

LOGITECH INTERNATIONAL SA  
Form 10-K  
May 30, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended March 31, 2012

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**  
(State or other jurisdiction of  
incorporation or organization)

**None**  
(I.R.S. Employer  
Identification No.)

**Logitech International S.A.  
Apples, Switzerland  
c/o Logitech Inc.  
7600 Gateway Boulevard  
Newark, California 94560**

(Address of principal executive offices and zip code)

**(510) 795-8500**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Registered Shares par value CHF 0.25 per share	The NASDAQ Global Select Market SIX Swiss Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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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  No

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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a  
smaller reporting  
company)

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

The aggregate market value of the voting shares held by non-affiliates of the registrant, based upon the closing sale price of the shares on September 30, 2011, the last business day of the registrant's second fiscal quarter on the NASDAQ Global Select Market, was approximately \$1,105,717,128. For purposes of this disclosure, voting shares held by persons known to the Registrant to beneficially own more than 5% of the Registrant's shares and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

As of April 30, 2012, there were 164,472,487 shares of the Registrant's share capital outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2012 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended March 31, 2012.

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## Exhibits

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.

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**FORWARD-LOOKING INFORMATION**

This Annual Report on Form 10-K contains forward-looking statements based on beliefs of our management as of the filing date of this Form 10-K. These forward-looking statements include statements related to:

our business strategy and investment priorities for fiscal year 2013 and beyond, considering evolving consumer demand trends affecting our products and markets, fluctuations in currency exchange rates, and current and future general regional economic conditions;

our business and product plans for fiscal year 2013, including the impact of reducing complexity in our product portfolio, new product introductions, and product innovation on future operating results and anticipated operating costs;

our belief that market opportunities for Logitech products are growing in emerging markets such as China, India, Latin America and Eastern Europe;

our belief that Logitech is well positioned to compete in providing products and services to enterprise markets, and video and audio solutions that support unified communication platforms;

our belief there will be additional demand for complementary peripherals to enhance consumers' experiences with tablets and other mobile platforms;

our belief that the restructuring plan announced in April 2012 will reduce costs and expenses and improve future performance; and

the sufficiency of our cash and cash equivalents, cash generated from operations, and available borrowings under our bank lines of credit to fund capital expenditures and working capital needs.

Factors that might affect these forward-looking statements include, among other things:

general market trends and consumer demand for personal computer peripherals in mature and emerging markets, and for peripherals to use with tablets and other mobile devices with touch interfaces;

market acceptance of our products, our ability to accurately forecast market trends and consumer demands, the sales mix between our lower- and higher-margin products, and our geographic sales mix;

our decisions to prioritize investments in peripherals for tablets and digital music consumption, in growing our sales in China and other high-potential emerging markets, in reducing complexity in our product portfolio, in growing our sales to enterprise customers, in expanding sales of our LifeSize division, and in our other investment priorities, and the impact of those decisions on our current operations and future performance;

the effect of pricing, product, marketing and other initiatives by our competitors and our reaction to them on our sales, gross margins, and profitability;

competition in the video conferencing and communications industry, and the rate of adoption of video communications in enterprises;

the impact of a failure to successfully innovate in our current and new product categories across all digital platforms and identify new features or product opportunities and the impact of competition in the new categories of products and the new markets in which we are beginning to, and plan to, enter;

the impact on our sales, operating expenses and profitability of worldwide economic and business conditions, including fluctuations in currency exchange rates;

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the influence of our product introductions and marketing activities, and the impact of reducing complexity in our product portfolio and on our sales and profitability growth;

our ability to implement workforce reductions, planned product initiatives, improvements in operating efficiencies and financial performance, and reductions in operating costs, associated with the restructuring;

the adverse conclusion of one or more ongoing tax audits in various jurisdictions or a material assessment by a governing tax authority that would adversely affect our profitability.

Forward-looking statements also include, among others, those statements including the words "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict," "should," "will" and similar language. These statements reflect our views and assumptions as of the date of this Annual Report on Form 10-K. All forward-looking statements involve risks and uncertainties that could cause our actual performance to differ materially from those anticipated in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed under Item 1A "Risk Factors," as well as elsewhere in this Annual Report on Form 10-K and in our other filings with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. 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.

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**PART I**

**ITEM 1. BUSINESS**

**Company Overview**

Logitech is a world leader in products that connect people to the digital experiences they care about. Spanning multiple computing, communication and entertainment platforms, we develop and market innovative hardware and software products that enable or enhance digital navigation, music and video entertainment, gaming, social networking, audio and video communication over the Internet, video security and home-entertainment control.

Logitech was founded in Switzerland in 1981, and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland, which conducts its business through subsidiaries in the Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Taiwan, Japan, India and Australia). Shares of Logitech International S.A. are listed on both the Nasdaq Global Select Market, under the trading symbol LOGI, and the SIX Swiss Exchange, under the trading symbol LOGN. References in this Form 10-K to the "Company," "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Logitech has two operating segments, peripherals and video conferencing.

Our peripherals segment encompasses the design, manufacturing and marketing of peripherals for PCs (personal computers), tablets and other digital platforms. Our products for home and business PCs include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets, webcams, and lapdesks. Our tablet accessories include keyboards, keyboard cases and covers, headsets, wireless speakers, and stands. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems. Our digital music products include speakers, earphones, custom in-ear monitors and Squeezebox Wi-Fi music players. For home entertainment systems, we offer the Harmony line of advanced remote controls. For gaming consoles, we offer a range of gaming controllers and microphones, as well as other accessories.

Our peripherals research and product management teams are organized along product lines, and are responsible for product strategy, industrial design and development, and technological innovation. Our marketing and sales organization helps define product opportunities and bring our products to market, and is responsible for building the Logitech brand and consumer awareness of our products. This organization is comprised of retail sales and marketing groups. Our retail sales and marketing activities are organized into three geographic regions: Americas (including North and South America), EMEA (Europe-Middle East-Africa), and Asia Pacific (including, among other countries, China, Taiwan, Japan, India and Australia). In addition, at the start of fiscal year 2012, we established an organization focused on developing and selling products for enterprise markets, including peripherals for unified communication applications. This group combines product management and sales personnel for enterprise products, including our OEM (original equipment manufacturer) sales team, into one organization.

We sell our peripheral products to a network of distributors, retailers, and OEMs. Our worldwide retail network includes wholesale distributors, consumer electronics retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers, and online merchants. Sales of peripherals to our retail channels were 86%, 85% and 89% of our net sales for the fiscal years ended March 31, 2012, 2011 and 2010. The large majority of our revenues have historically been derived from sales of our peripheral products for use by consumers. Our OEM customers include the majority of the world's largest PC manufacturers. For the fiscal years ended March 31, 2012, 2011 and 2010, sales to OEM customers were 8%, 9% and 10% of our net sales.

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Our video conferencing segment encompasses the design, manufacturing and marketing of LifeSize video conferencing products, infrastructure and services for the enterprise, public sector, and other business markets. LifeSize products include scalable HD (high-definition) video communication endpoints, HD video conferencing systems with integrated monitors, video bridges and other infrastructure software and hardware to support large-scale video deployments, and services to support these products. The LifeSize division maintains a separate marketing and sales organization, which sells LifeSize products and services worldwide. LifeSize product development and product management organizations are separate, but coordinated with our peripherals business, particularly our webcam and video communications groups. We sell our LifeSize products and services to distributors, value-added resellers, OEMs, and, occasionally, direct enterprise customers. Sales of LifeSize products were 6% of our net sales in the fiscal years ended March 31, 2012 and 2011, and 1% of our net sales in the fiscal year ended March 31, 2010. We acquired LifeSize on December 11, 2009.

Since 1994, we have had our own manufacturing operations in Suzhou, China, which currently handles approximately half of our total production of peripheral products. We outsource the remaining production to contract manufacturers and original design manufacturers located in Asia. Our LifeSize video communications products are manufactured in Malaysia under contract with a third-party manufacturer. Both our in-house and outsourced manufacturing are managed by our worldwide operations group. The worldwide operations group also supports the business units and marketing and sales organizations through management of distribution centers and of the product supply chain, and the provision of technical support, customer relations and other services.

For the fiscal year ended March 31, 2012, we generated net sales of \$2.3 billion, operating income of \$72.0 million and net income of \$71.5 million. We employed approximately 9,000 employees as of March 31, 2012 and conducted business in approximately 102 countries.

A summary of our net sales and long-lived assets by geographic region can be found in Note 13 to the Consolidated Financial Statements in Item 15, which is incorporated herein by reference. A discussion of factors potentially affecting our operations is set forth in Item 1A Risk Factors, which is incorporated herein by reference.

**Industry Overview**

Historically, Logitech's business has been driven by the same trends that drove the adoption of desktop and laptop PCs for consumer, business, and institutional applications, including the growth in affordable processing power, communications bandwidth, the increased accessibility of digital content, and the growing and pervasive use of the Internet for productivity, communication and entertainment. These trends have created opportunities for new applications, new users and dramatically richer interaction between people and digital content. Logitech has enhanced these applications and interactions with supporting peripherals as well as the development of its own innovative applications.

The increasing popularity of smaller, mobile computing devices such as tablets and smartphones with touch interfaces and the declining popularity of desktop PCs have rapidly changed the market and usage models for PC peripherals. In our traditional, mature markets, such as the United States, Canada, Western and Nordic Europe, Japan and Australia, although the installed base of PC users is large, consumers are transitioning to other, more mobile devices. In emerging markets, such as China, Brazil, India and Russia, the installed base of PC users is experiencing strong growth, which we believe presents new opportunities for us to broaden our PC peripherals customer base. These large populations present a significantly different demographic and trend line compared with our mature markets. However, in both mature and emerging markets, a strong installed base of business and enterprise customers purchases peripherals for their PCs.



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Both mature and emerging markets are experiencing strong growth in new mobile platforms for consumer and business use of digital content, such as tablets and smartphones. Logitech has begun to offer peripherals and accessories to augment the use of such digital platforms. For example, consumers are optimizing their audio experiences on their tablets and smartphones with premium earphones and speakers that pair easily with their mobile devices. And they are enhancing their tablet experience with a range of accessories and peripherals such as the Logitech Tablet Keyboard that enable them to create, consume and share digital content more conveniently and comfortably.

The use of video across all these platforms mobile devices such as laptops, tablets and smartphones, and the TV is a continuing trend among consumers. The video communication industry continues to make progress toward a vision in which people can conduct a video call from any of these platforms to any other platform. LifeSize has showcased such video collaboration by enabling video calling among PCs, Macs, tablets, smartphones and video conference equipment.

The trend among businesses and institutions to use video conferencing is even more prevalent than consumer use of video calling, and offers a key growth opportunity for Logitech. For businesses and institutions, video conferencing is increasingly substituted for travel, because of high travel costs as well as the productivity gain that can be achieved by a high-quality face-to-face meeting that does not require travel away from the office. Further, with the increased availability of higher Internet bandwidth, video conferencing is becoming a key component of UC (unified communications), which is the integration of enterprise-class collaboration and communications solutions such as voice mail, e-mail, chat, presentation sharing and live video meetings. With large, well-financed competitors such as Cisco Systems, Inc., Microsoft Corporation and Polycom, Inc. participating in this market, the competition is intense. However, we believe that Logitech is well-positioned to compete with differentiated video and audio solutions that support the emerging UC platforms.

Finally, we believe that trends established in the consumer technology market, such as brand identity, affordability, ease of installation and use, customer support, and visual appeal, have become important aspects of the purchase decision when buying a consumer electronics product. These are strengths that we believe Logitech offers in both consumer and enterprise markets.

**Consumer Behavior and Customer Experience Strategy**

Our strategy is to further our understanding of consumers in each market and integrate the voice of our consumers throughout our product development and marketing efforts. The mission of our customer insight organization is to strive to understand our consumers so that we can create products and provide services that accurately anticipate their needs and reach them through marketing and communication programs that are relevant to them.

We are also focused on understanding and improving the consumer's overall experience with Logitech products. The design and customer experience group's goal is to use research, insights, technology and innovation to deliver great experiences to our users at each consumer touch point and in all Logitech products. We define customer experience as the focal point of our research and development, and use a process of prototyping, learning and iteration to maximize customer satisfaction. We use metrics and consumer feedback mechanisms to drive meaningful and measurable improvements in our products. We believe that by creating products that people desire and love, we maximize the number of consumers who actively recommend Logitech products, fueling brand preference within and across our many product categories. This is especially important because we believe today's consumer exhibits increasing skepticism toward manufacturers, yet is more trusting of personal recommendations.

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**Business Strategy**

Logitech's objective is to develop a strong portfolio of growth opportunities by linking people to the digital world wherever and whenever they need to access digital information for work or play. Historically, the PC has been the main interface to the digital world and the Internet. As access to digital information expands beyond the PC platform, we are also extending our portfolio to mobile devices, enterprise video communications, and the digital home as access points to the Internet and the digital world.

Our core business focuses on the substantial installed and still-growing world-wide base of PCs and Mac computers by offering innovative peripherals to address needs for comfort, productivity and easy connectivity, as well as entertainment and communication. We believe that the market for PC peripherals will continue to present growth opportunities. In developed markets, the installed base of users is large. In emerging markets, such as China, the installed base of users is experiencing strong growth, which we believe presents new opportunities for us to broaden our PC peripherals customer base. In the enterprise market, we believe the consumerization of information technology has made the market open to embracing consumer technology and design. Digital music, the seamless consumption of audio content on home and mobile devices, also presents a significant growth opportunity, as Logitech has a solid foundation of audio solutions to satisfy consumers' needs for music consumption. As new devices for consumer and business use of digital content are developed and adopted, we also believe there are excellent opportunities for Logitech peripherals and accessories to improve the productivity, navigation and control abilities of tablets, smartphones and other mobile devices, enabling consumers to create, consume and share digital content more conveniently and comfortably.

Our LifeSize division focuses on high-definition universal video collaboration for businesses and institutions. The video communications industry is rapidly expanding, and we believe that our strategy of high quality experience combined with a compelling price/performance advantage will allow us to grow our video conferencing, infrastructure and services business in mature markets, as well as expand into emerging markets.

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.

***Product Strategy***

To capitalize on the opportunities we anticipate in the growing digital marketplace, Logitech's product strategy focuses on enabling and enhancing the multiple interfaces for input, navigation, audio and video across the many digital devices used by today's consumers and enterprises.

