LOGITECH INTERNATIONAL SA
Form 10-K
May 30, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2013

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to
Commission File Number: 0-29174

LOGITECH INTERNATIONAL S.A.

(Exact name of registrant as specified in its charter)

Canton of Vaud, Switzerland (State or other jurisdiction of incorporation or organization)	**None** (I.R.S. Employer Identification No.)

Logitech International S.A.
Apples, Switzerland
c/o Logitech Inc.
7600 Gateway Boulevard
Newark, California 94560
(Address of principal executive offices and zip code)

(510) 795-8500
(Registrant's telephone number, including area code)

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting shares held by non-affiliates of the registrant, based upon the closing sale price of the shares on September 30, 2012, the last business day of the registrant's second fiscal quarter on the NASDAQ Global Select Market, was approximately $819,557,681. For purposes of this disclosure, voting shares held by persons known to the Registrant to beneficially own more than 5% of the Registrant's shares and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

As of May 16, 2013, there were 159,304,255 shares of the Registrant's share capital outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2013 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended March 31, 2013.

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

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

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FORWARD-LOOKING INFORMATION

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

- our business strategy and investment priorities for fiscal year 2014 and beyond, considering evolving consumer demand trends affecting our products and markets, fluctuations in currency exchange rates, and current and future general regional economic conditions;
- our business and product plans for fiscal year 2014, including the impact of reducing complexity in our product portfolio, new product introductions, and product innovation on future operating results and anticipated operating costs;
- our belief that market opportunities for Logitech products are growing in emerging markets such as China, Eastern Europe and Latin America;
- our belief that Logitech is well positioned to compete in providing products and services to enterprise markets, and video and audio solutions that support unified communication platforms;
- our belief there will be additional demand for complementary peripherals to enhance consumers' experiences with tablets and other mobile platforms;
- our belief that the restructuring plans implemented in fiscal year 2013 will reduce costs and expenses and improve future performance; and
- the sufficiency of our cash and cash equivalents, cash generated from operations, and available borrowings under our bank lines of credit to fund capital expenditures and working capital needs.

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

- general market trends and consumer demand for personal computer peripherals in mature and emerging markets, and for peripherals to use with tablets and other mobile devices with touch interfaces;
- market acceptance of our products, our ability to accurately forecast market trends and consumer demands, the sales mix between our lower- and higher-margin products, and our geographic sales mix;
- our decisions to prioritize investments in peripherals for tablets and digital music consumption, in growing our sales in China and other high-potential emerging markets, in reducing complexity in our product portfolio, in growing our sales to enterprise customers, in expanding sales of our LifeSize division, and in our other investment priorities, and the impact of those decisions on our current operations and future performance;
- the effect of pricing, product, marketing and other initiatives by our competitors and our reaction to them on our sales, gross margins, and profitability;
- competition in the video conferencing and communications industry, and the rate of adoption of video communications in enterprises;

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

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

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- the influence of our product introductions and marketing activities, and the impact of reducing complexity in our product portfolio and on our sales and profitability growth;
- our ability to implement workforce reductions, planned product initiatives, improvements in operating efficiencies and financial performance, and reductions in operating costs, associated with the restructuring;
- the adverse conclusion of one or more ongoing tax audits in various jurisdictions or a material assessment by a governing tax authority that would adversely affect our profitability.

Forward-looking statements also include, among others, those statements including the words "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict," "should," "will" and similar language. These statements reflect our views and assumptions as of the date of this Annual Report on Form 10-K. All forward-looking statements involve risks and uncertainties that could cause our actual performance to differ materially from those anticipated in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed under Item 1A, Risk Factors, as well as elsewhere in this Annual Report on Form 10-K and in our other filings with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

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PART I

ITEM 1. BUSINESS

Company Overview

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

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 Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Taiwan, Japan and Australia). Shares of Logitech International S.A. are listed on both the Nasdaq Global Select Market, under the trading symbol LOGI, and the SIX Swiss Exchange, under the trading symbol LOGN. References in this Form 10-K to the "Company," "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Logitech has two operating segments, peripherals and video conferencing.

Our peripherals segment, which includes retail and OEM channels, encompasses the design, manufacturing and marketing of peripherals for PCs (personal computers), tablets and other digital platforms. In the third quarter of fiscal year 2013, we changed the product category classification for a number of our peripheral retail products in an effort to help investors more clearly track the progress of our various product initiatives. Products within the retail product categories as presented in fiscal years ended 2012 and 2011 have been reclassified to conform to the fiscal year 2013 presentation, with no impact on previously reported total net retail sales. Our new peripheral retail product categories are defined as follows:

Retail Pointing Devices: Our pointing devices include PC-related mice, trackpads, touchpads and presenters.

Retail PC Keyboards & Desktops: Our PC keyboards & desktops include PC keyboards and keyboard/mice combo products. This category was formerly Retail Keyboards & Desktops, except for tablet accessory products which are now separately reported in the newly formed Retail Tablet Accessories category.

Retail Tablet Accessories: Our tablet accessories include keyboards and other accessories for tablets and other mobile devices. This is a new category, formerly a part of Retail Keyboards & Desktops.

Retail Audio PC: Our audio-PC products include PC speakers and PC headsets. This newly formed category was formerly a part of Retail Audio.

Retail Audio Wearables & Wireless: Our Audio wearables & wireless products include non-PC audio products, including ear and headphones, and wireless speakers. This newly formed category was formerly a part of Retail Audio.

Retail Video: Our video products include webcam, digital video securities systems and TV cams. This category now includes TV cams, which were formerly a part of Retail Digital Home.

Retail PC Gaming: Our PC Gaming products include PC gaming mice, keyboards, headsets and steering wheels.

Retail Remotes: Our remotes include Harmony remotes. This newly formed category was formerly a part of Retail Digital Home.

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Retail Other: This new category is comprised of a variety of products that we currently intend to transition out of, or have already transitioned out of, as they are no longer strategic to our business. Products currently included in this category include speaker docks, streaming media systems, console gaming peripherals and Logitech Revue for Google TV products.

Our brand, portfolio management, product definition and engineering teams in our peripherals segment are responsible for product strategy, technological innovation, product design and development, and bringing our products to market. Our business groups are organized by product categories. Our global marketing organization is responsible for developing and building the Logitech brand, consumer insight, public relations and social media, customer care and digital marketing. Our retail sales and marketing activities are organized into three geographic regions: Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Japan, Australia, Taiwan and India).

We sell our peripheral products to a network of distributors, retailers and OEMs. Our worldwide retail network includes wholesale distributors, consumer electronics retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers and online merchants. Sales of peripherals to our retail channels were 87%, 86% and 85% of our net sales for the fiscal years ended March 31, 2013, 2012 and 2011. The large majority of our revenues have historically been derived from sales of our peripheral products for use by consumers. Our OEM customers include the majority of the world's largest PC manufacturers. For the fiscal years ended March 31, 2013, 2012 and 2011, sales to OEM customers were 7%, 8% and 9% of our net sales.

Our video conferencing segment encompasses the design, manufacturing and marketing of video conferencing products, infrastructure and services for the enterprise, public sector, and other business markets. Video conferencing 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 video conferencing segment maintains a separate marketing and sales organization, which sells LifeSize products and services worldwide. Video conferencing product development and product management organizations are separate, but coordinated with our peripherals business, particularly our Consumer Computing Platforms group. We sell our video conferencing products and services to distributors, value-added resellers, OEMs, and direct enterprise customers. Sales of video conferencing products were 6% of our net sales in the fiscal years ended March 31, 2013, 2012 and 2011.

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 operations 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, 2013, we generated net sales of $2.1 billion, an operating loss of $252.4 million and a net loss of $228.1 million. The operating loss and net loss primarily resulted from a $214.5 million goodwill impairment charge related to our video conferencing reporting unit and from $43.7 million in costs related to restructuring plans implemented in fiscal year 2013. We employed approximately 7,700 employees as of March 31, 2013 and conducted business in approximately 100 countries.

A summary of our net sales and long-lived assets by geographic region can be found in Note 13, *Segment Information*, to the Consolidated Financial Statements in Item 15, incorporated herein by

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reference. A discussion of factors potentially affecting our operations is set forth in Item 1A, Risk Factors, 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.

In the last two years, the PC market has changed dramatically and there continues to be significant weakness in the global market for new PCs. This weakness has had a negative impact on our net sales in all of our PC-related categories. 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. Although the installed base of PC users is large, in our traditional, mature markets, such as the United States, Canada, Western and Nordic Europe, Japan and Australia, consumer demand for PCs has declined in recent years and we believe it will continue to decline in future years. While we continue to pursue growth opportunities in select PC peripheral product lines in mature markets, we believe there are growth opportunities for our PC peripherals outside the mature markets. In emerging markets, such as China, Eastern Europe and Latin America, the installed base of PC users is continuing to grow, 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.

In both mature and emerging markets, a strong installed base of business and enterprise customers purchase peripherals for their PCs. There are growth opportunities for our PC peripherals in the enterprise market because the preferences of employees increasingly drive companies' choices in the information technologies they deploy to their employee base.

Both mature and emerging markets are experiencing strong growth in the popularity of smaller, mobile computing devices, such as tablets and smartphones with touch interfaces, which have created new markets and usage models for mobile peripherals and accessories. Logitech has begun to offer peripherals and accessories to enhance the use of such digital platforms. For example, consumers are optimizing their audio experiences on their tablets and smartphones with premium earphones and speakers that pair easily with their mobile devices. Consumers are also enhancing their tablet experience with a range of accessories and peripherals such as the Logitech Ultrathin Keyboard Cover for iPad and the Ultrathin Keyboard Cover for iPad mini that enable them to create, consume and share digital content more conveniently and comfortably.

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

The trend among businesses and institutions to use video conferencing is even more prevalent than consumer use of video calling, and offers a long-term growth opportunity for Logitech. For businesses and institutions, video conferencing is increasingly substituted for travel, because of high travel costs as well as the productivity gain that can be achieved by a high-quality face-to-face meeting that does not require travel away from the office. Further, with the increased availability of higher Internet bandwidth, video conferencing is becoming a key component of UC (unified communications), which is the integration of

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enterprise-class collaboration and communications solutions such as voice mail, e-mail, chat, presentation sharing and live video meetings. With large, well-financed competitors such as Cisco Systems, Inc., Microsoft Corporation and Polycom, Inc. participating in this market, the competition is intense. However, we believe that Logitech is well positioned to compete with differentiated video and audio solutions that support the emerging UC platforms.

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

Consumer Behavior and Customer Experience Strategy

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

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

Business Strategy

Logitech's current strategic objectives are to: (1) maximize profitability in our core product categories, (2) invest in growth opportunities, and (3) divest or discontinue non-strategic product categories.

Our core product categories focuses on the substantial worldwide installed base of PC and Mac computers by offering innovative peripherals to address needs for comfort, productivity and easy connectivity, as well as entertainment and communication. We believe that the market for PC peripherals will continue to present opportunities for profitability and growth. In developed markets, the installed base of users is large and the market dynamics provide an opportunity to drive profitability. In emerging markets, such as China, Eastern Europe and Latin America, the installed base of users is still growing, which we believe continues to present opportunities for us to broaden our PC peripherals customer base. In the enterprise market, we believe the preferences of employees increasingly drive companies' choices in the information technology they deploy to their employee base.

The increasing popularity of smaller, mobile computing devices such as tablets and smartphones with touch interfaces is rapidly changing the peripherals market. We believe there are significant opportunities for Logitech peripherals and accessories to improve the productivity, navigation and control abilities of tablets, smartphones and other mobile devices, enabling consumers to create, consume and share digital content more conveniently and comfortably. To seize the growth opportunities in the peripherals market for mobile devices, we are focusing on innovating new features and products to provide excellent consumer experience, and on reducing production cycle time to meet the evolving market demand and frequent introductions of new devices. Digital music, the seamless consumption of audio content on home and mobile devices, also presents a growth opportunity, because Logitech has a solid foundation of audio solutions to satisfy consumers' needs for music consumption.

Our video conferencing segment focuses on high-definition universal video collaboration for businesses and institutions. We believe that our strategy of high quality experience combined with a compelling price/performance advantage will allow us to return to profitability our video conferencing, infrastructure and services business in mature markets, as well as expand into emerging markets.

During the third quarter of fiscal year 2013, we identified a number of product categories that no longer fit with our current strategic direction. As a result, we made a strategic decision to divest our remotes and digital video security product categories, and plan to discontinue other non-strategic products, such as speaker docks and most console gaming peripherals, by the end of fiscal year 2014. This decision primarily resulted from our belief that these categories of products would not make a meaningful contribution to improving our growth or profitability.

We continually review our product offerings and our strategic direction in light of our profitability targets, competitive conditions, changing consumer trends, and the evolving nature of the interface between the consumer and the digital world.

Product Strategy

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

PC/Mac/Mobile Devices

Logitech continues to provide new, innovative, high-performance PC and Mac computer navigation devices and audio and video products for the large existing installed base of PC and Mac computers in developed markets, for customers of PC and Mac computers in the fast-growing emerging markets, and for the enterprise market, where we believe the opportunities for Logitech peripherals are significant. In addition, we have developed a range of products for the tablet market, as usage models continue to evolve. Our current tablet product portfolio includes the Logitech Ultrathin Keyboard Cover for iPad and the Ultrathin Keyboard Cover for iPad mini along with a new range of tablet folio covers and tablet folio covers with integrated keyboards. We believe there will be additional demand for complementary peripherals to enhance consumers' experiences with tablets and other mobile devices.

Digital Music

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

Video Conferencing

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

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Geographic Expansion

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

Manufacturing

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

Technological Innovation

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

We recognize that continued investment in product research and development is critical to facilitating innovation of new and improved products and technologies. Nine of Logitech's products were selected as 2013 CES (Computer Electronics Show) Innovation Award honorees, including the Logitech Wireless Solar Keyboard K760, a solar powered keyboard that allows you to simultaneously pair with multiple devices and quickly switch among them with a push of a button; the Logitech Solar Keyboard Folio, a solar powered keyboard offering stylish design and protection for the iPad; the Logitech Wireless Rechargeable Touchpad T650 and the Logitech Zone Touch Mouse T400, designed for easy and intuitive navigation of Windows 8; the Logitech Ultrathin Keyboard Cover, an all-in-one solution that provides an ultrathin screen protector and built-in keyboard to enhance the iPad experience; the Logitech Washable Keyboard K310, a keyboard that can be submerged in up to 11 inches of water; the Logitech Bluetooth Illuminated Keyboard K810, a keyboard with Bluetooth connectivity to pair with up to three devices simultaneously; the Logitech UE 9000 Wireless Headphone, a headphone combining laser-tuned drivers and a quality Bluetooth connection for a remarkable audio experience; and the Logitech Harmony Touch, an advanced universal remote that enables customization through an intuitive color touch-screen for unprecedented control of your home-entertainment system.

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

Products

Our peripherals segment encompasses the design, manufacturing and marketing of peripherals for PCs, tablets and other digital platforms. We sell our peripheral products to a network of distributors and

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

Peripherals

Pointing Devices

Logitech offers many varieties of pointing devices, sold through retail and OEM channels. Our top revenue generating pointing devices during fiscal year 2013 included the Logitech Wireless Mini Mouse M185, the Logitech Wireless Mouse M325, the Logitech Wireless Mouse M510, the Logitech Performance Mouse MX and the Logitech Marathon Mouse M705 for Business. We continue to develop and introduce new and innovative pointing device products, including:

- Logitech Rechargeable Trackpad T651 for Mac, which gives the full set of multi-touch gestures on a smooth glass surface.
- Logitech Wireless Rechargeable Touchpad T650, which is designed for easy and intuitive navigation of Windows 8.

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

PC Keyboards & Desktops

Logitech offers a variety of corded and cordless keyboards and desktops (keyboard-and-mouse combinations). Our top revenue generating PC keyboard and desktop devices during fiscal year 2013 included the Logitech Wireless Combo MK520, the Logitech Wireless Combo MK260, the Logitech Wireless Touch K400, the Logitech Wireless Desktop MK710 and the Logitech Wireless Combo MK330. Some of our recently introduced products in this category include:

- Logitech Bluetooth Easy-Switch Keyboard and Illuminated Keyboard K810, both featuring Logitech Easy-Switch which allows you to quickly change between typing on your PC to typing on your tablet or smartphone with the touch of a button.
- Logitech Keyboard K310, a keyboard that can be hand washed and submerged in up to 11 inches of water.
- Logitech Wireless Solar Keyboard 760, a solar-powered keyboard with Bluetooth connectivity for the Mac, iPad or iPhone.

Tablet Accessories

Tablet Accessories represents our fastest growing category driven by continued strong demand for the Logitech Ultrathin Keyboard Cover for the iPad. We have leveraged on this success by continuing to further enhance this category through introduction of additional innovative and complementary products, including:

- Logitech Ultrathin Keyboard Cover for iPad mini, an all-in-one solution which provides an ultrathin screen protector and built-in keyboard to enhance the iPad mini experience.
- Logitech Keyboard Folio and Folio mini, designed to both safeguard your tablet and touch-screen while complementing it with refined fabrics and colors to match your personal style.
- Logitech Solar Keyboard Folio, a slim, solar powered keyboard offering stylish design and protection for the iPad.

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Audio PC

This category comprises speakers and headsets designed to enhance the PC experience. Our top revenue generating Audio PC products during fiscal year 2013 included the Logitech Speaker System Z623, the Logitech Surround Sound Speakers Z506, the Logitech Speaker System Z323, the Logitech Speaker System Z313, the Logitech USB Headset H390 and the Logitech Wireless Headset H600. Some of our more recent products in this category include:

- Logitech Speaker System Z553, a THX-Certified speaker system that enables simultaneous connection of up to 3 devices PC, DVD player, game console and smartphone.
- Logitech USB Headset H340 and H540.

Audio Wearables and Wireless

This category comprises of Logitech's UE (Ultimate Ears) product line representing our latest audio technology.

Audio Wearables

During fiscal year 2013, our top revenue generating Audio Wearable products, comprising earphones and headphones, included the Logitech UE 900, the Logitech UE 6000vi, the Logitech UE 350VM and the Logitech UE 9000. Some of our recently introduced products in this category include:

- Logitech UE 900, a noise-isolating earphone featuring four-armature speakers and a three-way crossover in a universal fit.
- Logitech UE 4000, Logitech UE 6000 and Logitech UE 9000 headphones.

Wireless Speakers

Our top revenue generating Wireless Speaker products during fiscal year 2013 included the Logitech UE Mobile Boombox, the Logitech UE Mini Boombox, the Logitech UE Wireless Boombox Z715 and the Logitech UE Boombox.

Some of our recently introduced products in this category include:

- Logitech UE Boombox and UE Mobile Boombox, portable speakers with Bluetooth® technology, which enable you to use your phone or tablet to stream your music wirelessly.

Video

This category comprises webcams, TV cams and digital video security systems.

Webcams

Our top revenue generating webcams during fiscal year 2013 included the Logitech HD Pro Webcam 920, the Logitech HD Webcam C615 and the Logitech BCC 950 Conference Cam. Some of our recently introduced products in this category include:

- Logitech Broadcaster Wi-Fi Webcam, a webcam designed for video professionals, bloggers and hobbyists, that provides greater flexibility than other webcams, including live streaming, shooting videos from two different angles or video chatting on a Mac computer.

Logitech Webcam C930e, a webcam that includes an extra-wide 90-degree field of view, support for the H.264 SVC and UVC 1.5 video encoding standards and high-definition digital pan-tilt-zoom.

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- Logitech BCC 950 Conference Cam, a webcam that combines a full HD webcam with a high-quality, omni-directional full-duplex speakerphone in one USB device, enabling small groups to collaborate in conference rooms, closed offices or shared work spaces. Optimized for Microsoft Lync and Skype Certified, the BCC950 Conference Cam works with most UC and video platforms.

TV Cams

Logitech's TV cam offerings include TV Cam HD, a high-definition TV camera with built-in Skype capability that operates on any HDTV with HDMI input.

Video Security Systems

The Logitech Alert digital video security system is a complete home or small business video security system for self-installation, with software that provides motion alerts and a live view from an Internet-connected computer or your smartphone or tablet. In the third quarter of fiscal year 2013, we made a strategic decision to divest this category by the end of fiscal year 2014.

