LOGITECH INTERNATIONAL SA
Form 10-Q
November 08, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended September 30, 2010

or

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to

Commission File Number: 0-29174

LOGITECH INTERNATIONAL S.A.
(Exact name of registrant as specified in its charter)

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

Logitech International S.A.
Apples, Switzerland
c/o Logitech Inc.
6505 Kaiser Drive
Fremont, California 94555
(Address of principal executive offices and zip code)

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

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

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

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

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

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

As of November 2, 2010, there were 175,875,123 shares of the Registrant's share capital outstanding.

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

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

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
	(Unaudited)			
Net sales	$581,884	$498,093	$1,061,214	$824,203
Cost of goods sold	364,950	346,305	675,251	594,593
Gross profit	216,934	151,788	385,963	229,610
Operating expenses:				
Marketing and selling	97,412	68,835	188,889	127,773
Research and development	40,927	31,825	79,316	63,185
General and administrative	27,420	23,739	54,780	44,920
Restructuring charges	-	45	-	1,494
Total operating expenses	165,759	124,444	322,985	237,372
Operating income (loss)	51,175	27,344	62,978	(7,762)
Interest income, net	635	639	1,156	1,231
Other income (expense), net	(1,794)	(1,438)	2	(636)
Income (loss) before income taxes	50,016	26,545	64,136	(7,167)
Provision for income taxes	8,856	5,802	3,454	9,455
Net income (loss)	$41,160	$20,743	$60,682	$(16,622)
Net income (loss) per share:				
Basic	$0.23	$0.12	$0.34	$(0.09)
Diluted	$0.23	$0.11	$0.34	$(0.09)
Shares used to compute net income (loss) per share:				
Basic	176,359	178,395	175,921	179,058
Diluted	177,958	180,989	177,588	179,058

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

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

	September 30, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 307,679	$ 319,944
Accounts receivable	304,998	195,247
Inventories	343,021	219,593
Other current assets	63,482	58,877
Total current assets	1,019,180	793,661
Property, plant and equipment	91,122	91,229
Goodwill	553,794	553,462
Other intangible assets	88,389	95,396
Other assets	66,877	65,930
Total assets	$ 1,819,362	$ 1,599,678
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 370,033	$ 257,955
Accrued liabilities	198,727	182,336
Total current liabilities	568,760	440,291
Other liabilities	160,521	159,672
Total liabilities	729,281	599,963
Commitments and contingencies		
Shareholders' equity:		
Shares, par value CHF 0.25 - 191,606 issued and authorized and 50,000 conditionally authorized at September 30, 2010 and March 31, 2010	33,370	33,370
Additional paid-in capital	3,548	14,880
Less shares in treasury at cost, 14,799 shares at September 30, 2010 and 16,435 shares at March 31, 2010	(338,078)	(382,512)
Retained earnings	1,467,300	1,406,618
Accumulated other comprehensive loss	(76,059)	(72,641)
Total shareholders' equity	1,090,081	999,715
Total liabilities and shareholders' equity	$ 1,819,362	$ 1,599,678

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

LOGITECH INTERNATIONAL S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six months ended September 30, 2010	2009
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$60,682	$(16,622)
Non-cash items included in net income (loss):		
Depreciation	23,343	26,057
Amortization of other intangible assets	14,027	4,603
Share-based compensation expense	16,720	11,166
Gain on disposal of fixed assets	(838)	-
Excess tax benefits from share-based compensation	(676)	(1,346)
Loss (gain) on cash surrender value of life insurance policies	169	(402)
Deferred income taxes and other	1,804	(274)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(99,615)	(39,896)
Inventories	(129,497)	(1,011)
Other assets	(5,511)	(8,585)
Accounts payable	110,775	130,803
Accrued liabilities	13,316	28,407
Net cash provided by operating activities	4,699	132,900
Cash flows from investing activities:		
Purchases of property, plant and equipment	(25,419)	(18,144)
Acquisitions, net of cash acquired	(7,300)	(200)
Proceeds from sale of property, plant and equipment	2,688	-
Proceeds from cash surrender of life insurance policies	-	813
Net cash used in investing activities	(30,031)	(17,531)
Cash flows from financing activities:		
Purchases of treasury shares	-	(101,267)
Proceeds from sale of shares upon exercise of options and purchase rights	16,538	12,972
Excess tax benefits from share-based compensation	676	1,346
Net cash provided by (used in) financing activities	17,214	(86,949)
Effect of exchange rate changes on cash and cash equivalents	(4,147)	3,665
Net increase (decrease) in cash and cash equivalents	(12,265)	32,085
Cash and cash equivalents at beginning of period	319,944	492,759
Cash and cash equivalents at end of period	$307,679	$524,844

