | — | 367 | 2,564 |
| Gross profit | 820,041 | 681,047 | 705,457 | 661,539 | 630,658 |
| Operating expenses: | | | | | |
| Marketing and selling | 379,641 | 319,015 | 321,749 | 322,278 | 358,992 |
| Research and development | 130,525 | 113,176 | 107,543 | 110,839 | 122,717 |
| General and administrative | 100,270 | 101,012 | 125,995 | 112,689 | 108,480 |
| Amortization of intangible assets and acquisition-related costs | 5,814 | 984 | 763 | 2,036 | 2,400 |
| Change in fair value of contingent consideration for business acquisition | (8,092) | — | — | — | — |
| Impairment of goodwill and other assets | — | — | — | — | 2,188 |
| Restructuring charges (credits), net (1) | 23 | 17,802 | (4,777) | 8,001 | 39,455 |
| Total operating expenses | 608,181 | 551,989 | 551,273 | 555,843 | 634,232 |
| Operating income (loss) | 211,860 | 129,058 | 154,184 | 105,696 | (3,574) |
| Interest income (expense), net | 1,452 | 790 | 1,197 | (431) | 870 |
| Other income (expense), net | 1,677 | 1,624 | (2,298) | 2,039 | (2,139) |
| Income (loss) from continuing operations before income taxes | 214,989 | 131,472 | 153,083 | 107,304 | (4,843) |
| Provision for (benefit from) income taxes | 9,113 | 3,110 | 4,654 | 1,313 | (26,376) |
| Net income from continuing operations | 205,876 | 128,362 | 148,429 | 105,991 | 21,533 |
| Loss from discontinued operations, net of income taxes | — | (9,045) | (139,146) | (31,687) | (249,051) |
| Net income (loss) | 205,876 | 119,317 | 9,283 | 74,304 | (227,518) |
| Net income (loss) per share - basic: | | | | | |
| Continuing operations | $ 1.27 | $ 0.79 | $ 0.91 | $ 0.66 | $ 0.14 |
| Discontinued operations | $ — | $ (0.06) | $ (0.85) | $ (0.20) | $ (1.58) |
| Net income (loss) per share - basic | $ 1.27 | $ 0.73 | $ 0.06 | $ 0.46 | $ (1.44) |
| Income (loss) per share - diluted: | | | | | |
| Continuing operations | $ 1.24 | $ 0.77 | $ 0.89 | $ 0.65 | $ 0.14 |
| Discontinued operations | $ — | $ (0.05) | $ (0.83) | $ (0.19) | $ (1.57) |
| Net income (loss) per share - diluted | $ 1.24 | $ 0.72 | $ 0.06 | $ 0.46 | $ (1.43) |

| | Years ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016[(2)] | 2015[(2)] | 2014[(2)] | 2013[(2)] |
| | | | | | (unaudited) |
| | (in thousands, except for per share amounts) | | | | |
| Weighted average shares used to compute net income (loss) per share: | | | | | |
| Basic | 162,058 | 163,296 | 163,536 | 160,619 | 158,468 |
| Diluted | 165,540 | 165,792 | 166,174 | 162,526 | 159,445 |
| Cash dividend per share | $ 0.57 | $ 0.53 | $ 0.27 | $ 0.22 | $ 0.85 |
| Net cash provided by operating activities | $ 278,728 | $ 183,111 | $ 178,632 | $ 205,421 | $ 122,389 |
| Net cash used in investing activities | $ (98,964) | $ (60,690) | $ (48,289) | $ (46,803) | $ (57,723) |

| | March 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 [(3)] | 2014[(3)] | 2013[(3)] |
| **Consolidated balance sheet data** | | | | | |
| Cash and cash equivalents | $ 547,533 | $ 519,195 | $ 533,380 | $ 467,518 | $ 331,498 |
| Total assets | $ 1,498,677 | $ 1,324,147 | $ 1,426,680 | $ 1,451,390 | $ 1,382,333 |
| Total shareholders' equity | $ 856,111 | $ 759,948 | $ 758,134 | $ 804,128 | $ 721,953 |

(1) Restructuring charges and credits incurred during fiscal years 2017 and 2016 were related to the restructuring plan we implemented in fiscal year 2016. Restructuring charges and credits incurred during fiscal years 2015, 2014 and 2013 were related to the restructuring plan we implemented in fiscal year 2013.

(2) On December 28, 2015, we divested our Lifesize video conferencing business and, as a result, we have reflected the Lifesize video conferencing business as discontinued operations in our consolidated statements of operations and, as such, the results of that business have been excluded from all line items of statements of operations other than “Loss from discontinued operations, net of income taxes” for all periods noted. Historical cash flows from discontinued operations were not material and are included in the cash flow data above.

(3) The above condensed consolidated cash and cash equivalents exclude Lifesize video conferencing business which is presented as discontinued operations. See Note 4, "Discontinued Operations" to our consolidated financial statements for additional information.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. As a global concern, we face exposure to adverse movements in currency exchange rates and interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results.

### *Currency Exchange Rates*

We report our results in U.S. Dollars. Changes in currency exchange rates compared to the U.S. Dollar can have a material impact on our results when the financial statements of our non-U.S. subsidiaries are translated into U.S. Dollars. The functional currency of our operations is primarily the U.S. Dollar. Certain operations use the Swiss Franc, or the local currency of the country as their functional currencies. Accordingly, unrealized currency gains or losses resulting from the translation of net assets or liabilities denominated in other currencies to the U.S. Dollar are accumulated in the cumulative translation adjustment component of other comprehensive income (loss) in shareholders' equity.

We are exposed to currency exchange rate risk as we transact business in multiple currencies, including exposure related to anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. Dollar. We transact business in over 30 currencies worldwide, of which the most significant to operations are the Euro, Chinese Renminbi, Australian Dollar, Taiwanese Dollar, British Pound, Canadian Dollar, Japanese Yen and Mexican Peso. For the year ended March 31, 2017, approximately 50% of our net sales were in non-U.S. denominated currencies, with 28% of our net sales denominated in Euro. The mix of our cost of goods sold and operating expenses by currency are significantly different from the mix of our sales, with a larger portion denominated in U.S. Dollar and less denominated in Euro and other currencies. A strengthening U.S. Dollar has a more unfavorable impact on our sales than the favorable impact on our operating expenses, resulting in an adverse impact on our operating results. If the U.S. Dollar remains at its current strong levels in comparison to other currencies, this will affect our results of operations in future periods as well. The table below provides information about our underlying transactions that are sensitive to currency exchange rate changes, primarily assets and liabilities denominated in currencies other than the base currency, where the net exposure is greater than $0.5 million as of March 31, 2017. The table also presents the U.S. Dollar impact on earnings of a 10% appreciation and a 10% depreciation of the base currency as compared with the transaction currency (in thousands):

| Currency | | Net Exposed Long (Short) Currency | Currency Exchange Gain (Loss) from 10% Change in Base Currency | |
|---|---|---|---|---|
| | | March 31, 2017 | | |
| Base Currency | Transaction Currency | Position | Appreciation | Depreciation |
| U.S. Dollar | Canadian Dollar | $ 11,089 | $ (1,008) | $ 1,232 |
| U.S. Dollar | Mexican Peso | 10,002 | (909) | 1,111 |
| U.S. Dollar | Australian Dollar | 9,019 | (820) | 1,002 |
| U.S. Dollar | Japanese Yen | 4,828 | (439) | 536 |
| U.S. Dollar | Brazilian Real | 854 | (78) | 95 |
| U.S. Dollar | Russian Ruble | 581 | (53) | 65 |
| U.S. Dollar | Korean Wan | (931) | 85 | (103) |
| U.S. Dollar | Swiss Franc | (3,233) | 294 | (359) |
| U.S. Dollar | Singapore Dollar | (9,365) | 851 | (1,041) |
| U.S. Dollar | Chinese Renminbi | (12,469) | 1,134 | (1,385) |
| U.S. Dollar | Taiwanese Dollar | (16,938) | 1,540 | (1,882) |
| Swiss Franc | British Pound | (934) | 85 | (104) |
| Euro | Turkish Lira | 2,403 | (218) | 267 |
| Euro | Ukraninian Hryvnia | 971 | (88) | 108 |
| Euro | Croatian Kuna | 956 | (87) | 106 |
| Euro | Russian Ruble | (521) | 47 | (58) |
| Euro | Arab Emirates Dirham | (524) | 48 | (58) |
| Euro | Polish Zloty | (982) | 89 | (109) |
| Euro | Swedish Krona | (2,189) | 199 | (243) |
| Euro | British Pound | (5,795) | 527 | (644) |
| | | $ (13,178) | $ 1,199 | $ (1,464) |

Long currency positions represent net assets being held in the transaction currency while short currency positions represent net liabilities being held in the transaction currency.

Our principal manufacturing operations are located in China, with much of our component and raw material costs transacted in Chinese Renminbi (CNY). As of March 31, 2017, net liabilities held in CNY totaled $12.5 million.

***Derivatives***

We enter into cash flow hedge contracts to protect against exchange rate exposure of forecasted inventory purchases. These hedging contracts mature within four months. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Cash flows from such hedges are classified as operating activities in the consolidated statements of cash flows. As of March 31, 2017 and 2016, the notional amounts of foreign exchange forward contracts outstanding related to forecasted inventory purchases were $59.4 million and $39.8 million, respectively. Deferred realized loss of $0.1 million is recorded in accumulated other comprehensive loss as of March 31, 2017, and is expected to be reclassified to cost of goods sold when the related inventory is sold. Deferred unrealized loss of $0.4 million related to open cash flow hedges is also recorded in accumulated other comprehensive loss as of March 31, 2017 and these forward contracts will be revalued in future periods until the related inventory is sold, at which time the resulting gains or losses will be reclassified to cost of goods sold.

We also enter into foreign exchange forward and swap contracts to reduce the short-term effects of currency fluctuations on certain receivables or payables denominated in currencies other than the functional currencies of our subsidiaries. These forward contracts generally mature within one month. The primary risk managed by using forward and swap contracts is the currency exchange rate risk. The gains or losses on these foreign exchange contracts are recognized in earnings based on the changes in fair value. Cash flows from these contracts are classified as operating activities in the consolidated statements of cash flows. The notional amounts of these contracts outstanding as of March 31, 2017 and 2016 were $56.7 million and $63.7 million, respectively. Open forward and swap contracts as of March 31, 2017 and 2016 consisted of contracts in Taiwanese Dollars, Australian Dollars, Mexican Pesos, Japanese Yen, Canadian Dollars and British Pounds at future dates at pre-determined exchange rates.

**LOGITECH INTERNATIONAL S.A.**

**SUPPLEMENTARY DATA**

**QUARTERLY FINANCIAL DATA**

**(unaudited)**

The following table contains selected unaudited quarterly financial data for fiscal years 2017 and 2016 (in thousands, except per share amounts):

| | Year ended March 31, 2017 (1) (2) | | | | Year ended March 31, 2016 (1) (3) | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 (4) | Q1 | Q2 | Q3 | Q4 |
| Net sales | $ 479,864 | $ 564,304 | $ 666,707 | $ 510,552 | $ 447,686 | $ 518,494 | $ 621,079 | $ 430,841 |
| Cost of goods sold | 309,625 | 356,268 | 418,015 | 311,303 | 289,753 | 345,977 | 412,582 | 288,741 |
| Amortization of intangible assets and purchase accounting effect on inventory | 1,613 | 1,163 | 1,929 | 1,470 | — | — | — | — |
| Gross profit | 168,626 | 206,873 | 246,763 | 197,779 | 157,933 | 172,517 | 208,497 | 142,100 |
| Operating expenses: | | | | | | | | |
| Marketing and selling | 83,872 | 93,792 | 102,036 | 99,941 | 75,796 | 78,833 | 87,295 | 77,091 |
| Research and development | 31,951 | 32,632 | 32,284 | 33,658 | 28,002 | 28,725 | 29,161 | 27,287 |
| General and administrative | 25,740 | 25,216 | 24,631 | 24,683 | 28,812 | 25,074 | 24,080 | 23,046 |
| Amortization of intangible assets and acquisition-related costs | 1,293 | 1,748 | 1,494 | 1,279 | 168 | 168 | 112 | 537 |
| Change in fair value of contingent consideration for business acquisition | — | — | (9,925) | 1,833 | — | — | — | — |
| Restructuring charges (credits), net | (85) | 74 | (33) | 67 | 11,538 | 3,146 | (666) | 3,784 |
| Total operating expenses | 142,771 | 153,462 | 150,487 | 161,461 | 144,316 | 135,946 | 139,982 | 131,745 |
| Operating income | 25,855 | 53,411 | 96,276 | 36,318 | 13,617 | 36,571 | 68,515 | 10,355 |
| Interest income (expense), net | 151 | (90) | 202 | 1,189 | 255 | 189 | 105 | 241 |
| Other income (expense), net | (1,008) | (683) | 2,634 | 734 | (1,019) | (737) | 862 | 2,518 |
| Income before income taxes | 24,998 | 52,638 | 99,112 | 38,241 | 12,853 | 36,023 | 69,482 | 13,114 |
| Provision for (benefit from) income taxes | 3,057 | 5,593 | 1,647 | (1,184) | (7) | 5,571 | 1,442 | (3,896) |
| Net Income from continuing operations | 21,941 | 47,045 | 97,465 | 39,425 | 12,860 | 30,452 | 68,040 | 17,010 |
| Income (loss) from discontinued operations, net of income taxes | — | — | — | — | (5,423) | (12,355) | (2,954) | 11,687 |
| Net income | $ 21,941 | $ 47,045 | $ 97,465 | $ 39,425 | $ 7,437 | $ 18,097 | $ 65,086 | $ 28,697 |
| Net income (loss) per share - Basic: | | | | | | | | |
| Continuing operations | $ 0.14 | $ 0.29 | $ 0.60 | $ 0.24 | $ 0.08 | $ 0.19 | $ 0.42 | $ 0.10 |
| Discontinued operations | $ — | $ — | $ — | $ — | $ (0.03) | $ (0.08) | $ (0.02) | $ 0.08 |
| Net income per share - basic | $ 0.14 | $ 0.29 | $ 0.60 | $ 0.24 | $ 0.05 | $ 0.11 | $ 0.40 | $ 0.18 |
| Net income (loss) per share - Diluted: | | | | | | | | |
| Continuing operations | $ 0.13 | $ 0.28 | $ 0.59 | $ 0.24 | $ 0.08 | $ 0.18 | $ 0.41 | $ 0.10 |
| Discontinued operations | $ — | $ — | $ — | $ — | $ (0.04) | $ (0.07) | $ (0.02) | $ 0.07 |
| Net income per share - diluted | $ 0.13 | $ 0.28 | $ 0.59 | $ 0.24 | $ 0.04 | $ 0.11 | $ 0.39 | $ 0.17 |
| Shares used to compute net income (loss) per share: | | | | | | | | |
| Basic | 162,130 | 162,222 | 161,977 | 162,023 | 164,431 | 163,515 | 162,669 | 162,671 |
| Diluted | 164,303 | 165,549 | 165,901 | 166,526 | 166,895 | 165,841 | 165,168 | 165,365 |

(1) The restructuring charges and credits during fiscal years 2017 and 2016 were related to restructuring plan the Company implemented in fiscal year 2016.

(2) Financial results of all the periods in fiscal year 2017 included impact from businesses acquired during the year. Refer to Note 3 to the consolidated financial statements.

(3) On December 28, 2015, the Company divested its Lifesize video conferencing business and, as a result, the Company reflected the Lifesize video conferencing business as discontinued operations in the consolidated statements of operations and, as such, the results of that business have been excluded from all line items other than “income (loss) from discontinued operations, net of income taxes” for all the quarters of fiscal year 2016.

(4) The Company recorded an increase of net sales of $14.4 million primarily due to a change in estimated breakage attributable to customer incentive, cooperative marketing and pricing program accruals in EMEA during the fourth quarter of fiscal year 2017, compared with the preliminary results furnished to the SEC in the Current Report on Form 8-K on April 26, 2017.

# REPORT ON CORPORATE GOVERNANCE 2017

# REPORT ON CORPORATE GOVERNANCE

Logitech believes that sound corporate governance practices are essential to an open and responsible corporation. Our corporate governance practices reflect a continuing commitment to corporate accountability, sound judgment, and transparency to shareholders.

As a company whose securities are listed on both the SIX Swiss Exchange and the Nasdaq Global Select Market, our commitment to sound corporate governance principles is guided by the legal and regulatory requirements of both Switzerland and the United States. In addition, Logitech's internal guidelines regarding corporate governance are provided in our Articles of Incorporation, Organizational Regulations (Bylaws), and Board Committee Charters.

This Report has been designed to comply with the Corporate Governance Directive of the SIX Swiss Exchange. Portions of the Report are also incorporated by reference from elsewhere in our Invitation, Proxy Statement and Annual Report for the 2017 Annual General Meeting, of which this Report is a part.

## 1. Group Structure and Shareholders

### *1.1 Operational Group Structure*

Logitech is a world leader in designing, manufacturing and marketing products that have an everyday place in people's lives, connecting them to the digital experiences they care about. More than 35 years ago Logitech created products to improve experiences around the personal computer, or PC, platform, and now it is designing products that enable better experiences consuming, sharing and creating any digital content (e.g., music, gaming, video), whether it is on a computer, mobile device or in the cloud. Logitech's brands include Logitech, Jaybird, Logitech G and Ultimate Ears.

Logitech was founded in Switzerland in 1981, and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland, which conducts its business through subsidiaries in the Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Taiwan, Japan and Australia). Shares of Logitech International S.A. are listed on both the SIX Swiss Exchange (Ticker: LOGN; security number: 257513) and the Nasdaq Global Select Market (Ticker: LOGI, CUSIP H50430232). The International Securities Identification Number (ISIN) of our shares is CH0025751329. As of March 31, 2017, our market capitalization, based on outstanding shares of 162,379,677, net of treasury shares, amounted to approximately $5.2 billion (CHF 5.2 billion). Refer to section 1.2 below for information on Logitech International S.A.'s holdings in its shares as of March 31, 2017.

References in this Report on Corporate Governance to the "Company" refers to Logitech International S.A. References to "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Logitech International S.A. directly or indirectly owns 100% of all the companies in the Logitech group, through which it carries on its business and operations. Principal operating subsidiaries include: Logitech Inc., Logitech Europe S.A., and Logitech Technology (Suzhou) Co., Ltd. For a list of Logitech subsidiaries, refer to the table in Note 4 of our Swiss Statutory Financial Statements on pages 114 and 115. None of Logitech International S.A.'s subsidiaries have securities listed on a stock exchange as of March 31, 2017.

Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Overview of our Company" in our Annual Report for further information on Logitech's operational group structure.

### *1.2 Significant Shareholders*

**Greater than 3% Shareholders as of March 31, 2017**

Under Swiss law any person who owns or has the discretionary authority to exercise voting rights exceeding certain percentage thresholds of a company incorporated in Switzerland whose equity securities are listed on a stock exchange in Switzerland is required to notify the company and the relevant Swiss exchange of such holdings. Following receipt of this notification, the company is required to inform the public. With respect to Logitech, the notices received by the Company pursuant to these rules can be accessed on an internet platform operated by the SIX Swiss Exchange at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

To the knowledge of the Company, the beneficial owners holding more than 3% of the voting rights of the Company as of March 31, 2017, other than the Company itself, were as follows:

| Name | Shares(1) | Voting Rights(2) | Publication Date(3) |
|---|---|---|---|
| Black Rock, Inc. | 7,957.668 | 4.6% | March 1, 2017 |
| Daniel Borel | 7,774,934(4) | 4.5% | March 31, 2017(5) |
| Credit Suisse AG(6) | 6,929,971 | 4.0% | February 16, 2016 |
| Marathon Asset Management LLP | 6,776,585 | 3.9% | March 16, 2017 |
| UBS Fund Management (Switzerland) AG | 5,239,853 | 3.0% | October 7, 2014 |
| JPMorgan Chase & Co. | 5,191,109 | 3.0% | February 16, 2016 |

(1) In accordance with Swiss law, the number of shares set forth includes (i) shares beneficially owned or deemed to be beneficially owned by the relevant shareholder, (ii) shares borrowed from third parties, held in connection with a repurchase agreement or as a collateral, and (iii) shares held for the account of third parties with a discretionary authority to exercise voting rights. The table does not include positions in derivatives. Positions in derivatives can be accessed on the internet platform operated by the SIX Swiss Exchange at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

(2) Shareholdings are calculated based on the aggregate number of voting rights entered into the Swiss commercial register. This aggregate number was 173,106,620 voting rights as of March 31, 2017.

(3) Except with respect to Mr. Borel (see note (4) below) and Credit Suisse AG (see note (6) below), date upon which the notice submitted by the relevant shareholder was published on the internet platform operated by the SIX Swiss Exchange.

(4) The number of shares held includes (a) 53,000 shares held by a charitable foundation, of which Mr. Borel and other members of his family are board members, and (b) 6,500 shares held by Mr. Borel's spouse. Mr. Borel has not entered into any written shareholders' agreements.

(5) Position as of the end of Logitech's fiscal year, to the knowledge of the Company.

(6) The number of shares held by Credit Suisse AG through its indirect subsidiaries is based on a Schedule 13G filed with the U.S. Securities and Exchange Commission on February 16, 2016.

Information on the share ownership of the Company by directors, executive officers and large shareholders as of June 30, 2017, as required by Swiss law, based on the number of the Company's shares outstanding (which is equal to the shares issued less the shares held in the Company's treasury), is set forth in the Company's Invitation, Proxy Statement and Annual Report for the 2017 Annual General Meeting, available at http://ir.logitech.com, under the heading "Security Ownership of Certain Beneficial Owners and Management as of June 30, 2017". Information of the own shares held by the Company in treasury is set forth in Section 2.3 below.

### *1.3 Cross-shareholdings*

Logitech has no shareholdings in companies that to its knowledge have shareholdings in Logitech.

## 2. Capital Structure

### *2.1 Share Capital*

As of March 31, 2017, Logitech International S.A.'s nominal share capital was CHF 43,276,655, consisting of 173,106,620 shares with a par value of CHF 0.25 each.

Nominal conditional share capital designated to cover the potential issuance of shares under employee equity incentive plans amounts to CHF 6,250,000, consisting of 25,000,000 shares. In addition, nominal conditional share capital designated to cover conversion rights that may be granted in connection with a future issuance of debt obligations convertible into Logitech shares amounts to CHF 6,250,000, consisting of 25,000,000 shares. Refer to section 2.2 for more information on the Company's authorized and conditional capital.

***2.2 Details on the Company's Authorized and Conditional Share Capital***

***Authorized share capital.*** Under Swiss corporate law the total nominal par value of the shares authorized by shareholders for future issuance, other than to cover derivative securities, is referred to as authorized share capital. As of March 31, 2017, Logitech has no authorized share capital.

***Conditional share capital.*** Under Swiss corporate law the total nominal par value of the shares authorized by shareholders for future issuance on the conversion or exercise of derivative securities issued by a company is referred to as conditional share capital. Under Swiss law a company must have sufficient conditional capital or available treasury shares to cover any conversion rights under derivative securities at the time the derivative securities are issued.

Pursuant to Article 25 of the Company's Articles of Incorporation, the share capital of the Company may be increased by CHF 6,250,000 through the issuance of up to 25,000,000 shares with a par value of CHF 0.25 each (representing 14.4% of the Company's share capital as of March 31, 2017). The purpose of this conditional share capital is to cover option or other equity rights granted or that may be granted to employees, officers and directors of Logitech under its employee equity incentive plans. The conditional share capital increase does not have an expiration date. The shareholders do not have pre-emptive rights to subscribe to the newly issued shares issued out of conditional share capital. For more information on Logitech's employee equity incentive plans please refer to Note 6 - Employee Benefit Plans - to our Consolidated Financial Statements included in our Annual Report.

Although the Company has been authorized by its shareholders to use conditional capital to meet its obligations to deliver shares as a result of employee purchases or exercises under its employee equity incentive plans, the Company has for some years used shares held in treasury to fulfill its obligations under the plans.

In addition, pursuant to Article 26 of the Company's Articles of Incorporation, the share capital of the Company may also be increased by CHF 6,250,000 through the issuance of up to 25,000,000 shares with a par value of CHF 0.25 each. The purpose of this conditional share capital is to cover conversion rights that may be granted in connection with a future issuance of bonds convertible into Logitech shares. The conditional share capital increase does not have an expiration date. The shareholders do not have preemptive rights to subscribe to the newly issued shares issuable on conversion of the bonds.

The Board of Directors may limit or withdraw the shareholders' right to subscribe for the bonds by preference for valid reasons, in particular (a) if the bonds are issued in connection with the financing or refinancing of the acquisition of one or more companies, businesses or parts of businesses, or (b) to facilitate the placement of the bonds on the international markets or to increase the security holder base of the Company. If the shareholders' right to subscribe for the bonds by preference is limited or withdrawn, the bonds must be issued at market conditions, the exercise period of the conversion rights must not exceed 7 years from the date of issuance of the bonds, and the conversion price must be set at a level that is not lower than the market price of the shares preceding the determination of the final conditions for the bonds.

### *2.3 Changes in Shareholders' Equity*

As of March 31, 2017, 2016 and 2015, balances in shareholders' equity of Logitech International S.A., based on the parent company's Swiss Statutory Financial Statements, were as follows (in thousands):

| | As of March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| Share capital | CHF | 43,277 | CHF | 43,277 | CHF | 43,277 |
| Legal capital reserves: | | | | | | |
| - Reserve for capital contributions | | 1,265 | | 1,265 | | 1,265 |
| Legal retained earnings reserves | | | | | | |
| - General retained earnings reserves | | 9,580 | | 9,580 | | 9,580 |
| | | 10,845 | | 10,845 | | 10,845 |
| Available Retained earnings | | 740,727 | | 653,367 | | 524,800 |
| Treasury shares | | (166,391) | | (114,351) | | (75,299) |
| Total shareholders' equity | CHF | 628,458 | CHF | 593,138 | CHF | 503,623 |

The following table shows authorized and conditional share capital as of the last three fiscal year ends (in thousands):

| | As of March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| Authorized share capital | CHF | — | CHF | 0 | CHF | — |
| First conditional share capital | CHF | 6,250 | CHF | 6,250 | CHF | 6,250 |
| Second conditional share capital | CHF | 6,250 | CHF | 6,250 | CHF | 6,250 |

For information on Logitech's shareholders' equity as of March 31, 2017 and 2016, refer to the Swiss Statutory Balance Sheets on page 110 of our Annual Report.

A summary of the approved share buyback program during fiscal years 2017, 2016 and 2015 is shown in the following table (in thousands, excluding transaction costs).

| | Approved | | Repurchased | |
|---|---|---|---|---|
| Share Buyback Program | Shares | Amounts | Shares | Amounts |
| March 2014 | 17,311 | $250,000 | 9,093 | $155,358 |

#### *Share Repurchases*

In March 2014, the Company's Board of Directors approved the 2014 share buyback program, which authorizes the Company to use up to $250.0 million to purchase its own shares. The Company's 2014 share buyback program expired in April 2017.