PC Gaming

Logitech offers a full range of dedicated game controllers for PC gamers including mice and keyboards, headsets and steering wheels. During fiscal year 2013, our top revenue generating PC Gaming products included the Logitech G27 Racing Wheel, the Logitech Optical Gaming Mouse G400, the Logitech G930 Wireless Gaming Headset, the Logitech Gaming Mouse G500, the Logitech Wireless Gaming Mouse G700 and the Logitech G600 MMO Gaming Mouse. In late March 2013, we significantly enhanced this category through the launch of eight new gaming products including the:

- Logitech G700s Rechargeable Gaming Mouse, a wireless gaming mouse with the report rate of a wired gaming mouse.
- Logitech G19s Gaming Keyboard, a gaming keyboard that provides game stats, gaming specific apps and customizable information panels, all in full color on an integrated, adjustable GamePanel LCD.
- Logitech G430 Surround Sound Gaming Headset, a gaming headset with Dolby Headphone 7.1 surround sound technology, which enables users to hear up to seven discrete channels of audio plus a Low Frequency Effects channel.

Remotes

Our line of Harmony advanced remote controls for home entertainment systems includes:

- Logitech Harmony Ultimate and the Logitech Harmony Smart Control. Both products feature Logitech's Harmony Hub and Harmony Smartphone App to enable closed-cabinet control and one-touch entertainment access to game consoles from a universal remote or smartphone. The Harmony Hub takes personalizing your activities a step farther into home control with the ability to program your Philips Hue lights to the desired brightness and color with a tap of the Logitech Harmony Ultimate.
- Logitech Harmony Touch remote, a premium advanced universal remote that enables customization with an intuitive color touch-screen for control of the home-entertainment system.
- Logitech Harmony 650 remote, a universal remote featuring a color screen and one click activity buttons.

In the third quarter of fiscal year 2013, we made a strategic decision to divest our remote category by the end of fiscal year 2014.

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Video Conferencing

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

Icon Series, which introduces a new, simplified user experience designed to make video communication simple and intuitive so that anyone can use it without training. It is tightly integrated with the LifeSize UVC Platform and its applications to make it easier for users to experience the full power of their platform.

Unity Series, all-in-one HD video conferencing solutions that are designed specifically for simple setup and ease of use, enabling companies of all sizes to reap the benefits of HD telepresence without the normal high price or the need for a room makeover.

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

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

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

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

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

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

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

Competitive Strengths

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

Our innovative capability, including understanding of product definition, technology and industrial design excellence, as demonstrated by a list of over 100 industry "firsts" to our name and a patent portfolio of approximately 600 patents.

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

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

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

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

Our expertise in a broad array of PC, Mac and mobile device peripherals.

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

Research and Development

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

Our research and development expenses for fiscal years 2013, 2012, and 2011 were $153.9 million, $162.3 million, and $156.4 million. We expect to continue to devote significant resources to research and development, including devices for digital platforms, video communications, wireless technologies, power management, user interfaces and device database management to sustain our competitive position.

Marketing, Sales and Distribution

Principal Markets

During fiscal year 2013, we determined that the net sales to unaffiliated customers by geographic region amounts previously reported for fiscal years 2012 and 2011 were not properly stated. The table below presents revised amounts along with amounts previously reported in our Form 10-K for fiscal year 2012. These revisions have no impact on the previously reported consolidated statements of operations, consolidated balance sheets or other consolidated financial statements.

	Year ended March 31,						
	2013	**2012**			**2011**		
		As Reported	**Adjustment**	**As Revised**	**As Reported**	**Adjustment**	**As Revised**
Americas	$ 809,224	$ 953,867	$ (74,791)	$ 879,076	$ 1,032,988	$ (78,299)	$ 954,689
EMEA	799,075	846,464	51,093	897,557	872,774	55,647	928,421
Asia Pacific	491,584	515,872	23,698	539,570	457,124	22,652	479,776
Total net sales	$ 2,099,883	$ 2,316,203	$	$ 2,316,203	$ 2,362,886	$	$ 2,362,886

Sales are attributed to countries on the basis of the customers' locations. Revenues from sales to customers in Switzerland, our home domicile, represented 2% of our total consolidated net sales in fiscal years 2013, 2012 and 2011. In fiscal years 2013, 2012 and 2011, the United States represented 33%, 34% and 36% of our total consolidated net sales. No other single country represented more than 10% of our total consolidated net sales for fiscal years 2013, 2012 and 2011.

In fiscal years 2013, 2012 and 2011, Ingram Micro Inc. and its affiliated entities together accounted for 11%, 14% and 12% of our sales. No other customer individually accounted for more than 10% of our net

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sales during fiscal years 2013, 2012 and 2011. The material terms of our distribution agreements with Ingram Micro and its affiliated entities are summarized as follows:

- The agreements are non-exclusive in the particular territory and contain no minimum purchase requirements.
- Each agreement may be terminated for convenience at any time by either party. Most agreements provide for termination on 30 days written notice from either party, with two Ingram Micro agreements providing for termination on 90 days notice.
- We generally offer an allowance for marketing activities equal to a negotiated percentage of sales and volume rebates related to purchase volumes or sales of specific products to specified retailers. These terms vary by agreement.
- Most agreements allow price protection credits to be issued for on hand or in transit new inventory if we, in our sole discretion, lower the price of the product.
- We grant limited rights to return product, which vary by distributor.

Marketing

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

Sales and Distribution

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

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

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

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

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

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

Backlog

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

Customer Service and Technical Support

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

Manufacturing

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

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

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Competition

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

In addition, we have been expanding the categories of products we sell and entering new markets, such as the markets for tablet accessories, music accessories and enterprise video conferencing. We remain alert to opportunities in new categories and markets. As we do so, we are confronting new competitors, many of which have more experience in the categories or markets and have greater marketing resources and brand name recognition than we have. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies in our developing categories, as well as future ones we might enter. Many of these companies have greater financial, technical, sales, marketing and other resources than we have.

We expect continued competitive pressure in our retail, OEM, and video conferencing businesses, including in the terms and conditions that our competitors offer customers, which may be more favorable than our terms and conditions, and may require us to take actions to increase our customer incentive programs, which could impact our revenues and operating margins.

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

Tablet Accessories. We primarily manufacture tablet keyboards and other accessories for Apple products, such as iPad and iPhone. Competitors in the tablet keyboard market are Zagg, Kensington, Belkin, Targus and other less-established brands. Although we are one of the front runners in the tablet keyboard market and continue to expand our product portfolio to other tablet products, we expect the competition will increase as large tablet manufactures, such as Microsoft Corporation, start to offer tablet keyboards and other accessories along with their tablet products.

Audio PC. In the PC speaker business, our competitors include Bose, Cyber Acoustics, Altec Lansing LLC and Creative Labs, Inc. In the PC headset business, our main competitors include Plantronics and Altec Lansing.

Audio Wearables & Wireless. Our competitors for non-PC audio products, such as earphones and wireless speakers, include Skullcandy, Beats Electronics, Bose, Sennheiser and Jawbone, each of which have higher consumer recognition and retailer shelf space than we do.

Video. Our primary competitor for PC webcams is Microsoft, with other various manufacturers taking smaller market share. The worldwide market for PC webcams has been declining, and as a result, fewer competitors have entered the market. Our primary competitors for digital video security systems include Swann Communications, Revo America, Samsung, Lorex and D-Link. During the third quarter of fiscal year 2013, we made a strategic decision to divest our digital video security system product line by the end of fiscal year 2014.

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PC Gaming. Competitors for our PC Gaming peripheral products include Razer USA Ltd., SteelSeries, A4TECH, Turtle Beach and Mad Catz Interactive.

Remotes. Our primary competitors for remotes include Philips, Universal Remote Control, Inc., General Electric, RCA and Sony. We expect that the technological innovation in smartphone and tablet devices, as well as subscriber service specific remotes such as Direct TV, will likely result in increased competition. In the third quarter of fiscal year 2013, we made a strategic decision to divest our remote category by the end of fiscal year 2014.

Video Conferencing. We primarily compete in the medium and small business, education, and state and local business sectors of the enterprise video conferencing market. This market is characterized by continual performance enhancements and large, well financed competitors. There is increased participation in the video conferencing market by companies such as Cisco Systems, Inc., Polycom, Inc. and Avaya, Inc., and as a result, competition has increased in fiscal year 2013 and we expect competition in the industry to further intensify. In addition, there are an increasing number of PC-based multi-person video conferencing applications, such as Microsoft's Lync and Skype, which could compete with our LifeSize products and services at the lower-end of the video conferencing market, or could provide other competitors with lower barriers of entry into the video conferencing market.

Intellectual Property and Proprietary Rights

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

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

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

Environmental Regulation

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

Europe. In Europe we are subject to the European Union's (EU's) RoHS (Restriction of Use of Certain Hazardous Substances in Electrical and Electronics Equipment) Directive 2011/65/EU, or RoHS 2. This directive restricts the placement into the EU market of electrical and electronic equipment containing certain hazardous materials including lead, mercury, cadmium, chromium, and halogenated

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flame-retardants. All Logitech products are covered by the directive and have been modified, if necessary, to be RoHS 2 compliant. Logitech has an active program to ensure compliance with the RoHS 2 directive and continues to source and introduce the use of RoHS 2 compliant components and manufacturing methods in order to comply with the requirements of the directive.

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

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

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

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

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

Logitech has also assessed the applicability of the European REACH Directive (Regulation (EC) No. 1907/2006 for Registration, Evaluation, Authorization, and Restrictions of Chemicals). Logitech is not subject to aspects of this Directive which relate to chemical substance import and control due to our current manufacturing structure. The aspect of this Directive which relates to product content does impact Logitech and we have taken steps to ensure that all substances of very high concern (on a list of candidate substances for authorization that is published on the EU Agency-website) present in products above a concentration limit are eliminated in subsequent product designs or notified per the Directive requirements. Additions to this list of candidate substances are reviewed on a regular basis to give consideration to any updates to the substances of very high concern (SVHC) list performed by the relevant EU agency.

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

United States and Canada. In the U.S., we are subject to, among other laws, Appliance Efficiency Regulations adopted via the U.S. Energy Independence and Security Act of 2007. The regulations set out standards for the energy consumption performance of products within the scope of the regulations, which includes some of Logitech's products. The standards apply to appliances sold or offered for sale

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throughout the U.S., and Logitech has redesigned or changed products to comply with these regulations. We are also subject to California's Proposition 65, which requires that clear and reasonable warnings be given to consumers who are exposed to certain chemicals deemed by the state of California to be dangerous.

Logitech is also subject to the requirement as set out by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, specifically Section 1502, which addresses the use of "Conflict Minerals" in the supply chain. We are in the process of establishing systems which will facilitate our compliance with the sourcing and traceability obligations and the reporting requirements of this Act aligned with guidelines published by the Securities and Exchange Commission to cover calendar year 2013. As an EICC (Electronic Industry Citizenship Coalition) member, Logitech is actively participating in the establishment of this industry-wide "Conflict Minerals" standard by which these requirements will be met.

In addition, the Transparency in Supply Chain Act of 2010 (S.B. 657) is effective from Logitech's fiscal year 2012. The law requires all retailers and manufacturers of tangible products who do business in California and have annual gross receipts exceeding $100 million to disclose on their company websites their efforts to combat forced labor and human trafficking in their own supply chains. Logitech's disclosure is posted on our website, www.logitech.com.

In Canada and the United States, we are subject to laws in various Canadian provinces and U.S. states that impose fees to cover the cost of end of life responsible disposal and recycling of packaging, product and batteries. These laws require producers of electrical goods, packaging and batteries to be financially responsible for costs of specified collection, recycling, treatment and disposal of covered products. Where applicable, we have provided for the estimated costs, which are not material, of managing and recycling historical and future waste equipment, packaging and batteries.

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

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

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

Seasonality

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

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

Materials

We purchase certain products and key components used in our products from a limited number of sources. If the supply of these products or key components, such as micro-controllers, optical sensors and LifeSize hardware products, were to be delayed or constrained, or if one or more of our single-source suppliers goes out of business, we might be unable to find a new supplier on acceptable terms, or at all, and our product shipments to our customers could be delayed. In addition, lead times for materials, components and products ordered by us or by our contract manufacturers can vary significantly and depend on factors such as contract terms, demand for a component, our ability to forecast product demand, and supplier capacity. From time to time, we have experienced component shortages and extended lead times on semiconductors, such as micro-controllers and optical sensors, and base metals used in our products. Shortages or interruptions in the supply of components or subcontracted products, or our inability to procure these components or products from alternate sources at acceptable prices in a timely manner, could delay shipment of our products or increase our production costs.

Employees

As of March 31, 2013, we employed approximately 7,700 people. None of Logitech's U.S. employees are represented by a labor union or are subject to a collective bargaining agreement. Certain foreign countries, such as China, provide by law for employee rights, which include requirements similar to collective bargaining agreements. We believe that our employee relations are good. During fiscal year 2013, we announced restructuring plans, including a worldwide reduction in workforce, to align our organization to our new strategy and to reduce our future operating costs.

Executive Officers of the Registrant

The following sets forth certain information regarding our executive officers as of May 30, 2013:

Name	Age	Nationality	Position
Guerrino De Luca	60	Italian and U.S.	Executive Chairman of the Board
Bracken P. Darrell	50	U.S.	President and Chief Executive Officer
L. Joseph Sullivan	59	U.S.	Sr. Vice President, Worldwide Operations

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

Bracken P. Darrell joined Logitech as President in April 2012 and became Chief Executive Officer in January 2013. Prior to joining Logitech, Mr. Darrell served as President of Whirlpool EMEA and Executive Vice President of Whirlpool Corporation, a home appliance manufacturer and marketing company, from January 2009 to March 2012. Previously, Mr. Darrell had been Senior Vice President,

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Operations of Whirlpool EMEA from May 2008 to January 2009. From 2002 to May 2008, Mr. Darrell was with P&G (The Procter & Gamble Company), a consumer brand company, most recently as the President of its Braun GmbH subsidiary. Prior to rejoining P&G in 2002, Mr. Darrell served in various executive and managerial positions with General Electric Company from 1997 to 2002, with P&G from 1991 to 1997, and with PepsiCo Inc. from 1987 to 1989. Mr. Darrell currently serves on the Board of Trustees of Hendrix College. Mr. Darrell holds a BA degree from Hendrix College and an MBA from Harvard University.

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

Available Information

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

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

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

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ITEM 1A. RISK FACTORS

Our operating results are difficult to predict and fluctuations in results may cause volatility in the price of our shares.

Our revenues and profitability are difficult to predict due to the nature of the markets in which we compete, fluctuating end-user demand, the uncertainty of current and future global economic conditions, and for many other reasons, including the following:

- Our operating results are highly dependent on the volume and timing of orders received during the quarter, which are difficult to forecast. Customers generally order on an as-needed basis and we typically do not obtain firm, long-term purchase commitments from our customers. As a result, our revenues in any quarter depend primarily on orders booked and shipped in that quarter.

- A significant portion of our quarterly retail sales typically occurs in the last weeks of each quarter, further increasing the difficulty in predicting quarterly revenues and profitability.

- Our sales are impacted by end-user consumer demand and current and future global economic conditions, and can therefore fluctuate abruptly and significantly during periods of uncertain economic conditions or geographic distress, as well as from shifts in consumer buying patterns.

- We must incur a large portion of our costs in advance of sales orders, because we must plan research and production, order components, buy tooling equipment, and enter into development, sales and marketing, and other operating commitments prior to obtaining firm commitments from our customers. This makes it difficult for us to rapidly adjust our costs during the quarter in response to a revenue shortfall, which could adversely affect our operating results.

- We may not fully or timely realize the anticipated benefits from the restructuring plans we implemented during fiscal year 2013. The restructuring plans were intended to simplify the organization, to reduce operating costs through global workforce reductions and a reduction in the complexity of our product portfolio, and to better align costs with our current business as we attempt to expand from PC accessories to growth opportunities in accessories for mobile devices and digital music.

- Fluctuations in currency exchange rates can impact our revenues, expenses and profitability because we report our financial statements in U.S. dollars, whereas a significant portion of our revenues and expenses are in other currencies. We attempt to adjust product prices over time to offset the impact of currency movements. However, over short periods of time and during periods of weakness in consumer spending, our ability to increase local currency selling prices to offset the impact of currency fluctuations is limited.

Because our operating results are difficult to predict, our results may be below the expectations of financial analysts and investors, which could cause the price of our shares to decline.

If we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories, our business and operating results could be adversely affected.

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

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

- identify new features, functionality and opportunities;

anticipate technology, market trends and consumer preferences;

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- develop innovative, high-quality, and reliable new products and enhancements in a cost-effective and timely manner;

- distinguish our products from those of our competitors; and

- offer our products at prices and on terms that are attractive to our customers and consumers.

If we do not execute on these factors successfully, products that we introduce or technologies or standards that we adopt may not gain widespread commercial acceptance, and our business and operating results could suffer. In addition, if we do not continue to differentiate our products through distinctive, technologically advanced features, designs, and services that are appealing to our customers and consumers, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business could be adversely affected.

The development of new products and services is very difficult and requires high levels of innovation. The development process is also lengthy and costly. There are significant initial expenditures for research and development, tooling, manufacturing processes, inventory and marketing, and we may not be able to recover those investments. If we fail to accurately anticipate technological trends or our end-users' needs or preferences, are unable to complete the development of products and services in a cost-effective and timely fashion or are unable to appropriately increase production to fulfill customer demand, we will be unable to successfully introduce new products and services into the market or compete with other providers. Even if we complete the development of our new products and services in a cost-effective and timely manner, they may be not competitive with products developed by others, they may not achieve acceptance in the market at anticipated levels or at all, they may not be profitable or, even if they are profitable, they may not achieve margins as high as our expectations or as high as the margins we have achieved historically.

As we introduce new or enhanced products, integrate new technology into new or existing products, or reduce the overall number of products offered, we face risks including, among other things, disruption in customers' ordering patterns, excessive levels of existing product inventories, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers' demand, possible product and technology defects, and a potentially different sales and support environment. Premature announcements or leaks of new products, features or technologies may exacerbate some of these risks by reducing the effectiveness of our product launches, reducing sales volumes of current products due to anticipated future products, making it more difficult to compete, shortening the period of differentiation based on our product innovation, straining relationships with our partners or increasing market expectations for the results of our new products before we have had an opportunity to demonstrate the market viability of the products. Our failure to manage the transition to new products or the integration of new technology into new or existing products could adversely affect our business, results of operations, operating cash flows and financial condition.

We believe sales of our PC (personal computer) peripherals in our mature markets will continue to decline, and that our future growth will depend on our new product categories and sales in emerging market geographies, and if we do not successfully execute on our growth opportunities, or if our sales of PC peripherals in mature markets are less than we expect, our operating results could be adversely affected.

We have historically targeted peripherals for the PC platform. Consumer demand for PCs in our traditional, mature markets such as North America, Western and Nordic Europe, Japan and Australia has been declining and we expect it to continue to decline in the future. As a result, consumer demand for PC peripherals in mature markets is slowing and in some cases declining. We expect this trend to continue. For example, we experienced weak consumer demand for many of our PC peripherals in each quarter of fiscal year 2013, which adversely affected our financial performance. From time to time, our channel partners have also reduced their inventory levels for PC peripherals as the PC market has continued to decline. In our OEM channel, the decline of desktop PCs has adversely impacted our sales of OEM mice, which have historically made up the bulk of our OEM sales. Our OEM sales accounted for 7%, 8% and 9% of total revenues in the fiscal years ended March 31, 2013, 2012 and 2011.

In addition, our sales in our mature markets in North America, Western and Nordic Europe, Japan and Australia might be less than we expect due to a decline in business or economic conditions in one or more of the countries or regions, a greater decline than we expect in demand for our products, our inability to successfully execute our sales and marketing plans, or for other reasons. Global economic concerns, such as the varying pace of global economic recovery and the impact of sovereign debt issues in Europe, create unpredictability and add risk to our future outlook.

As a result, we are focusing more of our personnel, financial resources, and management attention on product innovations and growth opportunities, on products for tablets and mobile devices, on products for the consumption of digital music, on products for PC gaming, in emerging markets, and on other potential growth opportunities. Our investments may not result in the growth we expect, or when we expect it, for a variety of reasons including those described below.