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)
(Unaudited)

	Registered shares		Additional paid-in	Treasury shares		Retained	Accumulated other comprehensive	
	Shares	Amount	capital	Shares	Amount	earnings	loss	Total
March 31, 2009	191,606	$33,370	$ 45,012	12,124	$(341,454)	$1,341,661	$ (80,881)	$997,708
Net loss	-	-	-	-	-	(16,622)	-	(16,622)
Cumulative translation adjustment	-	-	-	-	-	-	12,046	12,046
Pension liability adjustment	-	-	-	-	-	-	30	30
Net deferred hedging loss	-	-	-	-	-	-	(4,263)	(4,263)
Total comprehensive loss								(8,809)
Purchase of treasury shares	-	-	-	5,838	(101,267)	-	-	(101,267)
Tax benefit from exercise of stock options	-	-	1,811	-	-	-	-	1,811
Sale of shares upon exercise of options and purchase rights	-	-	(33,754)	(1,681)	46,726	-	-	12,972
Share-based compensation expense	-	-	11,022	-	-	-	-	11,022
September 30, 2009	191,606	$33,370	$ 24,091	16,281	$(395,995)	$1,325,039	$ (73,068)	$913,437
March 31, 2010	191,606	$33,370	$ 14,880	16,435	$(382,512)	$1,406,618	$ (72,641)	$999,715
Net income	-	-	-	-	-	60,682	-	60,682
Cumulative translation adjustment	-	-	-	-	-	-	7,164	7,164
Pension liability adjustment	-	-	-	-	-	-	(556)	(556)
Net deferred hedging loss	-	-	-	-	-	-	(10,026)	(10,026)

Total comprehensive income								57,264
Tax benefit from exercise of stock options	-	-	(189)	-	-	-	-	(189)
Sale of shares upon exercise of options and purchase rights	-	-	(27,896)	(1,636)	44,434	-	-	16,538
Share-based compensation expense	-	-	16,753	-	-	-	-	16,753
September 30, 2010	191,606	$33,370	$ 3,548	14,799	$(338,078)	$1,467,300	$ (76,059)	$1,090,081

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

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

Note 1 — The Company

Logitech is a world leader in products that connect people to digital experiences. We develop and market innovative hardware and software products that enable or enhance digital navigation, music and video entertainment, gaming, social networking, audio and video communication over the Internet, video security and home-entertainment control. We have two operating segments, peripherals and video conferencing.

For the PC (personal computer), our products include mice, trackballs, keyboards, interactive gaming controllers, multimedia speakers, headsets, webcams, 3D control devices and lapdesks. Our Internet communications products include webcams, headsets, video communications services, and digital video security systems for a home or small business. Our LifeSize division offers scalable HD (high-definition) video communication products, support and services. Our digital music products include speakers, earphones, and custom in-ear monitors. For home entertainment systems, we offer the Harmony line of advanced remote controls, Squeezebox wireless music solutions and, beginning in October 2010 in the United States, a line of Logitech products for Google TV, including the Logitech Revue companion box. For gaming consoles, we offer a range of gaming controllers and microphones, as well as other accessories.

We sell our peripheral products to a network of retail distributors and resellers and to OEMs. Our worldwide retail network for our peripherals includes wholesale distributors, consumer electronics retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers and online merchants. The large majority of our revenues have historically been derived from sales of our peripheral products for use by consumers.