During fiscal year 2017, approximately 4.0 million shares were repurchased for approximately $83.8 million. During fiscal year 2016, approximately 5.0 million shares were repurchased for approximately $70.4 million. During fiscal year 2015, approximately 0.1 million shares were repurchased for approximately $1.7 million.

In March 2017, the Company's Board of Directors approved the 2017 share buyback program, which authorizes the Company to use up to $250.0 million to purchase its own shares following the expiration date of 2014 share buyback program. The Company's 2017 share buyback program is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors.

For further information on Logitech's share repurchases please refer to "Additional Financial Disclosures - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in our Annual Report.

### 2.4 Share Categories

***Registered Shares.*** Logitech International S.A. has only one category of shares - registered shares with a par value of CHF 0.25 per share. Each of the 173,106,620 issued shares carries the same rights. There are no preferential rights. However, a shareholder must be entered in the share register of the Company to exercise voting rights and the rights deriving therefrom (such as the right to convene a general meeting of shareholders or the right to put an item on the meeting's agenda). Refer to section 6 for an outline of participation rights of the Company's shareholders.

Each share entitles its owner to dividends declared, even if the owner is not registered in the share register of the Company. Under Swiss law, a company pays dividends upon approval by its shareholders. This request for shareholder approval typically follows the recommendation of the Board. Until 2013, other than a one-time distribution to shareholders of additional paid-in capital out of its capital contribution reserves in fiscal year 2012, Logitech had not paid dividends since 1996, using retained earnings to invest in the growth of the Company and, in more recent years, to repurchase the Company's shares. In 2013, the Board proposed that, beginning with fiscal year 2013 and subject to approval by the Company's shareholders and statutory auditors each year, Logitech distribute a recurring annual gross dividend. In 2013, Logitech distributed a gross dividend of CHF 0.21 per share. In 2014, the Board distributed a gross dividend of CHF 0.2625 per share. In September 2015, the Board distributed a gross dividend of approximately CHF 0.51 per share. In September 2016, the Board distributed a gross dividend of approximately CHF 0.56 per share. On May 25, 2017, the Board approved, subject to approval by the Company's shareholders and other Swiss statutory requirements, a gross dividend of approximately CHF 0.6160 per share (based on an approved gross aggregate dividend of CHF 100,025,881 and the shares outstanding, net of treasury shares, as of March 31, 2017 - see "Proposal 3 - Appropriation of Retained Earnings and Declaration of Dividend" in our Proxy Statement.

Unless this right is restricted in compliance with Swiss law and the Company's Articles of Incorporation, shareholders have the pre-emptive right to subscribe for newly issued shares. Refer to section 2.2 for a description of the provisions of the Company's Articles of Incorporation relating to the restriction of the shareholders' pre-emptive subscription rights.

### 2.5 Non-Voting Shares and Bonus Certificates

The Company has not issued non-voting shares ("bons de participation," "Partizipationsscheine"). The Company has not issued certificates or equity securities that provide financial rights in consideration for services rendered or claims waived (referred to as "bonus certificates," "bons de jouissance," or "Genussscheine").

### 2.6 Limitations on Transferability and Nominee Registration

The Company and its agent, Computershare, as U.S. transfer agent, maintain a share register that lists the names of the registered owners of the Company's shares. Registration in the share register occurs upon request and is not subject to any conditions. Nominee companies and trustees can be entered into the share register with voting rights. There are no restrictions on transfers of shares under the Company's Articles of Incorporation or Swiss law. However, only holders of shares that are recorded in the share register are recognized as shareholders, and a transfer of shares reflected in the share register is recognized by the Company only to the extent we are notified of the transfer.

Refer to section 6.1 for the conditions for exercise of shareholders' voting rights.

### 2.7 Conversion and Option Rights

Logitech does not have any outstanding bonds or other securities with conversion rights and has not issued warrants on its shares.

Logitech has issued stock options, including performance-based stock options and premium-priced stock options, and restricted stock units, including performance-based restricted stock units, to its employees and directors. Please refer to our Invitation and Proxy Statement for the 2017 Annual General Meeting, under the heading "Equity Compensation Plan Information" at pages 86 to 87, for details on option rights and restricted stock units issued under our employee equity incentive plans, as well as other information regarding those plans, and to Note 6 - Employee Benefit Plans - included in our Consolidated Financial Statements.

## 3. The Board of Directors

### 3.1 and 3.2 Members of the Board of Directors and their Activities Outside of the Logitech Group

For the current members of our Board of Directors, further information regarding the Board of Directors and their material activities outside of the Logitech group, please see our Invitation and Proxy Statement for the 2017 Annual General Meeting, under the heading "Corporate Governance and Board of Directors Matters" at pages 30 to 46.

### *3.3 Permitted Activities*

Pursuant to Article 17 bis of the Company's Articles of Incorporation, each member of our Board of Directors may assume up to ten mandates in supreme management or supervisory bodies of legal entities outside the Logitech group, of which no more than four may be in listed companies. In addition, each member of our Board of Directors may assume up to ten non-remunerated mandates in the governing bodies of charitable or similar organizations.

The following mandates are not subject to these limitations:

a) mandates in companies controlled by the Company or that control the Company;
b) mandates that a member of our Board of Directors assumes at the request of the Company or of a company controlled by it; and
c) mandates in companies that are not required to be registered in the commercial registry in Switzerland or in an equivalent registry outside of Switzerland.

Mandates for legal entities under common control or at the request of such legal entities are counted as a single mandate for purposes of determining permitted activities.

Each member of our Board of Directors is currently in compliance with the above-mentioned requirements.

### *3.4 Elections and terms of office*

For information regarding the time of first election and term of office of each member of our Board of Directors, please see our Invitation and Proxy Statement for the 2017 Annual General Meeting, under the heading "Corporate Governance and Board of Directors Matters" at pages 30 to 46.

Pursuant to Article 14 of the Company's Articles of Incorporation, the members of the Board of Directors shall be elected individually by the General Meeting for a term of office expiring after completion of the subsequent Annual General Meeting. Each member of our Board of Director shall be indefinitely re-eligible.

The Company's Articles of Incorporation do not differ from the statutory legal provisions with regard to the appointment of the chairman, the members of the compensation committee and the independent proxy.

### *3.5 Organization*

For information regarding the organization of the Board of Directors and its committees, please see our Invitation and Proxy Statement for the 2017 Annual General Meeting, under the heading "Corporate Governance and Board of Directors Matters" at pages 30 to 46.

### *3.6 Definition of areas of responsibility*

Information regarding the powers and duties of the Board of Directors, the Company's Chairman, the Company's Chief Executive Officer and the Company's Lead Independent Director are set forth in our Invitation and Proxy Statement for the 2017 Annual General Meeting, under the heading "Corporate Governance and Board of Directors Matters" at pages 30 to 46. These powers and duties are further detailed in the Company's Organizational Regulations, which can be accessed on the Company's website at http://ir.logitech.com/corporate-governance/governance-documents/default.aspx.

### *3.7 Information and control instruments*

The means by which the Board of Directors supervises the Company's executive officers are described in our Invitation and Proxy Statement for the 2017 Annual General Meeting, under the heading "Corporate Governance and Board of Directors Matters" at pages 30 to 46.

## 4. Group Management Team

### *4.1 Members of the Group Management Team*

The members of our Group Management Team are set forth below:

**Bracken Darrell**
54 Years Old
President and
Chief Executive Officer
U.S. national

*Bracken Darrell* joined Logitech as President in April 2012 and became Chief Executive Officer in January 2013. Prior to joining Logitech, Mr. Darrell served as President of Whirlpool EMEA and Executive Vice President of Whirlpool Corporation, a home appliance manufacturer and marketing company, from January 2009 to March 2012. Previously, Mr. Darrell had been Senior Vice President, Operations of Whirlpool EMEA from May 2008 to January 2009. From 2002 to May 2008, Mr. Darrell was with The Procter & Gamble Company ("P&G"), a consumer brand company, most recently as the President of its Braun GmbH subsidiary. Prior to rejoining P&G in 2002, Mr. Darrell served in various executive and managerial positions with General Electric Company from 1997 to 2002, with P&G from 1991 to 1997, and with PepsiCo Inc. from 1987 to 1989. Mr. Darrell holds a BA degree from Hendrix College and an MBA from Harvard University.

**Vincent Pilette**
45 Years Old
Chief Financial Officer
Belgian national

*Vincent Pilette* joined Logitech in September 2013 as Chief Financial Officer. Prior to joining Logitech, Mr. Pilette served as Chief Financial Officer of Electronics for Imaging, Inc., a digital printing innovation and solutions company, from January 2011 through August 2013. From January 2009 through December 2010, he served as Vice President of Finance for the Enterprise Server, Storage and Networking Group at Hewlett-Packard Company ("HP"). Prior to this role, Mr. Pilette served as Vice President of Finance for the HP Software Group from December 2005 through December 2008. Mr. Pilette held various other finance positions at HP, in the U.S. and Europe, Middle East and Africa, since joining HP in 1997. Mr. Pilette holds an MS in Engineering and Business from Université Catholique de Louvain in Belgium and an MBA from Kellogg School of Management at Northwestern University.

**Marcel Stolk**
50 Years Old
Executive Chairman,
Logitech Europe, S.A. and
Sr. Vice President,
Creativity & Productivity
Business Group
Dutch national

*Marcel Stolk* joined Logitech in March 2011 as Vice President, Sales and Marketing EMEA and Executive Managing Director EMEA, and was appointed Senior Vice President, Consumer Computing Platforms (currently Creativity & Productivity) Business Group in January 2013 and Executive Chairman of Logitech Europe S.A. in January 2017. Previously, Mr. Stolk was the Senior Vice President, Worldwide Sales and Marketing at Logitech, from March 2001 to October 2005, and held a number of positions within the sales and marketing functions at Logitech from 1991 to 2001. Prior to rejoining Logitech in 2011, he was the Chief Executive Officer of SourceTag BV, a software company for unique tagging of cloud based data, from September 2010 to March 2011. Mr. Stolk has also been the founder and Chief Executive Officer of Adoria Investments BV, a private equity company, from October 2005 to July 2010, and he remains the sole owner. Before joining Logitech in 1991, Mr. Stolk held various sales and product marketing positions at Aashima Technology BV, a provider of PC components and accessories, in the Netherlands. Mr. Stolk studied at Utrecht in the Netherlands and has participated in university-level executive courses, including an executive training course at Stanford University.

**L. Joseph Sullivan**
64 Years Old
Senior Vice President,
Worldwide Operations
U.S. national

*L. Joseph Sullivan* joined Logitech in October 2005 as Vice President, Operations Strategy, and was appointed Senior Vice President, Worldwide Operations in April 2006. Prior to joining Logitech, Mr. Sullivan was Vice President of Operational Excellence and Quality for Carrier Corporation, a subsidiary of United Technologies, from 2001 to 2005. Previously, he was with ACCO Brands, Inc. in engineering and manufacturing management roles from 1998 to 2001. Mr. Sullivan holds a BS degree in Marketing Management and an MBA degree in Operations Management from Suffolk University in Massachusetts.

### *4.2 Involvements outside Logitech of the Members of the Group Management Team*

No member of Logitech's Group Management Team currently has material supervisory, management, or advisory functions outside Logitech or holds any official functions or political posts.

### *4.3 Permitted Activities*

Pursuant to Article 18 ter of the Company's Articles of Incorporation, each member of our Group Management Team may assume up to five mandates in supreme management or supervisory bodies of legal entities outside the Logitech group, of which no more than two may be in listed companies. In addition, each member of our Group Management Team may assume up to ten non-remunerated mandates in the governing bodies of charitable or similar organizations.

The following mandates are not subject to these limitations:

a) mandates in companies controlled by the Company or that control the Company;
b) mandates that a member of our Group Management Team assumes at the request of the Company or of a company controlled by it; and
c) mandates in companies that are not required to be registered in the commercial registry in Switzerland or in an equivalent registry outside of Switzerland.

Mandates for legal entities under common control are counted as a single mandate for purposes of determining permitted activities.

Each member of our Group Management Team is currently in compliance with the above-mentioned requirements.

### *4.4 Management Contracts*

Logitech has not entered into any contractual relationships regarding the management of the Company or its subsidiaries.

## 5. Compensation, Shareholdings and Loans

### *5.1 Compensation Principles*

Please refer to Logitech's Compensation Report on pages 53 to 85 of our Invitation and Proxy Statement for the 2017 Annual General Meeting for information on Logitech's compensation of its Board members and executive officers, and regarding how and why we make compensation decisions.

In addition, for information required to be disclosed under Swiss law regarding compensation during fiscal year 2017 of the individual members of the Board and of the members of the Group Management Team, in aggregate, and regarding the security ownership of members of the Board of Directors and of members of the Group Management Team as of March 31, 2017, among other disclosures, please refer to the Remuneration Report and Note 10 - Share Ownership of Board Members and Group Management Team - in the Company's Statutory Financial Statements included in our Annual Report.

### *5.2 Rules in the Company's Articles of Incorporation*

Pursuant to Article 19 bis of the Company's Articles of Incorporation, compensation of non-executive members of our Board of Directors consists of cash payments and shares or share equivalents corresponding to a fixed amount and reflecting the functions and responsibilities assumed.

Pursuant to Article 19 bis and ter of the Company's Articles of Incorporation, compensation of members of our Board of Directors who have delegated management responsibilities and of our Group Management Team consists principally of (i) base salary, (ii) performance-based cash compensation in the form of incentive cash payments, and (iii) equity incentive awards. Base salary rewards executives for their individual contribution to the Company and their expected day-to-day services. Performance-based cash compensation takes appropriate account of the achievement of the Company's, individual employees' or other performance goals. The target level of the performance-based cash compensation elements is determined as a percentage of the base salary. Performance-based cash compensation may amount up to a pre-determined multiplier of the target level. Its amount may also reflect an overall assessment of the executive's performance or the Company's objectives. Equity incentive awards provide a direct incentive for future performances and align the interest of the executives with those of the Company's shareholders. Equity incentive awards are governed by performance metrics that take into account strategic or other objectives of the Company or by reference to the duration of the executive's service to the Company or companies controlled by it. The performance metrics and target levels applicable to performance-based cash compensation and equity incentive awards, as well as their achievement, are determined by our Compensation Committee.

Compensation to executives may also be paid or granted in the form of financial instruments or similar units and executives may participate in share purchase plans established by the Company or companies controlled by it, under the terms of which eligible employees may allocate a portion of their compensation to the purchase of shares of the Company at a discount to market price.

Our Compensation Committee decides upon each grant as well as the applicable vesting, blocking, exercise and forfeiture conditions; it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of pre-determined events such as termination of employment or office or change of control. Compensation may be paid by the Company or companies controlled by it.

Pursuant to Article 19 quarter of the Company's Articles of Incorporation, upon proposal of the Board of Directors, the General Meeting approves the maximum aggregate amount of the compensation of (i) the Board of Directors, for the period up to the next Annual General Meeting, and (ii) the Group Management Team, for the next business year. The Board of Directors may submit to the General Meeting for approval proposals in respect of maximum aggregate amounts and/or individual compensation components for other time periods and/or propose the payment of additional amounts for special or extraordinary services of some or all of the members of the Board of Directors or of the Group Management Team. If the General Meeting rejects a proposal submitted by the Board of Directors, the Board of Directors will submit an alternative proposal to the same or a subsequent General Meeting. The Company or companies controlled by it may grant or pay compensation subject to subsequent ratification at a General Meeting and claw-back by the Company in case of rejection by the General Meeting.

Pursuant to Article 19 quinquies of the Company's Articles of Incorporation, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of one or more persons who become members of the Group Management Team during a compensation period for which the General Meeting has already approved the compensation of the Group Management Team (new hire), the Company or companies controlled by it are authorized to pay an additional amount with respect to the compensation period already approved. Such additional amount may not exceed: for the head of the Management Team (CEO), 140% of the total annual compensation of the former CEO; and for any new hire other than the CEO, 140% of the highest total annual compensation of any member of the Management Team other than the CEO.

Pursuant to Article 19 sexies of the Company's Articles of Incorporation, members of the Board of Directors and of the Group Management Team may not receive credits or loans from the Company or from a company controlled by it. Compensation paid to members of the Board of Directors or of the Group Management Team for activities in companies that are controlled by the Company is permitted, and this compensation will be included in the total compensation payable to the Board of Directors or to the Group Management Team, as applicable, which is subject to the approval of the General Meeting. Pension contributions and benefits will be made or provided in accordance with the regulations applicable to the pension schemes in which the Company or the companies controlled by it participate in Switzerland or abroad.

## 6. Shareholders' Participation Rights

### *6.1 Exercise and Limitations to Shareholders' Voting Rights*

Each registered share confers the right to one vote at a general meeting of shareholders. There are no limitations to the number of voting rights that a shareholder or group of shareholders is entitled to exercise, and there are no preferential voting rights. To exercise voting rights at a general meeting of shareholders, a shareholder must have registered their shares by the date set by the Board of Directors for the closing of the share register before each general meeting of shareholders. Refer to section 2.6 for more information on the registration process.

Any shareholder may be represented at a meeting by a person of its choice who need not be a shareholder of the Company. The power of attorney must be made in writing. The use of a form prepared by the Company may be required.

There are currently no limitations under Swiss law or in the Company's Articles of Incorporation restricting the rights of shareholders outside Switzerland to hold or vote Logitech shares.

The Company's Articles of Incorporation contain no rules on giving instructions to the independent proxy and no provisions on electronic participation in the general meeting.

### *6.2 Shareholders' Resolutions for which a Particular Majority is Required*

In general, the resolutions of the general meeting of shareholders are passed with a simple majority of the votes cast. However, a number of resolutions may only be passed with a majority of two-thirds of the votes represented, including the following:

- change in the Company's corporate purpose;
- creation of shares with privileged voting rights;
- restriction of the transferability of the shares;
- creation of authorized or conditional capital;
- capital increases to be paid-in by means of existing reserves, against contributions in kind, or conducted with a view to the acquisition of specific assets;
- grant of special benefits;
- suppression or limitation of the shareholders' preferential subscription right;
- change of the registered office of the Company; and
- liquidation of the Company.

### *6.3 Convocation of the General Meeting of Shareholders*

The Board of Directors generally convenes a general meeting of shareholders. The convocation notice is made in writing and under Swiss law must be sent to each registered shareholder at the address recorded in the share register at least 20 days prior to the meeting.

Under our Articles of Incorporation one or more shareholders who represent together at least 10% of the share capital of the Company may demand that the Board of Directors convene a meeting. Such demands must be made in writing and received by the Board of Directors at least 60 days before the date of the proposed meeting.

The Company has received an exemption from compliance with a Nasdaq listing standard that requires that the quorum for shareholder meetings be at least 331/3% of the outstanding voting shares. Under Swiss law, public companies do not have specific quorum requirements for shareholder meetings. Accordingly, Logitech, like most other Swiss public companies, does not observe quorum requirements with respect to its shareholder meetings. In compliance with Swiss law, Logitech sends an invitation to all of its registered shareholders and publishes the notice of the meeting in the Swiss financial press. It also sends a proxy statement, or a notice of availability of the proxy statement, in either case prepared in accordance with U.S. securities laws, to all registered shareholders and all beneficial shareholders where requested by the registered shareholder or required by law. Logitech has combined the invitation required under Swiss law and the proxy statement required under U.S. law into one document, titled Invitation and Proxy Statement, for its 2017 Annual General Meeting, and combined it with its Annual Report required under Swiss law and U.S. law to create one convenient document for shareholders. Also, to encourage attendance, Logitech holds its Annual General Meeting close to its operations in Switzerland.

### *6.4 Shareholders' Right to Place Items on the Agenda of a Meeting*

Under the Company's Articles of Incorporation, one or more registered shareholders who together represent shares representing at least the lesser of (i) one percent of the Company's issued share capital or (ii) an aggregate par value of one million Swiss francs, may demand that an item be placed on the agenda of a meeting of shareholders.

A request to place an item on the meeting agenda must be in writing, describe the proposal and be received by our Board of Directors at least 60 days prior to the date of the meeting. Demands by registered shareholders to place an item on the agenda of a meeting of shareholders should be sent to:

Secretary to the Board of Directors, Logitech International S.A., EPFL - Quartier de l'Innovation, Daniel Borel Innovation Center 1015 Lausanne, Switzerland, or c/o Logitech Inc., 7700 Gateway Boulevard, Newark, CA 94560, USA.

### *6.5 Registration in the Company's Share Register*

Registration into the Company's share register, or the sub-register maintained by the Company's U.S. transfer agent, Computershare, occurs upon request and is not subject to any condition. The Company's share register closes before a general meeting of shareholders on a date designated by the Board of Directors. Only those shareholders who are registered in the share register on the day the share register is closed have the right to vote at the meeting.

## 7. Mandatory Offer and Change of Control Provisions

### *7.1 Mandatory Offer*

Under Swiss law any shareholder who acquires more than 331/3% of the voting rights of a Swiss company whose shares are listed in whole or in part in Switzerland is required to make an offer to acquire all listed equity securities of the company at a minimum price. Logitech International S.A.'s Articles of Incorporation do not remove this requirement. The Articles do not increase the participation threshold above which an offer must be made. Consequently, any person having acquired more than a third of the Company's voting rights will be required to make an offer for all outstanding shares of the Company.

### *7.2 Change of Control Provisions*

Please refer to our Compensation Report on pages 53 to 85 of our Invitation and Proxy Statement for the 2017 Annual General Meeting for information on the consequences of change of control on equity awards made to members of the Board of Directors and the Group Management Team.

## 8. Auditors

Under the Company's Articles of Incorporation, the shareholders elect the Company's independent auditors each year at the Annual General Meeting. Re-election is permitted.

The Company's auditors are currently KPMG AG, Badenerstrasse 172, CH-8036, Zürich, Switzerland. KPMG assumed its first audit mandate for Logitech in 2014. The responsible principal audit partner as of March 31, 2017 is, and since fiscal year 2015 has been, Rolf Hauenstein. The responsible principal audit partner changes at least once every seven years, as required under Swiss law. For purposes of U.S. securities law reporting, KPMG LLP, Santa Clara, California, serves as the Company's independent registered public accounting firm.

Please refer to the Corporate Governance and Board of Directors Matters section of Logitech's Invitation, Proxy Statement and Annual Report for the 2017 Annual General Meeting, under the headings "Independent Auditors" and "Report of the Audit Committee," for further information regarding the audit and non-audit fees paid by Logitech to KPMG during fiscal year 2017, pre-approval policies for non-audit work by KPMG, and the supervisory and control instruments of the Board of Directors, including the Audit Committee of the Board, over the work and activities of KPMG.

## 9. Information Policy

The Company reports its financial results quarterly with an earnings press release. Quarterly financial results are currently scheduled to be released as follows:

| | |
|---|---|
| Q1 FY'18 Earnings Release and Conference Call | July 25, 2017 |
| Q2 FY'18 Earnings Release and Conference Call | October 24, 2017 |
| Q3 FY'18 Earnings Release and Conference Call | January 23, 2018 |
| Q4 FY'18 Earnings Release and Conference Call | April 24, 2018 |

The Company's 2017 Annual General Meeting is to be held September 12, 2017 at the SwissTech Center, EPFL, Lausanne, Switzerland.

All registered shareholders and all shareholders in the United States that hold their shares through a U.S. bank or brokerage or other nominee receive a copy of the Logitech Invitation, Proxy Statement and Annual Report, or a notice that such documents are available. The Annual Report section of the document contains an overview of Logitech's business in the fiscal year, audited financial statements for the group and the Company, the Remuneration Report, the Report on Corporate Governance and other key financial and business information. The Invitation and Proxy Statement section of the document includes a description of the matters to be acted upon at the Annual General Meeting of shareholders, a Compensation Report on executive officer and Board member compensation, and other disclosures required under applicable Swiss and U.S. laws.

Logitech holds public conference calls after our quarterly earnings releases to discuss the results and present an opportunity for institutional analysts to ask questions of the Chief Executive Officer and Chief Financial Officer. Logitech also holds periodic analyst days where senior management present reviews of Logitech's business. These events are webcast and remain available on Logitech's Investor Relations website for a period of time after the events. Logitech senior management also regularly participates in institutional investor seminars and roadshows, many of which are also webcast.

Our Investor Relations Web site is located at *http://ir.logitech.com*. We post and maintain an archive of our earnings and other press releases, current reports, annual and quarterly reports, earnings release schedule, information regarding annual general meetings, further information on corporate governance, and other information regarding the Company on the Investor Relations Web site. The information we post includes, and in the future will include, filings we make with the U.S. Securities and Exchange Commission, or SEC, including reports on Forms 10-K, 10-Q and 8-K, our proxy statement related to our annual shareholders' meeting, including our Compensation Report on executive officer and Board member compensation, and any amendments to those reports or statements filed or furnished pursuant to U.S. securities laws or Swiss laws. All such filings and information are available free of charge on the web site, and we make them available on the web site as soon as reasonably possible after we file or furnish them with the SEC. The contents of these web sites are not intended to be incorporated by reference into this report or in any other report or document we file and our references to these Web sites are intended to be inactive textual references only.

In addition, Logitech publishes press releases upon occurrence of significant events within Logitech. Shareholders and members of the public may elect to receive e-mails when Logitech issues press releases upon occurrence of significant events within Logitech or other press releases by subscribing through *http://ir.logitech.com/alerts.cfm*.

As a Swiss company traded on the SIX Swiss Exchange, and as a company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended, we file reports on transactions in Logitech securities by members of Logitech's Board of Directors and executive officers. The reports that we file with the SEC on Forms 3, 4 and 5 may be accessed on our website or on the SEC's website at *http://www.sec.gov*, and the reports that we file that are published by the SIX Swiss Exchange may be accessed at *http://www.six-exchange-regulation.com/obligations/management_transactions_en.html*.

For no charge, a copy of our annual reports and filings made with the SEC are available on our website and can be requested by contacting our Investor Relations department: Logitech Investor Relations, 7700 Gateway Boulevard, Newark, CA 94560 USA, Main 510-795-8500, e-mail: *LogitechIR@logitech.com*.

**10. Consolidated Subsidiaries**

For the listing of consolidated subsidiaries as of March 31, 2017, please refer to Note 4 - Investments in Subsidiaries - in the Company's Statutory Financial Statements included in our Annual Report.

KPMG

# Report of the Statutory Auditor

**To the General Meeting of Logitech International S.A., Apples**

We have audited the accompanying remuneration report of Logitech International S.A. for the year ended March 31, 2017. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 2.2, 3.2, and 4 of the remuneration report.

**Responsibility of the Board of Directors**

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 - 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 - 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the remuneration report for the year ended March 31, 2017 of Logitech International S.A. Ltd complies with Swiss law and articles 14 - 16 of the Ordinance.

