LOGITECH INTERNATIONAL SA
Form 10-Q
July 27, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number: 0-29174

LOGITECH INTERNATIONAL S.A.
(Exact name of registrant as specified in its charter)

Canton of Vaud, Switzerland	None
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Logitech International S.A.
EPFL - Quartier de l'Innovation
Daniel Borel Innovation Center
1015 Lausanne, Switzerland
c/o Logitech Inc.
7700 Gateway Boulevard
Newark, California 94560
(Address of principal executive offices and zip code)

(510) 795-8500
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging Growth Company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard s provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

As of July 14, 2017, there were 163,909,945 shares of the Registrant's share capital outstanding.

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In this document, unless otherwise indicated, references to the "Company" or "Logitech" are to Logitech International S.A., its consolidated subsidiaries and predecessor entities. Unless otherwise specified, all references to U.S. Dollar, Dollar or $ are to the United States Dollar, the legal currency of the United States of America. All references to CHF are to the Swiss Franc, the legal currency of Switzerland.

Logitech, the Logitech logo, and the Logitech products referred to herein are either the trademarks or the registered trademarks of Logitech. All other trademarks are the property of their respective owners.

The Company's fiscal year ends on March 31. Interim quarters are generally thirteen-week periods, each ending on a Friday of each quarter. The first quarter of fiscal year 2018 ended on June 30, 2017. The same quarter in the prior fiscal year ended on July 1, 2016. For purposes of presentation, the Company has indicated its quarterly periods ending on the last day of the calendar quarter.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,	
	2017	2016
Net sales	$529,946	$479,864
Cost of goods sold	334,774	309,625
Amortization of intangible assets and purchase accounting effect on inventory	1,504	1,613
Gross profit	193,668	168,626
Operating expenses:		
Marketing and selling	102,378	83,872
Research and development	35,099	31,951
General and administrative	25,354	25,655
Amortization of intangible assets and acquisition-related costs	1,390	1,293
Change in fair value of contingent consideration for business acquisition	(1,978)	—
Total operating expenses	162,243	142,771
Operating income	31,425	25,855
Interest income, net	1,175	151
Other expense, net	(1,029)	(1,008)
Income before income taxes	31,571	24,998
Provision for (benefit from) income taxes	(5,436)	3,057
Net income	$37,007	$21,941
Net income per share:		
Basic	$0.23	$0.14
Diluted	$0.22	$0.13
Weighted average shares used to compute net income per share:		
Basic	163,407	162,130
Diluted	168,339	164,303

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(unaudited)

	Three Months Ended June 30,	
	2017	2016
Net income	$37,007	$21,941
Other comprehensive income (loss):		
Currency translation gain (loss), net of taxes	1,456	(296)
Defined benefit pension plans:		
Net gain (loss) and prior service costs, net of taxes	(152)	310
Amortization included in operating expenses	50	433
Hedging gain (loss):		
Deferred hedging gain (loss), net of taxes	(3,209)	965
Reclassification of hedging loss included in cost of goods sold	533	740
Other comprehensive income (loss):	(1,322)	2,152
Total comprehensive income	$35,685	$24,093

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(unaudited)

	June 30, 2017	March 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$527,657	$547,533
Accounts receivable, net	221,340	185,179
Inventories	279,405	253,401
Other current assets	42,675	41,732
Total current assets	1,071,077	1,027,845
Non-current assets:		
Property, plant and equipment, net	85,135	85,408
Goodwill	249,780	249,741
Other intangible assets, net	44,971	47,564
Other assets	136,516	88,119
Total assets	$1,587,479	$1,498,677
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$312,722	$274,805
Accrued and other current liabilities	205,059	232,273
Total current liabilities	517,781	507,078
Non-current liabilities:		
Income taxes payable	32,147	51,797
Other non-current liabilities	87,213	83,691
Total liabilities	637,141	642,566
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Registered shares, CHF 0.25 par value:	30,148	30,148
Issued and authorized shares —173,106 at June 30 and March 31, 2017		
Conditionally authorized shares — 50,000 at June 30 and March 31, 2017		
Additional paid-in capital	14,519	26,596
Shares in treasury, at cost — 9,197 at June 30, 2017 and 10,727 at March 31, 2017	(157,330)	(174,037)
Retained earnings	1,165,029	1,074,110
Accumulated other comprehensive loss	(102,028)	(100,706)
Total shareholders' equity	950,338	856,111
Total liabilities and shareholders' equity	$1,587,479	$1,498,677

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	$37,007	$21,941
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	9,148	13,105
Amortization of intangible assets	2,593	1,708
Loss (gain) on investments in privately held companies	259	(1)
Gain on disposal of property, plant and equipment	(3)	—
Share-based compensation expense	10,705	8,517
Deferred income taxes	(9,879)	(1,048)
Change in fair value of contingent consideration for business acquisition	(1,978)	—
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(35,702)	(48,661)
Inventories	(20,389)	(10,007)
Other assets	(3,088)	(1,171)
Accounts payable	38,647	42,769
Accrued and other liabilities	(28,203)	(10,135)
Net cash provided by (used in) operating activities	(883)	17,017
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,035)	(8,135)
Investment in privately held companies	(360)	(320)
Acquisitions, net of cash acquired	—	(53,987)
Changes in restricted cash	—	715
Purchases of trading investments	(609)	(4,229)
Proceeds from sales of trading investments	647	4,231
Net cash used in investing activities	(10,357)	(61,725)
Cash flows from financing activities:		
Purchases of registered shares	(624)	(24,422)
Proceeds from exercises of stock options	12,569	599
Tax withholdings related to net share settlements of restricted stock units	(21,683)	(9,185)
Net cash used in financing activities	(9,738)	(33,008)
Effect of exchange rate changes on cash and cash equivalents	1,102	(1,368)
Net decrease in cash and cash equivalents	(19,876)	(79,084)
Cash and cash equivalents, beginning of the period	547,533	519,195
Cash and cash equivalents, end of the period	$527,657	$440,111
Supplementary Cash Flow Disclosures:		
Non-cash investing activities:		
Property, plant and equipment purchased during the period and included in period end liability accounts	$3,713	$3,502

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(unaudited)

	Registered Shares		Additional Paid-in	Treasury Shares			Accumulated Other	Total Shareholders'
	Shares	Amount	Capital	Shares	Amount	Retained Earnings	Comprehensive Loss	Equity
March 31, 2016	173,106	$30,148	$6,616	10,697	$(128,407)	$963,576	$(111,985)	$759,948
Total comprehensive income	—	—	—	—	—	21,941	2,152	24,093
Purchases of registered shares	—	—	—	1,590	(24,422)	—	—	(24,422)
Tax effects from share-based awards	—	—	(704)	—	—	—	—	(704)
Sales of shares upon exercise of stock options	—	—	206	(52)	393	—	—	599
Issuance of shares upon vesting of restricted stock units	—	—	(14,709)	(861)	7,773	(2,249)	—	(9,185)
Share-based compensation expense	—	—	8,591	—	—	—	—	8,591
June 30, 2016	173,106	$30,148	$—	11,374	$(144,663)	$983,268	$(109,833)	$758,920

	Registered Shares		Additional Paid-in	Treasury Shares			Accumulated Other	Total Shareholders'
	Shares	Amount	Capital	Shares	Amount	Retained Earnings	Comprehensive Loss	Equity
March 31, 2017	173,106	$30,148	$26,596	10,727	$(174,037)	$1,074,110	$(100,706)	$856,111
Cumulative effect of adoption of new accounting standard (Note 1)	—	—	3,293	—	—	53,912	—	57,205
Total comprehensive income	—	—	—	—	—	37,007	(1,322)	35,685
Purchases of registered shares	—	—	—	20	(624)	—	—	(624)
Sales of shares upon exercise of stock options	—	—	7,452	(452)	5,117	—	—	12,569
Issuance of shares upon vesting of restricted stock units	—	—	(33,897)	(1,098)	12,214	—	—	(21,683)
Share-based compensation expense	—	—	11,075	—	—	—	—	11,075
June 30, 2017	173,106	$30,148	$14,519	9,197	$(157,330)	$1,165,029	$(102,028)	$950,338

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LOGITECH INTERNATIONAL S.A.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 — The Company and Summary of Significant Accounting Policies and Estimates

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.

Basis of Presentation

The condensed consolidated interim financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and therefore do not include all the information required by GAAP for complete financial statements. They should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended March 31, 2017, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on May 26, 2017.

In the opinion of management, these condensed consolidated financial statements include all adjustments, consisting of only normal and recurring adjustments, necessary and in all material aspects, for a fair statement of the results of operations, comprehensive income, financial position, cash flows and changes in shareholders' equity for the periods presented. Operating results for the three months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2018, or any future periods.

Reclassification

Certain amounts from the comparative period in the accompanying unaudited condensed consolidated financial statements have been reclassified to conform to the condensed consolidated financial statement presentation as of and for the three months ended June 30, 2017.

Changes in Significant Accounting Policies

Other than the recent accounting pronouncements adopted, discussed below, there have been no substantial changes in the Company’s significant accounting policies during the three months ended June 30, 2017 compared with the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed 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 acquisitions, warranty liabilities, accruals for customer programs and related breakage when appropriate, sales return reserves, allowance for doubtful accounts, inventory valuation,

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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.

Recent Accounting Pronouncements Adopted

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)" ("ASU 2015-11"). Topic 330, Inventory, previously required 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. ASU 2015-11 requires an entity to measure inventory at the lower of cost or net realizable value and is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has adopted this standard effective April 1, 2017 which did not have a material impact on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 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 benefits and employee taxes paid when an employer withholds shares for tax withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has adopted this standard effective April 1, 2017. Changes to the statements of cash flows related to the classification of excess tax benefits were implemented on a retroactive basis and accordingly, to conform to the current year presentation, the Company reclassified $3.3 million of excess tax benefits previously reported under financing activities to operating activities for the three months ended June 30, 2016 on its condensed consolidated statements of cash flows. Under the new standard, the Company accounts for forfeitures as they occur. The change in accounting for forfeitures resulted in a cumulative-effect adjustment to decrease retained earnings as of March 31, 2017 by $3.3 million. The Company further recognized a cumulative-effect adjustment to increase retained earnings as of March 31, 2017 by $57.2 million upon adoption of the new guidance to account for gross excess tax benefits of $75.2 million that were previously not recognized because the related tax deduction had not reduced current income taxes, offset by a valuation allowance of $18.0 million to reduce the deferred tax assets to amounts that are more likely than not to be realized.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment (Topic 350)" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. ASU 2017-04 is effective for annual or any interim goodwill impairments in annual periods beginning December 15, 2019, with early adoption permitted. The Company has adopted this standard effective April 1, 2017 which did not have a material impact on its condensed consolidated financial statements.

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. ASU 2017-09 is effective 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 has adopted this standard effective April 1, 2017 which did not have a material impact on its condensed consolidated financial statements.

Recent Accounting Pronouncements To Be Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") which supersedes the revenue recognition requirements under ASC 605, Revenue Recognition. ASU 2014-09 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. The new standard

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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 subject to practical expedients, or a "modified retrospective" adoption, meaning the standard is applied only in the initial year, or interim period in year of initial application with a cumulative adjustment to opening retained earnings for existing contracts. The Company currently expects to utilize the modified retrospective transition method. The Company continues to evaluate the impact this new standard could have on the current contracts with customers and the accruals of various sales and marketing programs the Company offers and on the related breakage estimates. The Company has not completed its analysis of the impact to its condensed consolidated financial statements and this information 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 condensed consolidated financial statements, or the Company may revise its adoption method.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments-Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)” ("ASU 2016-01"). ASU 2016-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted. The Company does not believe that the adoption of ASU 2016-01 will have a material impact on its condensed consolidated financial statements and will adopt this standard 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. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the full effect that ASU 2016-02 will have on its condensed consolidated financial statements and will adopt this standard effective April 1, 2019.

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 however, this standard does not apply to intra-entity transfer of inventory. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted but only in the first interim period of an annual period. 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 condensed consolidated financial statements and will adopt this 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. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, including interim 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 condensed consolidated financial statements and will adopt this standard effective April 1, 2018.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefit (Topic 715): 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. ASU 2017-07 is effective 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 condensed consolidated financial statements and will adopt this standard effective April 1, 2018.

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Note 2 — Net Income Per Share

The computations of basic and diluted net income per share for the Company were as follows (in thousands, except per share amounts):

	Three Months Ended June 30,	
	2017	2016
Net Income	$37,007	$21,941
Shares used in net income per share computation:		
Weighted average shares outstanding - basic	163,407	162,130
Effect of potentially dilutive equivalent shares	4,932	2,173
Weighted average shares outstanding - diluted	168,339	164,303
Net income per share:		
Basic	$0.23	$0.14
Diluted	$0.22	$0.13

Share equivalents attributable to outstanding stock options and restricted stock units of 1.4 million and 5.7 million for the three months ended June 30, 2017 and 2016, respectively, were anti-dilutive and excluded from the calculation of diluted net income per share.

Note 3 — Employee Benefit Plans

Employee Share Purchase Plans and Stock Incentive Plans

As of June 30, 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).

