the digital life

Our Products Make It Personal

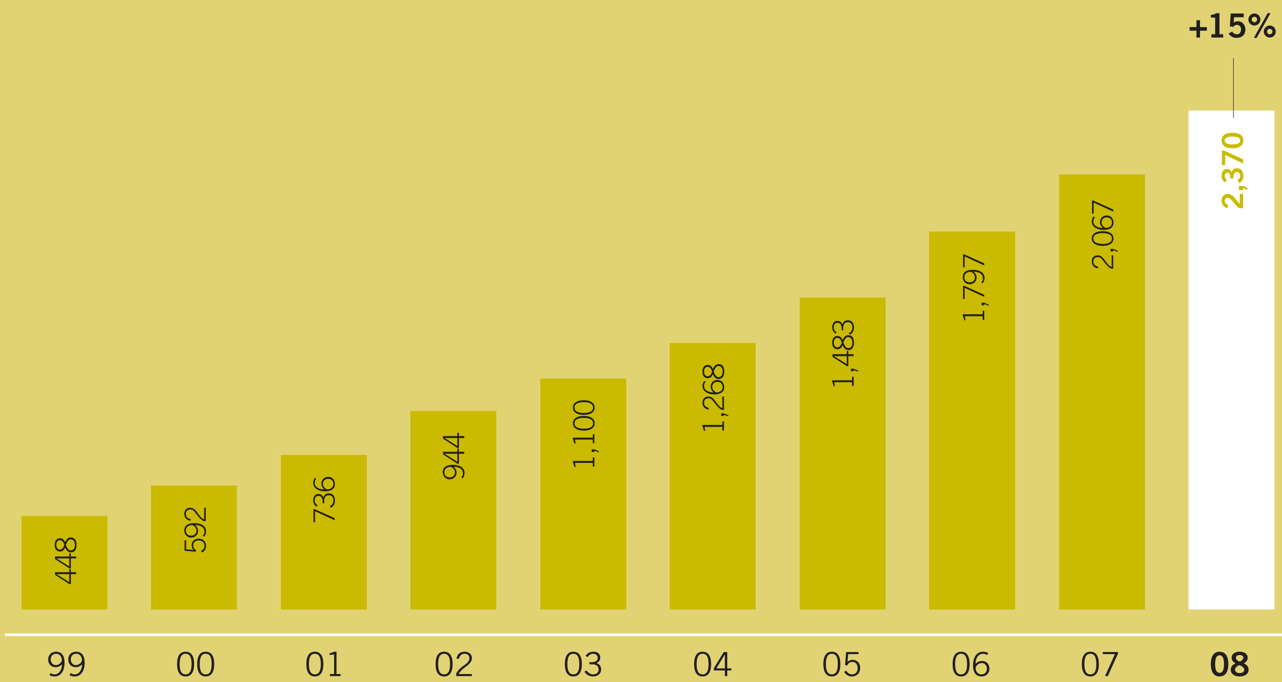
Annual Report 08

Fiscal 2008 was another record year for Logitech. It was our tenth consecutive year of double-digit sales growth. Our operating profit, net profit, earnings per share and gross margin all reached new highs. We also ended the year with $486 million in cash, which positions us to continue to invest in our business and to return value to our shareholders through share repurchases.

One of the key drivers of our consistent growth has been our ability to deliver innovative and intuitive products that make the Digital Life more personal and more satisfying. We see many exciting opportunities for continued growth in the trends that are changing how we live, work and play. In the following pages, we examine some of the megatrends that shape these ongoing opportunities for Logitech.

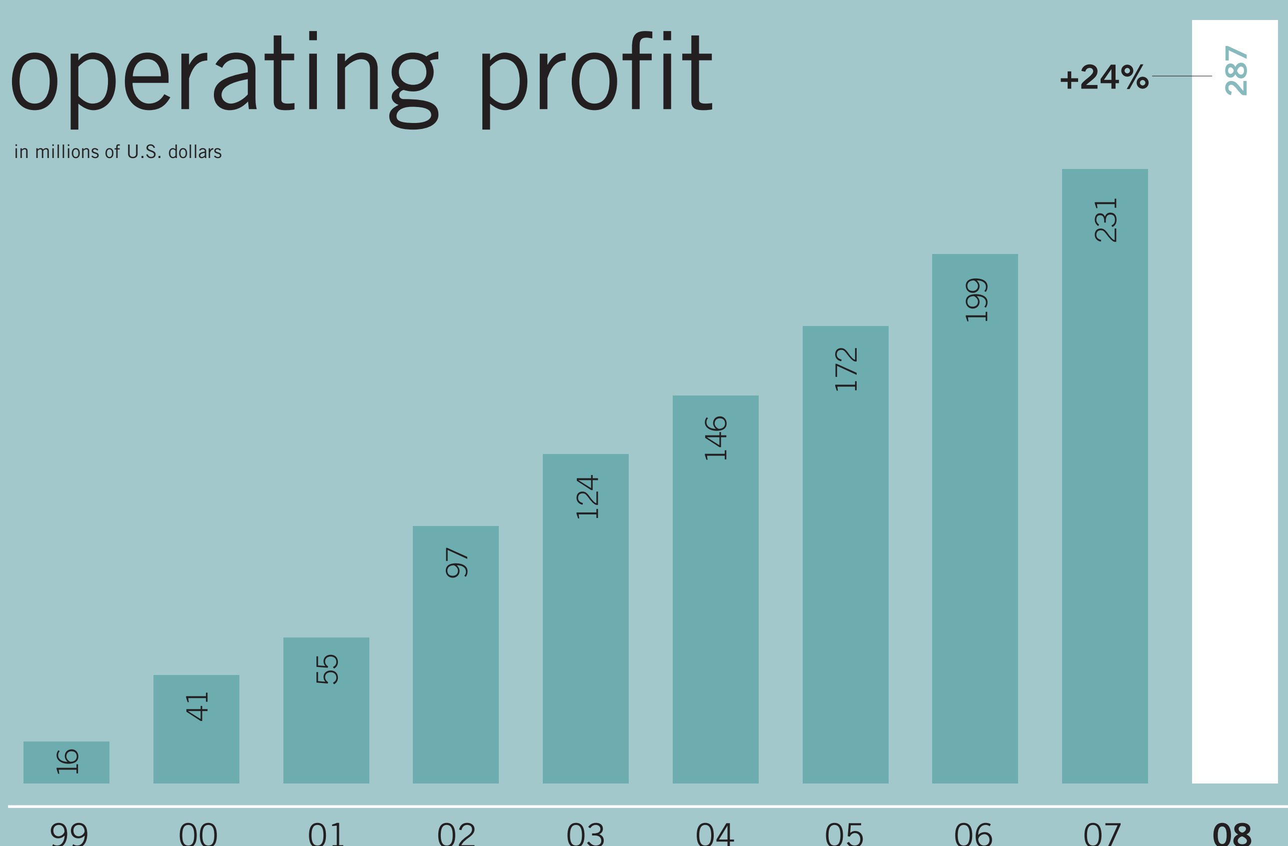
net sales

in millions of U.S. dollars



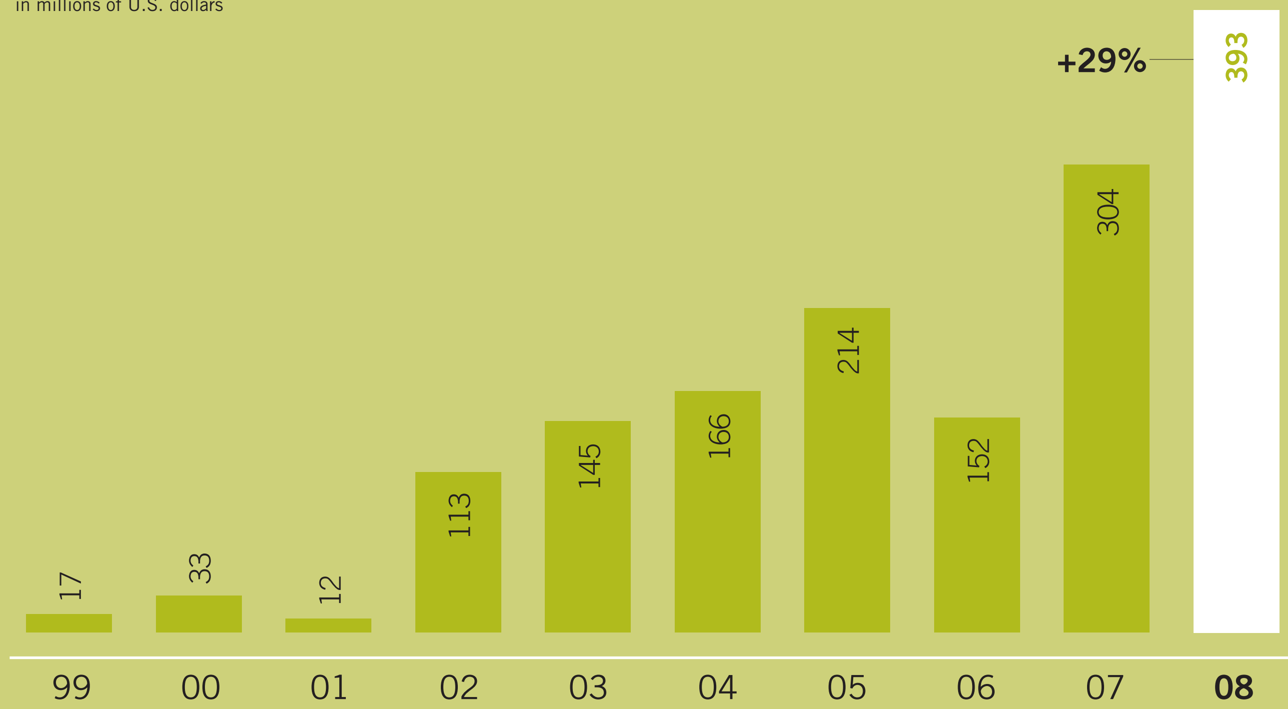
operating profit

in millions of U.S. dollars

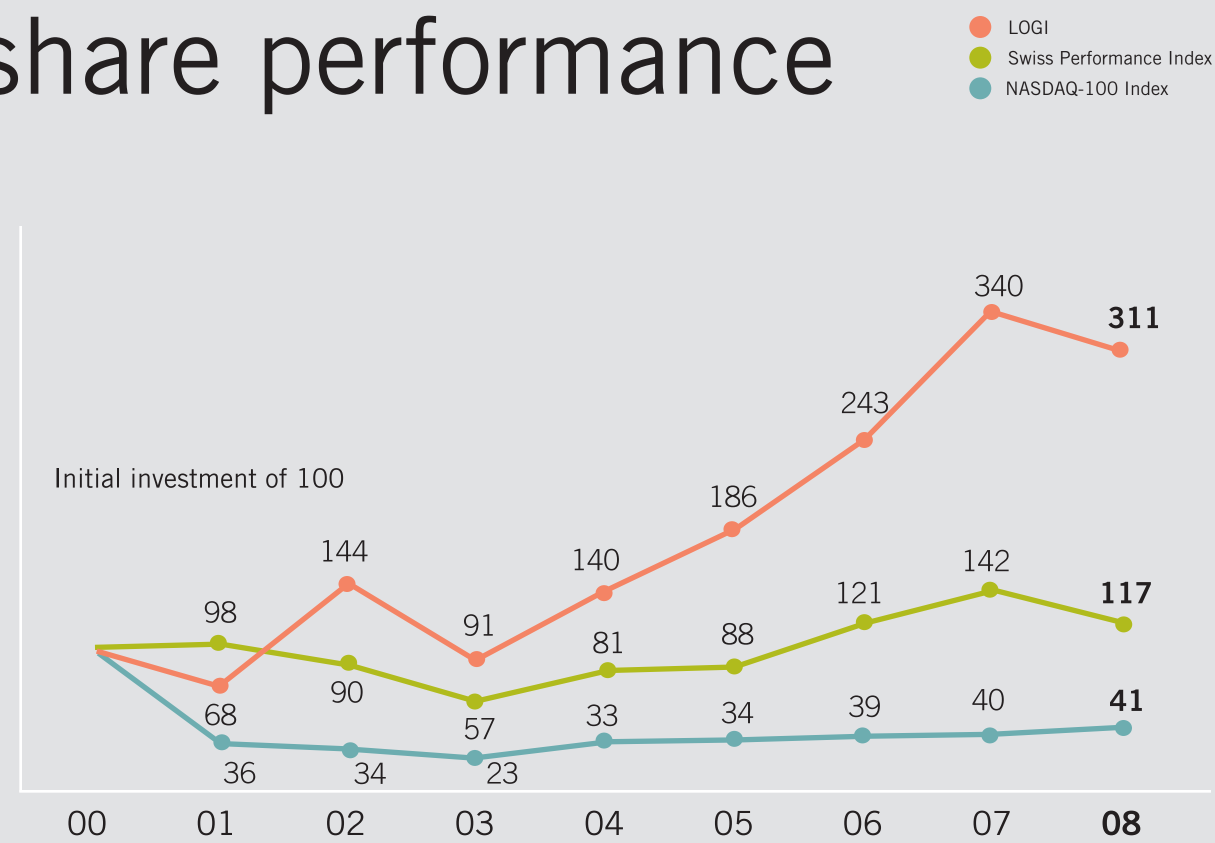


cash flow from operations

in millions of U.S. dollars



share performance



To Our Shareholders, Partners and Employees

We are pleased to present our annual report for fiscal year 2008, which was another record year for sales, profits and cash flow—and our 10th consecutive year of double-digit sales growth.

We achieved sales of $2.4 billion in FY 08 and shipped more than 165 million products around the world. Our operating income grew by 24% year over year and our operating margin was a record 12.1% of sales. And, despite the $52 million reduction in value of our short-term investments, we ended the year with a record $486 million in cash.

Our continued success in FY 08 is a validation of our strategy. We continue to identify and leverage key consumer and technology megatrends: the shift to notebook PCs, the appeal of wireless technology, the growth in Internet communications driven by broadband adoption, the popularity of digital music and the evolution of the digital home. To leverage these megatrends, we introduced remarkable product innovations and transformed product categories.

Our product innovations included the Wave keyboard, designed for extreme comfort in typing; the tiny plug-and-forget Nano-receiver for cordless mice; the elegantly designed MX Air Mouse that works on the desk or in the air; a line of stands that raise notebooks to a new level of comfort; industry-leading optics for webcams that enable vibrant image quality; and a new Harmony remote that is so nice to hold and intuitive to use that you'll never want to put it down.

FY 08 was not without its challenges. Most significantly, it was a difficult year for our video business. We struggled for much of the year, but ended on a strong note, with a return to growth in the fourth quarter. And we took an important step to expand the video business with the acquisition of WiLife, an easy-to-use, plug-and-play, PC-based video security solution that promises to revolutionize home and small business security.

FY 08 also marked a record year for our OEM business. It's easy to forget that we have been in the OEM business longer than we have been in retail, and it continues to contribute to our results in a meaningful way.

FY 08 was also marked by numerous changes in the company. Unquestionably, the most significant change took place in our leadership. In October we announced that Guerrino would succeed Co-founder Daniel Borel (who remains on the Board) as Chairman and that Jerry, who joined Logitech in 2005, would succeed Guerrino as President and CEO. The two of us enjoy a close working partnership as Chairman and CEO, just as Guerrino and Daniel did.

But the change at the top did not end there. During FY 08 we rolled out two new important organizations: the formation of a single Product Development group headed by Junien Labrousse, a 10-year Logitech veteran, and a Customer Experience organization, headed by company veteran David Henry, who was also named Chief Marketing Officer. We view all these transitions and changes as essential steps in our ongoing efforts to scale the company effectively and build our platform for future success.

The stability, strength and expertise of our leadership team and the passion among our employees for innovation, our customers' experience and the opportunities ahead, position your company for future growth. We remain pleased and encouraged by the enthusiasm of our management team, our employees, our distribution partners and our other business partners as we move forward in FY 09.

We wish to thank our dedicated Board of Directors, with special thanks to Gary Bengier, who is retiring from our board after six years of service. And we thank you, our shareholders, as well as our employees and partners for your support and confidence as we continue on this journey.

Gerald P. Quindlen

Gerald P. Quindlen
President and Chief Executive Officer

Guerrino De Luca
Chairman of the Board

A nos actionnaires, partenaires et collaborateurs

C'est avec plaisir que nous vous présentons aujourd'hui notre Rapport Annuel pour l'exercice fiscal 2008 : une nouvelle année record en termes de chiffre d'affaires, de bénéfices et de cash flow, avec, pour la 10e année consécutive, une croissance à deux chiffres de nos ventes.

En 2008, nous avons réalisé un chiffre d'affaires de 2,4 milliards USD et livré plus de 165 millions de produits à travers le monde. Notre résultat d'exploitation a progressé de 24 % par rapport à l'année précédente et notre marge d'exploitation a atteint le niveau record de 12,1 % du chiffre d'affaires. De plus, malgré une diminution de 52 millions USD en valeur de nos investissements à court terme, nous avons terminé l'année avec un niveau de trésorerie record de 486 millions USD.

La continuation de notre succès au cours de l'année 2008 nous conforte dans notre stratégie. Nous continuons à identifier et exploiter les grandes tendances « consommateurs » et « technologies » : l'engouement pour l'ordinateur portable, l'intérêt porté à la technologie sans fil, la croissance des communications Internet grâce au haut débit, la popularité de la musique numérique et l'évolution de la domotique sont autant de tendances fortes auxquelles nous avons répondu en apportant des innovations notables à nos produits et en transformant les catégories de produit.

Parmi ces produits innovants, nous rappelons le clavier Wave™, conçu pour un confort d'utilisation optimal ; le minuscule récepteur Nano pour souris sans fil et l'élégante souris MX™ Air qui fonctionne sur bureau ou en l'air. Signalons également une gamme de socles qui confèrent aux ordinateurs portables un niveau de confort supérieur ; les meilleures optiques du marché pour les webcams, assurant une qualité d'image irréprochable ; sans oublier la nouvelle télécommande Harmony One, si ergonomique et intuitive que ses utilisateurs ne pourront plus s'en passer.

2008 n'a pas manqué de défis. En particulier pour notre activité vidéo, ce fut une année difficile. Après un début d'année ardu, nous avons tout de même terminé sur une note positive, avec une reprise de la croissance au 4ème trimestre. Par ailleurs, nous avons franchi une étape importante pour le développement de l'activité vidéo, avec l'acquisition de WiLife, une solution de sécurité vidéo basée sur PC, révolutionnaire pour sa facilité d'utilisation, pour applications à domicile et dans les petites entreprises.

L'année fiscale 2008 a été également marquée par un record de nos activités OEM. Nous signalons avec satisfaction que notre activité OEM, qui précède dans le temps notre activité de distribution, contribue pour autant toujours de façon significative à nos résultats.

De nombreux changements ont en outre marqué l'entreprise en 2008 en particulier celui qui a eu lieu au sein de notre direction. En octobre, nous avions annoncé que Guerrino allait succéder au co-fondateur Daniel Borel (qui reste au Conseil d'administration) en tant que président du Conseil et que Jerry, qui a rejoint Logitech en 2005, succéderait à Guerrino comme CEO. Nous apprécions l'un et l'autre de travailler en étroite collaboration comme président et CEO, autant que l'appréciaient Guerrino et Daniel.

Mais le changement ne s'arrête pas là. Au cours de cette année, nous avons mis en place deux nouvelles entités importantes : un groupe intégré de Développement Produit, sous la responsabilité de Junien Labrousse, qui possède 10 ans d'ancienneté chez Logitech, et une entité Expérience Client, dirigée par le vétéran de l'entreprise David Henry, qui a également été nommé Chief Marketing Officer. Nous considérons que ces transitions et ces changements sont des étapes essentielles qui permettent de développer notre entreprise de manière efficace et constituent les fondations de nos réussites futures.

La stabilité, la force et l'expertise de notre équipe dirigeante et la passion qui anime nos collaborateurs pour l'innovation, notre expérience client et les opportunités qui se dessinent sont des éléments très prometteurs pour la croissance future de notre société. Alors que débute l'exercice 2009, l'enthousiasme de notre équipe de direction, de nos collaborateurs, de nos partenaires de distribution et de nos autres partenaires commerciaux représente pour nous un encouragement et une immense satisfaction.

Nous remercions les membres du Conseil d'administration pour leur dévouement, en particulier Gary Bengier, qui quitte ses fonctions après six ans au service de l'entreprise. Merci également à vous, chers actionnaires, collaborateurs et partenaires, pour le soutien et la confiance que vous nous témoignez alors que nous poursuivons notre chemin.

Gerald P. Quindlen
Directeur Général et Chief Executive Officer

Guerrino De Luca
Président du Conseil d'administration

An unsere Aktionäre, Partner und Mitarbeiter

Wir freuen uns, Ihnen unseren Jahresbericht für das Geschäftsjahr 2008 zu präsentieren, in dem Umsatz, Gewinn und Cash-flow erneut Rekorde verzeichneten und der Umsatz im zehnten Jahr in Folge zweistellig wuchs.

Wir erzielten im vergangenen Geschäftsjahr einen Umsatz von 2,4 Milliarden Dollar und lieferten weltweit mehr als 165 Millionen Produkte. Unser Betriebsergebnis stieg um 24 % auf die Rekordmarge von 12,1 % des Umsatzes. Trotz der Wertminderung unserer kurzfristigen Investments um 52 Millionen Dollar schlossen wir das Jahr mit einem Liquiditätsbestand von bisher unerreichten 486 Millionen Dollar ab.

Unsere erneuten Erfolge im Geschäftsjahr 2008 bestätigen unsere Strategie. Auch weiterhin identifizieren wir Megatrends bei Verbrauchern und in der Technologie. Dies sind die Umstellung zu Notebook-PCs, die Beliebtheit schnurloser Technologien, die Expansion der Internetkommunikation, die von der ständig steigenden Anzahl von Breitbandanschlüssen getragen wird, die Popularität digitaler Musik und die zunehmende Digitalisierung des privaten Heims. Diesen Megatrends haben wir mit entscheidenden Produktinnovationen und geänderten Produktkategorien zum Durchbruch verholfen.

Zu unseren Innovationen gehörten die auf höchsten Nutzerkomfort ausgelegte Wave™-Tastatur, der winzige „Plug-and-forget"-Nano-Empfänger für schnurlose Mäuse, die elegant gestaltete MX™ Air-Maus, die auf dem Tisch oder in der Luft funktioniert, eine Palette von Notebook-Ständern, die einen bei tragbaren Geräten bisher unbekannten Komfort bieten, die branchenweit führende Webcam-Optik, die für lebhafte Bildqualität sorgt, und eine neue Harmony-Fernbedienung, die so angenehm in der Hand liegt und so intuitiv in der Nutzung ist, dass man sie nicht mehr loslassen möchte.

Das vergangene Geschäftsjahr brachte aber auch Herausforderungen mit sich. Insbesondere für die Videosparte war es eine schwierige Zeit. Einen grossen Teil des Jahres hatten wir zu kämpfen, konnten es aber erfolgreich abschliessen und konnten sogar im vierten Quartal wieder zum Wachstum zurückkehren. Dabei haben wir mit der Akquisition von WiLife, einer leicht zu benutzenden, PC-basierten Plug-und-Play Video-Sicherheitslösung, die die Videoüberwachung von Privathäusern und kleinen Unternehmen zu revolutionieren verspricht, einen wichtigen Schritt zur Ausweitung des Videogeschäfts getan.

Das Geschäftsjahr 2008 war ausserdem ein Rekordjahr für unsere OEM-Aktivitäten. Es gerät leicht in Vergessenheit, dass wir im OEM-Geschäft schon länger tätig sind als im Einzelhandel, und dieses leistet weiterhin einen wichtigen Beitrag zu unseren Ergebnissen.

Zudem war das vergangene Geschäftsjahr durch zahlreiche Veränderungen im Unternehmen geprägt. Die bedeutendste davon betraf fraglos unsere Geschäftsführung. Im Oktober kündigten wir an, dass Guerrino De Luca die Nachfolge des Mitbegründers Daniel Borel (der Mitglied des Verwaltungsrates bleibt) als Präsident antreten würde, während Jerry Quindlen, der 2005 zu Logitech kam, Guerrino als President und CEO ablösen würde. Als Verwaltungsratspräsident und CEO arbeiten beide in genauso enger Partnerschaft zusammen wie zuvor Guerrino und Daniel.

Das sind aber noch nicht alle Änderungen auf der Führungsebene. Im Laufe des Geschäftsjahres 2008 haben wir zwei wichtige neue Organisationen gebildet: Die Produktentwicklung wurde zu einer einzigen Gruppe zusammengefasst, geleitet von Junien Labrousse, der seit zehn Jahren bei Logitech ist, und es wurde eine „Customer Experience Organization" gebildet, geleitet von unserem langjährigen Mitarbeiter David Henry, der ausserdem zum Chief Marketing Officer ernannt wurde. Alle diese Veränderungen sehen wir als wesentliche Schritte in unserem permanenten Bestreben, das Unternehmen effizient zu strukturieren und eine Plattform für unsere zukünftigen Erfolge aufzubauen.

Mit der Stabilität, Stärke und Expertise unseres Führungsteams, der Leidenschaft unserer Mitarbeiter für Innovationen, der Erfahrung unserer Kunden und den Chancen, die die Zukunft bietet, ist Ihr Unternehmen für zukünftiges Wachstum bestens positioniert. Der Enthusiasmus unseres Managementteams, unserer Mitarbeiter, unserer Vertriebspartner und unserer anderen Geschäftspartner freut und ermutigt uns nach wie vor in höchstem Mass – jetzt, da das Geschäftsjahr 2008 abgeschlossen ist und wir das neue Jahr in Angriff nehmen.

Wir möchten unserem engagierten Verwaltungsrat danken, darunter ganz besonders Gary Bengier, der das Gremium nach sechs Jahren verlässt. Und wir danken Ihnen, unseren Aktionären, genau wie unseren Mitarbeitern und Partnern, für Ihr Vertrauen und Ihre Unterstützung auf unserem künftigen Weg.

Gerald P. Quindlen
President und Chief Executive Officer

Guerrino De Luca
Präsident des Verwaltungsrates

To Our Shareholders, Partners and Employees

Nearly 9,400 people around the world, $2.4 billion in revenue, a member of the NASDAQ-100 Index—this is Logitech today.

We have had a unique adventure that was never anticipated by the team that founded the company on October 2, 1981—in a Swiss farm in Apples, a small village (our version of the California garage). During the past 26+ years, thanks to the talent of the people who joined us, we have become a leader in peripherals for the PC and other platforms, building a brand recognized by millions around the world.

More than once the waters have been very rough. Yet, each time, our dedicated people have fought as a team and refused to give up. From the outset, we have faced the challenges of global complexity, intense competition and a fast-changing environment, where success is never final. We have often reinvented ourselves. And we have often been lucky. But mostly it has been the dedication and the smart work of our people and our passion for innovation that have enabled us to successfully surf the PC and Internet waves. And as the digital world becomes ever more pervasive, our future is even more promising as we position Logitech to make the most of the new opportunities.

Hence, Fiscal Year 2008 was a perfect time to prepare ourselves for a new era of challenge and success by transitioning our leadership team in a way that preserves continuity.

Ten years ago I was fortunate to hire Guerrino De Luca as our CEO. We have enjoyed years of great successes, with a shared dream and vision. On January 1, 2008, I was most happy to hand over my role of Chairman to Guerrino.

I trust that Guerrino and Jerry will keep building on this Chairman/CEO partnership model, ensuring continuity where it makes sense, while driving change where needed.

The fundamentals are solid, and I am confident that Logitech is destined to keep developing and growing successfully.

I wish to thank our shareholders for your trust and support along this journey.

I also want to deeply thank all our employees, customers and partners around the world for your contributions to our success.

This is just the beginning!

Yours sincerely,

Daniel Borel
Co-founder and Member of the Board

A nos actionnaires, partenaires et collaborateurs

Quelque 9400 personnes à travers le monde, un chiffre d'affaires de 2,4 milliards USD, l'inclusion dans l'indice NASDAQ-100 : voilà Logitech aujourd'hui.

C'est l'histoire d'une aventure exceptionnelle que n'aurait jamais imaginée l'équipe qui a créé l'entreprise le 2 octobre 1981, dans une ferme suisse du petit village d'Apples (notre version à nous du garage californien). Au cours des 26 dernières années, grâce au talent de ceux qui nous ont rejoints, nous sommes devenus un leader sur le marché des périphériques PC et autres plateformes et avons bâti une marque reconnue par des millions de personnes à travers le monde.

À plus d'une occasion, nous avons connu des passages difficiles. Mais à chaque fois, nos collaborateurs très engagés se sont battus comme une seule et même équipe sans jamais baisser les bras. Dès le début, nous avons su relever les défis posés par la complexité mondiale, la rudesse de la concurrence et la rapidité d'évolution des marchés, où le succès n'est jamais acquis. Souvent, il a fallu nous réinventer. Souvent aussi, la chance a été de notre côté. Mais si nous avons réussi à surfer sur les vagues du PC et de l'Internet, c'est d'abord et avant tout grâce à la détermination et à l'ingéniosité de nos équipes et à notre passion pour l'innovation. L'omniprésence grandissante du numérique nous laisse espérer un avenir encore plus radieux alors que Logitech se positionne pour exploiter au maximum les nouvelles opportunités.

Ainsi, nous avons profité de l'année 2008 pour nous préparer à entrer dans une nouvelle ère de défis et de réussites, en assurant la transition de notre équipe de direction tout en préservant la continuité.