KPMG AG

| | |
|---|---|
| Rolf Hauenstein | Regula Tobler |
| Licensed Audit Expert<br>Auditor in Charge | Licensed Audit Expert |

Zurich, 26 May, 2017

**LOGITECH INTERNATIONAL S.A.**

**Remuneration Report**

## 1. Introduction

In accordance with the Ordinance against Excessive Remuneration in Swiss Listed Companies (the "Ordinance"), the compensation of members of the Board of Directors of Logitech International S.A. and of Logitech's Group Management Team is presented below. Certain sections of this report are audited as required by the Ordinance. This Remuneration Report should be read in conjunction with the Compensation Discussion and Analysis and the description of the Compensation of Directors included in our Proxy Statement. The Compensation Discussion and Analysis is intended to assist our stockholders in understanding our executive compensation programs by providing an overview of our executive compensation-related policies, practices and decisions for fiscal year 2017. The description of our Compensation of Non-Employee Directors includes additional information describing the elements of compensation for the non-employee members of our Board of Directors.

## 2. Compensation of Board of Directors

### *2.1 Overview*

It is our general policy that compensation for non-employee directors is fixed and should be a mix of cash and equity-based compensation. For fiscal year 2017, cash compensation of non-employee directors consists solely of annual retainers based on Board and committee service and payment for travel days in connection with Board meetings. Non-employee directors also receive an annual restricted stock unit ("RSU") grant based on a fixed market value. These grants generally vest based on one year of Board service.

The following tables set forth compensation Logitech paid or accrued for payment to the individual members of the Board of Directors for services performed in the fiscal years ended March 31, 2017 and 2016:

### *2.2 Compensation of Board of Directors in Fiscal Years 2017 and 2016*

**Fiscal Year 2017**

| (in CHF)[1] | Base Salary[2] | Travel Fees[3] | Bonus[4] | Stock Awards[5] | Other Compensation[6] | Total |
|---|---|---|---|---|---|---|
| Patrick Aebischer [7] | 35,000 | 5,000 | — | 146,739 | — | 186,739 |
| Edouard Bugnion | 68,750 | 5,000 | — | 150,504 | 27,430 | 251,684 |
| Kee-Lock Chua [11] | 35,833 | 10,000 | — | — | 33,174 | 79,007 |
| Sally Davis | 108,500 | 20,000 | — | 150,504 | 35,701 | 314,705 |
| Guerrino De Luca[8] | 493,194 | — | 986,388 | 443,834 | 82,332 | 2,005,748 |
| Sue Gove | 75,000 | 20,000 | — | 149,312 | 32,347 | 276,659 |
| Didier Hirsch | 105,000 | 15,000 | — | 149,312 | 32,323 | 301,635 |
| Neil Hunt | 97,917 | 15,000 | — | 149,312 | 34,415 | 296,644 |
| Dimitri Panayotopoulos | 75,000 | — | — | 150,504 | — | 225,504 |
| Lung Yeh | 68,750 | 20,000 | — | 149,312 | 30,280 | 268,342 |
| **Total Board Members[12]** | **1,162,944** | **110,000** | **986,388** | **1,639,333** | **308,002** | **4,206,667** |

**Fiscal Year 2016**

| (in CHF)[13] | Base Salary[2] | Travel Fees[3] | Bonus[5] | Stock Awards[6] | Other Compensation[7] | Total |
|---|---|---|---|---|---|---|
| Daniel Borel[9] | 25,000 | — | — | — | 3,350 | 28,350 |
| Matthew Bousquette[9] | 47,917 | 5,000 | — | — | 33,522 | 86,439 |
| Edouard Bugnion[10] | 35,000 | 5,000 | — | 146,656 | — | 186,656 |
| Kee-Lock Chua[11] | 84,750 | 20,000 | — | 146,967 | 26,541 | 278,258 |
| Sally Davis | 122,500 | 15,000 | — | 146,656 | 33,495 | 317,651 |
| Guerrino De Luca[8] | 486,003 | — | 656,104 | 480,405 | 79,904 | 1,702,416 |
| Sue Gove[10] | 43,750 | 15,000 | — | 146,967 | — | 205,717 |
| Didier Hirsch | 102,917 | 15,000 | — | 146,967 | 37,135 | 302,018 |
| Neil Hunt | 97,917 | 15,000 | — | 146,967 | 26,834 | 286,717 |
| Dimitri Panayotopoulos | 68,750 | 15,000 | — | 146,656 | 23,260 | 253,666 |
| Monika Ribar[9] | 37,500 | — | — | — | 25,453 | 62,953 |
| Lung Yeh[10] | 35,000 | 15,000 | — | 146,967 | — | 196,967 |
| **Total Board Members[12]** | **1,187,003** | **120,000** | **656,104** | **1,655,208** | **289,493** | **3,907,808** |

1) Fiscal year 2017 U.S. Dollar amounts converted to Swiss Francs using the 12 month average (April 2016 to March 2017) exchange rate of 1CHF = US$1.0138.
2) Base salary for non-employee members of the Board of Directors includes annual Board and committee retainers.
3) Non-employee members of the Board of Directors receive CHF 2,500 per day spent traveling to attend Board and committee meetings.
4) Bonus includes amounts earned under the Logitech Management Performance Bonus Plan or other cash bonuses approved by the Compensation Committee.
5) Amounts shown reflect the grant date fair value of the annual stock award. The key assumptions and methodology for valuation of stock awards are presented in Note 6 to Logitech's consolidated financial statements.
6) Other compensation for Mr. De Luca includes term life insurance premiums, long-term disability insurance premiums, employer's contribution to medical premiums, matching contributions made by the Company to the Logitech Inc. 401(k) plan and employer's contribution to social security and Medicare. Other compensation for the non-employee members of the Board includes payments made by Logitech for and related to the individual's and employer's contributions to social security.
7) Patrick Aebischer was first elected as a director at the Annual General Meeting in September 2016.
8) Guerrino De Luca, Logitech's Chairman, is an executive member of the Board of Directors and his compensation is structured similarly to the members of the Group Management Team. He does not also receive the retainers, equity awards or travel day payments used to compensate the non- employee members of the Board.
9) Daniel Borel, Matthew Bousquette and Monika Ribar did not stand for re-election as directors at the Annual General Meeting in September 2015.
10) Edouard Bugnion, Sue Gove and Lung Yeh were first elected as directors at the Annual General Meeting in September 2015.
11) Kee-Lock Chua did not stand for re-election as directors at the Annual General Meeting in September 2016.
12) Total Board Members does not include the compensation of Bracken Darrell, Logitech's President and Chief Executive Officer, who is also a member of the Board. Mr. Darrell's compensation is included as part of Total Group Management Team.
13) Fiscal year 2016 U.S. Dollar amounts converted to Swiss Francs using the 12 month average (April 2015 to March 2016) exchange rate of 1CHF = US$1.0288.

## 3. Compensation of members of the Group Management Team

### *3.1 Overview*

The Compensation Committee believes the design of our executive compensation programs - including the balance among fixed compensation (base salary), short-term incentives (our annual incentive bonus program) and long-term incentives (equity) - has and will continue to meet our goal of providing our executives with market-competitive compensation packages that provide for above market rewards when Logitech outperforms both our internal goals and the overall market, and limited rewards when Logitech's performance does not meet these objectives. Overall, our Compensation Committee has developed executive compensation programs that it believes will provide an incentive to drive the Company's performance and reward both our shareholders and will reward our executives.

The following tables set forth the highest compensation paid to a member of the Group Management Team and the total amount of compensation paid to members of the Group Management Team for services performed in the fiscal years ended March 31, 2017 and 2016:

### *3.2 Compensation of Group Management Team in Fiscal Years 2017 and 2016*

**Fiscal Year 2017**

| (in CHF)(1) | Base Salary | Bonus(2) | Stock Awards(3) | Other Compensation(4) | Total |
|---|---|---|---|---|---|
| **Highest Paid Executive** Bracken P. Darrell, | | | | | |
| President and CEO | 876,899 | 2,194,713 | 3,994,370 | 245,616 | 7,311,598 |
| **Total Group Management Team** | **2,457,038** | **4,915,515** | **7,146,580** | **700,930** | **15,220,063** |

**Fiscal Year 2016**

| (in CHF)(5) | Base Salary | Bonus(2) | Stock Awards(3) | Other Compensation(4) | Total |
|---|---|---|---|---|---|
| **Highest Paid Executive** Bracken P. Darrell, | | | | | |
| President and CEO | 801,905 | 1,353,215 | 4,803,922 | 124,439 | 7,083,481 |
| **Total Group Management Team** | **2,297,122** | **3,215,870** | **8,012,160** | **533,590** | **14,058,741** |

1) Fiscal year 2017 U.S. Dollar amounts converted to Swiss Francs using the 12 month average (April 2016 to March 2017) exchange rate of 1CHF = US$1.0138.
2) Bonus reflects amounts earned under the Logitech Management Performance Bonus Plan or other cash bonuses approved by the Compensation Committee.
3) Amounts shown reflect the grant date fair value, by fiscal year, of stock awards granted in such fiscal year. The key assumptions and methodology for valuation of stock awards are presented in Note 6 to Logitech's consolidated financial statements.
4) Other compensation includes term life insurance premiums, long-term disability insurance premiums, employer's contribution to medical premiums, tax preparation services (and associated tax gross-up), extended business travel-related expenses, matching contributions made by the Company to the Logitech Inc. 401(k) plan or the Logitech Employee Pension Fund, and employer's contribution to social security and Medicare.
5) Fiscal year 2016 U.S. Dollar amounts converted to Swiss Francs using the 12 month average (April 2015 to March 2016) exchange rate of 1CHF = US$1.0288.

## 4. Loans, credits and other payments

There were no loans and credits made or outstanding at any time during fiscal years 2017 and 2016 to any current or former members of the Board of Directors or Group Management Team. In addition, no compensation was paid or loans made during fiscal years 2017 and 2016 to parties closely related to members of the Board of Directors or Group Management Team.

No additional fees or compensation have been paid during fiscal years 2017 and 2016 to any current or former members of the Board of Directors or Group Management Team other than as noted above.

# LOGITECH INTERNATIONAL S.A.

# CONSOLIDATED FINANCIAL STATEMENTS

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

KPMG

# Report of the Statutory Auditor

**To the General Meeting of Logitech International S.A., Apples**

## Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Logitech International S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and changes in shareholders' equity for each of the years in the three-year period ended March 31, 2017, and related notes to the consolidated financial statements.

### Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as Auditing Standards Generally Accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position as of March 31, 2017 and 2016, and the results of operations and the cash flows for each of the years in the three-year period ended March 31, 2017, in accordance with U.S. Generally Accepted Accounting Principles and comply with Swiss law.

**Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

**Revenue recognition for pricing, customer incentive and cooperative marketing programs**

**Revenue recognition for products returns**

**Inventory valuation for finished goods**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition for pricing, customer incentive and cooperative marketing programs

**Key Audit Matter**

Revenues are an important metric considered by external and internal stakeholders of Logitech with total net sales for Logitech approximating $2.2B for the year ended March 31, 2017 (2016: $2.0B). Total pricing, customer incentive and cooperative marketing program allowances are estimated at $191.2M as of March 31, 2017 (2016: $170.6M), a significant portion of the overall allowance balance.

Logitech has agreements with certain customers that contain price protection credits to be granted to the customer subsequent to the initial sale. Logitech also offers performance-based incentives to its customers based on pre-determined performance criteria. Additionally, Logitech enters into cooperative marketing arrangements allowing customers to receive a credit equal to a set percentage of their purchases of Logitech's products, or a fixed dollar credit for various marketing and incentive programs. When determining the allowances for these programs, management must consider historical experience as well as all other known factors including the negotiated terms, anticipated volume of future purchases, anticipated level of incentive program redemption levels, life cycle and potential obsolescence of products in the channel, fluctuations in demand for specific products due to declining product popularity, declining market trends or aggressive competitor actions, and products which are expected to experience unusually high discounting due to specifically identifiable conditions.

Due to the degree of estimation and subjectivity

**Our response**

We have analysed management's processes established to facilitate proper application of the pricing, customer incentive and cooperative marketing program allowance accruals. We have identified internal controls related to revenue recognition and have tested operating effectiveness of selected key controls. We also compared the policies and assumptions to evaluate consistent application year over year.

Furthermore, we have, amongst others, performed the following audit procedures:

- We obtained the program allowance calculations prepared by management and tested mathematical accuracy of the schedules.
- We analysed the methodology and inputs used in the year-end allowance calculations.
- We reviewed customer contracts on a sample basis to evaluate the terms of the contracts and consistency with the allowance methodology applied.
- We evaluated channel data trends by product and by region to determine if there are excessive channel inventory levels that might be subject to future price concessions.
- We performed an inspection of credit memos for a sample of items subsequent to year end in order to assess the completeness of programs.

applied by management in determining the program allowance accruals, there is a risk of error over the accurate estimate of these accruals, which requires increased audit consideration.

Revenue is a key indicator in evaluating the Group and is thus a focus area of internal target setting and third party expectations. These expectations create potential pressure on management to achieve the set targets and as a result, potential manipulation of inputs or assumptions used in calculating the program allowances could occur.

- We identified and tested high-risk journal entries that were based on specific characteristics surrounding the risk of an overstatement of revenues.
- We performed an actual to prior estimates analysis to assess management's ability to accurately estimate their program allowances.
- We have obtained the Company's revised estimate of breakage associated with fiscal year 2017 customer incentive, cooperative marketing and pricing programs that have not yet expired as of year end and evaluated the resulting adjustment.

For further information on revenue recognition for pricing, customer incentive and cooperative marketing programs refer to the following:

– Note 2 - Summary of Significant Accounting Policies
– Note 9 - Balance Sheet Components

## Revenue recognition for products returns

### Key Audit Matter

Revenues are an important metric considered by external and internal stakeholders of Logitech with total net sales for Logitech approximating $2.2B for the year ended March 31, 2017 (2016: $2.0B). Management has determined an allowance for product returns of $18.8M at March 31, 2017 (2016: $18.5M) to be appropriate with respect to product sales as of year-end.

As Logitech grants limited rights to return products, estimates of expected future returns are required to be made at the time of sale. When determining the appropriate allowance, management must consider historical trends as a basis for the estimate as well as all other known factors, which could significantly influence the level of future product returns. These factors include the level of channel inventory by customer and product, the age of inventory, new products in the channel, the life cycle of products in the channel, products with known quality issues, fluctuations in demand for a specific product, changes in customer contracts, which affect the return rights, and changes in the customer base. Due to the degree of estimation and subjectivity applied by management in determining the product return allowance accruals, the accurate estimate of these accruals requires special audit consideration.

Revenue is a key indicator in evaluating the Group and is thus a focus area of internal target setting and third party expectations. These expectations create

### Our response

We have analysed management's processes to facilitate a correct application of the product return allowances. We have identified internal controls related to revenue recognition and have tested operating effectiveness of selected key controls. We also compared the policies and assumptions to evaluate consistent application year over year.

Furthermore, we have, amongst others, performed the following audit procedures:

- We obtained the product return allowance calculations prepared by management and tested mathematical accuracy of the schedules.
- We analysed the methodology and inputs used in the year-end allowance calculation including the impact of slow-moving channel inventory.
- We reviewed customer contracts on a sample basis to test the terms and conditions related to product returns.
- We performed an actual to prior estimates analysis to assess management's ability to accurately estimate their product return allowance.
- We reviewed sales subsequent to year-end to identify any disconfirming evidence that would indicate an additional allowance was required for product sales.

potential pressure on management to achieve the set targets and as a result, potential manipulation of inputs or assumptions used in calculating the product return allowance could occur.

- We identified and tested high-risk journal entries that were based on specific characteristics surrounding the risk of an overstatement of revenues.

For further information on revenue recognition for product returns refer to the following:

– Note 2 - Summary of Significant Accounting Policies
– Note 9 - Balance Sheet Components

## Inventory valuation for finished goods

**Key Audit Matter**

Logitech has significant retail inventory and the level of judgement involved in determining the carrying value of the finished goods is significant, specifically related to excess and slow moving inventory. Net finished goods inventory totalled $222.8M at March 31, 2017 (2016: $180.3M) which included a reserve of $18.3M at March 31, 2017 (2016: $16.1M), a significant portion of the overall retail inventory balance.

Inventory is valued at the lower of cost or market (LCM) on a first in, first out (FIFO) basis. The Group orders components for their products and builds inventory in advance of customer orders, however their industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand. As such, there is uncertainty surrounding the valuation of slow moving and low margin products.

While many of these reserves are based on historical information, they also contain estimates and a degree of subjectivity in which the measurement of the reserve is determined.

There is a further risk that Logitech could over- or understate the retail reserve through management override of the reserve calculation to achieve forecasted operating income targets.

**Our response**

We have analysed management’s processes established to facilitate a correct proper application of the valuation of finished goods inventory. We have identified internal controls related to inventory and have tested operating effectiveness of selected key controls. We also compared the policies and assumptions to evaluate consistent application year over year.

Furthermore, we have, amongst others, performed the following audit procedures:

- We obtained the year-end reserve calculation prepared by management and performed mathematical accuracy of the schedules.
- We analysed the methodology and inputs used in the year-end reserve calculation taking into consideration the impact of slow-moving and low margin inventory and manual adjustments.
- We reviewed sales subsequent to year-end to identify any disconfirming evidence that would indicate additional reserves are required for product sales, taking into consideration any new product launches and any slow-moving inventory.
- We performed an actual to prior estimates analysis to assess management’s ability to accurately estimate their finished goods inventory reserve.
- We inquired of operational and sales personnel to obtain an understanding of the Group's products and business in order to assess if identified issues were considered in calculating the inventory reserves.
- We reviewed the margin trends by product and by region to identify any significant changes that might indicate an incorrect reserve was recorded.
- We identified and tested high-risk journal entries that were based on specific characteristics surrounding the risk of an overstatement of inventory valuation.

For further information on inventory valuation for finished goods refer to the following:

– Note 2 - Summary of Significant Accounting Policies
– Note 9 - Balance Sheet Components

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of consolidated financial statements designed according to the instructions of the Board of Directors was adequately documented and implemented, except for insufficient controls in the EMEA region related to the accuracy of the allowances and accruals for customer incentive, cooperative marketing and pricing programs.

In our opinion, except for the matter described in the preceding paragraph, an internal control system for the preparation of consolidated financial statements, designed in accordance with the instructions of the Board of Directors, exists.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, May 26, 2017

**LOGITECH INTERNATIONAL S.A.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share amounts)**

| | Years Ended March 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| Net sales | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 |
| Cost of goods sold | 1,395,211 | 1,337,053 | 1,299,451 |
| Amortization of intangible assets and purchase accounting effect on inventory | 6,175 | — | — |
| Gross profit | 820,041 | 681,047 | 705,457 |
| Operating expenses: | | | |
| Marketing and selling | 379,641 | 319,015 | 321,749 |
| Research and development | 130,525 | 113,176 | 107,543 |
| General and administrative | 100,270 | 101,012 | 125,995 |
| Amortization of intangible assets and acquisition-related costs | 5,814 | 984 | 763 |
| Change in fair value of contingent consideration for business acquisition | (8,092) | — | — |
| Restructuring charges (credits), net | 23 | 17,802 | (4,777) |
| Total operating expenses | 608,181 | 551,989 | 551,273 |
| Operating income | 211,860 | 129,058 | 154,184 |
| Interest income, net | 1,452 | 790 | 1,197 |
| Other income (expense), net | 1,677 | 1,624 | (2,298) |
| Income before income taxes | 214,989 | 131,472 | 153,083 |
| Provision for income taxes | 9,113 | 3,110 | 4,654 |
| Net income from continuing operations | $ 205,876 | $ 128,362 | $ 148,429 |
| Loss from discontinued operations, net of income taxes | — | (9,045) | (139,146) |
| Net income | $ 205,876 | $ 119,317 | $ 9,283 |
| | | | |
| Net income (loss) per share - basic: | | | |
| Continuing operations | $ 1.27 | $ 0.79 | $ 0.91 |
| Discontinued operations | — | (0.06) | (0.85) |
| Net income per share - basic | $ 1.27 | $ 0.73 | $ 0.06 |
| | | | |
| Net income (loss) per share - diluted: | | | |
| Continuing operations | $ 1.24 | $ 0.77 | $ 0.89 |
| Discontinued operations | — | (0.05) | (0.83) |
| Net income per share - diluted | $ 1.24 | $ 0.72 | $ 0.06 |
| | | | |
| Weighted average shares used to compute net income (loss) per share: | | | |
| Basic | 162,058 | 163,296 | 163,536 |
| Diluted | 165,540 | 165,792 | 166,174 |
| | | | |
| Cash dividend per share | $ 0.57 | $ 0.53 | $ 0.27 |

The accompanying notes are an integral part of these consolidated financial statements.

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net income | $ 205,876 | $ 119,317 | $ 9,283 |
| Other comprehensive income (loss): | | | |
| Currency translation gain (loss): | | | |
| Currency translation gain (loss), net of taxes | (5,670) | 2,273 | (19,054) |
| Reclassification of currency translation loss (gain) included in other income (expense), net | — | 3,913 | (171) |
| Defined benefit plans: | | | |
| Net gain (loss) and prior service credits (costs), net of taxes | 14,201 | (837) | (12,998) |
| Reclassification of amortization included in operating expenses | 1,490 | 1,630 | 322 |
| Hedging gain (loss): | | | |
| Deferred hedging gain (loss), net of taxes | 2,928 | (2,431) | 8,971 |
| Reclassification of hedging gain included in cost of goods sold | (1,670) | (3,296) | (4,505) |
| Other comprehensive income (loss) | 11,279 | 1,252 | (27,435) |
| Total comprehensive income (loss) | $ 217,155 | $ 120,569 | $ (18,152) |

The accompanying notes are an integral part of these consolidated financial statements.

**LOGITECH INTERNATIONAL S.A.**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands, except per share amounts)**

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 547,533 | $ 519,195 |
| Accounts receivable, net | 185,179 | 142,778 |
| Inventories | 253,401 | 228,786 |
| Other current assets | 41,732 | 35,488 |
| Total current assets | 1,027,845 | 926,247 |
| Non-current assets: | | |
| Property, plant and equipment, net | 85,408 | 92,860 |
| Goodwill | 249,741 | 218,224 |
| Other intangible assets, net | 47,564 | — |
| Other assets | 88,119 | 86,816 |
| Total assets | $ 1,498,677 | $ 1,324,147 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 274,805 | $ 241,166 |
| Accrued and other current liabilities | 232,273 | 173,764 |
| Total current liabilities | 507,078 | 414,930 |
| Non-current liabilities: | | |
| Income taxes payable | 51,797 | 59,734 |
| Other non-current liabilities | 83,691 | 89,535 |
| Total liabilities | 642,566 | 564,199 |
| Commitments and contingencies (Note 14) | | |
| Shareholders' equity: | | |
| Registered shares, CHF 0.25 par value: | 30,148 | 30,148 |
| Issued and authorized shares—173,106 at March 31, 2017 and 2016 | | |
| Conditionally authorized shares—50,000 at March 31, 2017 and 2016 | | |
| Additional paid-in capital | 26,596 | 6,616 |
| Less shares in treasury, at cost—10,727 at March 31, 2017 and 10,697 at March 31, 2016 | (174,037) | (128,407) |
| Retained earnings | 1,074,110 | 963,576 |
| Accumulated other comprehensive loss | (100,706) | (111,985) |
| Total shareholders' equity | 856,111 | 759,948 |
| Total liabilities and shareholders' equity | $ 1,498,677 | $ 1,324,147 |

The accompanying notes are an integral part of these consolidated financial statements.

**LOGITECH INTERNATIONAL S.A.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | Years Ended March 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| **Cash flows from operating activities:** | | | |
| Net income | $ 205,876 | $ 119,317 | $ 9,283 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 41,121 | 51,108 | 41,304 |
| Amortization of intangible assets | 9,367 | 1,885 | 8,361 |
| Share-based compensation expense | 35,890 | 27,351 | 25,825 |
| Impairment of goodwill and other assets | — | — | 122,734 |
| Impairment of investment | — | — | 2,298 |
| Gain on equity method investment | (569) | (469) | — |
| Loss (gain) on disposal of property, plant and equipment | 107 | — | (44) |
| Net gain on divestiture of discontinued operations | — | (13,684) | — |
| Excess tax benefits from share-based compensation | (9,661) | (2,084) | (2,831) |
| Deferred income taxes | (2,397) | 6,604 | 2,240 |
| Change in fair value of contingent consideration for business acquisition | (8,092) | — | — |
| Changes in assets and liabilities, net of acquisitions: | | | |
| Accounts receivable, net | (46,553) | 25,513 | (8,018) |
| Inventories | (15,428) | 31,966 | (60,510) |
| Other assets | (5,309) | (1,975) | (4,284) |
| Accounts payable | 24,459 | (58,104) | 60,413 |
| Accrued and other liabilities | 49,917 | (4,317) | (18,139) |
| **Net cash provided by operating activities** | 278,728 | 183,111 | 178,632 |
| **Cash flows from investing activities:** | | | |
| Purchases of property, plant and equipment | (31,804) | (56,615) | (45,253) |
| Investment in privately held companies | (960) | (2,419) | (2,550) |
| Payments for divestiture of discontinued operations, net of cash sold | — | (1,395) | — |
| Changes in restricted cash | 715 | (715) | — |
| Acquisitions, net of cash acquired | (66,987) | — | (926) |
| Purchases of trading investments | (7,052) | (9,619) | (5,034) |
| Proceeds from sales of trading investments | 7,124 | 10,073 | 5,474 |
| **Net cash used in investing activities** | (98,964) | (60,690) | (48,289) |
| **Cash flows from financing activities:** | | | |
| Payment of cash dividends | (93,093) | (85,915) | (43,767) |
| Repurchases of registered shares | (83,786) | (70,358) | (1,663) |
| Contingent consideration related to prior acquisition | — | — | (100) |
| Repurchase of ESPP awards | — | — | (1,078) |
| Proceeds from sales of shares upon exercise of options and purchase rights | 39,574 | 19,767 | 4,138 |
| Tax withholdings related to net share settlements of restricted stock units | (18,412) | (7,247) | (9,215) |
| Excess tax benefits from share-based compensation | 9,661 | 2,084 | 2,831 |
| **Net cash used in financing activities** | (146,056) | (141,669) | (48,854) |
| **Effect of exchange rate changes on cash and cash equivalents** | (5,370) | 1,405 | (13,863) |
| **Net increase (decrease) in cash and cash equivalents** | 28,338 | (17,843) | 67,626 |
| **Cash and cash equivalents at beginning of period** | 519,195 | 537,038 | 469,412 |
| **Cash and cash equivalents at end of period** | $ 547,533 | $ 519,195 | $ 537,038 |

The accompanying notes are an integral part of these consolidated financial statements.