*The PC/Mac/Mobile Devices*

Logitech continues to provide new, innovative, high-performance PC and Mac computer navigation devices and audio and video products for the large existing installed base of PC and Mac computers in developed markets, for PCs and Macs in the fast-growing emerging markets, and for the enterprise market, where we believe the opportunities for Logitech peripherals are significant. In addition, we have developed a range of products for the tablet market, as usage models continue to evolve. Our current tablet product portfolio includes the Logitech Tablet Keyboard, wireless portable speakers and the Logitech Ultimate Ears line-up of earphones and speakers. We believe there will be additional demand for complementary peripherals to enhance consumers' experiences with tablets and other mobile devices.

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*Video Conferencing*

Our LifeSize division represents our focused investment in the growth of video communications in enterprises and organizations. LifeSize is a leader in HD communication innovation at multiple price points, offering complete and scalable solutions including hardware, software, endpoints, services and infrastructure to small and medium enterprises. LifeSize is expanding the video conferencing market through affordable, simplified systems that align video with the way people work.

*Digital Music*

Today's consumers consider listening to music as a pervasive entertainment activity, fueled by the growth in smartphones, tablets, music services and Internet radio. Logitech has a solid foundation of audio solutions to satisfy consumers' needs for music consumption. Our music solutions include the Squeezebox product line of Internet radios, wireless speakers for PCs and mobile devices, and the Logitech Ultimate Ears brand of earphones and speakers.

*Harmony*

The dramatic proliferation of digital content and new media devices available for the home provides a significant source of new opportunities for our line of Harmony advanced remote controls for home entertainment systems. We believe that the new digital home, with a broad and evolving selection of devices for media consumption together with digital content, provides many opportunities to simplify the enjoyment of home entertainment.

*Geographic Expansion*

We believe the market opportunities for Logitech products are growing in emerging markets such as China, India, Latin America and Eastern Europe. In China, we have invested significantly in expanding our sales force and local product and marketing initiatives designed specifically for the Chinese market, as well as securing new channel partners and strengthening relationships with existing partners. As part of our business strategy, we are leveraging the knowledge gained in China to capitalize on the additional growth opportunities available in other key emerging geographic areas.

*Manufacturing*

To effectively respond to rapidly changing demand and to leverage economies of scale, we intend to continue our hybrid model of in-house manufacturing and third-party contract manufacturers to supply our products. Through our high-volume manufacturing operations for peripherals located in Suzhou, China, we believe we have been able to maintain strong quality process controls and have realized significant cost efficiencies. Our Suzhou operation provides for increased production capacity and greater flexibility in responding to product demand. Further, by outsourcing the manufacturing of certain products, we seek to reduce volatility in production volumes as well as improve time to market.

*Technological Innovation*

Logitech seeks to fulfill the increasing demand for interfaces between people and the expanding digital world across multiple platforms and user environments. The interface evolves as platforms, user models and our target markets evolve. As access to digital information has expanded, we have extended our focus to mobile devices, the living room, and the meeting room, in addition to the PC, as access points to the Internet and the digital world. All of these platforms require interfaces that are customized according to how the devices are used. We believe this expansion of access points provides additional attractive and sizable opportunities for Logitech because the relevance and importance of navigation, interaction, video and audio interfaces and applications remains substantially the same across platforms.

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We recognize that continued investment in product research and development is critical to facilitating innovation of new and improved products and technologies. Six of Logitech's products were selected as 2012 CES (Computer Electronics Show) Innovation Award honorees, including the Logitech Cube, which is a uniquely designed mouse offering multiple functionalities and can become a presenter when you need it; the Logitech Wireless Boombox for iPad, which is a compact Bluetooth sound system that pairs easily with tablets or smartphones; the Logitech HD Webcam C615 for recording video with autofocus in full HD 1080p and making video calls in HD 720p; the Logitech Touch Mouse M600, which features a responsive multi-touch surface for continuous scrolling with the slide of a finger; the Wireless Solar Keyboard K750 that powers itself wherever there's light; and the Logitech UE Air Speaker, with Apple AirPlay, which lets you stream uncompressed music from iTunes or an iPhone, iPad or iPod Touch connected to your home's Wi-Fi network.

Logitech is committed to meeting consumers' needs for peripheral devices and believes that innovation, value and product quality are important elements to gaining market acceptance and strengthening our market position.

### **Products**

Logitech has two operating segments, peripherals and video conferencing. Our peripherals segment encompasses the design, manufacturing and marketing of peripherals for PCs, tablets and other digital platforms. We sell our peripheral products to a network of distributors and retailers and to OEMs. The large majority of our revenues have historically been derived from sales of our peripheral products for use by consumers. Our video conferencing segment encompasses the design, manufacturing and marketing of LifeSize video conferencing products, infrastructure and services for the enterprise, public sector, and other business markets. We sell our LifeSize products and services to distributors, value-added resellers, OEMs, and, occasionally, direct enterprise customers.

### ***Pointing Devices***

Logitech offers many varieties of computer mice, sold through retail and OEM channels. Some of our major mice products include:

Logitech Touch Mouse M600, featuring a responsive multi-touch surface and Logitech Flow Scroll, which gives continuous and free-flowing Web page scrolling with the slide of a finger.

Logitech Cube mouse with a shape that fits in your hand, touch scrolling and instant presenter mode.

Performance Mouse MX and Anywhere Mouse MX with Logitech Darkfield Laser Tracking, which allows the mouse to be used virtually anywhere including clear glass and high-gloss surfaces.

Marathon Mouse M705, a wireless mouse that runs up to three years on one set of batteries.

We also sell both corded and cordless mice designed specifically for OEM customers.

### ***Keyboards and Desktops***

Logitech offers a variety of corded and cordless keyboards and desktops (keyboard-and-mouse combinations). Some of our major keyboards and desktops include:

Wireless Solar Keyboard K750, a streamlined keyboard powered by light, for PC and for Mac.

K800 Illuminated Wireless Keyboard, with automated backlighting and hand proximity detection.

The diNovo Edge keyboard, our award-winning top-of-the-line rechargeable keyboard.

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Tablet Keyboard for iPad, a low-profile keyboard and stand combination designed to travel easily and set up quickly.

G19 Keyboard for Gaming, featuring a color GamePanel LCD, customizable backlighting and on-the-fly macro recording.

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*Audio*

*Speakers*

Logitech designs and manufactures a wide variety of multimedia speakers including:

Logitech UE Air Speaker with Apple's AirPlay, a premium speaker that lets you stream uncompressed music from iTunes or an iPhone, iPad or iPod Touch connected to your home Wi-Fi network.

Logitech Mini Boombox, a compact Bluetooth sound system that pairs easily with smartphones, tablets or other Bluetooth-enabled devices.

Logitech Wireless Boombox, which pairs with iPad, iPhone, iPod Touch or other devices that support Bluetooth wireless audio.

Logitech Speaker System Z906, a THX-Certified 5.1 system that delivers 500 watts of theater-quality sound.

The S-series line of portable iPod/MP3 docks including the Logitech Rechargeable Speaker S715i and the Logitech Portable Speaker S135i.

*Streaming Media*

Logitech offers a portfolio of affordable network music systems that make it easier to enjoy and control digital music anywhere in the home. The Squeezebox Touch, with its 4.3-inch color touch screen, connects to your existing stereo system and speakers and supports sampling rates of up to 24 bits at 96 kHz, delivering rich sound with very little distortion. The Squeezebox Radio is a compact network music player and alarm that allows you to connect to your home network, and access Internet radio, your personal music collection or subscription services.

*Earphones*

The Logitech Ultimate Ears product line offers a range of in-ear consumer or universal fit earphones for portable music enthusiasts as well as custom stage earphones for professional musicians and sound engineers.

Our line of consumer Logitech Ultimate Ears noise-isolating universal fit earphones includes:

Ultimate Ears 100 and 200 value-priced earphones, with silicone ear cushions in a durable sweat-resistant design.

Ultimate Ears TripleFi 10 with triple armature speakers.

The Ultimate Ears 600 featuring single armature speakers with flexible wearing styles, the Ultimate Ears 600vi with voice capability options, and the Ultimate Ears 700 featuring dual armature speakers.

Our line of Ultimate Ears Custom Stage Earphones includes Ultimate Ears In-Ear Reference Monitors co-designed with Capitol Studios for professional studio engineers and producers for use during recording, mixing and mastering original music content, the UE-18 Pro featuring a unique six-speaker design, the UE-7 Pro for live performance and stage use, and the UE-4 Pro featuring a dual speaker design for emerging artists and audiophiles.

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*PC Headsets and Microphones*

We offer headsets and microphones designed for applications such as PC voice communications, VoIP applications and online gaming. Some of our major products in this category include the Wireless Headset H600, the Wireless Headset H800, the G35 Surround Sound Headset for gaming, and the Wireless Gaming Headset G930.

***Video***

*Web Cameras*

Logitech's webcam offerings include:

HD Pro Webcam C920

HD Webcam C525

HD Webcam C270

Our premium webcam features lenses designed in an exclusive collaboration with Carl Zeiss, a premium autofocus system, video calling in HD 720p, and video recording in full HD 1080p. All our webcams feature Logitech Fluid Crystal Technology that automatically adjusts the frame rate, color and sharpness to provide the best possible picture and motion. Logitech's entire family of webcams works with most popular video messaging applications, and provides up to HD 1080p video calling in Skype, Windows Live Messenger and Logitech Vid HD.

*Video Security Systems*

The Logitech Alert digital video security system is a complete home or small business video security system that you can quickly install yourself, with software that provides motion alerts and a live view from an Internet-connected computer or your smartphone or tablet.

***Gaming***

Logitech offers a full range of dedicated game controllers for PC gamers including joysticks, steering wheels, gamepads, mice and keyboards, and headsets, as well as gaming products for console platforms such as PlayStation2, PlayStation3, Xbox 360 and Nintendo Wii.

Our gaming products include:

Logitech G700 Wireless Gaming Mouse, featuring 13 programmable controls with macro capability and full-speed wireless connection.

Logitech G27 Racing Wheel with several advanced features such as a six-speed gated shifter and clutch pedal, a high-torque, dual-motor force-feedback mechanism, 900 degrees of rotation, an 11-inch wheel, and premium materials such as stainless steel and leather.

Logitech G930 Wireless Gaming Headset, which offers high-performance 7.1 channel surround sound, a lag-free 2.4 GHz wireless connection, and three customizable G keys for one-touch command over music, chat, voice morphing and more.

***Digital Home Remote Controls***

Our line of Harmony advanced remote controls for home entertainment systems uses our patented Smart State Technology. The Logitech family of remotes includes:

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Harmony One Advanced Universal remote featuring a touch-screen with backlit buttons positioned in logical zones to make it easy to navigate, even in the dark.

Harmony 900 remote featuring a full-color touch screen, intuitive button layout, and RF system that allow you to control your devices through cabinet doors and walls.



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***LifeSize Video Conferencing***

Our LifeSize division offers HD video communication solutions including HD video conferencing products, audio conference telephones, hardware infrastructure solutions, video management software, and services to support reliable video and audio communications and help users connect to any network securely and with ease. The LifeSize product line includes:

Passport, an HD video system that delivers telepresence-quality at a price point that enables broad deployment across an organization.

Express Series, which provides full HD video quality at the lowest possible bandwidth, allowing data-sharing and supporting dual HD display, full HD camera, and phone or microphone options.

Team Series, providing full HD video quality for natural, realistic interactions, along with ease of use and flexibility for workgroups, including four-way multipoint conferencing.

Room Series, a full HD standards-based system that provides high resolution and strong motion handling with lower latency. The LifeSize Room 220i comes standard with an embedded 8-way continuous presence multipoint bridge showing four visible sites at one time.

The LifeSize UVC Platform is an integrated, virtualized software platform for video infrastructure. It consolidates the capabilities of multiple video conferencing infrastructure applications and makes them instantly available from one common interface. This integrated platform adds efficiency in operation for IT organizations, easy trial and flexible configuration in a common platform that is scalable to meet future growth needs.

LifeSize ClearSea is an enterprise-class client and server solution for desktop and mobile video collaboration. LifeSize ClearSea provides a flexible, interoperable solution for instantly connecting any desktop or mobile device to a standards-based video conferencing meeting room system or infrastructure. LifeSize ClearSea Server includes a state-of-the-art HD desktop client for PCs and Mac, and Android and iOS smartphones and tablets.

LifeSize Connections is a cloud-based infrastructure service which enables secure, immersive communication between meeting room-based video conferencing systems and mobile clients on PCs and Mac computers. It offers an intuitive, cost effective solution for small and medium businesses looking to deploy business class video conferencing.

**Competitive Strengths**

We believe the key competitive strengths that allow Logitech to be successful in the markets in which we compete include:

Our understanding of product definition, technology and industrial design excellence, as demonstrated by the various awards that our product designs continue to receive.

Our expertise in key engineering disciplines that underlie our products and our continued enhancement of our products through the use of advanced technologies.

Our continuing to embrace new technologies and standards, with a list of over 100 industry "firsts" to our name and a patent portfolio of approximately 450 patents.

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The Logitech and LifeSize brand names and industrial designs which are recognized worldwide as symbols of product quality, innovation, ease of use and price-performance value.

Our volume manufacturing and distribution capabilities which allow us to maintain strong quality process controls and realize significant cost efficiencies.

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Our global presence, capable of drawing upon the strengths of our global resources, global distribution system and geographical revenue mix.

Our expertise in a broad array of PC peripherals and video conferencing solutions.

We believe that we have competed successfully based on these factors. We believe that Logitech's future lies with our ability to continue to capitalize on these strengths.

**Research and Development**

We believe that continued investment in product research and development is critical to Logitech's success. Our international structure provides advantages and synergies to our overall product development efforts. We have development centers in the United States, Switzerland, Ireland, India and Taiwan.

Our research and development expenses for fiscal years 2012, 2011, and 2010 were \$162.3 million, \$156.4 million, and \$135.8 million. We expect to continue to devote significant resources to research and development, including devices for digital platforms, video communications, wireless technologies, power management, user interfaces and device database management to sustain our competitive position.

**Marketing, Sales and Distribution**

*Principal Markets*

Net sales to unaffiliated customers by geographic region were as follows (in thousands):

	Year ended March 31,		
	2012	2011	2010
Americas	\$ 953,867	\$ 1,032,988	\$ 729,473
EMEA	846,464	872,774	882,635
Asia Pacific	515,872	457,124	354,640
Total net sales	\$ 2,316,203	\$ 2,362,886	\$ 1,966,748

Sales are attributed to countries on the basis of the customers' locations. Revenues from sales to customers in Switzerland, our home domicile, represented an insignificant portion of our total consolidated net sales in fiscal years 2012, 2011 and 2010. In fiscal years 2012 and 2011, the United States represented 34% and 36% of our total consolidated net sales. In fiscal year 2010, the United States represented 32% and Germany represented 11% of our total consolidated net sales. No other single country represented more than 10% of the Company's total consolidated net sales for fiscal years 2012, 2011 and 2010.