Il y a dix ans, j'ai eu la chance d'engager Guerrino De Luca comme CEO de Logitech. Ensemble, nous avons connu des années de réussite et partagé un rêve et une vision d'avenir. Le 1er janvier 2008, j'ai été très heureux de passer le témoin à Guerrino De Luca en tant que Président du Conseil d'administration.

Je suis persuadé que Guerrino et Jerry sauront reprendre le flambeau de ce partenariat Président/CEO, assurant la continuité nécessaire et insufflant du changement là où il le faudra.

Les fondations sont solides et je suis convaincu que Logitech ne cessera de se développer et de croître avec succès.

Je tiens à exprimer tous mes remerciements à nos actionnaires pour leur confiance et leur soutien dans cette aventure.

Je voudrais également vous remercier du fond du cœur, chers collaborateurs, clients et partenaires à travers le monde, pour votre contribution à notre réussite.

Et ce n'est que le début !

Sincères salutations,

Daniel Borel
Co-fondateur et membre du Conseil d'administration

An unsere Aktionäre, Partner und Mitarbeiter

Fast 9'400 Mitarbeiter weltweit, Einnahmen in Höhe von 2,4 Milliarden Dollar, die Notierung im NASDAQ-100-Index – das ist Logitech heute.

Wir haben einen einzigartigen Weg hinter uns, den sich das Team, das die Firma am 2. Oktober 1981 auf einem Schweizer Bauernhof in dem kleinen Dorf Apples gründete (unsere Version der kalifornischen Garage), niemals so vorgestellt hatte. In den vergangenen mehr als 26 Jahren sind wir dank des Talents der Menschen, die zu uns gestossen sind, zu einem führenden Anbieter von Peripheriegeräten für PCs und andere Plattformen geworden und haben eine Marke aufgebaut, die Millionen Menschen in aller Welt ein Begriff ist.

Mehr als einmal mussten wir durch harte Zeiten hindurch. Aber jedes Mal haben unsere engagierten Mitarbeiter als Team gekämpft und sich geweigert aufzugeben. Von Anfang an haben wir uns den Herausforderungen der globalen Komplexität, eines intensiven Wettbewerbs und eines sich schnell wandelnden Umfelds gestellt, in dem Erfolg nie endgültig ist. Wir haben uns oft neu erfunden. Und oft hatten wir Glück. Aber wenn wir erfolgreich auf den PC- und Internetwellen surfen konnten, haben wir das in erster Linie dem Engagement und der intelligenten Arbeit unserer Mitarbeiter und unserer Leidenschaft für Innovationen zu verdanken. Da die digitale Welt unser Leben immer mehr durchdringt und wir Logitech so positionieren, dass das Unternehmen die neuen Chancen optimal nutzen kann, verspricht uns die Zukunft noch viel mehr.

Daher war das Geschäftsjahr 2008 der ideale Zeitraum, um in unserem Führungsteam die Veränderungen vorzunehmen, die unsere Kontinuität sichren.

Vor zehn Jahren hatte ich das Glück, Guerrino De Luca als unseren CEO einstellen zu können. Wir haben Jahre des Erfolgs erlebt, mit einem gemeinsamen Traum und einer gemeinsamen Vision. Ich habe mich gefreut, am 1. Januar 2008 meine Aufgabe als Präsident an Guerrino weitergeben zu dürfen.

Ich bin mir sicher, dass Guerrino und Jerry als Chairman und CEO weiterhin auf gegenseitige Partnerschaft bauen. Dort, wo es sinnvoll ist, werden sie die Kontinuität sichern und dort, wo es notwendig ist, Veränderungen durchführen.

Unsere Fundamente sind solide, und ich bin überzeugt, dass Logitech auch in Zukunft dazu bestimmt ist, sich erfolgreich weiterzuentwickeln und weiterzuwachsen.

Ich möchte mich bei unseren Aktionären für das Vertrauen und die Unterstützung bedanken, mit denen Sie unseren Weg begleitet haben.

Ich möchte auch allen unseren Mitarbeitern, Kunden und Partnern in der ganzen Welt meinen tiefen Dank für Ihren Beitrag zu unserem Erfolg aussprechen.

Dies ist erst der Anfang!

Mit freundlichen Grüssen

Daniel Borel
Mitbegründer und Mitglied des Verwaltungsrates

notebooks

VX Nano Mouse
The ultra-portable Logitech VX Nano Cordless Laser Mouse for Notebooks simplifies life on the road. It's always ready for use, thanks to the world's smallest USB receiver.*

+50%

Growth of retail sales of Logitech's notebook-related products vs. FY 07

Surging Popularity of Notebooks Yields Ongoing Opportunity

According to Gartner DataQuest, the installed base of notebook computer users grew five times faster in 2007 than the rate of growth of the desktop computer installed base. With notebooks fast becoming the form factor of choice for both mobile and at-home use, we anticipate that this will continue to be a significant growth driver for Logitech.

Notebooks Don't Come with Mice

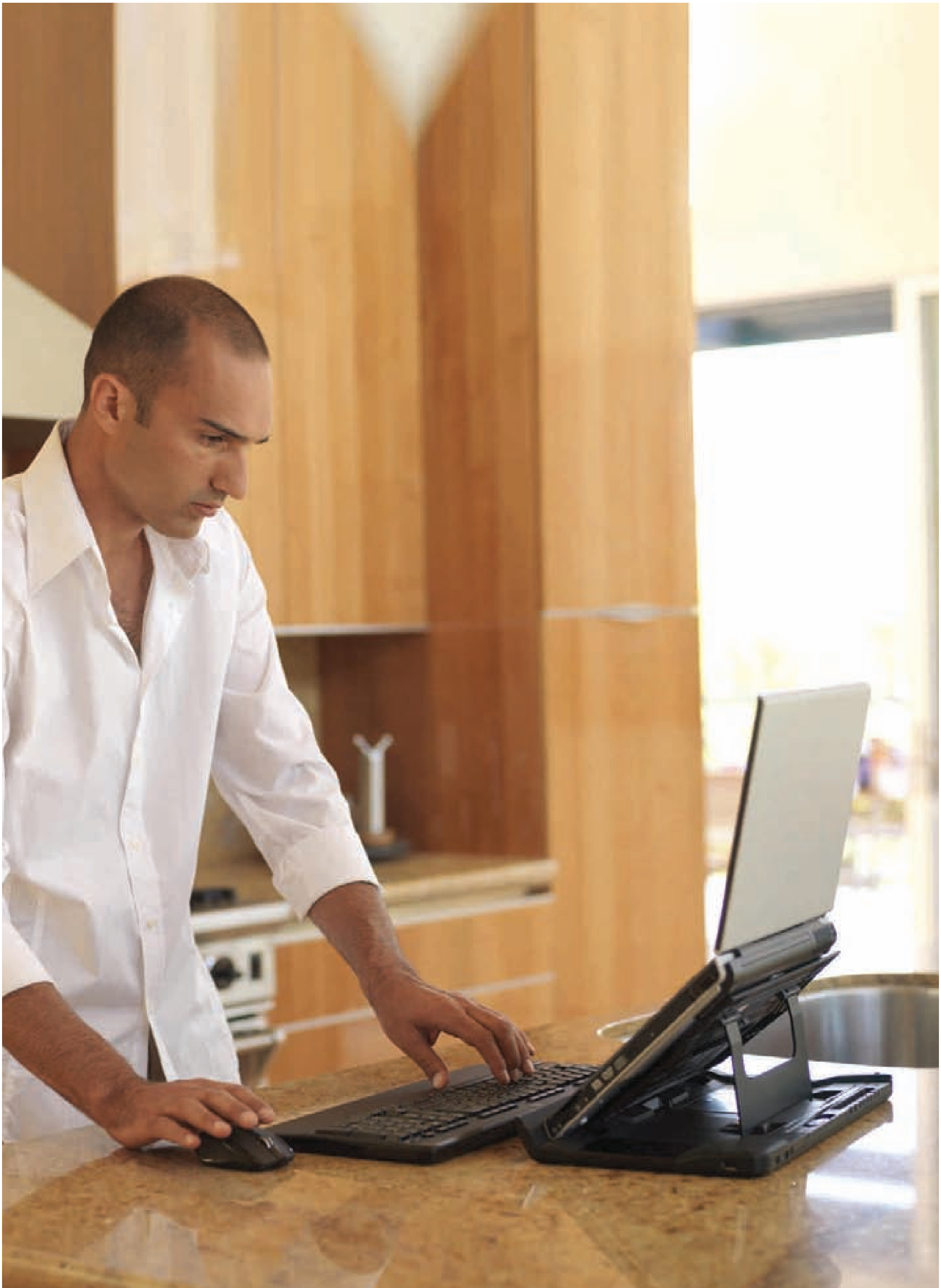
Because notebook computers generally do not come with mice, full-sized keyboards or other peripherals, there is a strong attachment opportunity for our products. Both road warriors and at-home users benefit from increased comfort, ease of use and functionality when they use Logitech products with their notebooks. Our offerings include wireless mice, webcams, notebook stands and more. With each of these peripherals, Logitech has seized the opportunity to be a leader in innovation, introducing new functionality to provide solutions to consumer pain points such as navigation, rechargeability and connectivity. In Fiscal Year 2008, sales of our notebook-related retail products increased by 50%, more than three times faster than the rest of our portfolio, with a strong contribution from our high-end offering, the VX Nano Cordless Laser Mouse for Notebooks.

Logitech's Virtuous Innovation Cycle: Driving Our Success

Logitech's scale allows us to fund research and development (R&D) in our categories at levels beyond the majority of our competitors. We are committed to putting the customer experience first, believing that every good product experience enhances the likelihood of future purchases. The combination of investing in R&D and understanding customer needs allows us to deliver innovative new products, which help generate greater demand for Logitech products. The resulting sales growth and profitability further fuel those investments that enable us to continue to grow our business.

*When compared with other 27 MHz USB receivers for notebook mice commercially available as of March 1, 2007


BIG, SIMPLE IS BEST



wireless connectivity

Wave Cordless Desktop

Catch the wave with the Logitech Wave Keyboard—the exciting new shape of comfort. It's created for hands just like yours.

On the Move

People are making increasing use of wireless connectivity at home and at work. Wireless products give users the freedom to navigate, move, communicate, listen and be productive in a variety of situations and without sacrificing comfort or functionality.

Advances in Technology Drive Market Opportunity

A combination of technological know-how and unrivaled experience developing user-friendly personal peripherals uniquely positions Logitech to maintain leadership in wireless offerings. Our continued success in addressing the need for wireless peripherals was demonstrated by double-digit sales growth for both our retail wireless keyboards/desktops and our mice in FY 08. Our retail wireless mice sales increased by 30% over the prior year, with a strong showing from products designed both for desktop PC users and for notebook users.

We estimate that the penetration of wireless mice and keyboards/desktops into the PC installed base was roughly 25% in FY 08, leaving substantial opportunity for sustained growth in the years to come.

MX Air

Browse photos, surf the Web or listen to music—from your desk, on the sofa or across the room.

Evolution of Logitech RF Receiver Technology

1999

On the desk

2002

On the desk

2003

1st travel-size receiver

2004

1st storable receiver

1st plug-and-forget Nano-receiver

2007

Stays plugged into laptop's USB port

internet communications

WiLife
The award-winning WiLife solution leverages the power of the PC and the Internet to offer an alternative to expensive professional home-monitoring services.

PC Headset 960 USB
Digital, stereo, USB, over-the-head headset with in-line volume control

QuickCam Pro for Notebooks (above) **and QuickCam Pro 9000** (right)
The lenses in both our QuickCam Pro for Notebooks and our QuickCam Pro 9000 were designed in collaboration with Carl Zeiss®, the global leader in camera optics. We offer webcams for both desktop and notebook computer models as well as for PC and Mac computers.

Stay in Touch

Today growing numbers of people worldwide with access to a high-speed connection are using the Internet to communicate more broadly and frequently than ever before. Our category-leading webcams, as well as our PC headsets, are well positioned to enrich the Internet communications experience. Our video business returned to growth in late FY 08, and we continued to deliver significant innovation in the category. For example, in October 2007, we announced a collaborative agreement with Skype to deliver High Quality Video, a new standard for video-calling over the Internet.

All three of our High Quality Video-certified webcams offer a Carl Zeiss® lens and a premium autofocus system that quickly refocuses images and helps provide image-perfect detail and clarity. With a 2-megapixel lens, built-in microphone and RightSound and RightLight 2 Technologies, Logitech is advancing the standard for both webcam image quality and online communications.

Plug-and-play Monitoring of the Home and Small Business

One of the key long-term growth drivers for our video business is WiLife, the acquisition we made in late 2007. We believe that WiLife's easy-to-use, plug-and-play offerings represent a revolutionary solution to consumers' growing quest for security solutions. We expect WiLife to generate growing momentum in the video category.

digital music

Mass Market Opportunity

The digital music revolution continues to march forward. People place increasing value on the freedom to listen to their music wherever they choose. The preferred storage platform for digital content is the personal computer (PC), which is also where people spend significant amounts of time listening to their music. Our line of PC speakers provides the consumer with a compelling value proposition across a broad range of price points. We also continue to strengthen our iPod® speaker offerings, allowing people to enjoy their music wherever they go. As one indicator of our success in providing consumers with high-quality sound on their desk or on the go, during FY 08, our retail speaker sales grew by 26%.

Squeezebox Technology Innovation

We are excited to see growing interest in our Squeezebox family of products. These products allow people to listen to music stored on their PCs, or directly from the Internet, anywhere in their homes with our easy-to-use, wireless streaming solution. Logitech's unique Internet service, the SqueezeNetwork, allows users with broadband Internet access to listen to music—even when their computers are off. The ongoing penetration of digital music, our strong product portfolio covering current and emerging product categories, and our extensive retail shelf presence are a powerful formula for continued success in the audio category.

Squeezebox Duet
Listen to the music you love in any room in your home.

PureFi Anywhere
Big sound, small size. Enjoy clear sound and maximum bass with iPod® speakers that go where you go—around the house or on the road.

Z Cinéma
Trying to enjoy film, TV, gaming and music on your PC? Tired of mediocre PC audio? The Logitech Z Cinéma advanced surround sound system accurately reproduces dialogue, film soundtracks, explosive gaming audio and subtle ambient sound.

digital home

Harmony One
All you need to replace the multiple remotes used in many homes

room to grow
86%
compounded annual growth in our remotes category since we entered the category, and still Harmony remotes have only about 2% penetration of households in Europe and the U.S. with digital cable or satellite TV

DiNovo Mini
Take control of your PC entertainment with the only palm-sized, cordless mini-keyboard optimized for the way you get your entertainment.

Taming the Complexities of the Digital Life

With home entertainment systems, digital television, game consoles, media centers and more, it is becoming increasingly challenging to master the new technologies in our homes. Consumers are eager to find a more intuitive way to allow everyone in the home to manage their digital content.

We believe that one of our biggest opportunities is in the digital home. The need to use multiple remotes to manage separate home entertainment devices is a very real pain point for millions of consumers. We offer an elegant solution to this problem with the one-touch simplicity of our Harmony remotes.

Remotes was our fastest-growing retail category in FY 08, with sales up 35% compared with the prior year. We continue to grow the category in North America, and we're building momentum in Europe. We're very pleased with the initial reception to our newest advanced universal remote, the Harmony One, which we launched late in the fiscal year. The combination of a strong product portfolio and consistent software improvements that enhance the overall user experience positions us well for sustained growth in what we expect to be our fastest-growing category in the new fiscal year.

selected financial highlights

The following selected historical information has been derived from audited financial statements included in our annual reports for such years. Accordingly, the table should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our annual report for Fiscal Year 2008 and Item 5, "Operating and Financial Review and Prospects," in our annual reports for Fiscal Years 2004 through 2007.

Fiscal Year (in thousands of U.S. dollars, except per share amounts)	2004	2005	2006	2007	2008
Total revenues	$1,268,470	$1,482,626	$1,796,715	$2,066,569	**$2,370,496**
Gross margin	32.2%	34.0%	32.0%	34.3%	**35.8%**
Operating income	$ 145,554	$ 171,674	$ 198,911	$ 230,862	**$ 286,680**
Operating margin	11.5%	11.6%	11.1%	11.2%	**12.1%**
Net income	$ 132,153	$ 149,266	$ 181,105	$ 229,848	**$ 231,026**
Earnings per diluted share	0.67	0.77	0.92	1.20	**1.23**
Diluted number of shares (in millions)	$ 200,640	$ 198,250	$ 198,769	$ 190,991	**$ 187,942**
Cash flow from operations	$ 166,460	$ 213,674	$ 152,217	$ 303,825	**$ 393,079**
Capital expenditures	$ 24,718	$ 40,541	$ 54,102	$ 47,246	**$ 57,900**
Cash and cash equivalents net of short-term debt	$ 280,624	$ 331,402	$ 230,943	$ 398,966	**$ 486,292**
Shareholders' equity	$ 457,080	$ 526,149	$ 685,176	$ 844,524	**$ 960,044**

This annual report contains forward-looking statements, including the statements regarding evolving technology and market trends, growth opportunities in our product categories and our business strategies for fiscal year 2009 and beyond. These forward-looking statements involve risks and uncertainties that could cause Logitech's actual performance and results to differ materially from that anticipated in these forward-looking statements. Factors that could cause actual results to differ materially include if we fail to innovate successfully in our current and emerging product categories and identify new feature or product opportunities; our ability to introduce successful products in a timely manner and market acceptance of those products; our product introductions and marketing activities not resulting in the product category growth we expect, or when we expect it; consumer demand for our products, particularly our newly-introduced products, and our ability to accurately forecast it; the effect of pricing, product, marketing and other initiatives by our competitors, and our reaction to them, on our sales and product category growth, as well as those additional factors set forth in our periodic filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the fiscal year ended March 31, 2008 and our quarterly reports on Form 10-Q available at www.sec.gov. Logitech does not undertake to update any forward-looking statements.

TABLE OF CONTENTS

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 in our Annual Report on Form 10-K for the fiscal year 2008 filed with the SEC, and below under the heading "Additional Financial Disclosures - Quantitative and Qualitative Disclosure about Market Risk."

References in this Annual Report to the "Company," "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Overview

Logitech is a world leader in peripherals for personal computers and other digital platforms, developing and marketing innovative products in PC navigation, Internet communications, digital music, home-entertainment control, video security, interactive gaming and wireless devices. For the PC, our products include mice, trackballs, keyboards, gaming controllers, multimedia speakers, headsets, webcams, and 3D control devices. For digital music devices, our products include speakers and headphones. For gaming consoles, we offer a range of controllers and other accessories. In addition, we offer wireless music solutions for the home, advanced remote controls for home entertainment systems and a PC-based video security solution for a home or small business.

We sell our products to a network of distributors and resellers ("retail") and to original equipment manufacturers ("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. Our sales to our retail channels comprise the large majority of our revenues.

We have historically targeted peripherals for the PC platform, a market that is dynamically changing as a result of consumer trends toward notebooks and other mobile devices. We remain focused on strengthening our leadership in the PC peripherals market through the introduction of products that support the continued growth of the notebook market segment. We have also expanded into peripherals for other platforms, including video game consoles, mobile phones, home entertainment systems and mobile entertainment and digital music systems.

Logitech's markets are extremely competitive and are characterized by short product life cycles, rapidly changing technology, evolving customer demands, and aggressive promotional and pricing practices. In order to remain competitive, we believe continued investment in product research and development is critical to driving innovation with new and improved products and technologies. We are committed to identifying and meeting customer needs for personal peripheral devices and believe innovation and product quality are important to gaining market acceptance and strengthening market leadership.

Over the last several years, Logitech has expanded and improved its supply chain operations, invested in product development and marketing, delivered innovative new products and pursued new market opportunities. We have significantly broadened our product offerings and the markets in which we sell. Our expansion has been primarily organic, but we have also grown as a result of a limited number of acquisitions that expanded our business into new product categories.

In fiscal year 2008, revenues increased 15% to $2.4 billion, with significant growth in most product categories, reflecting the strength and breadth of our product portfolio. Mice, keyboards and desktops, Harmony remote controls and OEM sales were key growth categories, while video declined compared with fiscal year 2007. We achieved strong gross margin improvements through our emphasis on product innovation, supply chain efficiencies and controlling and reducing our product cost structure. Net income was $231.0 million, which included an investment write-down of $79.8 million and a gain on sale of investments of $27.7 million, compared with net income of $229.8 million in fiscal year 2007.

Our strategy for fiscal year 2009 remains to position Logitech as a premium supplier in our product categories, offering affordable luxury to the consumer while continuing to compete aggressively in all market segments, from the entry level through the high-end. Our focus will be on managing resources to create an innovative product portfolio targeted at current and future consumer trends as well as increasing the value of the Logitech brand from a competitive, channel partner and consumer experience perspective. We intend to take advantage of the significant opportunities in emerging markets, while leveraging the growth opportunities remaining in our mature markets.

In our pointing devices, keyboards and desktops product lines, we plan to continue our expansion into the notebook arena. We also see significant opportunities for our mice and keyboards in the business market. In the audio arena, we expect that our strong presence in the speaker category, combined with our proposed new products, will allow us to continue to generate growth. We also plan to leverage the opportunities provided by our streaming media product line. During fiscal year 2009, we plan to build on the momentum achieved in our video product line in the fourth quarter of fiscal year 2008 and continue our focus on in-store marketing, new products, and partnerships to generate a sustained return to growth. We also expect our video security products to gain momentum throughout the next fiscal year. With the introduction of new gaming products for popular console game titles like the Gran Turismo 5, we expect to return to growth in the gaming product line as well. In our Harmony remote control product line, we will continue to focus on improving every aspect of the user experience to increase our already high level of customer satisfaction and expand the universe of Harmony users. To support our planned growth, we intend to continue to scale our processes to handle the increased complexity of our product lines and improve the product life cycle management process. We also plan to continue managing our operating expenses in line with our gross profit growth for the year.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") requires the Company 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 Logitech's 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 the Company 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 price protection. The estimated cost of these programs is accrued in the period the Company sells the product or commits to the program as a reduction of revenue or as an operating expense, if we receive a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit. Significant management judgment and estimates must be used to determine the cost of these programs in any accounting period.

Returns. The Company grants limited rights to return product. Return rights vary by customer, and range from just the right to return defective product to the right to return a limited percentage of the previous quarter's purchases. 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, such as stage of product life-cycle. Return trends are influenced by the timing of the sale, the type of customer, operational policies and procedures, product sell-through, product quality issues, sales levels, market acceptance of products, competitive pressures, new product introductions, product life cycle status, 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. The Company's cooperative marketing arrangements include contractual customer marketing and sales incentive programs. We enter into customer marketing programs with most of our distribution and retail customers allowing customers to receive a credit equal to a set percentage of their purchases of the Company's products for various marketing programs. The objective of these programs is to encourage advertising and promotional events to increase sales of our products. Accruals for the estimated costs of these marketing programs are recorded based on the contractual percentage of product purchased in the period we recognize revenue. The Company also offers rebates and discounts for certain types of sell-through programs. Accruals for these sales incentive programs are recorded at the time of sale based on negotiated terms, historical experience and inventory levels in the channel.

Customer Incentive Programs. Customer incentive programs include volume and consumer rebates. We offer volume rebates to our distribution and retail customers related to purchase volumes or sales of specific products by distributors to specified retailers. Reserves for volume rebates are recognized as a reduction of the sale price at the time of sale. Estimates of required reserves 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 directly to 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.

Price Protection. We have contractual agreements with certain of our customers that contain terms allowing price protection credits to be issued in the event of a subsequent price reduction (contractual price protection). Our decision to make price reductions is influenced by channel inventory levels, product life cycle stage, market acceptance of products, the competitive environment, new product introductions and other factors. Credits are issued for units that customers have on hand or in transit at the date of the price reduction. Reserves for the estimated amounts to be reimbursed to qualifying customers are established quarterly based on planned price reductions, analyses of qualified inventories on hand with distributors and retailers and historical trends by customer and by product.

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

Short-term Investments

We have short-term investments that are primarily auction rate securities and are classified as available-for-sale as of March 31, 2008. Auction rate securities generally have maturity dates greater than 10 years, with interest rates that typically reset through an auction every 28 days. The Company's short-term investments are reported at estimated fair value. The fair value of short-term investments is estimated based on quoted market prices, if available, or by estimating the values of the underlying collateral using published mortgage indices or interest rate spreads for comparably-rated collateral and applying discounted cash flow or option pricing methods to the estimated collateral value. The markets for the auction rate securities we hold as of March 31, 2008 have failed since August 2007, and due to continuing dislocations in the worldwide credit markets, are not expected to resume in the foreseeable future, if at all. As a result, the Company has valued the remaining $3.9 million in short-term investments in its portfolio as of March 31, 2008 solely by pricing the underlying collateral using published mortgage indices or interest rate spreads for comparably-rated collateral pools and applying discounted cash flow or option pricing methods to the estimated collateral value.

Allowance for Doubtful Accounts

We sell our products through a worldwide network of distributors, retailers and OEM customers. Logitech generally does not require any collateral from its customers. However, we seek to control our credit risk through ongoing credit evaluations of our customers' financial condition.

We regularly evaluate the collectibility of our accounts receivable and maintain allowances for doubtful accounts. The allowances are based on management's assessment of the collectibility of specific customer accounts, including their credit worthiness and financial condition, as well as the Company's historical experience with bad debts and customer deductions, receivables aging, current economic trends and geographic or country-specific risks and the financial condition of its distribution channel.

As of March 31, 2008, two customers each represented 15% of total accounts receivable. The customers comprising the ten highest outstanding trade receivable balances accounted for approximately 53% of total accounts receivable as of March 31, 2008. A deterioration of a significant customer's financial condition could cause actual write-offs to be materially different from the estimated allowance. If any of these customers' receivable balances should be deemed uncollectible or if actual write-offs are higher than historical experience, we would have to make adjustments to our allowance for doubtful accounts, which could result in an increase in the Company's operating expenses.

Inventory Valuation

The Company must order components for its 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.

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 six month 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. 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

We adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payments" ("SFAS 123R"), effective April 1, 2006, using the modified prospective transition method. Therefore, results for periods prior to April 1, 2006 have not been restated to include share-based compensation expense calculated in accordance with SFAS 123R. Share-based compensation expense for fiscal years 2007 and 2008 includes compensation expense, reduced for estimated forfeitures, for awards granted after April 1, 2006 based on the grant-date fair value estimated using the Black-Scholes-Merton option-pricing valuation model, recognized on a straight-line basis over the service period of the award. For share-based compensation awards granted prior to but not yet vested as of April 1, 2006, share-based compensation expense for fiscal years 2007 and 2008 was based on the grant-date fair value estimated using the Black-Scholes-Merton option-pricing valuation model and reduced for estimated forfeitures recognized on a straight-line basis over the service period for each separately vesting portion of the award. See Note 12-Employee Benefit Plans in the Notes to the Consolidated Financial Statements for further discussion of share-based compensation.

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 or purchase offerings, as we consider historical share price volatility as most representative of future stock option 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 option forfeitures, and we record share-based compensation expense only for those awards that are expected to vest. The dividend yield assumption is based on the Company's 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 management's 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. The Company's effective tax rate may be affected by the changes in or interpretations of tax laws 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. 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 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. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. In the event we determine that we would not be able to realize all or part of our deferred tax assets, an adjustment would be charged to earnings in the period 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 adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 ("FIN 48") as of April 1, 2007, as required. The implementation of the provisions of FIN 48 requires us to make certain estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than 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. Note 13 of the consolidated financial statements describes FIN 48 and the effects on our results of operations and financial position arising from its adoption.

Valuation of Long-Lived Assets

We review long-lived assets, such as investments, property, plant and equipment, and goodwill and other intangible assets for impairment whenever events indicate that the carrying amount of these assets might not be recoverable. Factors considered important which could require us to review an asset for impairment include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the assets or the strategy for the Company's overall business;
- significant negative industry or economic trends;
- significant decline in the Company's stock price for a sustained period; and
- market capitalization relative to net book value.

Recoverability of investments, property, plant and equipment, and other intangible assets is measured by comparing the projected undiscounted cash flows the asset is expected to generate with its carrying amount. If an asset is considered impaired, the impairment to be recognized is measured by the excess of the carrying amount of the asset over its fair value.

We evaluate goodwill for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable from our estimated future cash flows. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired, and a second test is performed to measure the amount of impairment loss. While the Company has fully integrated all of its acquired companies, it continues to maintain discrete financial information for 3Dconnexion and accordingly determines impairment for the goodwill acquired with the 3Dconnexion acquisition at the entity level. All other acquired goodwill is evaluated for impairment at a total enterprise level.

In determining fair value, we consider various factors including estimates of future market growth and trends, forecasted revenue and costs, expected periods over which our assets will be utilized, and other variables. We calculate the Company's fair value based on the present value of projected cash flows using a discount rate determined by management to be commensurate to the risk inherent in the Company's current business model. To date, we have not recognized any impairment of goodwill. Logitech bases its fair value estimates on assumptions it believes to be reasonable, but which are inherently uncertain.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 affects other accounting pronouncements that require or permit fair value measurements where the FASB has previously concluded that fair value is the relevant measurement attribute. SFAS 157 does not require any new fair value measurements, but may change current practice in some instances. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We will adopt SFAS 157 in the first quarter of fiscal year 2009. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). FSP 157-2 permits a one-year deferral in applying the measurement provisions of SFAS 157 to non-financial assets and non-financial liabilities that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). We are currently evaluating the impact that SFAS 157 and FSP 157-2 will have on the Company's consolidated financial statements and disclosures.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FAS 115" ("SFAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected shall be reported in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and would be applied in the first quarter of fiscal year 2009. The Company is evaluating which eligible items might be measured at fair value, and what the financial statement and disclosure impact would be.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income taxes. SFAS 141R is effective for fiscal years beginning after December 15, 2008 and, as such, we will adopt this standard for any future acquisitions beginning in fiscal year 2010.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS 161"). This Statement requires enhanced disclosures about an entity's derivative and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. We will adopt SFAS 161 in the first quarter of fiscal year 2010, and we are evaluating the disclosure impact.