The following table summarizes the share-based compensation expense and total income tax benefit recognized for share-based awards for the three months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,	
	2017	2016
Cost of goods sold	$711	$675
Marketing and selling	4,381	3,437
Research and development	1,543	914
General and administrative	4,070	3,491
Total share-based compensation expense	10,705	8,517
Income tax benefit	(11,282)	(1,815)
Total share-based compensation expense (credit), net of income tax	$(577)	$6,702

The income tax benefit in the respective period primarily consists of tax benefit related to the share-based compensation expense for the period and direct tax benefit realized, including net excess tax benefits recognized, from stock-based awards vested or exercised during the period.

As of June 30, 2017 and 2016, the Company capitalized $0.9 million and $0.5 million of stock-based compensation expense to inventory, respectively.

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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 cost recorded of $2.3 million and $2.8 million for the three months ended June 30, 2017 and 2016, respectively, was primarily related to service costs.

Note 4 — 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 before taxes and the provision for (benefit from) income taxes are generated outside of Switzerland.

The income tax benefit for the three months ended June 30, 2017 was $5.4 million based on an effective income tax rate of (17.2)% of pre-tax income, compared to an income tax provision of $3.1 million based on an effective income tax rate of 12.2% of pre-tax income for the three months ended June 30, 2016.

The change in the effective income tax rate for the three months ended June 30, 2017, compared to the three months ended June 30, 2016, is primarily due to the recognition of $9.9 million of excess tax benefits, offset by valuation allowance of $1.3 million for federal tax credit carryforwards after adoption of ASU 2016-09. In the three months ended June 30, 2017 and June 30, 2016, there was a discrete tax benefit of $0.7 million for both periods from the reversal of uncertain tax positions from the expiration of statutes of limitations.

As of June 30 and March 31, 2017, the total amount of unrecognized tax benefits due to uncertain tax positions was $65.0 million and $63.7 million, respectively, all of which would affect the effective income tax rate if recognized.

The Company had $32.1 million in non-current income taxes payable and $1.5 million in current income taxes payable, including interest and penalties, related to its income tax liability for uncertain tax positions as of June 30, 2017 compared to $51.8 million in non-current income taxes payable and $1.5 million in current income taxes payable as of March 31, 2017. The Company anticipates a settlement of approximately $1.4 million with the tax authorities in a foreign jurisdiction in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax positions in income tax expense. As of June 30 and March 31, 2017, the Company had $3.2 million and $3.0 million, respectively, of accrued interest and penalties related to uncertain tax positions.

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 fiscal year 2018, the Company will continue to review its tax positions and provide for or reverse unrecognized tax benefits as issues arise. During the next twelve 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 $8.5 million from the lapse of the statutes of limitations in various jurisdictions during the next twelve months.

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Note 5— Balance Sheet Components

The following table presents the components of certain balance sheet asset amounts as of June 30 and March 31, 2017 (in thousands):

	June 30, 2017	March 31, 2017
Accounts receivable, net:		
Accounts receivable	$452,141	$395,754
Allowance for doubtful accounts	(644)	(607)
Allowance for sales returns	(20,094)	(18,800)
Allowance for cooperative marketing arrangements	(32,761)	(28,022)
Allowance for customer incentive programs	(67,994)	(60,857)
Allowance for pricing programs	(109,308)	(102,289)
	$221,340	$185,179
Inventories:		
Raw materials	$42,532	$30,582
Finished goods	236,873	222,819
	$279,405	$253,401
Other current assets:		
Value-added tax receivables	$22,423	$23,132
Prepaid expenses and other assets	20,252	18,600
	$42,675	$41,732
Property, plant and equipment, net:		
Property, plant and equipment at cost	$350,862	$348,760
Less: accumulated depreciation and amortization	(265,727)	(263,352)
	$85,135	$85,408
Other assets:		
Deferred tax assets	$103,203	$57,303
Trading investments for deferred compensation plan	16,914	15,043
Investments in privately held companies	10,877	10,776
Other assets	5,522	4,997
	$136,516	$88,119

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The following table presents the components of certain balance sheet liability amounts as of June 30 and March 31, 2017 (in thousands):

	June 30, 2017	March 31, 2017
Accrued and other current liabilities:		
Accrued personnel expenses	$58,218	$88,346
Indirect customer incentive programs	40,003	36,409
Warranty accrual	13,478	13,424
Employee benefit plan obligation	1,541	1,266
Income taxes payable	6,767	6,232
Contingent consideration for business acquisition - current portion	455	2,889
Other current liabilities	84,597	83,707
	$205,059	$232,273
Other non-current liabilities:		
Warranty accrual	$8,578	$8,487
Obligation for deferred compensation plan	16,914	15,043
Employee benefit plan obligation	43,405	41,998
Deferred tax liability	1,789	1,789
Contingent consideration for business acquisition - non-current portion	7,475	7,019
Other non-current liabilities	9,052	9,355
	$87,213	$83,691

Note 6— Fair Value Measurements

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.

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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):

	June 30, 2017			March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Cash equivalents	$426,910	$—	$—	$448,742	$ —	$—
Trading investments for deferred compensation plan included in other assets:						
Money market funds	$3,107	$—	$—	$2,813	$ —	$—
Mutual funds	13,807	—	—	12,230	—	—
Total of trading investments for deferred compensation plan	$16,914	$—	$—	$15,043	$ —	$—
Currency exchange derivative assets included in other current assets	$—	$104	$—	$—	$ 48	$—
Liabilities:						
Acquisition-related contingent consideration included in accrued and other current liabilities and other non-current liabilities	$—	$—	$7,475	$—	$ —	$9,908
Currency exchange derivative liabilities included in accrued and other current liabilities	$—	$1,711	$—	$—	$ 443	$—

The following table summarizes the change in fair value of the Company's contingent consideration balance during the three months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,	
	2017	2016
Beginning of the period	$9,908	$—
Fair value of contingent consideration upon acquisition	—	18,000
Change in fair value of contingent consideration	(1,978)	—
Expected payment for first earn-out period(1)	(455)	—
End of the period	$7,475	$18,000

(1) As of June 30, 2017, the first twelve month earn-out period is complete and the earn-out payment of $0.5 million is based on the actual net sales of Jaybird products and no longer subject to fair value measurement.

Investment Securities

The marketable securities for the Company's deferred compensation plan are recorded at a fair value of $16.9 million and $15.0 million, respectively, as of June 30, 2017 and March 31, 2017, 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 / (losses) related to trading securities for the three months ended June 30, 2017 and 2016 were not material and are included in other expense, net in the Company's condensed consolidated statements of operations.

Acquisition-related contingent consideration

On April 20, 2016 (the "Acquisition Date"), the Company acquired all of the equity interest of JayBird, LLC (“Jaybird”). Pursuant to the purchase agreement, there is 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"). The acquisition-related contingent consideration liability arising from the Jaybird Acquisition represents the future potential earn-out payments of up to $45.0 million based on the achievement of certain net revenue targets over

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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 condensed consolidated statements of operations. Projected net sales are based on the Company's internal projections, including analysis of the target markets. The fair value of the contingent consideration was $7.9 million and $9.9 million as of June 30, 2017 and March 31, 2017, respectively. The decrease in fair value of contingent consideration for the three months ended June 30, 2017 results primarily from Jaybird's lower-than-expected net sales, partially offset by the change in the time value of money. As of June 30, 2017, the first twelve month earn-out period is complete and the expected earn-out payment of $0.5 million is included in the accrued and other current liabilities.

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 change in the forecast of net sales for the earn-out periods, may result in 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 goodwill, intangible assets and property, plant and equipment, are recorded at fair value only upon initial recognition or if an impairment is recognized. There were no material impairments of long-lived assets during the three months ended June 30, 2017 or 2016.

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.

The primary investment included in non-marketable investments is the Company’s investment in Series A Preferred Stock of Lifesize Inc. ("Lifesize") recorded at the fair value of $5.6 million on the date of the Lifesize divestiture.

The aggregate recorded amount of cost method investments included in other assets as of June 30, 2017 and March 31, 2017 was $7.1 million and $7.4 million, respectively.

Note 7 - Derivative Financial Instruments

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 on the condensed consolidated balance sheets as of June 30, 2017 and March 31, 2017.

The fair values of the Company’s derivative instruments not designated as hedging instruments were not material as of June 30, 2017 or March 31, 2017. The following table presents the fair values of the Company’s derivative instruments designated as hedging instruments on a gross basis in other current assets or accrued and other current liabilities on its

condensed consolidated balance sheets as of June 30, 2017 and March 31, 2017 (in thousands):

	Derivatives			
	Asset		Liability	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Cash flow hedges	$104	$ 48	$1,664	$402

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The amount of gain (loss) recognized on derivatives not designated as hedging instruments were not material in all periods presented herein. The following table presents the amounts of gains (losses) on the Company's derivative instruments designated as hedging instruments and their locations on its condensed consolidated statements of operations and condensed consolidated statements of comprehensive income for the three months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2017	2016	2017	2016
Cash flow hedges	$(3,209)	$965	$ 533	$ 740

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 condensed consolidated statements of cash flows. The notional amounts of foreign currency exchange forward contracts outstanding related to forecasted inventory purchases were $84.7 million and $59.4 million at June 30, 2017 and March 31, 2017, respectively. The Company estimates that $3.2 million of net losses related to its cash flow hedges included in accumulated other comprehensive loss as of June 30, 2017 will be reclassified into earnings within the next 12 months.

Other Derivatives

The Company also enters into foreign currency exchange forward and swap contracts to reduce the short-term effects of currency exchange rate fluctuations on certain receivables or payables denominated in currencies other than the functional currencies of its subsidiaries. These 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 expense, net in the condensed consolidated statements of operations based on the changes in fair value. The notional amounts of these contracts outstanding as of June 30, 2017 and March 31, 2017 were $65.4 million and $56.7 million, respectively. Open forward and swap contracts outstanding as of June 30, 2017 and March 31, 2017 consisted of contracts in Mexican Pesos, Japanese Yen, British Pounds, Taiwanese Dollars, Canadian Dollars and Australian Dollars to be settled at future dates at pre-determined exchange rates.

The fair value of all foreign currency 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 condensed consolidated statements of cash flows.

Note 8 — Goodwill and Other Intangible Assets

The Company conducts its impairment analysis of the goodwill annually at December 31 and as necessary if changes in facts and circumstances indicate that it is more likely than not that the fair value of the Company's reporting units may be less than its carrying amount. There have been no events or circumstances during the three months ended June 30, 2017 that have required the Company to perform an interim assessment of goodwill.

The following table summarizes the activities in the Company's goodwill balance during the three months ended June 30, 2017 (in thousands):

As of March 31, 2017	$249,741
Currency impact	39
As of June 30, 2017	$249,780

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The Company's acquired intangible assets subject to amortization were as follows (in thousands):

	June 30, 2017			March 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark and tradenames	$16,500	$ (7,399)	$9,101	$16,500	$ (6,933)	$9,567
Technology	63,285	(44,337)	18,948	63,285	(42,831)	20,454
Customer contracts/relationships	25,180	(8,258)	16,922	25,180	(7,637)	17,543
Total	$104,965	$ (59,994)	$44,971	$104,965	$ (57,401)	$47,564

Note 9 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating $38.9 million as of June 30, 2017. There are no financial covenants under these lines of credit with which the Company must comply. As of June 30, 2017, the Company had outstanding bank guarantees of $23.3 million under these lines of credit. There was no borrowing outstanding under these lines of credit as of June 30, 2017 or March 31, 2017.

Note 10 — Commitments and Contingencies

Product Warranties

All of the Company’s peripherals products sold are covered by warranty to be free from defects in material and workmanship. 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 the three months ended June 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended June 30,	
	2017	2016
Beginning of the period	$21,911	$20,380
Assumed from business acquisition	—	1,813
Provision	5,124	3,177
Settlements	(4,567)	(3,428)
Currency translation	(412)	(190)
End of the period	$22,056	$21,752

Guarantees

Logitech Europe S.A., one of our wholly-owned subsidiaries, guaranteed payments of certain third-party contract manufacturers’ purchase obligations. As of June 30, 2017, the maximum amount of this guarantee was $3.8 million, of which $0.9 million of guaranteed purchase obligations were 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 June 30, 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.

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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 entered on December 28, 2015 in connection with the investment by three venture capital firms in Lifesize contains representations, warranties and covenants of Logitech and Lifesize, Inc. to the Investors. Logitech has agreed, subject to certain limitations, to indemnify the Investors and certain persons related to the 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 that 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 condition, 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 condition, 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 11 — Shareholders’ Equity

Share Repurchase Program

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 the 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.

During the three months ended June 30, 2017 and 2016, 20 thousand and 1.6 million shares were repurchased for $0.6 million and $24.4 million, respectively.

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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 Plan (1)	Deferred Hedging Losses	Total
March 31, 2017	$ (89,708)	$ (10,480)	$ (518)	$ (100,706)
Other comprehensive income (loss)	1,456	(102)	(2,676)	(1,322)
June 30, 2017	$ (88,252)	$ (10,582)	$ (3,194)	$ (102,028)

(1) Tax effect was not significant as of June 30 or March 31, 2017.

Note 12 — Segment Information

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 (“CODM”). 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 contingent consideration from business acquisition.