In fiscal years 2012, 2011 and 2010, Ingram Micro Inc. and its affiliated entities together accounted for 14%, 12% and 13% of our net sales. No other customer individually accounted for more than 10% of our net sales during fiscal years 2012, 2011 and 2010. The material terms of our distribution agreements with Ingram Micro and its affiliated entities are summarized as follows:

The agreements are non-exclusive in the particular territory and contain no minimum purchase requirements.

Each agreement may be terminated for convenience at any time by either party. Most agreements provide for termination on 30 days' written notice from either party, with two Ingram Micro agreements providing for termination on 90 days' notice.

We generally offer an allowance for marketing activities equal to a negotiated percentage of sales and volume rebates related to purchase volumes or sales of specific products to specified retailers. These terms vary by agreement.



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Most agreements allow price protection credits to be issued for on-hand or in transit new inventory if we, in our sole discretion, lower the price of the product.

We grant limited rights to return product, which vary by distributor. Under most of the Ingram Micro agreements, the Ingram Micro entities may return defective products and may return up to 10% of the previous quarter's purchases, if they place an offsetting order for the amount they returned. Under one agreement, the Ingram Micro entity may return aged products or take a nominal credit for inventory held over 60 days.

**Marketing**

Logitech builds awareness of our products and recognition of the Logitech brand through targeted advertising, public relations efforts, social media, distinct packaging of our retail products, in-store promotions and merchandising, a Worldwide Web site and other efforts. We also acquire knowledge of our users through customer feedback and market research, including focus groups, product registrations, user questionnaires, primary and multi-client surveys and other techniques. In addition, manufacturers of PCs and other products also receive customer feedback and perform user market research, which sometimes results in requests to Logitech for specific products, features or enhancements.

**Sales and Distribution**

Logitech sells its peripherals through many distribution channels, including distributors, OEMs and regional and national retail chains, including online retailers. We support these retail channels with third-party distribution centers located in North America, Europe and Asia Pacific. These centers perform final configuration of products and product localization with local language manuals, packaging, software CDs and power plugs.

In retail channels, Logitech's direct sales force sells to distributors and large retailers. These distributors in North America include Ingram Micro, Tech Data Corporation, D&H Distributing, and Synnex Corporation. In Europe, pan-European distributors include Ingram Micro, Tech Data, and Gem Distribution. We also sell to many regional distributors such as Actebis GmbH in Germany and Copaco Dc B.V. in the Netherlands. In Asia, major distributors include Beijing Digital China Limited in China, Daiwabo in Japan, and the pan-Asian distributor, Ingram Micro. Our distributor customers typically resell products to retailers, value-added resellers, systems integrators and other distributors with whom Logitech does not have a direct relationship.

Logitech's products can be purchased in most major retail chains, where we typically have access to significant shelf space. These chains in the U.S. include Best Buy, Wal-Mart, Staples, Target, and Office Depot. In Europe, chains include Metro Group (MediaMarkt and Saturn), Carrefour Group, Kesa Electricals, Fnac, and Dixons Stores Group PLC, and in Asia Pacific, Australia's Dick Smith Electronics Limited. Logitech products can also be purchased at the top online e-tailers, which include Amazon.com, TigerDirect.com, Buy.com, CDW, Insight Enterprises, Inc. and others.

Logitech's OEM products are sold to large OEM customers through a direct sales force, and we support smaller OEM customers through distributors. We count the majority of the world's largest PC manufacturers among our customers. We are also increasing our focus in the enterprise market.

Our Life Size division maintains a separate marketing and sales organization that sells LifeSize products and services to distributors, value-added resellers, OEMs and direct enterprise customers. The large majority of LifeSize revenues are derived from sales of products for use by small-to-medium businesses and public healthcare, education and government organizations.

Through our operating subsidiaries, we maintain sales offices or sales representatives in 41 countries.

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**Backlog**

We typically have a relatively small amount of orders at the end of our fiscal periods that we have received but have not shipped, which is referred to as backlog. In our experience, the amount of backlog at any particular fiscal period-end is not a meaningful indication of our future business prospects. Our backlog often increases in anticipation of or immediately following new product introductions as retailers anticipate shortages, and is often reduced once retailers and customers believe they can obtain sufficient supply. Our net sales in any fiscal year depend primarily on orders booked and shipped in that year, and our customers generally order on an as-needed basis. In addition, our backlog is occasionally subject to cancellation or rescheduling by customers. Therefore, there is a lack of meaningful correlation between backlog at the end of a fiscal year and the following fiscal year's net sales. Similarly, there is a lack of meaningful correlation between year-over-year changes in backlog as compared with year-over-year changes in net sales. As a result, we believe that backlog information is not material to an understanding of our overall business.

**Customer Service and Technical Support**

Logitech maintains customer service and technical support capabilities in the United States, Canada, Europe, and the Asia Pacific region. Customer service and technical personnel provide support services to retail purchasers of products through telephone, e-mail, forums, chat, facsimile and the Logitech Web site. The Logitech Web site is designed to expedite overall response time while minimizing the resources required for effective customer support. In general, OEMs provide customer service and technical support for their products, including components purchased from suppliers such as Logitech. Logitech provides warranties on our branded products which range from one to five years.

**Manufacturing**

Logitech's manufacturing operations consist principally of final assembly and testing. Our high-volume manufacturing facility for peripherals products is located in Suzhou, China. The Suzhou facilities are designed to allow production growth as well as flexibility in responding to changing demands for Logitech's products. We continue to focus on ensuring the efficiency of the Suzhou facilities, through the implementation of quality management and employee involvement programs.

New product launches, process engineering, commodities management, logistics, quality assurance, operations management and management of Logitech's contract manufacturers occur in Hsinchu, Taiwan, Suzhou, China, Shenzhen, China and Hong Kong, China. Certain components are manufactured to Logitech's specifications by vendors in Asia, the United States and Europe. We also use contract manufacturers to supplement internal capacity and to reduce volatility in production volumes. In addition, some products, including most keyboards, certain gaming devices, certain audio products, and video conferencing equipment are manufactured by third-party suppliers to Logitech's specifications. Retail product localization with local language manuals, packaging, software CDs and power plugs is performed at distribution centers in North America, Europe and Asia Pacific.

**Competition**

Our peripherals and video conferencing industries are intensely competitive. The peripherals industry is characterized by short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets, and price sensitivity in the OEM market. We have experienced aggressive price competition and other promotional activities from our primary competitors and from less-established brands, including brands owned by some retail customers known as house brands. We may also encounter more competition if any of our competitors in one or more categories decide to enter other categories in which we currently operate.

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In addition, we have been expanding the categories of products we sell, and entering new markets, such as the market for enterprise video conferencing. 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 future ones we might enter. Many of these companies have greater financial, technical, sales, marketing and other resources than we have.

We expect continued competitive pressure in our retail, OEM, and video conferencing business, including in the terms and conditions that our competitors offer customers, which 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.

*Pointing Devices, Keyboards and Desktops.* Microsoft Corporation is our main competitor in our mice, keyboard and desktop product lines. We also experience competition and pricing pressure for corded and cordless mice and desktops from less-established brands, including house brands, which we believe have impacted our market share in some sales geographies and which could potentially impact our market share.

*Audio.* Competitors in audio devices vary by product line. In the PC, mobile entertainment and communication platform speaker business, competitors include Plantronics, Inc., Altec Lansing LLC, Creative Labs, Inc. and Bose Corporation. In the PC headset and microphone business, our main competitors include Plantronics and Altec Lansing. Our competitors for digital music products such as earbuds, earphones and mobile speakers include brands such as Skull Candy, Beats by Dre, and Jawbone, each of which have higher consumer recognition and retailer shelf space in digital music than we do. Our Squeezebox Wi-Fi music players for digital music compete with systems from several small competitors as well as larger established consumer electronics companies, such as Sony Corporation and Royal Philips Electronics NV.

*Video.* Our competitors for PC Web cameras include Microsoft, Creative Labs, Philips and Hewlett-Packard. We are encountering aggressive pricing practices and promotions on a worldwide basis, which have adversely affected our revenues and margins. The worldwide market for PC webcams has been very competitive, and as a result, pricing practices and promotions by our competitors have become more aggressive.

*Gaming.* Competitors for our interactive entertainment products include CSG International (formerly Intec), Razer USA Ltd., Performance Designed Products, LLC (Pelican Accessories), Mad Catz Interactive, Inc. and its Saitek brand. Our controllers for PlayStation also compete against controllers offered by Sony.

*Digital Home.* Our competitors for remotes include, among others, Philips, Universal Remote Control, Inc., Universal Electronics Inc. (Universal Electronics or UED), RCA and Sony. We expect that the growth in consumer demand and technological innovation in peripheral devices for home entertainment systems will likely result in increased competition.

*Video Conferencing.* We primarily compete in the medium and small business, education, and state and local business sectors of the enterprise video conferencing market. Our primary competitors are Cisco, Polycom and Avaya, Inc. There are also a number of smaller competitors that compete with LifeSize. In addition, Microsoft's acquisition of Skype Limited has given Microsoft a large user base for future competitive video chat and video-conferencing products, along with integration potential across Microsoft's product portfolio.

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**Intellectual Property and Proprietary Rights**

Intellectual property rights that apply to Logitech's products and services include patents, trademarks, copyrights and trade secrets.

We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. While we believe that patent protection is important, we also believe that patents are of less competitive significance than factors such as technological expertise and innovation, ease of use, and quality design. No single patent is in itself essential to Logitech as a whole. From time to time we receive claims that we may be infringing on patents or other intellectual property rights of others. Claims are referred to counsel, and current claims are in various stages of evaluation and negotiation. If necessary or desirable, we may seek licenses for certain intellectual property rights. Refer also to the discussion in Item 1A Risk Factors "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." and "Claims by others that we infringe their proprietary technology could adversely affect our business."

To distinguish genuine Logitech products from competing products and counterfeit products, Logitech has used, registered, or applied to register certain trademarks and trade names in the U.S. and in foreign countries and jurisdictions. Logitech enforces its trademark and trade name rights in the U.S. and abroad. In addition, the software for Logitech's products and services is entitled to copyright protection, and we generally require our customers to obtain a software license before providing them with that software. We also protect details about our products and services as trade secrets through employee training, license and non-disclosure agreements and technical measures.

**Environmental Regulation**

We are subject to laws and regulations in many jurisdictions regulating the materials used in our products and, increasingly, product-related energy consumption, and the recycling of our products and packaging.

*Europe.* In Europe we are subject to the EU's (European Union's) Directive on RoHS (Restriction of Use of Certain Hazardous Substances in Electrical and Electronics Equipment). This directive restricts the placement into the EU market of electrical and electronic equipment containing certain hazardous materials including lead, mercury, cadmium, chromium, and halogenated flame-retardants. Most Logitech products are covered by the directive and have been modified, if necessary, to be RoHS compliant. Logitech has an active program to ensure compliance with the RoHS directive and continues to source and introduce the use of RoHS compliant components and manufacturing methods in order to comply with the requirements of the directive.

Logitech is also subject to the EU's ErP (Energy-related Products Directive), which aims to encourage manufacturers and importers to produce products designed to minimize overall environmental impact. Under the directive, manufacturers must ensure that their energy-related products comply with applicable requirements, issue a declaration of conformity and mark the product with the 'CE' mark. The directive does not have binding requirements for specific products, but does define conditions and criteria for setting, through subsequent implementing measures, requirements regarding environmentally relevant product characteristics. To date the following implementing measures within the ErP directive are active and applicable to Logitech products:

1275/2008: Eco-design requirements for standby and off mode electric power consumption of electrical and electronic household and office equipment.

278/2009: Eco-design requirements for no-load condition power consumption and average active efficiency of external power supplies.



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Logitech has assessed the applicability of these implementing measures on relevant product lines and has taken steps to ensure that our products meet the requirements. Adoption of the ErP directive will be aligned in all EU member states and conformity will be demonstrated by Logitech in conjunction with current CE conformity marking requirements. Similar requirements exist in the four member states of the European Free Trade Association (Iceland, Norway, Liechtenstein and Switzerland). Such requirements are substantially met by compliance with ErP.

We are also subject to a number of EOL (End of Life) Stewardship directives including the EU's WEEE (Waste Electrical and Electronic Equipment) Directive, the EU Packaging Directive and the EU Battery Directive, which require producers of electrical goods, packaging and batteries to be financially responsible for costs of specified collection, recycling, treatment and disposal of covered products. Where applicable, we have provided for the estimated costs, which are not material, of managing and recycling historical and future waste equipment, packaging and batteries.

Logitech has also assessed the applicability of the European REACH directive (Regulation (EC) No. 1907/2006 for Registration, Evaluation, Authorization, and Restrictions of Chemicals). This directive does not currently impact Logitech due to our current manufacturing structure and product content. If the directive impacts Logitech in the future, we intend to comply with the applicable requirements.

*China.* In China we are subject to China's law on Management Methods on the Control of Pollution Caused by Electronic Information Products (China RoHS). This is substantially similar to the EU RoHS directive and as such, Logitech products are already compliant. China RoHS requires additional labelling of product that will be shipped in China and Logitech has taken steps to help ensure we comply with these requirements.

*United States and Canada.* In the U.S., we are subject to, among other laws, Appliance Efficiency Regulations adopted via the U.S. Energy Independence and Security Act of 2007. The regulations set out standards for the energy consumption performance of products within the scope of the regulations, which includes some of Logitech's products. The standards apply to appliances sold or offered for sale throughout the U.S., and Logitech has redesigned or changed products to comply with these regulations. We are also subject to California's Proposition 65, which requires that clear and reasonable warnings be given to consumers who are exposed to certain chemicals deemed by the state of California to be dangerous, such as lead. Logitech is also subject to the requirement as set out by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, specifically Section 1502, which addresses the use of "Conflict Minerals" in the supply chain. We intend to comply with the reporting requirements of this Act on receipt of guidelines to be published by the Securities and Exchange Commission. In addition, the Transparency in Supply Chain Act of 2010 (S.B. 657) is effective in Logitech's fiscal year 2012. The law requires all retailers and manufacturers of tangible products who do business in California and have annual gross receipts exceeding \$100 million to disclose on their company website their efforts to combat forced labor and human trafficking in their own supply chains. Logitech's disclosure is posted on our website, <http://www.logitech.com/en-roeu/169/4842> Code of Conduct section.

