

LOGITECH INTERNATIONAL SA
Form 10-K
May 27, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2010

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.
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:

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 x 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 x
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

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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 25, 2009, the last business day of the registrant's second fiscal quarter on the NASDAQ Global Select Market, was approximately \$2,430,631,788. 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 3, 2010, there were 175,458,482 shares of the Registrant's share capital outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2010 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, 2010.

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

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

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 for fiscal year 2011 and beyond considering current and future general economic conditions;
- our business and product plans for fiscal year 2011 and evolving consumer demand trends affecting our products; 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:

- worldwide economic and business conditions, particularly in retail consumer markets, and our ability to implement our business strategy during uncertain market conditions;
- general market trends for peripherals for personal computers and other digital platforms and market acceptance of our products;
- the impact of our acquisition of LifeSize Communications on our current operations and future performance;
- the impact of a failure to successfully innovate in our current and emerging product categories and identify new features or product opportunities;
- the effect of pricing, product, marketing and other initiatives by our competitors and our reaction to them on our sales, gross margins, operating expenses and profitability;
- consumer demand for our products and our ability to accurately forecast such demand;
- our ability to match production levels with product demand and to successfully coordinate worldwide manufacturing and distribution of our products.

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 this Annual Report on Form 10-K. All forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those projected 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.

PART I

ITEM 1. BUSINESS

Company Overview

Logitech is a world leader in personal peripherals for computers and other digital platforms. We develop and market innovative products in PC navigation, Internet communications, digital music, home-entertainment control, gaming and wireless devices. With our acquisition of LifeSize Communications, Inc. in December 2009, we entered the market for enterprise video conferencing products and services. Our products combine essential core technologies, continuing innovation, and award-winning industrial design.

For the PC, our products include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets, webcams, 3D control devices and lapdesks. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems for a home or small business. Our LifeSize division offers scalable high-definition (“HD”) video communication products, support and services. 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 and the Squeezebox and Transporter wireless music solutions for the home. For gaming consoles, we offer a range of gaming controllers, including racing wheels, wireless guitar and drum controllers, and microphones, as well as other accessories.

We sell our peripheral products to a network of retail distributors and resellers and to original equipment manufacturers, or OEMs. We sell our LifeSize products and services to distributors, value-added resellers, OEMs and direct enterprise customers. The large majority of our revenues are derived from sales of our personal peripheral products for use by consumers.

For the fiscal year ended March 31, 2010, we generated net sales of \$2.0 billion, operating income of \$78.4 million, net income of \$65.0 million, employed approximately 10,000 employees and conducted business in approximately 100 countries.

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, Europe, Middle East, Africa and Asia Pacific. 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 operates in two industry segments, personal peripherals and video conferencing. Our personal peripherals segment encompasses the design, manufacturing and marketing of personal peripherals for personal computers and other digital platforms. Our 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 sales and marketing groups. Our retail sales and marketing activities are organized into three geographic regions: Americas (including North and South America), Europe-Middle East-Africa (“EMEA”), and Asia Pacific. Our OEM sales team is a worldwide organization with representatives in each of our three regions. Our OEM customers include the majority of the world’s largest PC manufacturers. Our video conferencing segment encompasses the design, manufacturing and marketing of LifeSize video conferencing products and services for the enterprise and small-to-medium business markets. The LifeSize segment maintains a separate marketing and sales organization. The LifeSize product development and product management organizations are separate, but coordinated with our personal peripherals business, particularly our webcam and video communications groups. Based on financial measurements for the fiscal year ended March 31, 2010 as evaluated by Logitech’s Chief Executive Officer, the LifeSize operating segment does not meet the quantitative threshold for separate disclosure of financial information required by generally accepted accounting principles in the United States.

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A summary of our net sales and long-lived assets by geographic region can be found in Note 18 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.

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. 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. Our LifeSize video communications products are manufactured in Malaysia under contract with a third-party manufacturer.

Industry Overview

Affordable prices and wider availability of business, consumer, education, and communication applications have created a very large installed base of desktop and notebook personal computers. We believe that market penetration of PCs, Mac computers and other information access devices, already high in developed countries, will eventually increase worldwide.

In addition, continuing growth in processing power and communications bandwidth, the increased accessibility of digital content, and the pervasive access and use of the Internet, create opportunities for new applications, new users and dramatically richer interactions between users and digital information. These developments create new demands by users who want to take full advantage of the increased processing power, new applications and new technologies in an intuitive, productive, comfortable and convenient manner.

Today's desktop and notebook PCs and Mac computers have evolved into affordable multimedia appliances or "digital hubs" capable of creating and manipulating vast amounts of graphics, sound and video. Logitech believes the expanded capabilities of PCs and Mac computers and the large installed base present a significant opportunity for companies that provide innovative personal peripheral products for the computer, since basic input devices alone do not fully enable many of the newest applications, or are not as convenient or comfortable as the peripheral upgrades and add-ons sold separately from the basic PC or Mac computer. We believe the potential demand for our products grows as consumers demand more function-rich personal peripheral tools, and as the PC or Mac computer play an increasing role in the new digital lifestyle.

In addition, 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 desktop or notebook PC or Mac computer and personal peripherals.

We also believe that similar industry dynamics and personal peripheral device opportunities exist for non-PC platforms that are connected to the Internet, such as home-entertainment systems, smartphones, tablets and video conferencing platforms. As these additional platforms deliver new functionality, increased processing power and growing communications capabilities, we expect demand to increase for add-on, complementary devices connected to these platforms. The product expertise Logitech has developed around the PC extends to these other platforms as well and provides further opportunity for growth and leverage.