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Net sales by product categories, excluding intercompany transactions, for the three months ended June 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended June 30,	
	2017	2016
Mobile Speakers	$62,918	$57,296
Audio-PC & Wearables	50,202	56,579
Gaming	77,708	56,500
Video Collaboration	35,617	23,910
Smart Home	16,466	11,167
Pointing Devices	122,074	116,783
Keyboards & Combos	116,113	118,019
Tablet & Other Accessories	23,218	13,885
PC Webcams	25,625	25,262
Other (1)	5	463
Total net sales	$529,946	$479,864

(1) Other category includes products that the Company currently intends to transition out of, or has already transitioned out of, because they are no longer strategic to the Company's business.

Net sales by geographic region (based on the customers' locations) for the three months ended June 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended June 30,	
	2017	2016
Americas	$245,400	$222,625
EMEA	150,591	142,922
Asia Pacific	133,955	114,317
Total net sales	$529,946	$479,864

Sales are attributed to countries on the basis of the customers' locations.

The United States and Germany each represented more than 10% of the Company's total consolidated net sales for the three months ended June 30, 2017. The United States represented more than 10% of the Company's total consolidated net sales for the three months ended June 30, 2016.

Switzerland, the Company's home domicile, represented 1% and 2% of the Company's total consolidated net sales for the three months ended June 30, 2017 and June 30, 2016, respectively.

Two customer groups of the Company each represented more than 10% of the total consolidated sales for all the periods presented herein.

Long-lived assets by geographic region were as follows (in thousands):

	June 30, 2017	March 31, 2017
Americas	$36,679	$37,242
EMEA	4,130	4,006

Asia Pacific	44,326	44,160
Total long-lived assets	$85,135	$85,408

Long-lived assets in the United States and China were $36.6 million and $37.3 million, respectively, as of June 30, 2017, and $37.1 million and $37.2 million, respectively, as of March 31, 2017. No other countries represented more than 10% of the Company’s total consolidated long-lived assets as of June 30 or March 31, 2017.

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Long-lived assets in Switzerland, the Company's home domicile, were $2.0 million and $2.1 million as of June 30 and March 31, 2017, respectively.

Note 13 — Subsequent Event

On July 10, 2017, the Company signed an agreement to acquire certain assets and liabilities constituting the Astro Gaming business from AG Acquisition Corporation for $85 million in cash. Astro Gaming is a leading console gaming brand and has a history of producing award-winning headsets for professional gamers and enthusiasts. The transaction is expected to close in early August, 2017 and is subject to receipt of regulatory approvals in various jurisdictions and other closing conditions.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the interim unaudited condensed consolidated financial statements and related notes.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include, among other things, statements regarding our strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position, our business strategy, the impact of investment prioritization decisions, product offerings, sales and marketing initiatives, strategic investments, addressing execution challenges, trends in consumer demand affecting our products and markets, trends in the composition of our customer base, our current or future revenue and revenue mix by product, among our lower- and higher-margin products, our new product introductions and by geographic region, our expectations regarding the potential growth opportunities for our products in mature and emerging markets and the enterprise market, our expectations regarding economic conditions in international markets, including China, Russia and Ukraine, our expectations regarding trends in global economic conditions and consumer demand for PCs and mobile devices, tablets, gaming, audio, pointing devices, wearables, remotes and other accessories and computer devices and the interoperability of our products with such third party platforms, our expectations regarding the convergence of markets for computing devices and consumer electronics, our expectations regarding the growth of cloud-based services, our expected reduction in size of our product portfolio and dependence on new products, our competitive position and the effect of pricing, product, marketing and other initiatives by us and our competitors, the potential that our new products will overlap with our current products, our expectations regarding competition from well-established consumer electronics companies in existing and new markets, our expectations regarding the recoverability of our goodwill, goodwill impairment charge estimates and the potential for future impairment charges, the impact of our current and proposed product divestitures, changes in our planned divestitures, and the timing thereof, our expectations regarding the success of our strategic acquisitions, including integration of acquired operations, products, technology, internal controls, personnel and management teams, the closing and the timing of the closing of the ASTRO Gaming acquisition, significant fluctuations in currency exchange rates and commodity prices, the impact of new product introductions and product innovation on future performance or anticipated costs and expenses and the timing thereof, cash flows, the sufficiency of our cash and cash equivalents, cash generated and available borrowings (including the availability of our uncommitted lines of credit) to fund future cash requirements, our expectations regarding future sales compared to actual sales, our expectations regarding share repurchases, dividend payments and share cancellations, our expectations regarding our future working capital requirements and our anticipated capital expenditures needed to support our product development and expanded operations, our expectations regarding our future tax benefits and the adequacy of our provisions for uncertain tax positions, our expectations regarding our potential indemnification obligations, and the outcome of pending or future legal proceedings and tax audits, our remediation efforts to address our material weaknesses, our belief that our disclosure controls and procedures will become effective at the reasonable assurance level by the end of fiscal year 2018, our expectations regarding the impact of new accounting pronouncements on our operating results, and our ability to achieve and sustain renewed growth, profitability and future success. Forward-looking statements also include, among others, those statements including the words "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict,", "seek", "should," "will," and similar language. These forward-looking statement involve risks and uncertainties that could cause our actual performance to differ materially from that anticipated in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

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 include Logitech, Jaybird, Logitech G and Ultimate Ears.

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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.
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 July 10, 2017, we signed an agreement to acquire certain assets and liabilities constituting the Astro Gaming business from AG Acquisition Corporation for $85 million in cash. Astro Gaming is a leading console gaming brand and has a history of producing award-winning headsets for professional gamers and enthusiasts. The transaction is expected to close in early August, 2017 and is subject to receipt of regulatory approvals in various jurisdictions and other closing conditions.

Summary of Financial Results

Our net sales for the three months ended June 30, 2017 increased 10% compared to the three months ended June 30, 2016, due to stronger net sales across all regions. Net sales increased 10%, 5% and 17% in the Americas, EMEA and Asia Pacific, respectively.

Our gross margin for the three months ended June 30, 2017 increased to 36.5% from 35.1% for the three months ended June 30, 2016. The increase in gross margin was primarily driven by product cost reductions as well as greater supply chain efficiencies, partially offset by an increase of promotions and an unfavorable fluctuation in currency exchange rates.

Operating expenses for the three months ended June 30, 2017 were $162.2 million, or 30.6% of net sales, compared to $142.8 million, or 29.8% of net sales in the same period of the prior fiscal year. The increase was primarily driven by higher personnel-related costs due to increased headcount and higher external expenses to support the advertising and marketing efforts for our new products, partially offset by a credit from change in fair value of contingent consideration from the Jaybird Acquisition.

Net income from continuing operations for the three months ended June 30, 2017 was $37.0 million, compared to $21.9 million for the three months ended June 30, 2016.

Given our global sales presence and the reporting of our financial results in U.S. Dollars, our financial results could be affected by 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 becomes stronger in comparison to other currencies, it will also affect our results of operations in future periods.

Trends in Our Business

Our strategy focuses on five large multi-category markets, including Music, Gaming, Video Collaboration, Smart Home and Creativity & Productivity. We see opportunities to deliver growth 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 the first quarter of fiscal year 2018 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 and Jaybird 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

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believe Logitech is well positioned to benefit from the gaming market growth, together with strengthening our portfolio in the console-gaming market.

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 2017 and has continued growing in the first quarter of fiscal year 2018. 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 new PC shipments continue to decline, 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 might impact the sales of our tablet accessories.

Business Seasonality, Product Introductions and 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 our 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 GAAP requires us to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, goodwill and intangible assets from business acquisitions, net sales and expenses, contingent consideration, 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.

Other than the recent accounting pronouncement adoptions discussed below, there have been no substantial changes in the Company's significant accounting policies during the three months ended June 30, 2017 compared with the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

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Adoption of New Accounting Guidance

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)" ("ASU 2015-11"). Topic 330, Inventory, previously required 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. ASU 2015-11 requires an entity to measure inventory at the lower of cost or net realizable value and effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We have adopted this standard effective April 1, 2017 which did not have a material impact on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 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 benefits and employee taxes paid when an employer withholds shares for tax withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We have adopted this standard effective April 1, 2017. Changes to the statements of cash flows related to the classification of excess tax benefits were implemented on a retroactive basis and accordingly, to conform to the current year presentation, we reclassified $3.3 million of excess tax benefits previously reported under financing activities to operating activities for the three months ended June 30, 2016 on its condensed consolidated statements of cash flows. Under the new standard, we account for forfeitures as they occur. The change in accounting for forfeitures resulted in a cumulative-effect adjustment to decrease retained earnings as of March 31, 2017 by $3.3 million. We further recognized a cumulative-effect adjustment to increase retained earnings as of March 31, 2017 by $57.2 million upon adoption of the new guidance to account for gross excess tax benefits of $75.2 million that were previously not recognized because the related tax deduction had not reduced current income taxes, offset by a valuation allowance of $18.0 million to reduce the deferred tax assets to amounts that are more likely than not to be realized.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment (Topic 350)" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. ASU 2017-04 is effective for for annual or any interim goodwill impairments in annual periods beginning December 15, 2019, with early adoption permitted. We have adopted this standard effective April 1, 2017 which did not have a material impact on our condensed consolidated financial statements.

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. ASU 2017-09 is effective 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. We have adopted this standard effective April 1, 2017 which did not have a material impact on our condensed consolidated financial statements.

Refer to Note 1 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for recent accounting pronouncements to be adopted.

Impact of 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.

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Results of Operations

Net Sales

Net sales for the three months ended June 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended June 30,		
	2017	2016	Change
Net Sales	$529,946	$479,864	10 %

Our net sales in the three months ended June 30, 2017 increased 10%, compared to the same period of the prior fiscal year. Sales increased across all three regions during the three months ended June 30, 2017. If currency exchange rates had been constant in the three months ended June 30, 2017 and 2016, our constant dollar sales growth rates would have been 13%. We grew across most of our product categories, out of which Gaming, Video Collaboration, Tablet and Other Accessories, and Smart Home grew double digits.

Sales Denominated in Other Currencies

Although our financial results are reported in U.S. Dollars, a portion of our sales was generated in currencies other than the U.S. Dollar, such as the Euro, Chinese Renminbi, Japanese Yen, Canadian Dollar, Taiwan New Dollar, British Pound and Australian Dollar. During the three months ended June 30, 2017, 47% of our net sales were denominated in currencies other than the U.S. Dollar.

Net Sales by Region

The following table presents the change in net sales by region for the three months ended June 30, 2017, compared with the three months ended June 30, 2016:

	Three Months Ended June 30, 2017 Change in Sales
Americas	10 %
EMEA	5
Asia Pacific	17

Americas:

Net sales in the Americas increased 10% during the three months ended June 30, 2017, compared to the same period of the prior fiscal year. If currency exchange rates had been constant in the three months ended June 30, 2017 and 2016, our constant dollar sales growth rate would have been 11% in the Americas. The increase in the period was driven by growth in Tablet and Other Accessories, Video Collaboration, Mobile Speakers, Gaming and Smart Home, partially offset by declines in sales for Audio PC & Wearables.

EMEA:

Net sales in the EMEA increased 5% during the three months ended June 30, 2017, compared to the same period of the prior fiscal year. If currency exchange rates had been constant in the three months ended June 30, 2017 and 2016, our constant dollar retail sales growth rates would have been 11%. The growth in the periods was driven by Video Collaboration and Gaming, partially offset by a decline in sales for Audio PC & Wearables.

Asia Pacific:

Net sales in the Asia Pacific increased 17% during the three months ended June 30, 2017, compared to the same period of the prior fiscal year. If currency exchange rate had been constant in the three months ended June 30, 2017

and 2016, our constant dollar sales growth rate would have been 19%. The growth in the period was driven by Gaming, Video Collaboration, Mobile Speakers, Pointing Devices and Audio PC & Wearables, partially offset by a decline in sales for Keyboards and Combos.

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Net Sales by Product Categories

Net sales by product category for the three months ended June 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended June 30,		
	2017	2016	Change
Mobile Speakers	$62,918	$57,296	10 %
Audio-PC & Wearables	50,202	56,579	(11)
Gaming	77,708	56,500	38
Video Collaboration	35,617	23,910	49
Smart Home	16,466	11,167	47
Pointing Devices	122,074	116,783	5
Keyboards & Combos	116,113	118,019	(2)
Tablet & Other Accessories	23,218	13,885	67
PC Webcams	25,625	25,262	1
Other (1)	5	463	(99)
Total net sales	$529,946	$479,864	10

(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.

Net Sales by Product Categories

Music market:

Mobile Speakers

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

Net sales of Mobile Speakers increased 10% for the three months ended June 30, 2017, compared to the same period of the prior fiscal year. Mobile Speaker sales increased primarily due to the introduction of the UE WonderBoom in the first quarter of fiscal year 2018.

Audio-PC & Wearables

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

Audio-PC & Wearables net sales decreased 11% for the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The decrease was primarily driven by a decline in sales for Jaybird Freedom X2 wireless earbuds, which was phased out in the third quarter of fiscal year 2017, and PC speakers systems, partially offset by an increase in sales of Jaybird X3 Sport Bluetooth earbuds, which was introduced in the third quarter of fiscal year 2017.

