MIDDLESEX WATER CO
Form 8-K
June 18, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report: June 18, 2014

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

NEW JERSEY	0-422	22-1114430
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1500 RONSON ROAD, P.O. BOX 1500, ISELIN, NEW JERSEY 08830

(Address of principal executive offices, including zip code)

(732)-634-1500

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item. 8.01. Other Events

Announcement that effective June 18, 2014, Middlesex Water Company has received approval from the New Jersey Board of Public Utilities for a $4.2 million increase in its base water rates, as set forth in the attached press release.

Section 9 – Financial Statements and Exhibits

Item 9.01 – (d) Exhibits

Press release dated June 18, 2014 announcing Middlesex Water Company has received approval from the New Jersey Board of Public Utilities for a $4.2 million increase in its base water rates which go into effect July 20, 2014.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned hereunto duly authorized.

MIDDLESEX WATER
COMPANY
(Registrant)

By: /s/ A. Bruce O'Connor
A. Bruce O'Connor

Vice President, Treasurer and
Chief Financial Officer

Dated: June 18, 2014

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Cash Flow from Financing Activities

The following tables present information on our cash flows from financing activities, including information on our share repurchases during fiscal years 2011, 2010 and 2009 (in thousands except per share amounts):

	Year Ended March 31, 2011	2010	2009
Proceeds from sale of shares upon exercise of options and purchase rights	$ 42,969	$ 28,917	$ 31,119
Excess tax benefits from share-based compensation	3,455	2,814	6,592
Purchases of treasury shares		(126,301)	(78,870)
Repayments of debt		(13,630)	
Net cash provided by (used in) financing activities	$ 46,424	$ (108,200)	$ (41,159)

	Year Ended March 31, 2011	2010	2009
Number of shares repurchased		7,425	2,803
Value of shares repurchased	$	$ 126,301	$ 78,870
Average price per share	$	$ 17.01	$ 28.14

In fiscal years 2011, 2010 and 2009, we received proceeds from the sale of 4.0 million, 3.1 million and 3.1 million shares upon exercise of employee stock options and share purchases under our stock plans. In addition, cash was provided in each of those fiscal years from tax benefits on the exercise of share-based payment awards.

During fiscal years 2010 and 2009, we repurchased 7.4 million and 2.8 million shares for $126.3 million and $78.9 million under our buyback program announced in June 2007. The June 2007 buyback program, which was completed in March 2010, authorized the purchase of up to $250.0 million in Logitech shares. No share repurchases were made in fiscal year 2011 under the share buyback program approved by our Board of Directors in September 2008, which authorizes the Company to invest up to $250 million to purchase its own shares.

In fiscal year 2010, we repaid $13.6 million of short and long-term debt assumed when we acquired LifeSize Communications.

Cash Outlook

We have financed our operations and capital requirements primarily through cash flow from operations and, to a lesser extent, capital markets and bank borrowings. Our working capital requirements and capital expenditures may increase to support future expansion of Logitech operations. Future acquisitions or expansion of our operations may be significant and may also require the use of cash. In addition, uncertainty regarding future global economic conditions could adversely affect our operations and require the use of cash.

In connection with the acquisition of LifeSize Communications, Inc. in December 2009, Logitech agreed to establish a cash retention and incentive plan for certain LifeSize employees, linked to the achievement of LifeSize performance targets. The duration of the plan s performance period is two years, from January 1, 2010 to December 31, 2011. The total available cash incentive is $9.0 million over the two year performance period. Approximately $5.6 million is accrued as of March 31, 2011.

In September 2008, our Board of Directors approved a share buyback program, which authorizes the Company to invest up to $250 million to purchase its own shares. As of May 24, 2011, we have not made any repurchases under the September 2008 program.

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On October 12, 2010, the legislature of the U.S. state of California enacted a fiscal budget bill which extended the suspension of net operating losses for tax years beginning on or after January 1, 2008 through January 1, 2012. The legislation also affects the methodology used by corporate taxpayers to apportion income to California and modifies the large corporate underpayment penalty effective for our fiscal years ending March 31, 2011 and 2012. Although the Company has significant operations in California, we believe these changes will not have a material impact on our results of operations, cash flows or financial condition.

During the third quarter of fiscal year 2011, the U.S. Internal Revenue Service expanded its examination of the Company s U.S. subsidiary to include fiscal years 2008 and 2009 in addition to fiscal years 2006 and 2007. The Company is also under examination in other tax jurisdictions. As of March 31, 2011, we are not able to estimate the potential future liability, if any, which may result from these examinations.

Other contractual obligations and commitments of the Company which require cash are described in the following sections.

Over the past several years, we have been able to generate positive cash flow from our operating activities, including cash from operations of $156.6 million in fiscal year 2011. We believe that our cash and cash equivalents, cash flow generated from operations, and available borrowings under our bank lines of credit will be sufficient to fund our operations for the foreseeable future.

Contractual Obligations and Commitments

As of March 31, 2011, the Company s outstanding contractual obligations and commitments included: (i) facilities leased under operating lease commitments, (ii) purchase commitments and obligations, (iii) long-term liabilities for income taxes payable, and (iv) defined benefit pension plan and non-retirement post-employment benefit obligations. The following summarizes our contractual obligations and commitments at March 31, 2011 (in thousands):

		Payments Due by Period			
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Operating leases	$ 72,591	$ 18,023	$ 25,469	$ 14,832	$ 14,267
Purchase commitments inventory	165,286	165,286			
Purchase obligations capital expenditures	10,724	10,724			
Purchase obligations operating expenses	49,839	49,839			
Income taxes payable non-current[(1)]	131,968				
Obligation for management deferred compensation [(1)]	13,076				
Pension and post-employment obligations [(1)]	26,645				
Other long-term liabilities [(2)]	14,146				
Total contractual obligations and commitments	$ 484,275	$ 243,872	$ 25,469	$ 14,832	$ 14,267

(1) As specific payment dates for these obligations are unknown, the related balances have not been reflected in the Payments Due by Period section of the table.

(2) Other long-term liabilities at March 31, 2011 included $4.3 million of royalties payable, $5.6 million in deferred service revenue, and $4.2 million related to various other obligations. As specific payment dates for these obligations are unknown, the related balances have not been reflected in the Payments Due by Period section of the table.

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Operating Leases

The Company leases facilities under operating leases, certain of which require it to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at the Company s option and usually include escalation clauses linked to inflation. The remaining terms on our non-cancelable operating leases expire in various years through 2028. Our asset retirement obligations on these leases as of March 31, 2011 were $1.6 million.

In May, 2011 we signed a new lease for facilities which will house our Americas operations in Northern California, replacing our leased facilities in Fremont, California. Our future contractual obligation in connection with this lease is approximately $35 million.

Purchase Commitments

We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations. At March 31, 2011, fixed purchase commitments for capital expenditures amounted to $10.7 million, and primarily relate to commitments for manufacturing equipment and tooling. We also have commitments for inventory purchases made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers. At March 31, 2011, fixed purchase commitments for inventory amounted to $165.3 million, which are expected to be fulfilled by September 2011. We also had other commitments of $49.8 million for consulting services, marketing arrangements, advertising, outsourced customer services and other services. Although open purchase commitments are considered enforceable and legally binding, the terms generally allow us the option to reschedule and adjust our requirements based on business needs prior to delivery of goods or performance of services.

Income Taxes Payable

At March 31, 2011, we had $132.0 million in non-current income taxes payable, including interest and penalties, related to our income tax liability for recognized uncertain tax positions. As specific payment dates for these obligations are unknown, the related balances have not been reflected in the Payments Due by Period section of the table. Although we have adequately provided for uncertain tax positions, the provisions on these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. We do not anticipate that this liability will change substantially within the next 12 months.

The Company files Swiss and foreign tax returns. For all these tax returns, the Company is generally not subject to tax examinations for years prior to 1999. During the third quarter of fiscal year 2011, the U.S. Internal Revenue Service expanded its examination of the Company s U.S. subsidiary to include fiscal years 2008 and 2009 in addition to fiscal years 2006 and 2007. At this time it is not possible to estimate the potential impact that the examination may have on income tax expense. The Company is also under examination in other tax jurisdictions. Although timing of the resolution or closure on audits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits would materially change in the next twelve months.

Obligation for Management Deferred Compensation

At March 31, 2011, we had $13.1 million in liabilities related to a management deferred compensation plan offered by one of the Company s subsidiaries. As specific payment dates for these obligations are unknown, the related balances have not been reflected in the Payments Due by Period section of the table. See Note 12 Employee Benefit Plans for more information.

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Pension and Post-Employment Obligations

At March 31, 2011, we had $30.2 million in liabilities related to our defined benefit pension plans and non-retirement post-employment benefit obligations, of which $3.6 million is payable in the next 12 months. As specific payment dates for these obligations are unknown beyond a 12-month period, the related balances have not been reflected in the Payments Due by Period section of the table. See Note 12 Employee Benefit Plans for more information.

Off-Balance Sheet Arrangements

The Company has not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company.

Guarantees

The Company has guaranteed the purchase obligations of some of its contract manufacturers and original design manufacturers to certain component suppliers. These guarantees generally have a term of one year and are automatically extended for one or more years as long as a liability exists. The amount of the purchase obligations of these manufacturers varies over time, and therefore the amounts subject to the Company s guarantees similarly varies. At March 31, 2011, there were no outstanding guaranteed purchase obligations. The maximum potential future payments for two of the three guarantee arrangements is limited to $30.0 million in total. The third guarantee is limited to purchases of specified components from the named suppliers. We do not believe, based on historical experience and information available as of the date of this report, that it is probable that any amounts will be required to be paid under these guarantee arrangements.

Logitech International S.A., the parent holding company, has guaranteed certain contingent liabilities of various subsidiaries related to specific transactions occurring in the normal course of business. The maximum amount of the guarantees was $54.7 million as of March 31, 2011. As of March 31, 2011, $10.3 million was outstanding under these guarantees. The parent holding company has also guaranteed the purchases of one of its subsidiaries under three guarantee arrangements. Two of these guarantees do not specify a maximum amount. The third guarantee is limited to $7.0 million. As of March 31, 2011, $4.9 million was outstanding under these guarantees.

Indemnifications

The Company indemnifies certain of its suppliers and customers for losses arising from matters such as intellectual property rights and safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances, includes indemnification for damages and expenses, including reasonable attorneys fees. In addition, we have entered into indemnification agreements with our officers and directors, and the bylaws of our subsidiaries contain similar indemnification obligations to our agents. No amounts have been accrued for indemnification provisions at March 31, 2011. We do not believe, based on historical experience and information available as of the date of this report, that it is probable that any amounts will be required to be paid under these indemnification arrangements.

Letters of Credit

We provide various third parties with irrevocable letters of credit in the normal course of business to secure our obligations to pay or perform pursuant to the requirements of an underlying agreement or the provision of goods and services. These standby letters of credit are cancelable only at the option of the beneficiary who is authorized to draw drafts on the issuing bank up to the face amount of the standby letter of credit in accordance

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with its terms. At March 31, 2011, we had $0.7 million of letters of credit in place, of which $0.1 million was outstanding. These letters of credit relate primarily to equipment purchases by a subsidiary in China, and expire between April and December 2011.

Research and Development

For a discussion of the Company s research and development activities, patents and licenses, please refer to Item 1 Business .

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. As a global concern, the Company faces exposure to adverse movements in foreign currency exchange rates and interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company s financial results.

Foreign Currency Exchange Rates

The Company is exposed to foreign currency exchange rate risk as it transacts business in multiple foreign currencies, including exposure related to anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. Logitech transacts business in over 30 currencies worldwide, of which the most significant to operations are the CNY (Chinese renminbi), Taiwanese dollar, euro, British pound, Mexican peso, Japanese yen and Canadian dollar. The functional currency of the Company s operations is primarily the U.S. dollar. To a lesser extent, certain operations use the euro, Chinese renminbi, Swiss franc or the local currency of the country as their functional currencies. Accordingly, unrealized foreign currency gains or losses resulting from the translation of net assets or liabilities denominated in foreign currencies to the U.S. dollar are accumulated in the cumulative translation adjustment component of other comprehensive income in shareholders equity.

The table below provides information about the Company s underlying transactions that are sensitive to foreign exchange rate changes, primarily assets and liabilities denominated in currencies other than the functional currency, where the net exposure is greater than $0.5 million at March 31, 2011. The table also presents the U.S. dollar impact on earnings of a 10% appreciation and a 10% depreciation of the functional currency as compared with the transaction currency (in thousands):

Functional Currency	Transaction Currency	Net Exposed Long (Short) Currency Position	FX Gain (Loss) From 10% Appreciation of Functional Currency	FX Gain (Loss) From 10% Depreciation of Functional Currency
U.S. dollar	Chinese renminbi	$ 58,969	$ (5,361)	$ 6,552
Taiwanese dollar	U.S. dollar	21,377	(1,943)	2,375
Euro	British pound	14,606	(1,328)	1,623
Mexican peso	U.S. dollar	(8,715)	792	(968)
Japanese yen	U.S. dollar	(7,345)	668	(816)
Euro	U.S. dollar	(2,743)	249	(305)
Canadian dollar	U.S. dollar	2,624	(239)	292
Euro	Swedish krona	(1,591)	145	(177)
Euro	Russian rouble	1,109	(101)	123
Euro	Swiss franc	(1,095)	100	(122)
Australian dollar	U.S. dollar	817	(74)	91
Euro	United Arab Emirates dirham	(547)	50	(61)
		$ 77,466	$ (7,042)	$ 8,607

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Long currency positions represent net assets being held in the transaction currency while short currency positions represent net liabilities being held in the transaction currency.

The Company s principal manufacturing operations are located in China, with much of its component and raw material costs transacted in CNY. However, the functional currency of its Chinese operating subsidiary is the U.S. dollar as its sales and trade receivables are transacted in U.S. dollars. To hedge against any potential significant appreciation of the CNY, the Company maintains a portion of its cash investments in CNY-denominated accounts. At March 31, 2011, net assets held in CNY totaled $59.0 million. The Company continues to evaluate the level of net assets held in CNY relative to component and raw material purchases and interest rates on cash equivalents.

The Company enters into foreign exchange forward contracts to hedge against exposure to changes in foreign currency exchange rates related to its subsidiaries forecasted inventory purchases. The primary risk managed by using derivative instruments is the foreign currency exchange rate risk. The Company has designated these derivatives as cash flow hedges. Logitech does not use derivative financial instruments for trading or speculative purposes. These hedging contracts mature within three months, and are denominated in the same currency as the underlying transactions. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. The Company assesses the effectiveness of the hedges by comparing changes in the spot rate of the currency underlying the forward contract with changes in the spot rate of the currency in which the forecasted transaction will be consummated. If the underlying transaction being hedged fails to occur or if a portion of the hedge does not generate offsetting changes in the foreign currency exposure of forecasted inventory purchases, the Company immediately recognizes the gain or loss on the associated financial instrument in other income (expense). As of March 31, 2011, the notional amounts of foreign exchange forward contracts outstanding related to forecasted inventory purchases were $54.9 million (38.7 million). Deferred realized losses of $1.2 million are recorded in accumulated other comprehensive loss at March 31, 2011, and are expected to be reclassified to cost of goods sold when the related inventory is sold. Deferred unrealized losses of $1.8 million related to open cash flow hedges are also recorded in accumulated other comprehensive loss as of March 31, 2011 and these forward contracts will be revalued in future periods until the related inventory is sold, at which time the resulting gains or losses will be reclassified to cost of goods sold.

