

LOGITECH INTERNATIONAL SA

Form 10-K

May 27, 2011

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2011

or

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.

Edgar Filing: LOGITECH INTERNATIONAL SA - Form 10-K

Apples, Switzerland

c/o Logitech Inc.

6505 Kaiser Drive

Fremont, California 94555

(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:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
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  No

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  No

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  (Do not check if a smaller reporting company) 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

## Edgar Filing: LOGITECH INTERNATIONAL SA - Form 10-K

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 October 1, 2010, the last business day of the registrant's second fiscal quarter on the NASDAQ Global Select Market, was approximately \$2,559,253,732. 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 May 2, 2011, there were 179,191,688 shares of the Registrant's share capital outstanding.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for the 2011 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, 2011.

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b>Part I</b>	
Item 1. <u>Business</u>	4
Item 1A. <u>Risk Factors</u>	22
Item 1B. <u>Unresolved Staff Comments</u>	29
Item 2. <u>Properties</u>	30
Item 3. <u>Legal Proceedings</u>	31
Item 4. <u>(Removed and Reserved)</u>	31
<b>Part II</b>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	32
Item 6. <u>Selected Financial Data</u>	35
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	61
Item 8. <u>Financial Statements and Supplementary Data</u>	63
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	63
Item 9A. <u>Controls and Procedures</u>	63
Item 9B. <u>Other Information</u>	64
<b>Part III</b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	65
Item 11. <u>Executive Compensation</u>	65
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	65
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	66
Item 14. <u>Principal Accountant Fees and Services</u>	66
<b>Part IV</b>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	66
<u>Signatures</u>	71
<u>Financial Statements and Notes to Consolidated Financial Statements</u>	73

**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.

## **Table of Contents**

### **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 2012 and beyond, considering current and future general regional economic conditions and potential product growth opportunities;

our business and product plans for fiscal year 2012 and evolving consumer demand trends affecting our products and markets;

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

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

our belief that Google TV and other connected TV platforms provide an opportunity to develop another significant installed base for our products over time;

our belief that Logitech is well-positioned to compete with differentiated video and audio solutions that support the emerging unified communications platforms; 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 for the foreseeable future.

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 our LifeSize division, in growing our sales and marketing in China and other high-potential emerging markets, in peripherals for tablets, 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;

## Edgar Filing: LOGITECH INTERNATIONAL SA - Form 10-K

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 emerging product categories and identify new features or product opportunities;

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

the influence of our product introductions and marketing activities on our sales and profitability growth.

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 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.

## **Table of Contents**

### **PART I**

#### **ITEM 1. BUSINESS**

##### **Company Overview**

Logitech is a world leader in products that connect people to digital experiences. 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) and other digital platforms. Our products for the PC include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets, webcams, and lapdesks. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems for a home or small business. Our digital music products include speakers, earphones, and custom in-ear monitors. For home entertainment systems, we offer the Harmony line of advanced remote controls, Squeezebox wireless music solutions and, in the United States, a line of Logitech products for the Google TV platform. 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 global 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 and OEM (original equipment manufacturers) sales and marketing groups. Our retail sales and marketing activities are organized into three geographic regions: Americas, EMEA, and Asia Pacific. Our OEM sales team is a worldwide organization with representatives in each of our three regions.

We sell our peripheral products to a network of distributors and resellers and to 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 85%, 89% and 85% of our net sales in the fiscal years ended March 31, 2011, 2010 and 2009. 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, 2011, 2010 and 2009, sales to OEM customers were 9%, 10% and 15% of our net sales.

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

## **Table of Contents**

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% and 1% of our net sales in the fiscal years ended March 31, 2011 and 2010. We acquired LifeSize on December 11, 2009. Based on financial measurements for the fiscal year ended March 31, 2011 as evaluated by Logitech's Chief Executive Officer, the LifeSize operating segment does not meet the quantitative thresholds for separate disclosure of financial information required by generally accepted accounting principles in the United States.