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In the video conferencing industry, we believe there is potential for growth in the sales of video communications products and services both in the enterprise markets and among consumers. The technological and economic trends creating this growth include the increased availability of high-bandwidth internet connections in enterprises and homes, improvements in video processing speeds, wide geographic distribution of employees, customers and families, and a desire to lower travel costs. These trends also generate increased interest in the video conferencing market by large, well-financed competitors, such as Cisco Systems, Inc. and Hewlett-Packard Company and, as a result, we expect competition in the industry to further intensify.

Consumer Behavior and Customer Experience Strategy

The impact of the global macroeconomic recession on buying behavior in consumer electronics has been significant. In the current environment, we believe that consumers have become more discerning and more value-oriented and are increasingly moving online both to research and purchase products. Our strategy is to continue to stay close to consumers and adapt rapidly to their changing needs, which is exemplified by our greater emphasis on integrating consumer insights into our product and marketing strategies. We believe that a deeper understanding of the consumer is one of the major drivers that has enabled Logitech to emerge stronger from the downturn.

The mission of our customer experience organization is to focus on understanding and improving the consumer's overall experience with Logitech products. This 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.

Business Strategy

Logitech's objective is to strengthen our leadership in the market for personal peripherals, linking people to the digital world wherever and whenever they need to access digital information for work or play. Our current business is focused on the installed and still-growing base of desktop, notebook and netbook PCs and Mac computers by offering innovative personal peripherals to address needs for comfort and productivity as well as entertainment and communication. 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 vision to the living room, meeting room and other platforms as access points to the Internet and the digital world. We believe that the market for PC personal peripherals will continue to present significant opportunities. However, we are increasingly focusing our efforts on other platforms and devices that will allow consumers to easily access information, communicate conveniently, and enjoy multiple media.

In addition, as part of our corporate strategy, we plan to increase investments in and realign resources to focus on certain market adjacencies, geographic markets or new categories, including video communications and the China market. We also plan to increase our investment in applications and peripherals for open platforms, which do not require direct collaboration and agreement with the platform owner.

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

We have placed an increasing emphasis on strengthening the competitiveness of our entry level products. We have always participated at the entry level, but given the increased price sensitivity among a growing number of consumers and what we believe is a resulting shift by consumers to lower priced products, we are taking action to ensure that we are also the consumer's first choice at lower price points.

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Beyond the entry level, we have heightened our focus on providing the consumer with the strongest possible overall value across all price points. Our goal, using the lessons we have learned from our customer experience initiatives, is to maximize the product's benefits and the value the consumer associates with those benefits. Maximizing the consumer's perceived value of our products is one of the guiding principles of our product strategy above the entry level.

To capitalize on the many opportunities in the growing digital marketplace, Logitech's product strategy focuses on personal peripherals around four platforms or environments: the PC, the living room, the meeting room, and other platforms.

The PC

Logitech continues to provide new, more innovative, high-performance PC and Mac computer navigation devices. In addition, we are also a leading brand for video imaging products, keyboards and PC audio products.

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 diNovo Mini keyboard and the WiLife video security solution. 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.

The Meeting Room

With our acquisition of LifeSize in December 2009, we entered the video conferencing market. LifeSize represents our focused investment in the growth of the video communications market, as well as an opportunity to gain greater access to enterprise customers. Together, Logitech and LifeSize plan to pursue existing and new relationships with unified communications, collaboration and voice-over Internet protocol (“VoIP”) industry partners and competitors to drive the development of an open eco-system for interoperable video communications.

Other Platforms

The significant growth of smartphones, tablets and other mobile devices that have the same or better processing capability as computers from a few years ago provides opportunities for Logitech to support these increasingly powerful platforms. Our current product portfolio includes portable digital music players and the Ultimate Ears line-up of earphones. We believe there will be additional demand for complementary personal peripherals for mobile and small form factor devices.

Geographic Expansion

We believe that the market penetration for Logitech products is low in developing markets such as China, India, Latin America and Eastern Europe. We are committing resources to capitalize on the growth opportunities in key emerging countries, including securing new channel partners, strengthening relationships with existing partners, expanding our sales force and investing in product and marketing initiatives. As part of our business strategy, we plan to selectively increase investments and realign resources in certain key geographic markets, such as China.

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 personal 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 the living room, the meeting room, and other platforms, 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.

To capitalize on market opportunities for personal peripherals, we recognize that continued investment in product research and development is critical to facilitating innovation of new and improved products and technologies. Beyond updating our existing line of personal peripherals and video conferencing products and services, we intend to continue to lead the development of new technologies and to create product innovations, such as those introduced in fiscal years 2010 and 2009, which include the Logitech Performance Mouse MX, the Logitech Anywhere Mouse MX with Logitech Darkfield Laser Tracking technology, the Logitech Wireless Desktop MK710 with three-year battery life, the Harmony 900 remote with RF technology which lets you control your devices through cabinets, the Webcam Pro 9000 with Zeiss optics and a true 2-megapixel HD sensor, VID software which allows video calling with Logitech webcams, the Z320, Z323, Z520 and Z523 speakers with 360-degree speaker technology, the Logitech Speaker Lapdesk N700 with built-in high definition speakers, the Ultimate Ears 18 Pro Customer In-Ear Monitors featuring a six-speaker design, and the unifying Nano-receiver, which can connect multiple wireless mice and keyboards. The Nano-receiver was first introduced to the market in the VX Nano mouse and has since proliferated across a wide range of our mice.