We sell our LifeSize video communication products and services to distributors, value-added resellers, OEMs and direct enterprise customers. The large majority of LifeSize revenues have historically been derived from sales to large enterprises, small-to-medium businesses, and public healthcare, education and government organizations.

Logitech was founded in Switzerland in 1981, and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland, which conducts its business through subsidiaries in the Americas, EMEA (Europe, Middle East, Africa) and Asia Pacific. Shares of Logitech International S.A. are listed on both the Nasdaq Global Select Market, under the trading symbol LOGI, and the SIX Swiss Exchange, under the trading symbol LOGN.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The consolidated financial statements are presented in accordance with U.S. GAAP (accounting principles generally accepted in the United States of America) for interim financial information and therefore do not include all the information required by U.S. GAAP for complete financial statements. They should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended March 31, 2010 included in its Annual Report on Form 10-K.

Net income for the six months ended September 30, 2009 includes $2.2 million in pretax charges related to restructuring accruals, bonus accruals and revenue-related adjustments from fiscal year 2009. We reviewed the accounting errors utilizing SEC Staff Accounting Bulletin No. 99, Materiality and SEC Staff Accounting Bulletin No. 108, Effects of Prior Year Misstatements on Current Year Financial Statements, and determined the impact of the errors to be immaterial to the current and prior quarterly and annual periods.

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

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. Operating results for the three and six months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending March 31, 2011 or any future periods.

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.

Changes in Significant Accounting Policies

There have been no substantial changes in our significant accounting policies during the three and six months ended September 30, 2010 compared with the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

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.

Recent Accounting Pronouncements

In October 2009, the FASB (Financial Accounting Standards Board) published ASU (Accounting Standards Update) 2009-13, Multiple Deliverable Revenue Arrangements, which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit. This guidance amends the criteria in ASC (Accounting Standards Codification) Subtopic 605-25, Revenue Recognition--Multiple-Element Arrangements, to establish a selling price hierarchy for determining the selling price of a deliverable, based on vendor specific objective evidence, acceptable third party evidence, or estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, the disclosures required for multiple-deliverable revenue arrangements are expanded. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We plan to adopt ASU 2009-13 prior to March 31, 2011 and are currently evaluating its potential impact on the Company’s consolidated financial statements and disclosures.

In October 2009, the FASB published ASU 2009-14, Certain Revenue Arrangements That Include Software Elements, to provide guidance for revenue arrangements that include both tangible products and software elements. Under this guidance, tangible products containing software components and non-software components that function together to deliver the product's essential functionality are excluded from the software revenue guidance in ASC Subtopic 985-605, Software-Revenue Recognition. In addition, hardware components of a tangible product containing software components are always excluded from the software revenue guidance. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We plan to adopt ASU 2009-14 prior to March 31, 2011 and are currently evaluating its potential impact on the Company's consolidated financial statements.

Note 3 — Net Income (Loss) per Share

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

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Net income (loss)	$41,160	$20,743	$60,682	$(16,622)
Weighted average shares - basic	176,359	178,395	175,921	179,058
Effect of potentially dilutive share equivalents	1,599	2,594	1,667	-
Weighted average shares - diluted	177,958	180,989	177,588	179,058
Net income (loss) per share - basic	$0.23	$0.12	$0.34	$(0.09)
Net income (loss) per share - diluted	$0.23	$0.11	$0.34	$(0.09)

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

Share equivalents attributable to outstanding stock options and RSUs (restricted stock units) of 13,195,403 and 9,961,610 for the three months ended September 30, 2010 and 2009, and 13,738,650 for the six months ended September 30, 2010 were excluded from the calculation of diluted net income (loss) per share because the combined exercise price, average unamortized fair value and assumed tax benefits upon exercise of these options and RSUs were greater than the average market price of the Company’s shares, and therefore their inclusion would have been anti-dilutive. For the six months ended September 30, 2009, potentially dilutive share equivalents of 2,145,224 were excluded from the computation of diluted net loss per share because their inclusion in calculating a net loss per share would have been anti-dilutive.