## ITECH INTERNATIONAL S.A.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

## (In thousands)

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| **Supplementary Cash Flow Disclosures:** | | | |
| Non-cash investing activities: | | | |
| Property, plant and equipment purchased during the period and included in period end liability accounts | $ 5,072 | $ 4,958 | $ 5,242 |
| Fair value of retained cost method investment as a result of divestiture of discontinued operations | $ — | $ 5,591 | $ — |
| **Supplemental cash flow information:** | | | |
| Income taxes paid, net | $ 11,323 | $ 11,499 | $ 10,838 |
| **The following amounts reflected in the consolidated statements of cash flows are included in discontinued operations:** | | | |
| Depreciation | $ — | $ 2,207 | $ 2,562 |
| Amortization of intangible assets | $ — | $ 1,438 | $ 7,598 |
| Share-based compensation | $ — | $ 332 | $ 1,634 |
| Purchases of property, plant and equipment | $ — | $ 1,431 | $ 3,598 |
| Cash and cash equivalents, beginning of the period | $ — | $ 3,659 | $ 1,894 |
| Cash and cash equivalents, end of the period | $ — | $ — | $ 3,659 |

The accompanying notes are an integral part of these consolidated financial statements.

## LOGITECH INTERNATIONAL S.A.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## (In thousands)

| | Registered shares | | Additional paid-in capital | Treasury shares | | Retained earnings | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | Shares | Amount | | | |
| March 31, 2014 | 173,106 | $ 30,148 | $ — | 10,206 | $ (116,510) | $ 976,292 | $ (85,802) | $ 804,128 |
| Total comprehensive loss | — | — | — | — | — | 9,283 | (27,435) | (18,152) |
| Repurchases of registered shares | — | — | — | 115 | (1,663) | — | — | (1,663) |
| Tax effects from share-based awards | — | — | (2,200) | — | — | — | — | (2,200) |
| Sale of shares upon exercise of options and purchase rights | — | — | (2,367) | (390) | 6,505 | — | — | 4,138 |
| Issuance of shares upon vesting of restricted stock units | — | — | (20,298) | (1,306) | 22,717 | (11,634) | — | (9,215) |
| Share-based compensation | — | — | 25,943 | — | — | — | — | 25,943 |
| Repurchase of ESPP awards | — | — | (1,078) | — | — | — | — | (1,078) |
| Cash dividends | — | — | — | — | — | (43,767) | — | (43,767) |
| March 31, 2015 | 173,106 | $ 30,148 | $ — | 8,625 | $ (88,951) | $ 930,174 | $ (113,237) | $ 758,134 |
| Total comprehensive income | — | — | — | — | — | 119,317 | 1,252 | 120,569 |
| Repurchases of common stock | — | — | — | 4,951 | (70,358) | — | — | (70,358) |
| Tax effects from share-based awards | — | — | (2,353) | — | — | — | — | (2,353) |
| Sale of shares upon exercise of options and purchase rights | — | — | (737) | (1,812) | 20,504 | — | — | 19,767 |
| Issuance of shares upon vesting of restricted stock units | — | — | (17,645) | (1,067) | 10,398 | | — | (7,247) |
| Share-based compensation | — | — | 27,351 | — | — | — | — | 27,351 |
| Cash dividends | — | — | — | — | — | (85,915) | — | (85,915) |
| March 31, 2016 | 173,106 | $ 30,148 | $ 6,616 | 10,697 | $ (128,407) | $ 963,576 | $ (111,985) | $ 759,948 |
| Total comprehensive income | — | — | — | — | — | 205,876 | 11,279 | 217,155 |
| Repurchases of registered shares | — | — | — | 4,027 | (83,786) | — | — | (83,786) |
| Tax effects from share-based awards | — | — | (1,251) | — | — | — | — | (1,251) |
| Sale of shares upon exercise of options and purchase rights | — | — | 15,403 | (2,513) | 24,171 | — | — | 39,574 |
| Issuance of shares upon vesting of restricted stock units | — | — | (30,148) | (1,484) | 13,985 | (2,249) | — | (18,412) |
| Share-based compensation | — | — | 35,976 | — | — | — | — | 35,976 |
| Cash dividends | — | — | — | — | — | (93,093) | — | (93,093) |
| March 31, 2017 | 173,106 | $ 30,148 | $ 26,596 | 10,727 | $ (174,037) | $ 1,074,110 | $ (100,706) | $ 856,111 |

The accompanying notes are an integral part of these consolidated financial statements.

LOGITECH INTERNATIONAL S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 1—The Company

Logitech International S.A, together with its consolidated subsidiaries, ("Logitech" or the "Company") designs, manufactures and markets products that allow people to connect through music, gaming, video, computing, and other digital platforms.

The Company sells its products to a broad network of domestic and international customers, including direct sales to retailers and indirect sales through distributors.

Logitech was founded in Switzerland in 1981 and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland and headquarters in Lausanne, Switzerland, which conducts its business through subsidiaries in the Americas, Europe, Middle East and Africa ("EMEA") and Asia Pacific. Shares of Logitech International S.A. are listed on both the SIX Swiss Exchange under the trading symbol LOGN and the Nasdaq Global Select Market under the trading symbol LOGI.

## Note 2—Summary of Significant Accounting Policies

### *Basis of Presentation*

The consolidated financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The consolidated financial statements are presented in accordance with U.S. GAAP (accounting principles generally accepted in the United States of America).

During the fourth quarter of fiscal year 2016, the Company completed the disposition of the Lifesize video conferencing business. As a result, the Company has classified the historical results of Lifesize video conferencing business as discontinued operations in its consolidated statements of operations. See "Note 4 - Discontinued Operations" for more information.

Unless indicated otherwise, the information in the Notes to the consolidated financial statements relates to the Company's continuing operations and does not include results of Lifesize video conferencing business, which is classified as discontinued operations.

### *Business Acquisitions*

During fiscal year 2017, the Company acquired Jaybird LLC and Saitek product line. See "Note 3 - Business Acquisitions" for more information.

### *Fiscal Year*

The Company's fiscal year ends on March 31. Interim quarters are generally thirteen-week periods, each ending on a Friday of each quarter. For purposes of presentation, the Company has indicated its quarterly periods ending on the last day of the calendar quarter.

### *Reclassification*

Certain amounts from the comparative periods in the accompanying consolidated financial statements have been reclassified to conform to the consolidated financial statement presentation as of and for the year ended March 31, 2017.

**Note 2—Summary of Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Significant estimates and assumptions made by management involve the fair value of goodwill, intangible assets acquired from business acquisition, warranty liabilities, accruals for customer programs, sales return reserves, allowance for doubtful accounts, inventory valuation, restructuring charges, contingent consideration from business acquisitions and periodical reassessment of its fair value, share-based compensation expense, uncertain tax positions, and valuation allowances for deferred tax assets. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results could differ materially from those estimates.

***Foreign Currencies***

The functional currency of the Company's operations is primarily the U.S. Dollar. Certain operations use the Euro, Chinese Renminbi, Swiss Franc, or other local currencies as their functional currencies. The financial statements of the Company's subsidiaries whose functional currency is other than the U.S. Dollar are translated to U.S. Dollars using period-end rates of exchange for assets and liabilities and monthly average rates for net sales, income and expenses. Cumulative translation gains and losses are included as a component of shareholders' equity in accumulated other comprehensive loss. Gains and losses arising from transactions denominated in currencies other than a subsidiary's functional currency are reported in other income (expense), net in the consolidated statements of operations.

***Revenue Recognition***

Revenue is recognized when all of the following criteria are met:

- Evidence of an arrangement exists;
- Delivery has occurred and title and risk of loss has transferred to a customer;
- Price of a product is fixed or determinable; and
- Collectability is reasonably assured.

For sales of most hardware peripherals products and hardware bundled with software essential to its functionality, these criteria are met at the time delivery has occurred and title and risk of loss have transferred to the customer.

Revenues from sales to distributors and authorized resellers are recognized upon shipment net of estimated product returns and expected payments for cooperative marketing arrangements, customer incentive and pricing programs. The estimated cost of these programs is recorded as a reduction of sales or as an operating expense if the Company receives a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit. Significant management judgment and estimates are used to determine the cost of these programs in any accounting period. Certain customer programs require management to estimate the percentage of those programs which will not be claimed or will not be earned by customers based on historical experience and on the specific terms and conditions of particular programs. The percentage of these customer programs that will not be claimed or earned is commonly referred to as "breakage".

The Company enters into cooperative marketing arrangements with many of its distribution and retail customers, and with certain indirect partners, allowing customers to receive a credit equal to a set percentage of their purchases of the Company's products, or a fixed dollar credit for various marketing and incentive programs. The objective of these arrangements is to encourage advertising and promotional events to increase sales of the Company's products. Accruals for these marketing arrangements are recorded at the later of the date the revenue is recognized or the date the incentive is offered, based on negotiated terms, historical experience and inventory levels in the channel.

**Note 2—Summary of Significant Accounting Policies (Continued)**

Customer incentive programs include consumer rebate and performance-based incentives. The Company offers performance-based incentives to its distribution customers, retail customers and indirect partners based on pre-determined performance criteria. Accruals for performance-based incentives are recognized as a reduction of the sale price at the time of sale. Estimates of required accruals are determined based on negotiated terms, consideration of historical experience, anticipated volume of future purchases, and inventory levels in the channel. Consumer rebates are offered from time to time at the Company's discretion for the primary benefit of end-users. Accruals for the estimated costs of consumer rebates and similar incentives are recorded at the later of the date the revenue is recognized or when the incentive is offered, based on the specific terms and conditions.

The Company has agreements with certain of its customers that contain terms allowing price protection credits to be issued in the event of a subsequent price reduction. At management's discretion, the Company also offers special pricing discounts to certain customers. Special pricing discounts are usually offered only for limited time periods or for sales of selected products to specific indirect partners. Management's decision to make price reductions is influenced by product life cycle stage, market acceptance of products, the competitive environment, new product introductions and other factors. Accruals for estimated expected future pricing actions are recognized at the time of sale based on analyses of historical pricing actions by customer and by product, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information, such as stage of product life-cycle.

The Company grants limited rights to return products. Return rights vary by customer and range from the right to return defective products to the stock rotation rights limited to a percentage of sales approved by management. Estimates of expected future product returns are recognized at the time of sale based on analyses of historical return trends by customer and by product, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information. Upon recognition, the Company reduces sales and cost of goods sold for the estimated return. Return trends are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, product sell-through, the type of customer, seasonality, product quality issues, competitive pressures, operational policies and procedures, and other factors.

Return rates can fluctuate over time but are sufficiently predictable to allow the Company to estimate expected future product returns.

In connection with the Company’s sales growth strategy in EMEA, the Company expanded its use of performance-based customer programs in the region in fiscal years 2016 and 2017. During fiscal year 2017, as customer incentive, cooperative marketing and pricing programs offered in fiscal year 2016 began to expire, EMEA experienced a significant increase in the rate of breakage on the related accruals as compared to historical levels. After considering the breakage data available through March 31, 2017, the Company revised its estimates of breakage associated with fiscal year 2017 customer incentive, cooperative marketing and pricing programs that have not yet expired as of year end. In prior periods, the Company did not have sufficient historical data on customer breakage patterns in the EMEA region to allow for a reliable estimation of future customer breakage attributable to these allowances and accruals. However, by the fourth quarter of fiscal year 2017, sufficient historical data was available to establish a model to reliably estimate the expected future customer breakage. Primarily as a result of this change in estimate, the Company recognized an increase in net sales of $14.4 million during the fourth quarter of the fiscal year ended March 31, 2017, compared with the preliminary results furnished to the SEC in the Current Report on Form 8-K on April 26, 2017. Significant management judgment and estimates are used to determine the breakage of the programs in any accounting period.

The Company regularly evaluates the adequacy of its estimates for cooperative marketing arrangements, customer incentive programs and pricing programs, and product returns. Future market conditions and product transitions may require the Company to take action to change such programs. When the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, the Company would be required to record incremental increases or reductions to sales, cost of goods sold or operating expenses. If, at any future time, the Company becomes unable to reasonably estimate these costs, recognition of revenue might be deferred until products are sold to users, which would adversely impact sales in the period of transition.

***Shipping and Handling Costs***

The Company's shipping and handling costs are included in cost of goods sold in the consolidated statements of operations for all periods presented.

**Note 2—Summary of Significant Accounting Policies (Continued)**

***Research and Development Costs***

Costs related to research, design and development of products, which consist primarily of personnel, product design and infrastructure expenses, are charged to research and development expense as they are incurred.

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs are recorded as either a marketing and selling expense or a deduction from revenue. Advertising costs paid or reimbursed by the Company to direct or indirect customers must have an identifiable benefit and an estimable fair value in order to be classified as an operating expense. If these criteria are not met, the payment is classified as a reduction of revenue. Advertising costs including those characterized as revenue deductions during fiscal years 2017, 2016 and 2015 were $208.7 million, $181.7 million and $165.7 million, respectively, out of which $32.2 million, $23.6 million and $24.0 million, respectively, were included as operating expense in the consolidated statements of operations.

***Cash Equivalents***

The Company classifies all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

All of the Company's bank time deposits have an original maturity of three months or less and are classified as cash equivalents and are recorded at cost, which approximates fair value.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions to limit exposure with any one financial institution, but is exposed to credit risk in the event of default by financial institutions to the extent that cash balances with individual financial institutions are in excess of amounts that are insured.

The Company sells to large distributors and retailers and, as a result, maintains individually significant receivable balances with such customers. In fiscal years 2017, 2016 and 2015, sales to one customer group represented 15%, 14% and 15%, respectively, of the Company's sales. In fiscal years 2017 and 2016, sales to another customer group represented 12% and 10%, respectively, of the Company's sales. No other sales to a single customer represented more than 10% of the Company's sales during fiscal years 2017, 2016 or 2015. As of March 31, 2017, two customers groups represented 18% and 12% of total accounts receivable, respectively. As of March 31, 2016, one customer group represented 15% of total accounts receivable. Typical payment terms require customers to pay for product sales generally within 30 to 60 days; however terms may vary by customer type, by country and by selling season. Extended payment terms are sometimes offered to a limited number of customers during the second and third fiscal quarters. The Company does not modify payment terms on existing receivables.

The Company manages its accounts receivable credit risk through ongoing credit evaluation of its customers' financial condition. The Company generally does not require collateral from its customers.

***Allowances for Doubtful Accounts***

Allowances for doubtful accounts are maintained for estimated losses resulting from the Company's customers' inability to make required payments. The allowances are based on the Company's regular assessment of the credit-worthiness and financial condition of specific customers, as well as its historical experience with bad debts and customer deductions, receivables aging, current economic trends, geographic or country-specific risks and the financial condition of its distribution channels.

***Inventories***

Inventories are stated at the lower of cost or market. Costs are computed under the standard cost method, which approximates actual costs determined on the first-in, first-out basis. The Company records write-downs of inventories which are obsolete or in excess of anticipated demand or market value based on a consideration of marketability and product life cycle stage, product development plans, component cost trends, demand forecasts, historical net sales, and assumptions about future demand and market conditions.

**Note 2—Summary of Significant Accounting Policies (Continued)**

As of March 31, 2017 and 2016, the Company also recorded a liability of $7.2 million and $8.5 million, respectively, arising from firm, non-cancelable, and unhedged inventory purchase commitments in excess of anticipated demand or market value consistent with its valuation of excess and obsolete inventory. Such liability is included in accrued and other current liabilities on the consolidated balance sheets.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Additions and improvements are capitalized, and maintenance and repairs are expensed as incurred. The Company capitalizes the cost of software developed for internal use in connection with major projects. Costs incurred during the feasibility stage are expensed, whereas direct costs incurred during the application development stage are capitalized.

Depreciation is provided using the straight-line method. Plant and buildings are depreciated over estimated useful lives from ten to twenty-five years, equipment over useful lives from three to five years, internal-use software development over useful lives from three to seven years and leasehold improvements over the lesser of the useful life of the improvement or the term of the lease.

When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are relieved from the accounts and the net gain or loss is included in operating expenses.

***Valuation of Long-Lived Assets***

The Company reviews long-lived assets, such as property and equipment, and finite-lived intangible assets, for impairment whenever events indicate that the carrying amounts might not be recoverable. Recoverability of property and equipment, and other finite-lived intangible asset is measured by comparing the projected undiscounted net cash flows associated with those assets to their carrying values. If an asset is considered impaired, it is written down to its fair value, which is determined based on the asset's projected discounted cash flows or appraised value, depending on the nature of the asset. For purposes of recognition of an impairment for assets held for use, the Company groups assets and liabilities at the lowest level for which cash flows are separately identifiable.

***Goodwill and Other Intangible Assets***

The Company's intangible assets principally include goodwill, acquired technology, trademarks, and customer relationships and contracts. Other intangible assets with finite lives, which include acquired technology, trademarks and customer relationships and contracts, and other are carried at cost and amortized using the straight-line method over their useful lives ranging from one year to ten years. Intangible assets with indefinite lives, which include only goodwill, are recorded at cost and evaluated at least annually for impairment.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. The Company conducts a goodwill impairment analysis annually at December 31 or more frequently if indicators of impairment exist or if a decision is made to sell or exit a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which an entity operates, increases in input costs that have a negative effect on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill.

In reviewing goodwill for impairment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the two-step quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The ultimate outcome of the goodwill impairment review for a reporting unit should be the same whether an entity chooses to perform the qualitative assessment or proceeds directly to the two-step quantitative impairment test.

**Note 2—Summary of Significant Accounting Policies (Continued)**

Long-lived intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

***Income Taxes***

The Company provides for income taxes using the asset and liability method, which requires that deferred tax assets and liabilities be recognized for the expected future tax consequences of temporary differences resulting from differing treatment of items for tax and financial reporting purposes, and for operating losses and tax credit carryforwards. In estimating future tax consequences, expected future events are taken into consideration, with the exception of potential tax law or tax rate changes. The Company records a valuation allowance to reduce deferred tax assets to amounts management believes are more likely than not to be realized.

The Company's assessment of uncertain tax positions requires that management makes estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than the Company's estimates, or the related statutes of limitations expire without the assessment of additional income taxes, the Company will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur. Such adjustments may have a material impact on the Company's income tax provision and its results of operations.

***Fair Value of Financial Instruments***

The carrying value of certain of the Company's financial instruments, including cash equivalents, accounts receivable and accounts payable approximates fair value due to their short maturities.

The Company's investment securities portfolio consists of bank time deposits with an original maturity of three months or less and marketable securities (money market and mutual funds) related to a deferred compensation plan.

The Company's trading investments related to the deferred compensation plan are reported at fair value based on quoted market prices. The marketable securities related to the deferred compensation plan are classified as non-current trading investments, as they are intended to fund the deferred compensation plan long-term liability. Since participants in the deferred compensation plan may select the mutual funds in which their compensation deferrals are invested within the confines of the Rabbi Trust which holds the marketable securities, the Company has designated these marketable securities as trading investments, although there is no intent to actively buy and sell securities within the objective of generating profits on short-term differences in market prices. These securities are recorded at fair value based on quoted market prices. Earnings, gains and losses on trading investments are included in other income (expense), net in the consolidated statements of operations.

The Company also holds non-marketable investments in equity and other securities that are accounted for as either cost or equity method investments, which are classified as other assets. The Company reviews the fair value of its non-marketable investments on a regular basis to determine whether the investments in these companies are other-than-temporarily impaired. The Company considers investee financial performance and other information received from the investee companies, as well as any other available estimates of the fair value of the investee companies in its review. If the Company determines that the carrying value of an investment exceeds its fair value, and that difference is other than temporary, the Company writes down the value of the investment to its fair value. The carrying value of cost investments is not adjusted if there are no identified adverse events or changes in circumstances that may have a material effect on the fair value of the investments.

***Net Income (Loss) per Share***

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average outstanding shares. Diluted net income (loss) per share is computed using the weighted average outstanding shares and dilutive share equivalents. Dilutive share equivalents consist of share-based awards, including stock options, purchase rights under employee share purchase plan, and restricted stock units ("RSUs").

The dilutive effect of in-the-money share-based compensation awards is calculated based on the average share price for each fiscal period using the treasury stock method, which assumes that the amount used to repurchase shares includes the amount the employee must pay for exercising share-based awards, the amount of compensation cost not yet recognized for future service, and the amount of tax impact that would be recorded in additional paid-in capital when the award becomes deductible. The dilutive securities are excluded from the computation of diluted net loss per share from continuing operations as their effect would be anti-dilutive.

***Share-Based Compensation Expense***

Share-based compensation expense includes compensation expense, reduced for estimated forfeitures, for share-based awards granted based on the grant date fair value. The grant date fair value for stock options and stock purchase rights is estimated using the Black-Scholes-Merton option-pricing valuation model. The grant date fair value of RSUs which vest upon meeting certain market conditions is estimated using the Monte-Carlo simulation method. The grant date fair value of time-based and performance-based RSUs is calculated based on the market price on the date of grant, reduced by estimated dividends yield prior to vesting. With respect to awards with service conditions only, compensation expense is recognized ratably over the vesting period of the awards. For performance-based RSUs, the Company recognizes the estimated expense using a graded-vesting method over requisite service periods of one to three years when the performance condition is determined to be probable. The performance period and the service period of the market-based grants of the Company granted are both approximately three year and the estimated expense is recognized ratable over the service period.

Excess tax benefits resulting from share-based awards are classified as cash flows from financing activities in the consolidated statements of cash flows. Excess tax benefits are realized tax benefits from tax deductions for exercised options and vested RSUs in excess of the deferred tax asset attributable to share-based compensation costs for such share-based awards.

The Company will recognize a benefit from share-based compensation in additional paid-in capital only if an incremental tax benefit is realized after all other available tax attributes have been utilized.

Refer to recent accounting pronouncements below for changes to the accounting for share-based compensation expense effective April 1, 2017.

***Product Warranty Accrual***

The Company estimates cost of product warranties at the time the related revenue is recognized based on historical warranty claim rates, historical costs, and knowledge of specific product failures that are outside of the Company's typical experience. The Company accrues a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of the warranty obligation. Each quarter, the Company reevaluates estimates to assess the adequacy of recorded warranty liabilities considering the size of the installed base of products subject to warranty protection and adjusts the amounts as necessary. When the Company experiences changes in warranty claim activity or costs associated with fulfilling those claims, the warranty liability is adjusted accordingly. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect the Company's results of operations.

***Comprehensive Income (Loss)***

Comprehensive income (loss) is defined as the total change in shareholders' equity during the period other than from transactions with shareholders. Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) is comprised of currency translation adjustments from those entities not using the U.S. Dollar as their functional currency, unrealized gains and losses on marketable equity securities, net deferred gains and losses and prior service costs and credits for defined benefit pension plans, and net deferred gains and losses on hedging activity.

***Treasury Shares***

The Company periodically repurchases shares in the market at fair value. Treasury shares repurchased are recorded at cost as a reduction of total shareholders' equity. Treasury shares held may be reissued to satisfy the exercise of employee stock options and purchase rights and the vesting of restricted stock units, or may be cancelled with shareholder approval. Treasury shares that are reissued are accounted for using the first-in, first-out basis.

## Note 2—Summary of Significant Accounting Policies (Continued)

### *Derivative Financial Instruments*

The Company enters into foreign exchange forward contracts to reduce the short-term effects of currency fluctuations on certain foreign currency receivables or payables and to hedge against exposure to changes in currency exchange rates related to its subsidiaries' forecasted inventory purchases. These forward contracts generally mature within four months.

Gains and losses for changes in the fair value of the effective portion of the Company's forward contracts related to forecasted inventory purchases are deferred as a component of accumulated other comprehensive income (loss) until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Gains or losses from changes in the fair value of forward contracts that offset translation losses or gains on foreign currency receivables or payables are recognized immediately and included in other income (expense), net in the consolidated statements of operations.

### *Restructuring Charges*

The Company's restructuring charges consist of employee severance, one-time termination benefits and ongoing benefits related to the reduction of its workforce, lease exit costs, and other costs. Liabilities for costs associated with a restructuring activity are measured at fair value and are recognized when the liability is incurred, as opposed to when management commits to a restructuring plan. One-time termination benefits are expensed at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. Ongoing benefits are expensed when restructuring activities are probable and the benefit amounts are estimable. Costs to terminate a lease before the end of its term are recognized when the property is vacated. Other costs primarily consist of legal, consulting, and other costs related to employee terminations are expensed when incurred. Termination benefits are calculated based on regional benefit practices and local statutory requirements.

### *Segments*

Accounting Standard Codification ("ASC") 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The guidance defines reportable segments as operating segments that meet certain quantitative thresholds. As a result of the disposition of the Lifesize video conferencing business on December 28, 2015 described above, the composition of the Company's previously reported segments changed significantly, such that the remaining peripheral segment is the only segment reported in continuing operations.

### *Recent Accounting Pronouncements Adopted*

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments (Topic 805)” (“ASU 2015-16”), which eliminates the requirement to restate prior period financial statements for measurement period adjustments in business combinations. ASU 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The Company adopted this standard during the fiscal year 2017 and the adoption did not impact its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which gives guidance and reduces diversity in practice with respect to certain types of cash flows. The Company has early adopted this guidance during the second quarter of fiscal year 2017 and the adoption did not impact its consolidated financial statements.

## Note 2—Summary of Significant Accounting Policies (Continued)

***Recent Accounting Pronouncements To Be Adopted***

In May 2014, the FASB issued ASU No. 2014-9, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-9") which supersedes the revenue recognition requirements under ASC 605, Revenue Recognition. ASU 2014-9 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard requires reporting companies to disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB affirmed a one-year deferral of the effective date of the new revenue standard. The new standard will become effective for the Company on April 1, 2018. The standard allows for either a "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or a "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. Subsequently, the FASB has issued the following standards related to ASU 2014-09: ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations" (“ASU 2016-08”); ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" (“ASU 2016-10”); and ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" (“ASU 2016-12”). The Company must adopt ASU 2016-08, ASU 2016-10 and ASU 2016-12 with ASU 2014-09 (collectively, the “new revenue standards”) effective April 1, 2018. The Company’s completed evaluation will include the impacts of the new standards on certain common practices currently employed by the Company associated with its revenue transactions, such as cooperative marketing arrangements, customer incentive programs and pricing programs offered to its customers. The Company currently expects to utilize the modified retrospective transition method. Based on its preliminary findings to date, the Company does not expect processes related to identification of contracts and performance obligations as well as the variable considerations to be significantly impacted; however, the impact to consolidated financial statements will not be available until the Company completes its full assessment. It is possible that during the fiscal year 2018, the Company may identify certain areas which may result in material impact on the Company’s consolidated financial statements, or the Company may revise its adoption method. During the fiscal year 2018, the Company plans to finalize its evaluation of the impacts of the new standards, the related disclosure requirements, and method of adoption.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)", ("ASU 2015-11"). Topic 330, Inventory, currently requires an entity to measure inventory at the lower of cost or market, with market value represented by replacement cost, net realizable value or net realizable value less a normal profit margin. The amendments in ASU 2015-11 require an entity to measure inventory at the lower of cost or net realizable value. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and has adopted this guidance effective April 1, 2017.

In January 2016, the FASB issued ASU 2016-01 “Financial Instruments- Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)”, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements and will adopt this guidance effective April 1, 2018.

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)" ("ASU 2016-02"), which requires the recognition of lease assets and lease liabilities arising from operating leases in the statement of financial position. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the full effect that ASU 2016-02 will have on its consolidated financial statements and will adopt the standard effective April 1, 2019.