Results of Operations

Year Ended March 31, 2008 Compared with Year Ended March 31, 2007

Net Sales

Net sales by channel and product family for fiscal years 2008 and 2007 were as follows (in thousands):

	2008	2007	Change %
Net sales by channel:			
Retail	$2,067,288	$1,844,395	12%
OEM	303,208	222,174	36%
Total net sales	$2,370,496	$2,066,569	15%
Net sales by product family:			
Retail - Pointing Devices	$ 622,074	$ 508,449	22%
Retail - Keyboards & Desktops	458,434	372,266	23%
Retail - Audio	478,455	408,314	17%
Retail - Video	238,728	314,514	(24%)
Retail - Gaming	146,016	149,113	(2%)
Retail - Remotes	123,581	91,739	35%
OEM	303,208	222,174	36%
Total net sales	$2,370,496	$2,066,569	15%

Logitech's Pointing Devices product family includes the Company's mice, trackballs and other pointing devices. Keyboards and desktops include cordless and corded keyboards and desktops. Audio includes speakers and headset products for the PC, the home, and mobile entertainment platforms and wireless music systems; video is comprised of PC webcams and WiLife video security monitoring systems; gaming includes console and PC gaming peripherals; and remotes is comprised of the Company's advanced remote controls.

Retail sales growth in fiscal year 2008 was primarily attributable to strong contributions from pointing devices, keyboards, desktops, audio products and remotes. OEM sales were higher as a result of strong sales of gaming peripherals, keyboards and desktops. We achieved strong sales growth in spite of a highly promotional market that resulted in higher consumer rebates as compared with the prior fiscal year. Approximately 54% of the Company's sales were denominated in currencies other than the U.S. dollar in fiscal year 2008. Net sales growth benefited from the strengthening of the Euro during fiscal year 2008;

however this benefit does not consider the impact that currency fluctuations had on our pricing strategy, which may result in selling prices in one currency being raised or lowered to avoid disparity with U.S. dollar prices and to respond to currency-driven competitive pricing actions.

Retail Pointing Devices. Sales of our pointing devices increased 22% and units increased 14% during fiscal year 2008 compared with fiscal year 2007. The growth was led by sales of our cordless mice which increased 30% during the year, with units increasing 40%. Our new VX Nano Cordless Laser Mouse for notebooks, our V220 Cordless Optical Mouse for notebooks and our V320 Cordless Mouse for notebooks were the primary contributors to the sales growth during the year.

Retail Keyboards and Desktops. Sales of keyboards and desktops increased 23% and units increased 17% during fiscal year 2008 compared with the prior fiscal year, primarily due to strong contributions from our new Cordless Desktop Wave and our MX 3200 Laser Cordless Desktop in our high-end category and the Cordless Desktop EX 90 in our value segment. Our notebooks stands also continued to contribute to our growth in this category.

Retail Audio. Our retail audio sales increased 17% in dollars and 2% in units in fiscal year 2008 compared with the prior year. The growth was primarily from sales of PC speakers, which increased 38% with unit growth of 26%, driven by sales of our Z-5500 Digital speakers and our X-240 and Z-2300 speakers. Sales of our Pure-Fi Anywhere speakers in the digital music category also contributed to the sales of our audio products.

Retail Video. The Company's video sales in dollars and units decreased 24% in fiscal year 2008 compared with fiscal year 2007, primarily due to slower than expected consumer demand in the webcam market, particularly in our EMEA region, where video sales decreased 40% as compared with the prior fiscal year. The decline in video sales in comparison with the prior year began in the fourth quarter of fiscal year 2007.

Retail Gaming. Sales of retail gaming peripherals in fiscal year 2008 decreased 2% and units decreased 17% compared with the prior fiscal year. PC gaming sales increased 3%, primarily driven by sales of our G15 Gaming Keyboard and our G25 Racing Wheel. Console gaming sales decreased 13% and units decreased 28% as compared with the prior fiscal year, due to a decline in sales related to peripherals for prior generation consoles, particularly the PlayStation 2. Sales of our cordless controllers for PlayStation 3 did not offset the decline in prior generation consoles.

Retail Remotes. Remote control sales in fiscal year 2008 increased 35% and units increased 20% as compared with fiscal year 2007. The growth was primarily attributable to sales of our new Harmony One and our Harmony 1000 remote controls.

Retail Regional Performance. The Company's Americas and Asia Pacific regions achieved double-digit retail sales growth of 12% and 32% and unit growth of 8% and 13% compared with the prior fiscal year. Growth in the Americas region was driven by solid contributions from sales of pointing devices, remotes, keyboards and desktops. In the Asia Pacific region, all product lines except video achieved double-digit retail sales growth. Retail sales in the EMEA region increased 8% and units increased 2%, led by sales of remotes, audio products, pointing devices, keyboards and desktops. Sales in the EMEA region have been disproportionately impacted by the decline in video sales, which decreased 40% compared with the prior fiscal year. Modest sales growth in the EMEA region has hindered the Company's overall sales growth for each of the four quarters of fiscal year 2008. The disparity between sales growth and unit growth in all regions was primarily due to product mix and currency fluctuations. In particular, the strengthening of the Euro in fiscal year 2008 positively impacted the sales growth in the EMEA region; however this benefit does not consider the impact that currency fluctuations have on the Company's pricing strategy, which may result in selling prices in one currency being raised or lowered to avoid disparity with U.S. dollar prices and to respond to currency-driven competitive pricing actions.

OEM. Our OEM products achieved 36% sales growth and 12% unit growth during fiscal year 2008 compared with fiscal year 2007. OEM sales of gaming peripherals increased significantly, driven by microphones for singing games for PlayStation 3, Wii and Xbox 360. The Company does not expect sales of microphones for singing games to be a primary driver of OEM sales growth in the future. Keyboards and desktops also made a strong contribution to our OEM sales growth in fiscal year 2008.

Gross Profit

Gross profit for fiscal years 2008 and 2007 was as follows (in thousands):

	2008	2007	Change %
Net sales	$2,370,496	$2,066,569	15%
Cost of goods sold	1,521,378	1,357,044	12%
Gross profit	$ 849,118	$ 709,525	20%
Gross margin	35.8%	34.3%	

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 and write-down of inventories.

Gross profit increased 20% in fiscal year 2008 compared with the prior fiscal year. The growth resulted from an increase in sales combined with higher margins associated with our newly launched products. Gross margin improvements were achieved primarily on cordless mice, cordless keyboards, PC speakers and console gaming peripherals. In addition, we continued to make an effort to reduce product costs and increase supply chain efficiencies during fiscal year 2008.

Operating Expenses

Operating expenses for fiscal years 2008 and 2007 were as follows (in thousands):

	2008	2007	Change %
Marketing and selling	$324,451	$ 272,264	19%
% of net sales	13.7%	13.2%	
Research and development	124,544	108,256	15%
% of net sales	5.3%	5.2%	
General and administrative	113,443	98,143	16%
% of net sales	4.8%	4.7%	
Total operating expenses	$562,438	$ 478,663	18%

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 expenses increased 19% in fiscal year 2008 compared with fiscal year 2007 primarily due to increased personnel costs related to headcount additions during the year to support higher retail sales levels as well as increased advertising and product promotion costs such as our advertising campaign for our remotes product line launched during the fourth quarter of fiscal year 2008. The impact of exchange rate changes on translation of foreign currency marketing and selling expenses to the Company's U.S. dollar financial statements, particularly from the stronger Euro and Swiss franc relative to the U.S. dollar, also contributed to the increase.

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.

The increase in research and development expense reflects our commitment to continued investment in research and development initiatives, particularly in the audio, video and control devices product lines. Increased personnel costs related to headcount additions in the last half of fiscal year 2007 were the largest contributor to the increases in research and development expense for fiscal year 2008. The impact of exchange rate changes on translation of foreign currency research and development expenses to the Company's U.S. dollar financial statements, particularly from the stronger Euro, Swiss franc and Canadian dollar relative to the U.S. dollar, also contributed to the increase.

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 increased primarily as a result of an increase in personnel and occupancy expenses. Personnel costs increased 19% during the year due to headcount increases in the latter half of fiscal year 2007 to support new systems and internal control procedures implemented during fiscal year 2007. Depreciation expense increased significantly compared with the prior fiscal year primarily due to equipment and computer hardware purchases during fiscal year 2008. Rent expense also increased during the year due to expanded facilities. The impact of exchange rate changes on translation of foreign currency general and administrative expenses to the Company's U.S. dollar financial statements, particularly from the stronger Euro and Swiss franc relative to the U.S. dollar, also contributed to the increase.

Interest Income, Net

Interest income and expense for fiscal years 2008 and 2007 were as follows (in thousands):

	2008	2007	Change %
Interest income	$15,752	$ 9,083	73%
Interest expense	(244)	(350)	(30%)
Interest income, net	$15,508	$ 8,733	78%

Interest income was higher for fiscal year 2008 due to higher invested balances in cash, short-term bank deposits and short-term investments, and slightly higher returns earned on invested amounts.

Other Income, Net

Other income and expense for fiscal years 2008 and 2007 were as follows (in thousands):

	2008	2007	Change %
Foreign currency exchange gains, net	$ 10,616	$ 6,190	72%
Gain on sale of investments, net	27,761	9,048	207%
Write-off of investments	(79,823)	—	—
Other, net	2,072	724	186%
Other income (expense), net	$(39,374)	$15,962	(347%)

During fiscal year 2008, we recorded an unrealized loss of $79.8 million related to an other-than-temporary decline in the estimated fair value of our short-term investments. We also recorded a gain of $33.7 million related to the short-term investments that we sold as part of a confidential settlement agreement in the third quarter of fiscal year 2008. In addition, we sold all of our investments collateralized by corporate debt during the third quarter of fiscal year 2008 and recorded a realized loss of $6.0 million. See Note 4 - Short-term Investments in the Notes to Consolidated Financial Statements of this annual report for further discussion. The change in foreign currency exchange gains during fiscal year 2008 resulted primarily from gains related to the sale of the Company's Euro currency for U.S. dollars. The Company does not speculate in currency positions, but is alert to opportunities to maximize its foreign exchange gains. Other income also includes $1.0 million gain on the sale of our ioPen retail product line.

Other income for fiscal year 2007 included a gain of $9.1 million on the sale of our investment in Anoto Group AB, a publicly traded Swedish technology company from which we licensed our digital pen technology.

Provision for Income Taxes

The provision for income taxes and effective tax rate for fiscal years 2008 and 2007 were as follows (in thousands):

	2008	2007
Provision for income taxes	$31,788	$25,709
Effective income tax rate	12.1%	10.1%

The provision for income taxes consists of income and withholding taxes. The increase in the effective tax rate to 12.1% compared with 10.1% in fiscal year 2007 is primarily due to changes in the Company's geographic mix of income and other-than-temporary declines in the estimated fair value of our short-term investments. The Company did not derive a tax benefit from the other-than-temporary declines in the estimated fair value of short-term investments.

Year Ended March 31, 2007 Compared with Year Ended March 31, 2006

Net Sales

Net sales by channel and product family for fiscal years 2007 and 2006 were as follows (in thousands):

	2007	2006	Change %
Net sales by channel:			
Retail	$1,844,395	$1,588,033	16%
OEM	222,174	208,682	6%
Total net sales	$2,066,569	$1,796,715	15%
Net sales by product family:			
Retail - Pointing Devices	$ 508,449	$ 458,587	11%
Retail - Keyboards & Desktops	372,266	327,039	14%
Retail - Audio	408,314	326,880	25%
Retail - Video	314,514	273,742	15%
Retail - Gaming	149,113	144,558	3%
Retail - Remotes	91,739	57,227	60%
OEM	222,174	208,682	6%
Total net sales	$2,066,569	$1,796,715	15%

Net sales in fiscal year 2007 increased significantly from the prior year due to continued growth in demand for the Company's retail and OEM products. Retail sales growth was largely attributable to strong demand for desktops and keyboards, cordless mice, video, speakers and remote control products. OEM sales also returned to growth based on strong demand for embedded video. Approximately 55% of the Company's sales were denominated in currencies other than the U.S. dollar in fiscal year 2007. The Company benefited from the strengthening of the Euro against the U.S. dollar in fiscal year 2007, although this does not consider the impact that currency fluctuations had on our pricing strategy, resulting in lowering or raising selling prices in one currency to avoid disparity with U.S. dollar prices and to respond to currency-driven competitive pricing actions. We believe that currency fluctuations did not have a material impact on our revenue growth in fiscal year 2007.

Retail Pointing Devices. Sales of the Company's retail cordless products in fiscal year 2007 increased 11% compared with fiscal year 2006. The growth was led by sales of cordless mice, which increased 25% in dollars and 17% in units, based on the success of new launches such as the MX Revolution cordless laser mouse, the VX Revolution cordless laser mouse for notebooks and the V450 laser cordless mouse for notebooks.

Retail Keyboards and Desktops. Keyboard and Desktop sales increased 14% compared with the prior fiscal year. Cordless keyboard and desktop sales and units grew 11%, anchored by the ultra-high-end diNovo Edge keyboard. Corded keyboards and desktops sales also increased by 18% compared with the prior year. The Logitech Alto, our portable notebook stand with an integrated keyboard, made a significant contribution to the growth in the category.

Retail Audio. Retail audio sales increased 25% compared with the prior year. The growth came primarily from speakers, with sales increasing 36% and units increasing 38%, reflecting strength in both PC speakers and digital music speakers, including our portable speakers for iPod and the X-540 and X-230 PC speakers. Sales of headsets increased 24% compared with fiscal year 2006. Sales of Slim Devices products, which were acquired in fiscal year 2007, also made a strong contribution to the growth.

Retail Video. Retail video sales increased 15% compared with the prior year. Demand for webcams was strong in the first three quarters of the fiscal year, but faltered in the fourth quarter due to significantly slower market growth and loss in market share.

Retail Gaming. Sales in retail gaming grew 3% compared with the prior year. Sales of PC gaming peripherals returned to growth, increasing 63% while units increased 24%. Demand was particularly strong for the G25 Racing Wheel and the G15 Gaming Keyboard. Sales of console peripherals decreased 40%, as consumers waited for the transition to Playstation 3 which occurred late in the fiscal year. Our peripherals for Playstation 3 were ready for the transition, resulting in an increase of 15% in console gaming sales in the fourth quarter.

Retail Remotes. Sales increased 60% and units sold increased 67% compared with the prior year, due to growth in demand, particularly for the touch-screen Harmony 1000.

Retail Regional Performance. Retail sales in the Americas region increased 18%, with strong performance in the remotes, keyboards and desktops product lines. European retail sales increased 16%, due to strong sales growth in audio, video and control devices products. In Asia Pacific, retail sales grew 6%, with the largest growth occurring in audio products. The growth in Asia Pacific was constrained by weakness in Japan, where we were implementing a management transition.

OEM. OEM revenues increased 6% compared with fiscal year 2006 and represented 11% of total sales in fiscal year 2007, compared with 12% in the prior fiscal year. OEM units decreased 1%, reflecting a change in product mix from mice to video. The decline in OEM mice sales was more than offset by sales of embedded webcams and cordless desktops and keyboards.

Gross Profit

Gross profit for fiscal years 2007 and 2006 was as follows (in thousands):

	2007	2006	Change %
Net sales	$2,066,569	$1,796,715	15%
Cost of goods sold	1,357,044	1,222,605	11%
Gross profit	$ 709,525	$ 574,110	24%
Gross margin	34.3%	32.0%	

The increase in gross profit and improvement in gross margin resulted from the net sales increase over the prior year combined with improved product margins and reductions in distribution costs. The relative mix of product categories was consistent with the prior year. Due to product innovation and cost improvements, margins on new products launched in fiscal year 2007 were generally higher than the products replaced. In addition, distribution costs increased at a rate less than one-half the rate of net sales increase, due to the Company's successful supply chain improvements in fiscal year 2007.

Operating Expenses

Operating expenses for fiscal years 2007 and 2006 were as follows (in thousands):

	2007	2006	Change %
Marketing and selling	$272,264	$221,504	23%
% of net sales	13.2%	12.3%	
Research and development	108,256	87,953	23%
% of net sales	5.2%	4.9%	
General and administrative	98,143	65,742	49%
% of net sales	4.7%	3.7%	
Total operating expenses	$478,663	$375,199	28%

Marketing and Selling

Marketing and selling expense in fiscal year 2007 was higher than fiscal year 2006 primarily due to increased advertising and customer marketing programs to stimulate sales and higher personnel costs from headcount growth in support of increased retail business, including our continued expansion in Latin America, Eastern Europe and China. Costs also increased due to product design and marketing expenses for new product launches. In addition, personnel costs in fiscal year 2007 included $7.2 million of share-based compensation cost resulting from the adoption of SFAS 123R on April 1, 2006. No share-based compensation expense was recognized in fiscal year 2006. Operating expenses also increased as a result of exchange rate changes on translation to the U.S. dollar financial statements, due to the weakening of the U.S. dollar relative to the Euro and Swiss franc.

Research and Development

Headcount increases in product research and development related to the audio, video and remote control product lines were the primary contributor to the increase in research and development costs. Personnel costs also increased due to $3.2 million of share-based compensation cost resulting from the adoption of SFAS 123R. No share-based compensation expense was recognized in fiscal year 2006. The impact of exchange rate changes on translation to the Company's U.S. dollar financial statements was not material.

General and Administrative

General and administrative expense increased due to headcount additions to support business growth, costs incurred for Sarbanes-Oxley-related activity, increased costs associated with our implementation of Oracle 11i enterprise resource planning software, and increased occupancy costs related to infrastructure expansion. Personnel costs in fiscal year 2007 also include $7.1 million of share-based compensation expense resulting from the adoption of SFAS 123R. No share-based compensation expense was recognized in fiscal year 2006. The impact of exchange rates on translation to the Company's U.S. dollar financial statements was not material.

Interest Income, Net

Interest income and expense for fiscal years 2007 and 2006 were as follows (in thousands):

	2007	2006	Change %
Interest income	$9,083	$ 5,512	65%
Interest expense	(350)	(1,921)	(82%)
Interest income, net	$8,733	$ 3,591	143%

Interest income increased over the prior year as a result of higher invested balances in cash and short-term investments, and higher returns earned on invested amounts. Interest expense was lower compared with fiscal year 2006 because of the conversion of the Company's convertible bonds during the third quarter of fiscal year 2006.

Other Income, Net

Other income and expense for fiscal years 2007 and 2006 were as follows (in thousands):

	2007	2006	Change %
Foreign currency exchange gains, net	$ 6,190	$ 7,580	(18%)
Gain on sale of investments	9,048	560	1516%
Write-down of investments	—	(1,168)	(100%)
Other, net	724	380	(91%)
Other income, net	$15,962	$ 7,352	117%

The decrease in net foreign currency exchange gains for fiscal year 2007 resulted from fluctuations in exchange rates. The Company does not speculate in currency positions, but is alert to opportunities to maximize our foreign exchange gains. During fiscal year 2007, we sold our investment in Anoto Group AB and recognized a gain of $9.1 million. In fiscal year 2006, we recorded a gain on another investment and a $1.2 million impairment of our investment in a private company.

Provision for Income Taxes

The provision for income taxes and effective tax rate for fiscal years 2007 and 2006 were as follows (in thousands):

	2007	2006
Provision for income taxes	$25,709	$28,749
Effective income tax rate	10.1%	13.7%

The provision for income taxes consists of income and withholding taxes. The decrease in effective tax rate is primarily due to changes in the geographic mix of income, the effect of implementation of SFAS 123R and the tax benefits recognized from discrete events, including the reinstatement of a research and development tax credit in the United States.

Liquidity and Capital Resources

Cash Balances, Available Borrowings, and Capital Resources

At March 31, 2008, net working capital was $723.2 million, compared with $549.1 million at March 31, 2007. The increase in working capital from March 31, 2007 was primarily due to an increase in cash flow from operations, accounts receivable and inventory balances. The reclassification of $89.7 million of unrecognized tax benefits from current income taxes payable to non-current income taxes payable as a result of the implementation of FIN 48 during the first quarter of fiscal year 2008 also contributed to the increase in working capital.

During fiscal year 2008, operating activities generated cash of $393.1 million. Proceeds from the sale of the balance of our investment in Anoto Group A.B. provided $11.3 million, and the exercise of stock options provided $50.6 million. We used $219.7 million during fiscal year 2008 to repurchase shares under our share buyback programs, $22.0 million for the acquisition of WiLife, $37.7 million for the deferred payment related to our May 2004 acquisition of Intrigue Technologies, Inc., $11.7 million to reduce short-term debt, and $57.9 million for capital expenditures, including investments for manufacturing equipment, leasehold improvements, tooling costs and computer hardware and software purchases.

Cash and cash equivalents increased $286.2 million at March 31, 2008 compared with March 31, 2007, due to increased cash flow from operations and the sale of our short-term investments. We sold a portion of our short-term investments and reinvested $130.9 million into short-term bank deposits, which are classified as cash equivalents in the Company's balance sheet.

Short-term investments totaled $3.9 million at March 31, 2008, a decrease of $210.7 million from March 31, 2007. Short-term investments decreased $130.9 million due to transfers to short-term bank deposits and $79.8 million due to the other-than-temporary declines in the estimated fair value recorded during fiscal year 2008. The auction rate securities in the Company's short-term investment portfolio, which are collateralized by commercial and residential real estate mortgage loans, declined significantly in fair value as a result of the U.S. credit market disruptions which began during the quarter ended September 30, 2007.

Management believes the other-than-temporary decline in fair value of our short-term investments does not have a material impact on the Company's liquidity. During the third quarter of fiscal year 2008, we received $84.3 million for the sale at par of 50% of each of the auction rate securities held at September 30, 2007, pursuant to a confidential settlement agreement. The par value sale price was not necessarily indicative of current fair market value at the date of sale for the securities. In addition, the Company sold all of its remaining short-term investments collateralized by corporate debt and received $28.3 million during the quarter ended December 31, 2007.

The Company has credit lines with several European and Asian banks totaling $131.9 million as of March 31, 2008. 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. At March 31, 2008, the Company had no outstanding borrowings under these lines of credit. There are no financial covenants under these facilities.

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. The Company's normal short-term liquidity and long-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 its credit facilities.

Based upon our available cash balances and credit lines, and the trend of our historical cash flow generation, we believe we have sufficient liquidity and are not dependent upon selling the remaining short-term investments in order to fund operations for the foreseeable future.

Cash Flow from Operating Activities

The following table presents selected financial information and statistics for fiscal years 2008, 2007 and 2006 (dollars in thousands):

	2008	2007	2006
Accounts receivable, net	$ 373,619	$ 310,377	$ 289,849
Inventories	$ 245,737	$ 217,964	$ 196,864
Working capital	$ 723,221	$ 549,125	$ 407,923
Days sales in accounts receivable (DSO)[1]	56 days	54 days	56 days
Inventory turnover (ITO)[2]	6.3x	6.2x	6.4x
Net cash provided by operating activities	$ 393,079	$ 303,825	$ 152,217

(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 2008, the Company's operating activities generated net cash of $393.1 million compared with $303.8 million in the prior year. The increase was primarily due to improved working capital efficiency and operating profit. DSO for fiscal year 2008 increased by 2 days compared with fiscal year 2007. Our accounts receivable increased at a faster rate than our net sales, which contributed to the increase in DSO. Typical payment terms require customers to pay for product sales generally within 30 to 60 days; however, terms may vary by customer type, by country and by selling season. Extended payment terms are sometimes offered to a limited number of customers during the second and third fiscal quarters. The Company does not modify payment terms on existing receivables, but may offer discounts for early payment.

During fiscal year 2007, the Company's operating activities generated net cash of $303.8 million compared with $152.2 million in the prior year. Higher accounts receivable and inventory balances reflected increased sales levels, but were more than offset by increased accounts payable and accrued liabilities balances. Accounts receivable increased 7% in fiscal year 2007 compared with the 15% increase in net sales. Due to higher collections of accounts receivable, DSO improved by 2 days as of March 31, 2007 compared with 2006. The higher levels of accounts payable and accrued liabilities reflected more effective working capital management.

Cash Flow from Investing Activities

Cash flows from investing activities during fiscal years 2008, 2007 and 2006 were as follows (in thousands):

	2008	2007	2006
Purchases of property, plant and equipment	$ (57,900)	$ (47,246)	$(54,102)
Purchases of short-term investments	(379,793)	(416,475)	—
Sales of short-term investments	538,479	201,850	—
Sale of investment	13,308	12,874	—
Acquisitions, net of cash acquired	(59,722)	(20,524)	860
Premiums paid on cash surrender value life insurance policies	(1,151)	(537)	(1,464)
Net cash provided by (used in) investing activities	$ 53,221	$ (270,058)	$(54,706)

Our purchases of plant and equipment during fiscal year 2008 were principally for machinery and equipment for two new production and manufacturing facilities, including a new surface mount technology factory in China, leasehold improvements for a new office facility in Switzerland, computer hardware and software purchases, and normal expenditures for tooling. The Company's purchases of property, plant and equipment in fiscal year 2007 were primarily normal expenditures for tooling costs, machinery and equipment, and computer hardware and software. During fiscal year 2006, purchases of plant and equipment included costs for construction of a new factory in Suzhou, China.

During the third quarter of fiscal year 2008, we sold 50% of all of our short-term investments as part of a confidential settlement agreement and received $84.3 million in cash. In addition, we sold our remaining short-term investments collateralized by corporate debt for $28.3 million, at a realized loss of $6.0 million. We also reinvested $130.9 million into short-term bank deposits, which are classified as cash equivalents in the Company's balance sheet.

We received $11.3 million during fiscal year 2008 from the sale in March 2007 of the balance of our investment in Anoto. We also received $2.0 million from the sale of our ioPen retail product line. In April 2006, we sold 42% of our Anoto stock for $12.9 million.

In fiscal year 2008, the Company acquired WiLlife, Inc. for $22.0 million, net of cash acquired of $0.1 million and including $0.7 million in transaction costs. We also paid a deferred payment of $37.7 million to the former shareholders of Intrigue Technologies, Inc., which we acquired in May 2004. In fiscal year 2007, we acquired Slim Devices Inc. for $20.4 million, net of $0.2 million cash acquired and including $0.6 million in transaction costs.

Cash Flow from Financing Activities

The following tables present information on our cash flows from financing activities, including information on our share repurchases during fiscal years 2008, 2007 and 2006 (in thousands except per share amounts):

	2008	2007	2006
Borrowings (repayments) of short-term debt	$ (11,739)	$ (2,181)	$ 5,192
Purchases of treasury shares	(219,742)	(138,095)	(241,352)
Proceeds from sale of shares upon exercise of options and purchase rights	50,603	44,706	49,206
Excess tax benefits from share-based compensation	15,231	13,076	—
Net cash used in financing activities	$(165,647)	$ (82,494)	$(186,954)

	2008	2007	2006
Number of shares repurchased	7,784	5,610	12,276
Value of shares repurchased	$ 219,742	$ 138,095	$ 241,352
Average price per share	$ 28.23	$ 24.62	$ 19.66

During fiscal year 2008, we repaid in full our short-term debt borrowings of $11.7 million. We also repurchased 7.8 million shares for $219.7 million under the buyback programs announced in May 2006 and June 2007. The buyback programs announced in May 2006 and June 2007 each authorized the purchase of up to $250.0 million in Logitech shares. The sale of shares upon exercise of options pursuant to the Company's stock plans realized $50.6 million during fiscal year 2008. In addition, cash of $15.2 million was provided by tax benefits recognized on the exercise of share-based payment awards.

During fiscal year 2007, we used $138.1 million for share repurchases of 5.6 million shares pursuant to the Company's buyback programs announced in June 2005 and May 2006. The buyback program announced in June 2005 authorized the purchase of up to CHF 300.0 million (approximately $235.0 million based on exchange rates at the date of announcement) in Logitech shares. Cash flow from financing activities included $44.7 million in proceeds from the sale of 5.2 million shares under the Company's employee option and share purchase plans, and $13.1 million related to tax benefits recognized on the exercise of share-based payment awards. Short-term debt was reduced by $2.2 million.

Cash used in financing activities during fiscal year 2006 included share repurchases of 12.3 million shares, totaling $241.4 million pursuant to the Company's buyback programs announced in April 2004 and June 2005. Proceeds also included $49.2 million from the sale of 7.1 million shares under the Company's employee option and share purchase plans and $5.2 million from short-term borrowing in Japanese yen, to benefit from low interest rates and to offset exposures in yen-denominated assets. During fiscal year 2006, all of the Company's convertible bonds were converted into a total of 10,897,386 Logitech registered shares through delivery of treasury shares which had no cash impact on financing activities.

Cash Outlook

We have financed our operations and capital requirements primarily through cash flow from operations and, to a lesser extent, capital markets and bank borrowings. Our working capital requirements and capital expenditures may increase to support future expansion of Logitech operations. Future acquisitions or expansion of our operations may be significant and may require the use of cash.