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

Products

Logitech operates in two industry segments, personal peripherals and video conferencing. Our personal peripherals segment encompasses the design, manufacturing and marketing of personal peripherals for personal computers and other digital platforms. We sell our peripheral products to a network of retail distributors and resellers and to original equipment manufacturers, or OEMs. The large majority of our revenues are derived from sales of our personal peripheral products for use by consumers. The video conferencing segment encompasses the design, manufacturing and marketing of LifeSize video conferencing products and services. We sell our LifeSize products and services to distributors, value-added resellers, OEMs and direct enterprise customers.

Pointing Devices

Mice

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

- 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.
- MX Air Rechargeable Cordless Air Mouse works on the desk or in the air.
- M505 wireless mouse with extended battery life, precise laser tracking, and ambidextrous design.
- M305 wireless mouse with advanced 2.4 GHz connection.

Our mice products also include an expanded line of gaming mice, including the customizable G9x, which gives PC gamers the ability to modify the mouse for the best personal fit, feel and performance. In addition, we sell both corded and cordless mice designed specifically for OEM customers.

Other Pointing Devices

Some of our other pointing devices include:

- Cordless Optical TrackMan trackball, featuring a “cruise control” scrolling feature and several programmable buttons.
- 3D input devices such as SpaceNavigator, SpaceExplorer, SpaceNavigator for Notebooks, and SpacePilot, sold under the 3Dconnexion brand.

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 Keyboards K350, K340 and K320, our wireless keyboards with up to a three-year battery life.
- The diNovo Edge keyboard, our award-winning top-of-the-line rechargeable keyboard.
- The diNovo Mini keyboard, combining thumb typing, Windows Media center remote controls and a touchpad.
- The Illuminated Keyboard, a corded keyboard featuring laser-etched, backlighted keys, an ultra-thin 9.3mm design and Logitech PerfectStroke key system.

Notebook Essentials

Logitech offers a range of personal peripherals that help improve the laptop-computing experience. Our products include notebook mice, webcams, speakers, headsets, presentation tools, numeric pads, lapdesks, cooling pads and notebook risers.

Some of our notebook products include:

- Speaker Lapdesk N700 with built-in high definition speakers, a quiet, efficient fan and an ergonomic design.
- The Notebook Kit MK605 which includes a wireless laser mouse, pivoting riser, and compact, wireless keyboard connected to your notebook through one tiny unifying receiver.

- Comfort Lapdesk, a new product category, which is designed for use on the lap to protect the user from laptop heat.
- Cooling Pad N100, introduced in fiscal year 2009, a new category which features a slotted surface that enables airflow around a laptop using the USB-powered fan and can be used on a table or a lap.

Voice and Video Communications

Web Cameras

Logitech's webcam offerings include:

- WebCam Pro 9000
- Webcam C905
- QuickCam Orbit AF
- Webcam C600, C500 and C250

Our premium webcams feature lenses designed in an exclusive collaboration with Carl Zeiss, a premium autofocus system, and a true 2-megapixel HD sensor. These webcams also leverage High Quality Video from Skype, a video calling functionality offered through our collaboration with Skype. Our mid-range webcams feature glass lenses, auto focus technology, and RightSound and RightLight2 Technology. These webcams record video at up to 30 frames per second and support the 720p HD video format.

Logitech has also developed Vid, easy-to-use software that enables clear, simple video calling. Vid can be downloaded from the Logitech website and is powered by the Logitech SightSpeed network. Logitech's entire family of webcams works with most popular video messaging applications, including Skype, Windows Live Messenger, Yahoo! Messenger and AIM. In addition, our Logitech Video Effects software has become a favorite application for users wishing to record and post video on the Internet.

Logitech also offers the SightSpeed video calling service, as a result of the acquisition of privately-held SightSpeed Inc. in November 2008.

Video Security Systems

Logitech's WiLife video security systems use a PC and special video cameras to provide remote security monitoring of a home or small business. The WiLife solution includes monitoring cameras that use the HomePlug Powerline technology to transfer video over standard electrical wiring. The cameras can record video on a scheduled basis, at all times, or when they detect motion. The video is stored locally on a computer and can be played back locally on the PC. For an additional fee, the solution offers Platinum Digital Video Security which is an internet-based security system with the ability to monitor video feeds remotely on a PC, Windows-based PDAs, or cell phones.

Audio

Speakers and Earphones

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

- Z320, Z323, Z520 and Z523 speakers featuring 360-degree surround sound.
- The Laptop Z205 speaker, a lightweight speaker with an easy-to-attach clip-on design.
- Logitech Z-5500 Digital speakers, which are 5.1-channel multi-platform, 505-watt speakers with a 10-inch subwoofer.

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- Pure-Fi Anywhere 2 speakers including a rechargeable battery, with a battery-life indicator, an improved traveling case, and an advanced remote control with one-touch access to shuffle and repeat for the iPod.
- Rechargeable Speaker S315i offering up to 20 hours of battery life, that can play your music while it's plugged in and charging your iPod.
- The Portable Speaker S125i, an easy-to-transport speaker dock with extra bass.
- Z-5 Omnidirectional speakers, USB-powered speakers designed for Mac and PC use which feature omnidirectional acoustics.

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

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

- The TripleFi 10 and TripleFi 10vi with triple armature speakers and voice capability options.
- The SuperFi 5 and 5vi featuring single armature speakers with flexible wearing styles and voice capability options.
- The MetroFi series which includes a range of six earphones priced from \$29.99 to \$79.99.

