

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

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

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

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

Industry Overview

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

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

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

	Year ended March 31,		
	2012	2011	2010
Net sales	\$2,316,203	\$2,362,886	\$1,966,748
Cost of goods sold	1,539,614	1,526,380	1,339,852
Gross profit	<u>776,589</u>	<u>836,506</u>	<u>626,896</u>
Operating expenses:			
Marketing and selling	423,854	420,580	304,788
Research and development	162,331	156,390	135,813
General and administrative	118,423	116,880	106,147
Restructuring charges	—	—	1,784
Total operating expenses	<u>704,608</u>	<u>693,850</u>	<u>548,532</u>
Operating income	71,981	142,656	78,364
Interest income, net	2,674	2,316	2,120
Other income, net	16,622	3,476	3,139
Income before income taxes	91,277	148,448	83,623
Provision for income taxes	19,819	19,988	18,666
Net income	<u>\$ 71,458</u>	<u>\$ 128,460</u>	<u>\$ 64,957</u>
Net income per share:			
Basic	\$ 0.41	\$ 0.73	\$ 0.37
Diluted	\$ 0.41	\$ 0.72	\$ 0.36
Shares used to compute net income per share:			
Basic	174,648	176,928	177,279
Diluted	175,591	178,790	179,340

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

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

	March 31,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 478,370	\$ 477,931
Accounts receivable	223,104	258,294
Inventories	297,072	280,814
Other current assets	65,990	59,347
Total current assets	1,064,536	1,076,386
Property, plant and equipment	94,884	84,160
Goodwill	560,523	547,184
Other intangible assets	53,518	74,616
Other assets	83,033	79,210
Total assets	\$1,856,494	\$1,861,556
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 301,111	\$ 298,160
Accrued liabilities	186,680	172,560
Total current liabilities	487,791	470,720
Other liabilities	218,462	185,835
Total liabilities	706,253	656,555
Commitments and contingencies		
Shareholders' equity:		
Shares, par value CHF 0.25—191,606 issued and authorized and 50,000 conditionally authorized at March 31, 2012 and 2011	33,370	33,370
Additional paid-in capital	—	—
Shares in treasury, at cost, 27,173 at March 31, 2012 and 12,433 at March 31, 2011	(343,829)	(264,019)
Retained earnings	1,556,629	1,514,168
Accumulated other comprehensive loss	(95,929)	(78,518)
Total shareholders' equity	1,150,241	1,205,001
Total liabilities and shareholders' equity	\$1,856,494	\$1,861,556

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

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

Note 13—Segment Information

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

	Year ended March 31,		
	2012	2011	2010
Retail—Pointing Devices	\$ 619,505	\$ 618,404	\$ 528,236
Retail—Keyboards & Desktops	447,991	386,968	329,038
Retail—Audio	483,485	466,927	454,957
Retail—Video	215,657	255,015	228,344
Retail—Gaming	111,480	104,545	107,595
Retail—Digital Home	104,665	173,351	96,982
OEM	185,959	223,775	198,364
Peripherals	2,168,742	2,228,985	1,943,516
Video Conferencing	147,461	133,901	23,232
Total net sales	<u>\$2,316,203</u>	<u>\$2,362,886</u>	<u>\$1,966,748</u>

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 peripherals for PCs (personal computers), tablets and other digital platforms. The video conferencing segment consists of the LifeSize division, and encompasses the design, manufacturing and marketing of LifeSize video conferencing products, infrastructure and services for the enterprise, public sector and other business markets. 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

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

Note 13—Segment Information (Continued)

sales, operating income and depreciation and amortization for the Company's operating segments were as follows (in thousands):

	Year ended March 31		
	2012	2011	2010
Net sales by operating segment			
Peripherals	\$2,168,742	\$2,228,985	\$1,943,516
Video Conferencing	147,461	133,901	23,232
Total net sales	<u>\$2,316,203</u>	<u>\$2,362,886</u>	<u>\$1,966,748</u>
Operating income by segment			
Peripherals	\$ 137,430	\$ 204,202	\$ 127,530
Video Conferencing	(7,386)	1,100	(8,844)
All other	(58,063)	(62,646)	(40,322)
Total operating income	<u>\$ 71,981</u>	<u>\$ 142,656</u>	<u>\$ 78,364</u>
Depreciation and amortization by segment			
Peripherals	\$ 52,578	\$ 55,816	\$ 65,130
Video Conferencing	19,924	20,175	5,765
Total depreciation and amortization	<u>\$ 72,502</u>	<u>\$ 75,991</u>	<u>\$ 70,895</u>

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

Sales are attributed to countries on the basis of the customers' locations. The United States represented 34% and 36% of the Company's total consolidated net sales for the fiscal years 2012 and 2011. In fiscal year 2010, the United States represented 32% and Germany represented 11% of our total consolidated net sales. No other single country represented more than 10% of the Company's total consolidated net sales during those periods. Revenues from sales to customers in Switzerland, the Company's home domicile, represented a small portion of the Company's total consolidated net sales in all periods presented. In fiscal years 2012, 2011 and 2010, one customer group represented 14%, 12% and 13% of net sales. As of March 31, 2012 and 2011, one customer group represented 14% and 13% of total accounts receivable.