In June 2007, we announced the approval by the board of directors of a new share buyback program authorizing the repurchase of up to $250 million of our shares. The approved amount remaining under the June 2007 program at March 31, 2008 was $204.7 million. We plan to continue repurchasing shares under this program.

In December 2006, we acquired Slim Devices, Inc., a privately held company specializing in network-based audio systems for digital music. The purchase agreement provides for a possible performance-based payment, payable in the first calendar quarter of 2010. The performance-based payment is based on net revenues from the sale of products and services in calendar year 2009 derived from Slim Devices' technology. The maximum performance-based payment is $89.5 million, and no payment is due if the applicable net revenues total $40 million or less. The total performance-based payment, if any, will be recorded in goodwill and will not be known until the end of calendar year 2009.

In November 2007, we acquired WiLife, Inc., a privately held company that manufactures PC-based video cameras for self-monitoring a home or a small business. The purchase agreement provides for a possible performance-based payment, payable in the first calendar quarter of 2011. The performance-based payment is based on net revenues attributed to WiLife during calendar year 2010. No payment is due if the applicable net revenues total $40.0 million or less. The maximum performance-based payment is $64.0 million. The total performance-based payment amount, if any, will be recorded in goodwill and will not be known until the end of calendar year 2010.

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

We believe that our cash and cash equivalents, cash flow generated from operations, and available borrowings under our bank lines of credit will be sufficient to fund capital expenditures and working capital needs for the foreseeable future.

Contractual Obligations and Commitments

As of March 31, 2008, the Company's outstanding contractual obligations and commitments included: (i) equipment financed under capital leases, (ii) facilities leased under operating lease commitments, (iii) purchase commitments and obligations and (iv) long-term liabilities for income taxes payable. The following summarizes our contractual obligations and commitments at March 31, 2008 (in thousands):

		Payments Due by Period[1]			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases	$ 57,543	$ 13,013	$18,628	$14,206	$11,696
Purchase commitments - inventory	144,064	144,064	—	—	—
Purchase obligations - capital expenditures	13,560	13,560	—	—	—
Purchase obligations - operating expenses	33,588	33,588	—	—	—
Other long-term liabilities[2]	123,382	—	—	—	—
Total contractual obligations and commitments	$372,137	$204,225	$18,628	$14,206	$11,696

(1) The table above does not include the performance based payments that we may have to make as part of our acquisition agreements described above.

(2) Other long-term liabilities at March 31, 2008 included $14.8 million for deferred compensation, $95.0 million related to our FIN 48 income tax liability, $12.3 million in pension liability related to our defined benefit pension plans and $1.2 million related to various other obligations. As the 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.

Operating Leases

The remaining terms on our non-cancelable operating leases expire in various years through 2023. Our asset retirement obligations on these leases as of March 31, 2008 were not material.

Purchase Commitments

We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations. At March 31, 2008, fixed purchase commitments for capital expenditures amounted to $13.6 million, and primarily related to commitments for manufacturing equipment, tooling, computer software and computer hardware. We also have commitments for inventory purchases made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers. At March 31, 2008, fixed purchase commitments for inventory amounted to $144.1 million, which are expected to be fulfilled by December 31, 2008. We also had other commitments of $33.6 million for consulting, marketing arrangements, advertising and other services. Although open purchase commitments are considered enforceable and legally binding, the terms generally allow us the option to reschedule and adjust our requirements based on business needs prior to the delivery of the purchases.

Income Taxes Payable

At March 31, 2008, we had $95.0 million in non-current income taxes payable, including interest and penalties, related to our FIN 48 income tax liability. At this time, we cannot make a reasonably reliable estimate of the period in which a cash settlement will be made with the tax authorities.

Off-Balance Sheet Arrangements

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

Guarantees

The Company has guaranteed the purchase obligations of some of its contract manufacturers and original design manufacturers to certain component suppliers. These guarantees generally have a term of one year and are automatically extended for one or more years as long as a liability exists. The amount of the purchase obligations of these manufacturers varies over time, and therefore the amounts subject to the Company's guarantees similarly varies. At March 31, 2008, the amount of outstanding guaranteed purchase obligations was approximately $1.8 million. The maximum potential future payments under one of the two guarantee arrangements is limited to $2.8 million in total. The other guarantee is limited to purchases of specified components from the named supplier. Logitech International S.A., the parent holding company, has guaranteed certain contingent liabilities of various subsidiaries related to specific transactions occurring in the normal course of business. The maximum amount of the guarantees was $2.3 million as of March 31, 2008. As of March 31, 2008, no amounts were outstanding under these guarantees. We do not believe, based on historical experience and information available as of the date of this annual report, that it is probable that any amounts will be required to be paid under any of the Company's guarantee arrangements.

Indemnifications

The Company indemnifies certain of its suppliers and customers for losses arising from matters such as intellectual property rights and safety defects, subject to certain restrictions. The scope of these indemnities varies and may include indemnification for damages and expenses, including reasonable attorneys' fees. No amounts have been accrued for indemnification provisions as of March 31, 2008. We do not believe, based on historical experience and information available as of the date of this annual report, that it is probable that any amounts will be required to be paid under these indemnification arrangements.

ADDITIONAL FINANCIAL DISCLOSURES

MARKETING, SALES AND DISTRIBUTION

Principal Markets

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

	Year ended March 31,		
	2008	2007	2006
Europe	$ 1,117,060	$ 1,027,852	$ 887,736
North America	888,529	729,207	617,942
Asia Pacific	364,907	309,510	291,037
Total net sales	$ 2,370,496	$ 2,066,569	$ 1,796,715

Revenues from sales to customers in Switzerland, our home domicile, represented a small portion of our total consolidated net sales in fiscal year 2008 and no single country other than the United States represented more than 10% of our total consolidated net sales. In fiscal years 2008 and 2007, Ingram Micro Inc. accounted for 14% of our net sales. In fiscal year 2006, Ingram Micro Inc. and Tech Data Corporation accounted for 14% and 11% of our net sales. No other customers individually accounted for more than 10% of our net sales during fiscal years 2008, 2007 and 2006.

Marketing

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

Sales and Distribution

Logitech sells through many distribution channels, including distributors, OEMs and regional and national retail chains, including online retailers. We support these retail channels with third-party distribution centers located in North America, Europe and Asia Pacific. These centers perform final configuration of products and product localization with local language manuals, packaging, software CDs and power plugs. In addition, Logitech's distribution mix includes e-commerce in the U.S. as well as e-commerce capabilities in several European countries.

In retail channels, Logitech's direct sales force sells to distributors and large retailers. Our distributor customers typically resell products to retailers, value-added resellers, and systems integrators with whom Logitech does not have a direct relationship. These distributors in the U.S. include D&H Distributing, Ingram Micro Inc. and Tech Data Corporation. In Europe, pan-European distributors include Tech Data Corporation, Ingram Micro and Gem Distribution. We also sell to many regional distributors such as Actebis in Germany, MC Dos in the Netherlands, Vinzeo in Spain and Channel Distribution in the United Arab Emirates.

Logitech's products can be found in major retail chains, where they typically have access to significant shelf space. These chains in the U.S. include Best Buy, Circuit City, Office Depot, Staples, Target and Wal-Mart, and in Europe include MediaMarkt/Saturn, Carrefour, KESA Group, FNAC, Dixons Stores Group PLC and most key national consumer electronics chains. Logitech products can also be found at the top online e-tailers, which include Amazon.com, Buy.com, CDW, Insight, 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.

Through our operating subsidiaries, we maintain sales offices or sales representatives in 37 countries.

MARKET FOR LOGITECH'S SHARES, RELATED SHAREHOLDER MATTERS, AND SHARE REPURCHASES

Logitech's shares are listed on both the SWX Swiss Exchange, where the share price is denominated in Swiss francs, and on the Nasdaq Global Select Market, where the share price is denominated in U.S. dollars. Prior to October 2006, Logitech's American Depositary Shares ("ADSs") traded on the Nasdaq Global Select Market, with each ADS representing one registered share. In October 2006, we exchanged Logitech shares for our ADSs on a one-for-one basis, so that the same Logitech shares trade on the Nasdaq Global Select Market as on the SWX Swiss Exchange.

The trading symbol for Logitech shares is LOGI on Nasdaq and LOGN on the SWX. As of June 30 2008, there were 191,606,620 shares issued (including 12,919,314 shares held as treasury stock) held by 14,438 holders of record, and the closing price of our shares was CHF 27.50 per share on the SWX Swiss Exchange and $26.80 per share as reported by the Nasdaq Stock Market.

SWX Swiss Exchange

The following table sets forth certain historical share price information for the Company's shares traded on the SWX Swiss Exchange. The U.S. dollar equivalent is based on the noon buying rate on the trading day of the month in which the high or low closing sales price occurred. The noon buying rate is the rate in New York City for cable transfers in selected currencies as certified for customs purposes by the Federal Reserve Bank of New York. Share prices have been adjusted to reflect a two-for-one share split in July 2006.

	Price per Registered Share on the SWX Swiss Exchange			
	High	Low	High	Low
	CHF	CHF	$	$
Quarterly Highs and Lows:				
Fiscal 2007:				
First quarter	27.10	22.50	21.25	18.67
Second quarter	27.75	21.15	22.29	16.88
Third quarter	36.85	26.30	30.83	21.12
Fourth quarter	37.50	30.55	30.04	25.17
Fiscal 2008:				
First quarter	34.95	31.20	28.81	25.43
Second quarter	34.66	30.65	29.69	25.45
Third quarter	41.52	34.16	36.82	28.93
Fourth quarter	40.50	23.44	36.38	23.77

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. Share prices have been adjusted to reflect a two-for-one split in July 2006. Prior to October 2006 Logitech ADSs traded on Nasdaq, with each ADS representing one share.

	Price per share on Nasdaq	
	High	Low
	$	$
Quarterly Highs and Lows:		
Fiscal 2007:		
First quarter	22.00	18.62
Second quarter	22.51	17.17
Third quarter	30.56	21.26
Fourth quarter	29.40	25.53
Fiscal 2008:		
First quarter	28.96	25.36
Second quarter	29.55	25.76
Third quarter	37.07	29.00
Fourth quarter	36.20	23.91

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. Logitech has not paid dividends since 1996 in order to retain earnings for use in the operation and expansion of the business and, in more recent years, to repurchase its shares.

Share Repurchases

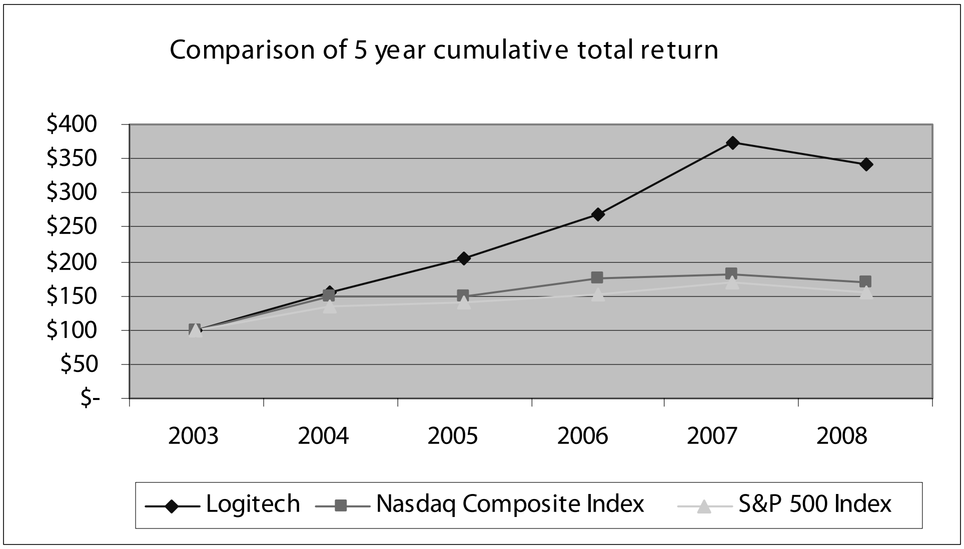
The following table sets forth certain information related to purchases made by Logitech of its equity securities (in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased as Part of Publicly Announced Programs	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 Programs
April 2007	430,000	$27.11	CHF	33.07	$161,707
May 2007	1,085,000	$26.73	CHF	32.19	132,641
June 2007	425,000	$26.42	CHF	32.43	121,387
July 2007	350,000	$28.15	CHF	34.50	111,513
August 2007	1,020,000	$26.86	CHF	32.51	83,994
September 2007	156,000	$26.54	CHF	31.89	79,828
October 2007	100,000	$34.93	CHF	40.90	76,313
November 2007	675,000	$34.75	CHF	40.42	52,713
December 2007	500,000	$34.21	CHF	37.71	35,500
January 2008	200,000	$26.87	CHF	30.37	30,092
February 2008	1,292,750	$28.10	CHF	30.84	243,556
March 2008	1,550,000	$25.69	CHF	27.86	204,616
Total	7,783,750	$28.12	CHF	32.44	

In fiscal year 2008, we repurchased shares pursuant to our buyback program announced in May 2006, authorizing the purchase of up to $250 million of our shares, and our buyback program announced in June 2007 authorizing the purchase of an additional $250 million of our shares. The June 2007 program is in effect until the 2010 Annual General Meeting, unless concluded earlier or discontinued. All share repurchases by the Company during fiscal year 2008 were made pursuant to one of the foregoing plans.

Performance Graph

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, 2003, and calculates the return quarterly through March 31, 2008. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	March 31,					
	2003	2004	2005	2006	2007	2008
Logitech	$100	$154	$ 205	$ 268	$374	$342
Nasdaq Composite Index	$100	$149	$ 149	$ 174	$181	$170
S&P 500 Index	$100	$133	$ 139	$ 153	$168	$156

SELECTED FINANCIAL DATA

The financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", above. These historical results are not necessarily indicative of the results to be expected in the future.

	Year ended March 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share amounts)				
Consolidated statements of income and cash flow data:					
Net sales	$2,370,496	$2,066,569	$1,796,715	$1,482,626	$1,268,470
Gross profit	849,118	709,525	574,110	503,587	408,922
Operating expenses:					
Marketing and selling	324,451	272,264	221,504	200,350	156,793
Research and development	124,544	108,256	87,953	73,900	61,289
General and administrative	113,443	98,143	65,742	57,663	45,286
Total operating expenses	562,438	478,663	375,199	331,913	263,368
Operating income	286,680	230,862	198,911	171,674	145,554
Net income	$ 231,026	$ 229,848	$ 181,105	$ 149,266	$ 132,153
Net income per share:					
Basic	$ 1.27	$ 1.26	$ 1.00	$ 0.84	$ 0.73
Diluted	$ 1.23	$ 1.20	$ 0.92	$ 0.77	$ 0.67
Shares used to compute net income per share:					
Basic	181,362	182,635	181,361	177,008	181,384
Diluted	187,942	190,991	198,769	198,250	200,640
Net cash provided by operating activities	$ 393,079	$ 303,825	$ 152,217	$ 213,674	$ 166,460

	March 31,				
	2008	2007	2006	2005	2004
	(In thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	$ 482,352	$ 196,197	$ 245,014	$ 341,277	$294,753
Short-term investments	$ 3,940	$ 214,625	$ —	$ —	$ —
Total assets	$1,526,932	$1,327,463	$1,057,064	$1,027,697	$873,920
Long-term debt, net of current maturities	$ —	$ —	$ 4	$ 147,788	$137,008
Shareholders' equity	$ 960,044	$ 844,524	$ 685,176	$ 526,149	$457,080

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

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

Foreign Currency Exchange Rates

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

The table below provides information about the Company’s underlying transactions that are sensitive to foreign exchange rate changes, primarily assets and liabilities denominated in currencies other than the functional currency, where the net exposure is greater than $0.5 million at March 31, 2008. The table below represents the U.S. dollar impact on earnings of a 10% appreciation and a 10% depreciation of the functional currency as compared with the transaction currency (in thousands):

Functional Currency	Transaction Currency	Net Exposed Long (Short) Currency Position	FX Gain (Loss) From 10% Appreciation of Functional Currency	FX Gain (Loss) From 10% Depreciation of Functional Currency
U.S. dollar	Chinese yuan renminbi	$ 88,959	$ (8,087)	$ 9,884
Japanese yen	U.S. dollar	(19,843)	1,804	(2,205)
Taiwanese dollar	U.S. dollar	14,226	(1,293)	1,581
Canadian dollar	U.S. dollar	(13,159)	1,196	(1,462)
Mexican peso	U.S. dollar	(7,053)	641	(784)
U.S. dollar	Swiss franc	787	(72)	87
U.S. dollar	Swedish krona	712	(65)	79
U.S. dollar	Euro	(616)	56	(68)
Euro	British pound sterling	21,587	(1,962)	2,399
Euro	Utd. Arab Emir. Dirham	1,035	(94)	115
Euro	Norwegian kroner	(909)	83	(101)
Euro	Swiss franc	503	(46)	56
		$ 86,229	$ (7,839)	$ 9,581

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

The Company’s principal manufacturing operations are located in China, with much of its component and raw material costs transacted in CNY. However, the functional currency of its Chinese operating subsidiary is the U.S. dollar as its sales and trade receivables are transacted in U.S. dollars. To hedge against any potential significant appreciation of the CNY, the Company transferred a portion of its cash investments to CNY accounts. At March 31, 2008, net assets held in CNY totaled $89.0 million. The Company continues to evaluate the level of net assets held in CNY relative to component and raw material purchases and interest rates on cash equivalents.

From time to time, the Company enters into foreign exchange forward contracts to reduce the short-term effects of foreign currency fluctuations on certain foreign currency receivables or payables and to provide against exposure to changes in foreign currency exchange rates related to subsidiaries' forecasted inventory purchases. These forward contracts generally mature within one to three months. The Company may also enter into foreign exchange swap contracts to extend the terms of its foreign exchange forward contracts. Gains or losses in fair value on forward contracts which offset translation losses or gains on foreign currency receivables or payables are recognized in earnings monthly and are included in other income (expense). Gains or losses in fair value on forward contracts related to forecasted inventory purchases are also recognized in earnings monthly and are included in cost of goods sold.

The notional amounts of foreign exchange forward contracts outstanding at March 31, 2008 were $8.4 million. The notional amounts of foreign exchange swap contracts outstanding at March 31, 2008 were $21.5 million. Unrealized net losses on the contracts at March 31, 2008 were not material.

If the U.S. dollar had appreciated by 10% compared with the hedged foreign currency, an unrealized gain of $2.0 million in our forward foreign exchange contract portfolio would have occurred. If the U.S. dollar had depreciated by 10% compared with the hedged foreign currency, a $2.4 million unrealized loss in our forward foreign exchange contract portfolio would have occurred.

Interest Rates

Changes in interest rates could impact the Company's anticipated interest income on its cash equivalents and short-term investments and interest expense on variable rate short-term debt. The Company prepared sensitivity analyses of its interest rate exposures to assess the impact of hypothetical changes in interest rates. Based on the results of these analyses, a 100 basis point decrease or increase in interest rates from the March 31, 2008 and March 31, 2007 period end rates would not have a material effect on the Company's results of operations or cash flows.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

REPORT ON CORPORATE GOVERNANCE 2008

REPORT ON CORPORATE GOVERNANCE

Logitech believes that sound corporate governance practices are essential to an open and responsible corporation. Our corporate governance practices reflect a continuing commitment to corporate accountability, sound judgment, and transparency to shareholders.

As a company whose securities are listed on both the SWX Swiss Exchange and the Nasdaq Global Select Market, our commitment to sound corporate governance principles is guided by the legal and regulatory requirements of both Switzerland and the United States. In addition, Logitech's internal guidelines regarding corporate governance are provided in our Articles of Incorporation, Organizational Regulations (Bylaws), and Board Committee Charters.

This Report has been designed to comply with the Corporate Governance Directive of the SWX Swiss Exchange. Portions of the Report are also incorporated by reference from our Invitation and Proxy statement for our 2008 Annual General Meeting, available at *http://ir.logitech.com.*

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational Group Structure

Logitech is a world leader in peripherals for personal computers and other digital platforms, developing and marketing innovative products in PC navigation, Internet communications, digital music, home-entertainment control, video security, interactive gaming and wireless devices. For the PC, our products include mice, trackballs, keyboards, gaming controllers, multimedia speakers, headsets, webcams, and 3D control devices. For digital music devices, our products include speakers and headphones. For gaming consoles, we offer a range of controllers and other accessories. In addition, we offer wireless music solutions for the home, advanced remote controls for home entertainment systems and a PC-based video security solution for a home or small business.

We generate revenues from sales of our personal peripheral products to a worldwide network of retail distributors and resellers and to original equipment manufacturers (OEMs). Our sales to our retail channels comprise the large majority of our revenues. For the fiscal year ended March 31, 2008, we generated net sales of $2.4 billion, operating income of $286.7 million, net income of $231.0 million, employed approximately 9,400 employees and conducted business in over 100 countries.

Logitech was founded in Switzerland in 1981, and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland, which conducts its business through subsidiaries in North America, Europe and Asia Pacific. Shares of Logitech International S.A. are listed on both the Nasdaq Global Select Market (Ticker: LOGI, CUSIP H50430232), and the SWX Swiss Exchange (Ticker: LOGN; security number: 257513). The International Securities Identification Number (ISIN) of our shares is CH0025751329. As of March 31, 2008, our market capitalization, based on outstanding shares of 179,175,527, net of treasury shares, amounted to $4.6 billion (CHF 4.5 billion). Refer to section 1.2 below for information on Logitech International S.A.'s holdings in its shares as of March 31, 2008.

References in this Report on Corporate Governance to the "Company" refers to Logitech International S.A. References to "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Logitech operates in a single industry segment encompassing the design, manufacturing and marketing of personal peripherals for personal computers and other digital platforms. We have six product-line business units — Control Devices, Internet Communications, Gaming, Audio, Remotes and Streaming Media Systems — which are responsible for product strategy, industrial design and development, and technological innovation. Logitech's global marketing and sales organization helps the business units define product opportunities and bring our products to market, and is responsible for building the Logitech brand and consumer awareness of our products. Our retail sales and marketing activities are organized into three geographic regions: Americas (including North, Central and South America), Europe-Middle East-Africa, and Asia Pacific. Our OEM sales team is organized as a worldwide organization with representatives in each of our three regions. Our OEM customers include the majority of the world's largest PC manufacturers.

Since 1994, we have had our own manufacturing operations in Suzhou, China, which currently handle approximately half of our total production. We outsource the remaining production to contract manufacturers and original design manufacturers located in Asia. Both our in-house and outsourced manufacturing is managed by our worldwide operations group. The worldwide operations group also supports the business units and marketing and sales organizations through management of distribution centers and of the product supply chain, and the provision of technical support, customer relations and other services.

Logitech International S.A. directly or indirectly owns 100% of all the companies in the Logitech group, through which it carries on its business and operations. Principal operating subsidiaries include: Logitech Inc., Logitech Europe S.A., Logitech Asia Pacific Ltd. and Logitech Technology (Suzhou) Co., Ltd. For a list of Logitech subsidiaries, refer to the table on page CG-17. None of Logitech International S.A.'s subsidiaries have securities listed on a stock exchange as of March 31, 2008.

1.2 Significant Shareholders

Greater than 3% Shareholders as of March 31, 2008

The table below sets out, to the knowledge of the Company, beneficial owners holding more than 3% of the voting rights of the Company as of March 31, 2008. The number of voting rights of the Company as of March 31, 2008 is equal to the number of shares issued, 191,606,620 shares.

Information on the share ownership of the Company by directors, executive officers and greater than 5% shareholders as of June 30, 2008, based on the number of the Company's shares outstanding (which is equal to the shares issued less the shares held in the Company's treasury) is set out in the Company's Invitation and Proxy Statement for the 2008 Annual General Meeting, available at *http://ir.logitech.com*, under the heading "Security Ownership of Certain Beneficial Owners and Management as of June 30, 2008".

Name	Number of Shares[(2)]	% of Voting Rights[(3)]	Relevant Date
Daniel Borel[(1)]	11,000,000	5.7%	March 31, 2008
Logitech International S.A.	12,431,093	6.5%	March 31, 2008
FMR LLC[(4)]	9,006,810	4.7%	November 29, 2007
The Capital Group Companies, Inc.[(5)]	5,869,117	3.1%	January 23, 2008

(1) Mr. Borel has not entered into any written shareholders' agreements.

(2) In compliance with Article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading of March 24, 1995 ("SESTA") and Article 13 of the Ordinance of the Swiss Federal Banking Commission on Stock Exchanges and Securities Trading of June 25, 1997 ("SESTO-FBC"), conversion and acquisition rights are not taken into consideration for the calculation of the relevant shareholdings, unless such rights entitle their holders to acquire, upon exercise, at least 3% of the Company's voting rights.

(3) In compliance with Article 10 paragraph 2 of SESTO-FBC, shareholdings are calculated based on the aggregate number of voting rights entered into the Swiss commercial register. This aggregate number was 191,606,620 voting rights as of March 31, 2008.

(4) Number of shares held by FMR LLC is based on a notification received by the Company on November 29, 2007 informing the Company that the ownership of FMR LLC, on behalf of funds managed by and clients of FMR LLC and its direct and indirect subsidiaries, had exceeded 3% of the Company's voting rights.

(5) Number of shares held by The Capital Group Companies, Inc. is based on a notification received by the Company on January 23, 2008 informing the Company that the ownership of The Capital Group Companies, Inc., on behalf of funds managed by and clients of The Capital Group, had exceeded 3% of the Company's voting rights.

Under Swiss law shareholders who own voting rights exceeding certain percentage thresholds of a company incorporated in Switzerland whose shares are listed on a stock exchange in Switzerland are required to notify the company and the relevant Swiss exchange of such holdings. Following receipt of this notification, the company is required to inform the public in Switzerland.

On May 22, 2008, Thornburg Investment Management notified us that as of April 24, 2008 they held 11,922,284 shares constituting approximately 6.2% of the Company's voting rights.

Logitech has not been notified of any ownership of options or other derivative securities of the Company, whether privately or publicly traded, by any significant shareholder of the Company that is not a member of the Board of Directors or an executive officer.

1.3 Cross-shareholdings

Logitech has no shareholdings in companies that to its knowledge have shareholdings in Logitech.

2. Capital Structure

2.1 Share Capital

As of March 31, 2008, Logitech International S.A.'s nominal share capital was CHF 47,901,655, consisting of 191,606,620 shares with a par value of CHF 0.25 each.

An additional 40 million shares were authorized for issuance by the Company's shareholders. This authorization expired July 10, 2008. In addition, nominal conditional share capital designated to cover the potential issuance of shares under employee equity incentive plans amounts to CHF 15,165,465, consisting of 60,661,860 shares. Refer to section 2.2 for more information on the Company's authorized and conditional capital.

2.2 Details on the Company's Authorized and Conditional Share Capital

Authorized share capital. Under Swiss corporate law the total nominal par value of the shares authorized by shareholders for future issuance, other than to cover derivative securities, is referred to as authorized share capital. Under Swiss corporate law an authorization by shareholders for a company to increase its share capital is limited in time and expires, at the latest, two years after the authorization is recorded in the Swiss commercial register. Pursuant to Article 25 of the Company's Articles of Incorporation, the Board was authorized to increase the share capital of the Company by CHF 10,000,000 through the issuance of up to 40 million shares with a par value of CHF 0.25 each, to be fully paid-in. This authorization expired July 10, 2008. The Board of Directors is not seeking re-authorization at the 2008 Annual General Meeting.

Conditional share capital. Under Swiss corporate law the total nominal par value of the shares authorized by shareholders for future issuance on the conversion or exercise of derivative securities issued by a company is referred to as conditional share capital. Under Swiss law a company must have sufficient conditional capital or available treasury shares to cover any conversion rights under derivative securities at the time the derivative securities are issued. Pursuant to Article 26 of the Company's Articles of Incorporation, the share capital of the Company may be increased by CHF 15,165,465 through the issuance of up to 60,661,860 shares with a par value of CHF 0.25 each. The purpose of this conditional share capital is to cover option or other equity rights granted or that may be granted to employees, officers and directors of Logitech under its employee equity incentive plans. The conditional share capital increase does not have an expiration date. The shareholders do not have pre-emptive rights to subscribe to the newly issued shares issued out of conditional share capital. For more information on Logitech's employee equity incentive plans please refer to Note 12 – Employee Benefit Plans - to our Consolidated Financial Statements included in our Annual Report.

Although the Company has been authorized by its shareholders to use conditional capital to meet its obligations to deliver shares as a result of employee purchases or exercises under its employee equity incentive plans, the Company has for some years used shares held in treasury to fulfill its obligations under the plans.

At the 2008 Annual General Meeting the Board is proposing that the conditional capital to cover the possible issuance of shares under the Company's employee equity incentive plans be reduced from the current CHF 15,165,465 (representing 60,661,860 shares) to CHF 6,250,000 (representing 25,000,000 shares).

In addition, at the 2008 Annual General Meeting the Board is proposing that shareholders authorize that the Company's share capital may be increased by up to CHF 6,250,000 through the issuance of up to 25,000,000 shares with a par value of CHF 0.25 each to cover conversion rights that may be granted in connection with a future issuance of debt obligations convertible into Logitech shares.