In addition, we design and manufacture a line of Ultimate Ears Custom Stage Earphones including:

- The UE-18 Pro featuring a unique six-speaker design.
- The UE-10 which has a three-speaker design and flat response for studio mixing and audiophiles.
- The UE-7 Pro for live performance and stage use.
- The UE-4 Pro featuring a dual speaker design for emerging artists.

Streaming Media

Building on our platform and product development expertise, Logitech offers a portfolio of affordable network music systems that make it easier to enjoy and control digital music anywhere in the home. In fiscal year 2010, we expanded our line of streaming music products with the introduction of the Logitech Squeezebox Radio and Logitech Squeezebox Touch. The Squeezebox Radio allows you to connect to your home network, and access internet radio, your personal music collection or subscription services. 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.

To expand the home network music system, Logitech also offers other players, including the Logitech Squeezebox Boom, Logitech Squeezebox Duet network music system, and the hi-end Transporter network music player.

PC Headsets

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 ClearChat Pro USB Headset, the USB Headset H360, the Notebook Headset H165, and the USB Desktop Microphone.

Gaming

PC Game Controllers

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Logitech offers a full range of dedicated game controllers for PC gamers including joysticks, steering wheels, gamepads, mice and keyboards, and headsets.

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Our PC gaming products include:

- Logitech G9x Laser Mouse, a fully customizable mouse including features such as interchangeable grips, on-the-fly, full-speed USB laser tracking, an onboard-memory profiling system, weight tuning, a custom-color LED and the hyper-fast MicroGear Precision Scroll Wheel.
- Logitech G13 advanced gameboard, a CES Innovations Winner in the Electronic Gaming category, featuring a built-in LCD screen, 25 programmable keys and onboard memory.
- 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.

Console Game Controllers and Accessories

We offer gaming products for console platforms such as PlayStation2, PlayStation3, PSP (PlayStation Portable), Xbox, Xbox 360 and Nintendo Wii. Products include the Wireless Guitar Controller, Wireless Drum Controller, Driving Force GT Wheel and Vantage USB headset for PlayStation 3, and the USB Microphone for all platforms.

Gaming Headsets

Our gaming headsets include the 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. The Logitech Gaming Headset G330 features an adjustable behind-the-head design and silicone-lined headband for a comfortable fit.

Remote Controls

Our current line of Harmony advanced remote controls 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 1100 features a customizable 3.5-inch color touch-screen and supports optional radio frequency (RF) wireless technology that lets the user control devices through cabinet doors and walls.
- Harmony 700 controls up to six devices from one color LCD screen, and features rechargeable batteries and one-click control for your favorite activities.
- Harmony 600 and Harmony 650 control up to five devices and simplify complex home-entertainment systems by giving you one-click control over your favorite activities.
- Harmony 300 controls up to four devices and requires just one button to watch TV.

Video Conferencing

In December 2009, Logitech acquired LifeSize Communications, Inc., which offers HD video communication solutions that provide a productive, true-to-life experience.

LifeSize products include:

- 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.
- 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.
- Conference Series 200 which, with full HD, allows dual streams to share data and documents in full motion and includes an embedded multipoint control unit complete with transcoding.

LifeSize's video conferencing solutions include HD video communications products, HD 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.

Competitive Strengths

We believe the key competitive strengths that allow Logitech to be successful and competitive in the markets for personal peripherals 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 100 industry "firsts" to our name and a patent portfolio of approximately 400 patents.
- The Logitech brand name 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 2010, 2009, and 2008 were \$135.8 million, \$128.8 million, and \$124.5 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):

	Year ended March 31,		
	2010	2009	2008
EMEA	\$ 882,635	\$ 1,001,337	\$ 1,117,060
Americas	729,473	785,862	888,529
Asia Pacific	354,640	421,633	364,907
Total net sales	\$ 1,966,748	\$ 2,208,832	\$ 2,370,496

Revenues from sales to customers in Switzerland, our home domicile, represented a small portion of our total consolidated net sales in fiscal years 2010, 2009 and 2008. The United States and Germany each represented more than 10% of our total consolidated net sales for fiscal year 2010. In fiscal years 2009 and 2008, no single country other than the United States represented more than 10% of our total consolidated net sales.

In fiscal year 2010, Ingram Micro Inc. and its affiliated entities together accounted for 13% of our net sales; in fiscal years 2009 and 2008, the same customer represented 14% of net sales. No other customer individually accounted for more than 10% of our net sales during fiscal years 2010, 2009 and 2008. 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.
- 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.

Marketing

Logitech builds awareness of our products and recognition of our brand through targeted advertising, public relations efforts, 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 personal 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 addition, Logitech's distribution mix includes e-commerce in the U.S. as well as e-commerce capabilities in several European countries.

In retail channels, Logitech's direct sales force sells to distributors and large retailers. Our distributor customers typically resell products to retailers, value-added resellers, and systems integrators with whom Logitech does not have a direct relationship. These distributors in the U.S. include Ingram Micro, Tech Data Corporation and D&H Distributing. 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, Copaco Dc B.V. in the Netherlands, Vinzeo Informatica, SLU in Spain and Channel Distribution in the United Arab Emirates.

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, Office Depot, Staples, Target and Wal-Mart, and in Europe include Metro Group (MediaMarkt and Saturn), Carrefour Group, Kesa Electricals, Fnac, Dixons Stores Group PLC and most key national consumer electronics chains. 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.