Note 2—Summary of Significant Accounting Policies (Continued)

In March 2016, the FASB issued ASU 2016-09 "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The amendment simplifies several aspects of the accounting for share-based payments, including immediate recognition of all excess tax benefits and deficiencies in the income statement, changing the threshold to qualify for equity classification up to the employees' maximum statutory tax rates, allowing an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur, and clarifying the classification on the statement of cash flows for the excess tax benefit and employee taxes paid when an employer withholds shares for tax withholding purposes. The Company has adopted the standard effective April 1, 2017. Under the new standard, the Company will account for forfeitures as they occur. The change in accounting for forfeiture will not have a material impact on its consolidated financial statements. Changes to the statements of cash flows related to the classification of excess tax benefits will be implemented on a retrospective basis. The Company further estimates the cumulative-effect adjustment to retained earnings upon adoption of the new guidance to account for gross excess tax benefits that were previously not recognized because the related tax deduction had not reduced current income taxes payable is between $75 million to $80 million, subject to an assessment of a valuation allowance to reduce the deferred tax assets to amounts that are more likely than not to be realized which the Company is in the process of evaluating.

In October 2016, the FASB issued ASU 2016-16 "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"), which eliminates the deferral of income tax effects of intra-entity asset transfers until the transferred asset is sold to an unrelated party or recovered through use. ASU 2016-16, however, does not apply to intra-entity transfer of inventory. The guidance is effective for annual periods beginning after December 15, 2017 and interim reporting periods within those annual periods. Early adoption is permitted but only in the first interim period of a fiscal year. The cumulative effect of change on equity upon adoption is to be quantified under the modified retrospective approach and recorded as of the beginning of the period of adoption. The Company is evaluating the full effect that ASU 2016-16 will have on its consolidated financial statements and will adopt the standard effective April 1, 2018.

In December 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The standard is effective for annual periods beginning after December 15, 2017 and interim reporting periods within those annual periods, with early adoption permitted. The adoption of this standard should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of ASU 2016-18 will have a material impact on its consolidated financial statements and is evaluating the timing of adoption of this standard.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment (Topic 330)" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. The standard will be effective for the Company for annual or any interim goodwill impairments in fiscal year beginning December 15, 2019, with early adoption permitted. The Company does not expect the adoption of ASU 2017-04 will have an impact on its consolidated financial statements and has adopted this guidance effective April 1, 2017.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires that the Company disaggregate the service cost component from the other components of net benefit cost, and also provides guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The standard is effective for the Company for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of ASU 2017-07 will have a material impact on its consolidated financial statements and has adopted this guidance effective April 1, 2017.

**Note 2—Summary of Significant Accounting Policies (Continued)**

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"), which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The standard is effective for the Company for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company does not expect the adoption of ASU 2017-07 will have a material impact on its consolidated financial statements and has adopted this guidance effective April 1, 2017.

**Note 3 — Business Acquisitions**

***Jaybird Acquisition***

On April 20, 2016 (the "Acquisition Date"), the Company acquired all of the equity interest of JayBird, LLC (“Jaybird”), a Utah limited liability company that develops Bluetooth earbuds, activity trackers, and accessories for sports and active lifestyles, for a purchase price of $54.2 million in cash, including a working capital adjustment and payment of a line-of-credit on behalf of Jaybird, with an additional earn-out of up to $45.0 million based on the achievement of certain net revenue growth targets over approximately a two year period (the "Jaybird Acquisition"). If the net revenue growth targets are met, the Company will pay a maximum of $25.0 million and $20.0 million in fiscal years 2018 and 2019, respectively. The Jaybird Acquisition is expected to accelerate the Company's entry into the wireless wearables space.

The Jaybird transaction meets the definition of a business and is accounted for using the acquisition method. The fair value of consideration transferred for the Jaybird Acquisition consists of the following (in thousands):

| | | |
|---|---|---|
| Purchase price | $ | 54,242 |
| Fair value of contingent consideration (earn-out) | | 18,000 |
| Fair value of total consideration transferred | $ | 72,242 |

The fair value of the earn-out payments at the Acquisition Date was determined by providing risk-adjusted earnings projections using a Monte Carlo Simulation, which includes inputs that are not observable in the market, and therefore representing a Level 3 measurement. The fair value of this earn-out is discussed further in "Note 10 - Fair Value Measurements" to the consolidated financial statements.

**Note 3 — Business Acquisitions (continued)**

The following table summarizes the allocation of the total consideration transferred to the estimated fair values of the assets acquired and liabilities assumed at the Acquisition Date (in thousands):

| | Estimated Fair Value |
|---|---|
| Cash and cash equivalents | $ 255 |
| Accounts receivable | 272 |
| Inventories | 10,214 |
| Other current assets | 611 |
| Property, plant, and equipment | 1,165 |
| Intangible assets | 50,280 |
| Other assets | 27 |
| Total identifiable assets acquired | 62,824 |
| Accounts payable | (10,513) |
| Accrued liabilities | (1,227) |
| Other current liabilities | (5,226) |
| Other long-term liabilities | (283) |
| Net identifiable assets acquired | $ 45,575 |
| Goodwill | 26,667 |
| Net assets acquired | $ 72,242 |

Goodwill is primarily attributable to opportunities and economies of scale from combining the operations and technologies of Logitech and Jaybird. Goodwill is expected to be deductible for tax purposes.

Inventory is estimated at net realizable value, which uses the estimated selling prices, less the cost of disposal and a reasonable profit allowance for the selling efforts. Upon sales of the inventory, the difference between the fair value of the inventories and the amount recognized by the acquiree immediately before the acquisition date, which is $0.7 million, is recognized in "amortization of intangibles assets and purchase accounting effect on inventory" in the consolidated statements of operations.

The Company included Jaybird's estimated fair value of assets acquired and liabilities assumed in its consolidated balance sheets beginning April 20, 2016. The results of operations for Jaybird have been included in the Company's consolidated statements of operations from the Acquisition Date.

The following table sets forth the components of identifiable intangible assets acquired at their estimated fair values and their estimated useful lives as of the Acquisition Date (Dollars in thousands):

| | Fair Value | Estimated Useful Life (years) |
|---|---|---|
| Developed technology | $ 18,450 | 4.0 |
| Customer relationships | 19,900 | 8.0 |
| Trade name | 9,380 | 6.0 |
| Intangible assets with finite lives acquired | 47,730 | 6.1 |
| In-process research & development ("IPR&D") | 2,550 | Not Applicable |
| Total intangible assets acquired | $ 50,280 | |

**Note 3 — Business Acquisitions (continued)**

Except for IPR&D, intangible assets acquired as a result of the Jaybird Acquisition are being amortized over their estimated useful lives using the straight-line method of amortization. Amortization of acquired developed technology of $4.4 million during fiscal year 2017 is included in "amortization of intangible assets and purchase accounting effect on inventory" in the gross profit of the consolidated statements of operations. Amortization of the intangible assets of customer relationships and trade name of $3.8 million during fiscal year 2017 is included in "amortization of intangible assets and acquisition-related costs" in the operating expense of the consolidated statements of operations.

Developed technology relates to existing bluetooth wireless sports earbuds. The economic useful life was determined based on the technology cycle related to developed technology of existing products, as well as the cash flows anticipated over the forecasted periods.

Customer relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of Jaybird. The economic useful life was determined based on historical customer turnover rates and the industry benchmarks.

Trade name relates to the “Jaybird” trade name. The economic useful life was determined based on the expected life of the trade name and the cash flows anticipated over the forecasted periods.

The value of developed technology and trade names was estimated using the relief-from-royalty method, an income approach (Level 3), which estimates the cost savings that accrue to the owner of the intangible assets that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. A royalty rate is applied to the projected revenues associated with the intangible assets to determine the amount of savings, which is then discounted to determine the fair value. The developed technology and trade names were valued using royalty rates of 10% and 2.5%, respectively, and both were discounted at a rate of 16%.

The value of customer relationships was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the customer relationships, which was discounted at a rate of 16%.

The IPR&D is accounted for as an indefinite-lived intangible asset and is not amortized until completion or abandonment of the associated research and development efforts. If the research and development efforts are completed, the IPR&D intangible asset will be amortized over the estimated useful life to be determined as of the date the efforts are completed. IPR&D is tested for impairment annually or periodically if an indicator of impairment exists during the period until completion. The IPR&D acquired was reclassified as developed technology intangible assets during the third of fiscal year 2017 when the underlying projects were completed and developed technology is amortized over its estimated useful life of five years.

***Saitek Acquisition***

On September 15, 2016, the Company completed the acquisition of the Saitek product line for a total cash consideration of approximately $13.0 million (the "Saitek Acquisition"). Out of the total consideration, $6.7 million was attributed to intangible assets, $4.9 million was attributed to goodwill, and $1.4 million was attributed to net tangible assets acquired. The Saitek Acquisition is expected to enhance the breadth and depth of the Company's product offerings and expand the Company's engineering capabilities in simulation products. The amount of goodwill generated from the Saitek Acquisition is deductible for tax purposes.

The Company incurred acquisition-related costs for both the Jaybird Acquisition and the Saitek Acquisition of approximately $1.5 million, in aggregate, for fiscal year 2017. The acquisition-related costs are included in "Amortization of intangible assets and acquisition-related costs" in the consolidated statements of operations.

Pro forma results of operations for both the Jaybird Acquisition and the Saitek Acquisition have not been presented because they are not material to the consolidated statements of operations individually or in aggregate.

**Note 4 - Discontinued Operations**

During the third quarter of fiscal year 2016, the Company's Board of Directors approved a plan to divest the Lifesize video conferencing business. On December 28, 2015 during the fourth quarter of fiscal year 2016, the Company, and Lifesize, Inc., a wholly owned subsidiary of the Company (“Lifesize”) which held the assets of the Company’s video conferencing reportable segment, entered into a stock purchase agreement (the “Stock Purchase Agreement”) with entities affiliated with three venture capital investment firms (the "Venture Investors"). Pursuant to the terms of the Stock Purchase Agreement, the Company sold 2.5 million shares of Series B Preferred Stock of Lifesize to the Venture Investors for cash proceeds of $2.5 million and retained 12 million non-voting shares of Series A Preferred Stock of Lifesize. The shares of Series A Preferred Stock of Lifesize retained by the Company represent 37.5% of the shares outstanding immediately after the closing of the transactions contemplated by the Stock Purchase Agreement (the “Closing”). Lifesize also issued 17.5 million shares of Series B Preferred Stock to the Venture Investors for cash proceeds of $17.5 million. The shares of Series B Preferred Stock held by the Venture Investors represent 62.5% of the shares outstanding immediately after the Closing. In addition, Lifesize has reserved 8 million shares of common stock for issuance pursuant to a stock plan to be adopted by Lifesize following the Closing, none of which are issued or outstanding at the Closing. The Company substantially completed its transition services for Lifesize during the third quarter of fiscal year 2017.

The Company has classified the historical results of its Lifesize video conferencing business as discontinued operations in its consolidated statements of operations since the disposition of the Lifesize video conferencing business represents a strategic shift that has a major effect on the Company's operations and financial results. Evaluating whether the disposal of the business represents a strategic shift requires the Company's judgment. Also, evaluating whether the strategic shift will have a "major effect" on the Company's operations and financial results requires assessing not only quantitative factors but also the magnitude of qualitative factors.

The retained Series A Preferred Stock gives the Company no voting rights or any other significant influence over the disposed Lifesize video conferencing business, and therefore is accounted for as a cost method investment which was initially recognized at fair value of $5.6 million at the date of disposition of Lifesize Video Conferencing business. The fair value was determined by using the option pricing methodology with reference to the price of Lifesize’s Series B Preferred Stock paid by Venture Investors. The fair value of the Company’s investment in Series A Preferred Stock is classified as Level 3 as the application of the option pricing methodology requires the use of significant unobservable inputs including asset volatility of 50%, expected term to exit of three years, and lack of marketability discount of 27%.

Discontinued operations include results of the Lifesize video conferencing business. Discontinued operations also include other costs incurred by Logitech to effect the divestiture of the Lifesize video conferencing business. These costs include transaction charges, advisory and consulting fees and restructuring cost related to the Lifesize video conferencing business.

**Note 4 - Discontinued Operations (Continued)**

The following table presents financial results of the video conferencing classified as discontinued operations (in thousands):

| | Years Ended March 31, 2016 | Years Ended March 31, 2015 |
|---|---|---|
| Net sales | $ 65,554 | $ 109,039 |
| Cost of goods sold | 24,951 | 40,299 |
| Gross profit | 40,603 | 68,740 |
| Operating expenses: | | |
| Marketing and selling | 32,260 | 56,856 |
| Research and development | 16,526 | 22,706 |
| General and administrative | 5,254 | 5,439 |
| Impairment of goodwill (1) | — | 122,734 |
| Restructuring charges (credits), net | 7,900 | (111) |
| Operating expenses | 61,940 | 207,624 |
| Operating loss from discontinued operations | (21,337) | (138,884) |
| Interest and other expense, net | 205 | 426 |
| Gain on disposal of discontinued operations | 13,684 | — |
| Loss from discontinued operations before income taxes | (7,858) | (139,310) |
| Provision for (benefit from) income taxes | 1,187 | (164) |
| Net loss from discontinued operations | $ (9,045) | $ (139,146) |

(1) The Company recognized $122.7 million impairment of goodwill in its discontinued operations as result of its impairment analysis as of March 31, 2015. Refer to the Company's Annual Report on Form 10-K for fiscal year 2015.

The Company recognized a gain on its divestiture of Lifesize video conferencing business as follows (in thousands):

| | Year Ended March 31, 2016 |
|---|---|
| Proceeds received from disposition of discontinued operations | $ 2,500 |
| Fair value of retained cost method investment as a result of divestiture of discontinued operations | 5,591 |
| Net liabilities of discontinued operations disposed | 9,981 |
| Currency translation loss released due to disposition of discontinued operations (1) | (3,913) |
| Transaction related costs | (475) |
| Gain on disposal of discontinued operations (2) | $ 13,684 |

(1) Currency translation loss recognized as a result of substantial liquidation of a subsidiary using non-USD functional currency, which is part of discontinued operations

(2) Gain on disposal of discontinued operation was included in loss from discontinued operations, net of income taxes, in the Company's consolidated statement of operations

**Note 5—Net Income (Loss) per Share**

The computations of basic and diluted net income (loss) per share for the Company were as follows (in thousands except per share amounts):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| **Net Income (loss):** | | | |
| Continuing operations | $ 205,876 | $ 128,362 | $ 148,429 |
| Discontinued operations | — | (9,045) | (139,146) |
| Net income | $ 205,876 | $ 119,317 | $ 9,283 |
| **Shares used in net income (loss) per share computation:** | | | |
| Weighted average shares outstanding - basic | 162,058 | 163,296 | 163,536 |
| Effect of potentially dilutive equivalent shares | 3,482 | 2,496 | 2,638 |
| Weighted average shares outstanding - diluted | 165,540 | 165,792 | 166,174 |
| **Net income (loss) per share - basic:** | | | |
| Continuing operations | $ 1.27 | $ 0.79 | $ 0.91 |
| Discontinued operations | $ — | $ (0.06) | $ (0.85) |
| Net income per share - basic | $ 1.27 | $ 0.73 | $ 0.06 |
| **Net income (loss) per share - diluted:** | | | |
| Continuing operations | $ 1.24 | $ 0.77 | $ 0.89 |
| Discontinued operations | $ — | $ (0.05) | $ (0.83) |
| Net income per share - diluted | $ 1.24 | $ 0.72 | $ 0.06 |

During fiscal years 2017, 2016 and 2015, 1.4 million, 5.2 million and 9.0 million share equivalents attributable to outstanding stock options, RSUs and ESPP were excluded from the calculation of diluted net income (loss) per share because the combined exercise price, average unamortized fair value and assumed tax benefits upon exercise of these options and ESPP or vesting of RSUs were greater than the average market price of the Company's shares, and therefore their inclusion would have been anti-dilutive.

**Note 6—Employee Benefit Plans**

***Employee Share Purchase Plans and Stock Incentive Plans***

As of March 31, 2017, the Company offers the 2006 ESPP (2006 Employee Share Purchase Plan (Non-U.S.)), the 1996 ESPP (1996 Employee Share Purchase Plan (U.S.)), the 2006 Plan (2006 Stock Incentive Plan) and the 2012 Plan (2012 Stock Inducement Equity Plan). Shares issued to employees as a result of purchases or exercises under these plans are generally issued from shares held in treasury stock.

## Note 6—Employee Benefit Plans (Continued)

The following table summarizes share-based compensation expense and related tax benefit recognized for fiscal years 2017, 2016 and 2015 (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Cost of goods sold | $ 2,663 | $ 2,340 | $ 2,474 |
| Marketing and selling | 14,723 | 9,273 | 8,570 |
| Research and development | 4,200 | 3,046 | 2,381 |
| General and administrative | 14,304 | 12,353 | 10,766 |
| Restructuring | — | 7 | — |
| Total share-based compensation expense | 35,890 | 27,019 | 24,191 |
| Income tax benefit | (8,536) | (6,297) | (4,814) |
| Total share-based compensation expense, net of income tax | $ 27,354 | $ 20,722 | $ 19,377 |

As of March 31, 2017, 2016 and 2015, the Company capitalized $0.6 million, $0.5 million and $0.5 million, respectively, of stock-based compensation expenses as inventory.

The following table summarizes total unamortized share-based compensation expense and the remaining months over which such expense is expected to be recognized, on a weighted-average basis by type of grant (in thousands, except number of months):

| | March 31, 2017 | |
|---|---|---|
| | Unamortized Expense | Remaining Months |
| ESPP | $ 1,191 | 4 |
| Time-based RSUs | 36,172 | 21 |
| Market-based and performance-based RSUs | 9,241 | 17 |
| | $ 46,604 | |

Under the 1996 ESPP and 2006 ESPP plans, eligible employees may purchase shares at the lower of 85% of the fair market value at the beginning or the end of each offering period, which is generally six months. Subject to continued participation in these plans, purchase agreements are automatically executed at the end of each offering period. An aggregate of 29 million shares was reserved for issuance under the 1996 and 2006 ESPP plans. As of March 31, 2017, a total of 6.5 million shares were available for issuance under these plans. The Company was not current with its periodic reports required to be filed with the SEC and was therefore unable to issue any shares under its Registration Statements on Form S-8 from July 31, 2014 to November 26, 2014. Given the proximity of the unavailability of those registration statements and the end of the then-current ESPP offering period, on July 31, 2014, the Compensation Committee authorized the termination of the then-current ESPP offering period and a one-time payment to each participant in an amount equal to the fifteen percent (15%) discount at which shares would otherwise have been repurchased pursuant to the then-current period of the ESPPs. This one-time payment aggregating to $1.1 million was accounted for as a repurchase of equity awards that reduced additional paid-in capital, resulting in no additional compensation cost. A new ESPP offering period of seven months was initiated on January 1, 2015, which ended on July 31, 2015. Subsequent to that, the offering periods have returned to standard six months.

The 2006 Plan provides for the grant to eligible employees and non-employee directors of stock options, stock appreciation rights, restricted stock and RSUs. Awards under the 2006 Plan may be conditioned on continued employment, the passage of time or the satisfaction of performance and market vesting criteria. The 2006 Plan had an expiration date of June 16, 2016 until September 5, 2012 when shareholder approved the amendment of the 2006 Plan to eliminate the expiration date. All stock options under this plan have terms not exceeding ten years and are issued at exercise prices not less than the fair market value on the date of grant.

**Note 6—Employee Benefit Plans (Continued)**

Time-based RSUs granted to employees under the 2006 Plan generally vest in four equal annual installments on the grant date anniversary. Time-based RSUs granted to non-executive board members under the 2006 Plan vest in one annual installment on the grant date anniversary, or if earlier and only if the non-executive board member is not re-elected as a director at such annual general meeting, the date of the next annual general meeting following the grant date. Performance-based RSUs granted under the 2006 plan vest contingent upon the achievement of pre-determined financial metrics. The performance period for performance-based RSUs granted in each of fiscal years 2015, 2016 and 2017 is approximately three years and the performance condition can be achieved before the end of the performance period. Market-based options granted under the 2006 Plan vest upon meeting certain share price performance criteria. Market-based RSUs granted under the 2006 Plan vest at the end of the performance period upon meeting certain share price performance criteria measured against market conditions. The performance period is approximately three years for market-based RSU granted in fiscal years 2017, 2016 and 2015. An aggregate of 30.6 million shares was reserved for issuance under the 2006 Plan. As of March 31, 2017, a total of 11.2 million shares were available for issuance under this plan.

Under the 2012 Plan, stock options and RSUs may be granted to eligible employees to serve as an inducement to enter into employment with the Company. Awards under the 2012 Plan may be conditioned on continued employment, the passage of time or the satisfaction of market stock performance criteria, based on individual written employment offer letter. The 2012 Plan has an expiration date of March 28, 2022. Premium-priced stock options granted under the 2012 Plan vest in full if and only when Logitech's average closing share price, over a consecutive ninety-day trading period, meets or exceeds the exercise price of each of the three tranches of the grant. An aggregate of 1.8 million shares was reserved for issuance under the 2012 Plan. As of March 31, 2017, no shares were available for issuance under this plan.

The estimates of share-based compensation expense require a number of complex and subjective assumptions including stock price volatility, employee exercise patterns, future forfeitures, probability of achievement of the set performance condition, dividend yield, related tax effects and the selection of an appropriate fair value model.

The grant date fair value of the awards using the Black-Scholes-Merton option-pricing valuation model and Monte-Carlo simulation method are determined with the following assumptions and values:

| **Employee Stock Purchase Plans** | **Years Ended March 31,** | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| Dividend yield | 2.50% | 3.47% | 1.97% |
| Risk-free interest rate | 0.51% | 0.29% | 0.14% |
| Expected volatility | 35% | 26% | 30% |
| Expected life (years) | 0.5 | 0.5 | 0.6 |
| Weighted average fair value | $ 5.73 | $ 3.29 | $ 3.18 |

| **Market-based RSUs** | **Years Ended March 31,** | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| Dividend yield | 3.29% | 3.78% | 1.86% |
| Risk-free interest rate | 0.86% | 0.84% | 0.83% |
| Expected volatility | 34% | 38% | 46% |
| Expected life (years) | 3.0 | 3.0 | 3.0 |

## Note 6—Employee Benefit Plans (Continued)

The dividend yield assumption is based on the Company's history and future expectations of dividend payouts. The unvested RSUs or unexercised options are not eligible for these dividends. The expected life is based on historical settlement rates, which the Company believes are most representative of future exercise and post-vesting termination behaviors, or the purchase offerings periods expected to remain outstanding, or the derived period based on the expected stock performance for market-based awards. Expected volatility is based on historical volatility using the Company's daily closing prices, or including the volatility of components of the NASDAQ 100 index for market-based RSUs, over the expected life. The Company considers the historical price volatility of its shares as most representative of future volatility. The risk-free interest rate assumptions are based upon the implied yield of U.S. Treasury zero-coupon issues appropriate for the expected life of the Company's share-based awards.

The Company estimates awards forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option and RSU forfeitures and records share-based compensation expense only for those awards that are expected to vest. Effective April 1, 2017, the Company will adopt ASU 2016-09 and will account for forfeitures as they occur. The impact from change in the accounting for forfeitures will not have a material impact on the Company's consolidated financial statements.

For performance-based RSU's, the Company estimates the probability and timing of the achievement of the set performance condition at the time of the grant based on the historical financial performance and the financial forecast in the remaining performance period and reassesses the probability in subsequent periods when actual results or new information become available.

A summary of the Company's stock option activities under all stock plans for fiscal years 2017, 2016 and 2015 is as follows (including discontinued operations for fiscal year 2015 and 2016):

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | (In thousands) | | (Years) | (In thousands) |
| Outstanding, March 31, 2014 | 9,816 | | | |
| Granted | — | | | |
| Exercised | (390) | | | $ 1,505 |
| Cancelled or expired | (1,550) | | | |
| Outstanding, March 31, 2015 | 7,876 | | | |
| Granted | — | | | |
| Exercised | (746) | | | $ 4,026 |
| Cancelled or expired | (1,796) | | | |
| Outstanding, March 31, 2016 | 5,334 | $ 18 | | |
| Granted | — | $ — | | |
| Exercised | (1,784) | $ 16 | | $ 14,627 |
| Cancelled or expired | (500) | $ 23 | | |
| Outstanding, March 31, 2017 | 3,050 | $ 18 | 3.6 | $ 41,853 |
| Vested and expected to vest, March 31, 2017 | 3,050 | $ 18 | 3.6 | $ 41,853 |
| Vested and exercisable, March 31, 2017 | 3,050 | $ 18 | 3.6 | $ 41,853 |

As of March 31, 2017, the exercise price of outstanding options ranged from $4 to $38 per option.

The tax benefit realized for the tax deduction from options exercised during the fiscal years 2017, 2016 and 2015 was $4.2 million, $1.2 million and $0.5 million, respectively.

**Note 6—Employee Benefit Plans (Continued)**

A summary of the Company's time-based, market-based, and performance-based RSU activities for fiscal years 2017, 2016 and 2015 is as follows (including discontinued operations for all the periods presented):

| | Number of Shares | Weighted-Average Grant Date Fair Value | Weighted-Average Remaining Vesting Period | Aggregate Fair Value |
|---|---|---|---|---|
| | (In thousands) | | (Years) | (In thousands) |
| Outstanding, March 31, 2014 | 6,088 | $ 10 | | |
| Granted—time-based | 1,332 | $ 13 | | |
| Granted—market-based | 523 | $ 13 | | |
| Granted - performance-based | 55 | $ 12 | | |
| Vested | (1,949) | $ 10 | | $ 27,844 |
| Cancelled or expired | (1,110) | $ 11 | | |
| Outstanding, March 31, 2015 | 4,939 | $ 11 | | |
| Granted—time-based | 2,247 | $ 13 | | |
| Granted—market-based | 356 | $ 14 | | |
| Granted - performance-based | 356 | $ 13 | | |
| Vested | (1,557) | $ 10 | | $ 22,823 |
| Cancelled or expired | (820) | $ 12 | | |
| Outstanding, March 31, 2016 | 5,521 | $ 11 | | |
| Granted—time-based | 2,390 | $ 16 | | |
| Granted—market-based | 160 | $ 15 | | |
| Granted - performance-based | 604 | $ 15 | | |
| Vested | (2,126) | $ 11 | | $ 48,644 |
| Cancelled or expired | (368) | $ 14 | | |
| Outstanding, March 31, 2017 | 6,181 | $ 14 | 1.2 | $ 196,983 |
| Expected to vest, March 31, 2017 | 4,859 | $ 14 | 1.2 | $ 154,846 |

The RSU outstanding as of March 31, 2017 above includes 1.7 million shares of market-based and performance-based shares. The number of shares expected to vest for these awards is calculated assuming March 31, 2017 were the end of the performance contingency period. The number of shares of common stock for market-based awards to be received at vesting will range from zero percent to 150 percent of the target number of stock units based on the Company's total stockholder return (“TSR”) relative to the performance of companies in the NASDAQ-100 Index for each measurement period, generally over a three-year period. The performance-based shares granted were to be earned based on achievement of a Non-GAAP operating margin metric. The Company presents shares granted at 100 percent of target of the number of stock units that may potentially vest.