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

Digital Music. We are focused on products for the consumption of digital music as a future sales growth area. During fiscal year 2013, we increased our product development and marketing investment in digital music. However, several of our product launches were not as successful in fiscal year 2013 as we had expected due to a combination of our decision to limit our investment in LifeStyle brand marketing and weak competitive differentiation. This remains a new market for us, and we still face a steep learning curve. Historically our audio product development and marketing efforts have focused primarily on products for the PC platform and on sound quality. This past experience has not been transferable to the consumption of music through mobile devices such as tablets and smartphones, where we believe consumers put a greater emphasis on features such as convenience and brand. In addition, competition in the digital music consumption category is intense, and we expect it to increase. If we are not able to identify product development and marketing skill gaps, resolve them, and introduce differentiated product and marketing strategies to separate ourselves from competitors, our digital music efforts will not be successful, and our business and results of operations could be adversely affected.

PC Gaming. We are shifting the focus of our gaming accessories from devices for console gaming, such as PlayStation, Xbox and Nintendo Wii, to keyboards, mice and other products for PC gaming, which we believe are the market segments with better growth opportunities. The developing and changing market and increasing competition increase the risk that we will not be successful with this more narrow focus, and our business and results of operations could be adversely affected.

Emerging Markets. We believe that the world's emerging markets, such as China, Eastern Europe and Latin America, will, for the next several years, continue to be growth markets for PCs and for our peripherals product lines. We have allocated significant resources to our sales, marketing and administrative personnel in China and, to a lesser extent, other emerging markets. We anticipate that emerging markets will include potentially high growth opportunities, offset by potentially entrenched local

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competition, higher credit risks, and other factors that affect consumer trends in ways which may be substantially different from our current major markets. PCs may not continue to be a growth category in emerging markets, and consumers in emerging markets may prefer tablets, smartphones, other mobile devices or other technologies. If we do not develop innovative and reliable peripherals and enhancements in a cost-effective and timely manner which are attractive to consumers in these markets, if consumer demand for PCs and our peripherals in emerging markets declines or does not increase as much as we expect, or if we invest resources in products or geographic areas which do not produce the growth or profitability we expect, or when we expect it, our business and results of operations could be adversely affected.

As we expand into new markets and product categories, we must comply with a wide variety of laws, standards and other requirements governing, among other things, health and safety, hazardous materials usage, product-related energy consumption, packaging, recycling and environmental matters. Our products may be required to obtain regulatory approvals and satisfy other regulatory concerns in the various jurisdictions where they are manufactured, sold or both. These requirements create procurement and design challenges, which, among other things, require us to incur additional costs identifying suppliers and contract manufacturers who can provide or obtain compliant materials, parts and end products. Failure to comply with such requirements can subject us to liability, additional costs, and reputational harm and, in severe cases, force us to recall products or prevent us from selling our products in certain jurisdictions.

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

The peripherals and video conferencing industries are intensely competitive.

The peripherals industry is characterized by short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets, and price sensitivity in the OEM market. We experience aggressive price competition and other promotional activities from our primary competitors and from less-established brands, including brands owned by retail customers known as house brands, in both the retail and OEM markets. In addition, our competitors may offer customers terms and conditions which may be more favorable than our terms and conditions and may require us to take actions to increase our customer incentive programs, which could impact our revenues and operating margins.

The video conferencing industry is characterized by continual performance enhancements and large, well-financed competitors. There is increased participation in the video conferencing market by companies such as Cisco Systems, Inc. and Polycom, Inc., and as a result, competition has increased in fiscal year 2013 and we expect competition in the industry to further intensify. In addition, there are an increasing number of PC-based multi-person video conferencing applications, such as Microsoft's Lync and Skype, which could compete at the lower end of the video conferencing market with our LifeSize products and services or could provide other competitors with lower barriers of entry into the video conferencing market.

In recent years, we have expanded the categories of products we sell, and entered new markets. We remain alert to opportunities in new categories and markets. As we do so, we are confronting new competitors, many of which have more experience in the categories or markets and have greater marketing resources and brand name recognition than we have. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies in our developing categories as well as in future categories we might enter. Many of these companies, such as Microsoft Corporation, Apple Inc., Cisco, Sony Corporation, Polycom and others, have greater financial, technical, sales, marketing and other resources than we have.

Microsoft and Apple are leading producers of operating systems, hardware and applications with which our mice, keyboards and other peripherals are designed to operate. In addition, Microsoft and

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Apple each has significantly greater financial, technical, sales, marketing and other resources than Logitech, as well as greater name recognition and a larger customer base. As a result, Microsoft and Apple each may be able to improve the functionality of its own peripherals to correspond with ongoing enhancements to its operating systems, hardware and software applications before we are able to make such improvements. This ability could provide Microsoft and Apple with significant lead-time advantages. In addition, Microsoft and Apple may be able to offer pricing advantages on bundled hardware and software products that we may not be able to offer, and may be financially positioned to exert significant downward pressure on product prices and upward pressure on promotional incentives in order to gain market share.

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

Tablet Accessories. We primarily manufacture tablet keyboards and other accessories for Apple products, such as iPad and iPhone. Competitors in the tablet keyboard market are Zagg, Kensington, Belkin, Targus and other less-established brands. Although we are one of the front runners in the tablet keyboard market and continue to expand our product portfolio to other tablet products, we expect the competition will increase as large tablet manufactures, such as Microsoft Corporation, start to offer tablet keyboards and other accessories along with their tablet products.

Audio PC. In the PC speaker business, our competitors include Bose, Cyber Acoustics, Altec Lansing LLC and Creative Labs, Inc. In the PC headset business, our main competitors include Plantronics and Altec Lansing.

Audio Wearables & Wireless. Our competitors for non-PC audio products, such as earphones and wireless speakers, include Skullcandy, Beats Electronics, Bose, Sennheiser and Jawbone, each of which have higher consumer recognition and retailer shelf space than we do.

Video. Our primary competitor for PC webcams is Microsoft, with other various manufacturers taking smaller market share. The worldwide market for PC webcams has been declining, and as a result, fewer competitors have entered the market. Our primary competitors for digital video security systems include Swann Communications, Revo America, Samsung, Lorex and D-Link.

PC Gaming. Competitors for our PC Gaming peripheral products include Razer USA Ltd., SteelSeries, A4TECH, Turtle Beach and Mad Catz Interactive.

Remotes. Our primary competitors for remotes include Philips, Universal Remote Control, Inc., General Electric, RCA and Sony. We expect that the technological innovation in smartphone and tablet devices, as well as subscriber service specific remotes such as Direct TV, will likely result in increased competition.

Video Conferencing. We primarily compete in the medium and small business, education, and state and local business sectors of the enterprise video conferencing market. This market is characterized by continual performance enhancements and large, well financed competitors. There is increased participation in the video conferencing market by companies such as Cisco Systems, Inc., Polycom, Inc. and Avaya, Inc., and as a result, competition has increased in fiscal year 2013 and we expect competition in the industry to further intensify. In addition, there are an increasing number of PC-based multi-person video conferencing applications, such as Microsoft's Lync and Skype, which could compete at the lower-end of the video conferencing market with our LifeSize products and services, or could provide other competitors with lower barriers of entry into the video conferencing market.

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Our business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected.

Our peripherals business has historically been built largely around the PC platform, which over time became relatively open, and its inputs and operating system standardized. With the growth of mobile, tablet, gaming and other computer devices, the number of platforms has grown, and with it the complexity and increased need for us to have business and contractual relationships with the platform owners in order to produce products compatible with these platforms. Our product portfolio includes current and future products designed for use with third-party platforms or software, such as the Apple iPad, iPod and iPhone, Android phones and tablets. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Platform owners that are competitors have a competitive advantage in designing products for their platforms and may produce peripherals or other products that work better than our products in connection with those platforms. As we expand the number of platforms and software applications with which our products are compatible, we may not be successful in launching products for those platforms or software applications, we may not be successful in establishing strong relationships with the new platform or software owners, or we may negatively impact our ability to develop and produce high-quality products on a timely basis for those platforms and software applications or we may otherwise adversely affect our relationships with existing platform or software owners.

Our access to third-party platforms may require paying a royalty, which lowers our product margins, or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our product portfolio can be delayed in production or can change without prior notice to us, which can result in our having excess inventory or lower margins.

If we are unable to access third-party platforms or technologies, or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected.

If we do not accurately forecast market demand for our products, our business and operating results could be adversely affected.

We use our forecasts of product demand to make decisions regarding investments of our resources and production levels of our products. Although we receive forecasts from our customers, many are not obligated to purchase the forecasted demand. Also, actual sales volumes for individual products in our retail distribution channel can be volatile due to changes in consumer preferences and other reasons. In addition, our retail products have short product life cycles, so a failure to accurately predict high demand for a product can result in lost sales that we may not recover in subsequent periods, or higher product costs if we meet demand by paying higher costs for materials, production and delivery. We could also frustrate our customers and lose shelf space. Our failure to predict low demand for a product can result in excess inventory, lower cash flows and lower margins if we are required to reduce product prices in order to reduce inventories.

Over the past few years, we have expanded the types of products we sell, and the geographic markets in which we sell them. The changes in our product portfolio and the expansion of our sales markets have increased the difficulty of accurately forecasting product demand.

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

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Our success largely depends on our ability to hire, retain, integrate and motivate sufficient numbers of qualified personnel, including senior management. Our strategy and our ability to innovate, design and produce new products, sell products, maintain operating margins and control expenses depend on key personnel that may be difficult to replace.

Our success depends on our ability to attract and retain highly skilled personnel, including senior management and international personnel. From time to time, we experience turnover in some of our senior management positions.

We compensate our employees through a combination of salary, bonuses, benefits and equity compensation. Recruiting and retaining skilled personnel, including software and hardware engineers, is highly competitive. If we fail to provide competitive compensation to our employees, it will be difficult to retain, hire and integrate qualified employees and contractors, and we may not be able to maintain and expand our business. If we do not retain our senior managers or other key employees for any reason, we risk losing institutional knowledge, experience, expertise and other benefits of continuity as well as the ability to attract and retain other key employees. In addition, we must carefully balance the growth of our employee base with our current infrastructure, management resources and anticipated operating cash flows. If we are unable to manage the growth of our employee base, particularly engineers, we may fail to develop and introduce new products successfully and in a cost-effective and timely manner. If our revenue growth or employee levels vary significantly, our operating cash flows and financial condition could be adversely affected. Volatility or lack of positive performance in our stock price, including declines in our stock prices in the past year, may also affect our ability to retain key employees, many of whom have been granted equity incentives. Logitech's practice has been to provide equity incentives to its employees, but the number of shares available for equity grants is limited. We may find it difficult to provide competitive equity incentives, and our ability to hire, retain and motivate key personnel may suffer.

Recently and in past years, we have initiated reductions in our workforce to align our employee base with our anticipated revenue base or with our areas of focus. We have also experienced turnover in our workforce. These reductions and turnover have resulted in reallocations of duties, which could result in employee uncertainty and discontent. Reductions in our workforce could make it difficult to attract, motivate and retain employees, which could adversely affect our business.

We may not fully realize the anticipated benefits from our restructuring plans.

In order to simplify the organization, to implement our strategic focus on growth opportunities, to reduce operating costs through global workforce reductions and a reduction in the complexity of our product portfolio, and to better align costs with our current business and decreasing revenues, we restructured our business in fiscal year 2013. We may continue to restructure in fiscal year 2014 as we divest or discontinue non-strategic product categories.

Our ability to achieve the anticipated cost savings and other benefits from these restructurings within our expected timeframes are subject to many estimates and assumptions, and the actual savings and timing for those savings may vary materially based on factors such as local labor regulations, negotiations with third parties, and operational requirements. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the anticipated benefits from these restructuring plans. To the extent that we are unable to improve our financial performance, further restructuring measures may be required in the future.

As part of the restructuring plans, we conducted intensive reviews of our product portfolio in fiscal year 2013 and attempted to reduce the assortment of similar products at similar price points within each product category, which we believe has generated confusion for the consumer. While we are constantly replacing products and dependent on the success of our new products, this product line simplification effort was substantial, making us even more dependent on the success of the new products that we are introducing.

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Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our gross margins can vary due to consumer demand, competition, product life cycle, new product introductions, unit volumes, commodity and supply chain costs, geographic sales mix, foreign currency exchange rates, and the complexity and functionality of new product innovations. In particular, if we are not able to introduce new products in a timely manner at the product cost we expect, or if consumer demand for our products is less than we anticipate, or if there are product pricing, marketing and other initiatives by our competitors to which we need to react or that are initiated by us to drive sales that lower our margins, then our overall gross margin will be less than we project.

In addition, our gross margins may vary significantly by product line, sales geography and customer type, as well as within product lines. When the mix of products sold shifts from higher margin product lines to lower margin product lines, to lower margin sales geographies, or to lower margin products within product lines, our overall gross margins and our profitability may be adversely affected.

As we expand into accessories for tablets and other mobile devices, and digital music, our products in those categories may have lower gross margins than in our traditional product categories. Consumer demand in these product categories, based on style, color and other factors, tends to be less predictable and tends to vary more across geographic markets. As a result, we may face higher up-front investments and inventory costs associated with attempting to anticipate consumer preferences. If we are unable to offset these potentially lower margins by enhancing the margins in our more traditional product categories, our profitability may be adversely affected.

The impact of these factors on gross margins can create unanticipated fluctuations in our operating results, which may cause volatility in the price of our shares.

As we focus on growth opportunities, we are divesting or discontinuing non-strategic product categories and pursuing strategic acquisitions and investments, which could have an adverse impact on our business if they are unsuccessful.

During the third quarter of fiscal year 2013, the declining trends in our PC peripherals accelerated, and we made a strategic decision to divest our remote controls and digital video security categories and to discontinue other non-strategic products. If we are unable to effect such sales on favorable terms or if such realignment is more costly or distracting than we expect or has a negative effect on our organization, employees and retention, then our business and operating results may be adversely affected. In addition, discontinuing products with service components may cause us to continue to incur expenses to maintain services within the product life cycle or to adversely affect our customer and consumer relationships and brand.

As we attempt to grow our business in strategic product categories and emerging market geographies, we will consider growth through acquisition or investment. We will evaluate acquisition opportunities that could provide us with additional product or service offerings or with additional industry expertise, assets and capabilities. Acquisitions could result in difficulties integrating acquired operations, products, technology, internal controls, personnel and management teams and result in the diversion of capital and management's attention away from other business issues and opportunities. If we fail to successfully integrate acquisitions, our business could be harmed. Moreover, our acquisitions may not be successful in achieving our desired strategic objectives, which would also cause our business to suffer. Acquisitions can also lead to large non-cash charges that can have an adverse effect on our results of operations as a result of write-offs for items such as future impairments of intangible assets and goodwill or the recording of stock-based compensation. Several of our past acquisitions have not been successful and have led to impairment charges, including a $214.5 million non-cash goodwill impairment charge in fiscal year 2013. In addition, from time to time we make strategic venture investments in other companies that provide

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products and services that are complementary to ours. If these investments are unsuccessful, this could have an adverse impact on our results of operations, operating cash flows and financial condition.

We rely on third parties to sell and distribute our products, and we rely on their information to manage our business. Disruption of our relationship with these channel partners, changes in their business practices, their failure to provide timely and accurate information or conflicts among our channels of distribution could adversely affect our business, results of operations, operating cash flows and financial condition.

Our sales channel partners, the distributors and retailers who distribute and sell our products, also sell products offered by our competitors and, in the case of retailer house brands, may also be our competitors. If product competitors offer our sales channel partners more favorable terms, have more products available to meet their needs, or utilize the leverage of broader product lines sold through the channel, or if our retailer channel partners show preference for their own house brands, our sales channel partners may de-emphasize or decline to carry our products. In addition, certain of our sales channel partners could decide to de-emphasize the product categories that we offer in exchange for other product categories that they believe provide them with higher returns. If we are unable to maintain successful relationships with these sales channel partners or to maintain our distribution channels, our business will suffer.

As we expand into accessories for tablets and other mobile devices and digital music, we will have to build relationships with new channel partners and adapt to new distribution and marketing models. Entrenched and more experienced competitors will make these transitions difficult. If we are unable to build successful distribution channels or successfully market our products in these new product categories, we may not be able to take advantage of the growth opportunities, and our business and our ability to effect a turnaround in our declining revenues could be adversely affected.

The impact of economic conditions, evolving consumer preferences, and purchasing patterns on our distribution partners, or competition between our sales channels, could result in sales channel disruption. For example, if sales at large retail stores are displaced as a result of bankruptcy, competition from internet sales channels or otherwise, our product sales could be adversely affected. Any loss of a major partner or distribution channel or other channel disruption could make us more dependent on alternate channels, increase pricing and promotional pressures from other partners and distribution channels, increase our marketing costs, or adversely impact buying and inventory patterns, payment terms or other contractual terms.

We use retail sell-through data, which represents sales of our products by our retailer customers to consumers, and by our distributor customers to their customers, along with other metrics, to assess consumer demand for our products. Sell-through data is subject to limitations due to collection methods and the third party nature of the data and thus may not be an accurate indicator of actual consumer demand for our products. In addition, the customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales. If we do not receive this information on a timely and accurate basis, or if we do not properly interpret this information, our results of operations and financial condition may be adversely affected.

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

We produce approximately half of our products at facilities we own in China. The majority of our other production is performed by third-party contract manufacturers in China. We also utilize third-party contract manufacturers in Malaysia and India.

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

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to those in the United States and Europe. Interpretation and enforcement of China's laws and regulations continue to evolve and we expect differences in interpretation and enforcement to continue in the foreseeable future.

Our manufacturing operations at third-party contractors could be adversely affected by contractual disagreements, by labor unrest, by natural disasters, by strains on local communications, trade, and other infrastructures, by competition for the available labor pool or manufacturing capacity, and by other trade customs and practices that are dissimilar to those in the United States and Europe.

Further, we may be exposed to fluctuations in the value of the local currency in the countries in which manufacturing occurs. Future appreciation of these local currencies could increase our component and other raw material costs. In addition, our labor costs could continue to rise as wage rates increase and the available labor pool declines. These conditions could adversely affect our gross margins and financial results.

We purchase key components and products from a limited number of sources, and our business and operating results could be adversely affected if supply were delayed or constrained or if there were shortages of required components.

We purchase certain products and key components from a limited number of sources. If the supply of these products or key components, such as micro-controllers, optical sensors and LifeSize hardware products, were to be delayed or constrained, or if one or more of our single-source suppliers goes out of business as a result of adverse global economic conditions or natural disasters, we might be unable to find a new supplier on acceptable terms, or at all, and our product shipments to our customers could be delayed, which could adversely affect our business, financial condition and operating results.

Lead times for materials, components and products ordered by us or by our contract manufacturers can vary significantly and depend on factors such as contract terms, demand for a component, and supplier capacity. From time to time, we have experienced component shortages and extended lead times on semiconductors, such as micro-controllers and optical sensors, and base metals used in our products. Shortages or interruptions in the supply of components or subcontracted products, or our inability to procure these components or products from alternate sources at acceptable prices in a timely manner, could delay shipment of our products or increase our production costs, which could adversely affect our business and operating results.

If we do not successfully coordinate the worldwide manufacturing and distribution of our products, we could lose sales.

Our business requires us to coordinate the manufacture and distribution of our products over much of the world. We rely on third parties to manufacture many of our products, manage centralized distribution centers, and transport our products. If we do not successfully coordinate the timely manufacturing and distribution of our products, we may have insufficient supply of products to meet customer demand and we could lose sales, or we may experience a build-up in inventory.

A significant portion of our quarterly retail orders and product deliveries generally occur in the last weeks of the fiscal quarter. This places pressure on our supply chain and could adversely affect our revenues and profitability if we are unable to successfully fulfill customer orders in the quarter.

We conduct operations in a number of countries, and have invested significantly in growing our sales and marketing activities in China, and the effect of business, legal and political risks associated with international operations could adversely affect us.