2.3 Changes in Shareholders' Equity

As of March 31, 2008, 2007, 2006 and 2005, balances in shareholders' equity of Logitech International S.A., based on the parent company's Swiss Statutory Financial Statements, were as follows (in thousands):

	As of March 31,			
	2008	**2007**	**2006**	**2005**
Share capital	CHF 47,902	CHF 47,902	CHF 47,902	CHF 47,902
Legal reserves:				
General reserve	9,580	9,580	9,580	9,580
Reserve for treasury shares	400,710	272,844	238,707	217,873
Unappropriated retained earnings	316,586	378,300	352,032	327,892
Total shareholders' equity	CHF 774,778	CHF 708,626	CHF 648,221	CHF 603,247

In June 2007, the Company's Board of Directors approved a change in the Company's Articles of Incorporation which eliminated the conditional share capital for 10,900,000 shares with a par value of CHF 0.25 each. The purpose of this conditional share capital was to cover conversion rights granted in connection with the issuance of Logitech's convertible bonds in 2001. This conditional share capital was no longer required, as the Company satisfied its conversion obligations during fiscal year 2006 through the delivery of treasury shares rather than the issuance of shares from conditional share capital.

The following table shows authorized and conditional share capital as of the last four fiscal year ends:

	As of March 31,			
	2008	2007	2006	2005
Authorized share capital	CHF 10,000	CHF 10,000	CHF 10,000	CHF 10,000
First conditional share capital	CHF 15,165	CHF 15,165	CHF 15,165	CHF 15,165
Second conditional share capital	CHF —	CHF 2,725	CHF 2,725	CHF 2,725

For information on Logitech's shareholders' equity as of March 31, 2008 and 2007, refer to the Swiss Statutory Balance Sheets on page LISA-3 of our Annual Report.

During fiscal years 2008, 2007 and 2006, the Board of Directors authorized the following share buyback programs (in thousands):

Date of Announcement	Approved Buyback Amount	Equivalent USD Amount[(1)]	Expiration Date
June 2007	USD 250,000	$250,000	June 2010
May 2006	USD 250,000	$250,000	June 2009
June 2005	CHF 300,000	$235,000	June 2008
April 2004	CHF 250,000	$200,000	June 2006

(1) Represents the approved buyback amount in U.S. dollars, calculated based on exchange rates on the announcement dates.

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

	Amount Repurchased During Year Ended March 31,[(1)]							
	Program to Date		2008		2007		2006	
Date of Announcement	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
June 2007	1,750	$ 45,384	1,750	$ 45,384	—	$ —	—	$ —
May 2006	8,760	$ 250,968	6,034	$ 174,358	2,726	$ 76,610	—	$ —
June 2005	11,286	$ 236,098	—	$ —	2,884	$ 61,485	8,402	$ 174,613
April 2004	14,974	$ 201,264	—	$ —	—	$ —	3,874	$ 66,739
	36,770	$ 733,714	7,784	$ 219,742	5,610	$ 138,095	12,276	$ 241,352

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

For further information on Logitech's share repurchases please refer to "Additional Financial Disclosures – Market for Logitech's Shares, Related Shareholder Matters, and Share Repurchases" in our Annual Report.

2.4 Share Categories

Registered Shares. Logitech International S.A. has only one category of shares – registered shares with a par value of CHF 0.25 per share. Each of the 191,606,620 issued shares carries the same rights. There are no preferential rights. However, a shareholder must be entered in the share register of the Company to exercise voting rights and the rights deriving therefrom (such as the right to convene a general meeting of shareholders or the right to put an item on the meeting's agenda). Refer to section 6 for an outline of participation rights of the Company's shareholders.

Each share entitles its owner to dividends declared, even if the owner is not registered in the share register of the Company. Under Swiss law, a company pays dividends upon approval by its shareholders. This request for shareholder approval typically follows the recommendation of the Board. Logitech has not paid dividends since 1996, using retained earnings to invest in the growth of the Company and, in more recent years, to repurchase the Company's shares.

Unless this right is restricted in compliance with Swiss law and the Company's Articles of Incorporation, shareholders have the pre-emptive right to subscribe for newly issued shares. Refer to section 2.2 for a description of the provisions of the Company's Articles of Incorporation relating to the restriction of the shareholders' pre-emptive subscription rights.

2.5 Non-Voting Shares and Bonus Certificates

The Company has not issued non-voting shares ("bons de participation," "Partizipationsscheine"). The Company has not issued certificates or equity securities that provide financial rights in consideration for services rendered or claims waived (referred to as "bonus certificates," "bons de jouissance," or "Genussscheine").

2.6 Limitations on Transferability and Nominee Registration

The Company and its agent, The Bank of New York Mellon Corporation, as US transfer agent, maintain a share register that lists the names of the registered owners of the Company's shares. Registration in the share register occurs upon request and is not subject to any conditions. Nominee companies and trustees can be entered into the share register with voting rights. There are no restrictions on transfers of shares under the Company's Articles of Incorporation or Swiss law. However, only holders of shares that are recorded in the share register are recognized as shareholders, and a transfer of shares reflected in the share register is recognized by the Company only to the extent we are notified of the transfer.

Refer to section 6.1 for the conditions for exercise of shareholders' voting rights.

2.7 Conversion and Option Rights

Logitech does not have any outstanding bonds or other publicly traded securities with conversion rights and has not issued warrants on its shares.

Logitech has issued stock options to its employees and directors. Please refer to Logitech's Compensation Report included with its Invitation and Proxy Statement, available at *http://ir.logitech.com*, under the heading "Equity Compensation Plan Information" for details on option rights issued under our employee equity incentive plans, as well as other information regarding those plans, and to Note 12 – Employee Benefit Plans – included in our Consolidated Financial Statements.

3. The Board of Directors

The current members of the Board of Directors are set out below.

Gary F. Bengier. . . . . 53 Years Old Lead Independent Director Director since 2002 Chair, Bengier Foundation U.S. national	*Gary F. Bengier* serves as Chair of the Bengier Foundation, a private charitable foundation. He also serves on the Board of Trustees of the Santa Fe Institute, a U.S. private, non-profit, multidisciplinary research and education center and he is also on the Board of Trustees of the San Francisco Exploratorium, dedicated to science education of children. Previously, Mr. Bengier served as Senior Vice President, Strategic Planning and Development of eBay Inc., from January 2001 until November 2001, and prior to that, as eBay's Chief Financial Officer from November 1997 to January 2001. From February 1997 to October 1997, Mr. Bengier was Vice President and Chief Financial Officer of Vxtreme, Inc., a U.S. developer of internet video streaming products. Prior to that time, Mr. Bengier was Corporate Controller at Compass Design Automation, a U.S. publisher of electronic circuit design software, from February 1993 to February 1997. Mr.Bengier has also held senior financial positions at Kenetech Corp., a U.S. energy services company, Qume Corp., a U.S. computer peripheral company, and Bio-Rad Laboratories, a U.S. life sciences company. He also spent several years as a management consultant for Touche Ross & Co., a U.S. consulting firm. Mr. Bengier holds a BBA degree in Computer Science and Operations Research from Kent State University and an MBA degree from Harvard Business School.
Daniel Borel. . . . . 58 Years Old Director since 1988 Co-Founder and former CEO and Chairman, Logitech International S.A. Swiss national	*Daniel Borel* is a Logitech founder and served from May 1988 until January 1, 2008 as the Chairman of the Board. From July 1992 to February 1998, he also served as Chief Executive Officer. He has held various other executive positions with Logitech. Mr. Borel holds an MS degree in Computer Science from Stanford University and a BE degree in Physics from the Ecole Polytechnique Fédérale, Lausanne, Switzerland. He serves on the Board of Nestlé S.A. In addition, he serves on the Board of Fondation Defitech, a Swiss foundation which contributes to research and development projects aimed at assisting the disabled, and is also Chairman of the Board of SwissUp, a Swiss educational foundation promoting higher learning.
Matthew Bousquette. . . . . 49 Years Old Director since 2005 Chairman, Enesco LLC U.S. national	*Matthew Bousquette* has been a member of the Board of Directors since June 2005. He is currently the Chairman of the Board of Enesco LLC, a U.S.-based producer of giftware, and home and garden décor products. He is the former president of the Mattel Brands business unit of Mattel, Inc. Mr. Bousquette joined Mattel as senior vice president of marketing in December 1993, and was promoted to successively more senior positions at Mattel, including general manager of Boys Toys in July 1995, executive vice president of Boys Toys in May 1998, president of Boys/Entertainment in March 1999, and president of Mattel Brands from February 2003 to October 2005. Mr. Bousquette's previous experience included various positions at Lewis Galoob Toys, Teleflora and Procter & Gamble. Mr. Bousquette earned a BBA degree from the University of Michigan.

Erh-Hsun Chang . . . .
59 Years Old
Director since 2006
Former Senior Vice President, Worldwide Operations and General Manager, Far East, Logitech
Taiwan national

Erh-Hsun Chang has been a member of the Board of Directors since June 2006. Until April 2006 Mr. Chang was the Company's Senior Vice President, Worldwide Operations and General Manager, Far East. Mr. Chang first joined Logitech in 1986 to establish its operations in Taiwan. After leaving the Company in 1988, he returned in 1995 as Vice President, General Manager, Far Eastern Area and Worldwide Operations. In April 1997, Mr. Chang was named Senior Vice President, General Manager, Far Eastern Area and Worldwide Operations. Mr. Chang's other business experience includes tenure as Vice President, Manufacturing Consulting at KPMG Peat Marwick, a global professional services firm, between 1991 and 1995, and as Vice President, Sales and Marketing, Power Supply Division, of Taiwan Liton Electronics Ltd., a Taiwanese electronics company, in 1995. Mr. Chang holds a BS degree in Civil Engineering from Chung Yuang University, Taiwan, an MBA degree in Operations Management from the University of Dallas, and an MS degree in Industrial Engineering from Texas A&M University. Mr. Chang is also Vice Chairman of the Company's subsidiary in Taiwan.

Kee-Lock Chua . . . .
47 Years Old
Director since 2000
Executive Director, Biosensors International Group, Ltd.
Singapore national

Kee-Lock Chua has been a member of the Board of Directors since June 2000. He is an Executive Director of Biosensors International Group, Ltd., a developer and manufacturer of medical devices used in interventional cardiology and critical care procedures. Previously, from 2003 to 2006, Mr. Chua was a managing director of Walden International, a U.S.-headquartered venture capital firm. From 2001 to 2003, Mr. Chua served as deputy president of NatSteel Ltd., a Singaporean industrial products company active in Asia Pacific. From 2000 until 2001, Mr. Chua was the president and chief executive officer of Intraco Ltd., a Singapore-listed trading and distribution company. Prior to joining Intraco, Mr. Chua was the president of MediaRing.com Ltd., a Singapore-listed company providing voice-over-Internet services. Mr. Chua holds a BS degree in Mechanical Engineering from the University of Wisconsin, and an MS degree in Engineering from Stanford University. He also serves on the Board of Biosensors, Yongmao and BRC Asia Limited, all publicly traded companies in Singapore.

Sally Davis . . . .
54 Years Old
Director since 2007
CEO, BT Wholesale
British national

Sally Davis has been a member of the Board of Directors since June 2007. Ms. Davis became the chief executive of BT Wholesale in September 2007. Previously, she was the Chief Portfolio Officer of British Telecom from 2005 to 2007. She had previously held senior executive roles within BT since joining the company in 1999, including President, Global Products, Global Services from 2002 to 2005, President, BT Ignite Applications Hosting from 2001 to 2002 and Director, Group Internet and Multimedia from 1999 to 2001. Before joining BT, Ms. Davis held leading roles in several major communications companies, including Bell Atlantic in the United States and Mercury Communications in the United Kingdom. Ms. Davis is a member of the Board of Directors of the Henderson Smaller Companies Investment Trust plc, a U.K. managed investment trust. She holds a BA degree from University College, London.

Guerrino De Luca . . . .
55 Years Old
Director since 1998
Chairman of the Board of Directors
of Logitech International S.A.
Italian national

Guerrino De Luca became Chairman of the Logitech Board of Directors in January 2008. He served from February 1998 to January 1, 2008 as Logitech's President and Chief Executive Officer, and has been a director since June 1998. Prior to joining Logitech, Mr. De Luca served as Executive Vice President of Worldwide Marketing for Apple, Inc. from February 1997 to September 1997, and as President of Claris Corporation, a U.S. personal computing software vendor, from May 1994 to February 1997. Prior to joining Claris, Mr. De Luca held various positions with Apple in the United States and in Europe. Mr. De Luca holds a BS degree in Electronic Engineering from the University of Rome, Italy.

Robert Malcolm . . . .
56 Years Old
Director since 2007
President, Global Marketing, Sales
and Innovation, Diageo plc
U.S. national

Robert Malcolm has been a member of the Board of Directors since June 2007. He is the President, Global Marketing, Sales and Innovation at Diageo plc, the global premium drinks company. He joined Diageo in 1999 and his previous appointments at the company include Global Marketing Director and Global Scotch Whiskey Director at UDV, a Diageo company. He was appointed to his current position in 2000. Previous to his employment at Diageo, Mr. Malcolm held various posts at The Procter & Gamble Company from 1975 through 1999 including Vice President, General Manager Beverages, Europe, Middle East and Africa; Vice President, General Manager Arabian Peninsula, and Vice President, General Manager, Personal Cleaning Products USA. He serves on the Board of Directors of the Ad Council, a private, non-profit organization that is the leading producer of public service advertisements in the United States. He holds a BS degree and an MBA degree in Business from the University of Southern California.

Monika Ribar . . . .
48 Years Old
Director since 2004
President and CEO, Panalpina Group
Swiss national

Monika Ribar has been a member of the Board of Directors since June 2004. Since October 2006 Ms. Ribar has served as the President and Chief Executive Officer of the Panalpina Group, a Swiss freight forwarding and logistics services provider. She has been a member of Panalpina's Executive Board since February 2000, and served as Panalpina's Chief Financial Officer from June 2005 to October 2006, and as its Chief Information Officer from February 2000 to June 2005. From June 1995 to February 2000, she served as Panalpina's Corporate Controller, and from 1991 to 1995 served in project management positions at Panalpina. Prior to joining Panalpina, Ms. Ribar worked at Fides Group (now KPMG Switzerland), a professional services firm, serving as Head of Strategic Planning, and was employed by the BASF Group, a German chemical products company. Ms. Ribar holds a Masters degree in Economics and Business Administration from the University of St. Gallen, Switzerland. Ms. Ribar also serves as a Director of Julius Baer Holding A.G.

For further information regarding the Board of Directors, Board Committees, and the allocation of responsibility between the Board of Directors and executive officers, please see our Invitation and Proxy Statement for the 2008 Annual General Meeting, available at *http:ir.logitech.com*, under the heading "Corporate Governance and Board of Directors Matters".

4. Senior Management

4.1 Members of Senior Management

The members of our senior management, referred to by Logitech as our "executive officers", are set out below.

Guerrino De Luca . . . . 55 Years Old Director since 1998 Chairman of the Board of Directors of Logitech International S.A. Italian national	See biography above.
Gerald P. Quindlen . . . . 49 Years Old President and Chief Executive Officer U.S. national	*Gerald P. Quindlen* became the President and Chief Executive Officer of Logitech in January 2008. Mr. Quindlen joined Logitech as Senior Vice President, Worldwide Sales and Marketing in October 2005. From August 1987 to September 2004, Mr. Quindlen worked for Eastman Kodak Company where he was most recently Vice President of Global Sales and Operations for the Consumer and Professional Imaging Division and previously held senior sales or marketing management positions in the United States, Japan and Asia Pacific. Prior to his 17 year tenure at Eastman Kodak, he worked for Mobil Oil Corporation in engineering. Mr. Quindlen holds a BS degree in chemical engineering from Villanova University in Pennsylvania, and an MBA degree in Finance from the University of Pennsylvania's Wharton School in Philadelphia.
Mark J. Hawkins . . . . 49 Years Old Senior Vice President, Finance and Information Technology, and Chief Financial Officer U.S. national	*Mark J. Hawkins* joined Logitech as Senior Vice President, Finance and Information Technology, and Chief Financial Officer, in April 2006. Previously he was with Dell Corporation for six years, most recently serving as Vice President of Finance for worldwide procurement and logistics and the Dell Operating Council. Prior to joining Dell, Mr. Hawkins was employed by Hewlett-Packard Company for eighteen years in finance and business-management roles in the United States and abroad. Among other assignments, he was involved in supporting the spin-off of Agilent Technologies, formed from Hewlett-Packard's former semiconductor and instrument business. He also served on the board of directors for the HP Analytical Joint Ventures in Tokyo and Shanghai. Mr. Hawkins holds a BA degree in Operations Management from Michigan State University, and an MBA degree in Finance from the University of Colorado. He has also completed the Advanced Management Program at Harvard Business School.

David Henry . . . . 51 Years Old Senior Vice President, Customer Experience and Chief Marketing Officer U.S. national	*David Henry* joined Logitech as Senior Vice President, Control Devices Business Unit, in August 2001 and was named Senior Vice President, Customer Experience and Chief Marketing Officer in March 2007. From January 2000 to June 2001, Mr. Henry served as Vice President of Business Development and Product Management of Xigo Inc., a U.S. on-line intelligence software company. From November 1997 to January 2000, Mr. Henry held various positions with Iomega, a U.S. portable storage company. His last position with Iomega was Vice President and General Manager of Magnetic Products. Mr. Henry holds a BS degree in Mechanical Engineering from Union College of New York.
Junien Labrousse . . . . 50 Years Old Executive Vice President, Products French national	*Junien Labrousse* joined Logitech as Vice President of the Video Division in 1997. He was named Senior Vice President, Video Business Unit in April 2001, Senior Vice President, Entertainment and Communications in July 2005 and Executive Vice President, Products in March 2007. Prior to joining Logitech, he was Vice President of Engineering from 1995 to 1997 at Winnov LP, a U.S. company engaged in the development and marketing of multimedia products. For more than 10 years he held several engineering and management positions at Royal Philips Electronics NV, a global electronics company, in research and in the semiconductor business division. Mr. Labrousse holds an MS degree in Electrical Engineering from the Ecole Superieure d'Ingenieurs de Marseille, France and an MBA degree from Santa Clara University in California.
L. Joseph Sullivan. . . . . 55 Years Old Senior Vice President, Worldwide Operations U.S. national	*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.

4.2 Involvements outside Logitech of the Executive Officers

No Logitech executive officer currently has supervisory, management, or material advisory functions outside Logitech. None of the Company's executive officers hold any official functions or political posts.

4.3 Management Contracts

Logitech has not entered into any contractual relationships regarding the management of the Company or its subsidiaries.

5. Compensation, Shareholdings and Loans

Please refer to Logitech's Compensation Report in our Invitation and Proxy Statement for our 2008 Annual General Meeting, available at *http://ir.logitech.com*, for information on Logitech's compensation of its Board members and executive officers, and regarding how and why we make compensation decisions.

In addition, for information required to be disclosed under Swiss law regarding compensation during fiscal year 2008 of the individual members of the Board and of the executive officers, in aggregate, and regarding the security ownership of members of the Board of Directors and of Logitech executive officers as of March 31, 2008, among other disclosures, please refer to Note 18 – Other Disclosures Required by Swiss Law – included in the Consolidated Financial Statements included in our Annual Report.

6. Shareholders' Participation Rights

6.1 Exercise and Limitations to Shareholders' Voting Rights

Each registered share confers the right to one vote at a general meeting of shareholders. There are no limitations to the number of voting rights that a shareholder or group of shareholders is entitled to exercise, and there are no preferential voting rights. To exercise voting rights at a general meeting of shareholders, a shareholder must have registered their shares by the date set by the Board of Directors for the closing of the share register before each general meeting of shareholders. Refer to section 2.6 for more information on the registration process.

Any shareholder may be represented at a meeting by a person of its choice who need not be a shareholder of the Company. The power of attorney must be made in writing. The use of a form prepared by the Company may be required.

There are currently no limitations under Swiss law or in the Company's Articles of Incorporation restricting the rights of shareholders outside Switzerland to hold or vote Logitech shares.

6.2 Shareholders' Resolutions for which a Particular Majority is Required

In general, the resolutions of the general meeting of shareholders are passed with a simple majority of the votes cast. However, a number of resolutions may only be passed with a majority of two-thirds of the votes represented, including the following.

- change in the Company's corporate purpose;
- creation of shares with privileged voting rights;
- restriction of the transferability of the shares;
- creation of authorized or conditional capital;
- capital increases to be paid-in by means of existing reserves, against contributions in kind, or conducted with a view to the acquisition of specific assets;
- grant of special benefits;
- suppression or limitation of the shareholders' preferential subscription right;
- change of the registered office of the Company; and
- liquidation of the Company.

6.3 Convocation of the General Meeting of Shareholders

The Board of Directors generally convenes a general meeting of shareholders. The convocation notice is made in writing and under Swiss law must be sent to each registered shareholder at the address recorded in the share register at least 20 days prior to the meeting.

Under our Articles of Incorporation one or more shareholders who represent together at least 10% of the share capital of the Company may demand that the Board of Directors convene a meeting. Such demands must be made in writing and received by the Board of Directors at least 60 days before the date of the proposed meeting.

The Company has received an exemption from compliance with a Nasdaq listing standard that requires that the quorum for shareholder meetings be at least 33 ⅓% of the outstanding voting shares. Under Swiss law, public companies do not have specific quorum requirements for shareholder meetings. Accordingly, Logitech, like most other Swiss public companies, does not observe quorum requirements with respect to its shareholder meetings. In compliance with Swiss law, Logitech sends an invitation to all of its registered shareholders and publishes the notice of the meeting in the Swiss financial press. It also sends a proxy statement, or a notice of availability of the proxy statement, in either case prepared in accordance with U.S. securities laws, to all registered shareholders and all beneficial shareholders where requested by the registered shareholder or required by law. Logitech has combined the invitation required under Swiss law and the proxy statement required under U.S. law into one document, titled Invitation and Proxy Statement, for its 2008 Annual General Meeting, Also, to encourage attendance, Logitech holds its Annual General Meeting close to its operations in Switzerland.

6.4 Shareholders' Right to Place Items on the Agenda of a Meeting

Under the Company's Articles of Incorporation, one or more registered shareholders who together represent shares representing at least the lesser of (i) one percent of the Company's issued share capital or (ii) an aggregate par value of one million Swiss francs, may demand that an item be placed on the agenda of a meeting of shareholders.

A request to place an item on the meeting agenda must be in writing, describe the proposal and be received by our Board of Directors at least 60 days prior to the date of the meeting. Demands by registered shareholders to place an item on the agenda of a meeting of shareholders should be sent to: Secretary to the Board of Directors, Logitech International S.A., CH 1143 Apples, Switzerland, or c/o Logitech Inc., 6505 Kaiser Drive, Fremont, CA 94555, USA.

6.5 Registration in the Company's Share Register

Registration into the Company's share register, or the sub-register maintained by the Company's U.S. transfer agent, The Bank of New York Mellon Corporation, occurs upon request and is not subject to any condition. The Company's share register closes before a general meeting of shareholders on a date designated by the Board of Directors. Only those shareholders who are registered in the share register on the day the share register is closed have the right to vote at the meeting.

7. Mandatory Offer and Change of Control Provisions

7.1 Mandatory Offer

Under Swiss law any shareholder who acquires more than 33 ⅓% of the voting rights of a Swiss company whose shares are listed in whole or in part in Switzerland is required to make an offer to acquire all listed equity securities of the company at a minimum price. Logitech International S.A.'s Articles of

Incorporation do not remove this requirement. The Articles do not increase the participation threshold above which an offer must be made. Consequently, any person having acquired more than a third of the Company's voting rights will be required to make an offer for all outstanding shares of the Company.

7.2 Change of Control Provisions

Please refer to Logitech's Compensation Report included in its Invitation and Proxy Statement for the 2008 Annual General Meeting, available at *http://ir.logitech.com*, for information on the severance and change of control agreements in place with Logitech's executive officers, and regarding the potential payments in the event of termination of service of an executive officer or a change-in-control of Logitech.

8. Auditors

Under the Company's Articles of Incorporation, the shareholders appoint the Company's independent registered public accounting firm each year at the Annual General Meeting. Re-appointment is permitted.

The Company's group and statutory auditors are currently PricewaterhouseCoopers SA, Lausanne branch, 45, Avenue C.F. Ramuz, P.O. Box 1172, CH-1001, Lausanne, Switzerland. PwC assumed its first audit mandate for Logitech in 1988. They were reappointed as the Company's statutory and group auditors in June 2007. The responsible principal audit partner as of March 31, 2008 is Travis Randolph. For purposes of U.S. securities law reporting, PricewaterhouseCoopers LLP serves as the Company's independent registered public accounting firm, and provided an opinion to management on Logitech's consolidated financial statements filed with the SEC on Logitech's Annual Report on Form 10-K for fiscal year 2008.

Please refer to Logitech's Invitation and Proxy Statement for the 2008 Compensation Report included in its Invitation and Proxy Statement for the 2008 Annual General Meeting, available at *http://ir.logitech.com*, under the heading "Independent Public Accountants" and "Report of the Audit Committee" for further information regarding the audit and non-audit fees paid by Logitech to PricewaterhouseCoopers during fiscal year 2008, pre-approval policies for non-audit work by PricewaterhouseCoopers, and the supervisory and control instruments of the Board of Directors, including the Audit Committee of the Board, over the work and activities of PricewaterhouseCoopers.

9. Information Policy

The Company reports its financial results quarterly with an earnings press release. Quarterly financial results are scheduled to be released as follows:

Q2FY09 Earnings Release and Conference Call	October 21, 2008
Q3FY09 Earnings Release and Conference Call	January 20, 2009
Q4FY09 Earnings Release and Conference Call	April 21, 2009

The Company's 2008 Annual General Meeting is to be held September 10, 2008 at Palais de Beaulieu in Lausanne, Switzerland.

All registered shareholders and all shareholders in the United States that hold their shares through a U.S. bank or brokerage or other nominee receive a copy of the Logitech Annual Report and Invitation and Proxy Statement, or a notice that such documents are available. The Annual Report contains an overview of Logitech's business in the fiscal year, audited financial statements for the group and the Company, the Report on Corporate Governance and other key financial and business information. The Invitation and

Proxy Statement includes a description of the matters to be acted upon at the Annual General Meeting of shareholders, a Compensation Report on executive officer and Board member compensation, and other disclosures required under applicable Swiss and U.S. laws.

Logitech holds public conference calls after our quarterly earnings releases to discuss the results and present an opportunity for institutional analysts to ask questions of the Chief Executive Officer and Chief Financial Officer. Logitech also holds twice-annual analyst days where senior management present reviews of Logitech's business. These events are webcast and remain available on Logitech's Investor Relations website for a period of time after the events. Logitech senior management also regularly participates in institutional investor seminars and roadshows, many of which are also webcast.

Our Investor Relations Web site is located at *http://ir.logitech.com*. We post and maintain an archive of our earnings and other press releases, current reports, annual and quarterly reports, earnings release schedule, information regarding annual general meetings, further information on corporate governance, and other information regarding the Company on the Investor Relations Web site. The information we post includes, and in the future will include, filings we make with the U.S. Securities and Exchange Commission ("SEC"), including reports on Forms 20-F, 6-K, 8-K, 10-K, 10-Q, our proxy statement related to our annual shareholders' meeting, including our Compensation Report on executive officer and Board member compensation, and any amendments to those reports or statements filed or furnished pursuant to U.S. securities laws. All such filings and information are available free of charge on the web site, and we make them available on the web site as soon as reasonably possible after we file or furnish them with the SEC. The contents of these web sites are not intended to be incorporated by reference into this report or in any other report or document we file and our references to these Web sites are intended to be inactive textual references only.

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

As a Swiss company traded on the SWX 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 SEC on Forms 3, 4 and 5 may be accessed on our website or on the SEC's website at *http://www.sec.gov*, and the reports that we file that are published by the SWX Swiss Exchange may be accessed at *http://www.swx.com/admission/being_public/mtrans/publication_en. html*.