Note 4 — Fair Value Measurements

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

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

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

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

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

	September 30, 2010			March 31, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents	$307,679	$-	$-	$319,944	$-	$-
Investment securities	-	-	994	-	-	994
Foreign exchange derivative assets	436	-	-	599	-	-
Total assets at fair value	$308,115	$-	$994	$320,543	$-	$994
Foreign exchange derivative liabilities	$8,024	$-	$-	$366	$-	$-
Total liabilities at fair value	$8,024	$-	$-	$366	$-	$-

Cash and cash equivalents consist of bank demand deposits and time deposits. The time deposits have original terms of less than 40 days. Cash and cash equivalents are carried at cost, which is equivalent to fair value.

The Company's investment securities portfolio as of September 30, 2010 and March 31, 2010 consisted of auction rate securities collateralized by residential and commercial mortgages. The investment securities are classified as available-for-sale and are carried in non-current assets. The estimated fair value of the securities was determined by estimating future cash flows, either through discounted cash flow or option pricing methods, incorporating assumptions of default and other future conditions. Such valuation methods fall within Level 3 of the fair value hierarchy. The par value of our investment securities portfolio at September 30 and March 31, 2010 was $47.5 million.

Note 5 — Acquisitions

On July 6, 2010, Logitech acquired substantially all of the assets and employees of Paradial AS, a Norwegian company providing firewall and NAT (network address translation) traversal solutions for video communications. The acquisition will allow the Company to closely integrate firewall and NAT traversal across its video communications product portfolio, enabling end-to-end HD video calling over highly protected networks. The acquisition has been treated as an acquisition of a business and has been accounted for using the purchase method of accounting. The total consideration paid of $7.3 million was allocated based on estimated fair values to $7.0 million of identifiable intangible assets and $0.1 million of assumed liabilities, with the remaining balance allocated to goodwill. The intangible assets acquired are amortized on a straight-line basis over their estimated useful lives of 5 years. 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):

	September 30, 2010	March 31, 2010
Accounts receivable:		
Accounts receivable	$460,006	$349,722
Allowance for doubtful accounts	(3,934)	(5,870)
Allowance for returns	(26,942)	(23,657)
Cooperative marketing arrangements	(25,511)	(17,527)
Customer incentive programs	(40,178)	(44,306)
Pricing programs	(58,443)	(63,115)
	$304,998	$195,247
Inventories:		
Raw materials	$36,030	$31,630
Work-in-process	2	86
Finished goods	306,989	187,877
	$343,021	$219,593
Other current assets:		
Tax and VAT refund receivables	$22,133	$20,305
Deferred taxes	25,650	27,064
Prepaid expenses and other	15,699	11,508
	$63,482	$58,877
Property, plant and equipment:		
Plant and buildings	$49,806	$58,629
Equipment	128,673	112,454
Computer equipment	58,963	53,576
Computer software	81,396	78,156
	318,838	302,815
Less: accumulated depreciation	(236,376)	(224,485)
	82,462	78,330
Construction-in-progress	5,896	9,751
Land	2,764	3,148
	$91,122	$91,229
Other assets:		
Deferred taxes	$46,250	$45,257
Cash surrender value of life insurance contracts	10,949	11,097
Deposits and other	9,678	9,576
	$66,877	$65,930
Accrued liabilities:		
Accrued personnel expenses	$50,540	$48,617
Accrued marketing expenses	33,034	28,052
Accrued freight and duty	15,999	12,696
Income taxes payable - current	4,090	8,875
Non-retirement post-employment benefit obligations	3,068	2,761
Accrued restructuring	81	399
Other accrued liabilities	91,915	80,936

	$198,727	$182,336
Long-term liabilities:		
Income taxes payable - non-current	$114,949	$116,456
Obligation for management deferred compensation	10,644	10,307
Defined benefit pension plan liability	20,321	19,343
Other long-term liabilities	14,607	13,566
	$160,521	$159,672

The following table presents the changes in the allowance for doubtful accounts during the six months ended September 30, 2010 and 2009 (in thousands):