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 large enterprises, small-to-medium businesses and public healthcare, education and government organizations.

Through our operating subsidiaries, we maintain sales offices or sales representatives in 38 countries.

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 operations in the United States, Canada, Europe, Asia and Australia. Customer service and technical personnel provide support services to retail purchasers of products through telephone, e-mail, 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 personal 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 and 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 personal peripherals and video conferencing industries are intensely competitive. The personal 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 some retail customers known as house brands, in response to declining consumer demand in both the retail 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.

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 both our retail and OEM 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. The notebook peripheral category is also an area where we face aggressive pricing and promotions, as well as new competitors that have broader notebook product offerings than we do.

Video. Our competitors for PC Web cameras include Microsoft, Creative Labs, Inc., Royal Philips Electronics NV and Hewlett-Packard. We are encountering aggressive pricing practices and promotions on a worldwide basis, which have impacted 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.

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 and Bose Corporation. In the PC headset and microphone business, our main competitors include Plantronics and Altec Lansing. We have expanded our audio product portfolio to include network-based audio systems for digital music, an emerging market with several small competitors as well as larger established consumer electronics companies, like Sony Corporation and Philips.

Gaming. Competitors for our interactive entertainment products include 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.

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

Video Conferencing. Our primary competitors in the enterprise video conferencing market are Tandberg ASA and Polycom, Inc. These companies have longer experience and a larger customer installed base than LifeSize. Cisco and Hewlett-Packard also compete with us for sales of higher-end systems. Cisco and Hewlett-Packard have substantially greater financial, sales and marketing, and engineering resources than we do. We also expect Cisco's recent purchase of Tandberg to further intensify competition. In addition, there are a number of smaller competitors which compete with LifeSize, along with Polycom, Cisco and Hewlett-Packard, for new accounts, OEM relationships, and installations.

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 harm 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, the recycling of our products and of their packaging.

Europe. In Europe we are subject to the European Union's ("EU") Directive on the Restriction of Use of Certain Hazardous Substances in Electrical and Electronics Equipment ("RoHS"). 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 Energy-related Products Directive ("ErP"), 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:

- Eco-design requirements for standby and off mode electric power consumption of electrical and electronic household and office equipment.
- Eco-design requirements for no-load condition power consumption and average active efficiency of external power supplies.

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.

We are also subject to a number of End of Life ("EOL") Stewardship directives including the EU's Waste Electrical and Electronic Equipment Directive ("WEEE"), 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.

In Canada, we are subject to laws in various Canadian provinces that impose fees to cover the cost of recycling packaging.

Australia and New Zealand. In Australia and New Zealand, we are subject to the Minimum Energy Performance Standards (“MEPS”) 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.

The effects on Logitech’s business of complying with other government regulations are limited to the cost of allocation of the appropriate resources for 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 personal 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. The deteriorating retail environment in the second half of fiscal year 2009 resulted in an atypical sales pattern, with sales declining in the second half of fiscal year 2009 compared with the first half.

Our enterprise product sales are generally not seasonal.

Materials

We purchase some of our products and the 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. Due to the recent global economic downturn, we are subject to a higher risk of insolvency of our key suppliers, possibly resulting in product delays. 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, 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.

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Employees

As of March 31, 2010, we employed 9,944 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.

Executive Officers of the Registrant

The following sets forth certain information regarding our executive officers as of May 26, 2010:

Name	Age	Nationality	Position
Guerrino De Luca	57	Italian	Chairman of the Board
Gerald P. Quindlen	50	U.S.	President and Chief Executive Officer
Erik Bardman	43	U.S.	Sr. Vice President, Finance and Chief Financial Officer
Werner Heid	51	German	Sr. Vice President, Worldwide Sales and Marketing
David Henry	53	U.S.	Sr. Vice President, Customer Experience and Chief Marketing Officer
Junien Labrousse	52	French	Executive Vice President, Products
L. Joseph Sullivan	56	U.S.	Sr. Vice President, Worldwide Operations

Guerrino De Luca has served as Chairman of the Logitech Board of Directors since January 2008. 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.

Gerald P. Quindlen has been Logitech's President and Chief Executive Officer since January 2008, previously serving as Logitech's Senior Vice President, Worldwide Sales and Marketing since he joined the Company in October 2005. From August 1987 to September 2004, Mr. Quindlen worked for Eastman Kodak Company where he was most recently Vice President of Global Sales and Operations for the Consumer and Professional Imaging Division and previously held senior sales or marketing management positions in the United States, Japan and Asia Pacific. From September 2004 to September 2005, Mr. Quindlen was a private consultant. Prior to his 17 year tenure at Eastman Kodak, he worked for Mobil Oil Corporation in engineering. Mr. Quindlen holds a BS degree in chemical engineering from Villanova University in Pennsylvania, and an MBA degree in Finance from the University of Pennsylvania's Wharton School.

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 intensive Financial Management Program.

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Werner Heid joined Logitech as Senior Vice President, Worldwide Sales & Marketing, in February 2009. Prior to joining Logitech, Mr. Heid was a consultative CEO to private equity firms from 2006 to 2009. Previously, he served as the president and chief executive officer of Iomega Corporation, the provider of consumer and small-business data-storage solutions, from 2001 to 2006. Before joining Iomega, Mr. Heid was the executive vice president of global sales, marketing and service for InFocus Corporation, a leading supplier of multimedia projection systems for consumers and business, from 2000 to 2001. He joined InFocus when it acquired Proxima Corporation, where Mr. Heid served as president from 1998 to 2000. Prior to taking on his leadership role at Proxima, Mr. Heid was with Hewlett-Packard Company for 14 years, in both Europe and the United States. At Hewlett-Packard, he led the business definition and the successful global market launch of the company's All-In-One and color copier product businesses. Mr. Heid holds a masters degree in electrical engineering from University Karlsruhe in Germany.