We conduct operations in a number of countries, and have invested significantly in growing our sales and marketing activities in China. We may also increase our investments to grow sales in other emerging

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markets, such as Latin America and Eastern Europe. There are risks inherent in doing business in international markets, including:

- difficulties in staffing and managing international operations;
- compliance with laws and regulations, including environmental and tax laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non-compliance;
- varying laws, regulations and other legal protections, uncertain and varying enforcement of those laws and regulations, dependence on local authorities, and the importance of local networks and relationships;
- exposure to political and financial instability, especially with the uncertainty associated with the ongoing sovereign debt crisis in certain Euro zone countries, which may lead to currency exchange losses and collection difficulties or other losses;
- lack of infrastructure or services necessary or appropriate to support our products and services;
- exposure to fluctuations in the value of local currencies;
- difficulties and increased costs in establishing sales and distribution channels in unfamiliar markets, with their own market characteristics and competition;
- changes in VAT (value-added tax) or VAT reimbursement;
- imposition of currency exchange controls; and
- delays from customs brokers or government agencies.

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

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

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

We have been expanding the categories of products we sell, and entering new markets, such as the market for enterprise video conferencing and our introduction of products for tablets, other mobile devices and digital music. We expect to continue to enter new categories and markets. As we do so, we face an increased risk that claims alleging we infringe the patent or other intellectual property rights of others, regardless of the merit of the claims, may increase in number and significance. Infringement claims against us may also increase as the functionality of video, voice, data and conferencing products begin to overlap. This risk is heightened by the increase in lawsuits brought by holders of patents that do not have an operating business or are attempting to license broad patent portfolios and by the increasing attempts by companies in the technology industries to enjoin their competitors from selling products that they claim infringe their intellectual property rights. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. A successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain products or performing certain services. We might also be required to seek a license for the use of such intellectual property, which may not be available on commercially acceptable terms or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any claims or proceedings against us, whether meritorious or not, could be time consuming, result in costly litigation or the diversion of significant operational

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resources, or require us to enter into royalty or licensing agreements, any of which could materially and adversely affect our business and results of operations.

We may be unable to protect our proprietary rights. Unauthorized use of our technology may result in the development of products that compete with our products.

Our future success depends in part on our proprietary technology, technical know-how and other intellectual property. We rely on a combination of patent, trade secret, copyright, trademark and other intellectual property laws, and confidentiality procedures and contractual provisions such as nondisclosure terms and licenses, to protect our intellectual property.

We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. It is possible that any patent owned by us will be invalidated, deemed unenforceable, circumvented or challenged, that the patent rights granted will not provide competitive advantages to us, or that any of our pending or future patent applications will not be granted. In addition, other intellectual property laws or our confidentiality procedures and contractual provisions may not adequately protect our intellectual property. Also, others may independently develop similar technology, duplicate our products, or design around our patents or other intellectual property rights. Unauthorized parties have copied and may in the future attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Any of these events could adversely affect our business, financial condition and operating results.

Product quality issues could adversely affect our reputation and could impact our operating results.

The market for our products is characterized by rapidly changing technology and evolving industry standards. To remain competitive, we must continually introduce new products and technologies. The products that we sell could contain defects in design or manufacture. Defects could also occur in the products or components that are supplied to us. There can be no assurance we will be able to detect and remedy all defects in the hardware and software we sell. Failure to do so could result in product recalls, product redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses to remedy.

We have identified a material weakness in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.

As disclosed in Item 9A of this report, we identified a material weakness in our internal control over financial reporting. This follows the identification in previous periods of significant deficiencies in our internal controls over financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of March 31, 2013, based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control An Integrated Framework. We are actively engaged in developing a remediation plan designed to address this material weakness. If our remediation measures are insufficient to address the material weakness, or if additional material weaknesses in our internal controls are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. For more information see "Item 9A. Controls and Procedures."

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The collection, storage, transmission, use and distribution of user data could give rise to liabilities and additional costs of operation as a result of laws and governmental regulation.

In connection with certain of our products, we collect data related to our consumers. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, and especially in Europe. Government actions are typically intended to protect the privacy and security of personal information and its collection, storage, transmission, use and distribution in or from the governing jurisdiction. In addition, because various jurisdictions have different laws and regulations concerning the use, storage and transmission of such information, we may face requirements that pose compliance challenges in existing markets as well as new international markets that we seek to enter. Such laws and regulations, and the variation between jurisdictions, could subject us to costs, liabilities or negative publicity that could adversely affect our business.

We are upgrading our worldwide business application suite, and difficulties, distraction or disruptions may interrupt our normal operations and adversely affect our business and operating results.

During fiscal years 2014 and 2015, we plan to devote significant resources to the upgrade of our worldwide business application suite to Oracle's version R12. Oracle has already begun to discontinue its support for our current business application suite, version 11i. As a result of that discontinued support or our upgrade or both, we may experience difficulties with our systems, management distraction, and significant business disruptions. Difficulties with our systems may interrupt our normal operations, including our enterprise resource planning, forecasting, demand planning, supply planning, intercompany processes, promotion management, internal financial controls, pricing, and our ability to provide quotes, process orders, ship products, provide services and support to our customers and consumers, bill and track our customers, fulfill contractual obligations, and otherwise run and track our business. In addition, we may need to expend significant attention, time and resources to correct problems or find alternative sources for performing these functions. Any such difficulty or disruption may adversely affect our business and operating results.

Goodwill impairment charges could have an adverse effect on the results of our operations.

Goodwill associated with a number of previous acquisitions could result in impairment charges. The slowdown in the overall video conferencing industry in recent quarters, together with the competitive environment in fiscal year 2013, resulted in a $214.5 million non-cash goodwill impairment charge in fiscal year 2013, which substantially impacted operating results. As we attempt to effect a turnaround of our business, including returning our LifeSize video conferencing segment to profitability and divesting or discontinuing product categories or products that we previously acquired, we will need to continue to evaluate the carrying value of our goodwill. Additional impairment charges could adversely affect our results of operations.

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

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by changes in or interpretations of tax laws and tax agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical allocation of income and expense, and changes in management's assessment of matters such as the realizability of deferred tax assets. In the past, we have experienced fluctuations in our effective income tax rate. Our effective income tax rate in a given fiscal year reflects a variety of factors that may not be present in the succeeding fiscal year or years. There is no assurance that our effective income tax rate will not change in future periods.

We file Swiss and foreign tax returns. We are frequently subject to tax audits, examinations and assessments in various jurisdictions. A material assessment by a governing tax authority could adversely affect our profitability. If our effective income tax rate increases in future periods, our net income could be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The table below represents our principal locations, their approximate square footage and their purposes as of March 31, 2013:

Location	Purpose	Approximate Square Footage	Ownership
Americas:			
Newark, California	Silicon valley campus, research and development, product marketing, sales management, technical support and administration	264,000	Leased
Austin, Texas	LifeSize operating segment	99,000	Leased
Fremont, California	Former silicon valley campus	46,300	Leased
Camas, Washington	Ultimate Ears Group	44,700	Leased
Irvine, California	Ultimate Ears Group	13,500	Leased
Olive Branch, Mississippi	Distribution center	397,000	Contracted(1)
Mexico City, Mexico	Distribution center	20,000	Contracted(1)
Montevideo, Uruguay	Distribution center	12,500	Contracted(1)
EMEA:			
Morges, Switzerland	EMEA headquarters, sales and marketing management, technical support and administration	62,300	Leased
Lausanne, Switzerland	Research and development, product marketing and technical support	46,700	Leased
Cork, Ireland	Finance, administration, research and development	18,900	Leased
Munich, Germany	LifeSize operating segment, finance, administration, sales and marketing	17,800	Leased
Nijmegen, Netherlands	Finance, administration and distribution center support	14,700	Leased
Oostrum, Netherlands	Distribution center	155,600	Contracted(1)
Dubai, United Arab Emirates	Distribution center	54,000	Contracted(1)
Waalwijk, Netherlands	Distribution center	26,000	Contracted(1)
Asia Pacific:			
Suzhou, China	High-volume manufacturing	627,900	Owned
Suzhou, China	High-volume manufacturing	245,200	Leased
Hsinchu, Taiwan	Asia Pacific headquarters, mechanical engineering, new product launches, process engineering, commodities management, logistics, quality assurance and administration	116,500	Leased
Bangalore, India	LifeSize Business Division research and development	22,400	Leased
Shanghai, China	Sales and marketing	22,200	Leased
Shenzhen, China	Sales and marketing	11,700	Leased
Tokyo, Japan	Sales, logistics, finance, administration and human resources	10,100	Leased
Chennai, India	Digital Home Group engineering and quality assurance	10,100	Leased
Hong Kong, China	Distribution center	67,300	Contracted(1)
Singapore, Singapore	Distribution center	60,000	Contracted(1)
Tokyo, Japan	Distribution center	33,000	Contracted(1)
Shenzhen, China	Distribution center	32,000	Contracted(1)
Dayuan Township, Taiwan	Distribution center	18,100	Contracted(1)

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

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Logitech also contracts with various distribution services throughout the world for additional warehouses in which we store inventory. We also have leased sales offices in approximately 66 locations and 41 countries, with various expiration dates from 2014 to 2028.

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

ITEM 3. LEGAL PROCEEDINGS

From time-to-time we are involved in claims and legal proceedings which arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and intends to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against us, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

ITEM 4. MINE SAFETY DISCLOSURES

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Logitech's shares are listed and traded on both the SIX Swiss Exchange, where the share price is denominated in Swiss francs, and on the Nasdaq Global Select Market, where the share price is denominated in U.S. dollars. The trading symbol for Logitech shares is LOGN on the SIX Swiss Exchange and LOGI on Nasdaq. As of May 16, 2013, there were 173,106,620 shares issued (including 13,802,365 shares held as treasury stock) held by 17,266 holders of record, and the closing price of our shares was CHF 6.30 ($6.53 based on exchange rates on such date) per share on the SIX Swiss Exchange and $6.61 per share as reported by the Nasdaq Stock Market.

SIX Swiss Exchange

The following table sets forth certain historical share price information for the Company's shares traded on the SIX Swiss Exchange, as reported by the SIX Swiss Exchange. The U.S. dollar equivalent is based on the noon buying rate on the trading day of the month in which the high or low closing sales price

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occurred. The noon buying rate is the rate in New York City for cable transfers in selected currencies as certified for customs purposes by the Federal Reserve Bank of New York.

	Price per share on the SIX Swiss Exchange			
	High	**Low**	**High**	**Low**
	CHF	**CHF**	**$**	**$**
Quarterly Highs and Lows:				
Fiscal year 2013:				
First quarter	10.69	6.93	11.37	7.59
Second quarter	10.31	7.95	10.86	8.50
Third quarter	8.80	6.27	9.36	6.71
Fourth quarter	7.25	6.12	7.87	6.66
Fiscal year 2012:				
First quarter	13.95	8.65	15.22	10.35
Second quarter	9.87	5.99	11.81	8.05
Third quarter	8.94	6.65	10.17	7.27
Fourth quarter	8.24	6.57	8.95	7.07

Nasdaq Global Select Market

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

	Price per share on Nasdaq	
	High	**Low**
	$	**$**
Quarterly Highs and Lows:		
Fiscal year 2013:		
First quarter	11.22	7.64
Second quarter	10.86	8.18
Third quarter	9.38	6.63
Fourth quarter	7.83	6.60
Fiscal year 2012:		
First quarter	14.84	10.48
Second quarter	11.64	7.72
Third quarter	10.34	7.21
Fourth quarter	8.91	7.20

Dividends

Under Swiss law, a corporation may only pay dividends upon a vote of its shareholders. This vote typically follows the recommendation of the corporation's board of directors. On September 5, 2012, Logitech's shareholders approved a cash dividend payment of CHF 125.7 million out of retained earnings to Logitech shareholders who owned shares on September 17, 2012. Eligible shareholders were paid CHF 0.79 per share ($0.85 per share in U.S. dollars), totaling $133.5 million in U.S. dollars on September 18, 2012. This dividend qualified as a distribution of qualifying additional paid-in-capital and, as such, was not subject to Swiss Federal withholding tax.

Dividends paid and similar cash or in-kind distributions made by Logitech to a holder of Logitech shares (including dividends or liquidation proceeds and stock dividends), other than distributions of qualifying additional paid-in-capital if it is available under the current Swiss tax regime, are subject to a

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Swiss federal anticipatory tax at a rate of 35%. The anticipatory tax must be withheld by Logitech from the gross distribution, and paid to the Swiss Federal Tax Administration.

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

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

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Share Repurchases

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

Period	Total Number of Shares Purchased as Part of Publicly Announced Program	Average Price Paid Per Share in USD	Average Price Paid Per Share in CHF	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
April 2011				$ 250,000
May 2011				250,000
June 2011				250,000
July 2011				250,000
August 2011	7,329	9.54	7.62	180,061
September 2011	280	10.83	8.61	177,030
October 2011				177,030
November 2011				177,030
December 2011				177,030
January 2012	1,780	7.51	6.90	163,662
February 2012	7,195	8.55	7.79	102,145
March 2012	925	8.53	7.66	94,255
April 2012	800	9.90	8.99	86,332
May 2012	7,425	10.52	9.73	8,245
June 2012	375	10.16	9.73	4,435
July 2012				4,435
August 2012				4,435
September 2012				4,435
October 2012				4,435
November 2012				4,435
December 2012				4,435
January 2013				4,435
February 2013				4,435
March 2013				4,435
Total	26,109			

In fiscal year 2013, the following approved share buyback programs were in place (in thousands):

Date of Announcement	Approved Share Amount	Approved Buyback Amount	Expiration Date	Completion Date	Number of Shares Remaining(1)	Amount Remaining
September 2008 amended	28,465	$ 177,030	August 2013		657	$ 4,435
September 2008	8,344	250,000	August 2013			

(1) Represents an estimate of the shares remaining to be repurchased calculated based on the amount remaining to repurchase as of March 31, 2013, $4.4 million, divided by the adjusted close price of Logitech shares traded on the SIX Swiss Exchange as of the same date, $6.75 per share.

On September 5, 2012, the Company's shareholders approved the cancellation of the 18.5 million shares repurchased under the September 2008 amended share buyback program. These shares were legally cancelled during the third quarter of fiscal year 2013, which decreased treasury shares outstanding by this amount but also decreased shares issued and outstanding from 191.6 million to 173.1 million.

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Performance Graph

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

The following graph compares the cumulative total stockholder return on our shares, the Nasdaq Composite Index, and the S&P 500 Information Technology Index. The graph assumes that $100 was invested in our shares, the Nasdaq Composite Index and the S&P 500 Information Technology Index on March 31, 2008, and calculates the annual return through March 31, 2013. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	March 31,					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Logitech	$ 100	$ 40	$ 64	$ 71	$ 31	$ 27
Nasdaq Composite Index	$ 100	$ 67	$ 105	$ 122	$ 136	$ 143
S&P 500 IT Index	$ 100	$ 60	$ 88	$ 100	$ 106	$ 120

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ITEM 6. Selected Financial Data

The selected financial data set forth below as of March 31, 2013 and 2012, and for the fiscal years ended March 31, 2013, 2012 and 2011, are derived from our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data as of March 31, 2011, 2010 and 2009, and for the fiscal years ended March 31, 2010 and 2009 are derived from audited financial statements not included in this Annual Report on Form 10-K. This financial data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. These historical results are not necessarily indicative of the results to be expected in the future.

	Year ended March 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share amounts)				
Consolidated statements of operations and cash flow data:					
Net sales	$ 2,099,883	$ 2,316,203	$ 2,362,886	$ 1,966,748	$ 2,208,832
Gross profit	707,302	776,589	836,506	626,896	691,226
Operating expenses:					
Marketing and selling	431,598	423,854	420,580	304,788	319,167
Research and development	153,922	162,331	156,390	135,813	128,755
General and administrative	113,824	118,423	116,880	106,147	113,103
Impairment of goodwill and other assets(1)	216,688				
Restructuring charges(2)	43,704			1,784	20,547
Total operating expenses	959,736	704,608	693,850	548,532	581,572
Operating income (loss)	(252,434)	71,981	142,656	78,364	109,654
Net income (loss)	$ (228,137)	$ 71,458	$ 128,460	$ 64,957	$ 107,032
Net income (loss) per share:					
Basic	$ (1.44)	$ 0.41	$ 0.73	$ 0.37	$ 0.60
Diluted	$ (1.44)	$ 0.41	$ 0.72	$ 0.36	$ 0.59
Shares used to compute net income (loss) per share:					
Basic	158,468	174,648	176,928	177,279	178,811
Diluted	158,468	175,591	178,790	179,340	182,911
Cash dividend per share	$ 0.85	$	$	$	$
Net cash provided by operating activities	$ 116,990	$ 196,142	$ 156,742	$ 365,259	$ 200,587

	March 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	$ 333,824	$ 478,370	$ 477,931	$ 319,944	$ 492,759
Total assets	$ 1,374,111	$ 1,856,494	$ 1,861,556	$ 1,599,678	$ 1,421,530
Shareholders' equity	$ 733,704	$ 1,150,241	$ 1,205,001	$ 999,715	$ 997,708

(1) Impairment of goodwill and other assets during fiscal year 2013 was primarily attributable to a $214.5 million goodwill impairment charge related to our video conferencing reporting unit.

(2) The $43.7 million in restructuring costs during fiscal year 2013 related to restructuring plans we implemented in fiscal year 2013.

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

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

Overview of Our Company

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

Our peripherals segment encompasses the design, manufacturing and marketing of peripherals for PCs (personal computers), tablets and other digital platforms. Our products for home and business PCs include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets and webcams. Our tablet accessory products include keyboards, keyboard cases and covers, headsets, wireless speakers, earphones and stands. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems. 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. Our gaming products include a range of gaming controllers and microphones, as well as other accessories. During the third quarter of fiscal year 2013, we identified a number of product categories that no longer fit with our current strategic direction. As a result, we made a strategic decision to divest our Retail-Remote product category and our digital video security product line, included within our Retail-Video product category, and we plan to discontinue other non-strategic products, such as speaker docks and most console gaming peripherals, by the end of fiscal year 2014. This decision primarily resulted from our belief that these categories of products would not make a meaningful contribution to improve our growth or profitability.

Our brand, portfolio management, product definition and engineering teams in our peripherals segment are responsible for product strategy, technological innovation, product design and development, and bringing our products to market. Our business groups are organized by the following product categories: Pointing Devices, PC Keyboards & Desktops, Tablet Accessories, Audio PC, Audio-Wearables & Wireless, Video, PC Gaming, and Remotes. Our global marketing organization is responsible for developing and building the Logitech brand, consumer insight, public relations and social media, customer care and digital marketing. Our regional retail sales and marketing activities are organized into three geographic areas: Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Taiwan, Japan and Australia).

We sell our peripheral products to a network of distributors, retailers and OEMs. Our worldwide retail network includes wholesale distributors, consumer electronics retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers and online merchants. Sales of peripherals to our retail channels were 87% and 86% of our net sales for the fiscal years ended March 31, 2013 and 2012. The large majority of our revenues have historically been derived from sales of our peripheral products for use by consumers. Our OEM customers include the majority of the world's largest PC manufacturers. Sales to OEM customers were 7% and 8% of our net sales for the fiscal years ended March 31, 2013 and 2012.

Our video conferencing segment encompasses the design, manufacturing and marketing of video conferencing products, infrastructure and services for the enterprise, public sector, and other business

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markets. Video conferencing 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 video conferencing segment maintains a separate marketing and sales organization which sells LifeSize products and services worldwide. Video conferencing product development and product management organizations are separate, but coordinated with our peripherals business, particularly our Consumer Computing Platform group. 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, 2013 and 2012. During fiscal year 2013, we recorded a non-cash goodwill impairment charge of $214.5 million related to our video conferencing segment.

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

We have been expanding the categories of products we sell and entering new markets, such as the markets for tablet accessories. As we do so, we are confronting new competitors, many of which have more experience in the categories or markets and have greater marketing resources and brand name recognition than we have. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies in our new categories as well as future ones we might enter. Many of these companies have greater financial, technical, sales, marketing and other resources than we have.

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

From time-to-time, we may seek to partner with or acquire, when appropriate, companies that have products, personnel, and technologies that complement our strategic direction. We continually review our product offerings and our strategic direction in light of our profitability targets, competitive conditions, changing consumer trends, and the evolving nature of the interface between the consumer and the digital world.

Summary of Financial Results

Our total net sales for the fiscal year ended March 31, 2013 decreased 9%, compared with the fiscal year ended March 31, 2012, due to the continued decline in retail, as well as OEM and video conferencing sales.