In Canada and the United States, we are subject to laws in various Canadian provinces and U.S. states that impose fees to cover the cost of recycling packaging.

*Australia and New Zealand.* In Australia and New Zealand, we are subject to the MEPS (Minimum Energy Performance Standards) regulations. These regulations set out standards for the energy consumption performance of products within the scope of the regulations, which includes some of Logitech's products. We have taken steps to modify products to ensure they are in compliance with MEPS.

We expect further laws governing product and packaging recycling to be introduced in other jurisdictions, many or most of which could impose fees to cover recycling costs, the cumulative impact of which could be significant. If such legislation is enacted in other countries, Logitech intends to develop compliance programs as necessary. However, until that time, we are not able to estimate any possible impact.

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The effects on Logitech's business of complying with other government regulations are limited to the cost of agency fees and testing as well as the time required to obtain agency approvals. There are also stewardship costs associated with the end of life collection, recycling and recovery of Logitech products, packaging and batteries where Logitech is recognized as the steward and participates in relevant schemes. The costs and schedule requirements are industry requirements and therefore do not represent an undue burden relative to Logitech's competitive position. As regulations change, we will seek to modify our products or processes to address those changes.

**Seasonality**

Our retail peripheral product sales are typically seasonal. Sales are generally highest during our third fiscal quarter (October to December), due primarily to the increased demand for our products during the year-end holiday buying season, and to a lesser extent in the fourth fiscal quarter (January to March). Our sales in the first and second quarters can vary significantly as a result of new product introductions and other factors. Accordingly, we believe that year-over-year comparisons are more indicative of variability in our results of operations than current quarter to prior quarter comparisons.

Our video conferencing product sales experience minor seasonality. Sales are generally strongest during our third fiscal quarter due primarily to expiring budgets in the business community. Sales are generally lower during our fourth fiscal quarter, as annual business budgets may not be finalized until late in the quarter.

**Materials**

We purchase certain products and key components used in our products from a limited number of sources. If the supply of these products or key components, such as micro-controllers, optical sensors and LifeSize hardware products, were to be delayed or constrained, or if one or more of our single-source suppliers goes out of business, 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. In addition, 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, our ability to forecast product demand, 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.

**Employees**

As of March 31, 2012, we employed approximately 9,000 people. None of Logitech's U.S. employees are represented by a labor union or are subject to a collective bargaining agreement. Certain foreign countries, such as China, provide by law for employee rights, which include requirements similar to collective bargaining agreements. We believe that our employee relations are good. On April 25, 2012, we announced a restructuring plan, including a worldwide reduction in workforce, to reduce operating costs and improve financial results.

Table of Contents**Executive Officers of the Registrant**

The following sets forth certain information regarding our executive officers as of May 23, 2012:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>
Guerrino De Luca	59	Italian and U.S.	Chairman of the Board and Chief Executive Officer
Bracken P. Darrell	49	U.S.	President
Erik Bardman	45	U.S.	Sr. Vice President, Finance and Chief Financial Officer
L. Joseph Sullivan	58	U.S.	Sr. Vice President, Worldwide Operations

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

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

Erik Bardman joined Logitech as Senior Vice President, Finance and Chief Financial Officer in October 2009. Prior to joining Logitech, Mr. Bardman served as a financial consultant to Zillion TV, an interactive television service company. Previously, he had been with eBay from 2003 to 2008, most recently as the chief financial officer for eBay Marketplaces, the company's largest portfolio of businesses. At eBay, Mr. Bardman led a large global team focused on financial strategy, acquisitions, resource allocation and performance analysis. Prior to joining eBay, Mr. Bardman was with General Electric Company for 15 years in a variety of roles, developing broad expertise in consumer financial services, international finance and mergers and acquisitions. Mr. Bardman earned a BA degree from Dickinson College in Pennsylvania, with a major in history and a minor in economics. He is a graduate of GE's Financial Management Program.

L. Joseph Sullivan joined Logitech in October 2005 as Vice President, Operations Strategy, and was appointed Senior Vice President, Worldwide Operations in April 2006. Prior to joining Logitech, Mr. Sullivan was Vice President of Operational Excellence and Quality for Carrier Corporation, a subsidiary of United Technologies, from 2001 to 2005. Previously, he was with ACCO Brands, Inc. in engineering and manufacturing management roles from 1998 to 2001. Mr. Sullivan holds a BS degree in Marketing Management and an MBA degree in Operations Management from Suffolk University in Massachusetts.

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**Available Information**

Our Investor Relations Web site is located at <http://ir.logitech.com>. We post and maintain an archive of our earnings and other press releases, current reports, annual and quarterly reports, earnings release schedule, information regarding annual general meetings, further information on corporate governance, and other information regarding the Company on the Investor Relations Web site. The information we post includes filings we make with the U.S. Securities and Exchange Commission ("SEC"), including reports on Forms 10-K, 10-Q, 8-K, our proxy statement related to our annual shareholders' meeting and any amendments to those reports or statements filed or furnished pursuant to U.S. securities laws or Swiss laws. All such filings and information are available free of charge on the web site, and we make them available on the web site as soon as reasonably possible after we file or furnish them with the SEC. The contents of these web sites are not intended to be incorporated by reference into this report or in any other report or document we file and our references to these Web sites are intended to be inactive textual references only.

In addition, Logitech publishes press releases upon occurrence of significant events within Logitech. Shareholders and members of the public may elect to receive e-mails when Logitech issues press releases upon occurrence of significant events within Logitech or other press releases by subscribing through <http://ir.logitech.com/alerts.cfm>.

As a Swiss company traded on the SIX Swiss Exchange, and as a company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended, we file reports on transactions in Logitech securities by members of Logitech's board of directors and executive officers. The reports that we file with the Securities and Exchange Commission on Forms 3, 4 and 5, along with our other SEC filings, may be accessed on our website or on the Securities and Exchange Commission's website at <http://www.sec.gov>, and the reports we file that are published by the SIX Swiss Exchange may be accessed at: [http://www.six-exchange-regulation.com/obligations/management\\_transactions\\_en.html](http://www.six-exchange-regulation.com/obligations/management_transactions_en.html)

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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, 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 end-user consumer demand and current and future global economic conditions, and can therefore fluctuate abruptly and significantly during periods of uncertain economic conditions or geographic distress, as well as from shifts in 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 may not fully or timely realize the anticipated benefits from the restructuring plan announced in April 2012. The restructuring plan is intended to reduce operating costs through a global workforce reduction and a reduction in the complexity of our product portfolio.

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 and during periods of weakness in consumer spending, our ability to increase local currency selling 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.*

The personal peripherals industry is 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:

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;

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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 end-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 or integrate new technology into new or existing products, we face risks including, among other things, disruption in customers' ordering patterns, excessive levels of 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 our PC peripherals in our mature markets may decline, and that our future growth will depend on our new product categories and sales in emerging market geographies, and if we do not successfully execute on our growth opportunities, or if our sales of PC peripherals in mature markets 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 is decelerating in our traditional, mature markets such as North America, Western and Nordic Europe, Japan and Australia, and we believe consumer demand for PCs and peripherals in mature markets is slowing and potentially may decline in future years. In fiscal year 2012, we experienced weak consumer demand for our remotes and PC webcams in our Americas and EMEA regions, which adversely affected our financial performance. In our OEM channel, the decline of desktop PCs has adversely impacted our sales of OEM mice, which have historically made up the bulk of our OEM sales. Our OEM sales accounted for 8% and 9% of total revenues in the fiscal years ended March 31, 2012 and 2011.

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In addition, our sales in our mature markets in North America, Western and Nordic Europe, Japan and Australia 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 and the impact of sovereign debt issues in Europe, create unpredictability and add risk to our future outlook.

As a result, we are focusing more of our personnel, financial resources, and management attention on product innovations and growth opportunities in emerging markets, on products for tablets and mobile devices, on products for the consumption of digital music, on sales to enterprise markets, on our LifeSize division, and 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.

*Emerging Markets.* We believe that the world's emerging markets, such as China, India, Russia and Brazil, will, for the next several years, be the high growth markets for PCs and for our peripherals product lines. We have allocated significant resources to our sales, marketing and administrative personnel in China and, to a lesser extent, other emerging markets. We anticipate that emerging markets will include potentially high growth opportunities, offset by potential entrenched local competition, higher credit risks, and other factors that affect consumer trends in ways which may be substantially different from our current major markets. PCs may not continue to be a growth category in emerging markets, and consumers in emerging markets may prefer tablets, smartphones, other mobile devices or other technologies. If we do not develop innovative and reliable peripherals and enhancements in a cost-effective and timely manner which are attractive to consumers in these markets, if consumer demand for PCs and our peripherals in emerging markets does not increase as much as we expect, or if we invest resources in products or geographic areas which do not produce the growth or profitability we expect, or when we expect it, our business and results of operations could be adversely affected.

*Tablets, Smartphones and Other Mobile Devices.* The increasing popularity of smaller, mobile computing devices such as tablets and smartphones with touch interfaces is rapidly changing the consumer PC market. In our retail channels, tablets and smartphones are sold by retailers without peripherals. We believe this creates opportunities to sell products to consumers to help make their devices more productive and comfortable. However, consumer acceptance and demand for peripherals for use with tablets and other mobile computing devices is still uncertain. The increasing popularity of tablets and smartphones might decrease consumer demand for our PC peripherals, which would adversely affect our sales of these products. If we do not successfully innovate and market products designed for tablets and smartphones, if our distributor or retailer customers do not choose to carry or market such peripherals, or if general consumer demand for peripherals for use with these devices does not increase, our business and results of operations could be adversely affected.

*Digital Music.* We have recently increased our focus on products for the consumption of digital music as a future sales growth area. We are increasing our product development and marketing investment in digital music. However, historically our audio product development and marketing efforts have focused primarily on products for the PC platform and on sound quality. Our past experience is not necessarily transferable to the consumption of music through mobile devices such as tablets and smartphones, where we believe consumers put a greater emphasis on features such as convenience and brand. In addition, competition in the digital music consumption category is intense, and we expect it to increase. If we are not able to identify product development and marketing skill gaps, resolve them, and introduce differentiated product and marketing strategies to separate ourselves from competitors, our digital music efforts will not be successful, and our business and results of operations could be adversely affected.



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*Enterprise Market.* Direct sales to the enterprise market is a relatively new sales channel for us. While we have been able to leverage our indirect distribution channels to sell to the enterprise market, we may not be successful in expanding enterprise sales. Some of our competitors have longer and closer relationships with the senior management of enterprise customers who decide which products and technologies will be deployed in their enterprises. Some competitors have larger and more established sales forces calling on enterprise customers, as well as greater marketing resources, and therefore could contact a greater number of potential customers with more frequency and influence their buying decisions. Consequently, these competitors may have a better competitive position than we do, which could adversely affect our ability grow our revenues through the enterprise sales channel.

*LifeSize.* Competition in the video conferencing industry is intense, with large, well-financed competitors, and we expect the number of competitors and the intensity of competition to increase. Although we have maintained the LifeSize enterprise sales organization, Logitech has little experience with selling to enterprise accounts, or in marketing to large enterprises. Additionally, as customers complete video conferencing installations, they may require greater levels of service and support than we have provided in the past. Demand for these types of services and support may increase in the future. There can be no assurance that we can provide products, services and support to effectively compete for these market opportunities. Further, our providing greater levels of services and support may result in a delay in the timing of revenue recognition. We anticipate that the growth of our LifeSize division will require continuing investments in product development and sales and marketing to stimulate and support future growth. If our future investments do not produce the growth that we anticipate, or when we anticipate it, our business and results of operations could be adversely affected.

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.

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

The peripherals and video conferencing industries are intensely competitive.

The peripherals industry is characterized by short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets, and price sensitivity in the OEM market. 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 both the retail and OEM markets. In addition, our competitors may offer customers terms and conditions which 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.

The video conferencing industry is characterized by continual performance enhancements and large, well-financed competitors. There is increased participation in the video conferencing market by companies such as Cisco and Polycom, and as a result, we expect competition in the industry to further intensify. In addition, there are an increasing number of PC-based multi-person video conferencing applications, such as those offered by Skype, which could compete at the lower end of the video conferencing market with our LifeSize products and services.

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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, Cisco, Sony, Polycom and others, have greater financial, technical, sales, marketing and other resources than we have.

Microsoft is a leading producer of operating systems and applications with which our mice, keyboards and webcams are designed to operate. In addition, Microsoft 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 may be able to improve the functionality of its own peripherals to correspond with ongoing enhancements to its operating systems and software applications before we are able to make such improvements. This ability could provide Microsoft with significant lead-time advantages. In addition, Microsoft 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.

*Pointing Devices, Keyboards and Desktops.* Microsoft is our main competitor in the mice, keyboard and desktop product lines. We also experience competition and pricing pressure for corded and cordless mice and desktops from less-established brands, including house brands, which we believe have impacted our market share in some sales geographies and which could potentially further impact our market share.

*Audio.* Competitors in audio devices vary by product line. In the PC, mobile entertainment and communication platform speaker business, competitors include Plantronics, Altec Lansing, Creative Labs and Bose Corporation. In the PC headset and microphone business, our main competitors include Plantronics and Altec Lansing. We have increased our focus on products for the consumption of digital music as a future sales growth area. We are increasing our product development and marketing investment in digital music. Our competitors for products such as earbuds, earphones and mobile speakers include brands such as Skull Candy, Beats by Dre, and Jawbone, each of which have higher consumer recognition and retailer shelf space in digital music than we do. Our Squeezebox Wi-Fi music players for digital music compete with systems from several small competitors as well as larger established consumer electronics companies, like Sony and Royal Philips Electronics NV.

*Video.* Our competitors for PC Web cameras include Microsoft, Creative Labs, Philips, and Hewlett-Packard. The market for PC Web cameras has been declining, particularly in our traditional, mature, consumer-developed markets, as the embedded webcam experience appears to be sufficient to meet the needs of many retail customers. As the worldwide market for PC Web cameras has become more competitive, we are encountering increasingly aggressive pricing practices and promotions on a worldwide basis. These factors have adversely affected our revenues and margins in this category.

*Gaming.* Competitors for our interactive entertainment products include CSG International (formerly Intec), Razer USA Ltd., Performance Designed Products, LLC (Pelican Accessories), Mad Catz Interactive, and its Saitek brand. Our controllers for PlayStation also compete against controllers offered by Sony.