The tax benefit realized for the tax deduction from RSUs that vested during the fiscal years 2017, 2016 and 2015 was $13.1 million, $5.1 million and $6.9 million, respectively.

***Defined Contribution Plans***

Certain of the Company's subsidiaries have defined contribution employee benefit plans covering all or a portion of their employees. Contributions to these plans are discretionary for certain plans and are based on specified or statutory requirements for others. The charges to expense for these plans for fiscal years 2017, 2016 and 2015, were $5.8 million, $6.8 million and $5.5 million, respectively.

**Note 6—Employee Benefit Plans (Continued)**

***Defined Benefit Plans***

Certain of the Company's subsidiaries sponsor defined benefit pension plans or non-retirement post-employment benefits covering substantially all of their employees. Benefits are provided based on employees' years of service and earnings, or in accordance with applicable employee benefit regulations. The Company's practice is to fund amounts sufficient to meet the requirements set forth in the applicable employee benefit and tax regulations.

The Company recognizes the overfunded or underfunded status of defined benefit pension plans and non-retirement post-employment benefit obligations as an asset or liability in its consolidated balance sheets, and recognizes changes in the funded status of defined benefit pension plans in the year in which the changes occur through accumulated other comprehensive income (loss), which is a component of shareholders' equity. Each plan's assets and benefit obligations are remeasured as of March 31 each year.

Except for the balance as of March 31, 2016, all the amounts in this "Defined Benefit Plans" section include activities from both continuing and discontinued operations for fiscal year 2015 and 2016, and the amounts from discontinued operations are not material for those periods.

The net periodic benefit cost of the defined benefit pension plans and the non-retirement post-employment benefit obligations for fiscal years 2017, 2016 and 2015 was as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Service costs | $ 10,385 | $ 10,117 | $ 7,646 |
| Interest costs | 800 | 1,147 | 1,970 |
| Expected return on plan assets | (1,724) | (1,657) | (2,084) |
| Amortization: | | | |
| Net transition obligation | 4 | 4 | 4 |
| Net prior service costs (credit) recognized | (117) | (124) | (45) |
| Net actuarial loss recognized | 1,032 | 1,854 | 301 |
| Settlement and curtailment | — | — | (13) |
| | $ 10,380 | $ 11,341 | $ 7,779 |

The changes in projected benefit obligations for fiscal years 2017 and 2016 were as follows (in thousands):

| | Years Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Projected benefit obligations, beginning of the year | $ 120,473 | $ 113,323 |
| Service costs | 10,385 | 10,117 |
| Interest costs | 800 | 1,147 |
| Plan participant contributions | 3,020 | 2,990 |
| Actuarial (gains) losses | (11,081) | (2,496) |
| Benefits paid | (5,214) | (5,277) |
| Plan amendment related to statutory change | 65 | — |
| Administrative expense paid | (132) | — |
| Currency exchange rate changes | (3,676) | 669 |
| Projected benefit obligations, end of the year | $ 114,640 | $ 120,473 |

The accumulated benefit obligation for all defined benefit pension plans as of March 31, 2017 and 2016 was $94.3 million and $99.5 million, respectively.

**Note 6—Employee Benefit Plans (Continued)**

The following table presents the changes in the fair value of defined benefit pension plan assets for fiscal years 2017 and 2016 (in thousands):

| | Years Ended March 31, 2017 | Years Ended March 31, 2016 |
|---|---|---|
| Fair value of plan assets, beginning of the year | $ 65,279 | $ 60,910 |
| Actual return on plan assets | 4,733 | (1,160) |
| Employer contributions | 5,865 | 7,171 |
| Plan participant contributions | 3,020 | 2,990 |
| Benefits paid | (5,214) | (5,277) |
| Administrative expenses paid | (132) | — |
| Currency exchange rate changes | (2,175) | 645 |
| Fair value of plan assets, end of the year | $ 71,376 | $ 65,279 |

The Company's investment objectives are to ensure that the assets of its defined benefit plans are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plans' benefit obligations as they become due. The Company believes that a well-diversified investment portfolio will result in the highest attainable investment return with an acceptable level of overall risk. Investment strategies and allocation decisions are also governed by applicable governmental regulatory agencies. The Company's investment strategy with respect to its largest defined benefit plan, which is available only to Swiss employees, is to invest in the following allocation ranges: 29.5-36.5% for equities, 29.0-39.0% for bonds, and 5-15.0% for cash and cash equivalents. The Company also can invest in real estate funds, commodity funds, and hedge funds depend upon economic conditions.

The following tables present the fair value of the defined benefit pension plan assets by major categories and by levels within the fair value hierarchy as of March 31, 2017 and 2016 (in thousands):

| | March 31, 2017 | | | March 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| Cash and cash equivalents | $ 11,864 | $ 46 | $ 11,910 | $ 9,268 | $ 47 | $ 9,315 |
| Equity securities | 20,985 | — | 20,985 | 18,640 | — | 18,640 |
| Debt securities | 22,373 | — | 22,373 | 21,781 | — | 21,781 |
| Swiss real estate funds | 9,699 | — | 9,699 | 9,622 | — | 9,622 |
| Hedge funds | — | 3,507 | 3,507 | — | 3,492 | 3,492 |
| Insurance contracts | — | 61 | 61 | — | 94 | 94 |
| Other | 2,654 | 187 | 2,841 | 2,195 | 140 | 2,335 |
| | $ 67,575 | $ 3,801 | $ 71,376 | $ 61,506 | $ 3,773 | $ 65,279 |

The funded status of the plans was as follows (in thousands):

| | Years Ended March 31, 2017 | Years Ended March 31, 2016 |
|---|---|---|
| Fair value of plan assets | $ 71,376 | $ 65,279 |
| Less: projected benefit obligations | 114,640 | 120,473 |
| Under funded status | $ (43,264) | $ (55,194) |

## Note 6—Employee Benefit Plans (Continued)

Amounts recognized on the balance sheet for the plans were as follows (in thousands):

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Current liabilities | $ (1,266) | $ (1,285) |
| Non-current liabilities | (41,998) | (53,909) |
| Net liabilities | $ (43,264) | $ (55,194) |

Amounts recognized in accumulated other comprehensive loss related to defined benefit pension plans were as follows (in thousands):

| | March 31, 2017 | March 31, 2016 | March 31, 2015 |
|---|---|---|---|
| Net prior service credits | $ 1,274 | $ 1,613 | $ 1,672 |
| Net actuarial loss | (11,407) | (27,612) | (28,751) |
| Net transition obligation | — | (4) | (8) |
| Accumulated other comprehensive loss | (10,133) | (26,003) | (27,087) |
| Deferred tax benefit | (347) | (168) | 123 |
| Accumulated other comprehensive loss, net of tax | $ (10,480) | $ (26,171) | $ (26,964) |

The following table presents the amounts included in accumulated other comprehensive loss as of March 31, 2017, which are expected to be recognized as a component of net periodic benefit cost in fiscal year 2018 (in thousands):

| | Year Ending March 31, 2018 |
|---|---|
| Amortization of net prior service credits | $ (107) |
| Amortization of net actuarial loss | 306 |
| | $ 199 |

The Company reassesses its benefit plan assumptions on a regular basis. The actuarial assumptions for the defined benefit plans for fiscal years 2017 and 2016 were as follows:

| | Years Ended March 31, 2017 | Years Ended March 31, 2016 |
|---|---|---|
| **Benefit Obligations:** | | |
| Discount rate | 0.75%-7.00% | 0.5%-8.00% |
| Estimated rate of compensation increase | 2.5%-10.00% | 2.50%-10.00% |
| **Periodic Costs:** | | |
| Discount rate | 0.5%-8.00% | 0.75%-7.75% |
| Estimated rate of compensation increase | 2.5%-10.00% | 0.0%-8.00% |
| Expected average rate of return on plan assets | 1.0%-2.75% | 1.00%-2.75% |

The discount rate is estimated based on corporate bond yields or securities of similar quality in the respective country, with a duration approximating the period over which the benefit obligations are expected to be paid. The Company bases the compensation increase assumptions on historical experience and future expectations. The expected average rate of return for the Company's defined benefit pension plans represents the average rate of return expected to be earned on plan assets over the period that the benefit obligations are expected to be paid, based on government bond notes in the respective country, adjusted for corporate risk premiums as appropriate.

## Note 6—Employee Benefit Plans (Continued)

The following table reflects the benefit payments that the Company expects the plans to pay in the periods noted (in thousands):

| Years Ending March 31, | | |
|---|---|---|
| 2018 | $ | 5,006 |
| 2019 | | 5,408 |
| 2020 | | 5,720 |
| 2021 | | 5,291 |
| 2022 | | 5,595 |
| 2023-2027 | | 30,614 |
| | $ | 57,634 |

The Company expects to contribute $5.5 million to its defined benefit pension plans during fiscal year 2018.

### *Deferred Compensation Plan*

One of the Company's subsidiaries offers a deferred compensation plan that permits eligible employees to make 100% vested salary and incentive compensation deferrals within established limits. The Company does not make contributions to the plan.

The deferred compensation plan's assets consist of marketable securities and are included in other assets on the consolidated balance sheets. The marketable securities are classified as trading investments and were recorded at a fair value of $15.0 million and $14.8 million as of March 31, 2017 and 2016, respectively, based on quoted market prices. The Company also had $15.0 million and $14.8 million deferred compensation liability as of March 31, 2017 and 2016, respectively. Earnings, gains and losses on trading investments are included in other income (expense), net and corresponding changes in deferred compensation liability are included in operating expenses and cost of goods sold.

## Note 7—Other Income (Expense), net

Other income (expense), net comprises of the following (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Investment income (loss) related to a deferred compensation plan | $ 1,343 | $ (364) | $ 1,055 |
| Impairment of investment | — | — | (2,298) |
| Currency exchange gain (loss), net | 169 | 2,110 | (1,175) |
| Other | 165 | (122) | 120 |
| Other income (expense), net | $ 1,677 | $ 1,624 | $ (2,298) |

## Note 8—Income Taxes

The Company is incorporated in Switzerland but operates in various countries with differing tax laws and rates. Further, a portion of the Company's income (loss) before taxes and the provision for (benefit from) income taxes is generated outside of Switzerland.

Income from continuing operations before income taxes for the fiscal years 2017, 2016 and 2015 is summarized as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Swiss | $ 161,544 | $ 80,572 | $ 119,460 |
| Non-Swiss | 53,445 | 50,900 | 33,623 |
| Income before taxes | $ 214,989 | $ 131,472 | $ 153,083 |

**Note 8—Income Taxes (Continued)**

The provision for (benefit from) income taxes is summarized as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Current: | | | |
| Swiss | $ 1,934 | $ 1,668 | $ 1,152 |
| Non-Swiss | 9,774 | (2,582) | 579 |
| Deferred: | | | |
| Non-Swiss | (2,595) | 4,024 | 2,923 |
| Provision for income taxes | $ 9,113 | $ 3,110 | $ 4,654 |

The difference between the provision for income taxes and the expected tax provision at the statutory income tax rate of 8.5% is reconciled below (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Expected tax provision at statutory income tax rates | $ 18,274 | $ 11,175 | $ 13,012 |
| Income taxes at different rates | (5,247) | (2,713) | (4,299) |
| Research and development tax credits | (2,309) | (1,619) | (1,120) |
| Executive compensation | 654 | 864 | 1,557 |
| Stock-based compensation | 1,794 | 1,446 | 2,261 |
| Valuation allowance | 1,024 | 947 | 764 |
| Restructuring charges / (credits) | 2 | 1,514 | (415) |
| Tax reserves (releases), net | (5,570) | (8,761) | (6,912) |
| Audit settlement | — | — | (837) |
| Other, net | 491 | 257 | 643 |
| Provision for income taxes | $ 9,113 | $ 3,110 | $ 4,654 |

**Note 8—Income Taxes (Continued)**

Deferred income tax assets and liabilities consist of the following (in thousands):

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryforwards | $ 4,306 | $ 7,136 |
| Tax credit carryforwards | 5,825 | 2,981 |
| Accruals | 41,570 | 36,365 |
| Depreciation and amortization | 2,860 | 4,059 |
| Share-based compensation | 11,846 | 12,890 |
| Gross deferred tax assets | 66,407 | 63,431 |
| Valuation allowance | (6,626) | (5,338) |
| Gross deferred tax assets after valuation allowance | 59,781 | 58,093 |
| Deferred tax liabilities: | | |
| Acquired intangible assets and other | (4,267) | (3,550) |
| Gross deferred tax liabilities | (4,267) | (3,550) |
| Deferred tax assets, net | $ 55,514 | $ 54,543 |

Management regularly assesses the ability to realize deferred tax assets recorded in the Company's entities based upon the weight of available evidence, including such factors as recent earnings history and expected future taxable income. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The Company had a valuation allowance of $6.6 million at March 31, 2017, increased from $5.3 million at March 31, 2016 primarily due to $1.0 million increase in valuation allowance for deferred tax assets in the state of California of the United States. The Company had a valuation allowance of $5.9 million as of March 31, 2017 against deferred tax assets in the state of California of the United States. The remaining valuation allowance primarily represents $0.7 million for various tax credit carryforwards. The Company determined that it is more likely than not that the Company would not generate sufficient taxable income in the future to utilize such deferred tax assets.

Deferred tax assets relating to tax benefits of employee stock grants have been reduced to reflect settlement activity in fiscal years 2017 and 2016. Settlement activity of grants in fiscal years 2017 and 2016 resulted in a "shortfall" in which tax deductions were less than previously recorded share-based compensation expense. The Company recorded a shortfall to equity of $2.1 million and $2.3 million, respectively, in fiscal years 2017 and 2016.

As of March 31, 2017, the Company had foreign net operating loss and tax credit carryforwards for income tax purposes of $208.3 million and $47.2 million, respectively, of which $181.5 million of the net operating loss carryforwards and $27.2 million of the tax credit carryforwards, if realized, will be credited to equity since they have not met the applicable realization criteria. Unused net operating loss carryforwards will expire at various dates in fiscal years 2018 to 2036. Certain net operating loss carryforwards in the United States relate to acquisitions and, as a result, are limited in the amount that can be utilized in any one year. The tax credit carryforwards will begin to expire in fiscal year 2019.

Swiss income taxes and non-Swiss withholding taxes associated with the repatriation of earnings or for other temporary differences related to investments in non-Swiss subsidiaries have not been provided for, as the Company intends to reinvest the earnings of such subsidiaries indefinitely or the Company has concluded that no additional tax liability would arise on the distribution of such earnings. If these earnings were distributed to Switzerland in the form of dividends or otherwise, or if the shares of the relevant non-Swiss subsidiaries were sold or otherwise transferred, the Company may be subject to additional Swiss income taxes and non-Swiss withholding taxes. As of March 31, 2017, the cumulative amount of unremitted earnings of non-Swiss subsidiaries for which no income taxes have been provided is approximately $148.2 million. The amount of unrecognized deferred income tax liability related to these earnings is estimated to be approximately $3.9 million.

**Note 8—Income Taxes (Continued)**

The Company follows a two-step approach in recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

As of March 31, 2017 and March 31, 2016, the total amount of unrecognized tax benefits due to uncertain tax positions was $63.7 million and $69.9 million, respectively, all of which would affect the effective income tax rate if recognized.

As of March 31, 2017, the Company had $51.8 million in non-current income taxes payable and $1.5 million in current income taxes payable, including interest and penalties, related to the Company's income tax liability for uncertain tax positions. As of March 31, 2016, the Company had $59.7 million in non-current income taxes payable and $0.1 million in current income taxes payable. The Company anticipates a settlement with the tax authorities in a foreign jurisdiction in the next twelve months and reclassed $1.4 million from non-current income taxes payable to current income taxes payable as of March 31, 2017.

The aggregate changes in gross unrecognized tax benefits in fiscal years 2017, 2016 and 2015 were as follows (in thousands):

| | | |
|---|---|---|
| March 31, 2014 | $ | 91,046 |
| Lapse of statute of limitations | | (14,071) |
| Settlements with tax authorities | | (2,160) |
| Decreases in balances related to tax positions taken during prior years | | (3,544) |
| Increases in balances related to tax positions taken during the year | | 7,752 |
| March 31, 2015 | $ | 79,023 |
| Lapse of statute of limitations | | (15,518) |
| Settlements with tax authorities | | — |
| Decreases in balances related to tax positions taken during prior years | | (1,502) |
| Increases in balances related to tax positions taken during the year | | 7,876 |
| March 31, 2016 | $ | 69,879 |
| Lapse of statute of limitations | | (14,161) |
| Settlements with tax authorities | | — |
| Decreases in balances related to tax positions taken during prior years | | (1,610) |
| Increases in balances related to tax positions taken during the year | | 9,559 |
| March 31, 2017 | $ | 63,667 |

The Company recognizes interest and penalties related to unrecognized tax positions in income tax expense. The Company recognized $0.7 million, $0.3 million and $0.8 million in interest and penalties in income tax expense during fiscal years 2017, 2016 and 2015, respectively. As of March 31, 2017, 2016 and 2015, the Company had $3.0 million, $3.6 million and $4.9 million of accrued interest and penalties related to uncertain tax positions, respectively.

The Company files Swiss and foreign tax returns. The Company received final tax assessments in Switzerland through fiscal year 2014. For other foreign jurisdictions such as the United States, the Company is generally not subject to tax examinations for years prior to fiscal year 2013. The Company is under examination and has received assessment notices in foreign tax jurisdictions. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on its results of operations.

Although the Company has adequately provided for uncertain tax positions, the provisions on these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. During the next 12 months, it is reasonably possible that the amount of unrecognized tax benefits could increase or decrease significantly due to changes in tax law in various jurisdictions, new tax audits and changes in the U.S. Dollar as compared to other currencies. Excluding these factors, uncertain tax positions may decrease by as much as $8.2 million primarily from the lapse of the statutes of limitations in various jurisdictions during the next 12 months.

**Note 9—Balance Sheet Components**

The following table presents the components of certain balance sheet asset amounts as of March 31, 2017 and 2016 (in thousands):

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Accounts receivable: | | |
| Accounts receivable | $ 395,754 | $ 332,553 |
| Allowance for doubtful accounts | (607) | (667) |
| Allowance for sales returns | (18,800) | (18,526) |
| Allowance for cooperative marketing arrangements | (28,022) | (28,157) |
| Allowance for customer incentive programs | (60,857) | (60,872) |
| Allowance for pricing programs | (102,289) | (81,553) |
| | $ 185,179 | $ 142,778 |
| Inventories: | | |
| Raw materials | $ 30,582 | $ 48,489 |
| Finished goods | 222,819 | 180,297 |
| | $ 253,401 | $ 228,786 |
| Other current assets: | | |
| Value-added tax receivables | $ 23,132 | $ 22,572 |
| Prepaid expenses and other assets | 18,600 | 12,916 |
| | $ 41,732 | $ 35,488 |
| Property, plant and equipment, net: | | |
| Plant, buildings and improvements | $ 58,881 | $ 62,150 |
| Equipment | 176,291 | 166,371 |
| Computer equipment | 27,812 | 36,018 |
| Software | 72,441 | 97,201 |
| | 335,425 | 361,740 |
| Less accumulated depreciation and amortization | (263,352) | (278,352) |
| | 72,073 | 83,388 |
| Construction-in-process | 10,537 | 6,771 |
| Land | 2,798 | 2,701 |
| | $ 85,408 | $ 92,860 |
| Other assets: | | |
| Deferred tax assets | $ 57,303 | $ 56,208 |
| Trading investments for deferred compensation plan | 15,043 | 14,836 |
| Investment in privately held companies | 10,776 | 9,247 |
| Other assets | 4,997 | 6,525 |
| | $ 88,119 | $ 86,816 |

## Note 9—Balance Sheet Components (Continued)

The following table presents the components of certain balance sheet liability amounts as of March 31, 2017 and 2016 (in thousands):

| | March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Accrued and other current liabilities: | | |
| Accrued personnel expenses | $ 88,346 | $ 46,025 |
| Indirect customer incentive programs | 36,409 | 28,721 |
| Warranty accrual | 13,424 | 11,880 |
| Employee benefit plan obligation | 1,266 | 1,285 |
| Income taxes payable | 6,232 | 1,553 |
| Contingent consideration for business acquisition - current portion | 2,889 | — |
| Other current liabilities | 83,707 | 84,300 |
| | $ 232,273 | $ 173,764 |
| Other non-current liabilities: | | |
| Warranty accrual | $ 8,487 | $ 8,500 |
| Obligation for deferred compensation plan | 15,043 | 14,836 |
| Employee benefit plan obligation | 41,998 | 53,909 |
| Deferred tax liability | 1,789 | 1,665 |
| Contingent consideration for business acquisition - non-current portion | 7,019 | — |
| Other non-current liabilities | 9,355 | 10,625 |
| | $ 83,691 | $ 89,535 |

## Note 10—Fair Value Measurements

The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table presents the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis, excluding assets related to the Company's defined benefit pension plans, classified by the level within the fair value hierarchy (in thousands):

| | March 31, 2017 | | | March 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | | | |
| Cash equivalents | $ 448,742 | $ — | $ — | $ 10,000 | $ — | $ — |
| Trading investments for deferred compensation plan included in other assets: | | | | | | |
| Money market funds | $ 2,813 | $ — | $ — | $ 3,467 | $ — | $ — |
| Mutual funds | 12,230 | — | — | 11,369 | — | — |
| Total of trading investments for deferred compensation plan | $ 15,043 | $ — | $ — | $ 14,836 | $ — | $ — |
| Currency exchange derivative assets included in other current assets | $ — | $ 48 | $ — | $ — | $ 10 | $ — |
| **Liabilities:** | | | | | | |
| Acquisition-related contingent consideration included in accrued and other current liabilities and other non-current liabilities | $ — | $ — | $ 9,908 | $ — | $ — | $ — |
| Currency exchange derivative liabilities included in accrued and other current liabilities | $ — | $ 443 | $ — | $ — | $ 1,132 | $ — |

The following table summarizes the change in the fair value of the Company’s contingent consideration balance during fiscal years 2017(in thousands):

| | Year Ended March 31, |
|---|---|
| | 2017 |
| Acquisition-related contingent consideration, beginning of the year | $ — |
| Fair value of contingent consideration upon acquisition | 18,000 |
| Change in fair value of contingent consideration | (8,092) |
| Acquisition-related contingent consideration, end of the year | $ 9,908 |

### Note 10—Fair Value Measurements (Continued)

***Investment Securities***

The marketable securities for the Company's deferred compensation plan are recorded at a fair value of $15.0 million and $14.8 million as of March 31, 2017 and 2016, respectively, based on quoted market prices. Quoted market prices are observable inputs that are classified as Level 1 within the fair value hierarchy. Unrealized trading gains related to trading securities for the fiscal years 2017, 2016 and 2015 were not significant and are included in other income (expense), net in the consolidated statements of operations.

***Acquisition-related contingent consideration***

The acquisition-related contingent consideration liability arising from the Jaybird Acquisition (see "Note 3 - Business Acquisitions") represents the future potential earn-out payments of up to $45.0 million in cash based on the achievement of certain net revenue targets over approximately a two year period. If the net revenue targets are met, the Company will pay a maximum of $25.0 million and $20.0 million in fiscal years 2018 and 2019, respectively. The fair value of the earn-out as of the Acquisition Date was $18.0 million, which was determined by using a Monte Carlo Simulation that includes significant unobservable inputs such as a risk-adjusted discount rate of 16% and projected net sales of Jaybird over the earn-out period. The fair value is remeasured at each reporting period at the estimated fair value based on the inputs on the date of remeasurement, with the change in fair value recognized as "change in fair value of contingent consideration for business acquisition" in the operating expense section in the consolidated statements of operations. Projected net sales are based on our internal projections, including analysis of the target markets. The fair value of the contingent consideration was decreased to $9.9 million as of March 31, 2017. The decrease in fair value of contingent consideration results primarily from Jaybird's lower-than-expected net sales and revised projected net sales in the remaining earn-out period, primarily driven by supply constraints, an evolving product portfolio and changes in the competitive target market.

Although these estimates are based on management's best knowledge of current events, the estimates could change significantly from period to period. Any changes to the significant unobservable inputs used, including the change in the forecast of net sales for the earn-out periods, may result in a change in the fair value of contingent consideration, and could have a material impact on future results of operations. Actual payment of contingent consideration in the future could be different from the current estimated fair value of the contingent consideration.

***Assets Measured at Fair Value on a Nonrecurring Basis***

The Company's non-marketable cost method investments, and non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only upon initial recognition or if an impairment is recognized. There was no impairment of long-lived assets during fiscal years 2017, 2016 or 2015.

A summary of the valuation methodologies for assets and liabilities measured on a nonrecurring basis is as follows:

***Non-marketable cost method investments.*** These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs used to measure fair value are unobservable and require management's judgment. When certain events or circumstances indicate that impairment may exist, the Company revalues the investments using various assumptions, including the financial metrics and ratios of comparable public companies. There was no impairment during the years ended March 31, 2017 or 2016.

The primary investment included in non-marketable investments is the Company's investment in Series A Preferred Stock of Lifesize recorded at the estimated fair value of $5.6 million on the date of Lifesize divestiture. Refer to Note 4 "Discontinued Operations" to consolidated financial statements for the valuation approach and significant inputs and assumptions.

The aggregate recorded amount of cost method investments included in other assets at March 31, 2017 and March 31, 2016 was $7.4 million and $7.4 million, respectively.

## Note 10—Fair Value Measurements (Continued)

***Non-Financial Assets***. Goodwill, intangible assets, and property, plant and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur (or tested at least annually for goodwill) such that a non-financial instrument is required to be evaluated for impairment and an impairment is recorded to reduce the non-financial instrument's carrying value to the fair value as a result of such triggering events, the non-financial assets and liabilities are measured at fair value for the period such triggering events occur. See Note 2 herein, for additional information about how the Company tests various asset classes for impairment.

## Note 11—Derivative Financial Instruments

The following table presents the fair values of the Company's derivative instruments as of March 31, 2017 and 2016 (in thousands):

| | Derivatives | | | |
|---|---|---|---|---|
| | Asset | | Liability | |
| | March 31, | | March 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Designated as hedging instruments: | | | | |
| Cash flow hedges | $ 48 | $ 10 | $ 402 | $ 1,038 |

Under certain agreements with the respective counterparties to the Company's derivative contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, the Company presents its derivative assets and derivative liabilities on a gross basis in other current assets or accrued and other current liabilities on the consolidated balance sheets as of March 31, 2017 and 2016.

The following table presents the amounts of gains and losses on the Company's derivative instruments for fiscal years 2017, 2016 and 2015 and their locations on its consolidated statements of operations and consolidated statements of comprehensive income (loss) (in thousands):

| | Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss | | | Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Designated as hedging instruments: | | | | | | |
| Cash flow hedges | $ 2,928 | $ (2,432) | $ 8,971 | $ (1,670) | $ (3,296) | $ (4,505) |

***Cash Flow Hedges:*** The Company enters into cash flow hedge contracts to protect against exchange rate exposure of forecasted inventory purchases. These hedging contracts mature within four months. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Cash flows from such hedges are classified as operating activities in the consolidated statements of cash flows. As of March 31, 2017, and 2016, the notional amounts of foreign exchange forward contracts outstanding related to forecasted inventory purchases were $59.4 million and $39.8 million, respectively. The Company estimates that $0.5 million of net losses related to its cash flow hedges included in accumulated other comprehensive loss as of March 31, 2017 will be reclassified into earnings within the next 12 months.