The Company also enters into foreign exchange forward contracts to reduce the short-term effects of foreign currency fluctuations on certain foreign currency receivables or payables. These forward contracts generally mature within two months. The Company may also enter into foreign exchange swap contracts to economically extend the terms of its foreign exchange forward contracts. The primary risk managed by using forward and swap contracts is the foreign currency exchange rate risk. The gains or losses on foreign exchange forward contracts are recognized in earnings based on the changes in fair value.

The notional amounts of foreign exchange forward contracts outstanding at March 31, 2011 relating to foreign currency receivables or payables were $12.9 million. Open forward contracts as of March 31, 2011 consisted of contracts in British pounds to purchase euros at a future date at a predetermined exchange rate. The notional amounts of foreign exchange swap contracts outstanding at March 31, 2011 were $17.1 million. Swap contracts outstanding at March 31, 2011 consisted of contracts in Canadian dollars, Japanese yen, and Mexican pesos. Unrealized net losses on the contracts outstanding at March 31, 2011 were $0.4 million.

If the U.S. dollar had appreciated by 10% at March 31, 2011 compared with the foreign currencies in which we have forward or swap contracts, an unrealized gain of $5.7 million in our forward foreign exchange contract portfolio would have occurred. If the U.S. dollar had depreciated by 10% compared with the foreign currencies in which we have forward or swap contracts, a $8.6 million unrealized loss in our forward foreign exchange contract portfolio would have occurred.

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Interest Rates

Changes in interest rates could impact the Company s anticipated interest income on its cash equivalents and investment securities. The Company prepared sensitivity analyses of its interest rate exposures to assess the impact of hypothetical changes in interest rates. Based on the results of these analyses, a 100 basis point decrease or increase in interest rates from the March 31, 2011 and March 31, 2010 period end rates would not have a material effect on the Company s results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Logitech s financial statements and supplementary data required by this item are set forth as a separate section of this Form 10-K. See Item 15 (a) for a listing of financial statements provided in the section titled Financial Statements and Supplementary Data.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Logitech s Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 10-K, have concluded that, as of such date, our disclosure controls and procedures are effective at a level designed to provide reasonable assurance of achieving their stated objectives.

Disclosure controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls are also designed to reasonably assure that this information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management s Report on Internal Control over Financial Reporting

Logitech s management, with oversight by the Board of Directors, is responsible for establishing and maintaining adequate internal control over financial reporting. Logitech s internal control system was designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles in the United States.

Logitech s management assessed the effectiveness of our internal control over financial reporting as of March 31, 2011. In making this assessment, management used the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of March 31, 2011.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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The effectiveness of the Company s internal control over financial reporting as of March 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company s internal control over financial reporting during the fiscal quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

In December of 2009, the Company acquired LifeSize Communications, Inc. As a result, the Company is in the process of integrating the processes and systems related to LifeSize into its existing systems of internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our executive officers is incorporated herein by reference to Part I, Item 1, above.

Other information required by this Item may be found in the definitive Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference. The definitive Proxy Statement will be filed with the Commission within 120 days after our fiscal year end of March 31, 2011 (the Proxy Statement).

The Company s code of ethics policy entitled, Business Ethics and Conflict of Interest Policy of Logitech International S.A., covers members of the Company s board of directors and its executive officers (including the principal executive officer, principal financial officer and controller) as well as all other employees.

The code of ethics addresses, among other things, the following items:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the Commission and in other public communications made by us;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to an appropriate person or persons identified in the code of violations of any of the provisions described above; and
- Accountability for adherence to the code.

Any amendments or waivers of the code of ethics for members of the Company s board of directors or executive officers will be disclosed in the investor relations section of the Company s Web site within four business days following the date of the amendment or waiver and will also be disclosed either on a Form 8-K or the Company s next Form 10-K filing. During fiscal year 2011, no waivers or amendments were made to the code of ethics for any Director or Executive Officer.

Logitech s code of ethics is available on the Company s Web site at www.logitech.com, and for no charge, a copy of the Company s code of ethics can be requested via the following address or phone number:

Logitech

Investor Relations

6505 Kaiser Drive

Fremont, CA 94555 USA

Main 510-795-8500

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item may be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to this item may be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to this item may be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to this item may be found in the Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

Report of the Independent Registered Public Accounting Firm

Consolidated Statements of Income Years Ended March 31, 2011, 2010 and 2009

Consolidated Balance Sheets March 31, 2011 and 2010

Consolidated Statements of Cash Flows Years Ended March 31, 2011, 2010 and 2009

Consolidated Statements of Changes in Shareholders Equity Years Ended March 31, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

Unaudited Quarterly Financial Data

2. Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts

3. Exhibits

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Index to Exhibits

Exhibit No.	Exhibit	Incorporated by Reference Form	File No.	Filing Date	Exhibit No.	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of November 10, 2009, as amended by the First Amendment to Agreement and Plan of Merger, entered into as of November 16, 2009, both by and among Logitech Inc., Agora Acquisition Corporation, LifeSize Communications, Inc., Shareholder Representative Services LLC, as stockholder representative, and U.S. Bank National Association, as escrow agent.	8-K	0-29174	12/14/09	2.1	
3.1	Articles of Incorporation of Logitech International S.A. as amended	10-Q	0-29174	11/08/10	3.1	
3.2	Organizational Regulations of Logitech International S.A. as amended	10-K	0-29174	06/01/09	3.2	
10.1	1996 Stock Plan, as amended **	S-8	333-100854	05/27/03	4.2	
10.2	Logitech International S.A. 2006 Stock Incentive Plan, as amended and restated effective September 1, 2009 **	8-K	0-29174	09/03/09	10.2	
10.3	Representative form of Performance Restricted Stock Unit agreement (executives) under the Logitech International S.A. 2006 Stock Incentive Plan for grants in 2008 to 2010 **	10-K	0-29174	06/01/09	10.3	
10.4	Logitech Inc. Management Deferred Compensation Plan **	10-Q	0-29174	11/04/08	10.1	
10.5	1996 Employee Share Purchase Plan (U.S.), as amended **	S-8	333-157038	01/30/09	10.1	
10.6	2006 Employee Share Purchase Plan (Non-U.S.), as amended **	S-8	333-157038	01/30/09	10.2	
10.7	Form of Director and Officer Indemnification Agreement with Logitech International S.A. **	20-F	0-29174	05/21/03	4.1	
10.8	Form of Director and Officer Indemnification Agreement with Logitech Inc. **	20-F	0-29174	05/21/03	4.2	
10.9	Logitech Management Performance Bonus Plan **	8-K	0-29174	05/13/08	10.1	
10.10	Employment Agreement dated December 3, 2008 between Logitech Inc. and Gerald P. Quindlen **	8-K	0-29174	12/09/08	10.1	

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Index to Exhibits (Continued)

Exhibit No.	Exhibit	Incorporated by Reference Form	File No.	Filing Date	Exhibit No.	Filed Herewith
10.11	Change of Control Severance Agreement dated December 3, 2008 among Logitech International S.A., Logitech Inc. and Gerald P. Quindlen **	8-K	0-29174	12/09/08	10.4	
10.12	Employment agreement dated January 28, 2008 between Logitech Inc. and Guerrino De Luca **	10-K	0-29174	05/30/08	10.10	
10.13	Change of Control Severance Agreement dated December 3, 2008 among Logitech International S.A., Logitech Inc. and Guerrino De Luca **	8-K	0-29174	12/09/08	10.5	
10.14	Form of Employment Agreement dated December 3, 2008 between Logitech Inc. and L. Joseph Sullivan **	8-K	0-29174	12/09/08	10.2	
10.15	Form of Change of Control Severance Agreement between Logitech Inc., Logitech International S.A. and executive officers other than the Chairman and the Chief Executive Officer **	10-K	0-29174	05/30/08	10.12	
10.16	Offer letter dated December 24, 2008 between Logitech Inc. and Werner Heid **	10-K	0-29174	06/01/09	10.16	
10.17	Representative form of stock option agreement (non-executive board members) under the Logitech International S.A. 2006 Stock Incentive Plan **	10-Q	0-29174	11/04/09	10.1	
10.18	Representative form of stock option agreement (employees) under the Logitech International S.A. 2006 Stock Incentive Plan **	10-Q	0-29174	11/04/09	10.2	
10.19	Representative form of restricted stock unit agreement (non-executive board members) under the Logitech International S.A. 2006 Stock Incentive Plan **	10-Q	0-29174	11/04/09	10.3	
10.20	Representative form of restricted stock unit agreement (executives) under the Logitech International S.A. 2006 Stock Incentive Plan **	10-Q	0-29174	11/04/09	10.4	
10.21	Compensation terms for non-executive board members for September 2009 September 2010 board year **	10-Q	0-29174	11/04/09	10.5	

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Index to Exhibits (Continued)

Exhibit No.	Exhibit	Incorporated by Reference Form	File No.	Filing Date	Exhibit No.	Filed Herewith
10.22	Executive officer base salary, duties and authority under form of employment agreements dated December 3, 2008 **	10-Q	0-29174	11/04/09	10.14.1	
10.23	LifeSize Communications, Inc. 2003 Stock Option Plan **	S-8	333-163933	12/22/09	10.1	
10.24	Offer letter dated September 14, 2009 between Logitech Inc. and Erik K. Bardman **	8-K	0-29174	09/22/09	10.1	
10.25	Employment Agreement effective January 1, 2011 between Logitech Europe S.A. and Junien Labrousse **	8-K	0-29174	03/24/11	10.1	
10.27	Compensation terms for non-executive board members for September 2010 September 2011 board year **	10-Q	0-29174	11/08/11	10.1	
10.28	Representative form of Performance Restricted Stock Unit agreement (executives) under the Logitech International S.A. 2006 Stock Incentive Plan for grants in 2011 **					X
21.1	List of subsidiaries of Logitech International S.A.					X
23.1	Consent of Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report of Form 10-K)					X
31.1	Certification by Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification by Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 *					X
101.INS***	XBRL Instance Document					X
101.SCH***	XBRL Taxonomy Extension Schema Document					X
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document					X

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Index to Exhibits (Continued)

Exhibit No.	Exhibit	Incorporated by Reference Form	File No.	Filing Date	Exhibit No.	Filed Herewith
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document					X

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

** Indicates management compensatory plan, contract or arrangement.

*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections. We are deemed to have complied with the reporting obligation relating to the submission of interactive data files in these exhibits and are not subject to liability under the anti-fraud provisions of the Securities Act of 1933 or any other liability provision as long as we make a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOGITECH INTERNATIONAL S.A.

/s/ Gerald P. Quindlen
Gerald P. Quindlen

President and Chief Executive Officer

/s/ Erik K. Bardman
Erik K. Bardman

Senior Vice President, Finance and
Chief Financial Officer

May 27, 2011

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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gerald P. Quindlen and Erik K. Bardman, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Gerald P. Quindlen Gerald P. Quindlen	President and Chief Executive Officer (Principal Executive Officer)	May 27, 2011
/s/ Erik K. Bardman Erik K. Bardman	Senior Vice President, Finance and Chief Financial Officer (Principal Financial Officer, Principal Accounting Officer)	May 27, 2011
/s/ Guerrino De Luca Guerrino De Luca	Chairman of the Board	May 27, 2011
/s/ Gerald P. Quindlen Gerald P. Quindlen	Director	May 27, 2011
/s/ Daniel Borel Daniel Borel	Director	May 27, 2011
/s/ Matthew Bousquette Matthew Bousquette	Director	May 27, 2011
/s/ Erh-Hsun Chang Erh-Hsun Chang	Director	May 27, 2011
/s/ Kee-Lock Chua Kee-Lock Chua	Director	May 27, 2011
/s/ Sally Davis Sally Davis	Director	May 27, 2011
/s/ Neil Hunt Neil Hunt	Director	May 27, 2011

	Director	
Richard Laube		
/s/ Monika Ribar	Director	May 27, 2011
Monika Ribar		

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Logitech International S.A.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Logitech International S.A. and its subsidiaries at March 31, 2011 and March 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 6 to the consolidated financial statements, the Company changed the manner in which it accounts for business combinations effective April 1, 2009.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California

May 27, 2011

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year ended March 31,		
	2011	2010	2009
Net sales	$ 2,362,886	$ 1,966,748	$ 2,208,832
Cost of goods sold	1,526,380	1,339,852	1,517,606
Gross profit	836,506	626,896	691,226
Operating expenses:			
Marketing and selling	420,580	304,788	319,167
Research and development	156,390	135,813	128,755
General and administrative	116,880	106,147	113,103
Restructuring charges		1,784	20,547
Total operating expenses	693,850	548,532	581,572
Operating income	142,656	78,364	109,654
Interest income, net	2,316	2,120	8,628
Other income, net	3,476	3,139	8,511
Income before income taxes	148,448	83,623	126,793
Provision for income taxes	19,988	18,666	19,761
Net income	$ 128,460	$ 64,957	$ 107,032
Net income per share:			
Basic	$ 0.73	$ 0.37	$ 0.60
Diluted	$ 0.72	$ 0.36	$ 0.59
Shares used to compute net income per share:			
Basic	176,928	177,279	178,811
Diluted	178,790	179,340	182,911

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

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LOGITECH INTERNATIONAL S.A.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	March 31, 2011	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 477,931	$ 319,944
Accounts receivable	258,294	195,247
Inventories	280,814	219,593
Other current assets	59,347	58,877
Total current assets	1,076,386	793,661
Property, plant and equipment	84,160	91,229
Goodwill	547,184	553,462
Other intangible assets	74,616	95,396
Other assets	79,210	65,930
Total assets	$ 1,861,556	$ 1,599,678
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 298,160	$ 257,955
Accrued liabilities	172,560	182,336
Total current liabilities	470,720	440,291
Other liabilities	185,835	159,672
Total liabilities	656,555	599,963
Commitments and contingencies		
Shareholders equity:		
Shares, par value CHF 0.25 191,606 issued and authorized and 50,000 conditionally authorized at March 31, 2011 and 2010	33,370	33,370
Additional paid-in capital		14,880
Shares in treasury, at cost, 12,433 at March 31, 2011 and 16,435 at March 31, 2010	(264,019)	(382,512)
Retained earnings	1,514,168	1,406,618
Accumulated other comprehensive loss	(78,518)	(72,641)
Total shareholders equity	1,205,001	999,715
Total liabilities and shareholders equity	$ 1,861,556	$ 1,599,678

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

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LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year ended March 31, 2011	2010	2009
Cash flows from operating activities:			
Net income	$ 128,460	$ 64,957	$ 107,032
Non-cash items included in net income:			
Depreciation	48,191	56,380	44,021
Amortization of other intangible assets	27,800	14,515	8,166
Share-based compensation expense related to options, restricted stock units and stock purchase rights	34,846	25,807	24,503
Write-down of investments	43	643	2,727
Gain on disposal of fixed assets	(838)		
Excess tax benefits from share-based compensation	(3,455)	(2,814)	(6,592)
Loss (gain) on cash surrender value of life insurance policies	(901)	(1,223)	2,868
In-process research and development			1,000
Deferred income taxes and other	(8,683)	(17,895)	(10,387)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(54,684)	28,489	152,496
Inventories	(60,482)	30,942	(9,078)
Other assets	5,825	15,038	14,615
Accounts payable	37,714	94,155	(123,802)
Accrued liabilities	2,715	56,265	(6,982)
Net cash provided by operating activities	156,551	365,259	200,587
Cash flows from investing activities:			
Purchases of property, plant and equipment	(43,039)	(39,834)	(48,263)
Purchases of trading investments	(19,075)		
Proceeds from cash surrender of life insurance policies	11,313	813	
Proceeds from sale of business	9,087		
Acquisitions and investments, net of cash acquired	(7,300)	(388,809)	(64,430)
Sales of trading investments	6,470		
Proceeds from sale of property, plant and equipment	2,688		
Premiums paid on cash surrender value life insurance policies	(5)		(427)
Net cash used in investing activities	(39,861)	(427,830)	(113,120)
Cash flows from financing activities:			
Proceeds from sale of shares upon exercise of options and purchase rights	42,969	28,917	31,119
Excess tax benefits from share-based compensation	3,455	2,814	6,592
Purchases of treasury shares		(126,301)	(78,870)
Repayments of debt		(13,630)	
Net cash provided by (used in) financing activities	46,424	(108,200)	(41,159)
Effect of exchange rate changes on cash and cash equivalents	(5,127)	(2,044)	(35,901)
Net increase (decrease) in cash and cash equivalents	157,987	(172,815)	10,407
Cash and cash equivalents at beginning of period	319,944	492,759	482,352