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Retail sales during the fiscal year ended March 31, 2013 decreased 8% and retail units sold decreased 7%, compared with the fiscal year ended March 31, 2012. We experienced declines in all retail regions, 7% decline in the Americas region, 11% decline in the EMEA region, and 4% decline in the Asia Pacific region. If foreign currency exchange rates had been the same in the fiscal year ended March 31, 2013 and 2012, the percentage changes in our constant dollar retail sales would have been a decrease of 7% in the Americas regions, 7% in the EMEA region, and 4% in the Asia Pacific region. Sales incentive spending (including pricing discounts) during fiscal year ended March 31, 2013, compared with fiscal year ended March 31, 2012, decreased by 12% due to lower sell-through during this period. Sales returns expense during fiscal year ended March 31, 2013, compared with fiscal year ended March 31, 2012, decreased by 15% due to lower channel inventory aging during this period.

Sales of video conferencing products, which were 6% of total net sales in each of the fiscal years ended March 31, 2013 and 2012, decreased by 7% in the fiscal year ended March 31, 2013, compared with the prior fiscal year, due to sales declines in all geographic regions.

Our gross margin for the fiscal year ended March 31, 2013 remained relatively constant at 33.7%, compared with 33.5% for the prior fiscal year. During fiscal year 2013, we benefitted from gross margin improvement primarily due to the absence of an inventory valuation adjustment related to Logitech Revue and related peripherals which occurred during fiscal year 2012, and from improvements to our channel pricing program and global supply chain process. These improvements were almost entirely offset by an unfavorable change in retail product mix, the negative impact of a weaker euro, a charge to revalue our inventory of several headphones and a large form-factor wireless speaker included in our Audio Wearables & Wireless retail product category, actions related to the simplification of our product portfolio and restructuring-related costs.

Operating expenses for the fiscal year ended March 31, 2013 were 46% of net sales, compared with 30% in the prior fiscal year. This increase was primarily attributable to a $214.5 million goodwill impairment charge related to our video conferencing reporting unit and from $43.7 million in costs related to restructuring plans we implemented in fiscal year 2013.

Net loss for the fiscal year ended March 31, 2013 was $228.1 million, compared with net income of $71.5 million in the fiscal year ended March 31, 2012. This decline primarily resulted from the $214.5 million goodwill impairment charge and the $43.7 million in restructuring charges, offset in part by a discrete tax benefit of $32.1 million from the closure of federal income tax examinations in the United States.

Trends in Our Business

Our sales of PC peripherals for use by consumers in the Americas and Europe have historically made up the large majority of our revenues. In the last two years, the PC market has changed dramatically and there continues to be significant weakness in the global market for new PCs. This weakness has had a negative impact on our net sales in all of our PC-related categories. We believe that this weakness reflects the growing popularity of tablets and smartphones as mobile computing devices.

We believe Logitech's future growth will be determined by our ability to rapidly create innovative products across multiple digital platforms, especially accessories for mobility-related products, including tablets, smartphones and other mobile devices, and for digital music, including wireless speakers and wearables such as earphones, to limit and offset the decline in our PC peripherals and to pursue growth opportunities in emerging markets, mobility-related products, products for digital music and sales to enterprise markets. The following discussion represents key trends specific to each of our two operating segments, peripherals and video conferencing.

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Trends Specific to our Peripherals Segment

Mature and Emerging Markets. In our traditional, mature markets, such as North America, Western and Northern Europe, Japan, and Australia, although the installed base of PC users is large, consumer demand for PCs has declined in recent years, and we believe it will continue to decline in future years. As a consequence, consumer demand for PC peripherals is slowing, or in some case declining. While we continue to pursue growth opportunities in select PC peripheral product lines in mature markets, we believe there are growth opportunities for our PC peripherals outside the mature markets. We have invested significantly in growing the number of our sales, marketing and administrative personnel in China, our largest target emerging market, with the result that China was our third-largest country in retail sales for fiscal ended March 31, 2013. We are also expanding our presence in other emerging markets.

Enterprise Market. We are continuing our efforts on creating and selling products and services to enterprises. We believe the preferences of employees increasingly drive companies' choices in the information technologies they deploy to their employee base. Growing our enterprise peripherals business will continue to require investment in selected business-specific products, targeted product marketing, and sales channel development.

Tablets, Smartphones and Other Mobile Devices. The increasing popularity of smaller, mobile computing devices, such as tablets and smartphones with touch interfaces, have created new markets and usage models for peripherals and accessories. Logitech has begun to offer products to enhance the use of mobile devices. For example, we are experiencing strong demand for our tablet keyboards, led by our Logitech Ultrathin Keyboard Cover, which currently represents our best selling product across all of our product categories. During the fourth quarter of fiscal year 2013, we also introduced the Logitech Ultrathin Keyboard mini, a slim protective keyboard cover designed to enhance the iPad mini experience. Initial demand for the Logitech Ultrathin Keyboard mini has been very positive. The tablets and accessories category is one of the primary strategic categories of our business. We continue to expand and leverage on our success in this category through the introduction of innovative products such as the Logitech Keyboard Folio and Folio mini, and the Logitech FabricSkin Keyboard Folio for iPad and iPad, announced in late March 2013 and April 2013.

Digital Music. We believe that digital music, the seamless consumption of audio content on home and mobile devices, presents a growth opportunity for Logitech, based on our history of successful earphone, headset and speaker products. Many consumers listen to music as a pervasive entertainment activity, fueled by the growth in smartphones, tablets, music services and Internet radio. Logitech has a solid foundation of audio solutions to satisfy consumers' needs for music consumption, including Logitech UE earphones and digital music speakers.

OEM business. Sales of our OEM mice and keyboards have historically made up the bulk of our OEM sales. In recent years, there has been a dramatic shift away from desktop PCs and there continues to be significant weakness in the global market for PCs which has adversely affected our sales of OEM mice and keyboards, all of which are sold with name-brand desktop PCs. We expect this trend to continue and for OEM sales to comprise a smaller percentage of our total revenues in the future.

Trends in Other Peripheral Product Categories. Some of our other peripherals product categories are experiencing significant market challenges. As the quality of PC-embedded webcams improves, we expect future sales of our PC-connected webcams in mature consumer markets to continue declining. During the third quarter of fiscal year 2013, we identified a number of product categories that no longer fit with our current strategic direction. As a result, we made a strategic decision to divest our entire Retail-Remotes product category and our digital video security product line included in our Retail-Video product category, and we plan to discontinue other non-strategic products, such as speaker docks and most console gaming peripherals, by the end of fiscal year 2014.

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Trends Specific to our Video Conferencing Segment

The trend among businesses and institutions to use video conferencing offers a long-term growth opportunity for Logitech. However, the overall video conferencing industry has experienced a slowdown in recent quarters. In addition, there has been an increase in the competitive environment in fiscal year 2013. This resulted in a $214.5 million non-cash goodwill impairment charge in the fiscal year ended March 31, 2013. We believe the growth in our video conferencing segment depends in part on our ability to increase sales to enterprises with existing installed bases of equipment supplied by our competitors, and to enterprises that may purchase such competitor equipment in the future. We believe the ability of our LifeSize products to interoperate with the equipment of other telecommunications, video conferencing or telepresence equipment suppliers to be a key factor in purchasing decisions by current or prospective LifeSize customers. In addition, LifeSize has broadened its product portfolio to include infrastructure, cloud services and other offerings which require different approaches to developing customer solutions. We also are seeking to offer LifeSize products designed to enhance the use of mobile devices in video conferencing applications.

Emerging Market. China also represents a significant targeted emerging market for our video conferencing segment. We have invested significantly in growing the number of our video conferencing sales, marketing and administrative personnel in China.

Critical Accounting Estimates

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

We consider an accounting estimate critical if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to an understanding of our financial condition and operating results.

We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions that may impact us in the future, actual results could differ from those estimates. Management has discussed the development, selection and disclosure of these critical accounting estimates with the Audit Committee of the Board of Directors.

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

Accruals for Customer Programs

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

Returns. We grant limited rights to return products. 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.

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

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

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

We regularly evaluate the adequacy of our accruals for product returns, cooperative marketing arrangements, customer incentive programs and pricing programs. Future market conditions and product transitions may require us to take action to increase such programs. In addition, when the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, we would be required to record incremental increases or reductions to revenue or increase operating expenses. If, at any future time, we become 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.

Inventory Valuation

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

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

Share-Based Compensation Expense

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

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

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

Accounting for Income Taxes

Logitech operates in multiple jurisdictions and its profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by the changes in or interpretations of tax laws and tax agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical mix of income and expense, and changes in our assessment of matters such as the ability to realize deferred tax assets. As a result of these considerations, we must estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating current tax exposure

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together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income, considering all available evidence such as historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax strategies. When we determine that we are not able to realize all or part of our deferred tax assets, an adjustment is charged to earnings in the period when such determination is made. Likewise, if we later determine that it is more likely than not that the deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

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

Goodwill

We perform our annual goodwill impairment test of each reporting unit as of December 31 and complete the assessment during our fiscal fourth quarter, or more frequently, if certain events or circumstances warrant. Events or changes in circumstances which might indicate potential impairment in goodwill include the company-specific factors, including, but not limited to, stock price volatility, market capitalization relative to net book value, and projected revenue, market growth and operating results. Determining the number of reporting units and the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We have two reporting units: peripherals and video conferencing. The allocation of assets and liabilities to each of our reporting units also involves judgment and assumptions.

The goodwill impairment assessment involves three tests, Step 0, Step 1 and Step 2. The Step 0 test involves performing an initial qualitative assessment to determine whether it is more likely than not that the asset is impaired and thus whether it is necessary to proceed to Step 1 and calculate the fair value of the respective reporting unit. We may proceed directly to the Step 1 test without performing the Step 0 test. The Step 1 test involves measuring the recoverability of goodwill at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit. The fair value is estimated using an income approach employing a discounted cash flow ("DCF") and a market-based model. The DCF model is based on projected cash flows from our most recent forecast ("assessment forecast") developed in connection with each of our reporting units to perform the goodwill impairment assessment. The assessment forecast is based on a number of key assumptions, including, but not limited to, discount rate, compound annual growth rate ("CAGR") during the forecast period, and terminal value. The terminal value is based on an exit price at the end of the assessment forecast using an earnings multiple applied to the final year of the assessment forecast. The discount rate is applied to the projected cash flows to reflect the risks inherent in the timing and amount of the projected cash flows, including the terminal value, and is derived from the weighted average cost of capital of market participants in similar businesses. The market approach model was based on applying certain revenue and earnings multiples of comparable companies relevant to each of our reporting units to the respective revenue and earnings metrics of our reporting units. To test the reasonableness of the fair values indicated by the income approach and the market-based approach, we also assessed the implied premium of the aggregate fair value over the market capitalization considered attributable to an acquisition control premium, which is the price in excess of a stock market's price that investors would typically pay to gain control of an entity. The discounted cash flow model and the market approach require

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the exercise of significant judgment, including assumptions about appropriate discount rates, long-term growth rates for purposes of determining a terminal value at the end of the discrete forecast period, economic expectations, timing of expected future cash flows, and expectations of returns on equity that will be achieved. Such assumptions are subject to change as a result of changing economic and competitive conditions. If the carrying amount of the reporting unit exceeds its fair value as determined by these assessments, goodwill is considered impaired, and the Step 2 test is performed to measure the amount of impairment loss. The Step 2 test measures the impairment loss by allocating the reporting unit's fair value to its assets and liabilities other than goodwill, comparing the resulting implied fair value of goodwill with its carrying amount, and recording an impairment charge for the difference.

We performed our annual goodwill impairment analysis of each of our reporting units as of December 31, 2012 using the income approach and market approach described above. We chose not to perform the Step 0 test and to proceed directly to the Step 1 test. This assessment resulted in us determining that our peripherals reporting unit passed the Step 1 test because the estimated fair value exceeded its carrying value by more than 75%. By contrast, our video conferencing reporting unit failed the Step 1 test because the estimated fair value was less than its carrying value, thus requiring a Step 2 assessment of this reporting unit. This impairment primarily resulted from a decrease in our expected CAGR during the assessment forecast period based on greater evidence of the overall enterprise video conferencing industry experiencing a slowdown in recent quarters, combined with lower demand related to new product launches, increased competition in fiscal year 2013 and other market data. These factors had an adverse effect on our recent video conferencing operating results and are anticipated to have an adverse effect on its future business.

Peripherals

Key assumptions used in the Step 1 income approach analyses for our peripherals reporting unit included the appropriate discount rates, CAGR during the forecast period, and long-term growth rates for purposes of determining a terminal value at the end of the discrete forecast period. Sensitivity assessment of key assumptions for the peripherals reporting unit Step 1 test is presented below.

Discount rate assumptions. A hypothetical percentage increase of 108% in the discount rate, holding all other assumptions constant, would not have decreased the fair value of the peripherals reporting unit below its carrying value, and thus it would not result in the reporting unit failing Step 1 of the goodwill impairment test.

CAGR assumptions. A hypothetical percentage decrease of 600% in the CAGR rate, holding all other assumptions constant, would not have decreased the fair value of the peripherals reporting unit below its carrying value.

Terminal value assumptions. A hypothetical percentage decrease of 110% in the terminal value, holding all other assumptions constant, would not have decreased the fair value of the peripherals reporting unit below its carrying value.

Video Conferencing

Key assumptions used in the Step 1 income approach analyses for our video conferencing reporting unit also included the appropriate discount rates, CAGR during the forecast period, and long-term growth rates for purposes of determining a terminal value at the end of the discrete forecast period. Both the income and market approaches arrived at estimated fair values within a relatively close range, which supported the reasonableness of each assessment. We proceeded with a Step 2 assessment because the estimated fair value of our video conferencing reporting unit was less than its carrying value. The Step 2 test required us to fair value all assets and liabilities of our video conferencing reporting unit to determine the implied fair value of this reporting unit's goodwill. We were unable to fully complete the Step 2 analysis prior to filing of our Form 10-Q for the quarterly period ended December 31, 2012 due to the complexities

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of determining the implied fair value of goodwill of our video conferencing reporting unit. Based on our work performed during the third quarter of fiscal year 2013, we initially recorded an estimated goodwill impairment charge of $211.0 million during that period. During the fourth quarter of fiscal year 2013, we completed our annual goodwill impairment assessment and recorded an additional $3.5 million in goodwill impairment charge related to our video conferencing reporting unit. The total goodwill impairment charge of $214.5 million had no cash flow impact.

Applicable to Both Reporting Units

We continue to evaluate and monitor all key factors impacting the carrying value of our recorded goodwill, as well as other long-lived assets. There are a number of uncertainties associated with the key assumptions described above based primarily on the difficulty of predicting our revenues and profitability. Our revenues and profitability are difficult to predict due to the nature of the markets in which we compete, fluctuating end-user demand, the uncertainty of current and future global economic conditions, and for many other reasons, including, but not limited to:

Our revenues are impacted by end-user consumer demand and future global conditions, which could fluctuate abruptly and significantly during periods of uncertain economic conditions or geographic distress, as well as from shifts in consumer buying patterns.

We must incur a large portion of our costs in advance of sales orders, because we must plan research and production, order components, buy tooling equipment, and enter into development, sales and marketing, and other operating commitments prior to obtaining firm commitments from our customers. This makes it difficult for us to rapidly adjust our costs in response to a revenue shortfall.

Fluctuations in currency exchange rates can impact our revenues, expenses and profitability because we report our financial statements in U.S. dollars, whereas a significant portion of our revenues and expenses are in other currencies.

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

The video conferencing industry is characterized by continual performance enhancements and large, well-financed competitors. There is increased participation in the video conferencing market by companies such as Cisco Systems, Inc. and Polycom, Inc., and as a result, we expect competition in the industry to further intensify.

Should the actual outcome of some or all of these assumptions differ significantly from the current assumptions, revisions to current cash flow assumptions could cause the fair value of the reporting units to be significantly different in future periods.

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Results of Operations

Net Sales

Net sales by channel for fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,			Change %	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
Peripherals					
Retail	$ 1,821,657	$ 1,982,783	$ 2,005,210	(8)%	(1)%
OEM	141,186	185,959	223,775	(24)%	(17)%
Total Peripherals	1,962,843	2,168,742	2,228,985	(9)%	(3)%
Video Conferencing	137,040	147,461	133,901	(7)%	10%
Total net sales	$ 2,099,883	$ 2,316,203	$ 2,362,886	(9)%	(2)%

Our retail sales decreased 8% and retail units sold decreased 7% in fiscal year 2013, compared with the prior fiscal year. We experienced declines in all three regions during fiscal year 2013. Our overall retail average selling price declined 1% in fiscal year 2013 compared with the prior fiscal year.

Our retail sales in fiscal year 2012 were essentially flat compared with fiscal year 2011, as the retail sales increase in the Asia Pacific region was offset by declines in the EMEA and Americas regions. Retail units sold increased 3% in fiscal year 2012 compared with the prior fiscal year. Our overall retail average selling price declined 4% in fiscal year 2012 compared with the prior fiscal year.

Products priced below $40 represented approximately 56%, 55% and 56% of retail sales in fiscal years 2013, 2012 and 2011, while products priced above $100 represented 14%, 13% and 18% of retail sales in fiscal years 2013, 2012 and 2011.

If foreign currency exchange rates had been the same in fiscal years 2013 and 2012, our constant dollar retail sales would have decreased 6%. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, our constant dollar retail sales would have decreased 3%.

OEM net sales decreased 24% and 17% and units sold decreased 12% in fiscal years 2013 and 2012, compared with the preceding fiscal years. These declines were primarily due to lower sales in the keyboard/desktop category due to product mix changes with a large customer, and lower sales of OEM mice. If foreign currency exchange rates had been the same in fiscal years 2013 and 2012, our constant dollar OEM sales would have decreased 24%. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, our constant dollar OEM sales would have decreased 18%.

Video conferencing net sales decreased 7% in fiscal year 2013, compared with the prior fiscal year, due to sales declines in all geographic regions, and were impacted by the slowdown in the overall video conferencing industry in recent quarters, together with the competitive environment in fiscal year 2013 and lower demand related to new product launches. Video conferencing net sales increased 10% in fiscal year 2012 over 2011, primarily driven by growth in the EMEA and Asia Pacific regions, with strong growth in Russia, China and Australia. Sales of infrastructure software and hardware grew due to the launch of the LifeSize Bridge and the LifeSize UVC Video Center in late fiscal year 2011. Foreign currency exchange rates did not affect LifeSize sales.

Although our financial results are reported in U.S. dollars, a portion of our sales were made in currencies other than the U.S. dollar, such as the euro, Chinese renminbi, Japanese yen, Canadian dollar

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and Australian dollar. The following table presents the approximate percentage of our total net sales that were denominated in currencies other than the U.S. dollar in the fiscal years 2013, 2012 and 2011:

	2013	2012	2011
Currencies other than USD	46%	45%	42%

If foreign currency exchange rates had been the same in fiscal years 2013 and 2012, and in fiscal years 2012 and 2011, the percentage changes in our constant dollar net sales would have been:

	2013	2012
Peripherals		
Retail	(6)%	(3)%
OEM	(24)%	(18)%
Video Conferencing	(7)%	10%
Total net sales	(8)%	(3)%

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

Net sales reflect allowances for product returns, cooperative marketing arrangements, customer incentive programs and pricing programs.

Retail Sales by Region

The following table presents the change in retail sales by region and the change in constant dollar retail sales if foreign currency exchange rates had been the same in fiscal year 2013 compared with fiscal year 2012, and fiscal year 2012 compared with fiscal year 2011:

	2013 vs 2012			2012 vs 2011		
	Change in Retail Units Sold	Change in Retail Sales	Change in Constant Dollar Retail Sales	Change in Retail Units Sold	Change in Retail Sales	Change in Constant Dollar Retail Sales
Americas	(4)%	(7)%	(7)%	(5)%	(7)%	(7)%
EMEA	(11)%	(11)%	(7)%	(3)%	(2)%	(4)%
Asia Pacific	(5)%	(4)%	(4)%	25%	18%	15%
Total retail sales	(7)%	(8)%	(6)%	3%	(1)%	(3)%

We use retail sell-through data, which represents sales of our products by our retailer customers to consumers, and by our distributor customers to their customers, along with other metrics, to assess consumer demand for our products. Sell-through data is subject to limitations due to collection methods and the third party nature of the data. Although the sell-through data we obtained typically represents a majority of our retail sales, the customers supplying sell-through data vary by geographic region and from period-to-period. As a result of these limitations, sell-through data may not be an accurate indicator of actual consumer demand for our products.