David Henry joined Logitech as Senior Vice President, Control Devices Business Unit, in August 2001 and was named Senior Vice President, Customer Experience and Chief Marketing Officer in March 2007. From January 2000 to June 2001, Mr. Henry served as Vice President of Business Development and Product Management of Xigo Inc., a U.S. on-line intelligence software company. From November 1997 to January 2000, Mr. Henry held various positions with Iomega, a U.S. portable storage company. His last position with Iomega was Vice President and General Manager of Magnetic Products. Mr. Henry holds a BS degree in Mechanical Engineering from Union College of New York.

Junien Labrousse joined Logitech as Vice President of the Video Division in 1997. He was named Senior Vice President, Video Business Unit in April 2001, Senior Vice President, Entertainment and Communications in July 2005 and Executive Vice President, Products in March 2007. Prior to joining Logitech, he was Vice President of Engineering from 1995 to 1997 at Winnov LP, a U.S. company engaged in the development and marketing of multimedia products. For more than 10 years he held several engineering and management positions at Royal Philips Electronics NV, a global electronics company, in research and in the semiconductor business division. Mr. Labrousse holds an MS degree in Electrical Engineering from the Ecole Supérieure d'Ingenieurs de Marseille, France and an MBA degree from Santa Clara University in California.

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.

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, and in the future will include, filings we make with the U.S. Securities and Exchange Commission ("SEC"), including reports on Forms 10-K, 10-Q, 20-F, 6-K, 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. 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>.

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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 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.

For no charge, a copy of our filings made with the SEC can be requested by contacting our Investor Relations department: Logitech Investor Relations, 6505 Kaiser Drive, Fremont, CA 94555 USA, Main 510-795-8500, email: investorrelations@logitech.com

The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

The strength and timing of the anticipated improvement of our business is uncertain, and economic conditions have and could continue to significantly harm our operating results.

The global economic recession has had a significant negative impact on our business. We anticipate that our business and operating results will continue to improve, in part as a result of the steps we have taken in response to general economic conditions. However, the strength and precise timing of future improvement of our business is uncertain. In addition, the recession may continue to have the following negative effects on our business, operating results, and financial condition:

- Reduced sales to our customers, reflecting current and anticipated lower end-user consumer demand for our products as well as a shift in consumer buying patterns toward lower-priced products.
- Reduced sales, or sales lower than we expect, in our EMEA sales region (which represented 45% of our total net sales in fiscal 2010), as a result of continuing economic uncertainty in Europe and the potential continuing decline in the value of the euro against the U.S. dollar.
- Risk of future customer bankruptcy or business failures, resulting in lower sales levels and increases in bad debt write-offs and receivables reserves.
- Higher costs for customer incentive programs, cooperative marketing arrangements and price protection used to stimulate demand, which lowers our net sales.
- Increased downward pressure on our product prices as we lower prices to stimulate demand or reduce inventory, or as competitors lower prices to gain market share in slow-growing or shrinking markets.
- Product returns in excess of our historical experience rate, resulting in higher returns reserves rates.
- Risk of excess and obsolete inventories.
- Financial distress or bankruptcy of key suppliers, resulting in insufficient product quantities to meet demand for particular products.
- Risk of counterparty failures due to continuing stress on financial institutions, which may negatively impact cash, cash equivalents and investment securities.

If our business does not improve as we expect, or if global economic conditions deteriorate, our operating results in a given quarter could be below the expectations of financial analysts and investors, which could cause the price of our shares to decline.

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 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.
- 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.
- 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, the weakness in consumer spending caused by the current global economic recession has limited our ability to increase local currency selling prices, which has negatively affected and may continue to negatively affect our ability to offset the impact of currency fluctuations.

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.

We may encounter difficulties with our acquisition of LifeSize Communications, and may not realize the anticipated benefits of the acquisition.

In December 2009, we acquired LifeSize Communications, Inc., a privately-held company providing high definition video communication solutions. This acquisition is part of the Company's strategy to acquire, when appropriate, companies that have products, personnel and technologies that complement our strategic direction and roadmap.

Our acquisition of LifeSize involves risks and uncertainties, including:

- Insufficient future revenues and profitability of LifeSize, which could negatively impact our consolidated results.
- Significant goodwill and intangible assets recorded in connection with the acquisition, which could require an impairment and resulting reduction in consolidated results if future revenues and profitability of LifeSize do not meet expectations.
- Increased or unpredictable resource allocation requirements for LifeSize, which could impact the availability of resources for other Logitech strategic or operational investments.
- Diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from the acquisition.
- Initial dependence on unfamiliar supply chains, relatively small supply partners, or a limited number of suppliers.
- Exposure to potential product quality issues.

In addition, through our acquisition of LifeSize, we have entered the market for enterprise video conferencing. Although we plan to maintain the LifeSize enterprise sales organization, we have little experience with selling to enterprise accounts, or in marketing to large enterprises. We will also be exposed to additional competitors in the video conferencing market, some of which may have greater resources, including technical and engineering resources, than we do. 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, provision of greater levels of services and support by us may result in a delay in the timing of revenue recognition.