*Digital Home.* Our competitors for remotes include, among others, Philips, Universal Remote Control, Universal Electronics, RCA and Sony. We expect that the growth in consumer demand for peripheral devices for home entertainment systems will likely result in increased competition.

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*Video Conferencing.* We primarily compete in the medium and small business, education, and state and local business sectors of the enterprise video conferencing market. Our primary competitors are Cisco, Polycom and Avaya. There are also a number of smaller competitors that compete with LifeSize. Some of these companies have longer industry experience or substantially greater financial, sales, marketing and engineering resources than we do as well as a larger customer-installed base than LifeSize. Avaya recently acquired Radvision Ltd. and has become a competitor, though it has also been a distributor and OEM partner for LifeSize. In addition, Microsoft's acquisition of Skype Limited has given Microsoft a large user base for future competitive video chat and video-conferencing products, along with integration potential across Microsoft's product portfolio. Microsoft has also been a partner for LifeSize. Technology changes are also affecting the competitive landscape in this market, and may require interoperability or compatibility with unified communication platforms, Microsoft Lync or other technologies. The developers of those technologies may have an advantage in improving the functionality of their own video conferencing equipment to correspond with these technologies before we can make such improvements, or may restrict the interoperability of their products with ours. In the large enterprise sector of the market, which is dominated by Cisco, interoperability with equipment produced by Cisco, Tandberg (now part of Cisco) and other telecommunications, video conferencing or telepresence equipment suppliers is a key factor in purchasing decisions by current or prospective customers. These factors could adversely affect the sales and growth opportunities of our LifeSize division, and the growth of Logitech as a whole. Moreover, if LifeSize sales declined substantially, the goodwill associated with the acquisition of the division might be determined to be impaired, resulting in a non-cash impairment charge, which would reduce operating results.

If we do not compete effectively, demand for our products could decline, our gross margin could decrease, we could lose market share and our revenues could decline.

***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 retail 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.

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.

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.

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***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 life cycle, new product introductions, unit volumes, commodity and supply chain costs, geographic sales mix, foreign 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 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.

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.

***We may not fully realize the anticipated benefits from the restructuring plan we announced in April 2012.***

We announced a restructuring plan in April 2012, which is intended to reduce operating costs through a global workforce reduction and a reduction in the complexity of and number of products in our product portfolio.

Our ability to achieve the anticipated cost savings and other benefits from this restructuring plan within the expected time frame 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 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 anticipated benefits from this restructuring plan. To the extent that we are unable to improve our financial performance, further restructuring measures may be required in the future.

We have conducted intensive reviews of our product portfolio, and have concluded that our product strategy has been focused more on market dynamics than on the end-user consumer, resulting in an assortment of similar products at similar price points within each product category, which we believe has generated confusion for the consumer. In order to improve our product portfolio, we have reprioritized our fiscal year 2013 new product portfolio. While we are constantly replacing products and dependent on the success of our new products, the current product line simplification effort is substantial, making us even more dependent on the success of the new products that we are introducing.

As we transition to the new product portfolio, we must continue to carefully manage production, monitor channel inventory levels, and judiciously implement incentives for both existing and new products. If we are unable to implement the planned initiatives effectively, if our estimates and assumptions regarding sales of existing and new products are incorrect, if we do not manage the product transitions smoothly and cost-effectively, if we experience delays or if other unforeseen events occur, we may not achieve the sales and cost savings expected in fiscal year 2013 and beyond, and our business and results of operations 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.

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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 growth of our employee base with our current infrastructure, management resources and anticipated operating cash flows. If we are unable to manage the growth 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 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 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 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, Android phones, Sony PlayStation, and Nintendo Wii. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Our access to these third-party platforms can be withdrawn, denied or not be available on terms acceptable to us.

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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***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 their business practices, their failure to provide timely and accurate information or conflicts among our channels of distribution could adversely affect our business, results of operations, operating cash flows and financial condition.***

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.

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 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.

We use retail sell-through data, which represents sales of our products by our 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. 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 in China. We also utilize third-party contract manufacturers in Malaysia and India.

Our manufacturing operations in China could be adversely affected by changes in the interpretation and enforcement of legal standards, by strains on China's available labor pool, communications, trade, and other infrastructures, by natural disasters, by conflicts or disagreements between China and Taiwan or China and the United States, by labor unrest, and by 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, and by other trade customs and practices that are dissimilar to those in the United States and Europe.

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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 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 gross margins and 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, optical sensors and LifeSize hardware products, 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.

***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 insufficient supply of products to meet customer demand and we could lose sales, or we may experience a build-up in inventory.

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 sales and marketing activities in China. We may also increase our investments to grow sales in other emerging markets, such as Latin America and Eastern Europe. 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 and tax laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non-compliance;

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exposure to political and financial instability, especially with the uncertainty associated with the ongoing sovereign debt crisis in certain Euro zone countries, which may lead to currency exchange losses and collection difficulties or other losses;

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;

changes in VAT (value-added tax) or VAT reimbursement;

imposition of currency exchange controls; and

delays from customs brokers or government agencies.

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

Our sales in China have increased substantially in the last two fiscal years, and continued sales growth in China is an important part of our expectations for our business. As a result, if Chinese economic, political or business conditions deteriorate, or if one or more of the risks described above materializes in China, our overall business and results of operations will be adversely affected.

***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.

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

We have been expanding the categories of products we sell, and entering new markets, such as the market for enterprise video conferencing and our introduction of products for tablets and mobile devices. 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 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. 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



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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.

***Product quality issues could adversely affect our reputation and could impact 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 redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses to remedy.

***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 and governmental regulation.***

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. Such laws and regulations, and the variation between jurisdictions, could subject us to costs, liabilities or negative publicity that could adversely affect our business.

***Our effective income tax rates may increase in the future, which could adversely affect our net income.***

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 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.

During the second quarter of fiscal year 2012, the U.S. Internal Revenue Service completed its field examinations of tax returns for the Company's U.S. subsidiary for fiscal years 2006 and 2007, and issued NOPAs (notices of proposed adjustment) related to international tax issues for those years. The Company disagrees with the NOPAs and is contesting through the administrative process for the U.S. Internal Revenue Service claims regarding 2006 and 2007. In addition, the U.S. Internal Revenue Service is in the process of examining the Company's U.S. subsidiary for fiscal years 2008 and 2009. We are currently also subject to ongoing audits in other tax jurisdictions. 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 could be adversely affected.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

Table of Contents**ITEM 2. PROPERTIES**

The table below represents our principal locations, their approximate square footage and their purposes as of March 31, 2012:

<b>Location</b>	<b>Purpose</b>	<b>Approximate Square Footage</b>	<b>Ownership</b>
<i>Americas:</i>			
Newark, California	Americas headquarters, research and development, product marketing, sales management, technical support, administration	264,000	Leased
Austin, Texas	LifeSize Division	99,000	Leased
Vancouver, Washington	Digital Home Group	44,700	Leased
Irvine, California	Ultimate Ears Group	13,500	Leased
Olive Branch, Mississippi	Distribution center	397,000	Contracted(1)
Fremont, California	Former Americas headquarters and other, storage	194,000	Leased
Mexico City, Mexico	Distribution center	17,000	Contracted(1)
Montevideo, Uruguay	Distribution center	12,500	Contracted(1)
<i>EMEA:</i>			
Morges, Switzerland	EMEA headquarters, sales and marketing management, technical support, administration	62,300	Leased
Lausanne, Switzerland	Research and development, product marketing and technical support	46,700	Leased
Nijmegen, Netherlands	Finance, administration, distribution center support	29,000	Leased
Cork, Ireland	Finance, administration, research and development	18,000	Leased
Munich, Germany	Research and development	17,500	Leased
Oostrum, Netherlands	Distribution center	183,000	Contracted(1)
Dubai, United Arab Emirates	Distribution center	54,000	Contracted(1)
Waalwijk, Netherlands	Distribution center	14,000	Contracted(1)
<i>Asia Pacific:</i>			
Hsinchu, Taiwan	Asia Pacific headquarters, mechanical engineering, new product launches, process engineering, commodities management, logistics, quality assurance, and administration	116,500	Leased
Suzhou, China	High-volume manufacturing	570,800	Owned
Suzhou, China	High-volume manufacturing	286,500	Leased
Suzhou, China	Molding operations	53,800	Leased
Shanghai, China	Sales and marketing	17,000	Leased
Tokyo, Japan	Sales, logistics, finance, administration and human resources	10,100	Leased
Chennai, India	Digital Home Group engineering and quality assurance	24,400	Leased
Bangalore, India	LifeSize Business Division research and development	9,700	Leased
Hong Kong, China	Distribution center	67,300	Contracted(1)
Singapore, Singapore	Distribution center	55,000	Contracted(1)
Tokyo, Japan	Distribution center	39,000	Contracted(1)
Shenzen, China	Distribution center	32,000	Contracted(1)
Dayuan Township, Taiwan	Distribution center	21,600	Contracted(1)

(1)

Contracted through a third-party warehouse management company

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Logitech also contracts with various distribution services throughout the world for additional warehouses in which we store inventory.

We also have leased sales offices in more than 66 locations in 41 countries, with various expiration dates from 2012 to 2028.

We believe that Logitech's manufacturing and distribution facilities are adequate for our ongoing needs and we continue to evaluate the need for facilities to meet current and anticipated future requirements.

**ITEM 3. LEGAL PROCEEDINGS**

On May 23, 2011, a class action complaint was filed against Logitech International S.A. and certain of its officers in the United States District Court for the Southern District of New York on behalf of individuals who purchased Logitech shares between October 28, 2010 and April 1, 2011. The complaint relates to Logitech's disclosure on March 31, 2011 that its results for fiscal year 2011 would fall below expectations and seeks unspecified monetary damages and other relief against the defendants. The action was transferred to the United States District Court for the Northern District of California on July 28, 2011. The California Court appointed a lead plaintiff on October 27, 2011. The plaintiff filed an amended complaint on January 9, 2012 which expanded the alleged class period to between October 28, 2010 and September 22, 2011.

On July 15, 2011, a complaint was filed against Logitech International S.A. and two of its subsidiaries in the United States District Court for the Central District of California by Universal Electronics, Inc. (UEI). The complaint alleges that Logitech's Harmony remotes, Logitech Revue for Google TV and other products for the digital home infringe one or more of the seventeen UEI patents asserted in the action, and seeks unspecified monetary damages and other relief against the defendants. On November 3, 2011, the Company filed a counter suit against UEI for infringement of five patents by various UEI products, for UEI's abuse of the legal process in suing the Company on three expired patents, and for unfair competition. On April 17, 2012, UEI filed a related suit against Logitech Europe S.A. seeking a declaratory judgment that one of the patents in the counter suit is unenforceable.

In addition, from time to time we become involved in claims and legal proceedings which 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 these lawsuits and claims lack merit and intend to vigorously defend against them. However, there can be no assurances that our defenses will be successful, or that any judgment or settlement in any of these lawsuits would not have a material adverse impact on our business, financial condition, cash flows and results of operations. We are presently unable to estimate the effects of these claims and legal proceedings on our results of operations, cash flows or financial position.

**ITEM 4. MINE SAFETY DISCLOSURES**

None

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Logitech's shares are listed and traded on both the SIX Swiss Exchange, where the share price is denominated in Swiss francs, and on the Nasdaq Global Select Market, where the share price is denominated in U.S. dollars. The trading symbol for Logitech shares is LOGN on the SIX Swiss Exchange and LOGI on Nasdaq. As of April 30, 2012, there were 191,606,620 shares issued (including 27,134,133 shares held as treasury stock) held by 20,753 holders of record, and the closing price of our shares was CHF 9.27 (\$10.22 based on exchange rates on such date) per share on the SIX Swiss Exchange and \$10.15 per share as reported by the Nasdaq Stock Market.

***SIX Swiss Exchange***

The following table sets forth certain historical share price information for the Company's shares traded on the SIX Swiss Exchange, as reported by the SIX Swiss Exchange. The U.S. dollar equivalent is based on the noon buying rate on the trading day of the month in which the high or low closing sales price occurred. The noon buying rate is the rate in New York City for cable transfers in selected currencies as certified for customs purposes by the Federal Reserve Bank of New York.

	Price per share on the SIX Swiss Exchange			
	High	Low	High	Low
	CHF	CHF	\$	\$
<b>Quarterly Highs and Lows:</b>				
Fiscal year 2012:				
First quarter	13.95	8.65	15.22	10.35
Second quarter	9.87	5.99	11.81	8.05
Third quarter	8.94	6.65	10.17	7.27
Fourth quarter	8.24	6.57	8.95	7.07
Fiscal year 2011:				
First quarter	18.76	14.76	17.48	13.66
Second quarter	17.25	14.24	16.54	13.18
Third quarter	20.53	16.64	20.64	17.08
Fourth quarter	18.78	16.12	19.28	17.50

Table of Contents**Nasdaq Global Select Market**

The following table sets forth certain historical share price information for the Company's shares traded on the Nasdaq Global Select Market.

	Price per share on Nasdaq	
	High	Low
	\$	\$
<b>Quarterly Highs and Lows:</b>		
Fiscal year 2012:		
First quarter	14.84	10.48
Second quarter	11.64	7.72
Third quarter	10.34	7.21
Fourth quarter	8.91	7.20
Fiscal year 2011:		
First quarter	17.84	13.41
Second quarter	16.54	13.36
Third quarter	21.89	17.02
Fourth quarter	19.97	17.69

**Dividends**

Under Swiss law, a corporation may only pay dividends upon a vote of its shareholders. This vote typically follows the recommendation of the corporation's board of directors. Logitech has not paid dividends since 1996 in order to retain earnings for use in the operation and expansion of the business and, in more recent years, to repurchase its shares.

Dividends paid and similar cash or in-kind distributions made by Logitech to a holder of Logitech shares (including dividends or liquidation proceeds and stock dividends) are subject to a Swiss federal anticipatory tax at a rate of 35%. The anticipatory tax must be withheld by Logitech from the gross distribution, and paid to the Swiss Federal Tax Administration.

A Swiss resident holder and beneficial owner of Logitech shares may qualify for a full refund of the Swiss anticipatory tax withheld from such dividends. A holder and beneficial owner of Logitech shares who is a non-resident of Switzerland, but a resident of a country that maintains a double tax treaty with Switzerland, may qualify for a full or partial refund of the Swiss anticipatory tax withheld from such dividends by virtue of the provisions of the applicable treaty between Switzerland and the country of residence of the holder and beneficial owner of the Logitech shares.