Cash and cash equivalents at end of period	$ 477,931	$ 319,944	$ 492,759
Supplemental cash flow information:			
Interest paid	$ 25	$ 66	$ 143
Income taxes paid	$ 16,619	$ 9,436	$ 15,268

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

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LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(In thousands)

	Registered shares		Additional paid-in capital	Treasury shares		Retained earnings	Accumulated other comprehensive loss	Total
	Shares	Amount		Shares	Amount			
March 31, 2008	191,606	$ 33,370	$ 49,821	12,431	$ (338,293)	$ 1,234,629	$ (19,483)	$ 960,044
Net income						107,032		107,032
Cumulative translation adjustment							(55,983)	(55,983)
Net deferred hedging gains							216	216
Actuarial loss on pension plan, net of tax of $182							(6,055)	(6,055)
Unrealized gain on investment							424	424
Total comprehensive income								$ 45,634
Tax benefit from exercise of stock options			15,253					15,253
Purchase of treasury shares				2,803	(78,870)			(78,870)
Sale of shares upon exercise of options and purchase rights			(44,590)	(3,110)	75,709			31,119
Share-based compensation expense			24,528					24,528
March 31, 2009	191,606	$ 33,370	$ 45,012	12,124	$ (341,454)	$ 1,341,661	$ (80,881)	$ 997,708
Net income						64,957		64,957
Cumulative translation adjustment							2,753	2,753
Net deferred hedging gains							1,178	1,178
Actuarial gain on pension plan, net of tax of $122							4,309	4,309
Total comprehensive income								$ 73,197
Tax benefit from exercise of stock options			266					266
Purchase of treasury shares				7,425	(126,301)			(126,301)
Sale of shares upon exercise of options and purchase rights			(56,326)	(3,114)	85,243			28,917
Share-based compensation expense			25,928					25,928
March 31, 2010	191,606	$ 33,370	$ 14,880	16,435	$ (382,512)	$ 1,406,618	$ (72,641)	$ 999,715
Net income						128,460		128,460
Cumulative translation adjustment							5,005	5,005
Net deferred hedging gains							(4,366)	(4,366)

Actuarial gain on pension plan, net of tax of $241							(7,260)	(7,260)
Unrealized gain on investment							744	744
Total comprehensive income								$ 122,583
Tax benefit from exercise of stock options			4,783					4,783
Purchase of treasury shares								
Sale of shares upon exercise of options and purchase rights			(54,614)	(4,002)	118,493	(20,910)		42,969
Share-based compensation expense			34,951					34,951
March 31, 2011	191,606	$ 33,370	$ 0	12,433	$ (264,019)	$ 1,514,168	$ (78,518)	$ 1,205,001

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

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LOGITECH INTERNATIONAL S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 The Company

Logitech is a world leader in products that connect people to digital experiences. Spanning multiple computing, communications and entertainment platforms, we develop and market innovative hardware and software products that enable or enhance digital navigation, music and video entertainment, gaming, social networking, audio and video communication over the Internet, video security and home-entertainment control. Our products for the PC include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets, webcams, and lapdesks. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems for a home or small business. Our digital music products include speakers, earphones, and custom in-ear monitors. For home entertainment systems, we offer the Harmony line of advanced remote controls, Squeezebox wireless music solutions and, in the United States, a line of Logitech products for the Google TV platform. For gaming consoles, we offer a range of gaming controllers and microphones, as well as other accessories. Our LifeSize division offers scalable HD (high-definition) video communications endpoints, all-in-one HD video conferencing systems, video infrastructure bridges and integrated LifeSize/Logitech products and services.

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

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, EMEA (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.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The consolidated financial statements are presented in accordance with U.S. GAAP (accounting principles generally accepted in the United States of America). In the opinion of management, these financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented.

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation with no impact on previously reported net income.

Fiscal Year

The Company s fiscal year ends on March 31. Interim quarters are thirteen-week periods, each ending on a Friday. For purposes of presentation, the Company has indicated its quarterly periods as ending on the month end.

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Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, net sales and expenses, and the disclosure of contingent assets and liabilities. Although these estimates are based on management s best knowledge of current events and actions that may impact the Company in the future, actual results could differ from those estimates.

Foreign Currencies

The functional currency of the Company s operations is primarily the U.S. dollar. To a lesser extent, certain operations use the euro, Chinese renminbi, Swiss franc or the local currency of the country as their functional currencies. The financial statements of the Company s subsidiaries whose functional currency is other than the U.S. dollar are translated to U.S. dollars using period-end rates of exchange for assets and liabilities and monthly average rates for revenues and expenses. Cumulative translation gains and losses are included as a component of shareholders equity in accumulated other comprehensive loss. Gains and losses arising from transactions denominated in currencies other than a subsidiary s functional currency are reported in other income (expense), net in the consolidated statement of income.

Revenue Recognition

Revenues are recognized when all of the following criteria are met:

evidence of an arrangement exists between the Company and the customer;

delivery has occurred and title and risk of loss transfer to the customer;

the price of the product is fixed or determinable; and

collectibility of the receivable is reasonably assured.

For sales of most hardware peripherals products and hardware bundled with software incidental to its functionality, these criteria are met at the time delivery has occurred and title and risk of loss have transferred to the customer.

For multiple-deliverable revenue arrangements that include both undelivered software elements and hardware with software essential its functionality, the Company began using the following hierarchy as of April 1, 2010 to determine the relative selling price for allocating revenue to the deliverables: (i) VSOE (vendor specific objective evidence) of fair value, if available; (ii) TPE (third party evidence), if VSOE is not available; or (iii) ESP (estimated selling price), if neither VSOE or TPE is available. Management judgment must be used to determine the appropriate deliverables and associated relative selling prices. The Company has identified Logitech Revue and the LifeSize video conferencing products as products sold with software components that qualify as multiple-deliverable revenue arrangements.

The sale of Logitech Revue consists of three deliverables: hardware with essential software delivered at the time of sale, standalone hardware, and unspecified upgrades to the essential software delivered on a when-and-if-available basis. The relative selling price of the hardware with essential software is based on ESP, using the cost-plus margin method. The relative selling price of the standalone hardware is based on VSOE from sales of the product on a standalone basis. As future unspecified upgrades to the essential software are not sold on a standalone basis by Logitech or its competitors, the ESP for future upgrades is estimated as a percentage of the total market price for similar software products sold by third parties which include upgrade rights. Amounts allocated to the delivered hardware and essential software are recognized

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at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to the future unspecified software upgrade rights are deferred and recognized ratably over the estimated 24-month life of the hardware.

LifeSize products include the following deliverables:

- Hardware with software essential to the functionality of the hardware device delivered at time of sale;
- Non-essential software;
- Maintenance for hardware with essential software, including future, when-and-if available unspecified upgrades;
- Maintenance for non-essential software, including future, when-and-if available unspecified upgrades;
- Other services including training and installation.

The relative selling price for LifeSize hardware with essential software and non-essential software is based on ESP, as VSOE and TPE cannot be established due to variable price discounting. Key factors considered in developing ESP are historical selling prices of the product, pricing of substantially similar products, and other market conditions. LifeSize sells maintenance for non-essential software, maintenance for hardware with essential software, and other services on a standalone basis, and therefore has established VSOE for those deliverables. Amounts allocated to the delivered hardware with essential software and non-essential software are recognized at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to maintenance are deferred and recognized ratably over the maintenance period. Amounts allocated to other services are deferred and recognized upon completion of services. Prior to adopting the selling price hierarchy on April 1, 2010, LifeSize had established VSOE for all undelivered elements, which continued to be used as the relative selling price.

Separately priced maintenance contracts and extended service revenue on other Logitech hardware and software products are recognized ratably over the service period.

Revenues from sales to distributors and authorized resellers are recognized net of estimated product returns and expected payments for cooperative marketing arrangements, customer incentive programs and pricing programs. The estimated cost of these programs is accrued in the period the Company sells the product or commits to the program as a reduction of revenue or as an operating expense, if we receive a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit. Significant management judgment and estimates must be used to determine the cost of these programs in any accounting period.

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

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

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

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

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

The Company s shipping and handling costs are included in cost of sales in the accompanying Consolidated Statements of Income for all periods presented.

Research and Development Costs

Costs related to research, design and development of products, which consist primarily of personnel, product design and infrastructure expenses, are charged to research and development expense as they are incurred.

Advertising Costs

Advertising costs are expensed as incurred and amounted to $184.8 million, $118.1 million and $161.5 million in fiscal years 2011, 2010 and 2009. Advertising costs are recorded as either a marketing and selling expense or a deduction from revenue. Advertising costs reimbursed by the Company to a customer must have an identifiable benefit and an estimable fair value in order to be classified as an operating expense. If these criteria are not met, the cost is classified as a reduction of revenue.

Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

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Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions to limit exposure with any one financial institution, but is exposed to credit risk in the event of default by financial institutions to the extent that cash balances with individual financial institutions are in excess of amounts that are insured.

The Company sells to large OEMs, distributors and key retailers and, as a result, maintains individually significant receivable balances with such customers. As of March 31, 2011 and 2010, one customer represented 13% and 14% of total accounts receivable. Typical payment terms require customers to pay for product sales generally within 30 to 60 days; however terms may vary by customer type, by country and by selling season. Extended payment terms are sometimes offered to a limited number of customers during the second and third fiscal quarters. The Company does not modify payment terms on existing receivables.

The Company s OEM customers tend to be well-capitalized, multi-national companies, while distributors and key retailers may be less well-capitalized. The Company manages its accounts receivable credit risk through ongoing credit evaluation of its customers financial condition. The Company generally does not require collateral from its customers.

Allowances for Doubtful Accounts

Allowances for doubtful accounts are maintained for estimated losses resulting from the inability of the Company s customers to make required payments. The allowances are based on the Company s regular assessment of the credit worthiness and financial condition of specific customers, as well as its historical experience with bad debts and customer deductions, receivables aging, current economic trends, geographic or country-specific risks and the financial condition of its distribution channels.

Inventories

Inventories are stated at the lower of cost or market. Cost is computed on a first-in, first-out basis. The Company records write-downs of inventories which are obsolete or in excess of anticipated demand or market value based on a consideration of marketability and product life cycle stage, product development plans, component cost trends, demand forecasts, historical sales, and assumptions about future demand and market conditions.

Investments

The Company s investment securities portfolio consists of bank time deposits, marketable securities related to a management deferred compensation plan, and auction rate securities collateralized by residential and commercial mortgages.

The bank time deposits are classified as cash equivalents, and are recorded at cost, which approximates fair value.

The marketable securities are classified as non-current trading investments, and are recorded at fair value based on quoted market prices. Earnings, gains and losses on trading investments are included in other income (expense), net.

The auction rate securities are classified as non-current available-for-sale assets, and are recorded at estimated fair value. Declines in fair value of the auction rate securities are deemed other-than-temporary and are included in other income (expense), net. Increases in fair value are deemed temporary and are included in accumulated other comprehensive income (loss).

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Property, Plant and Equipment

Property, plant and equipment are stated at cost. Additions and improvements are capitalized, and maintenance and repairs are expensed as incurred. The Company capitalizes the cost of software developed for internal use in connection with major projects. Costs incurred during the feasibility stage are expensed, whereas costs incurred during the application development stage are capitalized.

Depreciation is provided using the straight-line method. Plant and buildings are depreciated over estimated useful lives from ten to twenty-five years, equipment over useful lives from three to five years, software development over useful lives of three to five years and leasehold improvements over the life of the lease, generally not exceeding five years. Beginning in fiscal year 2011, tooling is depreciated using the straight-line method over the forecasted life of the tool, not to exceed one year from the time it is placed into production. Prior to fiscal year 2011, depreciation for tooling was calculated based on the forecasted production volume and adjusted quarterly based on actual production.

When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are relieved from the accounts and the net gain or loss is included in the determination of net income.

Goodwill and Other Intangible Assets

The Company s intangible assets principally include goodwill, acquired technology, trademarks, customer contracts and customer relationships, and other. Intangible assets with finite lives, which include acquired technology, trademarks, customer contracts and customer relationships, and other, are recorded at cost and amortized using the straight-line method over their useful lives ranging from one year to ten years. Intangible assets with indefinite lives, which include goodwill, are recorded at cost and evaluated at least annually for impairment.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, such as investments, property and equipment, and intangible assets, for impairment whenever events indicate that the carrying amounts might not be recoverable. Recoverability of investments, property and equipment, and other intangible assets is measured by comparing the projected undiscounted net cash flows associated with those assets to their carrying values. If an asset is considered impaired, it is written down to fair value, which is determined based on the asset s projected discounted cash flows or appraised value, depending on the nature of the asset.

Goodwill is evaluated for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable from estimated future cash flows. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit s carrying amount, including goodwill, to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired, and a second test is performed to measure the amount of the impairment loss.

Income Taxes

The Company provides for income taxes using the liability method, which requires that deferred tax assets and liabilities be recognized for the expected future tax consequences of temporary differences resulting from differing treatment of items for tax and accounting purposes. In estimating future tax consequences, expected future events are taken into consideration, with the exception of potential tax law or tax rate changes.

The Company s assessment of uncertain tax positions requires that management make estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than the Company s estimates, or the

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related statutes of limitations expire without the assessment of additional income taxes, the Company will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur. Such adjustments may have a material impact on the Company s income tax provision and its results of operations.

Fair Value of Financial Instruments

The carrying value of certain of the Company s financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value due to their short maturities. The Company s trading investments are reported at fair value based on quoted market prices, and available-for-sale securities are reported at estimated fair value.

Net Income per Share

Basic net income per share is computed by dividing net income by the weighted average outstanding shares. Diluted net income per share is computed using the weighted average outstanding shares and dilutive share equivalents. Dilutive share equivalents consist of share-based compensation awards, including stock options and restricted stock.

The dilutive effect of in-the-money share-based compensation awards is calculated based on the average share price for each fiscal period using the treasury stock method, which assumes that the amount used to repurchase shares includes the amount the employee must pay for exercising share-based awards, the amount of compensation cost not yet recognized for future service, and the amount of tax impact that would be recorded in additional paid-in capital when the award becomes deductible.