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Americas

The Americas region experienced a 7% decline in retail sales during the fiscal year ended March 31, 2013, compared with the prior fiscal year. This decline was primarily from a significant decrease in our Other category, comprised of products that are no longer strategic to our business, and from decreases in our Video, Remotes, PC Gaming and Pointing Device categories. These decreases were offset in part by an increase of 108% in Tablet Accessories due to continued strong demand from the Logitech Ultrathin Keyboard Cover for the iPad. During fiscal year 2013, we experienced weakness primarily in the United States, offset in part by improvement in Mexico and Brazil. Retail sell-through in the Americas region decreased 5% in fiscal year 2013 compared with the prior fiscal year.

Retail sales in the Americas region experienced a 7% decline during fiscal year 2012 compared with fiscal year 2011. This decline was primarily due to significant decreases in our Other, Remotes and Video categories. This decline was offset in part by a significant increase in revenue from our then newly created Tablet Accessories category due to strong demand from the Logitech Ultrathin Keyboard Cover for the iPad, and from a significant increase in our Audio-Wearables & Wireless and PC Gaming categories. The sales decline during fiscal year 2012 was due to weakness in the United States and Canada. Retail sell-through in the Americas region increased 2% in fiscal year 2012 over fiscal year 2011.

EMEA

Retail sales in the EMEA region experienced an 11% decline during the fiscal year ended March 31, 2013, compared with the prior fiscal year, caused by extreme weakness in the PC market and from continued macro-economic uncertainty across many European countries. This decline was due to weakness in all product categories except Tablet Accessories which increased by 322%. During fiscal year 2013, we experienced significant sales decreases in Germany, France, Switzerland, Poland, Spain, Russia, Netherlands, Norway, Czech Republic, Austria, Greece, Croatia and Finland, offset in part by significant increases in Turkey, Denmark, Belarus, Italy and Lithuania. Retail sell-through in the EMEA region decreased 14% in fiscal year 2013, compared with the prior fiscal year.

Retail sales in the EMEA region experienced a modest 2% decline in fiscal year 2012, compared with the prior fiscal year, as a result of the uneven economic recovery, particularly in western Europe, and ineffective regional pricing and channel management programs. This decline was due to significant decreases in our Remotes and Video categories. These decreases were offset in part by significant increases in our Audio-Wearables & Wireless and PC Gaming categories. The sales decline during fiscal year 2012 was primarily due to weakness in Germany, France, Italy, Spain, Norway, Denmark, United Kingdom, Finland, Netherlands, Sweden, Poland and Belgium, offset in part by increases in Russia, Switzerland, Austria, Turkey and Ukraine. Retail sell-through in the EMEA region increased 12% in fiscal year 2012 over 2011.

Asia Pacific

Asia Pacific region retail sales decreased by 4% in fiscal year 2013 compared with the prior fiscal year. This decline was primarily due to decreases in our Other, Remotes, PC Gaming and Video categories. These decreases were offset in part by a significant increase of 211% in Tablet Accessories and by an increase in Audio-Wearables & Wireless. Declines by country within the Asia Pacific region were primarily from weakness in India, Australia, Taiwan and South Korea, offset in part by sales increases in China, New Zealand and Indonesia. Retail sales in China increased by 4%, led by a significant increase of 391% in Tablet Accessories, and by increases in Audio-Wearables & Wireless and PC Keyboards & Desktops. These increases in China were offset in part by decreases in all other categories. China was our third-largest country in terms of net revenue in fiscal year 2013. Retail sell-through in China increased 14% compared with the prior fiscal year, while retail sell-through in the rest of the Asia Pacific region decreased 3% during fiscal year 2013.

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In fiscal year 2012, Asia Pacific region retail sales increased by 18% compared with fiscal year 2011. This increase was due to strong performance in all of our retail categories except Remotes and Audio PC. The Asia Pacific region also benefited from strong initial demand of our Logitech Ultrathin Keyboard Cover for the iPad, included in Tablet Accessories. The Asia Pacific region increase was primarily driven by strong sales growth in China, followed by India, Japan, Taiwan, Indonesia, South Korea, Hong Kong and Malaysia, offset in part by a significant decrease in Australia. Retail sales in China increased in all product categories in fiscal year 2012 compared with fiscal year 2011, as a result of our increased investment in sales and marketing efforts in the country. In fiscal year 2012, China was our third largest country in terms of net revenue.

Net Retail Sales by Product Categories

Net retail sales by product categories for fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,			Change %	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
Net retail sales by product categories:					
Retail Pointing Devices	$ 521,083	$ 559,366	$ 564,758	(7)%	(1)%
Retail PC Keyboards & Desktops	407,896	404,298	386,968	1%	4%
Retail Tablet Accessories	119,804	43,693		174%	NM
Retail Audio PC	271,197	309,896	318,478	(12)%	(3)%
Retail Audio Wearables & Wireless	65,826	53,140	23,975	24%	122%
Retail Video	179,340	216,387	256,170	(17)%	(16)%
Retail PC Gaming	142,184	170,948	146,373	(17)%	17%
Retail Remotes	71,641	91,000	144,737	(21)%	(37)%
Retail Other	42,686	134,055	163,751	(68)%	(18)%
Total net retail sales	$ 1,821,657	$ 1,982,783	$ 2,005,210	(8)%	(1)%

NM Not Meaningful.

In the third quarter of fiscal year 2013, we changed the product category classification for a number of our retail products in an effort to help investors more clearly track the progress of our various product initiatives. Products within the retail product categories as presented in fiscal years ended 2012 and 2011 have been reclassified to conform to the fiscal year 2013 presentation, with no impact on previously reported total net retail sales. During the third quarter of fiscal year 2013, we identified a number of product categories that no longer fit with our current strategic direction. As a result, we made a strategic decision to divest our entire Retail-Remote product category and our digital video security product line, included within our Retail-Video category, and we plan to discontinue other non-strategic products, such as speaker docks and most console gaming peripherals, by the end of fiscal year 2014.

Retail Pointing Devices

Our Retail Pointing Device category is comprised of PC-related mice, trackpads, touchpads and presenters.

Retail sales of Pointing Devices decreased 7% while retail units sold decreased 4% in fiscal year 2013, compared with the prior fiscal year. The continued weakness in the global PC market was a major factor in the sales declines in this category across all regions except the Asia Pacific region where sales remained constant. The primary weakness during fiscal year 2013 was in our low-end product offerings, which experienced a 12% decline, offset in part by increases of 9% in our mid-range and 3% in our high-end product offerings. Sales of all cordless mice decreased 5%, while units sold increased 1% in fiscal year 2013 compared with the prior fiscal year. Corded mice sales decreased 16%, while units sold decreased 12% in fiscal year 2013 compared with the prior fiscal year. By geography, the Americas region sales and units sold decreased by 9% and 4%, and the EMEA region sales and units sold decreased by 9% during this period. The Asia Pacific region sales were flat and units sold increased by 2% during this period. China sales and units sold decreased by 8% and 2% during this period.

Retail sales of Pointing Devices decreased 1%, while retail units sold increased 7% in fiscal year 2012 compared with fiscal year 2011. The stronger growth in units relative to sales reflects the success of our value-priced offerings, particularly in the Asia Pacific region, where sales in dollars increased 21% and units sold increased 33% in fiscal year 2012 compared to fiscal year 2011. China was a strong contributor in the Asia Pacific region with sales and units sold increases of 54% and 50% during this period. In our EMEA and America regions, sales in dollars decreased 2% and 3% in fiscal year 2012 compared with fiscal year 2011, while units sold increased 3% and decreased 4%. Sales of cordless mice increased 5%, while unit sold increased 17% in fiscal year 2012 compared with fiscal year 2011. The stronger growth in units sold was driven by the sales of our value-priced cordless notebook mice, including the Wireless Mouse M185 and the Wireless Mouse M315. Sales of corded mice decreased 14% while units sold decreased 5% in fiscal year 2012, compared with fiscal year 2011. The primary weakness of our pointing device category during fiscal year 2012 compared to fiscal year 2011, was in our high-end product offerings, which experienced a 16% sales decline, followed by our mid-range offerings, which experienced a 7% sales decline, offset in part by an increase of 9% in our low-end offerings.

Retail PC Keyboards & Desktops

Our Retail PC Keyboard & Desktop category is comprised of PC keyboards and keyboard/mice combo products.

Retail sales of PC Keyboards & Desktops increased 1% during the year ended March 31, 2013, compared with the prior fiscal year, while units sold decreased 1% during this period. Although this category was affected by the continued weakness in the global PC market, we managed to achieve a modest sales increase in this category due to continued development of new, innovative products led by the Logitech Wireless Touch K400, and from other new products, including the Logitech Washable Keyboard K310, Logitech Wireless Combo MK240, Logitech Bluetooth Illuminated Keyboard K810 and the Logitech Wireless Solar Keyboard for Mac. Sales of corded and cordless desktops decreased 9% and remained flat in sales and decreased 7% and increased 4% in units sold during fiscal year 2013 compared with the same period in the prior fiscal year. Sales of corded and cordless keyboards decreased 5% and increased 28% in sales and decreased 11% and increased 38% in units sold during fiscal year 2013 compared with the same period in the prior fiscal year. By geography, we experienced growth in the Americas region where sales and units sold increased by 7% and 13% during this period. This increase was offset in part by the Asia Pacific region where sales and units sold decreased by 4% and 7% during this period, and the EMEA region where sales and units sold decreased by 1% and 4% during this period. We experienced solid growth in China where sales and units sold increased by 7% during this period.

Retail sales of PC Keyboards & Desktops increased 4%, while the units sold increased 3% during fiscal year 2012 compared with fiscal year 2011. Sales of corded and cordless desktops increased 15% and remained flat in sales and increased 20% and increased 9% in units sold during fiscal year 2012 compared with fiscal year 2011, primarily driven by strong sales from the Logitech Wireless Combo products including the MK260, MK220, MK520, MK320 and MK550. Sales of corded and cordless keyboards decreased 26% and increased 82% in sales and decreased 20% and increased 164% in units sold during fiscal year 2012 compared with fiscal year 2011, primarily driven by strong sales from the Logitech Wireless Keyboard K360 and the Logitech Wireless Solar Keyboard K750. Overall increase in sales and units sold of keyboard and desktop was due to strong performance in our Asia Pacific region which increased by 21% in sales and 24% in units sold during fiscal year 2012 compared to fiscal year 2011. China was a strong contributor in the Asia Pacific region with sales and units sold increases of 48% and 44% during this period. These increases were offset in part by our Americas region which experienced a 2% decrease in sales and a 3% decrease in units sold, and by our EMEA region which experienced flat sales and a 10% decrease in units sold, during this period.

Retail Tablet Accessories

Our Retail Tablet Accessories category is comprised of our tablet keyboards and accessories.

Retail Tablet Accessories represented our strongest product category with sales and unit increases of 174% and 133% during fiscal year 2013, compared with the same period in the prior fiscal year. This increase was driven by continued strong demand for the Logitech Ultrathin Keyboard Cover, which currently represents our best selling product across all of our categories. During the fourth quarter of fiscal year 2013, we also introduced the Logitech Ultrathin Keyboard mini, a slim protective keyboard cover designed to enhance the iPad mini experience. Initial demand for the Logitech Ultrathin Keyboard mini has been very positive. The tablets and accessories category is one of the primary strategic categories of our business. We continue to expand and leverage on our success in this category through the introduction of newly innovative products such as the Logitech Keyboard Folio and Folio mini, and the Logitech FabricSkin Keyboard Folio for iPad and iPad, announced in late March 2013 and April 2013. By geography, we experienced strong growth in all regions, led by the EMEA region where sales and units sold increased by 322% and 224%, followed by the Asia Pacific region where sales and units sold increased by 211% and 205%, and by the Americas region where sales and units sold increased by 108% and 87% during this period. China experienced strong growth where sales and units sold increased by 391% and 520% during this period.

Retail sales of $43.7 million from associated products within our Retail Tablet Accessories category began in fiscal year 2012. Primary products of this category during fiscal year 2012 included the Logitech Keyboard Case and the Logitech Tablet Keyboard for Tablets.

Retail Audio-PC

Our Retail Audio-PC category is comprised of PC speakers and PC headsets.

Retail Audio-PC sales and units sold decreased 12% and 14% during fiscal year 2013, compared with the same period in the prior fiscal year. This decrease was due to sales and unit declines of 14% and 17% in PC speakers and sales and unit declines of 8% and 10% in PC headsets. These declines reflect both weakness in the overall market for new PCs, a market shift towards mobile audio devices, and a product line that has not been meaningfully refreshed in over a year. By geography, we experienced declines in all regions during this period. The declines were led by the EMEA region where sales and units sold decreased by 18%, followed by the Asia Pacific region where sales and units sold decreased by 9% and 15%, and by the Americas region where sales and units sold decreased by 5% and 10%. China sales and units sold decreased by 27% and 20% during this period.

Retail Audio-PC sales experienced decreases of 3% in sales and 6% in units sold in fiscal year 2012, compared with fiscal year 2011. The decline of this category in fiscal year 2012 was attributable to weakness in our PC headsets, which decreased 9% in sales and 15% in units sold. Our PC speaker sales remained relatively flat in sales and units sold from fiscal year 2011 to fiscal year 2012. Geographically, Americas region decreased 4% in sales and units sold, EMEA region decreased 2% in sales and 10% in units sold, and Asia Pacific region decreased 2% in sales and was flat in units sold during fiscal year 2012, compared to fiscal year 2011. China sales and units sold increased by 18% during this period.

Retail Audio Wearables & Wireless

Our Retail Audio-Wearables & Wireless category is comprised of non-PC audio products, including ear and headphones, and wireless speakers.

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Retail Audio-Wearables & Wireless sales increased 24% during fiscal year 2013, compared with the prior fiscal year, while retail units sold increased 14% during this period. The increase in sales during fiscal year 2013 was from a 56% increase in our wireless speakers for smartphones and tablets. We experienced strong initial sales from our new wireless speakers including the Logitech UE Mobile Boombox and Logitech UE Boombox, both of which began shipping late in the second quarter of fiscal year 2013. During the fourth quarter of fiscal year 2013, this category was negatively impacted by very weak demand for the Logitech UE Boombox. The poor sales performance of this product was due to a lack of competitive differentiation and a form factor that has proved to be too large for many consumers. Contrasting, sales continued to be strong for our smaller, lower cost Logitech UE Mobile Boombox. Sales of our audio wearables products were flat during fiscal year 2013, compared to the prior fiscal year. We initially experienced strong sales in audio wearables during fiscal year 2013, driven in part by the strong initial sales of the new Logitech UE products which were initially available exclusively through Apple stores during the second quarter of fiscal year 2013. During the third quarter of fiscal year 2013, audio wearables sales were negatively impacted by our participation in an aggressive Black Friday promotion of our UE earphones with a large U.S. online retailer in the same period of the prior fiscal year. This year we chose not to participate in similarly aggressive promotions for our new music products launched under the Logitech UE brand, which caused our sales to decline substantially during the three months ended December 31, 2012, as compared to the same period of the prior fiscal year. Audio wearables sales continued to decline during the fourth quarter of fiscal year 2013. Despite exceptional product quality and consistently positive reviews, we have discovered that this category requires a significant marketing investment to drive lifestyle brand appeal. We chose not to increase our marketing spend to the level that would be required to clearly distinguish our brand from the competition in the minds of the consumer, which has had an adverse effect on the sales of this category. By geography, we experienced growth in the Asia Pacific region, where sales and units sold increased by 94% and 28%, and in the Americas region, where sales and units sold increased by 8% and 24%. These increases were offset in part by weakness in the EMEA region, where sales and units sold decreased by 22% and 25%. China contributed significantly to the strong performance in the Asia Pacific region where sales and units sold increased by 248% and 136% during this period.

We experienced strong performance in our Retail Audio-Wearables & Wireless product category during fiscal year 2012, compared to fiscal year 2011, with increases of 122% in sales and 79% in units sold. Sales of our wireless speaker products increased by 405% in sales and 452% in units sold during fiscal year 2012, compared to fiscal year 2011. This increase was primarily driven by strong sales from our then newly introduced Logitech Mini Boombox and Logitech Wireless Boombox. Sales of our audio-wearable products also performed well with increases of 58% in sales and 47% in units sold during fiscal year 2012, compared to fiscal year 2011, driven by strong demand for our Ultimate Ears line of products. Geographically, EMEA led the way with increases in sales and units sold of 219% and 169%, followed by the Asia Pacific region with increases in sales and units sold of 106% and 55%, and by the Americas region with increases in sales and units sold of 92% and 70% during fiscal year 2012, compared to fiscal year 2011.

Retail Video

Our Retail Video category is comprised of webcams, digital video security systems and TV cams.

Retail Video sales declined by 17% during fiscal year 2013, compared with the same period in the prior fiscal year, while retail units sold decreased 26% during this period. The sales decrease was mainly due to weakness in our webcam product line, which declined by 22% during this period, and which continued to be negatively impacted by the combination of market trends, including the popularity of embedded webcams in mobile devices, and the overall weakness of the PC market. We expect future sales of our USB cable connected consumer webcams in the consumer market to continue declining, as the embedded webcam experience appears to be sufficient to meet the needs of many retail consumers. We experienced strong growth in the high-end category driven by the Logitech HD Pro Webcam C920, which offers full HD 1080p video calls on Skype, and from Logitech BCC950 Conference Cam for the enterprise

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market during fiscal year 2013. The retail video sales decrease was also due to a 1% decline in our digital video security products during this period. We made a strategic decision to divest our digital video security category of products by the end of fiscal year 2014. These decreases were offset in part by a 453% increase in our TV Cam product line driven by strong initial sales from Logitech TV Cam HD which began shipping during the third quarter of fiscal year 2013. We experienced declines in all geographic regions during this period. The declines were led by the Americas region, where sales and units sold decreased by 21% and 28%, followed by the Asia Pacific region, where sales and units sold decreased by 15% and 24%, and by the EMEA region, where sales and units sold decreased by 14% and 25%. China sales and units sold decreased by 6% and 12% during this period.

Retail Video sales decreased 16% and unit sold decreased 15% in fiscal year 2012 compared with fiscal year 2011. This sales decline was mainly due to weakness in our webcam product line, which decreased 19% in sales and 15% in units sold during this period. Our webcam product line continued to be negatively impacted by the combination of market trends and gaps in this product portfolio. In fiscal year 2012, we enhanced this product line by enabling experiences that cannot be easily achieved with an embedded webcam. For example, we experienced strong growth with our initial launch of the Logitech HD Pro Webcam C920, which offers full HD 1080p video calls on Skype, in the latter part of the fiscal year 2012. The sales decline in our webcams was offset in part by strong performance from our video security products, which experienced increases of 45% in sales and 63% in units sold during fiscal year 2012, compared to fiscal year 2011. Geographically, the Americas region led the decline with sales and unit decreases of 25% and 30%, followed by the EMEA region with sales and unit decreases of 12% and 13%. These decreases were offset in part by increase in sales and units sold in the Asia Pacific region of 11% and 23% during this period. China contributed significantly to the solid performance in the Asia Pacific region with sales and unit increases of 80% and 95% during this period.

Retail PC Gaming

Our Retail PC Gaming category is comprised of PC gaming mice, keyboards, headsets and steering wheels.

Retail sales of our PC Gaming category declined 17% during fiscal year 2013, compared with the prior fiscal year, while retail units sold decreased 7%. During fiscal year 2013, we experienced a decline in almost all our PC Gaming categories, with the most significant decline in our steering wheel product category. These declines were offset in part by strong sales from select gaming products including Logitech G600 MMO Gaming Mouse, Logitech G710 Mechanical Gaming Keyboard, and Logitech G930 Wireless Gaming Headsets. The difference between the decline in PC gaming sales and the decrease in units sold during fiscal year 2013 reflects a product mix shift away from higher-priced steering wheels to lower-priced mice, keyboards and gamepads. The overall decline in this category primarily reflects an aging product line-up that we have started addressing. For instance, in late March 2013, we announced the launch of eight new gaming products, including mice, keyboards and headsets. PC Gaming sales in the Americas, EMEA and Asia Pacific regions decreased by 10%, 15% and 26% in fiscal year 2013, compared to fiscal year 2012. China sales and units sold decreased by 14% and 13% during this period.