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

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

LOGITECH INTERNATIONAL S.A.
Consolidated Subsidiaries
[OPEN]

Name of Subsidiary	Jurisdiction of Incorporation	Group Holding %	Share Capital	
EUROPE				
3Dconnexion GmbH	Federal Republic of Germany	100	EUR	27,727
3Dconnexion Holding S.A.	Switzerland	100	CHF	100,000
3Dconnexion Polska Sp z.o.o.	Poland	100	PLZ	50,000
Labtec Europe S.A.	Switzerland	100	CHF	150,000
Logi Trading and Services Limited Liability Company	Hungary	100	HUF	3,000,000
Logitech U.K. Limited	United Kingdom	100	EUR	20,000
Logitech (Jersey) Limited	Jersey, Channel Islands	100	USD	188
Logitech 3D Holding GmbH	Federal Republic of Germany	100	USD	28,039
Logitech Czech Republic, s.r.o.	Czech Republic	100	CZK	200,000
Logitech Espana BCN SL	Spain	100	EUR	50,000
Logitech Europe S.A.	Switzerland	100	CHF	100,000
SAS Logitech France	Republic of France	100	EUR	182,939
Logitech GmbH	Federal Republic of Germany	100	EUR	25,565
Logitech Ireland Services Limited	Ireland	100	EUR	3
Logitech Italia SRL	Republic of Italy	100	EUR	20,000
Logitech Nordic AB	Sweden	100	SEK	100,000
Logitech Benelux B.V.	Kingdom of the Netherlands	100	EUR	18,151
Logitech Poland Spolka z.o.o.	Poland	100	PLN	50,000
Logitech S.A.	Switzerland	100	CHF	200,000
Logitech Austria GmbH	Austria	100	EUR	35,000
Logitech Middle East FZ-LLC	United Arab Emirates	100	AED	100,000
Logitech (Streaming Media) SA	Switzerland	100	CHF	100,000
Logitech Hellas MEPE	Greece	100	EUR	18,000
Logi Peripherals Technologies (South Africa) (Proprietary) Limited	South Africa	100	ZAR	1,000
AMERICAS				
3Dconnexion Inc.	United States of America	100	USD	70,708
Dexxa Accessorios De Informatica Do Brasil Ltda.	Brazil	100	BRL	10,000
Logitech (Intrigue) Inc.	Canada	100	CAD	1,661,340
Labtec Inc.	United States of America	100	USD	44,864
Logitech de Mexico S.A. de C.V.	Mexico	100	MXN	50,000
Logitech Canada Inc.	Canada	100	CAD	100
Logitech Inc.	United States of America	100	USD	11,522,396
Logitech (Streaming Media) Inc.	United States of America	100	USD	10
Logitech (Slim Devices) Inc.	United States of America	100	USD	10
WiLife, Inc.	United States of America	100	USD	10
Logitech Servicios Latinoamérica, S.A. de C.V.	Mexico	100	MXN	50,000

LOGITECH INTERNATIONAL S.A.
Consolidated Subsidiaries—(Continued)

Name of Subsidiary	Jurisdiction of Incorporation	Group Holding %	Share Capital	
ASIA PACIFIC				
LogiCool Co., Ltd.	Japan	100	JPY	155,000,000
Logitech Electronic (India) Private Limited	India	100	INR	107,760
Logitech Far East, Ltd..	Taiwan, Republic of China	100	TWD	480,000,000
Logitech Hong Kong Limited	Hong Kong	100	USD	1,282
Logitech Korea Ltd.	Korea	100	KRW	150,144,225
Logitech New Zealand Co., Ltd.	New Zealand	100	NZD	10,000
Logitech Service Asia Pacific Pte. Ltd.	Republic of Singapore	100	USD	1
Logitech Singapore Pte. Ltd.	Republic of Singapore	100	SGD	500
Logitech Technology (Suzhou) Co., Ltd..	People's Republic of China	100	USD	22,000,000
Logitech Trading (Shanghai) Co. Ltd.	People's Republic of China	100	CNY	1,655,440
Suzhou Logitech Computing Equipment Co., Ltd.	People's Republic of China	100	USD	7,500,000
Suzhou Logitech Electronic Co. Ltd..	People's Republic of China	100	USD	5,000,000
Logitech Asia Logistics Limited	Hong Kong	100	USD	13
Logitech Asia Pacific Limited	Hong Kong	100	USD	13
Logitech Australia Computer Peripherals Pty Limited	Commonwealth of Australia	100	AUD	12
Logitech (Beijing) Trading Company Limited	People's Republic of China	100	CNY	5,000,000

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**REPORT OF THE GROUP AUDITORS
TO THE GENERAL MEETING OF
LOGITECH INTERNATIONAL S.A.
APPLES, SWITZERLAND**

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes) of Logitech International SA for the year ended March 31, 2008, listed in the index appearing on page F-1.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the standards of the Public Company Accounting Oversight Board (United States), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Travis Randolph
Auditor in charge

Pierre-Alain Dévaud

Lausanne, Switzerland
May 30, 2008

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Year ended March 31, 2008	2007	2006
Net sales	$2,370,496	$2,066,569	$1,796,715
Cost of goods sold	1,521,378	1,357,044	1,222,605
Gross profit	849,118	709,525	574,110
Operating expenses:			
Marketing and selling	324,451	272,264	221,504
Research and development	124,544	108,256	87,953
General and administrative	113,443	98,143	65,742
Total operating expenses	562,438	478,663	375,199
Operating income	286,680	230,862	198,911
Interest income, net	15,508	8,733	3,591
Other income (expense), net	(39,374)	15,962	7,352
Income before income taxes	262,814	255,557	209,854
Provision for income taxes	31,788	25,709	28,749
Net income(1)	$ 231,026	$ 229,848	$ 181,105
Net income per share:			
Basic	$ 1.27	$ 1.26	$ 1.00
Diluted	$ 1.23	$ 1.20	$ .92
Shares used to compute net income per share:			
Basic	181,362	182,635	181,361
Diluted	187,942	190,991	198,769

(1) Net income for fiscal year 2008 and 2007 includes share-based compensation expense under SFAS 123R of $16.3 million and $14.9 million, net of tax benefit, related to employee stock options and employee stock purchases. The consolidated statement of income for fiscal year 2006 does not include the effect of share-based compensation expense, because the Company implemented SFAS 123R using the modified prospective transition method effective April 1, 2006.

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

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	March 31, 2008	March 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 482,352	$ 196,197
Short-term investments	3,940	214,625
Accounts receivable	373,619	310,377
Inventories	245,737	217,964
Other current assets	60,668	68,257
Total current assets	1,166,316	1,007,420
Property, plant and equipment	104,461	87,054
Goodwill	194,383	179,991
Other intangible assets	21,730	18,920
Other assets	40,042	34,078
Total assets	$1,526,932	$1,327,463
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ —	$ 11,856
Accounts payable	287,001	218,129
Accrued liabilities	156,094	228,310
Total current liabilities	443,095	458,295
Other liabilities	123,793	24,644
Total liabilities	566,888	482,939
Commitments and contingencies		
Shareholders' equity:		
Shares, par value CHF 0.25 - 231,606,620 authorized, 60,661,860 conditionally authorized and 191,606,620 issued at March 31, 2008; 231,606,620 authorized, 71,561,860 conditionally authorized and 191,606,620 issued at March 31, 2007	33,370	33,370
Additional paid-in capital	49,821	72,779
Shares in treasury, at cost, 12,431,093 at March 31, 2008 and 9,363,639 at March 31, 2007	(338,293)	(217,073)
Retained earnings	1,234,629	995,606
Accumulated other comprehensive loss	(19,483)	(40,158)
Total shareholders' equity	960,044	844,524
Total liabilities and shareholders' equity	$1,526,932	$1,327,463

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

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended March 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 231,026	$ 229,848	$ 181,105
Non-cash items included in net income:			
Depreciation	43,831	35,239	29,880
Amortization of other intangible assets	5,391	4,876	4,641
Share-based compensation expense related to options and purchase rights	21,040	19,464	—
Write-down of investments	79,823	—	1,168
Gain on sale of investment	(27,761)	(8,980)	(560)
Excess tax benefits from share-based compensation	(15,231)	(13,076)	—
Gain on cash surrender value of life insurance policies	(724)	(1,006)	(1,523)
In-process research and development	—	1,000	—
Deferred income taxes and other	(2,138)	(9,175)	(3,701)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(31,212)	(9,917)	(66,651)
Inventories	(10,230)	(11,478)	(25,425)
Other assets	(10,725)	(8,637)	(5,416)
Accounts payable	61,096	33,890	5,162
Accrued liabilities	48,893	41,777	33,537
Net cash provided by operating activities	393,079	303,825	152,217
Cash flows from investing activities:			
Purchases of property, plant and equipment	(57,900)	(47,246)	(54,102)
Purchases of short-term investments	(379,793)	(416,475)	—
Sales of short-term investments	538,479	201,850	—
Sale of investment	13,308	12,874	—
Acquisitions, net of cash acquired	(59,722)	(20,524)	860
Premiums paid on cash surrender value life insurance policies	(1,151)	(537)	(1,464)
Net cash provided by (used in) investing activities	53,221	(270,058)	(54,706)
Cash flows from financing activities:			
Borrowings (repayments) of short-term debt	(11,739)	(2,181)	5,192
Purchases of treasury shares	(219,742)	(138,095)	(241,352)
Proceeds from sale of shares upon exercise of options and purchase rights	50,603	44,706	49,206
Excess tax benefits from share-based compensation	15,231	13,076	—
Net cash used in financing activities	(165,647)	(82,494)	(186,954)
Effect of exchange rate changes on cash and cash equivalents	5,502	(90)	(6,820)
Net increase (decrease) in cash and cash equivalents	286,155	(48,817)	(96,263)
Cash and cash equivalents at beginning of period	196,197	245,014	341,277
Cash and cash equivalents at end of period	$ 482,352	$ 196,197	$ 245,014
Supplemental cash flow information:			
Interest paid	$ 22	$ 178	$ 1,582
Income taxes paid	$ 11,655	$ 10,165	$ 6,456
Non-cash financing activities:			
Conversion of convertible debt to registered shares	$ —	$ —	$ 138,674

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

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Registered shares		Additional paid-in capital	Treasury shares		Retained earnings	Accumulated other comprehensive loss	Total
	Shares	Amount		Shares	Amount			
March 31, 2005	191,606	$33,370	$125,745	14,642	$(173,728)	$ 584,653	$(43,891)	$ 526,149
Net income	—	—	—	—	—	181,105	—	181,105
Cumulative translation adjustment	—	—	—	—	—	—	(3,314)	(3,314)
Change in unrealized gain on investment, net of tax of $1,659	—	—	—	—	—	—	19,611	19,611
Deferred realized hedging loss	—	—	—	—	—	—	(617)	(617)
Total comprehensive income								196,785
Tax benefit from exercise of stock options	—	—	15,714	—	—	—	—	15,714
Purchase of treasury shares	—	—	—	12,276	(241,352)	—	—	(241,352)
Sale of shares upon exercise of options and purchase rights	—	—	(46,716)	(7,066)	95,922	—	—	49,206
Conversion of convertible debt	—	—	5,596	(10,897)	133,078	—	—	138,674
March 31, 2006	191,606	$33,370	$100,339	8,955	$(186,080)	$ 765,758	$(28,211)	$ 685,176
Net income	—	—	—	—	—	229,848	—	229,848
Cumulative translation adjustment	—	—	—	—	—	—	9,695	9,695
Change in unrealized gain on investment, net of tax of $601	—	—	—	—	—	—	(10,211)	(10,211)
Reclassification adjustment for net realized gains on investment, net of tax of $1,058	—	—	—	—	—	—	(9,400)	(9,400)
Deferred realized hedging loss	—	—	—	—	—	—	697	697
Total comprehensive income								220,629
Adoption of SFAS 158, net of tax of $859	—	—	—	—	—	—	(2,728)	(2,728)
Tax benefit from exercise of stock options	—	—	14,668	—	—	—	—	14,668
Purchase of treasury shares	—	—	—	5,610	(138,095)	—	—	(138,095)
Sale of shares upon exercise of options and purchase rights	—	—	(62,396)	(5,201)	107,102	—	—	44,706
Share-based compensation expense related to employee stock options and stock purchase plan	—	—	20,168	—	—	—	—	20,168
March 31, 2007	191,606	$33,370	$ 72,779	9,364	$(217,073)	$ 995,606	$(40,158)	$ 844,524
Net income	—	—	—	—	—	231,026	—	231,026
Cumulative translation adjustment	—	—	—	—	—	—	28,006	28,006
Realized hedging loss	—	—	—	—	—	—	(992)	(992)
Actuarial loss on pension plan, net of tax of $31	—	—	—	—	—	—	(6,339)	(6,339)
Total comprehensive income								251,701
Change in pension plan measurement date	—	—	—	—	—	(317)	—	(317)
Adjustment for the adoption of FASB Interpretation No. 48 (FIN 48)	—	—	—	—	—	8,314	—	8,314
Tax benefit from exercise of stock options	—	—	3,894	—	—	—	—	3,894
Purchase of treasury shares	—	—	—	7,784	(219,742)	—	—	(219,742)
Sale of shares upon exercise of options and purchase rights	—	—	(47,919)	(4,717)	98,522	—	—	50,603
Share-based compensation expense related to employee stock options and stock purchase plan	—	—	21,067	—	—	—	—	21,067
March 31, 2008	191,606	$33,370	$ 49,821	12,431	$(338,293)	$1,234,629	$(19,483)	$ 960,044

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

LOGITECH INTERNATIONAL S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — The Company

Logitech International S.A. is a world leader in peripherals for personal computers and other digital platforms, developing and marketing innovative products in PC navigation, Internet communications, digital music, home-entertainment control, interactive gaming and wireless devices. For the PC, the Company's products include mice, trackballs, keyboards, video security, gaming controllers, multimedia speakers, headsets, webcams and 3D control devices. For digital music devices, the Company's products include speakers and headphones. For gaming consoles, the Company offers a range of controllers and other accessories. In addition, Logitech offers wireless music solutions for the home, advanced remote controls for home entertainment systems and a PC-based video security solution for a home or small business. The Company generates revenues from sales of its products to a worldwide network of retail distributors and resellers and to original equipment manufacturers ("OEMs"). The Company's sales to its retail channels comprise the large majority of its revenues.

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 North America, Europe and Asia Pacific. Shares of Logitech International S.A. trade on both the Nasdaq Global Select Market, under the trading symbol LOGI, and the SWX Swiss Exchange, under the trading symbol LOGN.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and comply with Swiss law. In the opinion of management, these financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented. Certain prior year financial statement amounts have been reclassified to conform to the current year presentation with no impact on previously reported net income.

Fiscal Year

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

Use of Estimates

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

Foreign Currencies

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

Revenue Recognition

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

- evidence of an arrangement exists between the Company and the customer;
- delivery has occurred and title and risk of loss transfer to the customer;
- the price of the product is fixed or determinable; and
- collectibility of the receivable is reasonably assured.

Revenues from sales to distributors and authorized resellers are recognized net of estimated product returns and expected payments for cooperative marketing arrangements, customer incentive programs and price protection. Significant management judgments and estimates must be used to determine the cost of these programs in any accounting period.

The Company grants limited rights to return product, and return rights vary by customer. Estimates of expected future product returns are recognized as a reduction of revenue at the time of sale, based on analyses of historical trends by customer and by product, distributor and retailer inventory levels, and other factors.

Cooperative marketing arrangements include contractual customer marketing and sales incentive programs. Under the customer marketing programs, the Company generally offers customers an allowance for marketing activities equal to a negotiated percentage of sales. Other sales incentive programs include various fixed discount and rebate programs. The costs of cooperative marketing arrangements and other sales incentive programs are recognized as a reduction of the sale price at the time of sale and are estimated based on the negotiated fixed percentage of the customer's purchases in the period the Company recognizes revenue. Accruals for sales incentive programs are recorded at the time of sale based on negotiated terms, historical experience and inventory levels in the channel.

Customer incentive programs include volume and consumer rebates. Volume rebates are related to purchase volumes or sales of specific products by distributors to specified retailers. Consumer rebates are offered from time to time at the Company's discretion directly to end-users. Contractual volume rebates to distribution or retail customers are recognized as a reduction of the sale price at the time of shipment, and are estimated based on the negotiated terms and the Company's historical experience. The costs of consumer rebates are recorded at the time the incentive is offered and are estimated based on historical experience and the specific terms and conditions of the incentive.

The Company has contractual agreements with certain of its customers that contain terms allowing price protection credits to be issued for customers' on-hand or in transit new inventory if the Company, in its sole discretion, lowers the price of the product. The estimated costs of price protection programs are recorded as a reduction of revenue at the time of sale based on planned price reductions, units held by qualifying customers and historical trends by customer and by product.

The Company regularly evaluates the adequacy of its accruals for product returns, cooperative marketing arrangements, customer incentive programs and price protection. When the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, the Company recognizes adjustments to recorded costs in the period of change. If, at any future time, the Company becomes unable to reasonably estimate these costs, recognition of revenue may be deferred until products are sold to end-users.

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

Research and Development Costs

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

Advertising Costs

Advertising costs are expensed as incurred and amounted to $188.5 million, $169.8 million and $144.2 million in fiscal years 2008, 2007 and 2006. Advertising costs are recorded as either a marketing and selling expense or a deduction from revenue. Advertising costs reimbursed by the Company to a customer must have an identifiable benefit and an estimable fair value in order to be classified as an operating expense. If these criteria are not met, the cost is classified as a reduction of revenue.

Cash Equivalents

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions to limit exposure with any one financial institution.

The Company sells to large OEMs, distributors and key retailers and, as a result, maintains individually significant receivable balances with such customers. As of March 31, 2008, two customers each represented 15% of total accounts receivable. As of March 31, 2007, one customer represented 16% of total accounts receivable. Typical payment terms require customers to pay for product sales generally within 30 to 60 days; however terms may vary by customer type, by country and by selling season. Extended payment terms are sometimes offered to a limited number of customers during the second and third fiscal quarters. The Company does not modify payment terms on existing receivables.

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

Allowances for Doubtful Accounts

Allowances for doubtful accounts are maintained for estimated losses resulting from the inability of the Company's customers to make required payments. The allowances are based on the Company's regular assessment of the credit worthiness and financial condition of specific customers, as well as its historical experience with bad debts and customer deductions, receivables aging, current economic trends, geographic or country-specific risks and the financial condition of its distribution channels. Bad debt expense for fiscal years 2008, 2007 and 2006 amounted to $603,000, $527,000 and $9,000.

Inventories

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

Investments

The Company's short-term investments are primarily auction rate securities and are classified as available-for-sale as of March 31, 2008. Auction rate securities generally have maturity dates greater than 10 years, with interest rates that typically reset through an auction every 28 days. The Company's short-term investments are reported at estimated fair value. The fair value of short-term investments is estimated based on quoted market prices, if available, or by estimating the values of the underlying collateral using published mortgage indices or interest rate spreads for comparably-rated collateral and applying discounted cash flow or option pricing methods to the estimated collateral value.

Property, Plant and Equipment

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

With the exception of tooling, depreciation is provided using the straight-line method. Plant and buildings are depreciated over estimated useful lives from ten to twenty-five years, equipment over useful lives from three to five years, software development over useful lives of three to five years and leasehold improvements over the life of the lease, not to exceed five years. Tooling is depreciated over the forecasted life of the tool, not to exceed one year from the time it is placed into production. Depreciation for tooling is calculated based on the forecasted production volume and adjusted quarterly based on actual production. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are relieved from the accounts and the net gain or loss is included in the determination of net income.

Goodwill and Other Intangible Assets

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

Impairment of Long-Lived Assets

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

Income Taxes

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

During the first quarter of fiscal year 2008, Logitech adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48 (As Amended), "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). Note 13 of the condensed consolidated financial statements describes FIN 48 and the effects on our results of operations and financial position arising from its adoption.

The Company's assessment of uncertain tax positions under FIN 48 requires that management make estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than the Company's estimates, or the related statutes of limitations expire without the assessment of additional income taxes, the Company will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur. Such adjustments may have a material impact on the Company's income tax provision and its results of operations.

Fair Value of Financial Instruments

The carrying value of certain of the Company's financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value due to their short maturities. The Company's short-term investments are reported at estimated fair value. The fair value of short-term investments is estimated based on quoted market prices, if available, or by estimating the values of the underlying collateral using published mortgage indices or interest rate spreads for comparably-rated collateral and applying discounted cash flow or option pricing methods to the estimated collateral value.

Net Income per Share

Basic net income per share is computed by dividing net income by the weighted average outstanding shares. Diluted net income per share is computed using the weighted average outstanding shares and dilutive share equivalents. Dilutive share equivalents consist of employee stock options and convertible debt.

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

Share-Based Compensation Expense

The Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payments" ("SFAS 123R"), effective April 1, 2006, using the modified prospective transition method. Therefore, results for periods prior to April 1, 2006 have not been restated to include share-based compensation expense calculated in accordance with SFAS 123R. The Company recognized share-based compensation expense in those periods in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In March 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. Logitech has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Share-based compensation expense for fiscal years 2008 and 2007 includes compensation expense, reduced for estimated forfeitures, for share-based compensation awards granted prior to but not yet vested as of April 1, 2006, based on the grant-date fair value estimated using the Black-Scholes-Merton option-pricing valuation model in accordance with the original provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). These compensation costs are recognized in accordance with Financial Accounting Standards Board Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans", on a straight-line basis over the service period for each separately vesting portion of the award (multiple-option approach).

Share-based compensation expense for fiscal years 2008 and 2007 also includes compensation expense, reduced for estimated forfeitures, for awards granted after April 1, 2006 based on the grant-date fair value estimated using the Black-Scholes-Merton option-pricing valuation model. These compensation costs are recognized on a straight-line basis over the service period of the award, which is generally the option vesting term of four years (single-option approach).

Prior to adopting SFAS 123R, tax benefits resulting from the exercise of stock options were presented as operating cash flows in the consolidated statement of cash flows. SFAS 123R requires cash flows resulting from excess tax benefits to be classified as cash flows from financing activities. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to share-based compensation costs for such options.

The Company will recognize a benefit from share-based compensation in paid-in capital only if an incremental tax benefit is realized after all other available tax attributes have been utilized. For income tax footnote disclosure, the Company has elected to offset deferred tax assets against the valuation allowance related to the net operating loss and tax credit carryforwards from accumulated tax benefits determined under APB 25. The Company will recognize these tax benefits in paid-in capital in accordance with Footnote 82 of SFAS 123R when the deduction reduces cash taxes payable. In addition, the Company has elected to account for the indirect benefits of share-based compensation on the research tax credit through the income statement (continuing operations) rather than through paid-in capital.

The adoption of SFAS 123R had a material impact on earnings per share and the consolidated financial statements for fiscal years 2008 and 2007, and is expected to continue to materially impact the Company's financial statements in the foreseeable future.

Comprehensive Income

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

Derivative Financial Instruments

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

The Company follows the provisions of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, ("SFAS 133") as amended, which establishes accounting and reporting standards for derivative instruments and hedging activities. Gains or losses in fair value on forward contracts which offset translation losses or gains on foreign currency receivables or payables are recognized in earnings monthly and are included in other income (expense). Gains or losses in fair value on forward contracts related to forecasted inventory purchases are also recognized in earnings monthly and are included in cost of goods sold.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 affects other accounting pronouncements that require or permit fair value measurements where the FASB has previously concluded that fair value is the relevant measurement attribute. SFAS 157 does not require any new fair value measurements, but may change current practice in some instances. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company will adopt SFAS 157 in the first quarter of fiscal year 2009. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). FSP 157-2 permits a one-year deferral in applying the measurement provisions of SFAS 157 to non-financial assets and non-financial liabilities that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). We are currently evaluating the impact that SFAS 157 and FSP 157-2 will have on the Company's consolidated financial statements and disclosures.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Liabilities - including an amendment of FASB Statement No. 115" ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected shall be reported in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and would be applied prospectively in the first quarter of the Company's fiscal year 2009. The Company is evaluating which eligible items might be measured at fair value, and what the financial statement and disclosure impact would be.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income taxes. SFAS 141R is effective for fiscal years beginning after December 15, 2008 and, as such, we will adopt this standard for any future acquisitions beginning in fiscal year 2010.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS 161"). This Statement requires enhanced disclosures about an entity's derivative and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. We will adopt SFAS 161 in the first quarter of fiscal year 2010, and we are evaluating the disclosure impact.

Note 3 — Net Income per Share

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

	Year ended March 31,		
	2008	2007	2006
Net income – basic	$231,026	$229,848	$181,105
Convertible debt interest expense, net of income taxes	—	—	1,520
Net income – diluted	$231,026	$229,848	$182,625
Weighted average shares – basic	181,362	182,635	181,361
Effect of dilutive stock options	6,580	8,356	11,380
Effect of dilutive convertible debt	—	—	6,028
Weighted average shares – diluted	187,942	190,991	198,769
Net income per share – basic	$ 1.27	$ 1.26	$ 1.00
Net income per share – diluted	$ 1.23	$ 1.20	$ 0.92

During fiscal years 2008, 2007 and 2006, 3,957,572, 3,327,825 and 1,615,556 share equivalents attributable to outstanding stock options were excluded from the calculation of diluted net income per share because the exercise prices of these options were greater than the average market price of the Company's shares, and therefore their inclusion would have been anti-dilutive.

Statement of Financial Accounting Standards No. 128, "Earnings per Share," requires that employee equity share options, non-vested shares and similar equity instruments granted by the Company are treated as potential shares in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of in-the-money options which is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount that the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. The following table represents the effect of in-the-money employee stock options treated as potential shares in computing diluted earnings per share (in thousands except per share amounts):

	Year Ended March 31	
	2008	2007
In-the-money employee stock options treated as potential shares	15,881	18,035
Percentage of basic weighted average shares outstanding	8.8%	9.9%
Average share price	$ 28.74	$ 23.44

The following table illustrates the dilution effect of stock options granted and exercised (in thousands except per share amounts):

	Year ended March 31		
	2008	2007	2006
Basic weighted average shares outstanding as of March 31	181,362	182,635	181,361
Stock options granted	3,891	2,555	3,451
Stock options canceled, forfeited, or expired	(652)	(688)	(1,265)
Net options granted	3,239	1,867	2,186
Grant dilution(1)	1.8%	1.0%	1.2%
Stock options exercised	4,162	4,599	6,476
Exercise dilution(2)	2.3%	2.5%	3.6%

(1) The percentage of grant dilution is computed based on net options granted as a percentage of shares outstanding.

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

Note 4 — Short-term Investments

The Company's short-term investments portfolio as of March 31, 2008 and March 31, 2007 consisted of the following types of collateralized investments (in thousands):

	March 31, 2008		March 31, 2007	
	Par Value	Carrying Value	Par Value	Carrying Value
Residential and Commercial Mortgages	$ 47,474	$3,940	$ 85,650	$ 85,650
Student Loans	—	—	89,775	89,775
Revenue Bonds	—	—	35,000	35,000
Utility Mortgage Bonds	—	—	4,200	4,200
	$ 47,474	$3,940	$214,625	$214,625

The short-term investments are primarily auction rate securities, and are classified as available-for-sale and reported at estimated fair value. Auction rate securities generally have maturity dates greater than 10 years, with interest rates that typically reset through an auction every 28 days. All our short-term investments as of March 31, 2008 have maturity dates in excess of 10 years. These investments were considered highly liquid, however during fiscal year 2008, auctions for these investments failed.

Fair value at March 31, 2007 was based on quoted market prices. Fair value at March 31, 2008 was estimated based on quoted market prices, if available, or by estimating the values of the underlying collateral using published mortgage indices or interest rate spreads for comparably-rated collateral and applying discounted cash flow or option pricing methods to the estimated collateral value. During fiscal year 2008 the Company recorded an unrealized loss of $79.8 million related to the other-than-temporary decline in the estimated fair value of these investments. The estimated fair value of short-term investments has deteriorated in each of the past three fiscal quarters due to continued disruptions in the U.S. credit market.

During the third quarter of fiscal year 2008, the Company sold at par value 50% of each of its short-term investments owned at September 30, 2007 as part of a confidential settlement agreement. The sale price was not necessarily indicative of current market prices or fair value for the securities. As a result of the settlement and sale of these securities, the Company recorded $33.7 million as realized gain in the third quarter of fiscal year 2008. During the third quarter of fiscal year 2008, the Company also sold all of its investments in its portfolio collateralized by corporate debt at a realized loss of $6.0 million.

As of March 31, 2008 and 2007, the Company had not recognized any unrealized gains or losses related to its short-term investments in other comprehensive income.

Note 5 — Acquisitions

In November 2007, the Company acquired WiLife, Inc. ("WiLife"), a privately held company that manufactures PC-based video cameras for self-monitoring a home or a small business. The acquisition is part of the Company's strategy to expand its presence in digital home products.

Total consideration paid, net of cash acquired was $22.0 million, which includes $0.7 million in transaction costs. Under the terms of the purchase agreement, the Company acquired all of the outstanding shares of WiLife for $21.7 million in cash, plus a possible performance-based payment, payable in the first calendar quarter of 2011. The performance-based payment is based on net revenues attributed to WiLife during calendar year 2010. No payment is due if the applicable net revenues total $40.0 million or less. The maximum performance-based payment is $64.0 million. The total performance-based payment amount, if any, will be recorded in goodwill and will not be known until the end of calendar year 2010.

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

The preliminary allocation of total consideration to the assets acquired and liabilities assumed based on the estimated fair value of WiLife is presented in the following table. The purchase price allocation is preliminary due to unresolved liability claims.

	November 13, 2007	Estimated Life
Tangible assets acquired	$ 3,432	
Intangible assets acquired		
Existing technology	3,000	6 years
Patents and core technology	3,700	5 years
Trademark/trade name	1,300	5 years
Customer relationships and other	200	3 years
Goodwill	13,822	—
	22,022	
Liabilities assumed	(3,983)	
Deferred tax asset, net	639	
Total consideration	$22,110	

The existing technology relates to the video surveillance cameras and software used in WiLife's PC-based video monitoring systems. The value of the technology was determined based on the present value of estimated expected cash flows attributable to the technology. The patents and core technology represent awarded patents, filed patent applications and core architectures used in WiLife's current and planned future products. Trademark/trade name relates to the WiLife brand names. The value of the patents, core technology and trademark/trade name was estimated by capitalizing the estimated profits saved as a result of acquiring or licensing the asset. Customer relationships and other relates to WiLife's existing customer base, valued based on projected discounted cash flows generated from customers in place. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The goodwill associated with the acquisition is not subject to amortization and is not expected to be deductible for income tax purposes. The deferred tax asset relates to the tax benefit of a net operating loss carryforward, net of the deferred tax liability related to intangible assets.

In October 2006, the Company acquired Slim Devices, Inc. ("Slim Devices"), a privately held company specializing in network-based audio systems for digital music, based in Mountain View, California. The acquisition is part of the Company's strategy to expand its presence in the digital music and home-entertainment control environment.