Share-Based Compensation Expense

Share-based compensation expense includes compensation expense, reduced for estimated forfeitures, for share-based compensation awards granted after April 1, 2006 based on the grant-date fair value. The grant date fair value for stock options and stock purchase rights is estimated using the Black-Scholes-Merton option-pricing valuation model. The grant date fair value of RSUs (restricted stock units) which vest upon meeting certain market conditions is estimated using the Monte-Carlo simulation method. The grant date fair value of time-based RSUs is calculated based on the share market price on the date of grant. For stock options and restricted stock assumed by Logitech when LifeSize was acquired, the grant date used to estimate fair value is deemed to be December 11, 2009, the date of acquisition. Compensation expense for awards granted or assumed after April 1, 2006 is recognized on a straight-line basis over the service period of the award, which is generally the vesting term of four years (single-option approach) for stock options and one to four years for RSUs.

For share-based compensation awards granted prior to but not yet vested as of April 1, 2006, share-based compensation expense is based on the grant-date fair value estimated using the Black-Scholes-Merton option-pricing valuation model reduced for estimated forfeitures. Compensation expense for these awards is recognized on a straight-line basis over the service period for each separately vesting portion of the award (multiple-option approach).

Tax benefits resulting from the exercise of stock options are classified as cash flows from financing activities in the consolidated statement of cash flows. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to share-based compensation costs for such options.

The Company will recognize a benefit from share-based compensation in paid-in capital only if an incremental tax benefit is realized after all other available tax attributes have been utilized. For income tax footnote disclosure, the Company has elected to offset deferred tax assets against the valuation allowance related to the net operating loss and tax credit carryforwards from accumulated tax benefits. The Company will

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recognize these tax benefits in paid-in capital when the deduction reduces cash taxes payable. In addition, the Company has elected to account for the indirect benefits of share-based compensation on the research tax credit through the income statement (continuing operations) rather than through paid-in capital.

Comprehensive Income

Comprehensive income is defined as the total change in shareholders equity during the period other than from transactions with shareholders. Comprehensive income consists of net income and other comprehensive income, a component of shareholders equity. Other comprehensive income is comprised of foreign currency translation adjustments from those entities not using the U.S. dollar as their functional currency, unrealized gains and losses on marketable equity securities, net deferred gains and losses and prior service costs for defined benefit pension plans, and net deferred gains and losses on hedging activity.

Treasury Shares

The Company periodically repurchases shares in the market at fair value. Treasury shares repurchased are recorded at cost, as a reduction of total shareholders equity. Treasury shares held are reissued to satisfy the exercise of employee stock options and purchase rights, and the vesting of restricted stock units.

Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to reduce the short-term effects of foreign currency fluctuations on certain foreign currency receivables or payables and to hedge against exposure to changes in foreign currency exchange rates related to its subsidiaries forecasted inventory purchases. These forward contracts generally mature within one to three months. The Company may also enter into foreign exchange swap contracts to extend the terms of its foreign exchange forward contracts.

Gains and losses in the fair value of the effective portion of our forward contracts related to forecasted inventory purchases are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Gains or losses in fair value on forward contracts which offset translation losses or gains on foreign currency receivables or payables are recognized in earnings monthly and are included in other income (expense), net.

Recent Accounting Pronouncements

In December 2010, the FASB (Financial Accounting Standards Board) issued ASU 2010-28, *Intangibles Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. For reporting units with zero or negative carrying amounts, if it is more likely than not that a goodwill impairment exists, ASU 2010-28 requires performance of an additional test to determine whether goodwill has been impaired and to calculate the amount of impairment. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years and interim periods within those years beginning after December 15, 2010. Logitech will adopt ASU 2009-28 in the first quarter of fiscal year 2012. The impact of adopting ASU 2010-28 will not be known until the Company performs its evaluations of goodwill impairment.

In December 2010, the FASB issued ASU 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*. ASU 2010-29 specifies that, for material business combinations when comparative financial statements are presented, revenue and earnings of the combined entity should be disclosed as though the business combination had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-09 also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-09 is effective prospectively for business combinations with an acquisition date on or after the beginning of the first annual reporting period after December 15, 2010. We will adopt this guidance for acquisitions beginning in fiscal year 2012.

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Note 3 Net Income per Share

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

	Year ended March 31,		
	2011	2010	2009
Net income basic and diluted	$ 128,460	$ 64,957	$ 107,032
Weighted average shares basic	176,928	177,279	178,811
Effect of dilutive stock options	1,862	2,061	4,100
Weighted average shares diluted	178,790	179,340	182,911
Net income per share basic	$ 0.73	$ 0.37	$ 0.60
Net income per share diluted	$ 0.72	$ 0.36	$ 0.59

Employee equity share options, non-vested shares and similar share-based compensation awards granted by the Company are treated as potential shares in computing diluted net income per share. Diluted shares outstanding include the dilutive effect of in-the-money share-based awards which is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount that the employee must pay for exercising share-based awards, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax impact that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares.

During fiscal years 2011, 2010 and 2009, 13,705,406, 15,186,997 and 10,567,217 share equivalents attributable to outstanding stock options and RSUs were excluded from the calculation of diluted net income per share because the combined exercise price, average unamortized fair value and assumed tax benefits upon exercise of these options and RSUs were greater than the average market price of the Company s shares, and therefore their inclusion would have been anti-dilutive.

The following table illustrates the dilution effect of share-based awards granted, assumed and exercised (in thousands):

	Year ended March 31		
	2011	2010	2009
Basic weighted average shares outstanding as of March 31	176,928	177,279	178,811
Stock options and RSUs granted	2,431	3,902	4,239
Stock options and restricted stock assumed in LifeSize acquisition		1,078	
Stock options and RSUs canceled, forfeited, or expired	(1,411)	(1,440)	(1,163)
Net awards granted and assumed	1,020	3,540	3,076
Grant dilution (1)	0.6%	2.0%	1.7%
Stock options exercised and RSUs vested	2,889	1,980	2,037
Exercise dilution (2)	1.6%	1.1%	1.1%

(1) The percentage of grant dilution is computed based on net awards granted and assumed as a percentage of basic weighted average shares outstanding.

(2) The percentage of exercise dilution is computed based on options exercised as a percentage of basic weighted average shares outstanding.

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Note 4 Fair Value Measurements

The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table presents the Company s financial assets and liabilities that were accounted for at fair value as of March 31, 2011 and 2010, classified by the level within the fair value hierarchy (in thousands):

	March 31, 2011			March 31, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 477,931	$	$	$ 319,944	$	$
Trading investments	13,113					
Available-for-sale securities			1,695			994
Foreign exchange derivative assets	566			599		
Total assets at fair value	$ 491,610	$	$ 1,695	$ 320,543	$	$ 994
Foreign exchange derivative liabilities	$ 1,881	$	$	$ 366	$	$
Total liabilities at fair value	$ 1,881	$	$	$ 366	$	$

Notes 5 and 14 describe the valuation techniques and inputs used to determine fair value.

Note 5 Cash and Cash Equivalents and Investment Securities

Cash and cash equivalents consist of bank demand deposits and time deposits. The time deposits have original terms of less than 32 days. Cash and cash equivalents are carried at cost, which approximates fair value.

The Company s investment securities consist of marketable securities related to a management deferred compensation plan and auction rate securities collateralized by residential and commercial mortgages.

The marketable securities are classified as non-current trading investments and do not have maturity dates. Since participants in the management deferred compensation plan may select the mutual funds in which their compensation deferrals are invested, and may actively trade funds within the confines of the Rabbi Trust which holds the marketable securities, the Company has designated these marketable securities as trading investments. Management has classified the investments as non-current assets because final sale of the investments or realization of proceeds by plan participants is not expected within the Company s normal operating cycle of one year. The marketable securities are recorded at a fair value of $13.1 million as of March 31, 2011, based on quoted market prices. Quoted market prices are observable inputs that are classified as Level 1 within the fair value hierarchy. Earnings, gains and losses on trading investments are included in other income (expense), net.

The auction rate securities are classified as non-current available-for-sale securities. These securities are collateralized by residential and commercial mortgages, and are second-priority senior secured floating rate notes

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with maturity dates in excess of 10 years. Interest rates on these notes were intended to reset through an auction every 28 days, however auctions for these securities have failed since August 2007. Four of the securities with par value of $32.2 million and estimated fair value of $0.9 million have experienced events of default, and two of these four securities have declared acceleration. The auction rate securities are currently rated below investment grade. The Company does not expect to realize the proceeds, if any, from these securities until a future auction of these securities is successful or a buyer is found outside of the auction process. The auction rate securities are reported at estimated fair value at March 31, 2011 and 2010 of $1.7 million and $1.0 million. The estimated fair value was determined by estimating future cash flows through time according to each security s terms, including periodic consideration of overcollateralization and interest coverage tests, and incorporating estimates of default rate, loss severity, prepayment, and delinquency assumptions when available, for the underlying assets in the securities based on representative indices and various research reports. The estimated coupon and principal payments are discounted at the rate of return required by investors, based on the characteristics of each security as calculated from the indices. The par value of the auction rate securities at March 31, 2011 and 2010 was $47.5 million. Declines in fair value of the auction rate securities are deemed other-than-temporary and are included in other income (expense), net. Increases in fair value are deemed not-other-than-temporary and are included in accumulated other comprehensive income (loss).

The following table presents the changes in fair value of the Company s auction rate securities during fiscal years 2011 and 2010:

	March 31,	
	2011	**2010**
Auction rate securities, beginning balance	$ 994	$ 1,637
Unrealized gain	744	
Unrealized loss	(43)	(643)
Auction rate securities, ending balance	$ 1,695	$ 994

Note 6 Acquisitions and Divestitures

Paradial

On July 6, 2010, Logitech acquired substantially all of the assets and employees of Paradial AS, a Norwegian company providing firewall and NAT (network address translation) traversal solutions for video communications. The acquisition will allow the Company to closely integrate firewall and NAT traversal across its video communications product portfolio, enabling end-to-end HD video calling over highly protected networks. The acquisition has been treated as an acquisition of a business and has been accounted for using the purchase method of accounting. The total consideration paid of $7.3 million was allocated based on estimated fair values to $7.0 million of identifiable intangible assets and $0.1 million of assumed liabilities, with the remaining balance allocated to goodwill. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives of five years. The goodwill associated with the acquisition is not subject to amortization and is not expected to be deductible for income tax purposes.

LifeSize

On December 11, 2009, pursuant to a merger agreement signed November 10, 2009, Logitech acquired LifeSize Communications, Inc., an Austin, Texas-based privately-held company specializing in high definition video communication products and services. Logitech expects the acquisition to drive growth in video communication for the enterprise and small-to-medium business markets by leveraging the two companies technology expertise, including camera design, firewall traversal, video compression and bandwidth management.

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The total consideration paid to acquire LifeSize was $382.8 million, not including cash acquired of $3.7 million. In addition, Logitech incurred $6.6 million in transaction costs, which are included in operating expenses. Logitech paid $382.3 million in cash to the holders of all outstanding shares of LifeSize capital stock, all vested options issued by LifeSize, and all outstanding warrants to purchase LifeSize stock. As part of the acquisition, Logitech assumed all outstanding unvested LifeSize stock options and unvested restricted stock held by continuing LifeSize employees at December 11, 2009. The assumed options are exercisable for a total of approximately 1.0 million Logitech shares and the assumed restricted stock was exchanged for 0.1 million Logitech shares. The stock options and restricted stock continue to have the same terms and conditions as under LifeSize s option plan. The fair value attributable to precombination employee services for the stock options assumed, which is part of the consideration paid to acquire LifeSize, was $0.5 million. The weighted average fair value of $12.07 per share for the stock options assumed was determined using a Black-Scholes-Merton option-pricing valuation model with the following weighted-average assumptions: expected term of 2.0 years, expected volatility of 57%, and risk-free interest rate of 0.7%.

The total cash consideration paid of $382.3 million included $37.0 million deposited into an escrow account as security for indemnification claims under the merger agreement and $0.5 million deposited in a stockholder representative expense fund. The escrow trustee disbursed 50% of the escrow fund to the former holders of LifeSize capital stock, vested options and warrants in December 2010, and the remaining fifty percent will be disbursed in June 2011, subject to indemnification claims.

In connection with the merger, Logitech also agreed to establish a cash and stock option retention and incentive plan for certain LifeSize employees, linked to the achievement of LifeSize performance targets. The duration of the plan s performance period is two years, from January 1, 2010 to December 31, 2011. The total available cash incentive is $9.0 million over the two year performance period. As of March 31, 2011, approximately $5.6 million has been accrued for this cash incentive. In December 2009, options to purchase 850,000 Logitech shares were issued in connection with the retention and incentive plan.

The acquisition has been accounted for using the purchase method of accounting. Accordingly, the total consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Fair values were determined by Logitech management based on information available at the date of acquisition.

The allocation of total consideration to the assets acquired and liabilities assumed based on the estimated fair value of LifeSize was as follows (in thousands):

	December 11, 2009	Estimated Life
Tangible assets acquired	$ 33,635	
Deferred tax asset, net	8,828	
Intangible assets acquired		
Existing technology	30,000	4 years
Patents and core technology	4,500	3 years
Trademark/trade name	7,600	5 years
Customer relationships and other	31,500	5 years
Goodwill	307,241	
	423,304	
Liabilities assumed	(26,985)	
Debt assumed	(13,505)	
Total consideration	$ 382,814	

The deferred tax asset primarily relates to the tax benefit of a net operating loss carryforward, net of the deferred tax liability related to intangible assets. The existing technology of LifeSize relates to the platform technology used in LifeSize s high-definition video conferencing systems. The value of the technology was determined based on the present value of estimated expected cash flows attributable to the technology, assuming the highest and best use by a market participant. The patents and core technology represent awarded patents, filed patent applications and core architectures, trade secrets or processes used in LifeSize s current and planned future products. Trademark/trade name relates to the LifeSize brand names. The value of the patents, core technology and trademark/trade name was estimated by capitalizing the estimated profits saved as a result of acquiring or licensing the asset. Customer relationships and other relates to the ability to sell existing, in-process, and future versions of the technology and services to LifeSize s existing customer base, valued based on projected discounted cash flows generated from customers in place. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The goodwill associated with the acquisition is primarily attributable to the opportunities and economies of scale from combining the operations and technologies of Logitech and LifeSize. This goodwill is not subject to amortization and is not expected to be deductible for income tax purposes. The debt that Logitech assumed as part of the acquisition was repaid in full on December 18, 2009.

Unaudited pro forma financial information

The unaudited pro forma financial information in the table below summarizes the combined results of operations of Logitech and LifeSize during the fiscal years ended March 31, 2010 and 2009 as though the acquisition took place as of the beginning of each fiscal year. The pro forma financial information also includes certain adjustments such as amortization expense from acquired intangible assets, share-based compensation expense related to unvested stock options and restricted stock assumed, depreciation adjustments from alignment of the companies policies related to property, plant and equipment, interest expense related to debt assumed, expense related to retention bonuses, pre-acquisition transaction costs, and the income tax impact of the pro forma adjustments. The pro forma financial information presented below (in thousands except per share amounts) is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the periods presented.

	2010	2009
	(Unaudited)	
Net sales	$ 2,023	$ 2,282
Net income	$ 44	$ 82
Net income per share basic	$ 0.25	$ 0.46
Net income per share diluted	$ 0.25	$ 0.45

TV Compass

On November 27, 2009, Logitech acquired certain assets from TV Compass, Inc., a Chicago, Illinois-based company providing video software and services for the Web and mobile devices. The acquisition has been treated as an acquisition of a business and has been accounted for using the purchase method of accounting. The total consideration paid of $10.0 million was allocated based on estimated fair values to $4.2 million of identifiable intangible assets, with the balance allocated to goodwill. Fair values were determined by Company management based on information available at the date of acquisition. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives of 6 years. The goodwill results from expected incremental revenue from the use of the acquired technology in enhancing our products. The goodwill is not subject to amortization and is not expected to be deductible for income tax purposes. In addition, Logitech incurred $0.3 million in transaction costs, which are included in operating expenses.