In accordance with the tax convention between the United States and the Swiss Confederation ("Treaty"), a mechanism is provided whereby a United States resident (as determined under the Treaty), and United States corporations, other than U.S. corporations having a "permanent establishment" or a fixed base, as defined in the Treaty, in Switzerland, generally can obtain a refund of the Swiss anticipatory tax withheld from dividends in respect of Logitech shares, to the extent that 15% of the gross dividend is withheld as final withholding tax (i.e. 20% of the gross dividend may generally be refunded). In specific cases, U.S. companies not having a "permanent establishment" or a fixed base in Switzerland owning at least 10% of Logitech registered shares may receive a refund of the Swiss anticipatory tax withheld from dividends to the extent it exceeds 5% of the gross dividend (i.e. 30% of the gross dividend may be refunded). To get the benefit of a refund, holders must beneficially own Logitech shares at the time such dividend becomes due.

Table of Contents**Share Repurchases**

The following table presents certain information related to purchases made by Logitech of its equity securities (in thousands, except per share amounts):

Period	Total Number of Shares Purchased as Part of Publicly Announced Program	Average Price Paid Per Share		Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
		in USD	in CHF	
April 2011				\$ 250,000
May 2011				250,000
June 2011				250,000
July 2011				250,000
August 2011	7,329	9.54	7.62	180,061
September 2011	280	10.83	8.61	177,030
October 2011				177,030
November 2011				177,030
December 2011				177,030
January 2012	1,780	7.51	6.90	163,662
February 2012	7,195	8.55	7.79	102,145
March 2012	925	8.53	7.66	94,255
<b>Total</b>	<b>17,509</b>			

In fiscal year 2012, the following approved share buyback programs were in place (in thousands):

Date of Announcement	Approved Share Buyback Amount	Approved Buyback Amount	Expiration Date	Completion Date	Number of Shares Remaining(1)	Amount Remaining
September 2008 amended	28,465	\$ 177,030	August 2013		12,075	\$ 94,255
September 2008	8,344	250,000	August 2013			

- (1) Represents an estimate of the shares remaining to be repurchased calculated based on the amount remaining to repurchase as of March 31, 2012, \$94.3 million, divided by the adjusted close price of the Company's shares traded on the SIX Swiss Exchange as of the same date, \$7.81 per share.

The Company intends to request shareholder approval at the Company's next Annual General Meeting of Shareholders to cancel the 9.9 million shares repurchased under the September 2008 amended share buyback program.

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**Performance Graph**

*The information contained in the Performance Graph shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.*

The following graph compares the cumulative total stockholder return on our shares, the Nasdaq Composite Index, and the S&P 500 Information Technology Index. The graph assumes that \$100 was invested in our shares, the Nasdaq Composite Index and the S&P 500 Information Technology Index on March 31, 2007, and calculates the annual return through March 31, 2012. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

**Comparison of 5 year cumulative total return**

	March 31,					
	2007	2008	2009	2010	2011	2012
Logitech	\$ 100	\$ 91	\$ 37	\$ 59	\$ 65	\$ 28
Nasdaq Composite Index	\$ 100	\$ 94	\$ 63	\$ 99	\$ 115	\$ 128
S&P 500 IT Index	\$ 100	\$ 93	\$ 56	\$ 82	\$ 93	\$ 99



Table of Contents**ITEM 6. Selected Financial Data**

The selected financial data set forth below as of March 31, 2012 and 2011, and for the fiscal years ended March 31, 2012, 2011 and 2010, are derived from our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data as of March 31, 2010, 2009 and 2008, and for the fiscal years ended March 31, 2009 and 2008 are derived from audited financial statements not included in this Annual Report on Form 10-K. This financial data should be read in conjunction with Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." These historical results are not necessarily indicative of the results to be expected in the future.

	Year ended March 31,				
	2012	2011	2010	2009	2008
(In thousands, except per share amounts)					
<b>Consolidated statements of operations and cash flow data:</b>					
Net sales	\$ 2,316,203	\$ 2,362,886	\$ 1,966,748	\$ 2,208,832	\$ 2,370,496
Gross profit	776,589	836,506	626,896	691,226	849,118
Operating expenses:					
Marketing and selling	423,854	420,580	304,788	319,167	324,451
Research and development	162,331	156,390	135,813	128,755	124,544
General and administrative	118,423	116,880	106,147	113,103	113,443
Restructuring charges			1,784	20,547	
Total operating expenses	704,608	693,850	548,532	581,572	562,438
Operating income	71,981	142,656	78,364	109,654	286,680
Net income	\$ 71,458	\$ 128,460	\$ 64,957	\$ 107,032	\$ 231,026
Net income per share:					
Basic	\$ 0.41	\$ 0.73	\$ 0.37	\$ 0.60	\$ 1.27
Diluted	\$ 0.41	\$ 0.72	\$ 0.36	\$ 0.59	\$ 1.23
Shares used to compute net income per share:					
Basic	174,648	176,928	177,279	178,811	181,362
Diluted	175,591	178,790	179,340	182,911	187,942
Net cash provided by operating activities	\$ 196,142	\$ 156,742	\$ 365,259	\$ 200,587	\$ 393,079

	March 31,				
	2012	2011	2010	2009	2008
(In thousands)					
<b>Consolidated balance sheet data:</b>					
Cash and cash equivalents	\$ 478,370	\$ 477,931	\$ 319,944	\$ 492,759	\$ 482,352
Short-term investments	\$	\$	\$	\$ 1,637	\$ 3,940
Total assets	\$ 1,856,494	\$ 1,861,556	\$ 1,599,678	\$ 1,421,530	\$ 1,526,932
Shareholders' equity	\$ 1,150,241	\$ 1,205,001	\$ 999,715	\$ 997,708	\$ 960,044

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these statements as a result of certain factors, including those set forth above in Item 1A "Risk Factors," and below in Item 7A "Quantitative and Qualitative Disclosures about Market Risk."*

**Overview of Our Company**

Logitech is a world leader in products that connect people to the digital experiences they care about. Spanning multiple computing, communication and entertainment platforms, we develop and market innovative hardware and software products that enable or enhance digital navigation, music and video entertainment, gaming, social networking, audio and video communication over the Internet, video security and home-entertainment control. We have two operating segments, peripherals and video conferencing.

Our peripherals segment encompasses the design, manufacturing and marketing of peripherals for PCs (personal computers), tablets and other digital platforms. Our products for home and business PCs include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets, webcams, and lapdesks. Our tablet accessories include keyboards, keyboard cases and covers, headsets, wireless speakers, and stands. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems. Our digital music products include speakers, earphones, custom in-ear monitors and Squeezebox Wi-Fi music players. For home entertainment systems, we offer the Harmony line of advanced remote controls. For gaming consoles, we offer a range of gaming controllers and microphones, as well as other accessories.

Our peripherals research and product management teams are organized along product lines, and are responsible for product strategy, industrial design and development, and technological innovation. Our marketing and sales organization helps define product opportunities and bring our products to market, and is responsible for building the Logitech brand and consumer awareness of our products. This organization is comprised of retail sales and marketing groups. Our retail sales and marketing activities are organized into three geographic regions: Americas (including North and South America), EMEA (Europe-Middle East-Africa), and Asia Pacific (including, among other countries, China, Taiwan, Japan, India and Australia). In addition, at the start of fiscal year 2012 we established an organization focused on developing and selling products for enterprise markets, including peripherals for unified communications applications. This group combines product management and sales personnel for enterprise products, including our OEM (original equipment manufacturer) sales team, into one organization.

We sell our peripheral products to a network of distributors, retailers, and OEMs. Our worldwide retail network includes wholesale distributors, consumer electronics retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers, and online merchants. Sales of peripherals to our retail channels were 86% and 85% of our net sales for the fiscal years ended March 31, 2012 and 2011. The large majority of our revenues have historically been derived from sales of our peripheral products for use by consumers. Our OEM customers include the majority of the world's largest PC manufacturers. Sales to OEM customers were 8% and 9% of our net sales for the fiscal years ended March 31, 2012 and 2011.

Our video conferencing segment encompasses the design, manufacturing and marketing of LifeSize video conferencing products, infrastructure and services for the enterprise, public sector, and other business markets. LifeSize products include scalable HD (high-definition) video communication endpoints, HD video conferencing systems with integrated monitors, video bridges and other infrastructure software and hardware to support large-scale video deployments, and services to support these products. The

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LifeSize division maintains a separate marketing and sales organization, which sells LifeSize products and services worldwide. LifeSize product development and product management organizations are separate, but coordinated with our peripherals business, particularly our webcam and video communications groups. We sell our LifeSize products and services to distributors, value-added resellers, OEMs, and, occasionally, direct enterprise customers. Sales of LifeSize products were 6% of our net sales in the fiscal years ended March 31, 2012 and 2011.

We seek to fulfill the increasing demand for interfaces between people and the expanding digital world across multiple platforms and user environments. The interface evolves as platforms, user models and our target markets evolve. As access to digital information has expanded, we have extended our focus to mobile devices, the digital home, and the enterprise as access points to the Internet and the digital world. All of these platforms require interfaces that are customized according to how the devices are used. We believe that continued investment in product research and development is critical to creating the innovation required to strengthen our competitive advantage and to drive future sales growth. We are committed to identifying and meeting current and future customer trends with new and improved product technologies, partnering with others where our strengths are complementary, as well as leveraging the value of the Logitech and LifeSize brands from a competitive, channel partner and consumer experience perspective. We believe innovation and product quality are important to gaining market acceptance and maintaining market leadership.

We are developing new categories of products, such as tablet accessories, expanding in emerging retail markets, such as China, Russia, India and Latin America, increasing our presence in digital music, and entering new product arenas, such as hosted video conferencing as a service, and peripherals and services for UC (unified communications). 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 new categories as well as future ones we might enter. Many of these companies have greater financial, technical, sales, marketing and other resources than we have.

Our peripherals and video conferencing industries are intensely competitive. The peripherals industry is characterized by platform evolution, short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets, and price sensitivity in the OEM market. We experience aggressive price competition and other promotional activities from our primary competitors and from less established brands, including brands owned by some retail customers known as house brands, in response to declining consumer demand in both mature retail markets and OEM markets. We may also encounter more competition if any of our competitors in one or more categories decide to enter other categories in which we currently operate.

As we address the current and future market challenges we face, we are evaluating our current product portfolio and roadmap to align our resources, prioritize our investments, fill product gaps, and introduce more innovative, differentiated products. 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.

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**Summary of Financial Results**

Our total net sales for the fiscal year ended March 31, 2012 decreased 2% compared with the fiscal year ended March 31, 2011. Growth in our Asia Pacific region, led by China, was offset by sales declines in our Americas and EMEA regions.

Retail sales in fiscal year 2012 decreased 1% and retail units increased 3% compared with fiscal year 2011. Our overall retail average selling price in fiscal year 2012 declined 4% compared with fiscal year 2011.

Retail sales in our Asia Pacific region increased 18% in fiscal year 2012 compared with fiscal year 2011. China continued to be the single biggest driver in the region, with sales up by 58% in fiscal year 2012. Retail sales in our Americas region decreased by 9%, due to lower sales from Logitech Revue and our Google TV peripherals, which were impacted by the price drop implemented in our second fiscal quarter of 2012 and our exit from the product line, and weak performance in the digital home and video categories. Lackluster economic conditions in Western Europe and product gaps in our video and remotes product categories led to the decrease in EMEA retail sales of 2% in fiscal year 2012. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, the percentage changes in our constant dollar retail sales would have been an increase of 15% in Asia Pacific, a decrease of 7% in the Americas, and a decrease of 4% in EMEA.

OEM sales decreased 17% in fiscal year 2012 compared with fiscal year 2011, and OEM units sold increased 1%, primarily due to increased pointing device sales.

Sales of LifeSize Communications products, which were 6% of total net sales in both fiscal years 2012 and 2011, increased by 10% in fiscal year 2012 compared with fiscal year 2011.

Our gross margin for fiscal year 2012 was 33.5% compared with 35.4% in the prior fiscal year, due to increased manufacturing and distribution costs, a \$34.1 million inventory valuation adjustment related to Logitech Revue and related peripherals, and an unfavorable shift in retail product mix towards products with lower average selling prices. Operating expenses for fiscal year 2012 were 30.4% of net sales compared with 29.4% in fiscal year 2011. The increase in operating expenses was primarily due to the expansion of LifeSize, increased investment in areas of future growth opportunities, such as China, and new product development, offset by lower advertising, marketing, bonus and stock compensation expenses.

Net income for the year ended March 31, 2012 was \$71.5 million, compared with net income of \$128.5 million in fiscal year 2011. The decline in net income was due to lower net sales, lower gross margin, and increased operating expenses.

**Trends in Our Business**

Our sales of PC peripherals for use by consumers in the Americas and Europe have historically made up the large majority of our revenues. We believe Logitech's future sales growth will be determined by our ability to create innovative products across all digital platforms, and our ability to increase sales in emerging markets, digital music, products for enterprises, and LifeSize video conferencing.

The increasing popularity of smaller, mobile computing devices such as tablets and smartphones with touch interfaces and the declining popularity of desktop PCs have rapidly changed the market and usage model for PC peripherals. Logitech has begun to offer peripherals and accessories to augment the use of mobile devices. For example, consumers are optimizing their audio experiences on their tablets and smartphones with premium earphones and speakers that pair easily with their mobile devices. And they are enhancing their tablet experience with a range of accessories and peripherals such as the Logitech Keyboard Case that enable them to create, consume and share digital content more conveniently and comfortably. However, consumer acceptance and demand for our products for tablets and other mobile devices is still developing.

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In our traditional, mature markets, such as North America, Western and Nordic Europe, Japan, and Australia, although the installed base of PC users is large, consumer demand for PCs and peripherals is slowing and potentially may decline in future years. We believe there are continued growth opportunities for our PC peripherals outside the more mature markets of the Americas and Europe. We have invested significantly in growing the number of our sales, marketing and administrative personnel in China, with the result that China was our third-largest country in retail sales for fiscal year 2012. We are also expanding our presence and our sales in Russia, India and Latin America. We believe these markets offer high potential for us, but growing and conducting business in these markets will continue to require significant investment and management focus, and our return on investment is not certain due to, among other things, the challenges presented by potentially entrenched local competition, higher credit risks, and other factors that affect consumer trends in ways which may be substantially different from our current major markets.