Since 1994, we have had our own manufacturing operations in Suzhou, China, which currently handle 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 is 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, 2011, we generated net sales of \$2.4 billion, operating income of \$142.7 million and net income of \$128.5 million. We employed approximately 11,000 employees as of March 31, 2011 and conducted business in approximately 104 countries.

A summary of our net sales and long-lived assets by geographic region can be found in Note 17 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 PC industry continues to provide Logitech with significant opportunity. In our mature markets, such as the United States, Canada, Western and Nordic Europe, Japan, Australia and New Zealand, the installed base of PC users is large and continues to grow moderately. In emerging markets, such as China, Brazil, India and Russia, the installed base of PC users is experiencing strong growth, presenting new opportunities for Logitech to broaden its PC peripherals customer base. For example, China's Internet population is now 20 percent of the world's Internet population, and Internet users in India, Brazil and Russia are growing significantly as well. These large populations are also younger than the populations of Internet users in more mature markets.

In addition, there is growing adoption in both mature and emerging markets of new mobile platforms for consumer and business use of digital content, such as tablets and smartphones. These platforms are experiencing strong growth, and Logitech is well positioned to offer peripherals and accessories to augment the use of tablets and other connected computing devices. For example, consumers are optimizing their tablet listening experiences with premium earphones and speaker docks. And they are enhancing their tablet experience with a range of accessories and peripherals that enable them to create, consume and share digital content more conveniently and



## **Table of Contents**

comfortably. Logitech is also leveraging the use of tablets and other connected computing devices to extend the convenience and flexibility of some existing product lines. For example, customers of Logitech's Alert video security cameras can monitor their home from their iPad or smartphone.

Beyond mobile digital devices such as laptops, tablets and smartphones, an increasing number of consumers in both mature and emerging markets are enjoying their digital content on their TV screen. Consumers are connecting their PC to the TV screen to interact with the Web or they are connecting their TV to a dedicated device that can deliver Internet content such as search, shopping or games, streaming movies or video calling. Opportunities for Logitech to support consumers' adoption of connected TVs continue to unfold. In addition to providing control devices for the connected TV, Logitech has begun offering a TV cam for video communication and the Company has partnered with Google to offer a companion box that runs the Google TV software platform for connected TVs.

The use of video across all these platforms—mobile devices such as laptops, tablets and smartphones, and the TV—is a growing 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. Logitech has showcased such interoperability by enabling video calling between a TV and a PC. Other providers are offering the ability to conduct a video call between a smartphone or tablet and a PC or Mac.

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 and Hewlett-Packard also showing interest in this market, the competition is greater than in Logitech's traditional markets. 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 as well as visual appeal, have become important aspects of the purchase decision when buying a consumer electronics product. These are strengths that Logitech offers in both consumer and business markets.

### **Consumer Behavior and Customer Experience Strategy**

Our strategy is to continue our emphasis on a deep understanding of consumers in each market and on integrating consumer insights into our product development and marketing. The mission of our customer experience organization is to strive to understand our consumers so that we can create products and services that accurately anticipate their needs—and reach them through marketing programs that are relevant to them. We are also focused on understanding and improving the consumer's overall experience with Logitech products. The customer experience group's goal is to ensure optimal levels of experience in all Logitech products and at each consumer touch point. We use metrics and consumer feedback mechanisms to drive meaningful and measurable improvements in our products. We believe that these improvements increase consumer loyalty over time. In addition, by focusing on maximizing the number of consumers who actively recommend Logitech products, we are 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.

## **Table of Contents**

### **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 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 and continues to grow moderately. In emerging markets, such as China, the installed base of users is experiencing strong growth, presenting new opportunities for Logitech to broaden its PC peripherals customer base. As new connected 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 video conferencing for businesses and institutions, and the potential for video conferencing as a key component of the large, fast-growing and relatively early-stage UC market. We believe that a strategy of high quality experience combined with a compelling price/performance advantage will allow us to grow our video communications business, expand into emerging markets and infrastructure solutions, and support emerging UC platforms with differentiated video and audio solutions.