Retail sales of our PC Gaming category increased 17% in sales and 10% in units sold in fiscal year 2012, compared with fiscal year 2011. During fiscal year 2012, we experienced an increase in almost all of our PC gaming categories. This increase was primarily driven by increased sales and units sold of 56% and 59% in our steering wheel product line, followed by increased sales and units sold of 12% in gaming mice. PC gaming sales in the Americas, EMEA and Asia Pacific regions increased by 17%, 13% and 23% in fiscal year 2012, compared to fiscal year 2011. China contributed significantly to the increase in the Asia Pacific region with increased sales and units sold of 65% and 54% during this period.

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Retail Remotes

Our Retail Remotes category is comprised of our Harmony remotes.

Retail sales of our Remotes category decreased 21% during fiscal year 2013, compared with the prior fiscal year, while retail units sold decreased 37%. Sales decline was concentrated in the low and mid-range remotes, which decreased by 39% and 66% during this period. The high-end category experienced a less steep decrease of 7% decrease during this period due to the launch of Harmony Touch in October 2012, our first new high-end remote in over four years. The significantly steeper decline in units sold, relative to sales, primarily reflects our transition over the last several quarters away from selling low to mid-range remotes. In the third quarter of fiscal year 2013, we made a strategic decision to divest our remotes category by the end of fiscal year 2014. Remote sales in the Americas, EMEA and Asia Pacific regions decreased by 15%, 40% and 28% in fiscal year 2013, compared to fiscal year 2012.

Our Retail Remotes category decreased by 37% in sales and 22% in units sold in fiscal year 2012, compared to fiscal year 2011. This sales decline in fiscal year 2012 was due to the lack of a meaningful refresh of new products in this category. Remotes sales in the Americas, EMEA and Asia Pacific regions decreased by 30%, 47% and 66% in fiscal year 2012, compared to fiscal year 2011.

Retail Other

This category is comprised of a variety of products that we currently intend to transition out of, or have already transitioned out of, as they are no longer strategic to our business. Products currently included in this category include speaker docks, streaming media systems, console gaming peripherals and Logitech Revue for Google TV products.

Retail sales of this category decreased by 68% during fiscal year 2013, compared with same period in the prior fiscal year, while retail units sold decreased 53% during this period. Speaker docks decreased by 68%, streaming media systems decreased by 51%, Logitech Revue for Google TV decreased by 95%, and console gaming peripherals decreased by 166% during fiscal year 2013, compared to the same period of the prior fiscal year. Our other category sales in the Americas, EMEA and Asia Pacific regions decreased by 71%, 62% and 81% in fiscal year 2013, compared to fiscal year 2012. We plan to discontinue other non-strategic products by the end of fiscal year 2014.

Retail sales of this category decreased 18%, while unit sold decreased 4% in fiscal year 2012 compared with the prior fiscal year. Logitech Revue for Google TV decreased by 53%, console gaming peripherals decreased by 28%, streaming media systems decreased by 14%, and Speaker docks decreased by 2% during fiscal year 2012, compared to fiscal year 2011. Our other category sales decreased by 34% and 8% in the Americas and EMEA regions, and increased by 13% in the Asia Pacific region in fiscal year 2012, compared to fiscal year 2011.

OEM

OEM net sales decreased 24% and 17% and units sold decreased 12% in fiscal years 2013 and 2012, compared with the preceding fiscal years. These declines were primarily due to lower sales in the keyboard/desktop category due to product mix changes with a large customer, and lower sales of OEM mice.

Video Conferencing

Video conferencing net sales decreased 7% in fiscal year 2013, compared with the prior fiscal year, due to sales declines in all geographic regions, and were impacted by the slowdown in the overall video conferencing industry in recent quarters, together with the competitive environment in fiscal year 2013 and lower demand related to new product launches. Video conferencing net sales increased 10% in fiscal year 2012 over 2011, primarily driven by growth in the EMEA and Asia Pacific regions, with strong growth in Russia, China and Australia. Sales of infrastructure software and hardware grew due to the launch of the LifeSize Bridge and the LifeSize UVC Video Center in late fiscal year 2011.

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Gross Profit

Gross profit for fiscal years 2013, 2012 and 2011 was as follows (in thousands):

	Year Ended March 31,			Change %	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
Net sales	$ 2,099,883	$ 2,316,203	$ 2,362,886	(9)%	(2)%
Cost of goods sold	1,392,581	1,539,614	1,526,380	(10)%	1%
Gross profit	$ 707,302	$ 776,589	$ 836,506	(9)%	(7)%
Gross margin	33.7%	33.5%	35.4%		

Gross profit consists of net sales, less cost of goods sold which includes materials, direct labor and related overhead costs, costs of manufacturing facilities, costs of purchasing components from outside suppliers, distribution costs, write-down of inventories and amortization of intangible assets.

Our gross margin for fiscal year 2013 remained relatively constant at 33.7%, compared with 33.5% of the prior fiscal year. During fiscal year 2013, we experienced gross margin improvement from a valuation adjustment related to Logitech Revue and related peripherals which occurred during fiscal year 2012, and from the improvements to our channel pricing program and global supply chain process. These improvements were almost entirely offset by an unfavorable change in retail product mix, the negative impact of a weaker euro, a charge to revalue our inventory of several headphones and a large form-factor wireless speaker included in our Audio- Wearables & Wireless retail product category, pricing actions related to the simplification of our product portfolio in the Americas and EMEA regions, costs related to product development efforts that were discontinued as a result of our restructuring plans announced during fiscal year 2013, and a provision for a patent dispute.

The decline in gross margin in fiscal year 2012 compared with 2011 resulted from increased manufacturing and distribution costs due to higher labor and obsolescence costs, from a $34.1 million inventory valuation adjustment reflecting the lower of cost or market on our inventory of Logitech Revue and related peripherals on hand and at our suppliers, and an unfavorable shift in retail product mix towards products with lower average selling prices.

Operating Expenses

Operating expenses for fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,			Change %	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
Marketing and selling	$ 431,598	$ 423,854	$ 420,580	2%	1%
% of net sales	20.6%	18.3%	17.8%		
Research and development	153,922	162,331	156,390	(5)%	4%
% of net sales	7.3%	7.0%	6.6%		
General and administrative	113,824	118,423	116,880	(4)%	1%
% of net sales	5.4%	5.1%	4.9%		
Impairment of goodwill and other assets	216,688			NM	0%
% of net sales	10.3%	0.0%	0.0%		
Restructuring charges	43,704			NM	0%
% of net sales	2.1%	0.0%	0.0%		
Total operating expenses	$ 959,736	$ 704,608	$ 693,850	36%	2%
% of net sales	45.7%	30.4%	29.4%		

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The increase in total operating expenses as a percentage of net sales in fiscal year 2013 compared with fiscal year 2012 was primarily attributable to the $214.5 million goodwill impairment charge related to our video conferencing reporting unit and from the $43.7 million in costs related to restructuring plans we implemented in fiscal year 2013.

Our operating expenses are incurred in U.S. dollars, Chinese renminbi, Swiss francs, euros, and, to a lesser extent, 29 other currencies. To the extent that the U.S. dollar significantly increases or decreases in value relative to the currencies in which our operating expenses are denominated, the reported dollar amounts of our sales and expenses may decrease or increase. We refer to our operating expenses excluding the impact of foreign currency exchange rates as constant dollar operating expenses. Constant dollar operating expenses are a non-GAAP financial measure, which is information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. GAAP. Our management uses these non-GAAP measures in its financial and operational decision-making, and believes these non-GAAP measures, when considered in conjunction with the corresponding GAAP measures, facilitate a better understanding of changes in operating expenses. Constant dollar operating expenses are calculated by translating current period operating expenses in each local currency at the prior period's average exchange rate for that currency.

Marketing and Selling

Marketing and selling expense consists of personnel and related overhead costs, corporate and product marketing, promotions, advertising, trade shows, customer and technical support and facilities costs.

Marketing and selling expense increased 2% in fiscal year 2013 compared with the same period of the prior fiscal year. We experienced increased advertising, product design, consulting and marketing expenses associated with the launch of new products, which were partially offset by decreases in personnel-related expenses and share-based compensation expense from restructuring plans we implemented in fiscal year 2013.

Marketing and selling expense increased 1% in fiscal year 2012 compared with 2011, primarily from higher personnel-related expenses resulting from increased headcount for LifeSize, the enterprise market team, and the Asia Pacific region, higher infrastructure costs to support the additional headcount, and the settlement of a customer bankruptcy dispute. These increases were substantially offset by a decrease in variable demand generation activities compared with fiscal year 2011, and a decrease in accrued bonus expense resulting from lower than anticipated profitability levels.

Foreign currency exchange rates did not have a material effect on marketing and sales expense in fiscal years 2013, 2012 and 2011. If foreign currency exchange rates had been the same in fiscal years 2013 and 2012, the percentage change in constant dollar marketing and sales expense would have been an increase of 3% instead of an increase of 2%. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, the percentage change in constant dollar marketing and sales expense would have been a decrease of 1% instead of an increase of 1%.

Research and Development

Research and development expense consists of personnel and related overhead costs, contractors and outside consultants, supplies and materials, equipment depreciation and facilities costs, all associated with the design and development of new products and enhancements of existing products.

Although we continued to make investments in product development, we experienced a 5% decrease in research and development expense in fiscal year 2013 compared with the prior fiscal year, primarily from a decline in personnel-related expenses due to the reduction in worldwide workforce resulting from our recent restructuring plans.

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The 4% increase in research and development expense in fiscal year 2012 compared with fiscal year 2011 was primarily due to higher personnel-related expenses, mainly from our LifeSize division, and from increased investments in product development for pointing devices, audio and digital home. These increases were offset in part by decreases in accrued bonus expense resulting from lower than anticipated profitability levels, lower share-based compensation expense, and cost containment efforts in consulting and outsourcing.

Foreign currency exchange rates did not have a material effect on marketing and sales expense in fiscal years 2013, 2012 and 2011. If foreign currency exchange rates had been the same in fiscal years 2013 and 2012, the percentage change in constant dollar research and development expense would have been a decrease of 4% instead of a decrease of 5%. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, the change in constant dollar research and development expense would have been an increase of 1% instead of 4%.

General and Administrative

General and administrative expense consists primarily of personnel and related overhead and facilities costs for the finance, information systems, executive, human resources and legal functions.

General and administrative expense decreased 4% in fiscal year 2013 compared with the prior fiscal year, primarily from the decline in personnel-related expenses and share-based compensation expense due to the reduction in worldwide workforce from our recent restructuring plans, offset in part by the write-off of the remaining lease obligations resulting from the exit of our former corporate headquarters.

General and administrative expense increased by 1% in fiscal year 2012 compared with fiscal year 2011, primarily due to higher personnel-related expenses resulting from increased headcount, mainly from our LifeSize division, offset in part by a decrease in accrued bonus expense resulting from lower than anticipated profitability levels and lower share-based compensation expense resulting from executive departures.

Foreign currency exchange rates did not have a material effect on marketing and sales expense in fiscal years 2013, 2012 and 2011. If foreign currency exchange rates had been the same in fiscal years 2013 and 2012, the percentage change in constant dollar general and administrative expense would have been a decrease of 2% instead of a decrease of 4%. If foreign currency exchange rates had been the same in fiscal years 2012 and 2011, the percentage change in constant dollar general and administrative expense would have been a decrease of 1% instead of an increase of 1%.

Impairment of Goodwill and Other Assets

While performing our annual goodwill impairment analysis of each of our reporting units as of December 31, 2012, we determined that our video conferencing reporting unit's estimated fair value was less than its carrying value, thus requiring a Step 2 assessment of this reporting unit. This impairment primarily resulted from a decrease in our expected CAGR during the assessment forecast period based on greater evidence of the overall enterprise video conferencing industry experiencing a slowdown in recent quarters, combined with lower demand related to new product launches, increased competition in fiscal year 2013 and other market data. The Step 2 test required us to fair value all assets and liabilities of our video conferencing reporting unit to determine the implied fair value of this reporting unit's goodwill. We were unable to complete the Step 2 analysis prior to filing of our Form 10-Q for the quarterly period ended December 31, 2012 due to the complexities of determining the implied fair value of goodwill of our video conferencing reporting unit. Based on our work performed during the third quarter of fiscal year 2013, we initially recorded an estimated goodwill impairment charge of $211.0 million. During the fourth quarter of fiscal year 2013, we completed this goodwill impairment assessment and recorded an additional $3.5 million in goodwill impairment charge related to our video conferencing reporting unit. During the fourth quarter of fiscal year 2013, we also recorded impairment charges of $2.1 million related to our

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digital video security product line, included within our Retail Video product category, which we plan to divest by the end of fiscal year 2014.

Restructuring Charges

Our restructuring activities were mainly attributable to the peripheral operating segment. The following table summarizes restructuring-related activities during the year ended March 31, 2013 (in thousands):

	Total	Termination Benefits	Lease Exit Costs	Other
Accrual balance at March 31, 2012	$	$	$	$
Charges	43,705	41,088	1,308	1,309
Cash payments	(30,324)	(27,768)	(1,233)	(1,323)
Foreign exchange	77	63		14
Accrual balance at March 31, 2013	$ 13,458	$ 13,383	$ 75	$

During the first quarter of fiscal year 2013, we implemented a restructuring plan to simplify our organization, to better align costs with our current business, and to free up resources to pursue growth opportunities. A majority of the restructuring activity was completed during the three months ended June 30, 2012. As part of this restructuring plan, we reduced our worldwide non-direct-labor workforce by approximately 340 employees. Charges and other costs related to the workforce reduction are presented as restructuring charges in the consolidated statements of operations. During the year ended March 31, 2013, restructuring charges under this plan included $25.9 million in termination benefits to affected employees, $1.3 million in legal, consulting, and other costs as a result of the terminations, and $1.3 million in lease exit costs associated with the closure of existing facilities. We substantially completed this restructuring plan during the fourth quarter of fiscal year 2013.

During the fourth quarter of fiscal year 2013, we implemented an additional restructuring plan to align our organization to our strategic priorities of increasing focus on mobility products, improving profitability in PC-related products and enhancing global operational efficiencies. As part of this restructuring plan, we reduced our worldwide non-direct-labor workforce by approximately 220 employees. Restructuring charges under this plan primarily consist of severance and other one-time termination benefits. Charges and other costs related to the workforce reduction are presented as restructuring charges in the consolidated statements of operations. During the year ended March 31, 2013, restructuring charges under this plan included $15.2 million in termination benefits to affected employees. We estimate completing this restructuring plan during fiscal year 2014.

Interest Income, Net

Interest income and expense for fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,			Change %	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
Interest income	$ 2,215	$ 3,121	$ 2,343	(29)%	33%
Interest expense	(1,308)	(447)	(27)	193%	1556%
Interest income, net	$ 907	$ 2,674	$ 2,316	(66)%	15%

Interest income was lower in fiscal year 2013 compared with fiscal year 2012 primarily due to lower invested balances resulting from the $133.5 million cash dividend payment made on September 18, 2012 and from the $90.0 million paid to repurchase 8.6 million shares under our amended September 2008

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buyback program. Interest income was higher in fiscal year 2012 compared with fiscal year 2011 primarily due to higher interest rates.

Interest expense was higher in fiscal year 2013 and 2012 compared with corresponding prior fiscal year primarily due to commitment fees and non-recurring fees related to the revolving credit facility entered into in December 2011.

Other Income, Net

Other income and expense for fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,		
	2013	**2012**	**2011**
Investment impairment	$ (3,600)	$	$ (43)
Gain (loss) on sale of property and plant		8,967	838
Gain on sale of investments	831	6,109	
Foreign currency exchange gains, net	104	1,575	480
Investment income related to deferred compensation plan	933	227	1,409
Other, net	(466)	(256)	792
Other income (expense), net	$ (2,198)	$ 16,622	$ 3,476

The $3.6 million investment impairment in fiscal year 2013 resulted from the write-down of an investment in a privately-held company.

The gain on sale of property and plant in fiscal year 2012 relates to the sale of unused manufacturing properties in China. The gain on sale of building in the fiscal year 2011 relates to the sale of our building in Romanel, Switzerland.

During fiscal year 2013, we sold the remaining two of our available-for-sale securities with a total carrying value of $0.4 million and a total par value of $15.2 million for $0.9 million. This sale resulted in $0.8 million of gain recognized in other income (expense), net, $0.3 million of which resulted from the recognition of a temporary increase in fair value previously recorded in accumulated other comprehensive loss. During fiscal year 2012, we sold two of our available-for-sale securities, with a total carrying value of $0.5 million and a total par value of $10.0 million, for $6.6 million, resulting in a gain of $6.1 million.

Foreign currency exchange gains or losses relate to balances denominated in currencies other than the functional currency of a particular subsidiary, to the sale of currencies, and to gains or losses recognized on foreign exchange forward contracts. We do not speculate in currency positions, but we are alert to opportunities to maximize foreign exchange gains.

Investment income for fiscal years 2013 and 2012 represents earnings, gains, and losses on trading investments related to a deferred compensation plan offered by one of our subsidiaries. Investment income for fiscal year 2011 represents earnings, gains, and losses on the trading investments and changes in the cash surrender value of Company-owned life insurance contracts, related to the same deferred compensation plan. In December 2010, we surrendered the life insurance contracts for cash, and invested the proceeds in a portfolio of mutual funds, which represent the trading investments.

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Provision for (benefit from) for Income Taxes

The provision for (benefit from) income taxes and effective income tax rate for fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,		
	2013	2012	2011
Provision for (benefit from) income taxes	$ (25,588)	$ 19,819	$ 19,988
Effective income tax rate	10.1%	21.7%	13.5%

The provision for income taxes consists of income and withholding taxes. Logitech operates in multiple jurisdictions and its profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by changes in or interpretations of tax laws and tax agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical mix of income and expense, and changes in management's assessment of matters such as the ability to realize deferred tax assets.

The change in the effective income tax rate to 10.1% in fiscal year 2013 compared with 21.7% in fiscal year 2012 is primarily due to the mix of income and losses in the various tax jurisdictions in which we operate, and a tax benefit of $35.6 million in fiscal year 2013 related to the reversal of uncertain tax positions resulting from the closure of federal income tax examinations in the U.S.

The change in the effective income tax rate to 21.7% in fiscal year 2012 compared with 13.5% in 2011 is primarily due to the mix of income and losses in the various tax jurisdictions in which we operate, and a tax benefit of $7.2 million in fiscal year 2011 from the closure of income tax audits in certain jurisdictions.

On January 2, 2013, the enactment in the U.S. of the American Taxpayer Relief Act of 2012 extended retroactively through the end of calendar year 2013 the U.S. federal research and development tax credit which had expired on December 31, 2011. The income tax benefit for the fiscal year ended March 31, 2013 reflected a $2.2 million tax benefit from the reinstatement of the U.S. federal research tax credit.

As of March 31, 2013, the total amount of unrecognized tax benefits and related accrued interest and penalties due to uncertain tax positions was $102.0 million, of which $90.3 million would affect the effective income tax rate if realized. The decline in unrecognized tax benefits associated with uncertain tax positions in the amount of $42.0 million in fiscal year 2013 is primarily due to $42.8 million from the effective settlement of income tax examinations in the U.S. in which a $35.6 million of tax benefit was recognized.

We continue to recognize interest and penalties related to unrecognized tax positions in income tax expense. We recognized $1.0 million, $1.2 million and $1.3 million in interest and penalties in income tax expense during fiscal years 2013, 2012 and 2011. As of March 31, 2013, 2012 and 2011, we had approximately $6.6 million, $7.5 million and $8.0 million of accrued interest and penalties related to uncertain tax positions.

We file Swiss and foreign tax returns. For all these tax returns, we are generally not subject to tax examinations for years prior to fiscal year 2001. In the fiscal quarter ended September 30, 2012, we effectively settled the examinations of fiscal years 2006 and 2007 with the IRS (U.S. Internal Revenue Service). We reversed $33.8 million of unrecognized tax benefits associated with uncertain tax positions and recorded a $1.7 million tax provision from the assessments as a result of the closure, resulting in a net tax benefit of $32.1 million. There was no cash tax liability from the settlement due to utilization of net operating loss carryforwards.