	September 30, 2010	September 30, 2009
Balance as of March 31, 2010	$5,870	$6,705
Bad debt expense	422	(1,194)
Write-offs net of recoveries	(597)	446
Balance as of June 30, 2010	$5,695	$5,957
Bad debt expense	(140)	599
Write-offs net of recoveries	(1,621)	(158)
Balance as of September 30, 2010	$3,934	$6,398

Note 7 —Goodwill and Other Intangible Assets

The following table summarizes the activity in the Company's goodwill account during the six months ended September 30, 2010 (in thousands):

	September 30, 2010
Balance as of March 31, 2010	$553,462
Additions	332
Balance as of September 30, 2010	$553,794

Additions to goodwill relate to our acquisition of Paradial. Paradial's business will be fully integrated into the Company's LifeSize division, and discrete financial information for Paradial will not be maintained. Accordingly, the acquired goodwill related to Paradial will be evaluated for impairment at the LifeSize reporting unit level. The Company performs its annual goodwill impairment test during its fiscal fourth quarter, or more frequently if certain events or circumstances warrant. No events or circumstances occurred during the six months ended September 30, 2010 which warranted a goodwill impairment test.

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

	September 30, 2010			March 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark/tradename	$32,116	$ (21,912)	$10,204	$32,051	$ (20,421)	$11,630
Technology	94,968	(44,173)	50,795	87,968	(36,033)	51,935
Customer contracts	38,538	(11,148)	27,390	38,517	(6,686)	31,831
	$165,622	$ (77,233)	$88,389	$158,536	$ (63,140)	$95,396

During the six months ended September 30, 2010, changes in the gross carrying value of other intangible assets related primarily to our acquisition of Paradial.

For the three months ended September 30, 2010 and 2009, amortization expense for other intangible assets was $7.1 million and $2.2 million. For the six months ended September 30, 2010 and 2009, amortization expense for other intangible assets was $14.0 million and $4.6 million. The Company expects that amortization expense for the six-month period ending March 31, 2011 will be $14.5 million, and annual amortization expense for fiscal years 2012, 2013, 2014 and 2015 will be $26.1 million, $23.0 million, $16.9 million and $7.5 million, and $0.4 million thereafter.

Note 8 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating $114.3 million at September 30, 2010. There are no financial covenants under these lines of credit with which the Company must comply. At September 30, 2010, the Company had no outstanding borrowings under these lines of credit.

Note 9 — Shareholders' Equity

Share Repurchases

During the three and six months ended September 30, 2010 and 2009, the Company had the following approved share buyback programs in place (in thousands):

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

The Company did not repurchase any shares during the three and six months ended September 30, 2010. During the three and six months ended September 30, 2009, the Company repurchased shares under the June 2007 share buyback program as follows (in thousands):

Date of Announcement	Three months ended September 30, 2009		Six months ended September 30, 2009	
	Shares	Amount (1)	Shares	Amount (1)
June 2007	5,838	$101,267	5,838	$101,267

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

Accumulated Other Comprehensive Loss

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

	September 30, 2010	March 31, 2010
Cumulative translation adjustment	$(56,479)	$(63,646)
Pension liability adjustments, net of tax of $792 and $936	(11,369)	(10,813)
Unrealized gain on investments	424	424
Net deferred hedging gains (losses)	(8,635)	1,394
	$(76,059)	$(72,641)

Note 10 — Restructuring

In January 2009, Logitech initiated a restructuring plan in order to reduce operating expenses and improve financial results in response to deteriorating global economic conditions. We completed the restructuring plan in fiscal year 2010. The following table summarizes restructuring related activities during the six months ended September 30, 2010 and 2009 (in thousands):