Gaming market:

Gaming

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

Gaming net sales increased 38% for the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The significant increase was primarily driven by the continued success of our G502 Proteus Spectrum gaming mouse, G29 Driving Force Race Wheel, and the introductions of our G413 Prodigy Mechanical Gaming Keyboard and G203 Prodigy gaming mouse, partially offset by a decline in sales of the G430 gaming headset.

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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.

Net sales of Video Collaboration increased 49% in the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The increase was primarily due to the continued success of our Logitech Group conference camera, as well as the introduction of Brio 4K Pro Webcam and Logitech Smart Dock in the first quarter of fiscal year 2018.

Smart Home market:

Smart Home

Our Smart Home 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.

Smart Home net sales increased 47% during the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The increase was primarily due to continued success of our Harmony Elite remote and Harmony Home Hub, as well as the introduction of a new Amazon Alexa skill that enables voice control of the living room entertainment experience using a Logitech Harmony Hub with Alexa-enabled devices in the third quarter of fiscal year 2017.

Creativity & Productivity Market:

Pointing Devices

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

Net sales of Pointing Devices increased 5% during the three months ended June 30, 2017, compared to the same periods of the prior fiscal year. The growth was driven by the success of our MX Master 2S wireless mouse launched in the first quarter of fiscal year 2018.

Keyboards & Combos

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

Net sales of Keyboards & Combos decreased 2% in the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The decrease was primarily driven by a decline in sales of our K400 Plus wireless touch keyboard, and MK710 and MK320 wireless keyboard and mouse combo, partially offset by an increase in sales for the MK550 wireless keyboard and mouse combo.

Tablet & Other Accessories

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

Net sales of Tablet & Other Accessories increased 67% in the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The significant growth is the result of the continued success of our Create tablet keyboard case and Rugged Combo case for iPad Pro, which were both introduced in the fourth quarter of fiscal year 2017.

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PC Webcams

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

PC Webcams net sales remained relatively flat for the three months ended June 30, 2017, compared to the same period of the prior fiscal year.

Gross Profit

Gross profit for the three months ended June 30, 2017 and 2016 was as follows (Dollars in thousands):

	Three Months Ended June 30,	
	2017	2016
Net sales	$529,946	$479,864
Gross profit	$193,668	$168,626
Gross margin	36.5 %	35.1 %

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 increased by 140 basis points for the three months ended June 30, 2017, compared to the same period of the prior fiscal year. The increase in gross margin was primarily driven by product cost reductions as well as greater supply chain efficiencies, partially offset by an increase of promotions and an unfavorable fluctuation in currency exchange rates.

Operating Expenses

Operating expenses for the three months ended June 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended June 30,	
	2017	2016
Marketing and selling	$102,378	$83,872
% of net sales	19.3 %	17.5 %
Research and development	35,099	31,951
% of net sales	6.6 %	6.7 %
General and administrative	25,354	25,655
% of net sales	4.8 %	5.3 %
Amortization of intangible assets and acquisition-related costs	1,390	1,293
% of net sales	0.3 %	0.3 %
Change in fair value of contingent consideration for business acquisition	(1,978)	—
% of net sales	(0.4)%	— %
Total operating expenses	$162,243	$142,771
% of net sales	30.6 %	29.8 %

The increase in total operating expenses for the three months ended June 30, 2017, compared to the same period of the prior fiscal year, was mainly due to increases in marketing and selling expenses and research and development expenses from higher personnel-related costs due to increased headcount and higher external expenses to support the

advertising and marketing efforts for our new products, partially offset by a credit from the change in fair value of contingent consideration for business acquisition.

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Marketing and Selling

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

During the three months ended June 30, 2017, marketing and selling expenses increased $18.5 million, compared to the same period of the prior fiscal year. The increase was primarily driven by $6.1 million higher personnel-related costs due to increased headcount in addition to $8.9 million higher external expenses to support the advertising and marketing efforts for our new products, including new products introduced under the Jaybird brand.

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 the three months ended June 30, 2017, research and development expenses increased $3.1 million, compared to the same period in the prior fiscal year. The increase was primarily driven by higher personnel-related costs due to increased headcount to support the development and launch of our new products and capabilities.

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 the three months ended June 30, 2017, general and administrative expenses remained relatively flat, compared to the same period in the prior fiscal year. Lower information technology cost was partially offset by higher personnel-related costs due to a slight increase in headcount.

Amortization of Intangibles and Acquisition-Related Costs

Amortization of intangibles and acquisition-related costs during the three months ended June 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended June 30,	
	2017	2016
Amortization of intangible assets	$1,089	$798
Acquisition-related costs	301	495
Total	$1,390	$1,293

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.

Change in Fair Value of Contingent Consideration for Business Acquisition

The change in fair value of contingent consideration is primarily due to lower-than-expected net sales of Jaybird products, partially offset by the change in the time value of money. (see Note 6 – Fair Value Measurement). 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 change in the forecast of net sales of the earn-out periods, may result in 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.

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Other Expense, Net

Other expense, net for the three months ended June 30, 2017 and 2016 was as follows (in thousands):

	Three Months Ended June 30,	
	2017	2016
Investment income related to a deferred compensation plan	$408	$192
Currency exchange loss, net	(964)	(999)
Other	(473)	(201)
Total	$(1,029)	$(1,008)

Investment income related to a deferred compensation plan for the three months ended June 30, 2017 and 2016 represents earnings and gains on trading investments related to a deferred compensation plan offered by one of our subsidiaries.

Currency exchange 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 (Benefit from) Income Taxes

The provision for (benefit from) income taxes and effective tax rates for the three months ended June 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended June 30,	
	2017	2016
Provision for (benefit from) income taxes	$(5,436)	$3,057
Effective income tax rate	(17.2)%	12.2 %

The change in the effective income tax rate for the three months ended June 30, 2017, compared to the three months ended June 30, 2016, is primarily due to the recognition of $9.9 million of excess tax benefits, net of valuation allowance of $1.3 million for federal tax credit carryforwards after adoption of ASU 2016-09. In the three months ended June 30, 2017 and June 30, 2016, there was a discrete tax benefit of $0.7 million for both periods from the reversal of uncertain tax positions from the expiration of statutes of limitations.

As of June 30 and March 31, 2017, the total amount of unrecognized tax benefits due to uncertain tax positions was $65.0 million and $63.7 million, respectively, all of which would affect the effective income tax rate if recognized.

Liquidity and Capital Resources

Cash Balances, Available Borrowings, and Capital Resources

As of June 30, 2017, we had cash and cash equivalents of $527.7 million, compared to $547.5 million as of March 31, 2017. Our cash and cash equivalents consist of bank demand deposits and short-term time deposits, of which 42% is held in Switzerland, 37% is held in Germany, and 10% 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.

As of June 30, 2017, our working capital was $553.3 million, compared to $520.8 million as of March 31, 2017. The increase was primarily due to higher accounts receivable, net, higher inventories and lower accrued and other current liabilities, partially offset by higher accounts payable.

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We had several uncommitted, unsecured bank lines of credit aggregating $38.9 million as of June 30, 2017. There are no financial covenants under these lines of credit with which we must comply. As of June 30, 2017, we had outstanding bank guarantees of $23.3 million under these lines of credit.

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

	Three Months Ended June 30,	
	2017	2016
Net cash provided by (used in) operating activities	$(883)	$17,017
Net cash used in investing activities	(10,357)	(61,725)
Net cash used in financing activities	(9,738)	(33,008)
Effect of exchange rate changes on cash and cash equivalents	1,102	(1,368)
Net decrease in cash and cash equivalents	$(19,876)	$(79,084)

The following table presents selected financial information and statistics as of June 30, 2017 and 2016 (Dollars in thousands):

	Three Months Ended June 30,	
	2017	2016
Accounts receivable, net	$221,340	$192,242
Accounts payable	$312,722	$292,664
Inventories	$279,405	$247,792
Days sales in accounts receivable (“DSO”) (Days) (1)	38	36
Days accounts payable outstanding (“DPO”) (Days) (2)	84	85
Inventory turnover (“ITO”) (x)(3)	4.8	5.0

(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 for the three months ended June 30, 2017 increased two days, compared to June 30, 2016, primarily due to timing of net sales and customer payments.

DPO for the three months ended June 30, 2017 was consistent compared to the same period of the prior fiscal year.

ITO for the three months ended June 30, 2017 was slightly lower, compared to the same period of the prior fiscal year. The increase in inventories compared with June 30, 2016 was primarily driven by the purchase of inventories for planned new product launches in the next three to six months.

If we are not successful in launching and phasing in our new products 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 net sales, gross profit margin, operating results including operating cash flow, and inventory turnover in the future.

During the three months ended June 30, 2017, we used $0.9 million cash in 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, offset by the increases in accounts receivable, net and inventories and the decrease in accrued and other liabilities. 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 the purchase of inventories for planned new product launches. The decrease in accrued and other liabilities was primarily due to payments of annual cash bonuses for fiscal year 2017.

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Net cash used in investing activities was $10.4 million, primarily due to $10.0 million of purchases of property, plant, and equipment, and $0.4 million of investments in privately held companies.

Net cash used in financing activities was $9.7 million, primarily for the $21.7 million tax withholdings related to net share settlements of restricted stock units, partially offset by $12.6 million in proceeds received from the exercises of stock options.

Our expenditures for property, plant and equipment during the three months ended June 30, 2017 increased, compared to the same period of the prior fiscal year, mainly due to the higher amount of tooling purchases.

The purchases and sales of trading investments during the three months ended June 30, 2017 and 2016 represented mutual fund and money market fund activities directed by participants in a deferred compensation plan offered by one of our subsidiaries. The mutual funds and money market funds are held in a Rabbi trust.

During the three months ended June 30, 2017, there was a $1.1 million gain of currency translation exchange rate effect on cash and cash equivalents, compared to a loss of $1.4 million during the same period of the prior fiscal year. The gain from currency translation exchange effect during the three months ended June 30, 2017 was primarily due to the strengthening of the Euro against the U.S. Dollar by 7% during the period while the loss during the three months ended June 30, 2016 was primarily due to weakening of the Euro against the U.S. Dollar by 2% during the period, 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.

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. The March 2014 program expired in April 2017 and there have been no repurchases under the March 2017 program.

As noted in "Note 6 - Fair Value Measurements" to our condensed consolidated financial statements, we acquired all of the equity interest of Jaybird with an additional earn-out of up to $45.0 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 $25.0 million and $20.0 million in fiscal years 2018 and 2019, respectively. The fair

value of the contingent consideration was $7.9 million as of June 30, 2017. As of June 30, 2017, the first twelve month earn-out period is complete and the expected earn-out payment of $0.5 million is included in the accrued and other current liabilities.

We have changed the payment frequency of our employee performance bonus plan from semi-annual payment to annual payment. The full year bonus is expected to be made in the first quarter of the following fiscal year, and the operating cash flow for that period will be negatively affected as a result.

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 could be restricted or eliminated. However,

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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.

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.

Purchase Commitments

As of June 30, 2017, we had non-cancelable purchase commitments 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 within the next 12 months. Non-cancelable purchase commitments for capital expenditures primarily relate to commitments for tooling for new and existing products, computer hardware, leasehold and 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 to reschedule or adjust our requirements based on business needs prior to delivery of goods or performance of services.

Other Contractual Obligations and Commitments

For further detail about our contractual obligations and commitments, refer to our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

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.

Guarantees

Logitech Europe S.A., one of our wholly-owned subsidiaries, guaranteed payments of two third-party contract manufacturers' purchase obligations. As of June 30, 2017, the maximum amount of this guarantee was $3.8 million, of which $0.9 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 June 30, 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 contains representations, warranties and covenants of Logitech and Lifesize to the Investors. Subject to certain limitations, we have agreed to indemnify the Investors and certain persons related to the 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.

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Legal Proceedings

From time to time we are involved in claims and legal proceedings that arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and we intend to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against us, 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 necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

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ITEM 3. 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 three months ended June 30, 2017, approximately 47% of our sales were in non-U.S. denominated currencies, with 22% of our sales denominated in Euro. The mix of our operating expenses by currency is 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 more unfavorable impact on our sales compare to the favorable impact on our operating expense, resulting in an adverse impact on our operating results.

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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 June 30, 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):

Base Currency	Transaction Currency	Net Exposed Long (Short) Currency Position	FX Gain (Loss) From 10% Appreciation of Base Currency	FX Gain (Loss) From 10% Depreciation of Base Currency
U.S. Dollar	Mexican Peso	$10,817	$ (983)	$ 1,202
U.S. Dollar	Canadian Dollar	12,881	(1,171)	1,431
U.S. Dollar	Australian Dollar	9,670	(879)	1,074
U.S. Dollar	Japanese Yen	5,528	(503)	614
U.S. Dollar	Russian Ruble	608	(55)	68
U.S. Dollar	Argentina	601	(55)	67
U.S. Dollar	Korean Wan	(942)	86	(105)
U.S. Dollar	Swiss Franc	(3,332)	303	(370)
U.S. Dollar	Singapore Dollar	(9,904)	900	(1,100)
U.S. Dollar	Taiwanese Dollar	(13,167)	1,197	(1,463)
U.S. Dollar	Chinese Renminbi	(30,149)	2,741	(3,350)
Swiss Franc	British Pound	(861)	78	(96)
Euro	Turkish Lira	2,770	(252)	308
Euro	Swiss Franc	(539)	49	(60)
Euro	U.S. Dollar	876	(80)	97
Euro	Croatian Kuna	1,086	(99)	121
Euro	Arab Emirates Dirham	(530)	48	(59)
Euro	Polish Zloty	(1,007)	92	(112)
Euro	Swedish Krona	(2,598)	236	(289)
		$(18,192)	$ 1,653	$ (2,022)

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 June 30, 2017, net liabilities held in CNY totaled $30.1 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 condensed consolidated statements of cash flows. As of June 30, 2017 and March 31, 2017, the notional amounts of currency exchange forward contracts outstanding related to forecasted inventory purchases were $84.7 million and $59.4 million, respectively. Deferred realized losses of $1.5 million were recorded in accumulated other comprehensive loss as of June 30, 2017, and are expected to be reclassified to cost of

goods sold when the related inventory is sold. Deferred unrealized losses of $1.7 million related to open cash flow hedges were recorded in accumulated other comprehensive loss as of June 30, 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.