Total consideration paid was $20.6 million, which includes $0.6 million in transaction costs. Under the terms of the purchase agreement, the Company acquired all of the outstanding shares of Slim Devices for $20.0 million in cash, plus a possible performance-based payment, payable in the first calendar quarter of 2010. The performance-based payment is based on net revenues from the sale of products and services in calendar year 2009 derived from Slim Devices' technology. No payment is due if the applicable net revenues total $40 million or less. The maximum performance-based payment is $89.5 million. The total performance-based payment amount, if any, will be recorded in goodwill and will not be known until the end of calendar year 2009.

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

The total consideration, including transaction costs, was allocated to the fair values of assets acquired and liabilities assumed as follows (in thousands):

	October 17, 2006	Estimated Life
Tangible assets acquired	$ 1,749	
Intangible assets acquired		
Technology	10,000	5 years
Trademark/trade name	3,100	6.5 years
Customer relationships and other	520	3.7 years
Goodwill	10,683	—
	24,303	
Liabilities assumed	(473)	
Deferred tax liability related to intangible assets acquired	(4,998)	
Total consideration	$20,581	

The technology relates to proprietary hardware and software developed by Slim Devices including the Squeezebox, the Transporter, the SlimServer software and the SqueezeNetwork. The SqueezeNetwork delivers content to devices such as the Squeezebox and Transporter directly from the Internet, without requiring a PC.

Trademark/trade name relates to the Slim Devices product brand names. The value of the trademark/trade name was determined using the royalty savings approach, which estimates the value of the assets by capitalizing the royalties saved as a result of acquiring the assets. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives, ranging from one month to 7 years. The technology associated with the acquisition includes $1.0 million of in-process research and development, which had not reached technological feasibility at the time of the acquisition and had no further alternative uses, and was expensed to research and development expense upon consummation of the acquisition. The values of the existing technology, in-process technology and customer relationships were determined by estimating the expected cash flows from the projects once commercially viable, discounting the net cash flows back to their present value and then applying a percentage of completion to the calculated value. The goodwill associated with the acquisition is not subject to amortization and is not expected to be deductible for income tax purposes.

Note 6 — Balance Sheet Components

The following provides a breakout of certain balance sheet components (in thousands):

	March 31, 2008	March 31, 2007
Accounts receivable:		
Accounts receivable	$ 504,406	$ 404,373
Allowance for doubtful accounts	(2,497)	(3,322)
Allowance for returns	(21,099)	(15,821)
Allowances for customer programs	(107,191)	(74,853)
	$ 373,619	$ 310,377
Inventories:		
Raw materials	$ 46,315	$ 41,542
Work-in-process	13	251
Finished goods	199,409	176,171
	$ 245,737	$ 217,964
Other current assets:		
Tax and VAT refund receivables	$ 23,882	$ 19,695
Deferred taxes	18,961	22,705
Prepaid expenses and other	17,825	25,857
	$ 60,668	$ 68,257
Property, plant and equipment:		
Plant and buildings	$ 33,815	$ 31,351
Equipment	123,104	95,915
Computer equipment	47,027	34,469
Computer software	51,552	49,804
	255,498	211,539
Less: accumulated depreciation	(167,153)	(135,225)
	88,345	76,314
Construction-in-progress	12,866	7,715
Land	3,250	3,025
	$ 104,461	$ 87,054
Other assets:		
Deferred taxes	$ 22,618	$ 20,639
Cash surrender value of life insurance contracts	12,793	10,888
Deposits and other	4,631	2,551
	$ 40,042	$ 34,078
Accrued liabilities:		
Accrued marketing expenses	$ 30,764	$ 29,881
Accrued personnel expenses	52,895	34,450
Income taxes payable – current	15,051	93,245
Accrued freight and duty	13,969	12,246
Deferred payment for Intrigue Technologies acquisition	—	33,685
Other accrued liabilities	43,415	24,803
	$ 156,094	$ 228,310
Long-term liabilities:		
Income taxes payable – non-current	$ 95,013	$ —
Obligation for management deferred compensation	14,934	12,424
Other long-term liabilities	13,846	12,220
	$ 123,793	$ 24,644

Note 7 — Investments

In July 2003, the Company made a $15.1 million cash investment in Anoto Group AB ("Anoto"), a publicly traded Swedish technology company from which Logitech licensed its digital pen technology. The investment represented approximately 9.5% of Anoto's outstanding shares as of March 31, 2006. During fiscal year 2007, the Company sold its Anoto investment and recognized a gain of $9.1 million, which was included in other income, net for fiscal year 2007.

In connection with the investment, a Logitech executive was elected to the Anoto board of directors. The license agreement required Logitech to pay a license fee for the rights to use the Anoto technology and a license fee on the sales value of digital pen solutions sold by Logitech. Also, the agreement included non-recurring engineering ("NRE") service fees primarily for specific development and maintenance of Anoto's licensed technology. During fiscal years 2007 and 2006, expenses incurred for license fees to Anoto were $0.3 million and $0.5 million.

Note 8 — Goodwill and Other Intangible Assets

The following table summarizes the activity in the Company's goodwill account during the year ended March 31, 2008 and 2007 (in thousands):

	March 31,	
	2008	2007
Beginning balance	$179,991	$135,396
Additions	17,569	44,367
Cumulative translation adjustments	(3,177)	228
Ending balance	$194,383	$179,991

The acquisition of WiLife increased goodwill by $13.8 million. Goodwill also increased by $4.0 million due to an increase in the deferred payment amount payable to the former shareholders of Intrigue Technologies, Inc.

During the third quarter of fiscal year 2008, the Company determined that the functional currency of an entity acquired in fiscal year 2005 was incorrectly designated. The Company recorded an adjustment of $7.5 million to reduce goodwill with a corresponding amount recorded in cumulative translation adjustment which is a component of accumulated other comprehensive loss. This correcting adjustment was recorded in the third quarter of fiscal year 2008 since the impact was not material to goodwill, accumulated other comprehensive loss and comprehensive income in this period or any prior periods.

The remainder of the change in goodwill related to foreign currency translation adjustments. None of the goodwill is expected to be deductible for tax purposes.

The Company intends to fully integrate WiLife's business into its existing operations, and discrete financial information for WiLife will not be maintained. Accordingly, the acquired goodwill will be evaluated for impairment at the total enterprise level.

The Company performs its annual goodwill impairment test in the fourth quarter of each fiscal year. While the Company has fully integrated all of its acquired companies, the Company continues to maintain discrete financial information for 3Dconnexion and, accordingly, determines impairment of the goodwill acquired with the 3Dconnexion acquisition at the entity level. All other acquired goodwill is evaluated for impairment at the total enterprise level. Based on impairment tests performed, there has been no impairment of the Company's goodwill to date.

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

	March 31, 2008			March 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark/tradename. . .	$21,385	$(16,896)	$ 4,489	$ 19,943	$(14,902)	$ 5,041
Technology	37,523	(20,911)	16,612	34,423	(21,248)	13,175
Customer contracts	2,318	(1,689)	629	2,120	(1,416)	704
	$61,226	$(39,496)	$21,730	$56,486	$(37,566)	$18,920

For fiscal years 2008, 2007 and 2006, amortization expense for other intangible assets was $5.4 million, $4.9 million and $4.6 million. The Company expects that annual amortization expense for the fiscal years ending 2009, 2010, 2011, 2012 and 2013 will be $5.6 million, $4.6 million, $4.4 million, $3.5 million and $2.2 million; and $1.4 million in total thereafter.

Note 9 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating $131.9 million at March 31, 2008. There are no financial covenants under these lines of credit with which the Company must comply. At March 31, 2008, the Company had no outstanding borrowings under these lines of credit. Borrowings outstanding at March 31, 2007 were $11.9 million. The borrowings under these agreements were denominated in Japanese yen at a weighted average annual interest rate of 1.7% at March 31, 2007.

Note 10 — Shareholders' Equity

Exchange of Nasdaq-Listed American Depositary Shares

In October 2006, the Company exchanged its Nasdaq-listed ADSs for Logitech shares on a one-for-one basis and continued its Nasdaq listing with shares in lieu of ADSs. As a result of the exchange, the same Logitech shares trade on the Nasdaq Global Select Market and the SWX Swiss Exchange. Since the exchange of the Nasdaq-listed ADSs for Logitech shares was a one-for-one exchange, there was no impact on financial statement or per share amounts.

Stock Split

In June 2006, the Company's shareholders approved a two-for-one split of Logitech's shares, which took effect on July 14, 2006. In June 2005, the Company's shareholders also approved a two-for-one split of Logitech's shares, which took effect on June 30, 2005. All references to share and per-share data for all periods presented herein have been adjusted to give effect to these stock splits.

Authorized and Conditional Share Capital

In June 2006, the Company's shareholders renewed the approval of 40 million authorized shares for use in acquisitions, mergers and other transactions. This authorization expires in June 2008.

In addition, the Company has conditionally authorized shares totaling 60,661,860 to cover option rights granted or other equity rights that may be granted to employees, officers and directors of Logitech under its employee equity incentive plans. In June 2007, the Company's Board of Directors approved a change in the Company's Articles of Incorporation which eliminated the conditional share capital for

10,900,000 shares covering conversion rights granted in connection with the issuance of the Company's convertible bonds in 2001. This conditional share capital was no longer required, as the Company satisfied its conversion obligations during fiscal year 2006 by the delivery of treasury shares rather than the issuance of shares from conditional share capital.

Dividends

Pursuant to Swiss corporate law, Logitech International S.A. may only pay dividends in Swiss francs. The payment of dividends is limited to certain amounts of unappropriated retained earnings (CHF 316.6 million or $318.1 million based on exchange rates at March 31, 2008) and is subject to shareholder approval.

Legal Reserves

Under Swiss corporate law, a minimum of 5% of the Company's annual net income must be retained in a legal reserve until this legal reserve equals 20% of the Company's issued and outstanding aggregate par value per share capital. These legal reserves represent an appropriation of retained earnings that are not available for distribution and totaled $9.6 million at March 31, 2008.

Additionally, under Swiss corporate law, the Company is required to establish a reserve equal to the amount of treasury shares repurchased at year-end. The reserve for treasury shares, which is not available for distribution, totaled $402.6 million at March 31, 2008.

Share Repurchases

During fiscal years 2008, 2007 and 2006, the Board of Directors authorized the following share buyback programs (in thousands):

Date of Announcement	Approved Buyback Amount	Equivalent USD Amount[(1)]	Expiration Date	Completion Date	Amount Remaining
June 2007	USD 250,000	$ 250,000	June 2010	—	$ 204,718
May 2006	USD 250,000	$ 250,000	June 2009	February 2008	$ —
June 2005	CHF 300,000	$ 235,000	June 2008	November 2006	$ —
April 2004	CHF 250,000	$ 200,000	June 2006	November 2005	$ —

(1) Represents the approved buyback amount in U.S. dollars, calculated based on exchange rates on the announcement dates.

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

	Amount Repurchased During Year ended March 31,[(1)]							
	Program to date		2008		2007		2006	
Date of Announcement	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
June 2007	1,750	$ 45,384	1,750	$ 45,384	—	$ —	—	$ —
May 2006	8,760	250,968	6,034	174,358	2,726	76,610	—	—
June 2005	11,286	236,098	—	—	2,884	61,485	8,402	174,613
April 2004	14,974	201,264	—	—	—	—	3,874	66,739
	36,770	$ 733,714	7,784	$ 219,742	5,610	$ 138,095	12,276	$ 241,352

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

Note 11 — Accumulated Other Comprehensive Loss

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

	March 31, 2008	March 31, 2007
Cumulative translation adjustment	$(10,523)	$(38,529)
Adoption of SFAS 158, net of tax	—	(2,728)
Pension liability adjustments	(9,067)	—
Deferred hedging gains	107	1,099
	$(19,483)	$(40,158)

Note 12 — Employee Benefit Plans

Employee Share Purchase Plans and Stock Option Plans

As of March 31, 2008, the Company offers the 2006 Employee Share Purchase Plan (Non-U.S.) ("2006 ESPP"), the 1996 Employee Share Purchase Plan (U.S.) ("1996 ESPP"), and the 2006 Stock Incentive Plan. Shares issued to employees as a result of purchases or exercises under these plans are generally issued from shares held in treasury.

Under the 1996 ESPP and 2006 ESPP plans, eligible employees may purchase shares at the lower of 85% of the fair market value at the beginning or the end of each six-month offering period. Subject to continued participation in these plans, purchase agreements are automatically executed at the end of each offering period. A total of 12,000,000 shares have been reserved for issuance under both the 1996 and 2006 ESPP plans. As of March 31, 2008, a total of 940,806 shares were available for issuance under these plans.

On June 16, 2006, Logitech's shareholders approved adoption of the 2006 Stock Incentive Plan (the "2006 Plan") with an expiration date of June 16, 2016. The Plan replaces the 1996 Stock Plan ("1996 Plan"). The 2006 Plan provides for the grant to eligible employees and non-employee directors of stock options, stock appreciation rights, restricted stock and restricted stock units, which are bookkeeping entries reflecting the equivalent of shares. Stock options granted under the 2006 Plan will generally vest over three years for non-executive Directors and over four years for employees. All stock options under this plan will have terms not exceeding ten years and will be issued at exercise prices not less than the fair market value on the date of grant. Awards under the 2006 Plan may be conditioned on continued employment, the passage of time or the satisfaction of performance vesting criteria. An aggregate of 14,000,000 shares was reserved for issuance under the 2006 Plan. As of March 31, 2008, a total of 8,472,075 shares were available for issuance under this plan.

The Company follows the accounting provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-based Payment" ("SFAS 123R"), for share-based awards granted to employees and directors including stock options and share purchases under the 2006 ESPP and 1996 ESPP. The following table summarizes the share-based compensation expense and related tax benefit recognized in accordance with SFAS 123R for fiscal years 2008 and 2007 (in thousands).

	Year Ended March 31, 2008	Year Ended March 31, 2007
Cost of goods sold	$ 2,706	$ 2,077
Share-based compensation expense included in gross profit	2,706	2,077
Operating expenses:		
Marketing and selling	7,696	7,167
Research and development	3,505	3,151
General and administrative	7,132	7,069
Share-based compensation expense included in operating expenses	18,333	17,387
Total share-based compensation expense related to employee stock options and employee stock purchases	21,039	19,464
Less tax benefit	4,773	4,526
Share-based compensation expense related to employee stock options and employee stock purchases, net of tax	$ 16,266	$ 14,938

As of March 31, 2008 and 2007 $0.7 million of share-based compensation cost was capitalized to inventory. During fiscal year 2006, no share-based compensation cost was capitalized. As of March 31, 2008, total compensation cost related to non-vested stock options not yet recognized was $44.2 million, which is expected to be recognized over the next 38 months on a weighted-average basis.

Prior to the adoption of SFAS 123R, the Company provided the disclosures required under SFAS 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosures." No employee share-based compensation expense was reflected in the results of operations for fiscal year 2006 for employee stock option awards as all options were granted with an exercise price equal to the market value of the underlying common stock on the date of grant. The employee stock purchases were deemed non-compensatory under the provisions of APB 25.

If the Company had used SFAS 123 to account for share-based compensation expense for fiscal year 2006, net income and net income per share would have been as follows (in thousands except per-share amounts):

	March 31, 2006
Net income:	
As reported	$ 181,105
Total share-based compensation expense using the fair value method	(19,896)
Tax benefit	5,014
Pro forma net income	$ 166,223
Basic net income per share:	
As reported	$ 1.00
Pro forma	$ 0.92
Diluted net income per share:	
As reported	$ 0.92
Pro forma	$ 0.84

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

	Year ended March 31,					
	2008	2007	2006	2008	2007	2006
	Purchase Plans			Stock Option Plans		
Dividend yield	0%	0%	0%	0%	0%	0%
Expected life	6 months	6 months	6 months	3.8 years	3.9 years	3.7 years
Expected volatility	38%	33%	26%	33%	40%	47%
Risk-free interest rate	4.23%	4.98%	3.67%	4.01%	4.75%	4.16%

The dividend yield assumption is based on the Company's history and future expectations of dividend payouts. The Company has not paid dividends since 1996.

The expected option life represents the weighted-average period the stock options or purchase offerings are expected to remain outstanding. The expected life is based on historical settlement rates, which the Company believes are most representative of future exercise and post-vesting termination behaviors.

Expected share price volatility is based on historical volatility using daily prices over the term of past options or purchase offerings. The Company considers historical share price volatility as most representative of future stock option volatility. The risk-free interest rate assumptions are based upon the implied yield of U.S. Treasury zero-coupon issues appropriate for the term of the Company's stock options or purchase offerings.

SFAS 123R requires the Company to estimate forfeitures at the time of grant and to revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records share-based compensation expense only for those awards that are expected to vest. For purposes of calculating pro forma information under SFAS 123 for periods prior to April 1, 2006, forfeitures were recognized as they occurred.

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

	Year ended March 31,					
	2008	2007	2006	2008	2007	2006
	Purchase Plans			Stock Option Plans		
Weighted average grant-date fair value of options granted	$ 7.63	$ 5.87	$ 4.21	$ 9.14	$ 8.11	$ 7.47
Expected forfeitures	0%	0%	0%	7%	8%	0%

A summary of activity under the stock option plans is as follows (exercise prices are weighted averages):

	Year ended March 31,					
	2008		2007		2006	
	Number	Exercise Price	Number	Exercise Price	Number	Exercise Price
Outstanding, beginning of year	18,875,722	$12	21,607,944	$10	25,897,324	$ 8
Granted	3,890,700	$30	2,555,200	$22	3,451,470	$19
Exercised	(4,161,719)	$ 9	(4,599,180)	$ 7	(6,476,232)	$ 7
Cancelled or expired	(652,327)	$21	(688,242)	$13	(1,264,618)	$10
Outstanding, end of year	17,952,376	$17	18,875,722	$12	21,607,944	$10
Exercisable, end of year	9,933,547	$12	10,436,970	$ 9	10,509,818	$ 7

The total pretax intrinsic value of options exercised during the fiscal years ended March 31, 2008 and 2007 was $84.9 million and $72.0 million and the tax benefit realized for the tax deduction from options exercised during those periods was $18.9 million and $16.5 million. The total fair value of options vested as of March 31, 2008 and 2007 was $42.9 million and $37.9 million.

The following table summarizes significant ranges of outstanding and exercisable options as of March 31, 2008 (exercise prices and contractual lives are weighted averages, and aggregate intrinsic values are in thousands):

	Options Outstanding				Options Exercisable			
Range of Exercise Price	Number	Exercise Price	Contractual Life (years)	Aggregate Intrinsic Value	Number	Exercise Price	Contractual Life (years)	Aggregate Intrinsic Value
$ 1.00 - $ 8.99	3,517,337	$ 6	3.8	$ 66,887	3,294,337	$ 6	3.7	$ 62,945
$ 9.00 - $11.49	3,922,981	$11	5.0	56,992	3,350,179	$11	4.8	48,948
$11.50 - $20.19	3,083,872	$16	6.0	29,520	2,110,574	$15	5.4	21,733
$20.20 - $27.49	3,827,386	$22	8.1	13,016	1,146,332	$22	7.7	4,299
$27.50 - $40.49	3,600,800	$31	9.4	—	32,125	$30	8.6	—
$ 1.00 - $40.49	17,952,376	$17	6.5	$166,415	9,933,547	$12	4.9	$137,925

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on options with an exercise price less than the Company's closing price of $25.44 at March 31, 2008, which would have been received by the option holders had these option holders exercised their options as of that date. The total number of fully vested in-the-money options exercisable as of March 31, 2008 was 9,933,547. As of March 31, 2008, 8,018,829 options were unvested, of which 6,478,326 are expected to vest, based on an estimated forfeiture rate of 7%.

Defined Contribution Plans

Certain of the Company's subsidiaries have defined contribution employee benefit plans covering all or a portion of their employees. Contributions to these plans are discretionary for certain plans and are based on specified or statutory requirements for others. The charges to expense for these plans for fiscal years 2008, 2007 and 2006, were $7.3 million, $5.7 million and $4.1 million.

Defined Benefit Plans

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

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"). This standard requires employers to recognize the underfunded or overfunded status of defined benefit pension and postretirement plans as an asset or liability in its statement of financial position, and recognize changes in the funded status in the year in which the changes occur through accumulated other comprehensive income, which is a component of stockholders' equity. This standard also requires a change in the measurement of a plan's assets and benefit obligations as of the end date of the employer's fiscal year. The Company adopted SFAS 158 in fiscal year 2007, and changed the measurement dates of all plans to March 31 in fiscal year 2008, using the alternative transition method.

The net periodic benefit cost for fiscal years 2008 and 2007 was as follows (in thousands):

	Year ended March 31,	
	2008	2007
Service cost	$ 2,568	$3,068
Interest cost	1,157	890
Expected return on plan assets	(1,486)	(955)
Amortization of net transition obligation	5	5
Recognized net actuarial loss	141	105
Net periodic benefit cost	$ 2,385	$3,113

The changes in projected benefit obligations for fiscal years 2008 and 2007 were as follows (in thousands):

	March 31,	
	2008	2007
Projected benefit obligation, beginning of year	$34,787	$29,403
Service cost	2,568	3,068
Interest cost	1,157	890
Plan participant contributions	1,430	—
Actuarial loss	2,962	761
Benefits paid	(500)	(628)
Administrative expense paid	(211)	—
Foreign currency exchange rate changes	7,615	1,294
Projected benefit obligation, end of year	$49,808	$34,788

The following table presents the changes in the fair value of plan assets for fiscal years 2008 and 2007 (in thousands):

	March 31, 2008	March 31, 2007
Fair value of plan assets, beginning of year	$27,362	$22,280
Actual return on plan assets	(2,050)	1,133
Employer contributions	3,041	2,232
Plan participant contributions	1,430	997
Benefits paid	(500)	(628)
Administrative expenses paid	(211)	—
Foreign currency exchange rate changes	5,987	1,348
Fair value of plan assets, end of year	$35,059	$27,362

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

	March 31, 2008	March 31, 2007
Cash	4.3%	5.3%
Equity securities	30.7%	34.8%
Debt securities	44.0%	48.0%
Real estate	5.5%	4.4%
Other	15.5%	7.5%
	100.0%	100.0%

The funded status of the defined benefit pension plans is the fair value of plan assets less benefit obligations. Projected benefit obligations exceeded plan assets by $14.7 million and $7.4 million as of March 31, 2008 and 2007. Amounts recognized on the balance sheet for the plans were as follows (in thousands):

	March 31, 2008	March 31, 2007
Current assets	$ 902	$ 859
Current liabilities	(2,440)	(654)
Non-current liabilities	(12,309)	(6,770)
Net (liability) asset	$(13,847)	$(6,565)

Amounts recognized in other comprehensive income were as follows (in thousands):

	March 31, 2008	March 31, 2007
Net actuarial loss	$9,842	$3,536
Amortization of net transition obligation	46	51
Accumulated other comprehensive income	9,888	3,587
Deferred tax benefit	(821)	(859)
Accumulated other comprehensive loss, net of tax	$9,067	$2,728

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

	March 31, 2008	March 31, 2007
Accumulated other comprehensive loss, beginning of year	$2,728	$ —
Transition asset (obligation) recognized	(5)	51
Gain (loss) recognized	(138)	48
Loss occurred	6,448	3,488
Deferred tax benefit	31	(859)
Foreign currency exchange rate changes	3	—
Accumulated other comprehensive loss, end of year	$9,067	$2,728

The following table represents the amounts included in accumulated other comprehensive income as of March 31, 2008, which have not yet been recognized as a component of net periodic benefit cost (in thousands):

Amortization of net transition obligation	$ 6
Amortization of net actuarial loss	471
	$ 477

The Company reassesses its benefit plan assumptions on a regular basis. The actuarial assumptions for the pension plans for fiscal year 2008 are as follows:

	Benefit Obligation	Periodic Cost
Discount rate	2.50% to 3.50%	2.25% to 3.00%
Estimated rate of compensation increase	2.50% to 4.25%	2.00% to 4.00%
Expected average rate of return on plan assets		2.50% to 4.25%

The discount rate is estimated based on relevant bond market yields. The Company bases the compensation increase assumptions on historical experience and future expectations. The expected average rate of return for the Company's retirement benefit plans represents the average rate of return expected to be earned on plan assets over the period that the benefit obligations are expected to be paid.

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

Year ending March 31,	
2009	$ 2,440
2010	2,109
2011	2,182
2012	2,098
2013	1,866
Thereafter	12,394
	$23,089

The Company expects to contribute approximately $3.0 million to its defined benefit pension plans during fiscal year 2009.

Deferred Compensation Plan

One of the Company's subsidiaries offers a management deferred compensation plan which permits eligible employees to make 100%-vested salary and incentive compensation deferrals within established limits, which are invested in Company-owned life insurance contracts held in a Rabbi Trust. The Company does not make contributions to the plan. The cash surrender value of the insurance contracts was approximately $12.8 million and $10.9 million at March 31, 2008 and 2007 and was included in other assets. Expenses and gains or losses related to the insurance contracts are included in other income, net and have not been significant to date. The unsecured obligation to pay the compensation deferred, adjusted to reflect the positive or negative performance of investment measurement options selected by each participant, was approximately $14.8 million and $12.3 million at March 31, 2008 and 2007 and was included in other liabilities. The additional compensation expenses related to investment performance have not been significant to date.

Note 13 — Income Taxes

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

Income before income taxes for the fiscal years ended March 31, 2008, 2007 and 2006 is summarized as follows (in thousands):

	Year ended March 31,		
	2008	2007	2006
Income before income taxes:			
Swiss	145,403	141,749	117,634
Non-Swiss	117,411	113,808	92,220
Total	$262,814	$255,557	$209,854

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

	Year ended March 31,		
	2008	2007	2006
Current:			
Swiss	$ 2,509	$ 4,644	$ 3,950
Non-Swiss	31,055	36,295	31,497
Deferred:			
Swiss	(75)	(89)	(178)
Non-Swiss	(1,701)	(15,141)	(6,520)
Total	$31,788	$ 25,709	$28,749

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

	Year ended March 31,		
	2008	2007	2006
Expected tax provision at statutory income tax rates	$22,339	$21,722	$17,838
Income taxes at different rates	12,245	10,194	12,870
Research and development tax credits	(1,572)	(1,868)	(140)
Other	(1,224)	(4,339)	(1,819)
Total provision for income taxes	$31,788	$25,709	$28,749

The Company has negotiated a tax holiday on certain earnings in China which is effective from January 2006 through December 2010. The tax holiday represents a tax exemption aimed to attract foreign technological investment in China. The tax holiday decreased income tax expense by approximately $1.5 million and $2.5 million for fiscal years 2008 and 2007. The benefit of the tax holiday on net income per share (diluted) was approximately $0.01 in both fiscal years.

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

	March 31,	
	2008	2007
Deferred tax assets:		
Net operating loss carry forwards	$ 4,171	$ 457
Accruals	29,977	32,856
Depreciation and amortization	6,630	5,999
Share-based compensation	7,504	4,033
Gross deferred tax assets	48,282	43,345
Deferred tax liabilities:		
Acquired intangible assets	(6,992)	(4,981)
Gross deferred tax liabilities	(6,992)	(4,981)
Net deferred tax assets	$41,290	$38,364

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

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

Deferred tax assets relating to tax benefits of employee stock option grants have been reduced to reflect exercises in fiscal years 2008 and 2007. Some exercises resulted in tax deductions in excess of previously recorded benefits based on the option value at the time of grant ("windfalls"). Although these additional tax benefits are reflected in net operating loss carryforwards, pursuant to SFAS 123R, the additional tax benefit associated with the windfall is not recognized until the deduction reduces cash taxes payable. When the tax benefit reduces cash taxes payable, the Company will credit equity. During fiscal years 2008 and 2007, the Company recorded a credit to equity of $3.9 million and $14.7 million.

As of March 31, 2008, the Company had foreign net operating loss and tax credit carryforwards for income tax purposes of $192.1 million and $14.6 million. Approximately $179.9 million of the net operating loss carryforwards and substantially all of the tax credit carryforwards, if realized, will be credited to equity since they have not met the realization criteria of FAS 123R. Unused net operating loss carryforwards will expire at various dates in fiscal years 2012 to 2028, and the tax credit carryforwards will start expiring beginning in fiscal year 2009.

Effective April 1, 2007, the Company adopted the provisions of FIN 48, which contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

As a result of the implementation of FIN 48, the Company reduced the liability for net unrecognized tax benefits and related accrued interest and penalties by approximately $8.3 million, and accounted for the reduction as the cumulative effect of a change in accounting principle, which resulted in an increase to retained earnings of approximately $8.3 million during the first quarter of fiscal year 2008. As of March 31, 2008 and April 1, 2007, the total amount of unrecognized tax benefits was $101.5 million and $89.7 million, of which $89.1 million and $76.3 million would affect the effective tax rate if realized. The Company classified unrecognized tax benefits under FIN 48 as non-current income taxes payable, as no amounts appear payable within the next 12 months.

The aggregate changes in gross unrecognized tax benefits were as follow (in thousands):

Beginning balance as of April 1, 2007 (Date of adoption)	$82,435
Lapse of statute of limitations	(1,202)
Decreases in balances related to tax positions taken during prior periods	(6,471)
Increases in balances related to tax positions taken during the current period	17,885
Ending balance as of March 31, 2008	$92,647

The Company continues to recognize interest and penalties related to unrecognized tax positions in income tax expense. Upon the adoption of FIN 48, the total amount of accrued interest and penalties relating to unrecognized tax benefits was $7.2 million. The Company recognized $1.6 million in interest and penalties in income tax expense during fiscal year 2008. As of March 31, 2008, the Company had approximately $8.8 million of accrued interest and penalties related to uncertain tax positions.