SightSpeed

In October 2008, the Company acquired SightSpeed Inc., a privately held company providing high-quality Internet video communications services. The acquisition of SightSpeed provided Logitech with video calling technology and a software and services development team that is focused on future video calling initiatives to enable cross-platform video communications.

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Total consideration paid was $30.9 million, which includes $0.8 million in transaction costs. Under the terms of the purchase agreement, the Company acquired all of the outstanding shares of SightSpeed.

The acquisition has been accounted for using the purchase method of accounting. Accordingly, the total consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Fair values were determined by Company management based on information available at the date of acquisition. The results of operations of SightSpeed were included in Logitech s consolidated financial statements from the date of acquisition, and were not material to the Company s reported results.

The allocation of total consideration, including transaction costs, to the assets acquired and liabilities assumed based on the estimated fair value of SightSpeed was as follows (in thousands):

	November 3, 2008	Estimated Life
Tangible assets acquired	$ 370	
Deferred tax asset, net	6,622	
Intangible assets acquired		
Existing technology	800	5 years
Patents and core technology	2,700	5 years
Trademark/trade name	200	2 years
Customer relationships and other	1,200	4.9 years
In-process research and development	1,000	
Goodwill	18,751	
	31,643	
Liabilities assumed	(756)	
Total consideration	$ 30,887	

The deferred tax asset relates to the tax benefit of a net operating loss carryforward, net of the deferred tax liability related to intangible assets. The existing technology of SightSpeed relates to internet video communications services that allow users to make video calls, computer-to-computer voice calls, and calls to regular telephones with free and prepaid versions. In-process research and development had not reached technological feasibility at the time of the acquisition and had no further alternative uses, and was expensed immediately to research and development expense upon consummation of the acquisition. The value of the technology was determined based on the present value of estimated expected cash flows attributable to the technology. The patents and core technology represent awarded patents, filed patent applications and core architectures used in SightSpeed s current and planned future products. Trademark/trade name relates to the SightSpeed brand names. The value of the patents, core technology and trademark/trade name was estimated by capitalizing the estimated profits saved as a result of acquiring or licensing the asset. Customer relationships and other relates to the ability to sell existing, in-process, and future versions of the technology to SightSpeed s existing customer base, valued based on projected discounted cash flows generated from customers in place. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The goodwill associated with the acquisition is not subject to amortization and is not expected to be deductible for income tax purposes.

Ultimate Ears

In August 2008, the Company acquired the Ultimate Ears companies, a privately held group of companies offering a range of earphones for portable-music enthusiasts as well as a line of custom-fit in-ear monitors for music professionals. The acquisition is part of the Company s strategy to expand its portfolio of digital audio products, providing more options for portable music listening.

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Total consideration paid was $34.5 million, which includes $0.7 million in transaction costs. Under the terms of the purchase agreement, the Company acquired all of the outstanding equity interests of Ultimate Ears for $33.8 million, including a $6.9 million holdback provision relating to potential indemnification claims, of which $6.1 million has been disbursed and $0.8 million is recorded as a liability as of March 31, 2011. The holdback provision has been included as part of the purchase price allocation below.

The acquisition has been accounted for using the purchase method of accounting. Accordingly, the total consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Fair values were determined by Company management based on information available at the date of acquisition. The results of operations of Ultimate Ears were included in Logitech s consolidated financial statements from the date of acquisition, and were not material to the Company s reported results.

The allocation of total consideration, including transaction costs, to the assets acquired and liabilities assumed based on the estimated fair value of Ultimate Ears was as follows (in thousands):

	August 19, 2008	Estimated Life
Tangible assets acquired	$ 4,132	
Intangible assets acquired		
Existing technology	5,900	4 years
Patents and core technology	1,900	4 years
Trademark/trade name	2,900	5 years
Customer relationships and other	2,500	5 years
Goodwill	25,254	
	42,586	
Liabilities assumed	(2,845)	
Deferred tax liability, net	(5,235)	
Total consideration	$ 34,506	

The existing technology of Ultimate Ears relates to the technical components used in the in-ear monitors and earplugs. The value of the technology was determined based on the present value of estimated expected cash flows attributable to the technology. The patents and core technology represent awarded patents, filed patent applications and core architectures used in Ultimate Ears current and planned future products. Trademark/trade name relates to the Ultimate Ears brand names. The value of the patents, core technology and trademark/trade name was estimated by capitalizing the estimated profits saved as a result of acquiring or licensing the asset. Customer relationships and other relates to Ultimate Ears existing customer base, valued based on projected discounted cash flows generated from customers in place. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The goodwill associated with the acquisition is not subject to amortization and is not expected to be deductible for income tax purposes. The deferred tax liability relates to the acquired intangible assets which are also not expected to be deductible for income tax purposes.

3Dconnexion

On March 31, 2011, the Company sold its equity interest in certain 3Dconnexion subsidiaries, the provider of the Company s 3D controllers, and its intellectual property rights related to the manufacture and sale of certain 3Dconnexion products, to a group of third party individuals and certain 3Dconnexion employees. The sale price was $9.1 million, not including cash retained. Under the sale agreement, the Company will continue to manufacture 3Dconnexion products and sell to the buyers for a period of three years. The loss resulting from the sale was not material.

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Note 7 Balance Sheet Components

The following provides the components of certain balance sheet asset amounts as of March 31, 2011 and 2010 (in thousands):

	March 31, 2011	2010
Accounts receivable:		
Accounts receivable	$ 435,331	$ 349,722
Allowance for doubtful accounts	(4,086)	(5,870)
Allowance for returns	(29,666)	(23,657)
Cooperative marketing arrangements	(28,669)	(17,527)
Customer incentive programs	(52,358)	(44,306)
Pricing programs	(62,258)	(63,115)
	$ 258,294	$ 195,247
Inventories:		
Raw materials	$ 37,126	$ 31,630
Work-in-process	3	86
Finished goods	243,685	187,877
	$ 280,814	$ 219,593
Other current assets:		
Tax and VAT refund receivables	$ 17,810	$ 20,305
Deferred taxes	27,018	27,064
Prepaid expenses and other	14,519	11,508
	$ 59,347	$ 58,877
Property, plant and equipment:		
Plant, buildings and improvements	$ 52,681	$ 58,629
Equipment	137,248	112,454
Computer equipment	60,344	53,576
Computer software	85,338	78,156
	335,611	302,815
Less: accumulated depreciation	(260,283)	(224,485)
	75,328	78,330
Construction-in-progress	5,974	9,751
Land	2,858	3,148
	$ 84,160	$ 91,229
Other assets:		
Deferred taxes	$ 55,897	$ 45,257
Trading investments	13,113	
Cash surrender value of life insurance contracts		11,097
Deposits and other	10,200	9,576
	$ 79,210	$ 65,930

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The following provides the components of certain balance sheet liability amounts as of March 31, 2011 and 2010 (in thousands):

	March 31, 2011	March 31, 2010
Accrued liabilities:		
Accrued personnel expenses	$ 50,552	$ 51,378
Accrued marketing expenses	32,599	28,052
Deferred revenue	15,859	16,683
Accrued freight and duty	12,497	12,696
Accrued royalties	5,144	4,402
Warranty accrual	4,970	3,002
Non-retirement post-employment benefit obligations	3,563	2,761
Income taxes payable current	2,569	8,875
Accrued restructuring		399
Other accrued liabilities	44,807	54,088
	$ 172,560	$ 182,336
Long-term liabilities:		
Income taxes payable non-current	$ 131,968	$ 116,456
Obligation for management deferred compensation	13,076	10,307
Defined benefit pension plan liability	26,645	19,343
Other long-term liabilities	14,146	13,566
	$ 185,835	$ 159,672

The following table presents the changes in the allowance for doubtful accounts during fiscal years ended March 31, 2011, 2010 and 2009 (in thousands):

	March 31, 2011	March 31, 2010	March 31, 2009
Allowance for doubtful accounts, beginning balance	$ 5,870	$ 6,705	$ 2,497
Bad debt expense	663	(72)	5,102
Write-offs net of recoveries	(2,447)	(763)	(894)
Allowance for doubtful accounts, ending balance	$ 4,086	$ 5,870	$ 6,705

Note 8 Goodwill and Other Intangible Assets

The following table summarizes the activity in the Company s goodwill account during fiscal years ended March 31, 2011 and 2010 (in thousands):

	March 31, 2011	March 31, 2010
Goodwill, beginning balance	$ 553,462	$ 242,909
Additions	332	313,041
Sale of business	(6,610)	
Other adjustments		(2,488)

Goodwill, ending balance	$ 547,184	$ 553,462

Additions to goodwill during fiscal year 2011 related to our acquisition of Paradial. Additions to goodwill during fiscal year 2010 primarily related to our acquisitions of LifeSize and TV Compass. The divestiture relates

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to goodwill associated with the 3Dconnexion entities which were sold on March 31, 2011. The adjustment to goodwill in fiscal year 2010 represents an adjustment of the deferred tax asset recognized in connection with the acquisitions of SightSpeed, Inc. and the Ultimate Ears companies.

Logitech maintains discrete financial information for LifeSize and accordingly, the acquired goodwill related to the LifeSize acquisition is separately evaluated for impairment at the entity level. The Company has fully integrated the Paradial business into LifeSize, and discrete financial information for Paradial is not maintained. Accordingly, the acquired goodwill related to Paradial is evaluated for impairment at the LifeSize entity level.

The Company has fully integrated the TV Compass business into the Company s other operations, and discrete financial information for TV Compass is not maintained. Accordingly, the acquired goodwill related to TV Compass is evaluated for impairment at the total enterprise level.

The Company performs its annual goodwill impairment analyses of our operating segments during its fourth fiscal quarter or more frequently if events or circumstances indicate that an impairment may have occurred. Based on the impairment analyses performed, the fair value of each of our operating segments exceeded the carrying value of the segment by more than 50% of the carrying value.

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

	March 31, 2011			March 31, 2010		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Trademark/tradename	$ 31,907	$ (23,290)	$ 8,617	$ 32,051	$ (20,421)	$ 11,630
Technology	88,068	(45,686)	42,382	87,968	(36,033)	51,935
Customer contracts	38,537	(14,920)	23,617	38,517	(6,686)	31,831
	$ 158,512	$ (83,896)	$ 74,616	$ 158,536	$ (63,140)	$ 95,396

During fiscal year 2011, changes in the gross carrying value of other intangible assets related primarily to our acquisition of Paradial. During fiscal year 2010, changes in the gross carrying value of other intangible assets related primarily to our acquisitions of LifeSize and TV Compass.

For fiscal years 2011, 2010 and 2009, amortization expense for other intangible assets was $27.8 million, $14.5 million and $8.2 million. The Company expects that annual amortization expense for the fiscal years ending 2012, 2013, 2014, and 2015 will be $26.0 million, $23.1 million, $16.9 million, $8.2 million, and $0.4 million thereafter.

Note 9 Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating $117.1 million at March 31, 2011. There are no financial covenants under these lines of credit with which the Company must comply. At March 31, 2011, the Company had no outstanding borrowings under these lines of credit.

Note 10 Shareholders Equity

Share Capital

The Company s nominal share capital is CHF 47,901,655, consisting of 191,606,620 shares with a par value of CHF 0.25 each, all of which were issued and 12,433,614 of which were held in treasury as of March 31, 2011.

In September 2008, the Company s shareholders approved an amendment to the Company s Articles of Incorporation which decreased the conditional capital reserved for potential issuance on the exercise of rights

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granted under the Company s employee equity incentive plans from 60,661,860 shares to 25,000,000 shares. The Board of Directors determined that the reduced amount of conditional capital, together with a portion of its shares held in treasury, was adequate to cover employee equity incentives without impacting the ability of the Company to maintain employee equity incentive plans.

In September 2008, the shareholders also approved the creation of conditional capital representing the issuance of up to 25,000,000 shares to cover any conversion rights under a future convertible bond issuance. This conditional capital was created in order to provide financing flexibility for future expansion, investments or acquisitions.

Dividends

Pursuant to Swiss corporate law, Logitech International S.A. may only pay dividends in Swiss francs. The payment of dividends is limited to certain amounts of unappropriated retained earnings (CHF 507.7 million or $554.6 million based on exchange rates at March 31, 2011) and is subject to shareholder approval.

Legal Reserves

Under Swiss corporate law, a minimum of 5% of the Company s annual net income must be retained in a legal reserve until this legal reserve equals 20% of the Company s issued and outstanding aggregate par value per share capital. These legal reserves represent an appropriation of retained earnings that are not available for distribution and totaled $10.5 million at March 31, 2011 (based on exchange rates at March 31, 2011).

Additionally, under Swiss corporate law, the Company is required to establish a reserve equal to the amount of treasury shares repurchased at year-end. The reserve for treasury shares, which is not available for distribution, totaled $307.6 million at March 31, 2011.

Share Repurchases

During fiscal years 2011, 2010 and 2009, the Company had the following approved share buyback programs in place (in thousands):

Date of Announcement	Approved Buyback Amount	Expiration Date	Completion Date	Amount Remaining
September 2008	$ 250,000	September 2012		$ 250,000
June 2007	$ 250,000	September 2010	March 2010	$

The Company repurchased shares under these buyback programs as follows (in thousands):

	Amounts Repurchased During Year ended March 31, [1]							
	Program to date		2011		2010		2009	
Date of Announcement	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
June 2007	11,978	$ 250,555		$	7,425	$ 126,301	2,803	$ 78,870

(1) Represents the amount in U.S. dollars, calculated based on exchange rates on the repurchase dates.
The Company has not started repurchases under the September 2008 program.

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Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	March 31, 2011	March 31, 2010
Cumulative translation adjustment	$ (58,641)	$ (63,646)
Pension liability adjustments, net of tax of $759 and $936	(18,073)	(10,813)
Unrealized gain on investments	1,168	424
Net deferred hedging gains (losses)	(2,972)	1,394
	$ (78,518)	$ (72,641)

Note 11 Restructuring

In January 2009, Logitech initiated the 2009 Restructuring Plan in order to reduce operating expenses and improve financial results in response to deteriorating global economic conditions. We completed the restructuring plan in fiscal year 2010. The following table summarizes restructuring related activities during fiscal years 2011, 2010 and 2009 (in thousands):

	Total	Termination Benefits	Asset Impairments	Contract Termination Costs	Other
Balance at March 31, 2008	$	$	$	$	$
Charges	20,547	16,427	556	200	3,364
Cash payments	(12,764)	(12,579)		(185)	
Charges against assets	(556)		(556)		
Other	(3,485)	(121)			(3,364)
Foreign exchange	52	52			
Balance at March 31, 2009	$ 3,794	$ 3,779	$	$ 15	$
Charges	1,784	1,318		419	47
Cash payments	(5,194)	(5,098)		(96)	
Other	(86)	53		(4)	(135)
Foreign exchange	101	106			(5)
Balance at March 31, 2010	$ 399	$ 158	$	$ 334	$ (93)
Cash payments	(322)	(9)		(334)	21
Other	(74)	(149)			75
Foreign exchange	(3)				(3)
Balance at March 31, 2011	$	$	$	$	$

Termination benefits incurred pursuant to the 2009 Restructuring Plan were calculated based on regional benefit practices and local statutory requirements. Asset impairments were recorded to write down fixed assets that were not placed in service due to the abandonment of the related projects. Contract termination costs related to exit costs associated with the closure of existing facilities. Other charges primarily consisted of pension curtailment and settlement costs of $3.4 million which are reflected in other charges in the preceding table, as the corresponding balance sheet amounts were reflected as a reduction of pension assets.