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We also enter into foreign currency exchange forward and swap contracts to reduce the short-term effects of currency exchange rate fluctuations on certain currency receivables or payables denominated in currencies other than the functional currencies of our subsidiaries. These 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 currency 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 condense consolidated statements of cash flows. The notional amounts of currency exchange contracts outstanding as of June 30, 2017 and March 31, 2017 relating to foreign currency receivables or payables were $65.4 million and $56.7 million, respectively. Open forward and swap contracts as of June 30, 2017 and March 31, 2017 consisted of contracts in Mexican Pesos, Japanese Yen, British Pounds, Taiwanese Dollars, Canadian Dollars and Australian Dollars to be settled at future dates at pre-determined exchange rates.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) ("Disclosure Controls") as of the end of the period covered by this Quarterly Report on Form 10-Q (this "Report") required by Exchange Act Rules 13a-15(b) or 15d-15(b). The controls evaluation was conducted under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to reasonably assure that this information is accumulated and communicated to our management, including the CEO and CFO, to allow timely decisions regarding required disclosure. Based on this evaluation, the CEO and CFO have concluded that, as of the end of the period covered by this Report, the Company's Disclosure Controls and procedures were not effective as a result of the material weakness that existed in our internal control over financial reporting as described below.

Notwithstanding the material weaknesses discussed below, management, including our CEO and CFO, believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent, in all material respects, our financial condition, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

Material Weakness in Internal Controls over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weakness as of March 31, 2017 that continued to exist as of June 30, 2017:

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 2016 and 2017. As a result, the allowances and accruals for customer incentive, cooperative marketing and pricing programs increased in those years. 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. As of March 31, 2017, the Company did not identify that sufficient historical data existed to estimate future customer breakage and as a result, the Company did not modify the design of the control activities related to the accuracy of the allowance and accruals to respond to the change in relevant data. Our management has concluded that this deficiency constitutes a material weakness in our internal control over financial reporting.

Management concluded that the allowances and accrued liabilities relating to customer programs in the EMEA region were overstated at March 31, 2017 as future breakage was not estimated. This overstatement of allowances and accrued liabilities relating to customer programs in the EMEA region has been corrected in our consolidated financial statements included in our Annual Report on Form 10-K. While the control deficiency did not result in a misstatement of our current or previously issued consolidated financial statements, the material weakness resulted in changes to our preliminary results of operations for the quarter and year ended March 31, 2017 furnished to the United States

Securities and Exchange Commission ("SEC") in the Current Report on Form 8-K on April 26, 2017.

Management's Plan to Remediate the Material Weakness

In May 2017, management began implementing a remediation plan to address the material weakness. The remediation plan includes:

- The development and implementation of a new estimation model of breakage related to customer incentive, cooperative marketing and pricing programs in the EMEA region;
- The design and implementation of related controls over the new estimation model; and

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- Enhancements to the process to periodically evaluate and appropriately respond to changing business circumstances that may impact control activities, specifically in the area of the accuracy of the allowances and accruals.

Our management believes the foregoing efforts will effectively remediate the material weakness; however, the material weakness cannot be considered remediated until the control has operated for a sufficient period of time and until management has concluded, through testing of several instances that the control is operating effectively. The Company expects to remediate this material weakness by the end of fiscal year 2018.

Limitations on the Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. Internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives will be met. Because of the inherent limitations in internal control over financial reporting, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

Other than the actions taken to improve our internal control over financial reporting as summarized above, there were no changes in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time-to-time we are involved in claims and legal proceedings that arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and we intend to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against us, 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 necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

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ITEM 1A. RISK FACTORS

Our operating results are difficult to predict and fluctuations in results may cause volatility in the price of our shares.

Our revenues and profitability are difficult to predict due to the nature of the markets in which we compete, fluctuating user demand, the uncertainty of current and future global economic conditions, and for many other reasons, including the following:

•Our operating results are highly dependent on the volume and timing of orders received during the quarter, which are difficult to forecast. Customers generally order on an as-needed basis and we typically do not obtain firm, long-term purchase commitments from our customers. As a result, our revenues in any quarter depend primarily on orders booked and shipped in that quarter.

•A significant portion of our quarterly retail sales typically occurs in the last weeks of each quarter, further increasing the difficulty in predicting quarterly revenues and profitability.

•Our sales are impacted by consumer demand and current and future global economic and political conditions, and can therefore fluctuate abruptly and significantly during periods of uncertain economic conditions or geographic distress, as well as from shifts in distributor inventory practices and consumer buying patterns.

•We must incur a large portion of our costs in advance of sales orders, because we must plan research and production, order components, buy tooling equipment, and enter into development, sales and marketing, and other operating commitments prior to obtaining firm commitments from our customers. This makes it difficult for us to rapidly adjust our costs during the quarter in response to a revenue shortfall, which could adversely affect our operating results.

•We engage in acquisitions and divestitures, and such activity varies from period to period. Such variance may affect our growth, our previous outlook and expectations, and comparisons of our operating results and financial statements between periods.

•We have attempted to simplify our organization, to reduce operating costs through expense reduction and global workforce reductions, to reduce the complexity of our product portfolio, and to better align costs with our current business as we expand from PC accessories to growth opportunities in accessories and other products for music, gaming, video collaboration, digital home, mobile devices and other product categories. We may not achieve the cost savings or other anticipated benefits from these efforts, and the success or failure of such efforts may cause our operating results to fluctuate and to be difficult to predict.

•Fluctuations in currency exchange rates can impact our revenues, expenses and profitability because we report our financial statements in U.S. Dollars, whereas a significant portion of our revenues and expenses are in other currencies. We attempt to adjust product prices over time to offset the impact of currency movements. However, over short periods of time, during periods of weakness in consumer spending or given high levels of competition in many product categories, our ability to change local currency prices to offset the impact of currency fluctuations is limited.

Because our operating results are difficult to predict, our results may be below the expectations of financial analysts and investors, which could cause the price of our shares to decline.

If we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories, our business and operating results could be adversely affected.

Our product categories are characterized by short product life cycles, frequent new product introductions, rapidly changing technology, dynamic consumer demand and evolving industry standards. As a result, we must continually

innovate in our new and existing product categories, introduce new products and technologies, and enhance existing products in order to remain competitive.

The success of our product portfolio depends on several factors, including our ability to:

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•Identify new features, functionality and opportunities;

•Anticipate technology, market trends and consumer preferences;

•Develop innovative, high-quality, and reliable new products and enhancements in a cost-effective and timely manner;

•Distinguish our products from those of our competitors; and

•Offer our products at prices and on terms that are attractive to our customers and consumers.

If we do not execute on these factors successfully, products that we introduce or technologies or standards that we adopt may not gain widespread commercial acceptance, and our business and operating results could suffer. In addition, if we do not continue to differentiate our products through distinctive, technologically advanced features, designs, and services that are appealing to our customers and consumers, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business could be adversely affected.

The development of new products and services is very difficult and requires high levels of innovation. The development process is also lengthy and costly. There are significant initial expenditures for research and development, tooling, manufacturing processes, inventory and marketing, and we may not be able to recover those investments. If we fail to accurately anticipate technological trends or our users' needs or preferences, are unable to complete the development of products and services in a cost-effective and timely fashion or are unable to appropriately increase production to fulfill customer demand, we will be unable to successfully introduce new products and services into the market or compete with other providers. Even if we complete the development of our new products and services in a cost-effective and timely manner, they may be not competitive with products developed by others, they may not achieve acceptance in the market at anticipated levels or at all, they may not be profitable or, even if they are profitable, they may not achieve margins as high as our expectations or as high as the margins we have achieved historically.

As we introduce new or enhanced products, integrate new technology into new or existing products, or reduce the overall number of products offered, we face risks including, among other things, disruption in customers' ordering patterns, excessive levels of new and existing product inventories, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers' demand, possible product and technology defects, and a potentially different sales and support environment. Premature announcements or leaks of new products, features or technologies may exacerbate some of these risks by reducing the effectiveness of our product launches, reducing sales volumes of current products due to anticipated future products, making it more difficult to compete, shortening the period of differentiation based on our product innovation, straining relationships with our partners or increasing market expectations for the results of our new products before we have had an opportunity to demonstrate the market viability of the products. Our failure to manage the transition to new products or the integration of new technology into new or existing products could adversely affect our business, results of operations, operating cash flows and financial condition.

We believe sales of PCs will continue to decline, and that our future growth will depend on our diversified product growth opportunities beyond the PC, and if we do not successfully execute on our growth opportunities, if our growth opportunities are more limited than we expect or if our sales of PC peripherals are less than we expect, our operating results could be adversely affected.

We have historically targeted peripherals for the PC platform. Consumer demand for PCs, especially in our traditional, mature markets such as North America, Western and Nordic Europe, Japan and Australia, has been declining and we expect it to continue to decline in the future. As a result, consumer demand for PC peripherals in many of our markets

is slowing and in some cases declining and we expect this trend may continue.

Our sales of PC peripherals might be less than we expect due to a decline in business or economic conditions in one or more of the countries or regions, a greater decline than we expect in demand for our products, our inability to successfully execute our sales and marketing plans, or for other reasons. Global economic concerns, such as the varying pace of global economic recovery, political uncertainties created by policy changes such as Brexit, the impact of sovereign debt issues in Europe, the impact of low oil prices on Russia and conflicts with either local or

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global financial implications in places such as Russia and Ukraine, and economic slowdown in China, create unpredictability and add risk to our future outlook.

As a result, we are focusing more of our attention, which may include the personnel, financial resources, and management attention on product innovations and growth opportunities, including products for the consumption of digital music, products for gaming, products for video collaboration, products for the digital home, and on other potential growth opportunities. Our investments may not result in the growth we expect, or when we expect it, for a variety of reasons including those described below.

Music. We are focused on products for the consumption of digital music as a sales growth area. Competition in the mobile speaker and headphone categories is intense, and we expect it to increase. If we are not able to grow our existing and acquired product lines, introduce differentiated product and marketing strategies to separate ourselves from competitors, our mobile speaker and audio headphone efforts will not be successful, and our business and results of operations could be adversely affected.

Gaming. We are building a diverse business that features a variety of gaming peripherals. The rapidly evolving and changing market and increasing competition increase the risk that we do not allocate our resources in line with the market and our business and our results of operations could be adversely affected.

Video Collaboration. While we view the small and medium sized user groups' opportunity to be large and relatively unaddressed, this is a new and evolving market segment that we are developing. If the market opportunity proves to exist, we expect increasing competition from the large competitors in the video conferencing market as well as potential new entrants.

Smart Home. While we are a leader in programmable, performance remote controls for home entertainment, the smart home market is still in its early stages and it is not yet clear when the category will produce dynamic growth or which products will succeed and be able to take advantage of market growth or to help define and grow the market. Despite its early stages, the smart home market already is experiencing increasing competition from strong competitors.

In addition to our current growth opportunities, our future growth may be reliant on our ability to identify and develop potential new growth opportunities. This process is inherently risky and will result in investments in time and resources for which we do not achieve any return or value.

Each of these growth categories and many of the growth opportunities that we may pursue are subject to constant and rapidly changing and evolving technologies and evolving industry standards and may be replaced by new technology concepts or platforms. Some of these growth categories and opportunities are also characterized by short product cycles, frequent new product introductions and enhancements and rapidly changing and evolving consumer preferences with respect to design and features that require calculated risk-taking and fast responsiveness and result in short opportunities to establish a market presence. In addition, some of these growth categories and opportunities are characterized by price competition, erosion of premium-priced segments and average selling prices, and sensitivity to general economic conditions and cyclical downturns. If we do not develop innovative and reliable peripherals and enhancements in a cost-effective and timely manner that are attractive to consumers in these markets, if we are otherwise unsuccessful entering and competing in these growth categories or responding to the rapidly changing conditions in these growth categories, if the growth categories in which we invest our limited resources do not emerge as the opportunities or do not produce the growth or profitability we expect, or when we expect it, or if we do not correctly anticipate changes and evolutions in technology and platforms, our business and results of operations could be adversely affected.

If we are not able to maintain and enhance our brands, or if our brands or reputation are damaged, our reputation, business and operating results could be adversely affected.