We believe that digital music, the seamless consumption of audio content on home and mobile devices, presents a significant and natural growth opportunity for Logitech, based on our history of successful earphone, headset and speaker products. Today's consumers consider listening to music as a pervasive entertainment activity, fueled by the growth in smartphones, tablets, music services and Internet radio. Logitech has a solid foundation of audio solutions to satisfy consumers' needs for music consumption, including Logitech UE earphones and speakers, and Squeezebox Wi-Fi music players. As we have increased our focus on products for the consumption of digital music, we are encountering competitors with higher consumer recognition and retailer shelf space, which may challenge our success in the digital music arena.

We are also increasing our efforts on creating and selling products and services to enterprises. We believe the preferences of employees increasingly drive companies' choices in the information technologies they deploy to their employee base, and this consumerization of information technology has made the enterprise market open to embracing consumer technology and design. While our LifeSize division has extensive experience in developing and selling products for enterprises, we are still in the early stages of our enterprise market team's efforts for our productivity peripherals and related services. Growing our enterprise business will continue to require investment in creation of business-specific products, targeted product marketing, and sales channel development.

Our video conferencing segment represented 6% of our net sales for the fiscal years ended March 31, 2012 and 2011. The trend among businesses and institutions to use video conferencing offers a key growth opportunity for Logitech. However, the growth of our video conferencing segment depends in part on our ability to increase sales to enterprises with installed bases of competitor equipment, and to enterprises that may purchase competitor equipment in the future. We believe the ability of our LifeSize products to interoperate with the equipment of other telecommunications, video conferencing or telepresence equipment suppliers to be a key factor in purchasing decisions by current or prospective LifeSize customers. In addition, LifeSize has broadened its product portfolio to include infrastructure, cloud services and other offerings which require different approaches to developing customer solutions.

Sales of retail video products represented 11% and 13% of our total retail sales for the fiscal years ended March 31, 2012 and 2011. Future sales of tethered consumer webcams in the consumer market is unclear, as the embedded webcam experience appears to be sufficient to meet the needs of many retail consumers as the quality of embedded webcams improves. At the beginning of the quarter ended March 31, 2012, we launched the Logitech HD Pro Webcam C920. This product is an example of how we intend to enhance our webcam product line-up by enabling experiences that cannot be easily achieved with an embedded webcam.

Sales in our digital home category have declined significantly. We believe the disappointing sales results for Harmony fiscal year 2012 reflect the aging of our Harmony products at the mid- and high-level price points as we previously directed significant digital home engineering and marketing resources towards our Logitech Revue and related peripherals for Google TV. We have exited the Google TV product category, and we plan to strengthen our Harmony line in fiscal year 2013.

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Sales of our OEM mice and keyboards have historically made up the bulk of our OEM sales. OEM sales accounted for 8% and 9% of total revenues during the fiscal years ended March 31, 2012 and 2011. In recent years, the shift away from desktop PCs adversely affected our sales of OEM mice and keyboards, which are sold with name-brand desktop PCs. We expect this trend to continue and for OEM sales to comprise a smaller percentage of our total revenues in the future.

We continue to evaluate potential acquisitions to enhance the breadth and depth of our expertise in engineering and other functional areas, our technologies and our product offerings.

Our balance sheet includes goodwill of \$220.9 million related to various past acquisitions which are part of our peripherals reporting unit, and \$339.7 million related to our video conferencing reporting unit. We perform our annual goodwill impairment test annually as of December 31, or more frequently, if certain events or circumstances warrant. Events or changes in circumstances which might indicate potential impairment in goodwill include the company specific factors described in our Form 10-K, volatility in stock price, a sustained decline in market capitalization relative to net book value, and lower than projected revenue, market growth, or operating results. Management performed a goodwill impairment analysis, as described in Note 9 to our consolidated financial statements, of each of our reporting units as of December 31, 2011, and determined that the fair value of our peripherals reporting unit exceeded the carrying value of the reporting unit by more than 30% of the carrying value, and the fair value of our video conferencing reporting unit exceeded the carrying value of the reporting unit by more than 80% of the carrying value. Management continues to evaluate and monitor all key factors impacting the carrying value of our recorded goodwill, as well as other long lived assets. Adverse changes in the Company's expected operating results, market capitalization, business climate, or other negative events could result in a material non-cash impairment charge in the future.

Most of our revenue comes from sales to our retail channels, which resell to consumers, retailers and distributors. As a result, our customers' demand for our products depends in substantial part on trends in consumer confidence and consumer spending, as well as the levels of inventory which our customers, and their customers, choose to maintain. We use sell-through data, which represents sales of our products by our 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.

Although our financial results are reported in U.S. dollars, approximately 45% of our sales for the fiscal year ended March 31, 2012 were made in currencies other than the U.S. dollar, such as the euro, Chinese renminbi, Japanese yen, Canadian dollar and Australian dollar. Our product costs are primarily in U.S. dollars and Chinese renminbi. Our operating expenses are incurred in U.S. dollars, Chinese renminbi, Swiss francs, euros, and, to a lesser extent, 29 other currencies. To the extent that the U.S. dollar significantly increases or decreases in value relative to the currencies in which our sales and operating expenses are denominated, the reported dollar amounts of our sales and expenses may decrease or increase

Our gross margins vary with the mix of products sold, competitive activity, product life cycle, new product introductions, unit volumes, commodity and supply chain costs, foreign currency exchange rate fluctuations, geographic sales mix, and the complexity and functionality of new product introductions. Changes in consumer demand affect the need for us to undertake promotional efforts, such as cooperative marketing arrangements, customer incentive programs or other pricing programs, which alter our product gross margins. Gross margins for the fiscal year ended March 31, 2012 were 33.5%, compared with 35.4% in fiscal year 2011, primarily due to increased manufacturing and distribution costs, a \$34.1 million inventory valuation adjustment related to Logitech Revue and related peripherals, and an unfavorable shift in retail product mix towards products with lower average selling prices.

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Logitech is incorporated in Switzerland but operates in various countries with differing tax laws and rates. A portion of our income before taxes and the provision for income taxes are generated outside of Switzerland. Therefore, our effective income tax rate depends on the amount of profits generated in each of the various tax jurisdictions in which we operate. For the fiscal years ended March 31, 2012 and 2011, the income tax provisions were \$19.8 million and \$20.0 million based on effective income tax rates of 21.7% and 13.5% of pre-tax income. The change in the effective income tax rate for the fiscal year ended March 31, 2012 compared with 2011 was primarily due to the mix of income and losses in the various tax jurisdictions in which the Company operates, and a discrete tax benefit of \$7.2 million in fiscal year ended March 31, 2011 for the closure of income tax audits in certain jurisdictions. The Company is under examination in various tax jurisdictions. The Company is not able to estimate the potential impact that these examinations may have on income tax expense. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on our results of operations.

**Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with U.S. GAAP (generally accepted accounting principles in the United States of America) requires the Company to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, net sales and expenses, and the disclosure of contingent assets and liabilities.

We consider an accounting estimate critical if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to an understanding of Logitech's 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 the Company in the future, actual results could differ from those estimates. Management has discussed the development, selection and disclosure of these critical accounting estimates with the Audit Committee of the Board of Directors.

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

***Accruals for Customer Programs***

We record accruals for product returns, cooperative marketing arrangements, customer incentive programs and pricing programs. An allowance against accounts receivable is recorded for accruals and program activity related to our direct customers and those indirect customers who receive payments for program activity through our direct customers. An accrued liability is recorded for accruals and program activity related to our indirect customers who receive payments directly and do not have a right of offset against a receivable balance. The estimated cost of these programs is recorded as a reduction of revenue or as an operating expense, if we receive a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit. Significant management judgment and estimates must be used to determine the cost of these programs in any accounting period.

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

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

*Customer Incentive Programs.* Customer incentive programs include performance-based incentives and consumer rebates. We offer performance-based incentives to our distribution customers, retail customers and indirect partners based on pre-determined performance criteria. Accruals for performance-based incentives are recognized as a reduction of the sale price at the time of sale. Estimates of required accruals are determined based on negotiated terms, consideration of historical experience, anticipated volume of future purchases, and inventory levels in the channel. Consumer rebates are offered from time to time at the Company's discretion for the primary benefit of end-users. Estimated costs of consumer rebates and similar incentives are recorded at the time the incentive is offered, based on the specific terms and conditions. Certain incentive programs, including consumer rebates, require management to estimate the number of customers who will actually redeem the incentive based on historical experience and the specific terms and conditions of particular programs.

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

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

***Investment Securities***

Our investment securities portfolio as of March 31, 2012 and 2011 consisted of bank time deposits, marketable securities related to a deferred compensation plan and auction rate securities collateralized by residential and commercial mortgages. The bank time deposits are classified as cash equivalents, and are recorded at cost, which approximates fair value. The marketable securities related to the deferred compensation plan are classified as non-current trading investments, and are recorded at fair value based on quoted market prices. The auction rate securities are classified as non-current available-for-sale assets, and are recorded at estimated fair value, determined by estimating future cash flows through time according to each security's terms, including periodic consideration of overcollateralization and interest coverage tests, and incorporating estimates of default rate, loss severity, prepayment, and delinquency assumptions when available, for the underlying assets in the securities based on representative indices and various research reports. The estimated coupon and principal payments are discounted at the rate of



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return required by investors, based on the characteristics of each security as calculated from the indices. The markets for the auction rate securities which the Company holds as of March 31, 2012 have failed since August 2007 and are not expected to resume in the foreseeable future, if at all.

***Allowance for Doubtful Accounts***

We sell our products through a worldwide network of distributors, retailers, value-added resellers, business enterprises and OEM customers. Logitech generally does not require any collateral from its customers. However, we seek to control our credit risk through ongoing credit evaluations of our customers' financial condition.

We regularly evaluate the collectibility of our accounts receivable and maintain allowances for doubtful accounts. The allowances are based on management's assessment of the collectibility of specific customer accounts, including their credit worthiness and financial condition, as well as the Company's historical experience with bad debts and customer deductions, receivables aging, current economic trends and geographic or country-specific risks and the financial condition of our distribution channel. If management determines that a customer's accounts receivable balance is uncollectible, recognition of revenue from that customer is deferred until collectibility is reasonably assured.

As of March 31, 2012, one customer group represented 14% of total accounts receivable. The customers comprising the ten highest outstanding trade receivable balances accounted for approximately 55% of total accounts receivable as of March 31, 2012. A deterioration of a significant customer's financial condition could cause actual write-offs to be materially different from the estimated allowance. If any of these customers' receivable balances should be deemed uncollectible or if actual write-offs are higher than historical experience, we would have to make adjustments to our allowance for doubtful accounts, which could result in an increase in the Company's operating expenses.

***Inventory Valuation***

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

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

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***Share-Based Compensation Expense***

Share-based compensation expense includes compensation expense, reduced for estimated forfeitures, for awards granted after April 1, 2006 based on the grant-date fair value. The grant date fair value for stock options and stock purchase rights is estimated using the Black-Scholes-Merton option-pricing valuation model. The grant date fair value of RSUs (restricted stock units) which vest upon meeting certain market conditions is estimated using the Monte-Carlo simulation method. The grant date fair value of time-based RSUs is calculated based on the share market price on the date of grant. For stock options and restricted stock assumed by Logitech when LifeSize was acquired, the grant date used to estimate fair value was deemed to be December 11, 2009, the date of acquisition. Compensation expense for awards granted or assumed after April 1, 2006 is recognized on a straight-line basis over the service period of the award. For share-based compensation awards granted prior to but not yet vested as of April 1, 2006, share-based compensation expense is based on the grant-date fair value estimated using the Black-Scholes-Merton option-pricing valuation model reduced for estimated forfeitures, and recognized on a straight-line basis over the service period for each separately vesting portion of the award. See Note 4 Employee Benefit Plans in the Notes to Consolidated Financial Statements for further discussion of share-based compensation.

Our estimates of share-based compensation expense require a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns, future forfeitures, dividend yield, related tax effects and the selection of an appropriate fair value model. We estimate expected share price volatility based on historical volatility using daily prices over the term of past options, RSUs or purchase offerings, as we consider historical share price volatility as most representative of future volatility. We estimate expected life based on historical settlement rates, which we believe are most representative of future exercise and post-vesting termination behaviors. We use historical data to estimate pre-vesting forfeitures, and we record share-based compensation expense only for those awards that are expected to vest. The dividend yield assumption is based on the Company's history and future expectations of dividend payouts.

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

***Accounting for Income Taxes***

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

We assess the likelihood that our deferred tax assets will be recovered from future taxable income, considering all available evidence such as historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax strategies. We believe it is more likely than not such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. When we determine that we

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are not able to realize all or part of our deferred tax assets, an adjustment is charged to earnings in the period when such determination is made. Likewise, if we later determine that it is more likely than not that the deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

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

***Valuation of Long-Lived Assets***

We review long-lived assets, such as investments, property, plant and equipment, and goodwill and other intangible assets for impairment whenever events indicate that the carrying amount of these assets might not be recoverable. Factors considered important which could require us to review an asset for impairment include the following:

significant underperformance relative to historical or projected future operating results;

significant changes in the manner of use of the assets or the strategy for the Company's overall business;

significant negative industry or economic trends;

significant decline in the Company's stock price for a sustained period; and

market capitalization relative to net book value.

Recoverability of investments, property, plant and equipment, and other intangible assets is measured by comparing the projected undiscounted cash flows the asset is expected to generate with its carrying amount. If an asset is considered impaired, the impairment to be recognized is measured by the excess of the carrying amount of the asset over its fair value.

We perform our annual goodwill impairment test annually as of December 31, or more frequently, if certain events or circumstances warrant. Events or changes in circumstances which might indicate potential impairment in goodwill include the company specific factors described in our Form 10-K, volatility in stock price, a sustained decline in market capitalization relative to net book value, and lower than projected revenue, market growth, or operating results. Management performed a goodwill impairment analysis, as described in Note 9 to our consolidated financial statements, of each of our reporting units as of December 31, 2011, and determined that the fair value of our peripherals reporting unit exceeded the carrying value of the reporting unit by more than 30% of the carrying value, and the fair value of our video conferencing reporting unit exceeded the carrying value of the reporting unit by more than 80% of the carrying value. Management continues to evaluate and monitor all key factors impacting the carrying value of our recorded goodwill, as well as other long lived assets. Adverse changes in the Company's expected operating results, market capitalization, business climate, or other negative events could result in a material non-cash impairment charge in the future.