The Company files Swiss and foreign tax returns. For all these tax returns, the Company is generally not subject to tax examinations for years prior to 1999.

Although timing of the resolution or closure on audits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits would materially change in the next 12 months.

Note 14 — Derivative Financial Instruments – Foreign Exchange Hedging

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

Prior to the third quarter of fiscal year 2008, forward contracts related to forecasted inventory purchases were accounted for as cash flow hedges and gains or losses on the contracts were deferred as a component of accumulated other comprehensive loss until the inventory purchases were sold, at which time the gains or losses were reclassified to cost of goods sold.

The notional amounts of foreign exchange forward contracts outstanding at March 31, 2008 and 2007 relating to foreign currency receivables or payables were $8.4 million and $9.0 million. There were no outstanding forward contracts related to forecasted inventory purchases at March 31, 2008. The notional amount of such forward contracts outstanding at March 31, 2007 was $38.5 million. The notional amounts of foreign exchange swap contracts outstanding at March 31, 2008 and 2007 were $21.5 million and $11.5 million. The notional amount represents the future cash flows under contracts to purchase foreign currencies.

Net losses recognized into cost of goods sold during fiscal years 2008, 2007 and 2006 were $4.1 million, $0.3 million and $2.6 million. Unrealized net losses on forward contracts outstanding at March 31, 2008 were immaterial.

Note 15 — Commitments and Contingencies

The Company leases facilities under operating leases, certain of which require it to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at the Company's option and usually include escalation clauses linked to inflation. Future minimum annual rentals under non-cancelable operating leases at March 31, 2008 are as follows (in thousands):

Year ending March 31,	
2009	$13,013
2010	10,547
2011	8,081
2012	7,242
2013	6,964
Thereafter	11,696
	$57,543

Rent expense was $13.8 million, $9.9 million and $8.7 million for the years ended March 31, 2008, 2007 and 2006. The Company's asset retirement obligations for its leased facilities as of March 31, 2008 were not material.

At March 31, 2008, fixed purchase commitments for capital expenditures amounted to $13.6 million, and primarily related to commitments for manufacturing equipment, tooling, computer software and computer hardware. Also, the Company has commitments for inventory purchases made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers. At March 31, 2008, fixed purchase commitments for inventory amounted to $144.1 million, which are expected to be fulfilled by December 31, 2008. The Company also had other commitments totaling $33.6 million for consulting services, marketing arrangements, advertising and other services. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the Company the option to reschedule and adjust its requirements based on the business needs prior to delivery of goods or performance of services.

The Company has guaranteed the purchase obligations of some of its contract manufacturers and original design manufacturers to certain component suppliers. These guarantees generally have a term of one year and are automatically extended for one or more years as long as a liability exists. The amount of the purchase obligations of these manufacturers varies over time, and therefore the amounts subject to Logitech's guarantees similarly vary. At March 31, 2008, the amount of outstanding guaranteed purchase obligations was approximately $1.8 million. The maximum potential future payments under one of the two guarantee arrangements is limited to $2.8 million. The other guarantee is limited to purchases of specified components from the named supplier. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these guarantee arrangements.

Logitech International S.A., the parent holding company, has guaranteed certain contingent liabilities of various subsidiaries related to specific transactions occurring in the normal course of business. The maximum amount of the guarantees was $2.3 million as of March 31, 2008. As of March 31, 2008, no amounts were outstanding under these guarantees.

Logitech indemnifies some of its suppliers and customers for losses arising from matters such as intellectual property rights and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances, includes indemnification for damages and expenses, including reasonable attorneys' fees. No amounts have been accrued for indemnification provisions at March 31, 2008. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under its indemnification arrangements.

In December 2006, the Company acquired Slim Devices, Inc., a privately held company specializing in network-based audio systems for digital music. The purchase agreement provides for a possible performance-based payment, payable in the first calendar quarter of 2010. The performance-based payment is based on net revenues from the sale of products and services in calendar year 2009 derived from Slim Devices' technology. The maximum performance-based payment is $89.5 million, and no payment is due if the applicable net revenues total $40 million or less. The total performance-based payment, if any, will be recorded in goodwill and will not be known until the end of calendar year 2009.

In November 2007, the Company acquired WiLife, Inc., a privately held company that manufactures PC-based video cameras for self-monitoring a home or a small business. The purchase agreement provides for a possible performance-based payment, payable in the first calendar quarter of 2011. The performance-based payment is based on net revenues attributed to WiLife during calendar 2010. No payment is due if the applicable net revenues total $40.0 million or less. The maximum performance-based payment is $64.0 million. The total performance-based payment amount, if any, will be recorded in goodwill and will not be known until the end of calendar year 2010.

The Company is involved in a number of lawsuits and claims relating to commercial matters that arise in the normal course of business. The Company believes these lawsuits and claims are without merit and intends to vigorously defend against them. However, there can be no assurances that its defenses will be successful, or that any judgment or settlement in any of these lawsuits would not have a material adverse impact on the Company's business, financial condition and results of operations. The Company's accruals for lawsuits and claims as of March 31, 2008 were not material.

Note 16 — Interest and Other Income

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

	Year ended March 31,		
	2008	2007	2006
Interest income	$ 15,752	$ 9,083	$ 5,512
Interest expense	(244)	(350)	(1,921)
Interest income, net	$ 15,508	$ 8,733	$ 3,591
Foreign currency exchange gains, net	$ 10,616	$ 6,190	$ 7,580
Gain on sale of investments, net	27,761	9,048	560
Write-down of investments	(79,823)	—	(1,168)
Other, net	2,072	724	380
Other income, net	$(39,374)	$15,962	$ 7,352

Note 17 — Segment Information

The Company operates in one operating segment, which is the design, manufacturing and marketing of personal peripherals for personal computers and other digital platforms. Geographic net sales information in the table below is based on the location of the selling entity. Long-lived assets, primarily fixed assets, are reported below based on the location of the asset.

Retail and OEM net sales to unaffiliated customers by geographic region were as follows (in thousands):

	Year ended March 31,		
	2008	2007	2006
Europe	$ 1,117,060	$ 1,027,852	$ 887,736
North America	888,529	729,207	617,942
Asia Pacific	364,907	309,510	291,037
Total net sales	$ 2,370,496	$ 2,066,569	$ 1,796,715

In fiscal years 2008 and 2007, no single country other than the United States represented more than 10% of the Company's total consolidated net sales. In fiscal year 2006, no single country other than the United States and Germany represented more than 10% of the Company's total consolidated net sales. Revenues from sales to customers in Switzerland, our home domicile, represented a small portion of the Company's total consolidated net sales in all periods presented. In fiscal year 2008 and 2007, one customer represented 14% of net sales. In fiscal year 2006, two customers represented 14% and 11% of net sales. As of March 31, 2008, two customers each represented 15% of total accounts receivable. As of March 31, 2007, one customer represented 16% of total accounts receivable.

Net sales by product family for fiscal years 2007, 2006 and 2005 were as follows (in thousands):

	Year ended March 31,		
	2008	2007	2006
Retail – Pointing Devices	$ 622,074	$ 508,449	$ 458,587
Retail – Keyboards & Desktops	458,434	372,266	327,039
Retail – Audio	478,455	408,314	326,880
Retail – Video	238,728	314,514	273,742
Retail – Gaming	146,016	149,113	144,558
Retail – Remotes	123,581	91,739	57,227
OEM	303,208	222,174	208,682
Total net sales	$ 2,370,496	$ 2,066,569	$ 1,796,715

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

	March 31,	
	2008	2007
Europe	$ 20,386	$ 16,800
North America	36,122	25,555
Asia Pacific	50,330	46,724
Total long-lived assets	$ 106,838	$ 89,079

Long-lived assets in China, the United States and Switzerland each represented more than 10% of the Company's total consolidated long-lived assets at March 31, 2008 and 2007.

Note 18 — Other Disclosures Required by Swiss Law

Balance Sheet Items

The amounts of certain balance sheet items were as follows (in thousands):

	March 31,	
	2008	2007
Prepayments and accrued income	$ 14,353	$ 11,213
Non-current assets	$ 360,616	$ 320,043
Pension liabilities, current	$ 2,500	$ 704
Fire insurance value of property, plant and equipment	$ 155,771	$ 162,666

Statement of Income Items

Total personnel expenses amounted to $271.9 million, $223.6 million and $173.5 million in fiscal years 2008, 2007 and 2006.

Compensation and Security Ownership of Board Members and Executive Officers

In accordance with the Swiss Code of Obligations, the compensation and security ownership of members of the Board of Directors of Logitech International S.A. and of Logitech executive officers is presented below.

The following table sets forth compensation Logitech paid or accrued for payment to the individual members of the Board of Directors, the highest compensation paid to an executive officer, and the total amount of compensation paid or accrued for payment to executive officers for services performed in the fiscal year ended March 31, 2008 (in thousands, except share and per share amounts):

	Base Salary(1)	Bonus(2)	Stock Awards	Option Awards(3)	Other Compensation(4)	Total
Board of Directors:						
Guerrino De Luca (Chairman)	$ 719,231	$ 754,074	$ —	$ 1,218,991	$ 42,178	$ 2,734,474
Daniel Borel	126,910	—	—	—	—	126,910
Gary Bengier	77,250	—	—	27,902	—	105,152
Matthew Bousquette	62,750	—	—	55,803	—	118,553
Erh-Hsun Chang	58,750	—	—	269,555	—	328,305
Kee-Lock Chua	68,750	—	—	37,375	—	106,125
Monika Ribar	88,700	—	—	48,891	—	137,591
Sally Davis	76,802	—	—	73,565	—	150,367
Robert Malcolm	54,750	—	—	72,474	—	127,224
Total Board of Directors	$ 1,333,893	$ 754,074	$ —	$ 1,804,556	$ 42,178	$ 3,934,701
Executive Officers:						
Guerrino De Luca(5)	$ 719,231	$ 754,074	$ —	$ 1,218,991	$ 42,178	$ 2,734,474
Total Executive Officers	$ 3,095,385	$ 2,531,571	$ —	$ 4,311,587	$ 102,848	$ 10,041,391

(1) Base salary include fees to attend meetings, annual retainers and travel fees. For Mr. Borel, the base salary includes a salary for his service as Chairman of the Board from 4/1/07 through 12/31/07.

(2) Bonus represents compensation from the Company's non-equity compensation plans.

(3) Amounts shown reflect the compensation expenses recognized by Logitech in fiscal year 2008 for the applicable Option Award as determined pursuant to SFAS 123R. These compensation costs reflect equity awards granted in 2008 and prior years. The key assumptions for the valuation of the stock options are presented in Note 12.

(4) Other compensation includes car allowance, term life insurance premiums and matching contributions made by the Company to the Logitech 401(k) Plan.

(5) Highest compensated executive officer.

No additional fees or compensation have been paid during fiscal year 2008 to any current or former members of the Board of Directors or executive officers other than as noted above.

There were no loans made or outstanding at any time during fiscal year 2008 to any current or former members of the Board of Directors or executive officers. In addition, no compensation was paid or loans made during fiscal year 2008 to parties closely related to members of the Board of Directors or executive officers.

The following table sets forth the shares and options held by each of the individual members of the Board of Directors and executive officers as of March 31, 2008:

	Shares Held	Options Held(3)	Exercise Price	Fiscal Years of Expiration
Board of Directors:				
Guerrino De Luca	328,036	2,808,124(1)	\$5.11 - \$27.95	2011 - 2018
Daniel Borel	11,000,000	—	—	—
Gary Bengier	5,100	60,000	\$11.35 - \$15.41	2013 - 2016
Matthew Bousquette	10,000	60,000	\$15.41	2016
Erh-Hsun Chang	188,000	505,000(2)	\$5.22 - \$20.25	2012 - 2017
Kee-Lock Chua	8,000	135,000	\$9.73 - \$19.43	2011 - 2017
Monika Ribar	1,400	95,000	\$11.79 - \$27.78	2015 - 2018
Sally Davis	—	30,000	\$27.78	2018
Robert Malcolm	2,500	30,000	\$27.35	2018
Total Board of Directors	11,543,036	3,723,124		
Executive Officers:				
Guerrino De Luca	328,036	2,808,124(1)	\$5.11 - \$27.95	2011 - 2018
Gerald Quindlen	—	660,000	\$20.25 - \$34.39	2016 - 2018
Mark Hawkins	3,279	225,000	\$21.43 - \$30.09	2017 - 2018
David Henry	18,346	624,548	\$5.22 - \$30.09	2012 - 2018
Junien Labrousse	23,340	600,000	\$7.76 - \$30.09	2014 - 2018
L. Joseph Sullivan	1,983	147,500	\$19.96 - \$30.09	2016 - 2018
Total Executive Officers	374,984	5,065,172		

(1) These awards were made to Mr. De Luca in his capacity as Chief Executive Officer and President of the Company prior to his becoming Chairman of the Board.

(2) Mr. Chang received options to purchase 30,000 shares of Logitech stock in his capacity as a Board member. The remainder of these awards were made to Mr. Chang in his former role as Senior Vice President, Worldwide Operations and General Manager, Far East, prior to becoming a member of the Board of Directors.

(3) Each option provides the right to purchase one share at the exercise price. For executive officers, the options become exercisable over four years in equal annual installments from the date of grant. For non-executive Directors, the options become exercisable over three years in equal annual installments from the date of grant.

LOGITECH INTERNATIONAL S.A.

QUARTERLY FINANCIAL DATA
(Unaudited)

The following table contains selected unaudited quarterly financial data for fiscal years 2008 and 2007 (in thousands except per share amounts):

	Year ended March 31, 2008				Year ended March 31, 2007			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	$ 429,537	$ 595,490	$744,235	$ 601,234	$ 393,282	$ 502,041	$ 658,512	$ 512,734
Gross profit	144,786	215,954	274,434	213,944	120,912	172,965	238,657	176,991
Operating expenses:								
Marketing and selling	64,787	76,463	98,512	84,689	51,198	70,445	84,146	66,475
Research and development	28,765	30,939	31,378	33,462	24,928	26,118	28,778	28,432
General and administrative	27,322	28,149	28,318	29,654	20,995	24,225	26,137	26,786
Total operating expense	120,874	135,551	158,208	147,805	97,121	120,788	139,061	121,693
Operating income	23,912	80,403	116,226	66,139	23,791	52,177	99,596	55,298
Net income	$ 25,554	$ 11,562	$133,572	$ 60,338	$ 30,147	$ 49,204	$ 94,304	$ 56,193
Net income per share:								
Basic	$ .14	$ .06	$ .74	$ .33	$ .17	$ .27	$ .52	$ .31
Diluted	$ .14	$ .06	$ .71	$ .32	$ .16	$ .26	$ .49	$ .29
Shares used to compute net income per share:								
Basic	181,802	181,459	181,549	180,636	182,648	182,502	182,652	182,738
Diluted	189,250	188,293	188,814	186,299	190,646	190,276	191,145	191,091

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

	Year ended March 31, 2008				Year ended March 31, 2007			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	33.7	36.3	36.9	35.6	30.7	34.5	36.2	34.5
Operating expenses:								
Marketing and selling	15.1	12.8	13.2	14.1	13.0	14.0	12.8	13.0
Research and development	6.7	5.2	4.2	5.6	6.3	5.2	4.4	5.5
General and administrative	6.3	4.8	3.9	4.9	5.4	4.9	3.9	5.2
Total operating expense	28.1	22.8	21.3	24.6	24.7	24.1	21.1	23.7
Operating income	5.6	13.5	15.6	11.0	6.0	10.4	15.1	10.8
Net income	5.9%	1.9%	17.9%	10.0%	7.7%	9.8%	14.3%	11.0%

This page intentionally left blank.

LOGITECH INTERNATIONAL S.A., APPLES

SWISS STATUTORY FINANCIAL STATEMENTS

LOGITECH INTERNATIONAL S.A., APPLES

SWISS STATUTORY FINANCIAL STATEMENTS

TABLE OF CONTENTS

LOGITECH INTERNATIONAL S.A., APPLES

SWISS STATUTORY BALANCE SHEETS (unconsolidated)
(In thousands of Swiss francs)

	March 31, 2008		March 31, 2007	
ASSETS				
Current assets:				
Cash	CHF	634	CHF	1,648
Short-term bank deposits		154,889		—
Short-term investments		3,921		261,821
Accrued interest and other receivables		1,539		15,092
Advances to and amounts receivable from group companies		31,846		14,612
Total current assets		192,829		293,173
Long-term assets:				
Intangible assets		295		574
Investments in subsidiaries		394,909		380,664
Loans to subsidiaries		7,323		14,148
Provisions on investments in and loans to subsidiaries		(2,507)		(2,507)
Treasury shares		400,710		272,844
Provision on treasury shares		(88,192)		—
Other investments and loans, net of provisions and write-off of CHF 8,254 as of March 31, 2008 and CHF 8,254 as of March 31, 2007		—		—
Total long-term assets		712,538		665,723
Total assets	CHF	905,367	CHF	958,896
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Payables to group companies	CHF	8,338	CHF	24,547
Accruals and other liabilities		1,842		2,167
Deferred unrealized exchange gains		13,166		1,862
Total current liabilities		23,346		28,576
Long-term liabilities:				
Payables to group companies		107,243		221,694
Total liabilities		130,589		250,270
Shareholders' equity:				
Share capital		47,902		47,902
Legal reserves:				
General reserve		9,580		9,580
Reserve for treasury shares		400,710		272,844
Unappropriated retained earnings		316,586		378,300
Total shareholders' equity		774,778		708,626
Total liabilities and shareholders' equity	CHF	905,367	CHF	958,896

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

LOGITECH INTERNATIONAL S.A., APPLES

SWISS STATUTORY STATEMENTS OF INCOME (unconsolidated)
(In thousand of Swiss francs)

	Year ended March 31,	
	2008	2007
Dividend income	CHF 251,870	CHF 107,785
Royalty fees	56,377	51,330
Interest income from third parties	10,578	4,906
Interest income from subsidiaries	864	858
Realized exchange gains, net of exchange losses	22	287
Gain on disposal of investment	—	10,412
Other Income	—	5
	319,711	175,583
Administrative expenses	5,676	5,948
Brand development expenses	17,638	26,354
Amortization of intangibles	279	392
Interest paid to subsidiaries	12,626	4,650
Income, capital and non-recoverable withholding taxes	2,229	2,206
Loss on disposal of treasury shares	66,005	75,095
Fair value adjustment of treasury shares	88,192	—
Realized loss on sales of short-term investments, net of realized gains	9,976	
Write-down of short-term investments	50,926	—
Other Expenses	12	533
	253,559	115,178
Net income	CHF 66,152	CHF 60,405

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

LOGITECH INTERNATIONAL S.A., APPLES

NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS

Note 1 — Basis of Presentation :

The Swiss statutory financial statements of Logitech International S.A. ("the Holding Company") are prepared in accordance with Swiss Law. The financial statements present the financial position and results of operations of the Holding Company on a standalone basis and do not represent the consolidated financial position of the Holding Company and its subsidiaries.

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

Note 2 — Contingent Liabilities:

Logitech International S.A. issued guarantees to various banks for CHF 79,696,000 for lines of credit available to its subsidiaries. At March 31, 2008 the aforementioned credit line facilities were not drawn down.

Note 3 — Investments:

Principal operating subsidiaries include the following:

Company	Country	% of possession	Currency	Share capital	Purpose
Logitech Europe S.A.	Switzerland	100	CHF	100,000	Administration, research, development, sales and distribution
Logitech Inc	U.S.A	100	USD	11,522,396	Administration, research, development, sales and distribution
Logitech (Intrigue) Inc.	Canada	100	CAD	1,661,340	Research and development
Logitech Technology (Suzhou) Co., Ltd	People's Republic of China	100	USD	22,000,000	Manufacturing

All subsidiaries are directly or indirectly 100% owned by the Holding Company.

Note 4 — Treasury Shares:

During fiscal years 2007 and 2008, repurchases of and issuances from the Company's treasury shares were as follows (total cost in thousands):

	Number of shares	Total cost
Held by the holding company at March 31, 2006	8,955,226	CHF 233,284
Additions	5,609,600	171,474
Disposals	(5,201,187)	(137,337)
Reverse valuation		5,423
Held by the holding company at March 31, 2007	9,363,639	CHF 272,844
Additions	7,783,750	253,511
Disposals	(4,716,296)	(125,645)
Held by the holding company at March 31, 2008	12,431,093	CHF 400,710

All references to the number of shares have been adjusted to reflect the effect of the share split undertaken by the Holding Company in July 2006.

In June 2005, the Board of Directors authorized the repurchase of up to CHF 300,000,000 of the Holding Company's registered shares. This program expires at the Company's 2008 Annual General Meeting. At March 31, 2007, the Company had completed the program and repurchased 11,284,900 registered shares for approximately CHF 300,000,000.

In May 2006, the Board of Directors authorized the repurchase of up to USD 250,000,000 of the Holding Company's registered shares. This program expires at the Company's 2009 Annual General Meeting. The Company completed the program in February 2008. At March 31, 2008, the Company had repurchased 8,759,450 registered shares for approximately USD 250,000,000.

In June 2007, the Board of Directors authorized the repurchase of up to USD 250,000,000 of the Holding Company's registered shares. This program expires at the Company's 2010 Annual General Meeting. At March 31, 2008, the Company had repurchased 1,750,000 registered shares for approximately USD 45,282,000.

Treasury shares are recorded as a long-term asset at the lower of cost or market value. The disposal of treasury shares during the period was to the Company's directors and employees under the Holding Company's share option and share purchase plans. The gain or loss on the disposal of repurchased treasury shares is recorded in the statement of income.

Note 5 — Authorized and Conditional Share Capital Increases:

Share Split

In June 2006, the Company's shareholders approved a two-for-one share split whereby one share with a par value of CHF 0.50 was converted into two shares with a par value of CHF 0.25 per share. All references to the number of shares have been adjusted to reflect the effect of the share split undertaken by the Holding Company.

Authorized capital

In June 2006, the Company's shareholders renewed their approval of 40,000,000 authorized registered shares for use in acquisitions, mergers and other similar transactions, valid through the period ending July 10, 2008.

Conditional capital

In June 1996 and June 1995, the Company's shareholders approved the availability of 32,000,000 and 24,000,000 conditional registered shares. In June 2002, the shareholders approved the continued availability of the aforementioned amounts and approved an additional 24,000,000 conditional registered shares. The remaining number of conditional registered shares at March 31, 2008 was 60,661,860, which are available for issuance upon the exercise of employee stock options and the issuance of shares under the Company's employee share purchase plans. During fiscal years 2008 and 2007, no shares were issued from the aforementioned amounts of conditional shares available. In fiscal years 2008 and 2007, all stock options and purchase plan commitments were satisfied from treasury shares held by the Holding Company.

In addition to the aforementioned, the shareholders in June 2001 approved the creation of an additional 10,900,000 conditional registered shares to cover the conversion rights associated with the issue of a convertible bond by Logitech Jersey Ltd, a subsidiary of the Holding Company. In June 2007, this conditional share capital for 10,900,000 shares was eliminated. The conditional share capital was no longer required, as the Company satisfied its conversion obligations during fiscal year 2006 by the delivery of treasury shares rather than the issuance of shares from conditional share capital.

As at March 31, 2008, none of the aforementioned conditional registered shares had been issued.

Note 6 — Significant Shareholders:

The Holding Company's share capital consists of registered shares. To the knowledge of the Company, the beneficial owners holding more than 3% of the voting rights of the Company as of March 31, 2008 were as follows:

Name	Number of Shares(2)	% of Voting Rights(3)	Relevant Date
Daniel Borel(1)	11,000,000	5.7%	March 31, 2008
Logitech International S.A.	12,431,093	6.5%	March 31, 2008
FMR LLC(4)	9,006,810	4.7%	November 29, 2007
The Capital Group Companies, Inc.(5)	5,869,117	3.1%	January 23, 2008

(1) Mr. Borel has not entered into any written shareholders' agreements.

(2) In compliance with Article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading of March 24, 1995 ("SESTA") and Article 13 of the Ordinance of the Swiss Federal Banking Commission on Stock Exchanges and Securities Trading of June 25, 1997 ("SESTO-FBC"), conversion and acquisition rights are not taken into consideration for the calculation of the relevant shareholdings, unless such rights entitle their holders to acquire, upon exercise, at least 3% of the Company's voting rights.

(3) In compliance with Article 10 paragraph 2 of SESTO-FBC, shareholdings are calculated based on the aggregate number of voting rights entered into the Swiss commercial register. This aggregate number was 191,606,620 voting rights as of March 31, 2008.

(4) Number of shares held by FMR LLC is based on a notification received by the Company on November 29, 2007 informing the Company that the ownership of FMR LLC, on behalf of funds managed by and clients of FMR LLC and its direct and indirect subsidiaries, had exceeded 3% of the Company's voting rights.

(5) Number of shares held by The Capital Group Companies, Inc. is based on a notification received by the Company on January 23, 2008 informing the Company that the ownership of The Capital Group Companies, Inc., on behalf of funds managed by and clients of The Capital Group, had exceeded 3% of the Company's voting rights.

SESTA requires shareholders who own voting rights exceeding certain percentage thresholds of a company incorporated in Switzerland whose shares are listed on a stock exchange in Switzerland to notify the company and the relevant Swiss exchange of such holdings. Following receipt of this notification, the company is required to inform the public in Switzerland.

On May 22, 2008, Thornburg Investment Management notified us that as of April 24, 2008 they held 11,922,284 shares constituting approximately 6.2% of the Company's voting rights.

Logitech has not been notified of any ownership of options or other derivative securities of the Company, whether privately or publicly traded, by any significant shareholder of the Company that is not a member of the Board of Directors or an executive officer.

Note 7 — Movements on Retained Earnings:

During fiscal years 2007 and 2008, movements on retained earnings were as follows (in thousands):

	Year ended March 31,	
	2008	2007
Retained earnings at the beginning of the year	CHF 378,300	CHF 352,032
Attribution to reserve for treasury shares	(127,866)	(34,137)
Net income for the year	66,152	60,405
Retained earnings at the disposal of the Annual General Assembly	CHF 316,586	CHF 378,300

Note 8 — Compensation and Security Ownership of Board Members and Executive Officers:

In accordance with the Swiss Code of Obligations, the compensation and security ownership of members of the Board of Directors of Logitech International S.A. and of Logitech executive officers is presented in the consolidated financial statements of Logitech International S.A., Apples.

****

PROPOSAL OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF RETAINED EARNINGS

Proposal of the Board of Directors for appropriation of retained earnings was as follows during fiscal years 2007 and 2008 (in thousands):

	Year ended March 31,	
	2008	2007
	Proposal of the Board of Directors	Resolution of the General Assembly
To be carried forward	CHF 316,586	CHF 378,300

PRICEWATERHOUSECOOPERS

REPORT OF THE STATUTORY AUDITORS

Report of the Statutory Auditors
to the General Meeting of Logitech International S.A., Apples

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Logitech International SA for the year ended March 31, 2008.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Travis Randolph
Auditor in charge

Pierre-Alain Dévaud

Lausanne, Switzerland
May 30, 2008

(This page intentionally left blank.)

(This page intentionally left blank.)

Executive Officers

Guerrino De Luca
Chairman of the Board

Gerald P. Quindlen
President and Chief Executive Officer

Mark J. Hawkins
Senior Vice President, Finance and Information Technology and Chief Financial Officer

David Henry
Senior Vice President, Customer Experience and Chief Marketing Officer

Junien Labrousse
Executive Vice President, Products

L. Joseph Sullivan
Senior Vice President, Worldwide Operations

Board of Directors

Guerrino De Luca
Chairman of the Board

Gerald P. Quindlen
President and Chief Executive Officer
(To be presented to the shareholders at the Annual General Meeting in September 2008)

Daniel Borel
Co-Founder and Former Chairman of the Board, Logitech

Gary Bengier
Former Senior Vice President, eBay Inc.
(Retiring from the Board of Directors in September 2008)

Matthew Bousquette
Chairman, Enesco LLC

Erh-Hsun Chang
Former Senior Vice President, Worldwide Operations and General Manager, Far East, Logitech

Kee-Lock Chua
Executive Director, Biosensors International Group, Ltd.

Sally Davis
Chief Executive Officer, British Telecommunications Wholesale

Richard Laube
Executive Vice President, Nestlé S.A.
Chief Executive Officer, Nestlé Nutrition
(To be presented to the shareholders at the Annual General Meeting in September 2008)

Robert Malcolm
President, Global Marketing and Innovation, Diageo PLC

Monika Ribar
President, Chief Executive Officer, Panalpina Group

Design: Michael Patrick Partners, www.michaelpatrickpartners.com

Holding Company
Logitech International S.A.
CH-1143 Apples
Switzerland

Americas
Logitech Inc.
6505 Kaiser Drive
Fremont, CA 94555
United States

Asia Pacific
Logitech Asia Pacific Ltd.
Room 1408-10
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Europe
Logitech Europe S.A.
Moulin du Choc D
CH-1122 Romanel-sur-Morges
Switzerland

Japan
Logicool Co. Ltd.
Iidabashi MF Bldg., 3F
1-1 Shin Ogawamachi
Shinjuku-ku
Tokyo, 162-0814, Japan

Visit www.logitech.com
for a complete list of
Logitech locations

PDS-700-000332