We have developed long-term value in our brands and have invested significantly in design and in our existing and new brands over the past several years. We believe that our design and brands have significantly contributed to the success of our business and that maintaining and enhancing our brands is very important to our future growth and success. Maintaining and enhancing our brands will require significant investments and will depend largely on our future design, products and marketing, which may not be successful and may damage our brands. Our brands and reputation are also dependent on third parties, such as suppliers, manufacturers, distributors, retailers, product

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reviewers and the media as well as consumer recommendations and referrals. Any negative effect on our brands, regardless of whether it is in our control, could adversely affect our reputation, business and results of operations.

If we do not compete effectively, demand for our products could decline and our business and operating results could be adversely affected.

The peripherals industry is intensely competitive. Most of our product categories are characterized by large, well-financed competitors, short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets. We experience aggressive price competition and other promotional activities from our primary competitors and from less-established brands, including brands owned by retail customers known as house brands. In addition, our competitors may offer customers terms and conditions that may be more favorable than our terms and conditions and may require us to take actions to increase our customer incentive programs, which could impact our revenues and operating margins.

In recent years, we have expanded the categories of products we sell, and entered new markets. We remain alert to opportunities in new categories and markets. As we do so, we are confronting new competitors, many of which have more experience in the categories or markets and have greater marketing resources and brand name recognition than we have. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies in our developing categories as well as in future categories we might enter. Many of these companies, such as Microsoft, Apple, Google, Cisco, Sony Corporation, Polycom, Samsung and others, have greater financial, technical, sales, marketing and other resources than we have.

Microsoft, Apple and Google are leading producers of operating systems, hardware and applications with which our mice, keyboards and other products are designed to operate. In addition, Microsoft, Apple and Google each has significantly greater financial, technical, sales, marketing and other resources than Logitech, as well as greater name recognition and a larger customer base. As a result, Microsoft, Apple and Google each may be able to improve the functionality of its products, if any, or may choose to show preference to our competitors' products, to correspond with ongoing enhancements to its operating systems, hardware and software applications before we are able to make such improvements. This ability could provide Microsoft, Apple, Google or other competitors with significant lead-time advantages. In addition, Microsoft, Apple, Google or other competitors may be able to offer pricing advantages on bundled hardware and software products that we may not be able to offer, and may be financially positioned to exert significant downward pressure on product prices and upward pressure on promotional incentives in order to gain market share.

Music

Mobile Speakers. Our competitors for Bluetooth wireless speakers include Bose, JBL, Harmon Kardon, and Beats Electronics. Bose is our largest competitor. Apple's ownership of Beats Electronics may impact our access to shelf space in Apple retail stores and adversely impact our ability to succeed in this important growth market. Personal assistance and other devices that offer music, such as Amazon's Echo, may also compete with our products. Amazon is also a significant distributor for our products.

Audio-PC & Wearables. In the PC speakers category, our competitors include Bose, Cyber Acoustics, Phillips and Creative Labs, Inc. In the PC headset business, our main competitors include Plantronics and Altec Lansing. In-ear headphones competitors include Skull Candy, Sennheiser, Sony, Beats, and others.

Gaming

Competitors for our Gaming products include Razer USA Ltd., Corsair, SteelSeries, and Turtle Beach.

Video Collaboration

Our competitors for Video Collaboration products include Cisco Systems, Inc., Polycom, Inc., and AVer Information Inc.

Smart Home

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Direct competitors in the remote control market include pro-installer-focused Universal Remote Control Inc., and new "DIY" entrants from Savant Systems and Ray Enterprises. Indirect competition exists in the form of low-end "replacement remotes" such as Sony, RCA, GE, pure app-based solutions for smartphones and other mobile devices such as Peel, as well as device and/or subscriber-specific solutions from TV makers such as Samsung and Vizio and multisystem operators, or MSOs, such as Comcast and DirecTV.
Competition in the home control market also exists in form of home automation platforms such as Smart Things (owned by Samsung), Amazon with their Echo product, Nest (owned by Alphabet), Wink and many other startups. Many of these products and brands are partners with Logitech as well via integrations with Harmony remotes.
Creativity & Productivity

Pointing Devices. Microsoft Corporation and HP Inc. are our main competitors. We also experience competition and pricing pressure from less-established brands, including house brands, which we believe have impacted our market share in some sales geographies.

Keyboards & Combo. Microsoft Corporation and Apple Inc. are our main competitors in our keyboard and combo product lines. We also experience competition and pricing pressure for keyboard and combos from less-established brands, including house brands.

Tablet & Other Accessories. Competitors in the tablet keyboard market are Apple, Zagg, Kensington, Belkin, Targus and other less-established brands. Although we are one of the leaders in the tablet keyboard market and continue to bring innovative offerings to the market, we expect the competition will increase. Competitors in the tablet case market include Apple, Otter, Speck and a large number of small brands.

PC Webcams. Our primary competitors for PC webcams are Microsoft Corporation and HP Inc. with various other manufacturers taking smaller market share. The worldwide market for consumer PC webcams has been declining, and as a result, fewer competitors have entered the market.

Our business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected.

Our peripherals business has historically been built largely around the PC platform, which over time became relatively open, and its inputs and operating system standardized. With the growth of mobile, tablet, gaming and other computer devices, the number of platforms has grown, and with it the complexity and increased need for us to have business and contractual relationships with the platform owners in order to produce products compatible with these platforms. Our product portfolio includes current and future products designed for use with third-party platforms or software, such as the Apple iPad, iPod and iPhone and Android phones and tablets. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Platform owners that are competitors have a competitive advantage in designing products for their platforms and may produce peripherals or other products that work better, or are perceived to work better, than our products in connection with those platforms. As we expand the number of platforms and software applications with which our products are compatible, we may not be successful in launching products for those platforms or software applications, we may not be successful in establishing strong relationships with the new platform or software owners, or we may negatively impact our ability to develop and produce high-quality products on a timely basis for those platforms and software applications or we may otherwise adversely affect our relationships with existing platform or software owners.

Our access to third-party platforms may require paying a royalty, which lowers our product margins, or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our product portfolio can be delayed in production or can change without prior notice to us, which can result in our

having excess inventory or lower margins.

If we are unable to access third-party platforms or technologies, or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected.

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If we do not accurately forecast market demand for our products, our business and operating results could be adversely affected.

We use our forecasts of product demand to make decisions regarding investments of our resources and production levels of our products. Although we receive forecasts from our customers, many are not obligated to purchase the forecasted demand. Also, actual sales volumes for individual products in our retail distribution channel can be volatile due to changes in consumer preferences and other reasons. In addition, our products have short product life cycles, so a failure to accurately predict high demand for a product can result in lost sales that we may not recover in subsequent periods, or higher product costs if we meet demand by paying higher costs for materials, production and delivery. We could also frustrate our customers and lose shelf space. Our failure to predict low demand for a product can result in excess inventory, lower cash flows and lower margins if we are required to reduce product prices in order to reduce inventories.

If our sales channel partners have excess inventory of our products or decide to decrease their inventories for any reason, they may decrease the amount of products they acquire in subsequent periods, causing disruption in our business and adversely affecting our forecasts and sales.

Over the past few years, we have expanded the types of products we sell, and the geographic markets in which we sell them. The changes in our product portfolio and the expansion of our sales markets have increased the difficulty of accurately forecasting product demand.

In addition, during fiscal year 2016 we increased the percentage of our products that we manufacture in our own facilities. This increases the inventory that we purchase and maintain to support such manufacturing. We are also utilizing sea shipments more extensively than air delivery, which will cause us to build and ship products to our distribution centers earlier and will also result in increases in inventory. These operational shifts increase the risk that we have excess or obsolete inventory if we do not accurately forecast product demand.

We have experienced large differences between our forecasts and actual demand for our products. We expect other differences between forecasts and actual demand to arise in the future. If we do not accurately predict product demand, our business and operating results could be adversely affected.

Our success largely depends on our ability to hire, retain, integrate and motivate sufficient numbers of qualified personnel, including senior management. Our strategy and our ability to innovate, design and produce new products, sell products, maintain operating margins and control expenses depend on key personnel that may be difficult to replace.

Our success depends on our ability to attract and retain highly skilled personnel, including senior management and international personnel. From time to time, we experience turnover in some of our senior management positions.

We compensate our employees through a combination of salary, bonuses, benefits and equity compensation. Recruiting and retaining skilled personnel, including software and hardware engineers, is highly competitive. If we fail to provide competitive compensation to our employees, it will be difficult to retain, hire and integrate qualified employees and contractors, and we may not be able to maintain and expand our business. If we do not retain our senior managers or other key employees for any reason, we risk losing institutional knowledge, experience, expertise and other benefits of continuity as well as the ability to attract and retain other key employees. In addition, we must carefully balance the size of our employee base with our current infrastructure, management resources and anticipated operating cash flows. If we are unable to manage the size of our employee base, particularly engineers, we may fail to develop and introduce new products successfully and in a cost-effective and timely manner. If our revenue growth or employee levels vary significantly, our operating cash flows and financial condition could be adversely affected.

Volatility or lack of positive performance in our stock price, including declines in our stock prices in the past year, may also affect our ability to retain key employees, many of whom have been granted equity incentives. Logitech's practice has been to provide equity incentives to its employees, but the number of shares available for equity grants is limited. We may find it difficult to provide competitive equity incentives, and our ability to hire, retain and motivate key personnel may suffer.

Recently and in past years, we have initiated reductions in our workforce to align our employee base with our business strategy, our anticipated revenue base or with our areas of focus. We have also experienced turnover in our workforce. These reductions and turnover have resulted in reallocations of duties, which could result in

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employee uncertainty and discontent. Reductions in our workforce could make it difficult to attract, motivate and retain employees, which could adversely affect our business.

Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our gross margins can vary due to consumer demand, competition, product pricing, product life cycle, product mix, new product introductions, unit volumes, acquisitions and divestitures, commodity and supply chain costs, capacity utilization, geographic sales mix, currency exchange rates, and the complexity and functionality of new product innovations. In particular, if we are not able to introduce new products in a timely manner at the product cost we expect, or if consumer demand for our products is less than we anticipate, or if there are product pricing, marketing and other initiatives by our competitors to which we need to react or that are initiated by us to drive sales that lower our margins, then our overall gross margin will be less than we project.

In addition, our gross margins may vary significantly by product line, sales geography and customer type, as well as within product lines. When the mix of products sold shifts from higher margin product lines to lower margin product lines, to lower margin sales geographies, or to lower margin products within product lines, our overall gross margins and our profitability may be adversely affected.

As we expand within and into new product categories, our products in those categories may have lower gross margins than in our traditional product categories. Consumer demand in these product categories, based on style, color and other factors, tends to be less predictable and tends to vary more across geographic markets. As a result, we may face higher up-front investments, inventory costs associated with attempting to anticipate consumer preferences, and increased inventory write-offs. If we are unable to offset these potentially lower margins by enhancing the margins in our more traditional product categories, our profitability may be adversely affected.

The impact of these factors on gross margins can create unanticipated fluctuations in our operating results, which may cause volatility in the price of our shares.

As we continue our efforts to lower our costs and improve our operating leverage, we may or may not fully realize our goals.

Our strategy over the past several years has been based in part on simplifying the organization, reducing operating costs through global workforce reductions and a reduction in the complexity of our product portfolio, with the goal of better aligning costs with our current business. We restructured our business in fiscal years 2014 through 2016, and we may continue to divest or discontinue non-strategic product categories. During the third quarter of fiscal year 2016, we divested our Lifesize video conferencing business and completed our exit from the OEM business. In addition, we are continuing the rationalization of our general and administrative expense, infrastructure and indirect procurement to reduce operating expenses.

Our ability to achieve the desired and anticipated cost savings and other benefits from these simplification, cost-cutting and restructuring activities, and within our desired and expected timeframes, are subject to many estimates and assumptions, and the actual savings and timing for those savings may vary materially based on factors such as local labor regulations, negotiations with third parties, and operational requirements. These estimates and assumptions are also subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the desired and anticipated benefits from these activities. To the extent that we are unable to improve our financial performance, further restructuring measures may be required in the future. Furthermore, we are expecting to be able to use the anticipated cost savings from these activities to fund and support our current growth opportunities and incremental investments for future growth. If the

cost-savings do not materialize as anticipated, or within our expected timeframes, our ability to invest in growth may be limited and our business and operating results may be adversely affected. As we grow, explore new opportunities and markets, hire new management and other personnel, and fund research and development, marketing, brand development, sales, operations, investments in intellectual property and acquisitions to support this growth and our new opportunities, some or all of which may not succeed, we expect to experience continued pressure on our cost structure and expenses.

As part of the restructuring plans, we reduced the size of our product portfolio and the assortment of similar products at similar price points within each product category over the past several fiscal years. While we are

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constantly replacing products and are dependent on the success of our new products, this product portfolio simplification has made us even more dependent on the success of the new products that we are introducing.

As we focus on growth opportunities, we are divesting or discontinuing non-strategic product categories and pursuing strategic acquisitions and investments, which could have an adverse impact on our business.