In determining fair value, we consider various factors including estimates of future market growth and trends, forecasted revenue and costs, expected periods over which our assets will be utilized, and other variables. We calculate the Company's fair value based on the present value of projected cash flows using a discount rate determined by management to be commensurate to the risk inherent in the Company's current business model. We also consider the Company's operating results, market capitalization, business climate, and other factors. To date, we have not recognized any impairment of goodwill. Logitech bases its fair value estimates on assumptions it believes to be reasonable, but which are inherently uncertain.

Table of Contents**Recent Accounting Pronouncements**

In September 2011, the FASB issued ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350)*. ASU 2011-08 provides entities the option to first assess qualitatively whether it is necessary to perform the two-step goodwill impairment test. If an entity concludes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative two-step goodwill impairment test is required. An entity may elect to bypass the qualitative assessment and proceed to perform the first step of the two-step goodwill impairment test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will adopt ASU 2011-08 in the first quarter of fiscal year 2013. The adoption of ASU 2011-08 is not expected to have a material impact on the consolidated financial statements and footnote disclosures.

**Results of Operations***Net Sales*

Net sales by channel for fiscal years 2012, 2011 and 2010 were as follows (in thousands):

	Year Ended March 31,			Change %	
	2012	2011	2010	2012 vs 2011	2011 vs 2010
Retail	\$ 1,982,783	\$ 2,005,210	\$ 1,745,152	(1)%	15%
OEM	185,959	223,775	198,364	(17)%	13%
LifeSize	147,461	133,901	23,232	10%	476%
Total net sales	\$ 2,316,203	\$ 2,362,886	\$ 1,966,748	(2)%	20%

Our retail sales in fiscal year 2012 were essentially flat compared with fiscal year 2011, as the retail sales increase in Asia Pacific region was offset by declines in the Americas and EMEA regions. In fiscal year 2011, our retail sales increased over fiscal year 2010 due to increased consumer demand as sales recovered from the global economic downturn. Retail units sold increased 3% and 19% in fiscal years 2012 and 2011 compared with the preceding fiscal years. Our overall retail average selling price declined 4% and 3% in fiscal years 2012 and 2011 compared with the preceding fiscal years. Products priced below \$40 represented approximately 55%, 56% and 57% of retail sales in fiscal years 2012, 2011 and 2010, while products priced above \$100 represented 13% of retail sales in fiscal year 2012, 18% in fiscal year 2011 and 15% in fiscal year 2010. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, our constant dollar retail sales decrease would have been 3%. For both fiscal years 2011 and 2010 compared with the preceding fiscal years, our constant dollar retail sales increase would have been 18%.

OEM units sold decreased 12% in fiscal year 2012 and increased 9% during fiscal year 2011 compared with the preceding fiscal years. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, our constant dollar OEM sales would have decreased 18%. If foreign currency exchange rates had been the same in fiscal years 2011 and 2010, our constant dollar OEM sales would have increased 12%. OEM sales declined in fiscal year 2012 primarily in gaming and keyboards/desktops. The OEM sales increase in fiscal year 2011 was the result of strong keyboard and headset sales.

LifeSize net sales increased in fiscal year 2012 over 2011, primarily driven by growth in the EMEA and Asia Pacific regions, with strong growth in Russia, China and Australia. Sales of infrastructure software and hardware grew due to the launch of the LifeSize Bridge and the LifeSize UVC Video Center in late fiscal year 2011. LifeSize sales for fiscal year 2010 represent sales for the period from December 11, 2009, the date of acquisition, to the end of the fiscal year. Foreign currency exchange rates did not affect LifeSize sales.

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The following table presents the approximate percentage of the Company's total net sales that were denominated in currencies other than the U.S. dollar in fiscal years 2012, 2011 and 2010:

	2012	2011	2010
Currencies other than USD	45%	42%	49%

If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, and in fiscal years 2011 and 2010, the percentage changes in our constant dollar net sales would have been:

	2012	2011
Retail	(3)%	18%
OEM	(18)%	12%
LifeSize	10%	476%
Total net sales	(3)%	22%

We refer to our net sales excluding the impact of foreign currency exchange rates as constant dollar sales. Constant dollar sales are a non-GAAP financial measure, which is information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. GAAP. Our management uses these non-GAAP measures in its financial and operational decision-making, and believes these non-GAAP measures, when considered in conjunction with the corresponding GAAP measures, facilitate a better understanding of changes in net sales. Constant dollar sales are calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency.

**Retail Sales by Region**

The following table presents the change in retail sales by region and the change in constant dollar retail sales if foreign currency exchange rates had been the same in fiscal year 2012 compared with fiscal year 2011, and fiscal year 2011 compared with fiscal year 2010:

	2012 vs 2011			2011 vs 2010		
	Change in Retail Units Sold	Change in Retail Sales	Change in Constant Dollar Retail Sales	Change in Retail Units Sold	Change in Retail Sales	Change in Constant Dollar Retail Sales
Asia Pacific	26%	18%	15%	53%	37%	33%
Americas	(5)%	(9)%	(7)%	14%	28%	28%
EMEA	(3)%	(2)%	(4)%	9%	(2)%	4%
Total retail sales	3%	(1)%	(3)%	19%	15%	18%

Asia Pacific region achieved double-digit retail sales increases in all product families except Digital Home, led by strong sales increases in pointing devices and keyboards/desktops. Retail sales in China increased 58% in fiscal year 2012 compared with 2011, as a result of our increased investment in sales and marketing efforts in the country. In fiscal year 2012, China was our third largest country in terms of net revenue. In fiscal year 2011, retail sales in the Asia Pacific region increased in all product families compared with fiscal year 2010, also based on strong sales in China. Retail sell-through in the Asia Pacific region increased 15% in fiscal year 2012 over 2011, and grew 20% in fiscal year 2011 compared with 2010.

In the Americas region, retail sales for fiscal year 2012 compared with 2011 increased in keyboards/desktops, were flat in audio, and declined in all other product families, particularly Digital Home, Video and Pointing Devices. Digital Home sales declined \$14.3 million due to lower sales of Logitech Revue for Google TV, reflecting our decision to lower the retail price of the product and not produce any more units. Retail sales for fiscal year 2011 increased in all product families compared with the preceding year. Retail sell-through in the Americas region increased 2% in fiscal year 2012 over 2011, compared with 15% in fiscal year 2011 over 2010.

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Retail sales in the EMEA region rebounded in the fourth quarter of fiscal year 2012, primarily due to improved execution and management of programs with our channel partners. On a year to date basis, sales increased for the keyboards/desktops and audio product families, and declined in Digital Home and Video. Retail sales in the EMEA region decreased in most product families in fiscal year 2011 compared with 2010, as a result of the uneven economic recovery, particularly in western Europe, and ineffective regional pricing and channel management programs. Retail sell-through in the EMEA region increased 1% in fiscal year 2012 compared with a 12% increase in fiscal year 2011.

We use retail sell-through data, which represents sales of our products by our 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.

**Net Retail Sales by Product Family**

Net retail sales by product family for fiscal years 2012, 2011 and 2010 were as follows (in thousands):

	Year Ended March 31,			Change %	
	2012	2011	2010	2012 vs 2011	2011 vs 2010
<b>Net retail sales by product family:</b>					
Retail Pointing Devices	\$ 619,505	\$ 618,404	\$ 528,236	0%	17%
Retail Keyboards & Desktops	447,991	386,968	329,038	16%	18%
Retail Audio	483,485	466,927	454,957	4%	3%
Retail Video	215,657	255,015	228,344	(15)%	12%
Retail Gaming	111,480	104,545	107,595	7%	(3)%
Retail Digital Home	104,665	173,351	96,982	(40)%	79%
Total net retail sales	\$ 1,982,783	\$ 2,005,210	\$ 1,745,152	(1)%	15%

Logitech's Pointing Devices product family includes our mice, trackballs and other pointing devices. Keyboards and desktops (mouse and keyboard combined) include cordless and corded keyboards and desktops, and tablet keyboards and keyboard cases. Audio includes speakers and headset products for the PC, the home, the tablet and other mobile entertainment platforms, and Squeezebox wireless music. Our video product category is comprised of PC webcams and Alert video security systems. Gaming includes console and PC gaming peripherals. The Digital Home product category combines our Harmony Remote controls and Logitech Revue with related peripherals. Net sales reflect accruals for product returns, cooperative marketing arrangements, customer incentive programs and pricing programs.

**Retail Pointing Devices**

Retail unit sales of our pointing devices increased 7% and 27% in fiscal years 2012 and 2011 compared with the preceding fiscal years. The stronger growth in units reflects the success of our value-priced offerings, particularly in the Asia Pacific region, where sales in dollars increased 20% in fiscal year 2012 and 57% in fiscal year 2011 compared with the preceding fiscal years. In our Americas and EMEA regions, sales in dollars decreased 9% and 1% in fiscal year 2012, compared with increases of 21% and 0% in fiscal year 2011. Sales of cordless mice increased 5% in fiscal year 2012 and 27% in fiscal year 2011. Unit sales of cordless mice grew 17% in fiscal year 2012 and 52% in fiscal year 2011, driven by strong sales of our value-priced cordless notebook mice, including the Wireless Mouse M185 and the Wireless Mouse M315 in 2012, and the Wireless Mouse M215 and the Wireless Mouse M310 in 2011. Sales of corded mice decreased 7% in fiscal year 2012 compared with 2011, with units decreasing 3%. In fiscal year 2011, sales of corded mice decreased 7% compared with 2010, with units increasing 6%.

Table of Contents***Retail Keyboards and Desktops***

Retail unit sales of keyboards and desktops increased 7% during fiscal year 2012 and 23% during fiscal year 2011, compared with the preceding fiscal years. Sales in dollars increased 28%, 16% and 7% in our Asia Pacific, Americas and EMEA regions in fiscal year 2012 compared with 2011. In fiscal year 2011, sales in dollars increased 52% and 35% in our Asia Pacific and Americas regions, but declined 6% in our EMEA region. Sales of cordless keyboards and desktops increased 14% and units increased 27% in fiscal year 2012 compared with 2011, with strong sales of the Wireless Combo MK250, and the Wireless Combo MK220. Sales of cordless keyboards and desktops in fiscal year 2011 increased 28% and units increased 39% compared with 2010, with strong sales of the Wireless Keyboard K250 and the Wireless Desktop MK320. Sales of corded keyboards and desktops decreased 13% in dollars and 10% in units in fiscal year 2012. In fiscal year 2011, sales of corded keyboards and desktops increased 4% in dollars and 15% in units.

***Retail Audio***

Retail audio unit sales decreased 1% in fiscal year 2012 and increased 2% in fiscal year 2011, compared with the preceding fiscal years. Sales in dollars increased 1%, 3% and 14% in the Americas, EMEA and Asia Pacific regions, in fiscal year 2012 compared with 2011. In fiscal year 2011 compared with 2010, sales in dollars increased 23% and 7% in the Americas and Asia Pacific regions, and decreased 10% in the EMEA region. The growth in fiscal year 2012 was led by our digital music speakers and Ultimate Ears products. Digital music speakers increased 13% in dollars and 19% in units, following a decrease of 11% in dollars and 6% in units in fiscal year 2011. The Logitech Mini Boombox, a compact Bluetooth sound system that we began shipping in the latter part of fiscal year 2012, contributed significantly to the growth in the digital music speaker category. Retail sales of Ultimate Ears products increased 51% fiscal years 2012, following a 1% decrease in 2011, and unit sales increased 49% and 36% in the same periods.

***Retail Video***

Retail unit sales of our video products decreased 15% in fiscal year 2012, compared with an increase of 20% in fiscal year 2011. The 15% sales decrease in fiscal year 2012 was mainly due to weakness in the webcam product line, which continued to be negatively impacted by the combination of market trends and gaps in our product portfolio. The future sales for webcams in the consumer market is unclear, as the embedded webcam experience appears to be sufficient to meet the needs of many retail consumers. We continue to enhance our product line-up by enabling experiences that cannot be easily achieved with an embedded webcam. For example, we experienced strong growth with our initial launch of the Logitech HD Pro Webcam C920, which offers full HD 1080p video calls on Skype, in the latter part of the fiscal year 2012. The 12% sales increase in fiscal year 2011 was due in part to our video security products, which were negatively affected in fiscal year 2010 by the product transition to our new Logitech Alert HD digital video security system, launched in August 2010. Sales in dollars decreased 25% and 12% in the Americas and EMEA regions, and increased 11% in the Asia Pacific region in fiscal year 2012 compared with 2011. In fiscal year 2011 compared with 2010, sales in dollars increased 17%, 13% and 9% in the Asia Pacific, Americas and EMEA regions.

***Retail Gaming***

Retail unit sales of our gaming peripherals decreased 3% in fiscal year 2012, compared with a decrease of 27% in fiscal year 2011. Retail sales increased 7% in fiscal year 2012, compared with a decrease of 3% in fiscal year 2011. The growth was entirely due to PC gaming, with growth driven by steering wheels, but partially offset by sales declines in console gaming. PC gaming sales increased 22% in dollars and 9% in units in fiscal year 2012, compared with a decrease of 12% in dollars and 20% in units in fiscal year 2011. Console gaming sales decreased 28% in dollars and 47% in units in fiscal year 2012, compared with an increase of 21% in dollars and a decrease of 37% in units in fiscal year 2011. Sales in the Asia Pacific and EMEA regions grew 31% and 5% in fiscal year 2012, while the Americas region declined 5%. In fiscal year 2011, sales in dollars declined 11% in EMEA, but grew 15% and 6% in the Asia Pacific and Americas regions.

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***Retail Digital Home***

Retail unit sales in our digital home category, which includes Harmony remotes, Logitech Revue, and our Google TV peripherals, declined 17% in fiscal year 2012, compared with the growth experienced in fiscal year 2011. Sales of Harmony remotes declined 37% in dollars and 22% in units in fiscal year 2012, compared with increases of 46% in dollars and 79% in units in fiscal year 2011. The sales decline in fiscal year 2012 was experienced across all regions. We are overdue for a meaningful refresh across much of the remotes category and we plan to strengthen our Harmony line-up in the coming months. Sales of Logitech Revue and our Google TV peripherals, which were launched during fiscal year 2011, decreased 52% in dollars but increased 46% in units due to the impact of the price drop in our second fiscal quarter of 2012 and our exit from the product line. In fiscal year 2011, sales of Logitech Revue and associated peripherals for Google TV were \$26.7 million.

***Gross Profit***

Gross profit for fiscal years 2012, 2011 and 2010 was as follows (in thousands):

	Year Ended March 31,			Change %	
	2012	2011	2010	2012 vs 2011	2011 vs 2010
Net sa					