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Note 12 Employee Benefit Plans

Employee Share Purchase Plans and Stock Incentive Plans

As of March 31, 2011, the Company offers the 2006 ESPP (2006 Employee Share Purchase Plan (Non-U.S.)), the 1996 ESPP (1996 Employee Share Purchase Plan (U.S.)) and the 2006 Plan (2006 Stock Incentive Plan). Shares issued to employees as a result of purchases or exercises under these plans are generally issued from shares held in treasury.

The following table summarizes the share-based compensation expense and related tax benefit recognized for fiscal years 2011, 2010 and 2009 (in thousands).

	Year Ended March 31,		
	2011	2010	2009
Cost of goods sold	$ 4,223	$ 3,073	$ 3,163
Share-based compensation expense included in gross profit	4,223	3,073	3,163
Operating expenses:			
Marketing and selling	12,030	9,201	7,989
Research and development	7,829	4,902	4,488
General and administrative	10,764	8,631	8,863
Share-based compensation expense included in operating expenses	30,623	22,734	21,340
Total share-based compensation expense	34,846	25,807	24,503
Tax benefit	8,279	5,768	3,102
Share-based compensation expense, net of income tax	$ 26,567	$ 20,039	$ 21,401

As of March 31, 2011, 2010 and 2009, $1.0 million, $0.9 million and $0.8 million of share-based compensation cost was capitalized to inventory. The following table summarizes total share-based compensation cost not yet recognized and the number of months over which such cost is expected to be recognized, on a weighted-average basis by type of grant (in thousands, except number of months):

	March 31, 2011	
	Compensation Cost Not Yet Recognized	Months of Future Recognition
Non-vested stock options	$ 55,691	30
Time-based RSUs	29,775	48
Performance-based RSUs	13,330	33
Total compensation cost not yet recognized	$ 98,796	

Under the 1996 ESPP and 2006 ESPP plans, eligible employees may purchase shares at the lower of 85% of the fair market value at the beginning or the end of each six-month offering period. Subject to continued participation in these plans, purchase agreements are automatically executed at the end of each offering period. An aggregate of 16,000,000 shares was reserved for issuance under the 1996 and 2006 ESPP plans. As of March 31, 2011, a total of 1,643,369 shares were available for issuance under these plans.

The 2006 Plan provides for the grant to eligible employees and non-employee directors of stock options, stock appreciation rights, restricted stock and RSUs (restricted stock units), which are bookkeeping entries reflecting the equivalent of shares. Awards under the 2006 Plan may be conditioned on continued employment, the passage of time or the satisfaction of performance vesting criteria. The 2006 Stock Plan has an expiration date of June 16, 2016. Stock options granted under the 2006 Plan generally vest over three years for non-executive Directors and over four years for employees. All stock options under this plan have terms not

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exceeding ten years and are issued at exercise prices not less than the fair market value on the date of grant. Time-based RSUs granted to employees under the 2006 Plan vest in four equal annual installments on the grant date anniversary. Time-based RSUs granted to non-executive board members under the 2006 Plan vest in one annual installment on the grant date anniversary. Performance-based RSUS granted under the 2006 Plan vest at the end of the performance period upon meeting certain share price performance criteria measured against market conditions. The performance period is three years for performance-based RSU grants made in fiscal year 2011 and two years for performance-based RSU grants made in fiscal years 2010 and 2009. An aggregate of 17,500,000 shares was reserved for issuance under the 2006 Plan. As of March 31, 2011, a total of 4,493,291 shares were available for issuance under this plan.

A summary of the Company s stock option activity for fiscal years 2011, 2010 and 2009 is as follows (in thousands, except per share data; exercise prices are weighted averages):

	Year ended March 31,					
	2011		2010		2009	
	Number	Exercise Price	Number	Exercise Price	Number	Exercise Price
Outstanding, beginning of year	20,037	$ 18	18,897	$ 18	17,952	$ 17
Granted	294	$ 16	3,520	$ 14	4,145	$ 21
Assumed in LifeSize acquisition		$	1,024	$ 5		$
Exercised	(2,747)	$ 10	(1,980)	$ 8	(2,037)	$ 9
Cancelled or expired	(1,272)	$ 21	(1,424)	$ 17	(1,163)	$ 24
Outstanding, end of year	16,312	$ 19	20,037	$ 18	18,897	$ 18
Exercisable, end of year	11,205	$ 20	11,287	$ 17	10,981	$ 14

The total pretax intrinsic value of stock options exercised during the fiscal years ended March 31, 2011, 2010 and 2009 was $23.1 million, $15.0 million and $33.2 million and the tax benefit realized for the tax deduction from options exercised during those periods was $7.6 million, $3.9 million and $8.5 million. The total fair value of options vested as of March 31, 2011, 2010 and 2009 was $74.3 million, $66.4 million and $57.7 million.

The fair value of employee stock options granted and shares purchased under the Company s employee purchase plans was estimated using the Black-Scholes-Merton option-pricing valuation model applying the following assumptions and values:

	Year ended March 31,					
	2011	2010	2009	2011	2010	2009
	Purchase Plans			Stock Option Plans		
Dividend yield	0%	0%	0%	0%	0%	0%
Expected life	6 months	6 months	6 months	4 years	3.3 years	3.7 years
Expected volatility	35%	59%	63%	48%	47%	36%
Risk-free interest rate	0.16%	0.19%	1.23%	1.57%	1.64%	2.40%

The dividend yield assumption is based on the Company s history and future expectations of dividend payouts. The Company has not paid dividends since 1996. The expected option life represents the weighted-average period the stock options or purchase offerings are expected to remain outstanding. The expected life is based on historical settlement rates, which the Company believes are most representative of future exercise and post-vesting termination behaviors. Expected share price volatility is based on historical volatility using daily prices over the term of past options or purchase offerings. The Company considers historical share price volatility as most representative of future volatility. The risk-free interest rate assumptions are based upon the implied yield of U.S. Treasury zero-coupon issues appropriate for the term of the Company s stock options or purchase offerings.

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The Company estimates option forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records share-based compensation expense only for those awards that are expected to vest.

The following table presents the weighted average grant-date fair values of options granted and the expected forfeiture rates:

	Year ended March 31,					
	2011	2010	2009	2011	2010	2009
	Purchase Plans			Stock Option Plans		
Weighted average grant-date fair value of options granted	$ 4.26	$ 4.23	$ 5.46	$ 6.11	$ 6.66	$ 6.25
Expected forfeitures	0%	0%	0%	9%	9%	7%

The following table summarizes significant ranges of outstanding and exercisable options as of March 31, 2011 (in thousands except per share data; exercise prices and contractual lives are weighted averages):

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Number	Exercise Price	Contractual Life (years)	Aggregate Intrinsic Value	Number	Exercise Price	Contractual Life (years)	Aggregate Intrinsic Value
$ 1.00 - $11.45	2,870	$ 9	3.8	$ 27,256	2,359	$ 9	2.9	$ 20,768
$11.46 - $16.35	3,964	$ 15	6.8	14,511	1,695	$ 14	4.8	6,663
$16.36 - $23.35	5,468	$ 20	5.7	1,340	4,127	$ 20	5.0	846
$23.36 - $50.00	4,010	$ 31	6.2		3,024	$ 31	6.1	
$ 1.00 - $50.00	16,312			$ 43,107	11,205			$ 28,277

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on options with an exercise price less than the Company s closing price of $18.13 at March 31, 2011, which would have been received by the option holders had these option holders exercised their options as of that date. The total number of fully vested in-the-money options exercisable as of March 31, 2011 was 4,883,941. As of March 31, 2011, 5,107,861 options were unvested, of which 4,648,154 are expected to vest, based on an estimated forfeiture rate of 9%.

A summary of the Company s time- and performance-based RSU activity for fiscal years 2011, 2010 and 2009 is as follows (in thousands, except per share values; grant-date fair values are weighted averages):

	Year ended March 31,					
	2011		2010		2009	
	Number	Grant Date Fair Value	Number	Grant Date Fair Value	Number	Grant Date Fair Value
Outstanding, beginning of year	514	$ 18	94	$ 28		$
Time-based RSUs granted	1,599	$ 20	267	$ 15		$
Performance-based RSUs granted	538	$ 28	115	$ 18	94	$ 28
Assumed in LifeSize acquisition		$	54	$ 5		$
Vested	(142)	$ 15		$		$
Cancelled or expired	(139)	$ 24	(16)	$ 23		$
Outstanding, end of year	2,370	$ 21	514	$ 18	94	$ 28

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The Company estimates the fair value of the time-based RSUs based on the share market price on the date of grant. The fair value of the performance-based RSUs is estimated using the Monte-Carlo simulation model applying the following assumptions:

	FY 2011 Grants	FY 2010 Grants	FY 2009 Grants
Dividend yield	0%	0%	0%
Expected life	3 years	2 years	2 years
Expected volatility	51%	58%	41%
Risk-free interest rate	0.81%	1.11%	1.82%

The dividend yield assumption is based on the Company s history and future expectations of dividend payouts. The expected life of the performance-based RSUs is the service period at the end of which the RSUs will vest if the performance conditions are satisfied. The volatility assumption is based on the actual volatility of Logitech s daily closing share price over a look-back period equal to the years of expected life. The risk free interest rate is derived from the yield on US Treasury Bonds for a term of the same number of years as the expected life.

As of March 31, 2011, the grant date fair values of outstanding RSUs ranged from $14 to $28 per RSU, and the weighted average contractual life was 3.8 years.

Defined Contribution Plans

Certain of the Company s subsidiaries have defined contribution employee benefit plans covering all or a portion of their employees. Contributions to these plans are discretionary for certain plans and are based on specified or statutory requirements for others. The charges to expense for these plans for fiscal years 2011, 2010 and 2009, were $8.9 million, $8.2 million and $8.3 million.

Defined Benefit Plans

Certain of the Company s subsidiaries sponsor defined benefit pension plans or non-retirement post-employment benefits covering substantially all of their employees. Benefits are provided based on employees years of service and earnings, or in accordance with applicable employee benefit regulations. The Company s practice is to fund amounts sufficient to meet the requirements set forth in the applicable employee benefit and tax regulations.

The Company recognizes the underfunded or overfunded status of defined benefit pension plans and non-retirement post-employment benefit obligations as an asset or liability in its statement of financial position, and recognizes changes in the funded status of defined benefit pension plans in the year in which the changes occur through accumulated other comprehensive loss, which is a component of shareholders equity. Each plan s assets and benefit obligations are measured approximately as of March 31.

The net periodic benefit cost of the defined benefit pension plans and the non-retirement post-employment benefit obligations for fiscal years 2011, 2010 and 2009 was as follows (in thousands):

	Year ended March 31,		
	2011	2010	2009
Service cost	$ 4,396	$ 3,983	$ 2,814
Interest cost	1,745	1,430	1,520
Expected return on plan assets	(1,818)	(1,200)	(1,488)
Amortization of net transition obligation	4	4	5
Amortization of net prior service cost	161	138	
Settlement	2		
Recognized net actuarial loss	482	1,239	232
Net periodic benefit cost	$ 4,972	$ 5,594	$ 3,083

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Additional benefit costs of $3.4 million related to the restructuring were recognized in restructuring expenses in fiscal year 2009.

The changes in projected benefit obligations for fiscal years 2011 and 2010 were as follows (in thousands):

	March 31, 2011	March 31, 2010
Projected benefit obligation, beginning of year	$ 57,531	$ 48,135
Service cost	4,396	3,983
Interest cost	1,745	1,430
Plan participant contributions	2,321	1,848
Actuarial (gain) loss	3,911	(78)
Benefits paid	(2,220)	(1,037)
Plan amendments	19	
Settlement	(218)	
Administrative expense paid	(131)	(177)
Foreign currency exchange rate changes	8,791	3,427
Projected benefit obligation, end of year	$ 76,145	$ 57,531

The accumulated benefit obligation for all defined benefit pension plans as of March 31, 2011 and 2010 was $60.2 million and $46.3 million.

The following table presents the changes in the fair value of defined benefit pension plan assets for fiscal years 2011 and 2010 (in thousands):

	March 31, 2011	March 31, 2010
Fair value of plan assets, beginning of year	$ 35,427	$ 23,415
Actual return on plan assets	34	5,267
Employer contributions	4,409	4,137
Plan participant contributions	2,321	1,848
Benefits paid	(2,016)	(864)
Settlement	(85)	
Administrative expenses paid	(131)	(177)
Foreign currency exchange rate changes	5,978	1,801
Fair value of plan assets, end of year	$ 45,937	$ 35,427

The defined benefit pension plans have the following asset allocations. Investment strategies and allocation decisions are determined by the applicable governmental regulatory agency.

	March 31, 2011	March 31, 2010
Equity securities	33.4%	34.8%
Debt securities	43.3%	43.6%
Real estate	6.5%	10.7%
Other	16.8%	10.9%
	100.0%	100.0%

The funded status of the defined benefit pension plans is the fair value of plan assets as determined by the governmental regulatory agency less benefit obligations. The funded status of the non-retirement post-

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employment benefits is the fair value of the benefit obligations. Projected benefit obligations exceeded plan assets for all plans by $30.2 million and $22.1 million as of March 31, 2011 and 2010. Amounts recognized on the balance sheet for the plans were as follows (in thousands):

	March 31, 2011	March 31, 2010
Current assets	$ 759	$ 936
Current liabilities	(3,563)	(2,761)
Non-current liabilities	(26,645)	(19,343)
Net liability	$ (29,449)	$ (21,168)

Amounts recognized in other comprehensive income related to defined benefit pension plans were as follows (in thousands):

	March 31, 2011	March 31, 2010
Net prior service cost	$ (2,084)	$ (2,075)
Net actuarial loss	(16,714)	(9,641)
Amortization of net transition obligation	(34)	(33)
Accumulated other comprehensive income	(18,832)	(11,749)
Deferred tax benefit	759	936
Accumulated other comprehensive loss, net of tax	$ (18,073)	$ (10,813)

Changes in accumulated other comprehensive loss related to the defined benefit pension plans were as follows (in thousands):

	March 31, 2011	March 31, 2010
Accumulated other comprehensive loss, beginning of year	$ (10,813)	$ (15,122)
Transition obligation recognized	5	4
Prior service cost recognized	146	120
Loss recognized	396	1,276
Settlement loss recognized	23	
Gain (loss) occurred	(5,609)	4,143
Deferred tax expense	(241)	(122)
Foreign currency exchange rate changes	(1,980)	(1,112)
Accumulated other comprehensive loss, end of year	$ (18,073)	$ (10,813)

The following table presents the amounts included in accumulated other comprehensive loss as of March 31, 2011, which are expected to be recognized as a component of net periodic benefit cost in fiscal year 2012 (in thousands):

	March 31, 2011
Amortization of net transition obligation	$ 5
Amortization of net prior service costs	152
Amortization of net actuarial loss	837

$	994

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The Company reassesses its benefit plan assumptions on a regular basis. The actuarial assumptions for the pension plans for fiscal years 2011 and 2010 were as follows:

	2011		2010	
	Benefit Obligation	**Periodic Cost**	**Benefit Obligation**	**Periodic Cost**
Discount rate	2.00% to 3.75%	2.00% to 3.75%	2.00% to 3.25%	2.00% to 3.00%
Estimated rate of compensation increase	3.00% to 5.00%	2.50% to 5.00%	2.50% to 5.00%	2.50% to 5.00%
Expected average rate of return on plan assets	1.00% to 4.00%	1.00% to 4.75%	1.00% to 4.75%	1.00% to 4.25%

The discount rate is estimated based on corporate bond yields or securities of similar quality in the respective country, with a duration approximating the period over which the benefit obligations are expected to be paid. The Company bases the compensation increase assumptions on historical experience and future expectations. The expected average rate of return for the Company s defined benefit pension plans represents the average rate of return expected to be earned on plan assets over the period that the benefit obligations are expected to be paid, based on government bond notes in the respective country, adjusted for corporate risk premiums as appropriate.