We continue to review our product portfolio and update our non-strategic product categories and products. During the third quarter of fiscal year 2016, we divested our Lifesize video conferencing business and completed our exit from the OEM business. If we are unable to effect sales on favorable terms or if realignment is more costly or distracting than we expect or has a negative effect on our organization, employees and retention, then our business and operating results may be adversely affected. Discontinuing products with service components may also cause us to continue to incur expenses to maintain services within the product life cycle or to adversely affect our customer and consumer relationships and brand. Divestitures may also involve warranties, indemnification or covenants that could restrict our business or result in litigation, additional expenses or liabilities. In addition, discontinuing product categories, even categories that we consider non-strategic, reduces the size and diversification of our business and causes us to be more dependent on a smaller number of product categories.

As we attempt to grow our business in strategic product categories and emerging market geographies, we will consider growth through acquisition or investment. We will evaluate acquisition opportunities that could provide us with additional product or service offerings or with additional industry expertise, assets and capabilities. For example, we recently agreed to acquire ASTRO Gaming to expand into the console gaming market, we acquired Jaybird to expand into the wireless audio wearables market, and we acquired Saitek to expand into the gaming flight simulation and farm simulation market. Acquisitions could result in difficulties integrating acquired operations, products, technology, internal controls, personnel and management teams and result in the diversion of capital and management’s attention away from other business issues and opportunities. If we fail to successfully integrate acquisitions, our business could be harmed. Acquisitions could also result in the assumption of known and unknown liabilities, dilutive issuances of our equity securities, the incurrence of debt, disputes over earn-outs or other litigation, and adverse effects on relationships with our and our target’s employees, customers and suppliers. Moreover, our acquisitions may not be successful in achieving our desired strategy, product, financial or other objectives or expectations, which would also cause our business to suffer. Acquisitions can also lead to large non-cash charges that can have an adverse effect on our results of operations as a result of write-offs for items such as future impairments of intangible assets and goodwill or the recording of stock-based compensation. Several of our past acquisitions have not been successful and have led to impairment charges, including $122.7 million and $214.5 million non-cash goodwill impairment charges in fiscal years 2015 and 2013, respectively, related to our Lifesize video conferencing business which is reported in discontinued operations. Acquisitions and divestitures may also cause our operating results to fluctuate and make it difficult for investors to compare operating results and financial statements between periods. In addition, from time to time we make strategic venture investments in other companies that provide products and services that are complementary to ours. If these investments are unsuccessful, this could have an adverse impact on our results of operations, operating cash flows and financial condition.

We rely on third parties to sell and distribute our products, and we rely on their information to manage our business. Disruption of our relationship with these channel partners, changes in or issues with their business practices, their failure to provide timely and accurate information, changes in distribution partners, practices or models or conflicts among our channels of distribution could adversely affect our business, results of operations, operating cash flows and financial condition.

While most of our sales are made to sales channel partners, we are dependent on those distributors and retailers to distribute and sell our products to other sales channel partners and ultimately to consumers, The sales and business practices of such sales channel partners, their compliance with laws and regulations, and their reputations - of which

we may or may not be aware - may affect our business and our reputation.

The impact of economic conditions, evolving consumer preferences, and purchasing patterns on our distribution partners, or competition between our sales channels, could result in sales channel disruption. For example, if sales at large retail stores are displaced as a result of bankruptcy, competition from Internet sales channels or otherwise, our product sales could be adversely affected. Any loss of a major partner or distribution channel or other channel disruption could make us more dependent on alternate channels, increase pricing and

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promotional pressures from other partners and distribution channels, increase our marketing costs, or adversely impact buying and inventory patterns, payment terms or other contractual terms.

Our sales channel partners, the distributors and retailers who distribute and sell our products, also sell products offered by our competitors and, in the case of retailer house brands, may also be our competitors. If product competitors offer our sales channel partners more favorable terms, have more products available to meet their needs, or utilize the leverage of broader product lines sold through the channel, or if our retailer channel partners show preference for their own house brands, our sales channel partners may de-emphasize or decline to carry our products. In addition, certain of our sales channel partners could decide to de-emphasize the product categories that we offer in exchange for other product categories that they believe provide them with higher returns. If we are unable to maintain successful relationships with these sales channel partners or to maintain our distribution channels, our business will suffer.

As we expand into new product categories and markets in pursuit of growth, we will have to build relationships with new channel partners and adapt to new distribution and marketing models. These new partners, practices and models may require significant management attention and operational resources and may affect our accounting, including revenue recognition, gross margins, and the ability to make comparisons from period to period. Entrenched and more experienced competitors will make these transitions difficult. If we are unable to build successful distribution channels or successfully market our products in these new product categories, we may not be able to take advantage of the growth opportunities, and our business and our ability to grow our business could be adversely affected.

We reserve for cooperative marketing arrangements, direct and indirect customer incentive programs and pricing programs with our sales channel partners. These reserves are based on judgments and estimates, using historical experience rates, inventory levels in distribution, current trends and other factors. There could be significant differences between the actual costs of such arrangements and programs and our estimates.

We use retail sell-through data, which represents sales of our products by our direct retailer customers to consumers, and by our distributor customers to their customers, along with other metrics, to assess consumer demand for our products. Sell-through data is subject to limitations due to collection methods and the third-party nature of the data and thus may not be an accurate indicator of actual consumer demand for our products. In addition, the customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales. In addition, we rely on channel inventory data from our retailer and distributor customers. If we do not receive this information on a timely and accurate basis, or if we do not properly interpret this information, our results of operations and financial condition may be adversely affected.

Our principal manufacturing operations and third-party contract manufacturers are located in China and Southeast Asia, which exposes us to risks associated with doing business in that geographic area.

We produce approximately half of our products at facilities we own in China. The majority of our other production is performed by third-party contract manufacturers, including other design manufacturers, in China and Malaysia.

Our manufacturing operations in China could be adversely affected by changes in the interpretation and enforcement of legal standards, strains on China’s available labor pool, changes in labor costs and other employment dynamics, high turnover among Chinese employees, infrastructure issues, import export issues, currency transfer restrictions, natural disasters, conflicts or disagreements between China and Taiwan or China and the United States, labor unrest, and other trade customs and practices that are dissimilar to those in the United States and Europe. Interpretation and enforcement of China’s laws and regulations continue to evolve and we expect differences in interpretation and enforcement to continue in the foreseeable future.

Our manufacturing operations at third-party contractors could be adversely affected by contractual disagreements, by labor unrest, by natural disasters, by strains on local communications, trade, and other infrastructures, by competition for the available labor pool or manufacturing capacity, by increasing labor and other costs, and by other trade customs and practices that are dissimilar to those in the United States and Europe.

Further, we may be exposed to fluctuations in the value of the local currency in the countries in which manufacturing occurs. Future appreciation of these local currencies could increase our component and other raw

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material costs. In addition, our labor costs could continue to rise as wage rates increase and the available labor pool declines. These conditions could adversely affect our financial results.

We purchase key components and products from a limited number of sources, and our business and operating results could be adversely affected if supply were delayed or constrained or if there were shortages of required components.

We purchase certain products and key components from a limited number of sources. If the supply of these products or key components, such as micro-controllers, and optical sensors, were to be delayed or constrained, or if one or more of our single-source suppliers goes out of business as a result of adverse global economic conditions or natural disasters, we might be unable to find a new supplier on acceptable terms, or at all, and our product shipments to our customers could be delayed, which could adversely affect our business, financial condition and operating results.

Lead times for materials, components and products ordered by us or by our contract manufacturers can vary significantly and depend on factors such as contract terms, demand for a component, and supplier capacity. From time to time, we have experienced component shortages and extended lead times on semiconductors, such as micro-controllers and optical sensors, and base metals used in our products. Shortages or interruptions in the supply of components or subcontracted products, or our inability to procure these components or products from alternate sources at acceptable prices in a timely manner, could delay shipment of our products or increase our production costs, which could adversely affect our business and operating results.

The moral and regulatory imperatives to avoid purchasing conflict minerals are causing us to incur additional expenses, could limit the supply and increase the cost of certain metals used in manufacturing our products and could adversely affect the distribution and sales of our products.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo and adjoining countries, as well as procedures regarding a manufacturer’s efforts to identify and prevent the sourcing of such minerals and metals produced from those minerals. Additional reporting obligations are being considered by the European Union. The implementation of the existing U.S. requirements and any additional requirements in Europe could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products. The number of suppliers who provide conflict-free minerals may be limited, and the implementation of these requirements may decrease the number of suppliers capable of supplying our needs for certain metals. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to the due diligence process of determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex and we use contract manufacturers for some of our products, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may adversely affect our reputation. We may also encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could, if we are unable to satisfy their requirements or pass through any increased costs associated with meeting their requirements place us at a competitive disadvantage, adversely affect our business and operating results, or both. We filed our report for the calendar year 2016 with the SEC on May 30, 2017.

If we do not successfully coordinate the worldwide manufacturing and distribution of our products, we could lose sales.

Our business requires us to coordinate the manufacture and distribution of our products over much of the world. We rely on third parties to manufacture many of our products, manage centralized distribution centers, and transport our products. If we do not successfully coordinate the timely manufacturing and distribution of our products, we may have

an insufficient supply of products to meet customer demand, we could lose sales, we may experience a build-up in inventory, or we may incur additional costs.

By locating our manufacturing in China and Southeast Asia, we are reliant on third parties to get our products to distributors around the world. Transportation costs, fuel costs, labor unrest, natural disasters and other adverse effects on our ability, timing and cost of delivering products can increase our inventory, decrease our margins,

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adversely affect our relationships with distributors and other customers and otherwise adversely affect our results of operations and financial condition.

A significant portion of our quarterly retail orders and product deliveries generally occur in the last weeks of the fiscal quarter. This places pressure on our supply chain and could adversely affect our revenues and profitability if we are unable to successfully fulfill customer orders in the quarter.

We conduct operations in a number of countries, and have invested significantly in growing our sales and marketing activities in China, and the effect of business, legal and political risks associated with international operations could adversely affect us.

We conduct operations in a number of countries, and have invested significantly in growing our personnel and sales and marketing activities in China and, to a lesser extent, other emerging markets. We may also increase our investments to grow sales in other emerging markets, such as Latin America, Eastern Europe, the Middle East and Africa. There are risks inherent in doing business in international markets, including:

•Difficulties in staffing and managing international operations;

•Compliance with laws and regulations, including environmental, tax, import/export and anti-corruption laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non-compliance;

•Varying laws, regulations and other legal protections, uncertain and varying enforcement of those laws and regulations, dependence on local authorities, and the importance of local networks and relationships;

•Exposure to political and financial instability, especially with the uncertainty associated with the ongoing sovereign debt crisis in certain Euro zone countries and the stability of the European Union, which may lead to reduced sales, currency exchange losses and collection difficulties or other losses;

•Political and economic uncertainty around the world, including uncertainty resulting from the recent United States presidential and congressional elections, change of administration in the United States and the United Kingdom's referendum in June 2016, and other national elections and policy shifts;

•Import or export restrictions or licensing requirements that could affect some of our products, including those with encryption technology;

•Trade protection measures, custom duties, tariffs, import or export duties, and other trade barriers, restrictions and regulations;

•Lack of infrastructure or services necessary or appropriate to support our products and services;

•Exposure to fluctuations in the value of local currencies;

•Difficulties and increased costs in establishing sales and distribution channels in unfamiliar markets, with their own market characteristics and competition, including entrenched local competition;

•Weak protection of our intellectual property rights;

•Higher credit risks;

•Changes in VAT (value-added tax) or VAT reimbursement;

•Imposition of currency exchange controls;

•Delays from customs brokers or government agencies; and

•A broad range of customs, consumer trends, and more.

Any of these risks could adversely affect our business, financial condition and operating results.

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Sales growth in key markets, including China, is an important part of our expectations for our business. As a result, if economic, political or business conditions deteriorate in these markets, or if one or more of the risks described above materializes in these markets, our overall business and results of operations will be adversely affected.

We have also invested significantly in our manufacturing facilities in China. Policy changes in the United States or other countries, given our lack of manufacturing in those countries or for other protectionist reasons, could result in tariffs or other adverse tax consequences or may cause us to change the structure of how we currently operate, any of which could adversely affect our business and results of operations.

Our financial performance is subject to risks associated with fluctuations in currency exchange rates.

A significant portion of our business is conducted in currencies other than the U.S. Dollar. Therefore, we face exposure to movements in currency exchange rates.

Our primary exposure to movements in currency exchange rates relates to non-U.S. Dollar denominated sales and operating expenses worldwide. For the three months ended June 30, 2017, approximately 47% of our revenue was in non-U.S. denominated currencies. The weakening of currencies relative to the U.S. Dollar adversely affects the U.S. Dollar value of our non-U.S. Dollar-denominated sales and earnings. If we raise international pricing to compensate, it could potentially reduce demand for our products, adversely affecting our sales and potentially having an adverse impact on our market share. Margins on sales of our products in non-U.S. Dollar denominated countries and on sales of products that include components obtained from suppliers in non-U.S. Dollar denominated countries could be adversely affected by currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the U.S. Dollar’s strengthening, which would adversely affect the U.S. Dollar value of our non-U.S. Dollar-denominated sales and earnings. Competitive conditions in the markets in which we operate may also limit our ability to increase prices in the event of fluctuations in currency exchange rates. Conversely, strengthening of currency rates may also increase our product component costs and other expenses denominated in those currencies, adversely affecting operating results. We further note that a larger portion of our sales than of our expenses are denominated in non-U.S. denominated currencies.