Our digital home business is based on the strength of our remote controls products and the potential of our products for Google TV. Although it is early in the development and adoption of Internet connected televisions, we believe the opportunity exists to develop another significant installed base for our products over time.

We continually evaluate our product offerings and our strategic direction in light of current global economic 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 connected devices used by today's consumers and enterprises.

#### ***The PC/Mobile Device***

Logitech continues to provide new, more innovative, high-performance PC and Mac computer navigation devices for the large existing installed base of PC and Mac computers. In addition, we are also a leading brand for video communication products and PC audio products. The significant growth of tablets, smartphones and other mobile devices provides opportunities for Logitech to support these platforms. Our current product portfolio includes the Logitech Keyboard Case for the iPad 2, wireless portable speakers and the Ultimate Ears line-up of earphones, and we expect to significantly expand our line of products for tablets and other mobile devices in fiscal year 2012. We believe there will be additional demand for complementary peripherals to enhance consumers' experiences with tablets and other mobile devices.

## **Table of Contents**

### *The Meeting Room*

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 also developing solutions interoperable with Logitech webcams and audio peripherals to leverage our combined expertise.

### *The Living Room*

The dramatic proliferation of digital content available for the home provides a significant source of new opportunities for Logitech. We believe that the new digital home with a broad and evolving selection of digital entertainment and information content available from multiple sources, and the innovation in affordably priced digital-technology equipment will over time allow us to play a significant role in the home entertainment experience for a much wider audience.

Our product portfolio includes a line of advanced remote controls for home entertainment, the Squeezebox network music system that allows people to enjoy digital music in any room of the house, the Alert video security solution, and Logitech Revue for Google TV and related peripherals. These products represent part of our strategy to pursue new opportunities in the digital home environment, positioning Logitech at the convergence of consumer electronics and personal computing in the digital home. Logitech also offers a broad spectrum of products to enhance gaming consoles. We continue to innovate and develop new product offerings focused around the TV screen.

### *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 are investing significantly in expanding our sales force and local product and marketing initiatives designed specifically for the China market, as well as securing new channel partners and strengthening relationships with existing partners. As part of our business strategy, we plan to leverage 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.

## **Table of Contents**

We recognize that continued investment in product research and development is critical to facilitating innovation of new and improved products and technologies. Seven of Logitech's products were selected as 2011 CES (Computer Electronics Show) Innovation Award honorees, including the Logitech Keyboard Controller, which includes everything you need to control your Logitech Revue with Google TV as well as other TV accessories, the Logitech TV Cam, which lets you make and receive HD video calls on your HDTV through your Logitech Revue box, our Wireless Solar Keyboard K750 that powers itself wherever there's light, the HD Pro Webcam C910 for recording video in HD 1080p and making video calls in HD 720p with stereo audio, the Wireless Gaming Mouse G700 with full-speed wireless connection and 13 controls programmable for single actions or complex macros at a single click, the Wireless Headset F540 designed for console gamers and providing wireless stereo audio and voice chat connecting up to three devices and the Logitech Wireless Gaming Headset G930 with 7.1 Dolby surround sound in a positional soundfield as well as gaming-grade wireless technology. Logitech also introduced in fiscal year 2011 a variety of UC (unified communications) solutions, including Logitech for Business HD webcams, headsets optimized for Microsoft Lync 2010, and LifeSize video conferencing products, which enable the integration of multiple communication channels within an enterprise, such as VoIP (voice-over internet protocol), email, video conferencing and instant messaging.

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 and other digital platforms. We sell our peripheral products to a network of distributors and resellers 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:

M215, M310 and M305 wireless mice with advanced 2.4 GHz wireless connection and cordless USB plug-and-forget nano-receiver.

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

Wireless Trackball M570, featuring the Logitech Unifying receiver.