Any of these and other factors, many of which are out of our control, could prevent us from realizing the anticipated benefits of the acquisition and could adversely affect our business, operating results or financial condition. There can be no assurance that LifeSize product enhancements will be made in a timely fashion or that pre-acquisition due diligence will have identified all possible issues that might arise with respect to LifeSize products.

Acquisitions are inherently risky, and no assurance can be given that our acquisition of LifeSize or other future acquisitions will be successful and will not adversely affect our business, operating results or financial condition.

If we fail to successfully innovate in our current and emerging product categories, our business and operating results could suffer.

The personal peripherals industry is characterized by short product life cycles, frequent new product introductions, rapidly changing technology and evolving industry standards. As a result, we must continually innovate in our current and emerging product categories, introduce new products and technologies, and enhance existing products in order to remain competitive.

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

- identify new features or product opportunities;
- anticipate changes in technology, market trends, and consumer and business demands;
- develop innovative and reliable new products and enhancements in a cost-effective and timely manner; and
- distinguish our products from those of our competitors.

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 distinguish our products, particularly our retail products, through distinctive, technologically advanced features, designs, and services, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business could be harmed.

If we do not successfully innovate and market products for notebook PCs, tablets and other mobile devices, our business and results of operations may suffer.

We have historically targeted peripherals for the PC platform, a market that is dynamically changing as a result of the declining popularity of desktop PCs and the increasing popularity of notebook PCs and mobile devices, such as netbooks, tablets, mobile phones and smaller form factor devices with computing or web surfing capabilities. In our OEM channel, this shift has adversely affected our sales of OEM mice, which are sold with name-brand desktop PCs. Our OEM mice sales have historically made up the bulk of our OEM sales, and our OEM sales accounted for 10% and 15% of total revenues during fiscal years 2010 and 2009. If the desktop PC market continues to experience slower growth or decline, and if we do not successfully diversify our OEM business, our OEM revenues could be adversely affected.

In our retail channels, notebook PCs and mobile devices 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 smaller form factor computing devices such as notebook PCs and mobile devices is still uncertain. The increasing popularity of notebook PCs and mobile devices may result in a decreased demand by consumers for keyboards and speakers, which could negatively affect our sales of these products. The increasing popularity of mobile devices has coincided with a steadily decreasing average sales price for computing devices, including for desktop and notebook PCs. As a result, there is a risk that the demand for those of our products that have a relatively high average sales price in relation to the price of a desktop or notebook PC will decline. If we do not successfully innovate and market products designed for notebook PCs and other mobile devices, or if general consumer demand for peripherals for use with notebook PCs and mobile devices does not increase, our business and results of operations could be significantly harmed.

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

The personal peripherals and video conferencing industries are intensely competitive.

The personal 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 response to declining consumer demand 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 increasing consolidation. There is heightened interest in the video conferencing market by large, well-financed competitors, such as Cisco Systems, Inc. and Hewlett-Packard Company, and as a result, we expect competition in the industry to further intensify.

In recent years, we have expanded the categories of products we sell, and entered 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 in future categories we might enter. Many of these companies, such as Microsoft Corporation, Cisco, Sony Corporation, Hewlett-Packard, Polycom, Inc., Tandberg ASA 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 has impacted our market share in some sales geographies and which could potentially further impact our market share. The notebook peripheral category is also an area where we face aggressive pricing and promotions, as well as new competitors that have broader notebook product offerings than we do.

Video. Our competitors for PC Web cameras include Microsoft, Creative Labs, Royal Philips Electronics NV and Hewlett-Packard. We are encountering aggressive pricing practices and promotions on a worldwide basis, which have impacted 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.

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, and Bose Corporation. In the PC headset and microphone business, our main competitors include Plantronics and Altec Lansing. We have expanded our audio product portfolio to include network-based audio systems for digital music, an emerging market with several small competitors as well as larger established consumer electronics companies, like Sony and Philips.

Gaming. Competitors for our interactive entertainment products include 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.

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

Video Conferencing. Our primary competitors in the enterprise video conferencing market are Tandberg and Polycom. These companies have longer experience and a larger customer installed base than LifeSize. Cisco and Hewlett-Packard also compete with us for sales of higher-end systems. Cisco and Hewlett-Packard have substantially greater financial, sales and marketing, and engineering resources than we do. In addition, there are a number of smaller competitors which compete with LifeSize, along with Tandberg, Polycom, Cisco and Hewlett-Packard, for new accounts, OEM relationships, and installations.

We also expect Cisco's recent purchase of Tandberg to further intensify competition. Cisco is a leading producer of networking, switching and other telecommunications infrastructure products and end-points, such as phones, that are frequently used within enterprises. The growth of our LifeSize division depends in part on our ability to increase sales to enterprises with installed bases of Cisco and Tandberg equipment, and to enterprises that may purchase their equipment in the future. We believe the ability of our LifeSize products to interoperate with Cisco and Tandberg equipment, and 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. Cisco and Tandberg may be able to improve the functionality of their own videoconferencing equipment to correspond with ongoing enhancements to Cisco's networking, switching and other telecommunications equipment before we are able to make such improvements, or may restrict the interoperability of their products with ours. This could significantly harm the sales of our LifeSize division. As a result, the growth of our LifeSize division, and the growth of Logitech as a whole, could be significantly harmed.

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 product demand, 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 number and types of products we sell, and the geographic markets in which we sell them, and we will endeavor to further expand our product portfolio and sales reach. The growth of our product portfolio and our sales markets has increased the difficulty of accurately forecasting product demand.