We also effectively settled the examinations of fiscal years 2008 and 2009 with the IRS in the subsequent fiscal quarter ended December 31, 2012. We reversed $9.0 million of unrecognized tax benefits associated with uncertain tax positions and recorded a $5.5 million tax provision from the assessments, resulting in a net tax benefit of $3.5 million. There was no cash tax liability from the settlement due to

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utilization of net operating loss carryforwards. The effective settlement of the IRS examinations of fiscal years 2006 through 2009 resulted in an overall net tax benefit of $35.6 million in fiscal year 2013.

We are also under examination and have received assessment notices in other tax jurisdictions. At this time, we are not able to estimate the potential impact that these examinations may have on income tax expense. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on our results of operations.

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. It is not possible at this time to reasonably estimate the decrease of the unrecognized tax benefits within the next twelve months.

Liquidity and Capital Resources

Cash Balances, Available Borrowings, and Capital Resources

At March 31, 2013, our working capital was $391.3 million, compared with $576.7 million at March 31, 2012. This decrease in working capital was due to lower cash balances, primarily resulting from the $133.5 million cash dividend payment paid on September 18, 2012 and from the repurchase of 8.6 million shares for $90.0 million.

During the fiscal year 2013, we generated $117.0 million of cash flow from operating activities. Our main sources of operating cash flows were net loss after adding non-cash expenses of depreciation, amortization, impairment of goodwill and other assets, investment impairment, share-based compensation expense and inventory valuation adjustment, and from decreases in accounts receivables and inventories. These sources of operating cash flows were offset in part by decreases in accounts payables and accrued liabilities and an increase in other assets. Net cash used in investing activities was $50.2 million, primarily from $46.9 million of investments in leasehold improvements, computer hardware and software, tooling and equipment and from investments in privately-held companies of $4.4 million. Net cash used in financing activities was $210.0 million, primarily from the $133.5 million cash dividend payment and from the $90.0 million used to repurchase 8.6 million shares under our share buyback program, offset in part by $16.0 million in proceeds received from sale of shares upon exercise of options and purchase rights.

At March 31, 2013, we had cash and cash equivalents of $333.8 million. Our cash and cash equivalents are comprised of bank demand deposits and short-term time deposits carried at cost, which is equivalent to fair value. Approximately 45% of our cash and cash equivalents are held by our Swiss-based entities, and approximately 37% is held by our subsidiaries in Hong Kong and China. We do not believe we would be subject to any material adverse tax impact or significantly inhibited by any country in which we do business from the repatriation of funds to Switzerland, our home domicile.

In December 2011, we entered into a Senior Revolving Credit Facility Agreement with a group of primarily Swiss banks that provides for a revolving multicurrency unsecured credit facility in an amount of up to $250.0 million. We may, upon notice to the lenders and subject to certain requirements, arrange with existing or new lenders to provide up to an aggregate of $150.0 million in additional commitments, for a total of $400.0 million of unsecured revolving credit. The credit facility may be used for working capital, general corporate purposes, and acquisitions. There were no outstanding borrowings under the credit facility at March 31, 2013.

The credit facility matures on October 31, 2016. We may prepay the loans under the credit facility in whole or in part at any time without premium or penalty. Borrowings under the credit facility will accrue interest at a per annum rate based on LIBOR (London Interbank Offered Rate), or EURIBOR (Euro Interbank Offered Rate) in the case of loans denominated in euros, plus a variable margin determined quarterly based on the ratio of senior debt to earnings before interest, taxes, depreciation and amortization for the preceding four-quarter period, plus, if applicable, an additional rate per annum intended to compensate the lenders for the cost of compliance with regulatory reserve requirements and other banking regulations. We also pay a quarterly commitment fee of 40% of the applicable margin on the available commitment. In connection with entering into the credit facility, we incurred non-recurring fees totaling $1.5 million, which are amortized on a straight-line basis over the term of the credit facility.

The facility agreement contains representations and covenants, including threshold financial covenants, and events of default customary in Swiss credit markets. Affirmative covenants include covenants regarding reporting requirements, maintenance of insurance, maintenance of properties and compliance with applicable laws and regulations, and financial covenants that require the maintenance of net senior debt, interest cover and adjusted equity ratios determined in accordance with the terms of the facility. Negative covenants limit the ability of the Company and its subsidiaries, among other things, to grant liens, make investments, incur debt, make restricted payments, enter into a merger or acquisition, or sell, transfer or dispose of assets, in each case subject to certain exceptions. As of March 31, 2013, we were not in compliance with the interest cover ratio of this facility. This situation resulted from the significant operating loss incurred during fiscal year 2013. We believe that this is only a short-term situation. Until we are in compliance with all covenants, including the interest cover ratio, this facility is not available for our use.

This facility stipulates that, upon an uncured event of default under the facility, the lenders may declare all or a portion of the outstanding obligations payable by us to be immediately due and payable, terminate their commitments and exercise other rights and remedies provided for under the facility. The events of default under the facility include, among other things, payment defaults, covenant defaults, inaccuracy of representations and warranties, cross defaults with certain other indebtedness, bankruptcy and insolvency events and events that have a material adverse effect (as defined in the facility). Upon a change of control of the Company, lenders whose commitments aggregate more than two-thirds of the total commitments under the facility may terminate the commitments and declare all outstanding obligations to be due and payable.

We have credit lines with several European and Asian banks totaling $55.8 million as of March 31, 2013. As is common for businesses in European and Asian countries, these credit lines are uncommitted and unsecured. Despite the lack of formal commitments from the banks, we believe that these lines of credit will continue to be made available because of our long-standing relationships with these banks and our current financial condition. At March 31, 2013, there were no outstanding borrowings under these lines of credit. There are no financial covenants or cross default provisions under these facilities. The Company also has credit lines related to corporate credit cards totaling $17.3 million as of March 31, 2013. The outstanding borrowings under these credit lines are recorded in other current liabilities. There are no financial covenants or cross default provisions under these credit lines.

The Company has financed its operating and capital requirements primarily through cash flow from operations and, to a lesser extent, from capital markets and bank borrowings. Our normal liquidity for the next 12 months and our longer-term capital resource requirements are provided from three sources: cash flow generated from operations, cash and cash equivalents on hand, and borrowings, as needed, under our credit facilities. Based upon our available cash balances, credit lines and credit facility, and the trend of our historical cash flow generation, we believe we have sufficient liquidity to fund operations for at least the next 12 months.

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Cash Flow from Operating Activities

The following table presents selected financial information and statistics for fiscal years 2013, 2012 and 2011 (dollars in thousands):

	As of March 31,		
	2013	**2012**	**2011**
Accounts receivable, net	$ 179,565	$ 223,104	$ 258,294
Inventories	$ 261,083	$ 297,072	$ 280,814
Working capital	$ 391,325	$ 579,946	$ 605,666
Days sales in accounts receivable (DSO)(1)	34 days	38 days	42 days
Inventory turnover (ITO)(2)	4.8x	4.6x	5.2x

	Year Ended March 31,		
	2013	**2012**	**2011**
Net cash provided by operating activities	$ 116,990	$ 196,142	$ 156,742

(1) DSO is determined using ending accounts receivable as of the most recent quarter-end and net sales for the most recent quarter.

(2) ITO is determined using ending inventories and annualized cost of goods sold (based on the most recent quarterly cost of goods sold).

During fiscal year 2013, we generated cash of $117.0 million from operating activities compared with $196.1 million in the prior fiscal year. The primary drivers of this decrease involved a net loss of $228.1 million in fiscal year 2013 compared with a net income of $71.5 million in fiscal year 2012, accounts payable decrease of $36.3 million in fiscal year 2013 compared with a $3.6 million increase in fiscal year 2012, and accrued liabilities decrease of $11.0 million in fiscal year 2013 compared with a $9.9 million increase in fiscal year 2012. These decreases to operating cash flows were offset in part by increases to operating cash flows from a $44.9 million decrease in accounts receivable in fiscal year 2013 compared with a $29.3 million decrease in fiscal year 2012, and from a $25.0 million decrease in inventories in fiscal year 2013 compared with a $36.6 million increase in fiscal year 2012.

During fiscal year 2012, we generated net cash of $196.1 million, compared with $156.7 million in 2011 and $365.3 million in 2009. The increase in fiscal year 2012 compared with 2011 was primarily due to lower accounts receivable balances, and a smaller increase in inventories. The increases in cash provided by operating activities were offset in part by lower net income and lower accounts payable balance.

DSO for fiscal year 2013 decreased by 4 days compared with fiscal year 2012 and increased by 9 days compared with fiscal year 2011. The decrease in fiscal year 2013 over 2012 was primarily due to increased cash collections. The decrease in fiscal year 2012 over 2011 was primarily due to lower accounts receivable balances resulting from increased cash collections.

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. We do not modify payment terms on existing receivables, but may offer discounts for early payment.

Inventory turnover increased between fiscal years 2013 and 2012 primarily due to lower inventory levels at fiscal-end in relation to sales during the fourth quarter. Inventory turnover decreased between 2012 and 2011 primarily due to higher inventory levels at fiscal year-end in relation to sales during the fourth quarter.

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Cash Flow from Investing Activities

Cash flows from investing activities during fiscal years 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended March 31,		
	2013	2012	2011
Purchases of property, plant and equipment	$ (46,945)	$ (47,807)	$ (43,039)
Acquisitions, net of cash acquired		(18,814)	(7,300)
Investment in privately-held company	(4,420)		
Proceeds from sales of available-for-sale securities	917	6,550	
Proceeds from sales of property and plant		8,967	2,688
Purchases of trading investments for deferred compensation plan	(4,196)	(7,505)	(19,075)
Proceeds from sales of trading investments for deferred compensation plan	4,463	7,399	6,470
Proceeds from cash surrender of life insurance policies			11,313
Proceeds from sales of business			9,087
Premiums paid on cash surrender value life insurance policies			(5)
Net cash used in investing activities	$ (50,181)	$ (51,210)	$ (39,861)

Our expenditures for property, plant and equipment during fiscal years 2013, 2012 and 2011 were principally for normal expenditures for leasehold improvements, computer hardware and software, tooling, and equipment. Purchasing activity in fiscal year 2012 compared with 2011 was higher primarily due to leasehold improvement costs related to our new Americas headquarters.

In fiscal year 2012, we acquired Mirial S.r.l. for a total consideration of $18.8 million (€13.0 million), net of cash acquired of $1.4 million (€1.0 million). In fiscal year 2011, we acquired substantially all of the assets of Paradial AS for $7.3 million in a business combination.

During the fiscal year 2013, we invested $4.0 million in a privately-held company in exchange for convertible preferred stock. We account for this investment under the cost method of accounting since we have less than a 20% ownership interest and we lack the ability to exercise significant influence over the operating and financial policies of the investee. During fiscal year 2013, we also invested $0.4 million in another privately-held company in exchange for an approximate 20% ownership interest. We accounted for this investment under the equity method of accounting since we appear to have the ability to exercise significant influence over the operating and financial policies of the investee.

During fiscal year 2013, we sold our two remaining available-for-sale securities for $0.9 million.

Proceeds from the sale of property and plant related to the sale of unused manufacturing properties in China in fiscal year 2012 and the sale of our building in Romanel, Switzerland in fiscal year 2011.

The purchases and sales of trading investments for deferred compensation plan in fiscal year 2013, 2012 and 2011 represent mutual fund activity directed by participants in a deferred compensation plan offered by one of our subsidiaries. The mutual funds are held by a Rabbi Trust.

In fiscal year 2011, we surrendered the life insurance contracts for cash, and invested the proceeds in a portfolio of mutual funds, which represent the trading investments.

In fiscal year 2011, we sold our equity interest in certain 3Dconnexion subsidiaries and the related intellectual property rights for $9.1 million, not including cash retained. The loss resulting from this sale was not material.

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Cash Flow from Financing Activities

The following table presents information on our cash flows from financing activities, including information on our share repurchases during fiscal years 2013, 2012 and 2011 (in thousands except per share amounts):

	Year Ended March 31,		
	2013	2012	2011
Cash dividend payment	$ (133,462)	$	$
Purchases of treasury shares(1)	(89,955)	(156,036)	
Proceeds from sales of shares upon exercise of options and purchase rights	15,982	17,591	43,001
Tax withholdings related to net share settlements of restricted stock units	(2,375)	(966)	(223)
Excess tax benefits from share-based compensation	26	37	3,455
Net cash provided by (used in) financing activities	$ (209,784)	$ (139,374)	$ 46,233

	Year Ended March 31,		
	2013	2012	2011
Number of shares repurchased	8,600	17,509	
Value of shares repurchased(1)	$ 89,955	$ 156,036	$
Average price per share	$ 10.46	$ 8.91	$

(1) Represents the amount in U.S. dollars, including transaction costs, calculated based on exchange rates on the repurchase dates.

On September 5, 2012, our shareholders approved a cash dividend payment of CHF 125.7 million out of retained earnings to Logitech shareholders who owned shares on September 17, 2012. Eligible shareholders were paid CHF 0.79 per share ($0.85 per share in U.S. dollars), totaling $133.5 million in U.S. dollars on September 18, 2012.

During fiscal year 2013, we repurchased 8.6 million shares for $90.0 million under our amended September 2008 buyback program. During fiscal year 2012, we repurchased 17.5 million shares for $156.0 million under our September 2008 buyback program. There were no repurchases during fiscal year 2011.

Cash of $16.0 million, $17.6 million and $43.0 million was provided during the fiscal years 2013, 2012 and 2011 from the sale of shares upon exercise of options and purchase rights pursuant to the Company's stock plans. The payment of tax withholdings related to net share settlements of RSUs (restricted stock units) required the use of $2.4 million, $1.0 million and $0.2 million in cash in fiscal years 2013, 2012 and 2011. Tax benefits recognized on the exercise of share-based payment awards provided $0.03 million, $0.04 million and $3.5 million in fiscal years 2013, 2012 and 2011.

Cash Outlook

Our principal sources of liquidity are our cash and cash equivalents, cash flow generated from operations and, to a lesser extent, capital markets and borrowings. Our future working capital requirements and capital expenditures may increase to support investment in product innovations and growth opportunities, or to acquire or invest in complementary businesses, products, services, and technologies.

In December 2011, we entered into a Senior Revolving Credit Facility Agreement with a group of primarily Swiss banks that provides for a revolving multicurrency unsecured credit facility in an amount of

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up to $250.0 million. We may, upon notice to the lenders and subject to certain requirements, arrange with existing or new lenders to provide up to an aggregate of $150.0 million in additional commitments, for a total of $400.0 million of unsecured revolving credit. The credit facility may be used for working capital, general corporate purposes, and acquisitions. The credit facility matures on October 31, 2016. We may prepay the loans under the credit facility in whole or in part at any time without premium or penalty. The facility agreement contains representations, covenants, including threshold financial covenants, and events of default customary in Swiss credit markets. There were no outstanding borrowings under the credit facility at March 31, 2013. As of March 31, 2013, we were not in compliance with the interest cover ratio of this facility. This situation resulted from the significant operating loss incurred during fiscal year 2013. We believe that this is only a short-term situation. Until we are in compliance with all covenants, including the interest cover ratio, this facility is not available for our use.

In September 2008, our Board of Directors approved a share buyback program, which authorizes the Company to invest up to $250.0 million to purchase its own shares. In November 2011, we received approval from the Swiss regulatory authorities for an amendment to the September 2008 share buyback program to enable future repurchases of shares for cancellation. In fiscal year 2012, we repurchased 17.5 million shares for $156.0 million under the September 2008 program. Under the amended September 2008 program, we repurchased 8.6 million shares for $90.0 million during fiscal year 2013. As of March 31, 2013, the approved amount remaining under the amended September 2008 program was $4.4 million. On September 5, 2012, our shareholders approved the cancellation of 18.5 million shares repurchased under the September 2008 amended share buyback program. These shares were legally cancelled during the third quarter of fiscal year 2013.

We file Swiss and foreign tax returns. For all these tax returns, we are generally not subject to tax examinations for years prior to fiscal year 2001. In the fiscal quarter ended September 30, 2012, we effectively settled the examinations of fiscal years 2006 and 2007 with the IRS (U.S. Internal Revenue Service). We reversed $33.8 million of unrecognized tax benefits associated with uncertain tax positions and recorded a $1.7 million tax provision from the assessments as a result of the closure, resulting in a net tax benefit of $32.1 million. There was no cash tax liability from the settlement due to utilization of net operating loss carryforwards.

We also effectively settled the examinations of fiscal years 2008 and 2009 with the IRS in the subsequent fiscal quarter ended December 31, 2012. We reversed $9.0 million of unrecognized tax benefits associated with uncertain tax positions and recorded a $5.5 million tax provision from the assessments, resulting in a net tax benefit of $3.5 million. There was no cash tax liability from the settlement due to utilization of net operating loss carryforwards. The effective settlement of the IRS examinations of fiscal years 2006 through 2009 resulted in an overall net tax benefit of $35.6 million in fiscal year 2013.

We are also under examination and have received assessment notices in other tax jurisdictions. At this time, we are not able to estimate the potential impact that these examinations may have on income tax expense. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on our results of operations.

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. It is not possible at this time to reasonably estimate the decrease of the unrecognized tax benefits within the next twelve months.

During the first quarter of fiscal year 2013, we implemented a restructuring plan to reduce operating costs and improve financial results. We substantially completed this restructuring plan during the fourth quarter of fiscal year 2013. During the fourth quarter of fiscal year 2013, we implemented an additional restructuring plan to realign our organization to increase our focus on mobility products, improve profitability in PC-related products and enhance our global operational efficiencies.

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Our other contractual obligations and commitments which require cash are described in the following sections.

For over ten years, we have generated positive cash flows from our operating activities, including cash from operations of $117.0 million in fiscal year 2013. During the fiscal year 2013, our normal level of cash and cash equivalents was significantly reduced by the cash dividend payment of CHF 125.7 million (U.S. dollar amount of $133.5 million at the time it was paid) out of retained earnings, and by the $90.0 million in share repurchases during this period. If we do not generate sufficient operating cash flows to support our operations and future planned cash requirements, our operations could be harmed and our access to credit facilities could be restricted or eliminated. However, we believe that the trend of our historical cash flow generation, our projections of future operations and reduced expenses, our available cash balances, credit lines and credit facility will provide sufficient liquidity to fund our operations for at least the next 12 months.

Although we believe that we can meet our liquidity needs, if we fail to meet our operating forecast or market conditions negatively affect our cash flows or ability to fund growth opportunities, we may be required to seek additional funding. If we seek additional funding, adequate funds may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, or at all, we may be unable to adequately fund our business plans and it could have a negative effect on our business, operating cash flows and financial condition.

Contractual Obligations and Commitments

As of March 31, 2013, our 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, 2013 (in thousands):

		Payments Due by Period			
	Total	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**More than 5 years**
Operating leases	$ 90,963	$ 18,018	$ 26,269	$ 17,176	$ 29,500
Purchase commitments inventory	158,859	158,859			
Purchase obligations operating expenses	55,051	55,051			
Purchase obligations capital expenditures	16,476	16,476			
Income taxes payable non-current(1)	98,827				
Obligation for deferred compensation(1)	15,631				
Pension and post-employment obligations(1)	40,314				
Other long-term liabilities(2)	10,676				
Total contractual obligations and commitments	$ 486,797	$ 248,404	$ 26,269	$ 17,176	$ 29,500

(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. We expect to contribute approximately $3.8 million to our defined benefit pension plans during fiscal year 2014.

(2) Other long-term liabilities at March 31, 2013 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

We lease facilities under operating leases, certain of which require us to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at our 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, 2013 were $1.8 million.

Purchase Commitments

At March 31, 2013, we have fixed purchase commitments of $158.9 million for inventory purchases made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers, which are expected to be fulfilled by June 30, 2013. We also had commitments of $55.1 million for consulting services, marketing arrangements, advertising, outsourced customer services, information technology maintenance and support services, and other services. Fixed purchase commitments for capital expenditures amounted to $16.5 million at March 31, 2013, and primarily relate to commitments for computer hardware and leasehold improvements. We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations. 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