We use derivative instruments to hedge certain exposures to fluctuations in currency exchange rates. The use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in currency exchange rates over the limited time the hedges are in place and do not protect us from long term shifts in currency exchange rates.

As a result, fluctuations in currency exchange rates could adversely affect our business, operating results and financial condition. Moreover, these exposures may change over time.

As a company operating in many markets and jurisdictions and expanding into new growth categories, and as a Swiss, dual - listed company, we are subject to risks associated with new, existing and potential future laws and regulations.

Based on our current business model and as we expand into new markets and product categories, we must comply with a wide variety of laws, standards and other requirements governing, among other things, health and safety, hazardous materials usage, product-related energy consumption, packaging, recycling and environmental matters. Our products may be required to obtain regulatory approvals and satisfy other regulatory concerns in the various jurisdictions where they are manufactured, sold or both. These requirements create procurement and design challenges, which, among other things, require us to incur additional costs identifying suppliers and contract manufacturers who can provide or obtain compliant materials, parts and end products. Failure to comply with such requirements can subject us to liability, additional costs, and reputational harm and, in severe cases, force us to recall

products or prevent us from selling our products in certain jurisdictions.

As a Swiss company with shares listed on both the SIX Swiss Exchange and the Nasdaq Global Select Market, we are also subject to both Swiss and United States corporate governance and securities laws and regulations. In addition to the extra costs and regulatory burdens of our dual regulatory obligations, the two regulatory regimes may not always be compatible and may impose disclosure obligations, operating restrictions or tax effects on our business to which our competitors and other companies are not subject. For example, on

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January 1, 2014, subject to certain transitional provisions, the Swiss Federal Council Ordinance Against Excessive Compensation at Public Companies (the "Ordinance") became effective in connection with the Minder initiative approved by Swiss voters during 2013. The Ordinance, among other things, (a) requires a binding shareholder "say on pay" vote with respect to the compensation of members of our executive management and Board of Directors, (b) generally prohibits the making of severance, advance, transaction premiums and similar payments to members of our executive management and Board of Directors, (c) imposes other restrictive compensation practices, and (d) requires that our articles of incorporation specify various compensation-related matters. In addition, during 2013, Swiss voters considered an initiative to limit pay for a chief executive officer to a multiple of no more than twelve times the salary of the lowest-paid employee. Although voters rejected that initiative, it did receive substantial voter support. The Ordinance, potential future initiatives relating to corporate governance or executive compensation, and Swiss voter sentiment in favor of such regulations may increase our non-operating costs and adversely affect our ability to attract and retain executive management and members of our Board of Directors.

We prepare our consolidated financial statements in accordance with GAAP which are subject to interpretation or changes by the FASB, the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results or our compliance with regulations.

As a result of changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation, of Switzerland or any other country in which we operate, the loss of a major tax dispute or a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or other factors, our effective income tax rates may increase in the future, which could adversely affect our net income and cash flows.

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 changes in or interpretations of tax laws, treaties, rulings, regulations or agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical allocation of income and expense, and changes in management's assessment of matters such as the realizability of deferred tax assets. In the past, we have experienced fluctuations in our effective income tax rate. Our effective income tax rate in a given fiscal year reflects a variety of factors that may not be present in the succeeding fiscal year or years. There is no assurance that our effective income tax rate will not change in future periods.

We are incorporated in the Canton of Vaud in Switzerland and our effective income tax rate benefits from a longstanding ruling from the Canton of Vaud. The tax rules in Switzerland are expected to change in response to certain guidance and demands from both the European Union and the Organization for Economic Co-operation and Development and that could have an adverse effect on our tax ruling and effective income tax rate. Switzerland's implementation of any material change in tax laws or policies or its adoption of new interpretations of existing tax laws and rulings, or changes in our tax ruling from the Canton of Vaud, could result in a higher effective income tax rate on our worldwide earnings and such change could adversely affect our net income.

We file Swiss and foreign tax returns. We are frequently subject to tax audits, examinations and assessments in various jurisdictions. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective income tax rate could increase. For example, policy changes in the United States or China predicated on our presence in those countries could adversely affect where we recognize profit and our effective income tax rate. A material assessment by a governing tax authority could adversely affect our profitability. If our effective income tax rate increases in future periods, our net income and cash flows could be adversely affected.

Claims by others that we infringe their proprietary technology could adversely affect our business.

We have been expanding the categories of products we sell, such as entering new markets and introducing products for tablets, other mobile devices, digital music, and video collaboration. We expect to continue to enter new categories and markets. As we do so, we face an increased risk that claims alleging we infringe the patent or other intellectual property rights of others, regardless of the merit of the claims, may increase in number and significance. Infringement claims against us may also increase as the functionality of video, voice, data and

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conferencing products begin to overlap. This risk is heightened by the increase in lawsuits brought by holders of patents that do not have an operating business or are attempting to license broad patent portfolios and by the increasing attempts by companies in the technology industries to enjoin their competitors from selling products that they claim infringe their intellectual property rights. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. A successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain products or performing certain services. We might also be required to seek a license for the use of such intellectual property, which may not be available on commercially acceptable terms or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any claims or proceedings against us, whether meritorious or not, could be time consuming, result in costly litigation or the diversion of significant operational resources, or require us to enter into royalty or licensing agreements, any of which could materially and adversely affect our business and results of operations.

We may be unable to protect our proprietary rights. Unauthorized use of our technology may result in the development of products that compete with our products.

Our future success depends in part on our proprietary technology, technical know-how and other intellectual property. We rely on a combination of patent, trade secret, copyright, trademark and other intellectual property laws, and confidentiality procedures and contractual provisions such as nondisclosure terms and licenses, to protect our intellectual property.

We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. It is possible that any patent owned by us will be invalidated, deemed unenforceable, circumvented or challenged, that the patent rights granted will not provide competitive advantages to us, or that any of our pending or future patent applications will not be granted. In addition, other intellectual property laws or our confidentiality procedures and contractual provisions may not adequately protect our intellectual property. Also, others may independently develop similar technology, duplicate our products, or design around our patents or other intellectual property rights. Unauthorized parties have copied and may in the future attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Any of these events could adversely affect our business, financial condition and operating results.

Product quality issues could adversely affect our reputation, business and our operating results.

The market for our products is characterized by rapidly changing technology and evolving industry standards. To remain competitive, we must continually introduce new products and technologies. The products that we sell could contain defects in design or manufacture. Defects could also occur in the products or components that are supplied to us. There can be no assurance we will be able to detect and remedy all defects in the hardware and software we sell. Failure to do so could result in product recalls, product liability claims and litigation product redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses to remedy.

While we maintain reserves for reasonably estimable liabilities and purchase liability insurance, our reserves may not be adequate to cover such claims and liabilities and our insurance is subject to deductibles and may not be adequate to cover such claims and liabilities. Furthermore, our contracts with distributors and retailers may contain warranty, indemnification and other provisions related to product quality issues, and claims under those provisions may adversely affect our business and operating results.

Significant disruptions in, or breaches in security of, our websites or information technology systems could adversely affect our business.

As a consumer electronics company, our websites are an important presentation of our company, identity and brands and an important means of interaction with and source of information for consumers of our products. We also rely on our centralized information technology systems for product-related information and to store intellectual property, forecast our business, maintain financial records, manage operations and inventory, and operate other critical functions. We allocate significant resources to maintain our information technology systems and deploy network security, data encryption, training and other measures to protect against unauthorized access or misuse. Nevertheless, our websites and information technology systems are susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, structural or operational failures, computer viruses, attacks by computer hackers, other data security issues, telecommunication failures, user error, malfeasance, catastrophes,

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system or software upgrades, integration or migration, or other foreseeable and unforeseen events. Breaches or disruptions of our websites or information technology systems, breaches of confidential information, data corruption or other data security issues could adversely affect our brands, reputation, relationships with customers or business partners, or consumer or investor perception of our company, business or products or result in disruptions of our operations, loss of intellectual property or our customers' or our business partners' data, reduced value of our investments in our brands, design, research and development or engineering, or costs to address regulatory inquiries or actions or private litigation, to respond to customers or partners or to rebuild or restore our websites or information technology systems.

We have identified a material weakness in our internal control over financial reporting which, if not remediated, could adversely affect investor confidence in our financial reports, our business and our stock price.

As disclosed in Item 4 of this report, we identified a material weakness in our internal control over financial reporting. The material weakness was identified during the preparation of our audited financial statements for the year ended March 31, 2017. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness identified, our management concluded that our internal control over financial reporting was not effective as of March 31, 2017, based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. We are actively engaged in implementing a remediation plan designed to address this material weakness. In the past, we have identified material weaknesses in our internal control over financial reporting, as described in our previous Annual Reports on Form 10-K. If our remediation measures are insufficient to address this material weakness, or if additional material weaknesses in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. In addition to potentially adversely affecting investors' confidence, any restatement of our consolidated financial statements could lead to potential litigation against us, which, whether meritorious or not, could be time-consuming, costly or divert significant operational resources, any of which could adversely affect our business and results of our operations.

The collection, storage, transmission, use and distribution of user data could give rise to liabilities and additional costs of operation as a result of laws, governmental regulation and risks of security breaches.

In connection with certain of our products, we collect data related to our consumers. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, and especially in Europe. Government actions are typically intended to protect the privacy and security of personal information and its collection, storage, transmission, use and distribution in or from the governing jurisdiction. In addition, because various jurisdictions have different laws and regulations concerning the use, storage and transmission of such information, we may face requirements that pose compliance challenges in existing markets as well as new international markets that we seek to enter. The collection of user data heightens the risk of security breaches and other data security issues related to our IT systems and the systems of third-party data storage and other service and IT providers. Such laws and regulations, and the variation between jurisdictions, as well as additional security measures and risk, could subject us to costs, liabilities or negative publicity that could adversely affect our business.

We recently upgraded our worldwide business application suite, and difficulties, distraction or disruptions may interrupt our normal operations and adversely affect our business and operating results.

During fiscal years 2014 and 2015, we devoted significant resources to the upgrade of our worldwide business application suite to Oracle's version R12. We implemented that upgrade in fiscal year 2016 and will continue to review the success of that implementation during fiscal year 2018. As a result of our transition to the new business

application suite, we may experience difficulties with our systems, management distraction, lack of visibility into our business operations and results, and significant business disruptions. Difficulties with our systems may interrupt our normal operations, including our enterprise resource planning, forecasting, demand planning, supply planning, intercompany processes, promotion management, internal financial controls, pricing, and our ability to provide quotes, process orders, ship products, provide services and support to our customers and consumers, bill and track our customers, fulfill contractual obligations, and otherwise run and track our business. For example, the transition has resulted in delays in processing customer claims for claims accruals. In addition, we may need to expend

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significant attention, time and resources to correct problems or find alternative sources for performing these functions. Any such difficulty or disruption may adversely affect our business and operating results.

We cannot ensure that our recently announced share repurchase program will be fully utilized or that it will enhance long-term shareholder value. Share repurchases may also increase the volatility of the trading price of our shares and diminish our cash reserves.

In March 2017, our Board of Directors authorized a three-year $250 million repurchase program of our registered shares. This program does not obligate us to repurchase all or any of the dollar-value of shares authorized for repurchase. The program could also increase the volatility of the trading price of our shares, and any announcement of a termination or suspension of the program may result in a decrease in our share price. The program could also diminish our cash reserves that may be needed for investments in our business, acquisitions or other purposes.

Goodwill impairment charges could have an adverse effect on the results of our operations.

Goodwill associated with a number of previous acquisitions could result in impairment charges. The slowdown in the overall video conferencing industry together with the competitive environment in fiscal year 2013 resulted in a $214.5 million non-cash goodwill impairment charge in fiscal year 2013, which substantially impacted results of discontinued operations. We recorded an additional impairment charge of goodwill of $122.7 million related to our Lifesize video conferencing discontinued operations in fiscal year 2015, reducing its goodwill to zero, which substantially impacted results of discontinued operations again. If we divest or discontinue product categories or products that we previously acquired, or if the value of those parts of our business become impaired, we may need to evaluate the carrying value of our goodwill. Additional impairment charges could adversely affect our results of operations.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

In fiscal year 2018, the following approved share buyback programs were in place (in thousands):

Share Buyback Program	Shares	Approved Amounts
March 2014	17,311	$250,000
March 2017	Not applicable	$250,000

The following table presents certain information related to purchases made by Logitech of its equity securities under the March 2014 share buyback program above (in thousands, except per share amounts):

During the three months ended	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share CHF (LOGN)	USD (LOGI)	Remaining Amount that May Yet Be Repurchased under the Program *
Month 1				
April 1, 2017 to April 28, 2017	20	31.70	—	$ —
Month 2				
April 29, 2017 to May 26, 2017	—	—	—	—
Month 3				
May 27, 2017 to June 30, 2017	—	—	—	—
Total	20	31.70	—	$ —

* The March 2014 program expired in April 2017 and there have been no repurchases under the March 2017 program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Index

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.*
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

* This exhibit is furnished herewith, but not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we explicitly incorporate it by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOGITECH INTERNATIONAL S.A.

July 27, 2017

/s/ Bracken Darrell

Date: Bracken Darrell
President and
Chief Executive Officer

July 27, 2017

/s/ Vincent Pilette

Date: Vincent Pilette
Chief Financial Officer