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

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. For example, in the second half of fiscal year 2009 and the first half of fiscal year 2010, economic uncertainty caused our customers to reduce purchases of our products below what we had forecasted, and also led us to increase our customer incentives to stimulate demand, which significantly lowered our overall gross margin in those periods.

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.

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 product portfolio includes products designed for use with third-party platforms, such as Apple iPod, Microsoft Xbox, Sony PlayStation, and Nintendo Wii. Our business in these categories relies on our access to the platforms of third parties, which 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 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 change without notice to us, our business and operating results could be adversely affected.

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

Our principal manufacturing operations and third-party contract manufacturers are located in China. Our manufacturing operations in Suzhou, China could be severely impacted by changes in the interpretation and enforcement of legal standards, by strains on China's transportation, communications, trade, public health and other infrastructures, by conflicts, embargoes, disagreements or increased tensions between China and Taiwan, 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.

Further, we may be exposed to fluctuations in the value of the Chinese renminbi ("CNY"), the local currency of China. Significant future appreciation of the CNY could increase our component and other raw material costs, as well as our labor costs, and could adversely affect our financial results.

We purchase key components and products from a limited number of sources, and our business and operating results could be harmed 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, 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 harm 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 impact 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 the effect of business, legal and political risks associated with international operations could significantly harm us.

We conduct operations in a number of countries. 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;
- exposure to political and financial instability, leading to currency exchange losses and collection difficulties or other losses;
- exposure to fluctuations in the value of local currencies;
- difficulties or increased costs in establishing sales and distribution channels in unfamiliar markets, with their own market characteristics and competition, particularly in Latin America, Eastern Europe and Asia;
- changes in value-added tax (“VAT”) or VAT reimbursement;
- imposition of currency exchange controls; and
- delays from customs brokers or government agencies.

Any of these risks could significantly harm our business, financial condition and operating results.

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 significantly harm our business, financial condition and operating results.

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

We have been expanding the categories of products we sell, and entering new markets, such as the market for enterprise video conferencing. We expect to continue to enter new categories and markets. As we do so, we face an increased risk that claims that 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 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, result in 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.

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. We are currently subject to ongoing audits in various jurisdictions and 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.

ITEM 2. PROPERTIES

The table below represents our principal locations, their approximate square footage and their purposes as of March 31, 2010:

Location	Purpose	Approximate Square Footage	Ownership
Americas:			
Fremont, California	Americas headquarters, research and development, product marketing, sales management, technical support, administration	194,000	Leased
Austin, Texas	LifeSize Division	54,000	Leased
Vancouver, Washington	Audio Business Unit	38,000	Leased
Mississauga, Canada	Remote Controls Group	20,000	Leased
Irvine, California	Ultimate Ears Group	13,500	Leased
Draper, Utah	Video Security Group	7,000	Leased
Olive Branch, Mississippi	Distribution center	397,000	Contracted(1)
Mexico City, Mexico	Distribution center	17,000	Contracted(1)
EMEA:			
Romanel-sur-Morges, Switzerland	Research and development, product marketing and technical support	33,300	Owned
Morges, Switzerland	EMEA headquarters, sales and marketing management, technical support, administration	62,300	Leased
Nijmegen, Netherlands	Finance, administration, distribution center support	29,000	Leased
Cork, Ireland	Finance, administration, research and development	18,000	Leased
Seefeld, Germany	Research and development, manufacturing	15,000	Leased
Oostrum, Netherlands	Distribution center	183,000	Contracted(1)
Asia Pacific:			
Hsinchu, Taiwan	Asia Pacific headquarters, mechanical engineering, new product launches, process engineering, commodities management, logistics, quality assurance, and administration	112,000	Leased
Suzhou, China	High-volume manufacturing	854,000	Owned
Suzhou, China	Vertical integration, molding operations	277,000	Leased
Tokyo, Japan	Sales, logistics, finance, administration and human resources	10,100	Leased
Bangalore, India	LifeSize Business Division research and development	9,000	Leased
Beijing, China	Distribution center	57,000	Contracted(1)
Tokyo, Japan	Distribution center	39,000	Contracted(1)
Hong Kong, China	Distribution center	65,000	Contracted(1)
Singapore, Singapore	Distribution center	50,000	Contracted(1)
Dayuan Township, Taiwan	Distribution center	28,000	Contracted(1)

(1) Contracted through a third-party warehouse management company

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 60 locations in 38 countries, with various expiration dates from 2010 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

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 presently do not believe that the resolution of these claims and legal proceedings will have a material impact on our results of operations, cash flows or financial condition.

ITEM 4. (REMOVED AND RESERVED)

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. Prior to October 2006, Logitech's American Depositary Shares ("ADSs") traded on the Nasdaq Global Select Market, with each ADS representing one registered share. In October 2006, we exchanged Logitech shares for our ADSs on a one-for-one basis, so that the same Logitech shares trade on the Nasdaq Global Select Market as on the SIX Swiss Exchange.

The trading symbol for Logitech shares is LOGI on Nasdaq and LOGN on the SIX Swiss Exchange. As of May 3, 2010, there were 191,606,620 shares issued (including 16,148,138 shares held as treasury stock) held by 20,527 holders of record, and the closing price of our shares was CHF 17.83 (\$16.45 based on exchange rates on such date) per share on the SIX Swiss Exchange and \$16.44 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	\$	\$
Quarterly Highs and Lows:				