**Note 11—Derivative Financial Instruments (Continued)**

***Other Derivatives:*** The Company also enters into foreign exchange forward and swap contracts to reduce the short-term effects of currency fluctuations on certain receivables or payables denominated in currencies other than the functional currencies of its subsidiaries. These forward and swap contracts generally mature within one month. The primary risk managed by using forward and swap contracts is the currency exchange rate risk. The gains or losses on these contracts are recognized in other income (expense), net in the consolidated statements of operations based on the changes in fair value. The notional amounts of these contracts outstanding as of March 31, 2017 and 2016 were $56.7 million and $63.7 million, respectively. Open forward and swap contracts as of March 31, 2017 and 2016 consisted of contracts in Taiwanese Dollars, Australian Dollars, Mexican Pesos, Japanese Yen, Canadian Dollars and British Pounds to be settled at future dates at pre-determined exchange rates.

The fair value of all foreign exchange forward and swap contracts is determined based on observable market transactions of spot currency rates and forward rates. Cash flows from these contracts are classified as operating activities in the consolidated statements of cash flows.

**Note 12—Goodwill and Other Intangible Assets**

The Company performed its annual impairment analysis of the goodwill as of December 31, 2016 by performing a qualitative assessment and concluded that it was more likely than not that the fair value of its peripherals reporting unit, the only reporting unit of the Company, exceeded its carrying amount. In assessing the qualitative factors, the Company considered the impact of these key factors: change in industry and competitive environment, growth in market capitalization to $4.0 billion as of December 31, 2016 from $2.5 billion as of December 31, 2015, and budgeted-to-actual revenue performance for the twelve months ended December 31, 2016. There have been no significant events or circumstances affecting the valuation of goodwill subsequent to the annual impairment test.

The following table summarizes the activity in the Company's goodwill balance during fiscal years 2017 and 2016 (in thousands):

| | Years Ended March 31, 2017 | 2016 |
|---|---|---|
| Beginning of the period | $ 218,224 | $ 218,213 |
| Acquisitions | 31,553 | — |
| Currency exchange rate impact and other | (36) | 11 |
| End of the period | $ 249,741 | $ 218,224 |

The Company's acquired intangible assets subject to amortization were as follows (in thousands):

| | March 31, 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Trademark and tradenames | $ 16,500 | $ (6,933) | $ 9,567 | $ 5,300 | $ (5,300) | $ — |
| Technology | 63,285 | (42,831) | 20,454 | 36,810 | (36,810) | — |
| Customer contracts/relationships | 25,180 | (7,637) | 17,543 | 5,900 | (5,900) | — |
| | $ 104,965 | $ (57,401) | $ 47,564 | $ 48,010 | $ (48,010) | $ — |

For fiscal years 2017, 2016 and 2015, amortization expense for other intangible assets was, $9.4 million, $0.4 million and $0.8 million, respectively. The Company expects that annual amortization expense for fiscal years 2018, 2019, 2020, 2021 and 2022 will be $10.4 million, $10.4 million, $10.4 million, $6.0 million and $5.1 million, respectively, and $5.3 million thereafter.

### Note 13—Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating $43.5 million as of March 31, 2017. There are no financial covenants under these lines of credit with which the Company must comply. As of March 31, 2017, the Company had outstanding bank guarantees of $20.7 million under these lines of credit. There was no borrowing outstanding under the line of credit as of March 31, 2017 or March 31, 2016.

### Note 14—Commitments and Contingencies

#### *Operating Leases*

The Company leases facilities under operating leases, certain of which require it to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at the Company's option and usually include escalation clauses linked to inflation. Future minimum annual rentals under non-cancelable operating leases at March 31, 2017 are as follows (in thousands):

| Years Ending March 31, | | |
|---|---|---|
| 2018 | $ | 10,294 |
| 2019 | | 8,759 |
| 2020 | | 7,036 |
| 2021 | | 4,907 |
| 2022 | | 4,084 |
| Thereafter | | 4,283 |
| | $ | 39,363 |

Rent expense for fiscal years 2017, 2016 and 2015 was $9.9 million, $10.0 million and $9.6 million, respectively.

In connection with its leased facilities, the Company recognized a liability for asset retirement obligations for 2017 and 2016 representing the present value of estimated remediation costs to be incurred at lease expiration. The liabilities for asset retirement obligations were not material as of March 31, 2017 and 2016.

#### *Product Warranties*

All of the Company's Peripherals products are covered by warranty to be free from defects in material and workmanship for periods ranging from one year to five years. For products launched prior to April 1, 2014, the standard warranty period was up to five years. Starting from April 1, 2014, the standard warranty for all new products launched was changed to two years from the date of purchase for European Countries and generally one year from date of purchase for all other countries.

Changes in the Company's warranty liability for fiscal years 2017 and 2016 were as follows (in thousands):

| | Years Ended March 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| Beginning of the period | $ | 20,380 | $ | 21,710 |
| Assumed from business acquisition | | 1,963 | | — |
| Provision | | 15,341 | | 9,772 |
| Settlements | | (15,270) | | (11,339) |
| Currency translation | | (503) | | 237 |
| End of the period | $ | 21,911 | $ | 20,380 |

#### *Investment Commitments*

During 2015, the Company entered into a limited partnership agreement for a private investment fund specialized in early-stage start-up consumer hardware electronics companies and committed to a capital contribution of $4.0 million over the life of the fund. The Company has invested $1.9 million as of March 31, 2017, which is classified as other assets on the consolidated balance sheet. As of March 31, 2017, $2.1 million capital contribution has not yet been called upon by the fund.

## Note 14—Commitments and Contingencies (Continued)

### *Guarantees*

Logitech Europe S.A. guaranteed payments of two third-party contract manufacturers' purchase obligations. As of March 31, 2017, the maximum amount of these guarantee were $3.8 million, of which $1.4 million of guaranteed purchase obligations was outstanding.

### *Indemnifications*

The Company indemnifies certain of its suppliers and customers for losses arising from matters such as intellectual property disputes and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances includes indemnification for damages and expenses, including reasonable attorneys' fees. As of March 31, 2017, no amounts have been accrued for these indemnification provisions. The Company does not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under its indemnification arrangements.

The Company also indemnifies its current and former directors and certain of its current and former officers. Certain costs incurred for providing such indemnification may be recoverable under various insurance policies. The Company is unable to reasonably estimate the maximum amount that could be payable under these arrangements because these exposures are not limited, the obligations are conditional in nature and the facts and circumstances involved in any situation that might arise are variable.

The Stock Purchase Agreement that the Company entered into in connection with the investment by three venture capital firms in Lifesize, Inc. contains representations, warranties and covenants of Logitech and Lifesize, Inc. to the Venture Investors. Subject to certain limitations, the Company has agreed to indemnify the Venture Investors and certain persons related to the Venture Investors for certain losses resulting from breaches of or inaccuracies in such representations, warranties and covenants as well as certain other obligations, including third party expenses, restructuring costs and pre-closing tax obligations of Lifesize.

### *Legal Proceedings*

From time to time the Company is involved in claims and legal proceedings which arise in the ordinary course of its business. The Company is currently subject to several such claims and a small number of legal proceedings. The Company believes that these matters lack merit and intends to vigorously defend against them. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial position, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company's defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company's business, financial position, cash flows or results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain a necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect the Company's business.

## Note 15—Shareholders' Equity

### *Share Capital*

The Company's nominal share capital is CHF 43,276,655, consisting of 173,106,620 shares with a par value of CHF 0.25 each, all of which were issued and 10,726,943 of which were held in treasury shares as of March 31, 2017.

In September 2008, the Company's shareholders approved an amendment to reserve conditional capital of 25,000,000 shares for potential issuance on the exercise of rights granted under the Company's employee equity incentive plans. The shareholders also approved the creation of conditional capital representing the issuance of up to 25,000,000 shares to cover any conversion rights under a future convertible bond issuance. This conditional capital was created in order to provide financing flexibility for future expansion, investments or acquisitions.

### *Dividends*

Pursuant to Swiss corporate law, Logitech International S.A. may only pay dividends in Swiss Francs. The payment of dividends is limited to certain amounts of unappropriated retained earnings (CHF 740.7 million or $740.3 million based on the exchange rate at March 31, 2017) and is subject to shareholder approval.

**Note 15—Shareholders' Equity (Continued)**

In May 2017, the Board of Directors recommended that the Company pay approximately CHF 100.0 million (approximately $100.0 million based on the exchange rate on March 31, 2017) in cash dividends for fiscal year 2017. In September 2016, the Company declared and paid cash dividends of CHF 0.56 (USD equivalent of $0.57) per common share, totaling approximately $93.1 million in U.S. Dollars, on the Company's outstanding common stock. In September 2015, the Company declared and paid cash dividends of CHF 0.51 (USD equivalent of $0.53) per common share, totaling approximately $85.9 million in U.S. Dollars, on the Company's outstanding common stock. In December 2014, Logitech's shareholders approved a cash dividend payment of CHF 43.1 million out of retained earnings to Logitech shareholders. Eligible shareholders were paid CHF 0.26 per share ($0.27 per share in U.S. Dollars), totaling $43.8 million in U.S. Dollars in December 2014.

***Legal Reserves***

Under Swiss corporate law, a minimum of 5% of the Company's annual net income must be retained in a legal reserve until this legal reserve equals 20% of the Company's issued and outstanding aggregate par value per share capital. These legal reserves represent an appropriation of retained earnings that are not available for distribution and totaled $9.6 million at March 31, 2017 (based on the exchange rate at March 31, 2017).

***Share Repurchases***

In March 2014, the Company's Board of Directors approved the 2014 share buyback program, which authorizes the Company to use up to $250.0 million to purchase its own shares. This share buyback program expired in April 2017.

In March 2017, the Company's Board of Directors approved the 2017 share buyback program, which authorizes the Company to use up to $250.0 million to purchase its own shares following the expiration date of 2014 buyback program. The Company's share buyback program is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors.

A summary of the approved and active share buyback program is shown in the following table (in thousands, excluding transaction costs):

| | Approved | | Repurchased | |
|---|---|---|---|---|
| **Share Buyback Program** | **Shares** | **Amounts** | **Shares** | **Amounts** |
| March 2014 | 17,311 | $ 250,000 | 9,093 | $ 155,358 |
| March 2017 | NA | 250,000 | — | — |

***Accumulated Other Comprehensive Loss***

The components of accumulated other comprehensive loss were as follows (in thousands):

| | Accumulated Other Comprehensive Income (Loss) | | | |
|---|---|---|---|---|
| | **Cumulative Translation Adjustment (1)** | **Defined Benefit Plans(1)** | **Deferred Hedging Gains (Losses)** | **Total** |
| March 31, 2016 | $ (84,038) | $ (26,171) | $ (1,776) | $ (111,985) |
| Other comprehensive income (loss) | (5,670) | 15,691 | 1,258 | 11,279 |
| March 31, 2017 | $ (89,708) | $ (10,480) | $ (518) | $ (100,706) |

(1) Tax effect was not significant as of March 31, 2017 or 2016.

## Note 16—Segment Information

As discussed in "Note 2 — Summary of Significant Accounting Policies", the Company has determined that it operates in a single operating segment that encompasses the design, manufacturing and marketing of peripherals for PCs, tablets and other digital platforms. Operating performance measures are provided directly to the Company's Chief Executive Officer ("CEO"), who is considered to be the Company's Chief Operating Decision Maker. The CEO periodically reviews information such as net sales and operating income (loss) to make business decisions. These operating performance measures do not include restructuring charges (credits), net, share-based compensation expense, amortization of intangible assets, charges from the purchase accounting effect on inventory, acquisition-related costs, investigation and related expenses, or change in fair value of acquisition-related contingent consideration.

Net sales by product categories and sales channels, excluding intercompany transactions, were as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Mobile Speakers | $ 301,021 | $ 229,718 | $ 178,038 |
| Audio-PC & Wearables | 246,390 | 196,013 | 213,496 |
| Gaming | 314,362 | 245,101 | 211,911 |
| Video Collaboration | 127,009 | 89,322 | 62,215 |
| Home Control | 65,510 | 59,075 | 68,060 |
| Pointing Devices | 501,562 | 492,543 | 487,210 |
| Keyboards & Combos | 480,312 | 430,190 | 426,117 |
| Tablet & Other Accessories | 76,879 | 103,886 | 140,994 |
| PC Webcams | 107,087 | 98,641 | 96,680 |
| Other (1) | 1,295 | 2,570 | 2,725 |
| Total net retail sales | 2,221,427 | 1,947,059 | 1,887,446 |
| OEM | — | 71,041 | 117,462 |
| Total net sales | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 |

(1) Other category includes products that the Company currently intends to transition out of, or have already transitioned out of, because they are no longer strategic to the Company's business.

Net sales by geographic region for fiscal years 2017, 2016 and 2015 (based on the customers' location) were as follows (in thousands):

| | Years Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Americas | $ 963,674 | $ 881,379 | $ 864,761 |
| EMEA | 746,898 | 645,694 | 670,890 |
| Asia Pacific | 510,855 | 491,027 | 469,257 |
| | $ 2,221,427 | $ 2,018,100 | $ 2,004,908 |

The United States represented 37%, 38% and 36% of net sales for the fiscal years 2017, 2016 and 2015, respectively. Germany represented 17% of net sales for the fiscal year 2017. No other single country represented more than 10% of net sales during these periods. Revenues from net sales to customers in Switzerland, the Company's home domicile, represented 2% of net sales for each of fiscal years 2017, 2016 and 2015.

**Note 16—Segment Information (Continued)**

Geographic long-lived assets information, primarily fixed assets, are reported below based on the location of the asset (in thousands):

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Americas | $ 37,242 | $ 40,221 |
| EMEA | 4,006 | 3,194 |
| Asia Pacific | 44,160 | 49,445 |
| | $ 85,408 | $ 92,860 |

Long-lived assets in the United States and China were $37.1 million and $37.2 million, respectively, as of March 31, 2017, and $40.0 million and $44.5 million, respectively, as of March 31, 2016. No other countries represented more than 10% of the Company's total consolidated long-lived assets at March 31, 2017 or 2016. Long-lived assets in Switzerland, the Company's home domicile, were $2.1 million and $1.7 million at March 31, 2017 and 2016, respectively.

**Note 17—Restructuring**

During the first quarter of fiscal year 2016, the Company implemented a restructuring plan to exit the OEM business, reorganize Lifesize to sharpen its focus on its cloud-based offering, and streamline the Company's overall cost structure through overhead and infrastructure cost reductions with a targeted resource realignment. Restructuring charges incurred under this plan primarily consisted of severance and other ongoing and one-time termination benefits. Charges and other costs related to the workforce reduction and structure realignment are presented as restructuring charges in the Consolidated Statements of Operations. On a total company basis, including the Lifesize video conferencing business as reported in discontinued operations, the Company has incurred $25.5 million under this restructuring plan, including $24.4 million for cash severance and other personnel costs. The Company substantially completed this restructuring plan by the fourth quarter of fiscal year 2016.

During the fourth quarter of fiscal year 2013, the Company implemented a restructuring plan to align its organization to its strategic priorities of increasing focus on mobility products, improving profitability in PC-related products and enhancing global operational efficiencies. As part of this restructuring plan, the Company reduced its worldwide non-direct labor workforce. Restructuring charges under this plan primarily consisted of severance and other one-time termination benefits. During fiscal year 2015, the Company recorded a $4.9 million restructuring credit, on a total company basis, primarily as a result of partial termination of its lease agreement for the Silicon Valley campus, which was previously vacated and under the restructuring plan during fiscal year 2014. The Company substantially completed this restructuring plan by the fourth quarter of fiscal year 2014.

The following table summarizes restructuring related activities during fiscal year 2017 and 2016 from continuing operations (in thousands):

| | Restructuring - Continuing Operations | | | |
|---|---|---|---|---|
| | Termination Benefits | Lease Exit Costs | Other | Total |
| Accrual balance at March 31, 2015 | — | 954 | $ — | $ 954 |
| Charges, net | 17,280 | 337 | 185 | 17,802 |
| Cash payments | (11,373) | (1,166) | (185) | (12,724) |
| Accrual balance at March 31, 2016 | 5,907 | 125 | — | 6,032 |
| Charges, net | 23 | — | — | 23 |
| Cash payments | (5,195) | (125) | — | (5,320) |
| Accrual balance at March 31, 2017 | $ 735 | $ — | $ — | $ 735 |

*This balance is included in accrued and other current liabilities on the Company's consolidated balance sheets.

## Note 18—Other Disclosures Required by Swiss Law

### *Balance Sheet Items*

The amounts of certain balance sheet items were as follows (in thousands):

| | March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Prepayments and accrued income | $ 13,568 | $ 9,437 |
| Non-current assets | $ 470,832 | $ 397,900 |
| Pension liabilities, current | $ 1,266 | $ 1,285 |

### *Statement of Income Items*

Total personnel expenses amounted to $359.9 million, $296.2 million and $286.0 million in fiscal years 2017, 2016, and 2015.

### *Security Ownership of Board Members and Executive Officers*

In accordance with the Swiss Code of Obligations, the security ownership of members of the Board of Directors of Logitech International S.A. and Logitech executive officers are presented in the Swiss Statutory Financial Statements of Logitech International S.A.

### *Risk Assessment*

At a company-wide level, Logitech's internal audit function coordinates management's risk assessment process, which encompasses financial and operational risks, and reports to senior management and to the Audit Committee of the Board of Directors. Material risks are assessed and discussed by the Board of Directors, as appropriate. Financial risk assessment and management is integrated into the functions of the Company's Treasury, Finance and Business group operations, with oversight from the Audit Committee. Financial reporting risk is addressed through the Company's Corporate Accounting, Financial Reporting and SOX Compliance operations and processes. Operational risk assessment and management is integrated into the functions of the Company's Business groups, with support from specialized departments such as Product Quality, Supply Chain, Legal and Finance. Material financial and financial reporting risks are reported to and reviewed with the Audit Committee and the Board of Directors, as appropriate, and material operational risks are reported to and reviewed with the Board of Directors.

# LOGITECH INTERNATIONAL S.A., APPLES

# SWISS STATUTORY FINANCIAL STATEMENTS

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# Report of the Statutory Auditor

**To the General Meeting of Logitech International S.A., Apples**

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Logitech International S.A., which comprise the balance sheet, income statement and notes for the year ended March 31, 2017.

**Board of Directors' Responsibility**
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements for the year ended March 31, 2017 comply with Swiss law and the company's articles of incorporation.

**Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

### Valuation of investments in subsidiaries

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of investments in subsidiaries

**Key Audit Matter**

The Company has significant investments in subsidiaries of CHF 516.7 million as of March 31, 2017 and CHF 500.4 million as of March 31, 2016. The investment balance is comprised of over 50 investments in subsidiaries across Europe, the Americas, and Asia Pacific, none of which are publicly traded.

In accordance with the Swiss Code of Obligations, the Company annually reviews investments for impairment.

The impairment assessment of investments requires significant management assumptions, in particular in determining forecast earnings, growth rates, as well as discount rates, and is therefore a key area of our audit.

**Our response**

Our audit procedures included, amongst others, assessing the accuracy and the consistent application of the model used for the valuation of the investments as well as the appropriateness of management assumptions. In particular, this included:

- Challenging the robustness of key assumptions based on our understanding of the commercial prospects of the respective entities.
- Agreeing forecasts used in the valuation to current expectations of management.

We further assessed the consistent application of the methodology established by management for valuing investments in subsidiaries as a group.

For further information on valuation of investments in subsidiaries refer to the following:

– Note 4 - Investments in Subsidiaries

KPMG

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, May 26, 2017

**LOGITECH INTERNATIONAL S.A., APPLES**

**SWISS STATUTORY BALANCE SHEETS (unconsolidated)**

**(CHF in thousands)**

| | Note | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash | | CHF | 5,964 | CHF | 71,578 |
| Short-term bank deposits | | | 72,125 | | — |
| Receivable from subsidiaries | | | 50,465 | | 48,663 |
| Other receivables | | | 290 | | 377 |
| Total current assets | | | 128,844 | | 120,618 |
| Non-current assets: | | | | | |
| Investments | 4 | | 516,685 | | 500,430 |
| Loans to subsidiaries | | | 203,585 | | 211,260 |
| Total non-current assets | | | 720,270 | | 711,690 |
| Total assets | | CHF | 849,114 | CHF | 832,308 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Payables to subsidiaries | | CHF | 8,253 | CHF | 14,957 |
| Other liabilities | | | 8,818 | | 12,953 |
| Total current liabilities | | | 17,071 | | 27,910 |
| Non-current liabilities: | | | | | |
| Long-term interest-bearing payables to subsidiaries | | | 203,585 | | 211,260 |
| Total non-current assets | | | 203,585 | | 211,260 |
| Total liabilities | | | 220,656 | | 239,170 |
| Shareholders' equity: | | | | | |
| Share capital | | | 43,277 | | 43,277 |
| Legal capital reserves | | | | | |
| - Reserve from capital contribution | | | 1,265 | | 1,265 |
| Legal retailed earnings reserves | | | | | |
| - General legal retained earnings reserves | | | 9,580 | | 9,580 |
| | | | 10,845 | | 10,845 |
| Voluntary retained earnings: | | | | | |
| Available earnings | | | | | |
| - Profit brought forward | | | 563,211 | | 441,677 |
| - Profit for the year | | | 177,516 | | 211,690 |
| Treasury Shares | 7 | | (166,391) | | (114,351) |
| Total shareholders' equity | | | 628,458 | | 593,138 |
| Total liabilities and shareholders' equity | | CHF | 849,114 | CHF | 832,308 |

The accompanying notes are an integral part of these statutory statements

**LOGITECH INTERNATIONAL S.A., APPLES**
**SWISS STATUTORY STATEMENTS OF INCOME (unconsolidated)**
**(CHF in thousands)**

| | Note | Year ended March 31, 2017 | | Year ended March 31, 2016 | |
|---|---|---|---|---|---|
| Income: | | | | | |
| Dividend income | | CHF | 195,334 | CHF | 266,677 |
| Royalty fees | | | 26,522 | | 23,675 |
| Interest income from third parties | | | 323 | | 333 |
| Interest income from subsidiaries | | | 8,674 | | 9,196 |
| Total income | | | 230,853 | | 299,881 |
| Expenses: | | | | | |
| Administrative expenses | | | 7,216 | | 11,375 |
| Brand development expenses | | | 18,287 | | 21,885 |
| Interest paid to subsidiaries | | | 14,652 | | 13,215 |
| Income, capital and non-recoverable withholding taxes | | | 101 | | 212 |
| Loss on treasury shares | | | (2,626) | | 11,724 |
| Loss on long-term investments | 6 | | — | | 26,041 |
| Realised exchange loss, net | | | 15,707 | | 3,738 |
| Total expenses | | | 53,337 | | 88,191 |
| Profit for the year | | CHF | 177,516 | CHF | 211,690 |

The accompanying notes are an integral part of these statutory financial statements.

# NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS

## Note 1 - General and Basis of Presentation:

Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland, which conducts its business through subsidiaries in Americas, Europe, Middle East & Africa ("EMEA") and Asia Pacific. Shares of Logitech International S.A. are listed on both the SIX Swiss Exchange under the trading symbol LOGN and the Nasdaq Global Select Market under the trading symbol LOGI.

The Swiss statutory financial statements of Logitech International S.A., Apples ("the Holding Company") are prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

The statutory financial statements present the financial position and results of operations of the Holding Company on a standalone basis and do not represent the consolidated financial position of the Holding Company and its subsidiaries.

### *Loans to subsidiaries*

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are not recognized.

### *Treasury shares*

Treasury shares are recognized at acquisition cost and deducted from shareholder's equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as a Loss/(Gain) on Treasury Shares. Treasury shares held may be reissued to satisfy the exercise of employee stock options and purchase rights, the vesting of restricted stock units, and acquisitions, or may be cancelled with shareholder approval. Treasury shares that are reissued are accounted for using the first-in, first-out basis.

### *Share-based payments*

When treasury shares are used for share-based payment programs for Board members, the difference between the acquisition costs and any consideration paid by the employees at grant date is recognized as loss on treasury shares.

### *Long-term interest-bearing liabilities*

Interest-bearing liabilities are recognized in the balance sheet at nominal value.

### *Exchange rate differences*

Except for investments in subsidiaries, which are translated at historical rates, all assets and liabilities denominated in foreign currencies are translated into Swiss francs (CHF) using year-end rates of exchange. Realized exchange gains and losses arising from these as well as those from business transactions denominated in foreign currencies are recorded in the statement of income. Net unrealized exchange losses are recorded in the statement of income; net unrealized gains, however, are deferred within accrued liabilities.

### *Investments in subsidiaries*

Investments are recorded at acquisition cost less any impairment loss.

### *Foregoing a cash flow statement and additional disclosures in the notes*

As Logitech International S.A. has separately prepared its consolidated financial statements in accordance with a recognized accounting standard (US GAAP), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with Swiss law.

**Note 2 - Dividend Distribution by Subsidiary Company Related to Jaybird Acquisition:**

During the current year, the Holding Company received a dividend in kind from one of its wholly-owned subsidiaries, Logitech Europe S.A., in connection with the acquisition of Jaybird LLC (“Jaybird”). Logitech Europe S.A. acquired all of the equity interest of Jaybird on April 20, 2016 and, immediately following that acquisition, Jaybird transferred certain assets and liabilities to Logitech Europe S.A. and Logitech Europe S.A. contributed all of the equity interest in Jaybird to Logitech Inc. in exchange for a preferential right to Logitech Inc’s shares. Logitech Europe S.A. distributed its preferential right to subscribe for Logitech Inc’s shares to the Holding Company by declaring a dividend in kind. The dividend was approved by the Board of Directors at the Extraordinary General Meeting of Shareholders prior to the approval of the Annual Financial Statements of the Holding Company.

**Note 3 - Contingent Liabilities:**

The Holding Company issued guarantees to various banks for lines of credit available to its subsidiaries for CHF 22.6 million and CHF 59.4 million at March 31, 2017 and March 31, 2016, respectively. The Holding Company also issued a guarantee to one financial institution at March 31, 2015 for lines of credit available to its subsidiaries without specific amount.  As of March 31, 2017 and 2016, there was no outstanding draw down amounts on the guarantee.