Our mice products also include an expanded line of gaming mice, including the Wireless Gaming Mouse G700, with 13 precisely placed, programmable controls to perform single actions and complex macros, full-speed gaming-grade wireless, and a quick-connect charging cable. In addition, we sell both corded and cordless mice designed specifically for OEM customers.

## **Table of Contents**

### ***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.

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

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

Wireless Desktop MK320, with a full-featured keyboard and an easy-to-tote mouse.

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

### ***Audio***

#### ***Speakers***

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

Wireless Speaker Z515, delivering high fidelity sound from its dual two-inch drivers up to 50 feet away from your laptop or tablet.

The Laptop Z305 speaker, a lightweight speaker with an easy-to-attach clip-on design.

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

The Z-623 2.1 THX certified speakers, the Z-506 5.1 Speakers, and the powerful Z-906 5.1 Surround Sound speakers, all of which have found high acceptance in connecting to PCs, laptops and gaming systems.

#### ***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 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 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.

## **Table of Contents**

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.

### *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 ClearChat PC Wireless headset, the Wireless Headset H760, the USB Headset H530, the G35 Surround Sound Headset for gaming, the Wireless Gaming Headset G930, the USB Desktop Microphone, and the OCS certified Logitech B-530 USB Headset.

### *Video*

#### *Web Cameras*

Logitech's webcam offerings include:

Logitech HD Pro Webcam C910

Logitech Webcam Pro 9000

Logitech HD Webcam C510

Logitech TV Cam for use with Logitech Revue

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 720p 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, your smartphone, tablet or Google TV system, including Logitech Revue.

### *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, PSP (PlayStation Portable), Xbox, Xbox 360 and Nintendo Wii.

Our gaming products include:

## Edgar Filing: LOGITECH INTERNATIONAL SA - Form 10-K

Logitech G700 Wireless Gaming Mouse, a 2011 CES Innovations Award honoree in the Electronic Gaming category, featuring 13 programmable controls with macro capability and full-speed wireless connection.

Logitech G13 advanced gameboard with a built-in LCD screen, 25 programmable keys and onboard memory.



## **Table of Contents**

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 G35 Surround Sound Headset, a CES Innovations Winner, which offers 7.1 channel surround sound, a proprietary ear-enclosing design and three customizable G keys for one-touch command over music, 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:

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

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

Harmony 650 controls up to five devices and simplifies complex home-entertainment systems by giving you one-click control over your favorite activities.

#### ***Products for Google TV***

We introduced our line of products for Google TV in the United States in October 2010, including:

Logitech Revue, a compact, plug-and-play companion box, and the Logitech Keyboard Controller, which together provide seamless control over the Google TV experience and your home-entertainment devices.

Logitech TV Cam and Vid HD service, which feature HD video calling from your television.

Logitech Mini Controller, featuring a combination of palm-sized keyboard, touchpad and remote control, and designed for use with Google TV.

#### ***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.

## Edgar Filing: LOGITECH INTERNATIONAL SA - Form 10-K

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 220 comes standard with an embedded 8-way continuous multipoint bridge showing four visible sites.

LifeSize Bridge, a scalable HD video conferencing bridging solution offering a low-risk, cost-effective platform to modularly extend HD video conferencing to an entire organization.

## **Table of Contents**

LifeSize Video Center, a single appliance solution delivering one button HD streaming, recording and autopublishing to ensure that live and on-demand videos are easily accessible from any location and on more devices.

### **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.

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.

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, Canada, Germany, India and Taiwan.

Our research and development expenses for fiscal years 2011, 2010, and 2009 were \$156.4 million, \$135.8 million, and \$128.8 million. We expect to continue to devote significant resources to research and development, including devices for the digital home, 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):

Edgar Filing: LOGITECH INTERNATIONAL SA - Form 10-K

	Year ended March 31,		
	2011	2010	2009
EMEA	\$ 872,774	\$ 882,635	\$ 1,001,337
Americas	1,032,988	729,473	785,862
Asia Pacific	457,124	354,640	421,633

&nbsp;