The following table reflects the benefit payments that the Company expects the plans to pay in the periods noted (in thousands):

Year ending March 31,	
2012	$ 3,898
2013	4,024
2014	4,058
2015	4,018
2016	4,217
Thereafter	19,360
	$ 39,575

The Company expects to contribute approximately $4.1 million to its defined benefit pension plans during fiscal year 2012.

Deferred Compensation Plan

One of the Company s subsidiaries offers a management deferred compensation plan which permits eligible employees to make 100%-vested salary and incentive compensation deferrals within established limits. The Company does not make contributions to the plan. Prior to December 2010, the participants deferrals were invested in Company-owned life insurance contracts held in a Rabbi Trust. In December 2010, the Company surrendered the life insurance contracts for cash, and invested the proceeds of $11.3 million, in addition to $0.8 million in cash held by the Rabbi Trust, investment earnings and employee contributions, in a Company-selected portfolio of marketable securities, which are also held by the Rabbi Trust.

The fair value of the deferred compensation plan s assets is included in other assets in the statements of financial position. The marketable securities are classified as trading investments and are recorded at a fair value of $13.1 million as of March 31, 2011, based on quoted market prices. Earnings, gains and losses on trading investments are included in other income (expense), net. The cash surrender value of the insurance contracts was approximately $10.4 million and trust cash balances were $0.7 million as of March 31, 2010. Expenses and gains or losses related to the insurance contracts are included in other income (expense), net.

The unsecured obligation to pay the compensation deferred, adjusted to reflect the positive or negative performance of investment options selected by each participant, was approximately $13.1 million and $10.3 million at March 31, 2011 and 2010 and was included in other liabilities.

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Note 13 Income Taxes

The Company is incorporated in Switzerland but operates in various countries with differing tax laws and rates. Further, a portion of the Company s income before taxes and the provision for income taxes are generated outside of Switzerland.

Income before income taxes for the fiscal years ended March 31, 2011, 2010 and 2009 is summarized as follows (in thousands):

	Year ended March 31,		
	2011	**2010**	**2009**
Income before income taxes:			
Swiss	$ 50,219	$ 13,352	$ 40,717
Non-Swiss	98,229	70,271	86,076
Total	$ 148,448	$ 83,623	$ 126,793

The provision for income taxes is summarized as follows (in thousands):

	Year ended March 31,		
	2011	**2010**	**2009**
Current:			
Swiss	$ (1,073)	$ 1,463	$ 53
Non-Swiss	26,218	22,279	32,274
Deferred:			
Swiss			(36)
Non-Swiss	(5,157)	(5,076)	(12,530)
Total	$ 19,988	$ 18,666	$ 19,761

The difference between the provision for income taxes and the expected tax provision at the statutory income tax rate is reconciled below (in thousands):

	Year ended March 31,		
	2011	**2010**	**2009**
Expected tax provision at statutory income tax rates	$ 12,618	$ 7,108	$ 10,777
Income taxes at different rates	6,476	10,473	9,370
Research and development tax credits	(2,315)	(1,628)	(2,524)
Unrealized investment income	(315)	(428)	1,004
Stock compensation	551	713	618
Transaction costs		1,257	
Valuation allowance	2,309		
Other	664	1,171	516
Total provision for income taxes	$ 19,988	$ 18,666	$ 19,761

The Company negotiated a tax holiday on certain earnings in China which was effective from January 2006 through December 2010. The tax holiday was a tax exemption aimed to attract foreign technological investment in China. The tax holiday decreased income tax expense by approximately $3.6 million, $2.4 million, and $4.0 million for fiscal years 2011, 2010 and 2009. The benefit of the tax holiday on net income per share (diluted) was approximately $0.02, $0.01 and $0.02 in fiscal years 2011, 2010 and 2009.

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On December 17, 2010, the enactment in the U.S. of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended retroactively through the end of calendar year 2011 the U.S. federal research and development credit, which had expired on December 31, 2009. Accordingly, the Company s income tax provision for the fiscal year ended March 31, 2011 includes a tax benefit of $2.2 million related to the U.S. federal research tax credit.

The U.S. state of California has enacted legislation affecting the methodology which must be used by corporate taxpayers to apportion income to California. These changes will become effective for our fiscal year ending March 31, 2012. The Company anticipates that the election to use only sales in apportioning income to California will lower the effective state tax rate in the future. The Company s income tax provision as of March 31, 2011 reflects an income tax expense of $0.4 million from adjustments to deferred tax assets resulting from the change in the effective state tax rate.

Deferred income tax assets and liabilities consist of the following (in thousands):

	March 31,	
	2011	**2010**
Deferred tax assets:		
Net operating loss carryforwards	$ 33,029	$ 40,878
Tax credit carryforwards	5,645	3,367
Accruals	35,172	35,346
Depreciation and amortization	12,310	11,473
Share-based compensation	21,997	17,438
Valuation allowance	(2,309)	
Gross deferred tax assets	105,844	108,502
Deferred tax liabilities:		
Acquired intangible assets	(24,013)	(37,264)
Gross deferred tax liabilities	(24,013)	(37,264)
Net deferred tax assets	$ 81,831	$ 71,238

The current and deferred tax provision is calculated based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed. Adjustments for differences between the tax provisions and tax returns are recorded when identified, which is generally in the third or fourth quarter of the subsequent year.

Management regularly assesses the ability to realize deferred tax assets recorded in the Company s entities based upon the weight of available evidence, including such factors as recent earnings history and expected future taxable income. In the event that future taxable income is below management s estimates or is generated in tax jurisdictions different than projected, the Company could be required to establish a valuation allowance for deferred tax assets. This would result in an increase in the Company s effective tax rate.

The Company established $2.3 million of valuation allowance in fiscal year 2011. In March 2011, the Company sold its equity interest in certain 3Dconnexion subsidiaries, and its intellectual property rights related to the manufacture and sale of certain 3Dconnexion products, to a group of third party individuals and certain 3Dconnexion employees. A full valuation allowance of $2.2 million was provided for $5.7 million of capital loss carryforward from the sale of 3Dconnexion Inc. in the U.S. as the Company determined that it is more likely than not that the Company would not generate adequate capital gains in the next five years before the capital loss expires under the U.S. tax law. The remaining valuation allowance of $0.1 million represents a full valuation allowance for certain foreign tax credit carryforwards in the U.S.

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Deferred tax assets relating to tax benefits of employee stock option grants and RSUs have been reduced to reflect exercises in fiscal years 2011 and 2010. Some exercises resulted in tax deductions in excess of previously recorded benefits based on the option value at the time of grant (windfalls). Although these additional tax benefits are reflected in net operating loss carryforwards, the additional tax benefit associated with the windfall is not recorded until the deduction reduces cash taxes payable. During fiscal years 2011 and 2010, the Company recorded a credit to equity of $4.8 million and $0.3 million.

As of March 31, 2011, the Company had foreign net operating loss and tax credit carryforwards for income tax purposes of $285.9 million and $25.4 million. Approximately $121.7 million of the net operating loss carryforwards and $20.2 million of the tax credit carryforwards, if realized, will be credited to equity since they have not met the applicable realization criteria. A full valuation allowance has been provided for foreign tax credits of $0.1 million. Unused net operating loss carryforwards will expire at various dates in fiscal years 2014 to 2031, and the tax credit carryforwards will begin to expire in fiscal year 2012.

As of March 31, 2011, the Company had capital loss carryforwards of approximately $5.7 million for which a full valuation allowance has been provided. The loss will begin to expire in fiscal year 2016.

Swiss income taxes and non-Swiss withholding taxes associated with the repatriation of earnings or for other temporary differences related to investments in non-Swiss subsidiaries have not been provided for, as the Company intends to reinvest the earnings of such subsidiaries indefinitely or the Company has concluded that no additional tax liability would arise on the distribution of such earnings. If these earnings were distributed to Switzerland in the form of dividends or otherwise, or if the shares of the relevant non-Swiss subsidiaries were sold or otherwise transferred, the Company may be subject to additional Swiss income taxes and non-Swiss withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

As of March 31, 2011 and 2010, the total amount of unrecognized tax benefits was $138.1 million and $125.2 million, of which $118.2 million and $101.4 million would affect the effective income tax rate if realized. The Company classified the unrecognized tax benefits as non-current income taxes payable.

The aggregate changes in gross unrecognized tax benefits in fiscal years 2011, 2010 and 2009 were as follow (in thousands):

Beginning balance as of March 31, 2008	$ 92,647
Lapse of statute of limitations	(1,978)
Increases in balances related to tax positions taken during the current period	6,958
Balance as of March 31, 2009	$ 97,627
Lapse of statute of limitations	(3,667)
Decreases in balances related to tax positions taken during prior periods	(229)
Increases in balances related to tax positions taken during prior periods	2,690
Increases in balances related to tax positions taken during the current period	17,207
Balance as of March 31, 2010	$ 113,628
Lapse of statute of limitations	(4,760)
Settlements with tax authorities	(6,290)
Increases in balances related to tax positions taken during the current period	27,550
Balance as of March 31, 2011	$ 130,128

The Company continues to recognize interest and penalties related to unrecognized tax positions in income tax expense. The Company recognized $1.3 million, $1.9 million and $1.8 million in interest and penalties in income tax expense during fiscal years 2011, 2010 and 2009. As of March 31, 2011, 2010 and 2009, the Company had approximately $8.0 million, $12.5 million and $10.7 million of accrued interest and penalties related to uncertain tax positions.

The Company files Swiss and foreign tax returns. For all these tax returns, the Company is generally not subject to tax examinations for years prior to 1999. During the third quarter of fiscal year 2011, the U.S. Internal Revenue Service expanded its examination of the Company s U.S. subsidiary to include fiscal years 2008 and 2009 in addition to fiscal years 2006 and 2007. At this time it is not possible to estimate the potential impact that the examination may have on income tax expense. The Company is also under examination in other jurisdictions.

Although the Company has adequately provided for uncertain tax positions, the provisions on these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. Although the timing of the resolution or closure on audits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits would materially change in the next twelve months.

Note 14 Derivative Financial Instruments Foreign Exchange Hedging

Cash Flow Hedges

The Company enters into foreign exchange forward contracts to hedge against exposure to changes in foreign currency exchange rates related to its subsidiaries forecasted inventory purchases. The primary risk managed by using derivative instruments is the foreign currency exchange rate risk. The Company has designated these derivatives as cash flow hedges. Logitech does not use derivative financial instruments for trading or speculative purposes. These hedging contracts mature within three months, and are denominated in the same currency as the underlying transactions. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. The Company assesses the effectiveness of the hedges by comparing changes in the spot rate of the currency underlying the forward contract with changes in the spot rate of the currency in which the forecasted transaction will be consummated. If the underlying transaction being hedged fails to occur or if a portion of the hedge does not generate offsetting changes in the foreign currency exposure of forecasted inventory purchases, the Company immediately recognizes the gain or loss on the associated financial instrument in other income (expense). Such losses were immaterial during the fiscal years ended March 31, 2011, 2010 and 2009. Cash flows from such hedges are classified as operating activities in the consolidated statements of cash flows. The notional amounts of foreign exchange forward contracts outstanding related to forecasted inventory purchases were $54.9 million (38.7 million) and $46.2 million (34.3 million) at March 31, 2011 and 2010. The notional amount represents the future cash flows under contracts to purchase foreign currencies.

Other Derivatives

The Company also enters into foreign exchange forward contracts to reduce the short-term effects of foreign currency fluctuations on certain foreign currency receivables or payables. These forward contracts generally mature within three months. The Company may also enter into foreign exchange swap contracts to economically extend the terms of its foreign exchange forward contracts. The primary risk managed by using forward and swap contracts is the foreign currency exchange rate risk. The gains or losses on foreign exchange forward contracts are recognized in earnings based on the changes in fair value.

The notional amounts of foreign exchange forward contracts outstanding at March 31, 2011 and 2010 relating to foreign currency receivables or payables were $12.9 million and $15.1 million. Open forward

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contracts as of March 31, 2011 and 2010 consisted of contracts in British pounds to purchase euros at a future date at a predetermined exchange rate. The notional amounts of foreign exchange swap contracts outstanding at March 31, 2011 and 2010 were $17.1 million and $38.9 million. Swap contracts outstanding at March 31, 2011 consisted of contracts in Canadian dollars, Japanese yen, and Mexican pesos. Swap contracts outstanding at March 31, 2010 consisted of contracts in British pounds, Japanese yen, Mexican pesos and Canadian dollars.

The fair value of all our foreign exchange forward contracts and foreign exchange swap contracts is determined based on quoted foreign exchange forward rates. Quoted foreign exchange forward rates are observable inputs that are classified as Level 1 within the fair value hierarchy.

The following table presents the fair values of the Company s derivative instruments and their locations on the Balance Sheet as of March 31, 2011 and 2010 (in thousands):

	Asset Derivatives			Liability Derivatives		
		Fair Value March 31,			Fair Value March 31,	
	Location	**2011**	**2010**	**Location**	**2011**	**2010**
Derivatives designated as hedging instruments:						
Cash Flow Hedges	Other assets	$	$ 136	Other liabilities	$ 1,763	$ 10
			136		1,763	10
Derivatives not designated as hedging instruments:						
Foreign Exchange Forward Contracts	Other assets	486	11	Other liabilities		
Foreign Exchange Swap Contracts	Other assets	80	452	Other liabilities	118	356
		566	463		118	356
		$ 566	$ 599		$ 1,881	$ 366

The following table presents the amounts of gains and losses on the Company s derivative instruments for the fiscal years ended March 31, 2011 and 2010 and their locations on its Consolidated Financial Statements (in thousands):

	Net amount of gain/(loss) deferred as a component of accumulated other comprehensive loss		Location of gain/ (Loss) reclassified from accumulated other comprehensive loss into income	Amount of gain/(loss) reclassified from accumulated other comprehensive loss into income		Location of gain/(loss) recognized in income immediately	Amount of gain/(loss) recognized in income immediately	
	2011	**2010**		**2011**	**2010**		**2011**	**2010**
Derivatives designated as hedging instruments:								
Cash Flow Hedges	$ (4,366)	$ 1,178	Cost of goods sold	$ 6,078	$ (5,615)	Other income/expense	$ (5)	$ (57)
	(4,366)	1,178		6,078	(5,615)		(5)	(57)
Derivatives not designated as hedging instruments:								
Foreign Exchange Forward Contracts						Other income/expense	855	(831)
Foreign Exchange Swap Contracts						Other income/expense	(2,865)	(2,306)
							(2,010)	(3,137)

$ (4,366)	$ 1,178	$ 6,078	$ (5,615)	$ (2,015)	$ (3,194)

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Note 15 Commitments and Contingencies

Operating Leases

The Company leases facilities under operating leases, certain of which require it to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at the Company s option and usually include escalation clauses linked to inflation. Future minimum annual rentals under non-cancelable operating leases at March 31, 2011 are as follows (in thousands):

Year ending March 31,	
2012	$ 18,023
2013	15,594
2014	9,875
2015	7,870
2016	6,962
Thereafter	14,267
	$ 72,591

Rent expense was $19.8 million, $16.3 million and $15.5 million for the years ended March 31, 2011, 2010 and 2009.