	Total	Termination Benefits	Contract Termination Costs	Other
Balance at March 31, 2009	$3,794	$3,779	$ 15	$-
Charges	1,449	1,366	83	-
Cash payments	(4,245)	(4,220)	(25)	-
Other	(8)	(4)	(4)	-
Foreign exchange	91	91	-	-
Balance at June 30, 2009	$1,081	$1,012	$ 69	$-
Charges	45	(22)	9	58
Cash payments	(718)	(698)	(20)	-
Other	(4)	63	-	(67)
Foreign exchange	19	19	-	-
Balance at September 30, 2009	$423	$374	$ 58	$(9)
Balance at March 31, 2010	$399	$158	$ 334	$(93)
Cash payments	(168)	-	(168)	-
Other	(74)	(149)	-	75
Foreign exchange	(3)	-	-	(3)
Balance at June 30, 2010	$154	$9	$ 166	$(21)
Cash payments	(73)	-	(73)	-
Balance at September 30, 2010	$81	$9	$ 93	$(21)

Termination benefits incurred pursuant to the 2009 Restructuring Plan are calculated based on regional benefit practices and local statutory requirements. Contract termination costs relate to exit costs associated with the closure of existing facilities.

Note 11 — Employee Benefit Plans

Employee Share Purchase Plans and Stock Incentive Plans

As of September 30, 2010, the Company offers the 2006 ESPP (2006 Employee Share Purchase Plan (Non-U.S.)), the 1996 ESPP (1996 Employee Share Purchase Plan (U.S.)) and the 2006 Stock Incentive Plan. Shares issued to employees as a result of purchases or exercises under these plans are generally issued from shares held in treasury.

The following table summarizes the share-based compensation expense and related tax benefit included in the Company's consolidated statements of operations for the three and six months ended September 30, 2010 and 2009 (in thousands).

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Cost of goods sold	$919	$628	$1,910	$1,426
Share-based compensation expense included in gross profit	919	628	1,910	1,426
Operating expenses:				
Marketing and selling	3,091	2,154	6,168	3,913
Research and development	1,776	1,068	3,552	1,909
General and administrative	2,472	1,908	5,090	3,918
Share-based compensation expense included in operating expenses	7,339	5,130	14,810	9,740
Total share-based compensation expense	8,258	5,758	16,720	11,166
Income tax benefit	(2,442)	(449)	(4,337)	(833)
Share-based compensation expense, net of income tax	$5,816	$5,309	$12,383	$10,333

As of September 30, 2010 and 2009, $0.9 million and $0.6 million of share-based compensation cost was capitalized to inventory. As of September 30, 2010, total compensation cost related to non-vested stock options not yet recognized was $40.6 million, which is expected to be recognized over the next 29 months on a weighted-average basis.

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:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2010	2009	2010	2009	2010	2009	2010	2009
	Purchase Plans		Stock Options		Purchase Plans		Stock Options	
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Expected life	6 months	6 months	4.0 years	3.9 years	6 months	6 months	4.0 years	3.9 years
Expected volatility	36%	71%	48%	48%	36%	71%	48%	48%
Risk-free interest rate	0.17%	0.21%	1.16%	2.18%	0.17%	0.21%	1.63%	2.13%

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

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

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

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

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

	Three Months Ended September 30,				Six Months Ended September 30,			
	2010	2009	2010	2009	2010	2009	2010	2009
	Purchase Plans		Stock Options		Purchase Plans		Stock Options	
Weighted average grant-date fair value of options granted	$3.96	$4.20	$5.92	$14.10	$3.96	$4.20	$5.85	$13.87
Expected forfeitures	0 %	0 %	9 %	10 %	0 %	0 %	9 %	10 %

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A summary of activity under the share-based compensation plans is as follows (in thousands, except per share data; exercise prices are weighted averages):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2010		2009		2010		2009	
	Number	Exercise Price	Number	Exercise Price	Number	Exercise Price	Number	Exercise Price
Outstanding, beginning of period	19,669	$17	17,751	$18	20,551	$17	18,897	$18
Granted	143	$7	2,200	$14	329	$12	2,389	$14
Exercised	(516)	$8	(365)	$9	(1,127)	$8	(1,034)	$7
Cancelled or expired	(375)	$17	(456)	$22	(832)	$19	(1,122)	$23
Outstanding, end of period	18,921	$18	19,130	$18	18,921	$18	19,130	$18