**Note 4 - Investments in subsidiaries:**

The Holding Company's subsidiaries directly and indirectly include the following:

**Fiscal year 2017**

| Name of Subsidiary | Jurisdiction of Incorporation | Holding % | Share Capital | |
|---|---|---|---|---|
| **EUROPE** | | | | |
| Labtec Europe S.A. | Switzerland | 100 | CHF | 150,000 |
| Logitech U.K. Limited | United Kingdom | 100 | GBP | 20,000 |
| Logitech Espana BCN SL | Spain | 100 | EUR | 50,000 |
| Logitech Europe S.A. | Switzerland | 100 | CHF | 100,000 |
| SAS Logitech France | Republic of France | 100 | EUR | 182,939 |
| Logitech GmbH | Federal Republic of Germany | 100 | EUR | 25,565 |
| Logitech Ireland Services Limited | Ireland | 100 | EUR | 3 |
| Logitech Italia SRL | Republic of Italy | 100 | EUR | 20,000 |
| Logitech Mirial Srl | Republic of Italy | 100 | EUR | 100,000 |
| Logitech Nordic AB | Sweden | 100 | SEK | 100,000 |
| Logitech Benelux B.V. | Kingdom of the Netherlands | 100 | EUR | 18,151 |
| Logitech Poland Spolka z.o.o | Poland | 100 | PLN | 50,000 |
| Logitech S.A. | Switzerland | 100 | CHF | 200,000 |
| Logitech Middle East FZ-LLC | United Arab Emirates | 100 | AED | 100,000 |
| Logitech (Streaming Media) SA | Switzerland | 100 | CHF | 100,000 |
| Logitech Hellas MEPE | Greece | 100 | EUR | 18,000 |
| Logitech Schweiz AG | Switzerland | 100 | CHF | 100,000 |
| Logitech Upicto GmbH | Switzerland | 100 | CHF | 20,000 |
| Limited Liability Company "Logitech" | Russia | 100 | RUB | 20,000 |
| Logi Peripherals Technologies (South Africa) (Proprietary) Limited | South Africa | 100 | ZAR | 1,000 |
| Logitech Norway AS | Norway | 100 | NOK | 100,000 |
| **AMERICAS** | | | | |
| Logitech Argentina S.R.L. | Argentina | 100 | ARS | 10,000 |
| Logitech Do Brasil Comercio de Accessorios de Informatica Ltda. | Brazil | 100 | BRL | 10,000 |
| Logitech de Mexico S.A. de C.V. | Mexico | 100 | MXN | 50,000 |
| Logitech Canada Inc. | Canada | 100 | CAD | 100 |
| Logitech Inc. | United States of America | 100 | USD | 11,522.396 |
| Logitech (Streaming Media) Inc. | United States of America | 100 | USD | 10 |
| Logitech (Slim Devices) Inc. | United States of America | 100 | USD | 1 |
| WiLife, Inc. | United States of America | 100 | USD | 10 |
| Logitech Servicios Latinoamérica, S.A de C.V | Mexico | 100 | MXN | 50,000 |
| Ultimate Ears Incorporated | United States of America | 100 | USD | 10 |
| SightSpeed, Inc. | United States of America | 100 | USD | 1 |
| LifeSize Communications, Inc. | United States of America | 37.5 | USD | — |
| UE Acquisition Inc. | United States of America | 100 | USD | 10 |
| Logitech Latin America, Inc. | United States of America | 100 | USD | 1 |
| Jaybird LLC | United States of America | 100 | USD | — |

**Note 4-Investments in subsidiaries: (Continued)**

**Consolidated Subsidiaries-(Continued)**

| Name of Subsidiary | Jurisdiction of Incorporation | Holding % | Share Capital | |
|---|---|---|---|---|
| **ASIA PACIFIC** | | | | |
| LogiCool Co., Ltd | Japan | 100 | JPY | 155,000,000 |
| Logitech Electronic (India) Private Ltd | India | 100 | INR | 107,760 |
| Logitech Far East, Ltd | Taiwan, Republic of China | 100 | TWD | 260,000,000 |
| Logitech Hong Kong Limited | Hong Kong | 100 | USD | 1,282 |
| Logitech Korea Ltd | Korea | 100 | KRW | 150,144,225 |
| Logitech New Zealand Co., Ltd | New Zealand | 100 | NZD | 10,000 |
| Logitech Service Asia Pacific pte Ltd | Republic of Singapore | 100 | USD | 1 |
| Logitech Singapore Pte Ltd | Republic of Singapore | 100 | SGD | 2,559,863 |
| Logitech Technology (Suzhou) Co, Ltd | People's Republic of China | 100 | USD | 22,000,000 |
| Logitech (China) Technology Co Ltd | People's Republic of China | 100 | USD | 7,800,000 |
| Logitech Asia Logistics Limited | Hong Kong | 100 | USD | 13 |
| Logitech Asia Pacific Limited | Hong Kong | 100 | USD | 13 |
| Logitech Australia Computer Peripherals Pty, Limited | Commonwealth of Australia | 100 | AUD | 12 |
| Logitech (Beijing) Trading Company Limited | People's Republic of China | 100 | CNY | 10,000,000 |
| Logitech Technology (Shenzhen) Consulting Co Ltd | People's Republic of China | 100 | HKD | 110,000 |
| Logitech Engineering & Designs India | India | 100 | INR | 200,000 |
| Logi Computer Peripherals (Malaysia) Sdn. Bhd | Malaysia | 100 | MYR | 2 |
| Logitech JB Australia Pty Ltd. | Commonwealth of Australia | 100 | AUD | — |

**Note 4-Investments in subsidiaries: (Continued)**

**Consolidated Subsidiaries-(Continued)**

**Fiscal year 2016**

| Name of Subsidiary | Jurisdiction of Incorporation | Holding % | Share Capital | |
|---|---|---|---|---|
| **EUROPE** | | | | |
| Labtec Europe S.A. | Switzerland | 100 | CHF | 150,000 |
| Logitech U.K. Limited | United Kingdom | 100 | GBP | 20,000 |
| Logitech (Jersey) Limited | Jersey, Channel Islands | 100 | USD | 188 |
| Logitech Espana BCN SL | Spain | 100 | EUR | 50,000 |
| Logitech Europe S.A. | Switzerland | 100 | CHF | 100,000 |
| SAS Logitech France | Republic of France | 100 | EUR | 182,939 |
| Logitech GmbH | Federal Republic of Germany | 100 | EUR | 25,565 |
| Logitech Ireland Services Limited | Ireland | 100 | EUR | 3 |
| Logitech Italia SRL | Republic of Italy | 100 | EUR | 20,000 |
| Logitech Mirial Srl | Republic of Italy | 100 | EUR | 100,000 |
| Logitech Nordic AB | Sweden | 100 | SEK | 100,000 |
| Logitech Benelux B.V. | Kingdom of the Netherlands | 100 | EUR | 18,151 |
| Logitech Poland Spolka z.o.o | Poland | 100 | PLN | 50,000 |
| Logitech S.A. | Switzerland | 100 | CHF | 200,000 |
| Logitech Middle East FZ-LLC | United Arab Emirates | 100 | AED | 100,000 |
| Logitech (Streaming Media) SA | Switzerland | 100 | CHF | 100,000 |
| Logitech Hellas MEPE | Greece | 100 | EUR | 18,000 |
| Logitech Schweiz AG | Switzerland | 100 | CHF | 100,000 |
| Logitech Upicto GmbH | Switzerland | 100 | CHF | 20,000 |
| Limited Liability Company “Logitech” | Russia | 100 | RUB | 20,000 |
| Logi Peripherals Technologies (South Africa) (Proprietary) Limited | South Africa | 100 | ZAR | 1,000 |
| Logitech Norway AS | Norway | 100 | NOK | 100,000 |
| **AMERICAS** | | | | |
| Logitech Argentina S.R.L. | Argentina | 100 | ARS | 10,000 |
| Dexxa Accessorios De Informatica Do Brasil Ltda. | Brazil | 100 | BRL | 10,000 |
| Logitech de Mexico S.A. de C.V. | Mexico | 100 | MXN | 50,000 |
| Logitech Canada Inc. | Canada | 100 | CAD | 100 |
| Logitech Inc. | United States of America | 100 | USD | 11,522,396 |
| Logitech (Streaming Media) Inc. | United States of America | 100 | USD | 10 |
| Logitech (Slim Devices) Inc. | United States of America | 100 | USD | 1 |
| WiLife, Inc. | United States of America | 100 | USD | 10 |
| Logitech Servicios Latinoamérica, S.A. de C.V. | Mexico | 100 | MXN | 50,000 |
| Ultimate Ears Incorporated | United States of America | 100 | USD | 10 |
| SightSpeed, Inc. | United States of America | 100 | USD | 1 |
| LifeSize Communications, Inc. | United States of America | 37.5 | USD | — |
| UE Acquisition Inc. | United States of America | 100 | USD | 10 |
| Logitech Latin America, Inc. | United States of America | 100 | USD | 1 |

**Note 4-Investments in subsidiaries: (Continued)**

**Consolidated Subsidiaries-(Continued)**

| Name of Subsidiary | Jurisdiction of Incorporation | Holding % | Share Capital | |
|---|---|---|---|---|
| **ASIA PACIFIC** | | | | |
| LogiCool Co., Ltd | Japan | 100 | JPY | 155,000,000 |
| Logitech Electronic (India) Private Ltd | India | 100 | INR | 107,760 |
| Logitech Far East, Ltd | Taiwan, Republic of China | 100 | TWD | 260,000,000 |
| Logitech Hong Kong Limited | Hong Kong | 100 | USD | 1,282 |
| Logitech Korea Ltd | Korea | 100 | KRW | 150,144,225 |
| Logitech New Zealand Co., Ltd | New Zealand | 100 | NZD | 10,000 |
| Logitech Service Asia Pacific Pte. Ltd | Republic of Singapore | 100 | USD | 1 |
| Logitech Singapore Pte Ltd | Republic of Singapore | 100 | SGD | 2,559,863 |
| Logitech Technology (Suzhou) Co., Ltd | People's Republic of China | 100 | USD | 22,000,000 |
| Logitech (China) Co., Ltd | People's Republic of China | 100 | USD | 7,800,000 |
| Logitech Asia Logistics Limited | Hong Kong | 100 | USD | 13 |
| Logitech Asia Pacific Limited | Hong Kong | 100 | USD | 13 |
| Logitech Australia Computer Peripherals Pty, Limited | Commonwealth of Australia | 100 | AUD | 12 |
| Logitech (Beijing) Trading Company Limited | People's Republic of China | 100 | CNY | 10,000,000 |
| Logitech Technology (Shenzen) Consulting Co., Ltd | People's Republic of China | 100 | HKD | 110,000 |
| Logitech Engineering & Designs India Private Limited | India | 100 | INR | 200,000 |
| Logi Computer Peripherals (Malaysia) Sdn. Bhd | Malaysia | 100 | MYR | 2 |

**Note 5 - Release of Hidden Reserves:**

For the fiscal year ended March 31, 2017 and March 31, 2016 the Holding Company did not release any hidden reserves.

**Note 6 - Loss on long-term investments**

Lifesize

During the third quarter of fiscal year 2016, the Holding Company's Board of Directors approved a plan to divest the Lifesize video conferencing business. On December 28, 2015, the Holding Company and Lifesize, Inc., a wholly owned subsidiary of the Holding Company ("Lifesize") which holds the assets of the Holding Company's Lifesize video conferencing business, entered into a stock purchase agreement (the "Stock Purchase Agreement") with three venture capital firms. Immediately following the December 28, 2015 closing of the transactions contemplated by the Stock Purchase Agreement, the venture capital firms held 62.5% of the outstanding shares of Lifesize, which resulted in a divestiture of the Lifesize video conferencing business by the Holding Company. This resulted in a loss of CHF 9.9 million which was recorded in the Statement of Income for fiscal year 2016.

Logitech Mirial Italy Srl

An impairment loss of CHF 16.1 million was recognized in fiscal year 2016 for Logitech Mirial Italy Srl. In fiscal year 2011 Logitech purchased Mirial, a Milan-based provider of personal and mobile video conferencing solutions. Mirial was integrated into Logitech's LifeSize video conferencing business. Lifesize business was divested in December 2015, which resulted in the impairment loss of CHF16.1 million in Mirial.

**Note 7 - Treasury Shares:**

During fiscal year 2017, repurchases of and issuances from the Holding Company's treasury shares were as follows:

| | Number of Transactions | Average Price | Number of shares | Total cost (in thousands) |
|---|---|---|---|---|
| Held by the Holding Company at March 31, 2015 | | | 8,624,821 | 75,299 |
| Additions Q1 | 10 | 14.21 | 577,365 | 8,205 |
| Disposals Q1 | 34 | 16.85 | (526,133) | (8,864) |
| Additions Q2 | 24 | 13.16 | 2,924,316 | 38,495 |
| Disposals Q2 | 28 | 11.35 | (871,675) | (9,896) |
| Additions Q3 | — | — | — | — |
| Disposals Q3 | 28 | 6.69 | (550,468) | (3,683) |
| Additions Q4 | 8 | 14.57 | 1,449,125 | 21,109 |
| Disposals Q4 | 51 | 6.79 | (930,234) | (6,314) |
| Held by the Holding Company at March 31, 2016 | | | 10,697,117 | 114,351 |
| Additions Q1 | 10 | 14.83 | 1,589,630 | 23,582 |
| Disposals Q1 | 17 | 7.23 | (903,789) | (6,538) |
| Additions Q2 | 24 | 21.14 | 851,750 | 18,003 |
| Disposals Q2 | 42 | 7.23 | (1,225,362) | (8,860) |
| Additions Q3 | 64 | 23.71 | 879,954 | 20,860 |
| Disposals Q3 | 31 | 7.57 | (591,695) | (4,482) |
| Additions Q4 | 64 | 28.48 | 705,597 | 20,097 |
| Disposals Q4 | 57 | 8.32 | (1,276,259) | (10,622) |
| Held by the Holding Company at March 31, 2017 | | | 10,726,943 | 166,391 |

In March 2014, the Holding Company's Board of Directors approved the 2014 share buyback program, which authorizes the Holding Company to use up to $250.0 million to purchase its own shares. The Holdings Company's share buyback program is expected to remain in effect for a period of three years and will expire on April 24, 2017. Shares have been repurchased from time to time on the open market, through block trades or otherwise. During the fiscal year ended March 31, 2017, the Holding Company repurchased 4,026,931 registered shares for approximately $83.6 million, including transaction costs, under this plan. In March 2017, the Holding Company's Board of Directors approved a new 2017 share buyback program, which authorizes the Holding Company to use up to $250 million to purchase its own shares beginning after the expiration of the 2014 share buyback program.

The disposal of treasury shares during the periods was to the Holding Company's directors and employees under the Holding Company's share option and share purchase plans. The gain or loss on the disposal of repurchased treasury shares is recorded in the statement of income.

**Note 8-Authorized and Conditional Share Capital Increases:**

***Conditional capital***

In September 2008, the Holding Company's shareholders approved an amendment to the Holding Company's Articles of Incorporation to reserve conditional capital of 25.0 million shares for potential issuance on the exercise of rights granted under the Holding Company's employee equity incentive plans. The shareholders also approved the creation of conditional capital representing the issuance of up to 25.0 million shares to cover any conversion rights under a future convertible bond issuance. This conditional capital was created in order to provide financing flexibility for future expansion, investments or acquisitions.

As of March 31, 2017, none of the aforementioned conditional registered shares had been issued. During fiscal years 2017 and 2016, all employee equity incentive commitments were satisfied from treasury shares held by the Holding Company. A description of the employee equity incentive commitments still outstanding is presented in the consolidated financial statements of Logitech International S.A.

**Note 9 - Significant Shareholders:**

The Holding Company's share capital consists of registered shares. To the knowledge of the Holding Company, the beneficial owners holding more than 3% of the voting rights of the Holding Company as of March 31, 2017 were as follows:

| Name | Number of Shares(1) | Percentage of Voting Rights(2) | Relevant Date |
|---|---|---|---|
| Daniel Borel(3) | 7,774,934 | 4.5% | March 31, 2017 |
| BlackRock, Inc.(4) | 7,077,442 | 4.1% | February 20, 2017 |
| Credit Suisse AG(5) | 6,929,971 | 4.0% | February 16, 2016 |
| Marathon Asset Management LLP(6) | 6,776,585 | 3.9% | March 8, 2017 |
| UBS Fund Management (Switzerland) AG(7) | 5,239,853 | 3.0% | September 29, 2014 |
| JPMorgan Chase & Co.(8) | 5,191,109 | 3.0% | February 5, 2016 |

(1)Financial instruments other than shares are not taken into consideration for the calculation of the relevant shareholdings

(2)Shareholdings are calculated based on the aggregate number of voting rights entered into the Swiss commercial register. This aggregate number was 173,106,620 voting rights as of March 31, 2017.

(3) The number of shares held includes (a) 53,000 shares held by a charitable foundation, of which Mr. Borel and other members of his family are board members, and (b) 6,500 shares held by Mr. Borel's spouse. Mr. Borel has not entered into any written shareholders' agreements.

(4) The number of shares held by BlackRock, Inc. is based on a notification filed with the SIX Exchange Regulation on March 1, 2017.

(5)The number of shares held by Credit Suisse AG through it indirect subsidiaries is based on a Schedule 13G filed with the U.S. Securities and Exchange Commission on February 16, 2016.

(6)The number of shares held by Marathon Asset Management LLP is based on a notification filed with the SIX Exchange Regulation on March 16, 2017.

(7)The number of shares held by UBS Fund Management (Switzerland) AG is based on a notification filed with the SIX Exchange Regulation on October 7, 2014.

(8)The number of shares held by JPMorgan Chase & Co. through its indirect subsidiaries is based on a notification filed with the SIX Exchange Regulation on February 16, 2016.

The Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of June 19, 2015 ("FMIA") requires shareholders who own or have discretionary authority to exercise voting rights exceeding certain percentage thresholds of a company incorporated in Switzerland whose shares are listed on a stock exchange in Switzerland to notify the company and the relevant Swiss exchange of such holdings. Following receipt of this notification, the company is required to inform the public in Switzerland.

## Note 10 - Share Ownership of Board Members and Group Management Team:

The following tables set forth the shares and options held by each of the individual members of the Board of Directors and the Group Management Team as of March 31, 2017 and 2016:

| | As of March 31, 2017 | | | |
|---|---|---|---|---|
| | Shares Held | Options, PRSUs and RSUs Held[(1)] | Exercise Price | Fiscal Years of Expiration |
| Non-Group Management Team Members of the Board of Directors: | | | | |
| Patrick Aebischer [(2)] | — | 5,200 | n/a | n/a |
| Edouard Bugnion | 13,578 | 7,100 | n/a | n/a |
| Kee-Lock Chua [(3)] | 100,000 | — | n/a | n/a |
| Sally Davis [(4)] | 99,486 | 37,100 | $34.42 | 2018 |
| Guerrino De Luca [(5)] | 246,089 | 252,153 | $7.83 - $26.67 | 2019 - 2023 |
| Sue Gove | 7,720 | 7,100 | n/a | n/a |
| Didier Hirsch | 46,878 | 7,100 | n/a | n/a |
| Neil Hunt | 52,410 | 7,100 | n/a | n/a |
| Dimitri Panayotopoulos | 23,230 | 7,100 | n/a | n/a |
| Lung Yeh | 7,720 | 7,100 | n/a | n/a |
| Total Non-Group Management Team Members Of the Board of Directors | 597,111 | 337,053 | | |
| Members of the Group Management Team: | | | | |
| Bracken Darrell[(6)] | 483,104 | 2,592,848 | $8.03 - $20.08 | 2023 |
| Vincent Pilette | 285,091 | 371,368 | n/a | n/a |
| Marcel Stolk | 156,642 | 169,696 | n/a | n/a |
| L. Joseph Sullivan | 144,539 | 167,391 | $30.09 | 2018 |
| Total Group Management Team | 1,069,376 | 3,301,303 | | |

(1) Each option provides the right to purchase one share at the exercise price. For executive officers (including members of the Group Management Team and Mr. Guerrino De Luca), the options became exercisable over four years in equal annual installments from the date of grant. For non-executive Directors, the options became exercisable over three years in equal annual installments from the date of grant. Market-based options granted under the Company's 2006 Stock Incentive Plan became exercisable at the later of two years from the grant date or upon meeting certain minimum share price performance criteria. Premium-priced stock options granted under the Company's 2012 Stock Inducement Equity Plan vested if and only when Logitech's average closing share price, over a consecutive ninety-day trading period, met or exceeded the exercise price of the applicable tranche of the three tranches of the grant. PRSUs granted to executive officers are market-based restricted stock units that may vest upon meeting certain minimum share price performance criteria measured against market conditions at the end of three years from the grant date or performance-based restricted stock units that may vest upon the later of one to three years from the grant date or upon meeting certain operating performance criteria. RSUs granted to executive officers are time-based restricted stock units that vest in four equal annual installments from the date of grant. RSUs granted to non-executive Directors vest in one annual installment.

(2) Dr. Patrick Aebischer was first elected as a director at the Annual General Meeting in September 2016.

(3) Mr. Kee-Lock Chua did not stand for re-election as directors at the Annual General Meeting in September 2016.

**Note 10-Share Ownership of Board Members and Group Management Team: (Continued)**

(4) The exercise price of the option as granted to Ms. Sally Davis is CHF 34.45. The U.S. Dollar exercise price shown is based on the Swiss Franc to U.S. Dollar conversion rate as of March 31, 2017. The U.S. Dollar exercise price as of March 31, 2017 was $34.42.

(5) Mr. Guerrino De Luca, Logitech's Chairman, is an executive member of the Board of Directors and his compensation, including equity awards, is structured similarly to the members of the Group Management Team.

(6) Mr. Bracken Darrell, Logitech's President and Chief Executive Officer, is also a member of the Board of Directors.

**Fiscal Year 2016:**

| | As of March 31, 2016 | | | |
|---|---|---|---|---|
| | Shares Held | Options, PRSUs and RSUs Held[1] | Exercise Price | Fiscal Years of Expiration |
| Non-Group Management Team Members of the Board of Directors: | | | | |
| Daniel Borel[2][3] | 8,774,934 | — | n/a | n/a |
| Matthew Bousquette[3] | 58,744 | — | n/a | n/a |
| Edouard Bugnion [4] | — | 11,200 | n/a | n/a |
| Kee-Lock Chua | 95,771 | 26,200 | $19.43 | 2017 |
| Sally Davis [5] | 87,361 | 41,200 | $35.78 | 2018 |
| Guerrino De Luca [6] | 322,889 | 416,716 | $7.83 - $27.95 | 2017 - 2023 |
| Sue Gove[4] | — | 11,200 | n/a | n/a |
| Didier Hirsch | 39,074 | 11,200 | n/a | n/a |
| Neil Hunt | 49,690 | 11,200 | n/a | n/a |
| Dimitri Panayotopoulos | 12,007 | 11,200 | n/a | n/a |
| Monika Ribar[3] | 70,853 | — | n/a | n/a |
| Lung Yeh[4] | — | 11,200 | n/a | n/a |
| Total Non-Group Management Team Members Of the Board of Directors | 9,511,323 | 551,316 | | |
| | | | | |
| Members of the Group Management Team: | | | | |
| Bracken Darrell[7] | 194,229 | 2,759,920 | $8.03 - $20.08 | 2023 |
| Vincent Pilette | 343,495 | 400,412 | n/a | n/a |
| Marcel Stolk[8] | 59,202 | 458,011 | $7.53 | 2023 |
| L. Joseph Sullivan | 82,005 | 398,218 | $7.83 - $30.09 | 2017 - 2023 |
| Total Group Management Team | 678,931 | 4,016,561 | | |

**Note 10-Share Ownership of Board Members and Group Management Team: (Continued)**

(1) Each option provides the right to purchase one share at the exercise price. For executive officers (including members of the Group Management Team and Mr. Guerrino De Luca), the options became exercisable over four years in equal annual installments from the date of grant. For non-executive Directors, the options became exercisable over three years in equal annual installments from the date of grant. Market-based options granted under the Company's 2006 Stock Incentive Plan became or may become exercisable at the later of two years from the grant date or upon meeting certain minimum share price performance criteria. Premium-priced stock options granted under the Company's 2012 Stock Inducement Equity Plan vested or vest if and only when Logitech's average closing share price, over a consecutive ninety-day trading period, meets or exceeds the exercise price of the applicable tranche of the three tranches of the grant. PRSUs granted to executive officers are market-based restricted stock units that may vest upon meeting certain minimum share price performance criteria measured against market conditions at the end of three years from the grant date or performance-based restricted stock units that may vest upon the later of one to three years from the grant date or upon meeting certain operating performance criteria. RSUs granted to executive officers are time-based restricted stock units that vest in four equal annual installments from the date of grant, except for some RSUs awarded to Mr. Vincent Pilette that vest three years from the date of grant. RSUs granted to non-executive Directors vest in one annual installment.

(2) The number of shares held includes (a) 53,000 shares held by a charitable foundation, of which Mr. Daniel Borel and other members of his family are board members and (b) 6,500 shares held by Mr. Borel's spouse. Mr. Borel has not entered into any written shareholders' agreements.

(3) Mr. Daniel Borel, Mr. Matthew Bousquette and Ms. Monika Ribar did not stand for re-election as directors at the Annual General Meeting in September 2015.

(4) Dr. Edouard Bugnion, Ms. Sue Gove and Dr. Lung Yeh were first elected as directors at the Annual General Meeting in September 2015.

(5) The exercise price of the option as granted to Ms. Sally Davis is CHF 34.45. The U.S. Dollar exercise price shown is based on the Swiss Franc to U.S. Dollar conversion rate as of March 31, 2016. The U.S. Dollar exercise price as of March 31, 2016 was $35.88.

(6) Mr. Guerrino De Luca, Logitech's Chairman, is an executive member of the Board of Directors and his compensation, including equity awards, is structured similarly to the members of the Group Management Team. The exercise price of one of the options granted to Mr. Guerrino De Luca is CHF 18.85. The U.S. Dollar exercise price was based on the Swiss Franc to U.S. Dollar conversion rate as of March 31, 2016. The U.S. Dollar exercise price as of March 31, 2016 was $19.63.

(7) Mr. Bracken Darrell, Logitech's President and Chief Executive Officer, is also a member of the Board of Directors.

(8) The exercise price of the option granted to Mr. Marcel Stolk is CHF 7.25. The U.S. Dollar exercise price is based on the Swiss Franc to U.S. Dollar conversion rate as of March 31, 2016. The U.S. Dollar exercise price as of March 31, 2016 was $7.55.

**Note 11 - Full-time equivalents:**

Logitech International S.A. does not have any employees.

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## PROPOSAL OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF RETAINED EARNINGS

Proposal of the Board of Directors for appropriation of retained earnings was as follows for the fiscal year 2017 (in thousands):

| | | Year ended March 31, 2017 |
|---|---|---|
| Available earnings brought forward | CHF | 563,211 |
| Profit for the year | | 177,516 |
| Retained earnings available at end of fiscal year 2016 | | 740,727 |
| Proposed dividend[(1)] | | (100,026) |
| Balance of retained earnings to be carried forward | CHF | 640,701 |

(1) The Board of Directors proposes distribution of an aggregate gross dividend of CHF 100,025,881 or approximately CHF 0.6160 per share. The per share estimate is based on 162,379,677 shares outstanding, net of treasury shares, as of March 31, 2017.