In May, 2011 we signed a new lease for facilities which will house our Americas operations in Northern California, replacing our leased facilities in Fremont, California. Our future contractual obligation in connection with this lease is approximately $35 million over an 11 year period.

In connection with its leased facilities, the Company has recognized a liability for asset retirement obligations representing the present value of estimated remediation costs to be incurred at lease expiration. The following table describes changes to the Company s asset retirement obligation liability for the years ended March 31, 2011 and 2010 (in thousands):

	March 31,	
	2011	**2010**
Asset retirement obligation, beginning of year	$ 1,374	$ 1,255
Liabilities incurred	275	44
Liabilities settled	(120)	(18)
Accretion expense	71	71
Foreign currency translation	36	22
Asset retirement obligation, end of year	$ 1,636	$ 1,374

Product Warranties

Certain of the Company s products are covered by warranty to be free from defects in material and workmanship for periods ranging from one year to five years. At the time of sale, the Company accrues a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of the warranty obligation. The Company s estimate of costs to fulfill its warranty obligations is based on historical experience and expectations of future conditions. When the Company experiences changes in warranty claim activity or costs associated with fulfilling those claims, the warranty liability is adjusted accordingly. Changes in the Company s warranty liability for the years ended March 31, 2010 and 2011 were as follows (in thousands):

	March 31,	
	2011	**2010**

Warranty liability, beginning of year	$ 3,002	$ 2,867
Provision for warranties issued during the year	18,666	16,344
Settlements made during the year	(16,698)	(16,209)
Warranty liability, end of year	$ 4,970	$ 3,002

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Purchase Commitments

At March 31, 2011, the Company had the following outstanding purchase commitments:

	March 31, 2011
Inventory purchases	$ 165,286
Operating expenses	49,839
Capital expenditures	10,724
Total purchase commitments	$ 225,849

Commitments for inventory purchases are made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers and are expected to be fulfilled by September 2011. Operating expense commitments are for consulting services, marketing arrangements, advertising, outsourced customer services and other services. Fixed purchase commitments for capital expenditures primarily related to commitments for manufacturing equipment and tooling. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the Company the option to reschedule and adjust its requirements based on the business needs prior to delivery of goods or performance of services.

Guarantees

The Company has guaranteed the purchase obligations of some of its contract manufacturers and original design manufacturers to certain component suppliers. These guarantees generally have a term of one year and are automatically extended for one or more years as long as a liability exists. The amount of the purchase obligations of these manufacturers varies over time, and therefore the amounts subject to Logitech s guarantees similarly vary. At March 31, 2011, there were no outstanding guaranteed purchase obligations. The maximum potential future payments under two of the three guarantee arrangements is limited to $30.0 million. The third guarantee is limited to purchases of specified components from the named suppliers. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these guarantee arrangements.

Logitech International S.A., the parent holding company, has guaranteed certain contingent liabilities of various subsidiaries related to specific transactions occurring in the normal course of business. The maximum amount of the guarantees was $54.7 million as of March 31, 2011. As of March 31, 2011, $10.3 million was outstanding under these guarantees. The parent holding company has also guaranteed the purchases of one of its subsidiaries under three guarantee agreements. Two of these guarantees do not specify a maximum amount. The third guarantee is limited to $7.0 million. As of March 31, 2011, $4.9 million was outstanding under these guarantees.

Indemnifications

Logitech indemnifies some of its suppliers and customers for losses arising from matters such as intellectual property rights and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances, includes indemnification for damages and expenses, including reasonable attorneys fees. No amounts have been accrued for indemnification provisions at March 31, 2011. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under its indemnification arrangements.

Letters of Credit

Logitech provides various third parties with irrevocable letters of credit in the normal course of business to secure its obligations to pay or perform pursuant to the requirements of an underlying agreement or the provision of goods and services. These standby letters of credit are cancelable only at the option of the beneficiary who is

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authorized to draw drafts on the issuing bank up to the face amount of the standby letter of credit in accordance with its terms. At March 31, 2011, the Company had $0.7 million of letters of credit in place, of which $0.1 million was outstanding. These letters of credit relate primarily to equipment purchases by a subsidiary in China, and expire between April and December 2011.

Acquisition Earn-Out

In November 2007, the Company acquired WiLife, Inc., a privately held company offering PC-based video cameras for self-monitoring a home or a small business. The purchase agreement provided for a performance-based payment, payable in the first calendar quarter of 2011, based on net revenues attributed to WiLife during calendar 2010. Because the minimum performance threshold was not met, no performance-based payment is due under the WiLife acquisition agreement.

Legal Proceedings

On May 23, 2011, a class action complaint was filed against Logitech and certain of its officers. This action was filed in the United States District Court for the Southern District of New York on behalf of individuals who purchased Logitech shares between October 28, 2010 and April 1, 2011. The complaint relates to Logitech s disclosure on March 31, 2011 that its results for fiscal year 2011 would fall below expectations and seeks unspecified monetary damages and other relief against the defendants.

In addition, the Company is involved in a number of lawsuits and claims relating to commercial matters that arise in the normal course of business.

The Company believes these lawsuits and claims are without merit and intends to vigorously defend against them. However, there can be no assurances that its defenses will be successful, or that any judgment or settlement in any of these lawsuits would not have a material adverse impact on the Company s business, financial condition, cash flows and results of operations. The Company s accruals for lawsuits and claims as of March 31, 2011 were not material.

Note 16 Interest and Other Income

Interest and other income (expense), net was comprised of the following (in thousands):

	Year ended March 31,		
	2011	**2010**	**2009**
Interest income	$ 2,343	$ 2,406	$ 8,648
Interest expense	(27)	(286)	(20)
Interest income, net	$ 2,316	$ 2,120	$ 8,628
Foreign currency exchange gains, net	$ 480	$ 1,720	$ 13,680
Investment income (loss) related to management deferred compensation plan	1,409	1,221	(2,883)
Gain on sale of building	838		
Write-down of investments	(43)	(643)	(2,727)
Other, net	792	841	441
Other income, net	$ 3,476	$ 3,139	$ 8,511

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Note 17 Segment Information

Net sales by product family, excluding intercompany transactions, were as follows (in thousands):

	Year ended March 31, 2011	2010	2009
Retail Pointing Devices	$ 618,404	$ 528,236	$ 579,775
Retail Keyboards & Desktops	390,426	329,038	384,809
Retail Audio	466,927	454,957	445,362
Retail Video	255,015	228,344	248,339
Retail Gaming	104,459	107,595	127,052
Retail Digital Home[1]	169,979	96,982	102,006
OEM	223,775	198,364	321,489
Peripherals	2,228,985	1,943,516	2,208,832
LifeSize	133,901	23,232	
Total net sales	$ 2,362,886	$ 1,966,748	$ 2,208,832

(1) Digital Home is a new product family combining Harmony Remotes, Logitech Revue with Google TV and peripherals associated with the Google TV platform.

The Company has two operating segments, peripherals and video conferencing, based on product markets and internal organizational structure. The peripherals segment encompasses the design, manufacturing and marketing of peripheral products for the PC (personal computer) and other digital platforms. The peripherals operating segment meets the quantitative thresholds for separate disclosure of financial information. The video conferencing segment consists of the LifeSize division, and encompasses the design, manufacturing and marketing of video conferencing products, infrastructure and services for the enterprise, public sector and other business markets. The video conferencing operating segment does not meet the quantitative thresholds for separate disclosure of financial information. The Company s operating segments do not record revenue on sales between segments, as such sales are not material.

Operating performance measures for the peripherals segment and the video conferencing segment are reported separately to Logitech s Chief Executive Officer, who is considered to be the Company s chief operating decision maker. These operating performance measures do not include share-based compensation expense, amortization of intangible assets, and assets by operating segment. Share-based compensation expense and amortization of intangible assets are presented in the following financial information by operating segment as all other. Long-lived assets are presented by geographic region. Net sales, operating income and depreciation and amortization for the Company s operating segments were as follows (in thousands):

	Year ended March 31 2011	2010	2009
Net sales by operating segment			
Peripherals	$ 2,228,985	$ 1,943,516	$ 2,208,832
LifeSize	133,901	23,232	
Total net sales	$ 2,362,886	$ 1,966,748	$ 2,208,832
Operating income by segment			
Peripherals	$ 204,202	$ 127,530	$ 143,323
LifeSize	1,100	(8,844)	
All other	(62,646)	(40,322)	(33,669)

Total operating income	$ 142,656	$ 78,364	$ 109,654
Depreciation and amortization by segment			
Peripherals	$ 55,816	$ 65,130	$ 53,187
LifeSize	20,175	5,765	
Total depreciation and amortization	$ 75,991	$ 70,895	$ 53,187

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Geographic net sales information in the table below is based on the location of the selling entity. Long-lived assets, primarily fixed assets, are reported below based on the location of the asset.

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

	Year ended March 31,		
	2011	**2010**	**2009**
EMEA	$ 872,774	$ 882,635	$ 1,001,337
Americas	1,032,988	729,473	785,862
Asia Pacific	457,124	354,640	421,633
Total net sales	$ 2,362,886	$ 1,966,748	$ 2,208,832

In fiscal years 2011 and 2009, no single country other than the United States represented more than 10% of the Company s total consolidated net sales. In fiscal year 2010, the United States and Germany each represented more than 10% of the Company s total consolidated net sales. Revenues from sales to customers in Switzerland, our home domicile, represented a small portion of the Company s total consolidated net sales in all periods presented. In fiscal years 2011, 2010 and 2009, one customer group represented 12%, 13% and 14% of net sales. As of March 31, 2011 and 2010, one customer represented 13% and 14% of total accounts receivable.

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

	March 31,	
	2011	**2010**
EMEA	$ 9,774	$ 11,053
Americas	34,587	40,165
Asia Pacific	45,272	43,765
Total long-lived assets	$ 89,633	$ 94,983

Long-lived assets in China and the United States each represented more than 10% of the Company s total consolidated long-lived assets at March 31, 2011 and 2010.

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LOGITECH INTERNATIONAL S.A.

QUARTERLY FINANCIAL DATA

(Unaudited)

The following table contains selected unaudited quarterly financial data for fiscal years 2011 and 2010 (in thousands except per share amounts):

	Year ended March 31, 2011				Year ended March 31, 2010			
	First	Second	Third	Fourth*	First	Second	Third	Fourth
Net sales	$ 479,330	$ 581,884	$ 754,054	$ 547,618	$ 326,110	$ 498,093	$ 617,101	$ 525,444
Gross profit	169,029	216,934	271,173	179,370	77,822	151,788	208,964	188,322
Operating expenses:								
Marketing and selling	91,477	97,412	124,914	106,777	58,938	68,835	87,322	89,693
Research and development	38,389	40,927	38,955	38,119	31,360	31,825	32,931	39,697
General and administrative	27,360	27,420	31,264	30,836	21,181	23,739	30,284	30,943
Restructuring charges					1,449	45		290
Total operating expense	157,226	165,759	195,133	175,732	112,928	124,444	150,537	160,623
Operating income (loss)	11,803	51,175	76,040	3,638	(35,106)	27,344	58,427	27,699
Net income (loss)	$ 19,522	$ 41,160	$ 65,002	$ 2,776	$ (37,365)	$ 20,743	$ 57,086	$ 24,493
Net income (loss) per share**:								
Basic	$ 0.11	$ 0.23	$ 0.37	$ 0.02	$ (0.21)	$ 0.12	$ 0.33	$ 0.14
Diluted	$ 0.11	$ 0.23	$ 0.36	$ 0.02	$ (0.21)	$ 0.11	$ 0.32	$ 0.14
Shares used to compute net income (loss) per share:								
Basic	175,492	176,359	177,233	178,562	179,751	178,395	175,426	175,738
Diluted	177,358	177,958	179,703	180,423	179,751	180,989	177,668	177,967

* Net income for the fourth quarter includes $5.7 million in pretax charges related to sales incentive allowances from fiscal year 2010 and prior quarters in fiscal year 2011. The Company reviewed the accounting errors utilizing SEC Staff Accounting Bulletin No. 99, *Materiality* and SEC Staff Accounting Bulletin No. 108, *Effects of Prior Year Misstatements on Current Year Financial Statements*, and determined the impact of the errors to be immaterial to any period presented.

** Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

The following table sets forth certain quarterly financial information as a percentage of net sales:

	Year ended March 31, 2011				Year ended March 31, 2010			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	35.3	37.3	36.0	32.8	23.9	30.5	33.9	35.8
Operating expenses:								
Marketing and selling	19.1	16.7	16.6	19.5	18.1	13.8	14.2	17.1
Research and development	8.0	7.0	5.2	7.0	9.6	6.4	5.3	7.6
General and administrative	5.7	4.7	4.1	5.6	6.5	4.8	4.9	5.9
Restructuring charges					0.4			
Total operating expense	32.8	28.5	25.9	32.1	34.6	25.0	24.4	30.6
Operating income (loss)	2.5	8.8	10.1	0.7	(10.7)	5.5	9.5	5.2
Net income (loss)	4.1%	7.1%	8.6%	0.5%	(11.5%)	4.2%	9.3%	4.7%

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Schedule II

LOGITECH INTERNATIONAL S.A.

VALUATION AND QUALIFYING ACCOUNTS

For the Fiscal Years Ended March 31, 2011, 2010 and 2009 (in thousands)

Fiscal Year	Description	Balance at beginning of period	Charged (credited) to Income Statement [1]	Write-offs charged to (recovered against) allowance [1]	Balance at end of period
2011	Allowance for doubtful accounts	$ 5,870	$ 663	$ (2,447)	$ 4,086
2010	Allowance for doubtful accounts	$ 6,705	$ (72)	$ (763)	$ 5,870
2009	Allowance for doubtful accounts	$ 2,497	$ 5,102	$ (894)	$ 6,705
2011	Cooperative marketing arrangements	$ 17,527	$ 133,125	$ (121,983)	$ 28,669
2010	Cooperative marketing arrangements	$ 28,567	$ 98,450	$ (109,490)	$ 17,527
2009	Cooperative marketing arrangements	$ 29,511	$ 123,938	$ (124,882)	$ 28,567
2011	Customer incentive programs	$ 44,306	$ 162,958	$ (154,906)	$ 52,358
2010	Customer incentive programs	$ 36,454	$ 101,851	$ (93,999)	$ 44,306
2009	Customer incentive programs	$ 40,847	$ 110,733	$ (115,126)	$ 36,454
2011	Reserve for sales returns	$ 23,657	$ 74,749	$ (68,740)	$ 29,666
2010	Reserve for sales returns	$ 28,705	$ 78,950	$ (83,998)	$ 23,657
2009	Reserve for sales returns	$ 25,880	$ 83,419	$ (80,594)	$ 28,705
2011	Pricing programs	$ 63,115	$ 189,293	$ (190,150)	$ 62,258
2010	Pricing programs	$ 25,543	$ 134,323	$ (96,751)	$ 63,115
2009	Pricing programs	$ 32,052	$ 63,259	$ (69,768)	$ 25,543

(1) Transactions related to certain prior year charges and write-offs have been recharacterized to conform to the current year presentation, with no impact on previously reported beginning and ending balances.

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